DUKASCOPY
Swiss Banking Group

ANNUAL REPORT 2020

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Swiss Banking Group

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 econophysical techniques.

The founders' vision materialised in the form of an international FinTech group headed by Dukascopy Bank. The group is a fully digital Internet-based Swiss bank and securities house counting 109.6 employees on 31.12.2020 (counted in full time equivalent, 138.5 on 31.12.2019). On the same date, Dukascopy Group counted 156.7 for the consolidated companies (204.3 employees on 31.12.2019).

The Bank and securities houses of Dukascopy Group are regulated in Switzerland, Latvia and Japan. The Latvian entity, Dukascopy Europe has a license to operate in the European Union. 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, classic banking payments, innovative instant payments via smartphones, payment cards, its own crypto currency, etc. to individuals and institutions. The SWFX trading platforms operated by Dukascopy Bank SA are considered bilateral organised trading facilities.

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 and fully online which has allowed the Bank to open more than 200'000 accounts.

As a regulated institution, the Bank was able to launch crypto related activities in 2019 including its own crypto-currency. The "Dukascoins" are tokens created by the Bank on the blockchain technology based on Ethereum. Dukascoins are designed as a means of payment and speculation. The Bank considers that the Dukascoin is a success considering its wide acceptance as a reward for clients opening an MCA.

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

MESSAGE FROM THE BOARD OF DIRECTORS

2020 was a very challenging year in the history of Dukascopy Group. The COVID-19 pandemic engulfed the world, wreaking havoc on financial markets and submitting the global banking industry to an unprecedented test.

As of the date of this message, the Board is pleased to report that Dukascopy met and passed the challenge with flying colours.

Dukascopy Group stood resilient and strong, providing the full range of services and support to all clients during the crisis, while holding the health and safety of its employees as an absolute priority. Safety protocols including remote work and work-space organisation were adopted and implemented early on without impact on the scope, quality and reliability of banking and trading services.

The pressure of these circumstances did not slow down Dukascopy's technological and new products' development cycle, nor has it negatively impacted the Group's annual financial results. In fact, 2020 was a year of record-breaking profits for Dukascopy Bank SA. These profits are proof and a real time test of the innovative, advanced and exclusive risk control character of the business model of the Bank, open to the future and sometimes unpredictable challenges.

Above all, we owe to those who are ultimately responsible for Dukascopy Group's success - all its employees - a special debt of gratitude, as their perseverance, dedication and support have been exceptional in so many ways. We are also sincerely grateful for the ongoing trust and commitment received from our shareholders and business partners. We wish all those who have suffered from COVID-19 a swift and full recovery.

The Board of Directors

MESSAGE FROM THE co-CEOs

The productivity gains obtained during the previous years reached a new level of efficiency in 2020.

We have drastically lightened, simplified and reoriented our organization around growth opportunities, namely mobile retail banking and crypto related activities, while continuing to take care of our trading customers. 2020 marked the second year after the implementation of the Dukascoin. Its development and growth corresponded to the Bank's vision and satisfied its initial expectations.

The year 2020 was marked by the global health crisis which was translated into the real economy and financial sector by several critical episodes such as the liquidity and commodities episode of March 2020.

In fact, thanks to its risk management and preventive risk reduction measures, the Bank was not impacted by negative oil prices, lack of liquidity or other crises that were observed in March 2020 and the following months. The Bank worked as usual and went through this turmoil with no significant impact.

Instead, in March 2020, the Bank recorded outstanding financial results that were confirmed during the following months. 2020 was an exceptional year in terms of trading profits due to high volatility. These results represent a historical record for the Bank since its inception and result from a combination between a general increase in banking results and exceptional market conditions.

The digital banking model of the Bank was tested in real conditions during 2020 and showed robustness and reliability. This digital banking model developed by Dukascopy Bank also showed to be profitable in 2020 compared to some competitors' models.

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 is offering a unique set of services to the crypto industry without compromising its strict anti-money laundering policy. In addition, our Bank was able to increase the range of new products offered to its clients including new CFDs on shares and CFDs on cryptos. Starting from less than 50 FX currency pairs, the Bank is now offering trading on over 750 instruments, representing such asset classes as SPOT FX and precious metals as well as CFDs on commodities, indices, bonds, stocks, ETFs and cryptocurrencies.

During the past year and current troubled circumstances of the COVID-19 pandemic, Dukascopy Bank's online business model showed to be an immense advantage and a guarantee of stability for the services provided to our customers. The Bank has been offering services fully dependent on IT solutions to a global clientele. These services require continuous streamlining and automation/digitalization of all processes. As a result, Dukascopy has essentially adopted the model of an online/digital bank before this notion even became a trend. Our internationally spread organization has proved to be resilient and adaptable. These achievements make us confident for the future. We address a special welcome to the 30'000 clients who have opened an account in 2020, confirming the trends and success of Dukascopy's mobile multi-currency accounts.

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

Veronika and Andrey Duka
co-Chief Executive Officers

REVIEW OF OPERATIONS & KEY FIGURES

DUKASCOPY BANK SA

2020 has been an excellent year with record figures in terms of profitability for Dukascopy Bank SA as illustrated by the following key figures:

(in CHF million or in %)	**2020**	**2019**	**2018**
Total operating income	40.1	28.0	27.4
Total operating expenses	21.0	24.4	27.6
Net result	10.4	2.2	-1.1
Cost / income ratio	52.5%	87.2%	100.6%
Total assets	162.7	142.6	153.0
Total client deposits	105.3	102.1	113.9
Regulatory capital	50.4	36.6	34.4

The Bank's net profit of 2020 was CHF 10.4 million. Considering its excellent financial results in 2020, Dukascopy Bank took this opportunity to put aside and allocate CHF 4.0 million to create a "Reserve for General Banking Risks", of which CHF 3.4 million will reinforce its capital base. Without the constitution of this reserve, the net profit of the year 2020 would have reached CHF 13.8 million.

Total income from ordinary banking operations increased by 43.1% compared to 2019. At the same time, in 2020, operating expenses were 13.8% below operating expenses in 2019. This combination of revenues' increase and expenses' decrease improved profitability at a high level and resulted in an almost five time increase of net profit, exceeding expectations. High-end technology and innovation contributed to these record figures and to the strong organic growth.

The total number of accounts set a new record. This is attributable on one hand, to the faster pace of customer acquisition and on the other, to the greater adoption of digital services and the increased public interest in those services.

The Bank substantially invested in diversifying its range of products. Dukascopy Bank continues to expand its list of more than 750 FX and CFD instruments with the addition of stocks and ETFs from US, Ireland, Hong Kong, France and Germany. Besides its traditional core business, namely 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.

Dukascopy Bank continues to expand its role as a pioneer in cryptocurrency trading. In 2019, Dukascopy Bank was striving to become the first regulated bank to launch its own cryptocurrency – the Dukascoin. As of 31.12.2020, Dukascopy Bank released more than 4.3 million Dukascoins. In 2020, 25'846 new MCA accounts were opened.

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. In 2020, all consolidated subsidiaries of Dukascopy Group were profitable.

Dukascopy Europe's net profit for 2020 was CHF 78 thousand. Operating expenses were reduced by 30.3% compared to 2019.

The company compensated the drop of business volume due to new restrictions of ESMA regulation with the income generated by services provided to the Bank under outsourcing agreements and by a general cost optimization policy.

Dukascopy Japan's net profit for 2020 was CHF 96 thousand. Operating expenses were decreased by 33.9% compared to the same period in 2019.

The company became profitable due to the implementation of the new marketing policy, MT4 platform and cost reduction. The Company continues the new cashback campaign targeted at high-frequency traders.

SWFX – Swiss FX Marketplace SA has been consolidated for the first time in 2019. Its net profit for 2020 amounts to CHF 118 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 2017, the Board of Directors created an Audit Committee comprising two members. At the end of 2020, the Board of Directors was composed of five members, all independent as per the FINMA circular 2018/1. One new member joined the Board and another member resigned from the Board during 2020.

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 joined the Board of Directors and became a member of the Audit Committee in 2020. 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. He has been working as tax lawyer for more than 25 years (Deloitte, Baker & McKenzie, Python). He is currently a partner at the law firm Streng SA. 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 2020. 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 joined the Board of Directors in 2018 and resigned in 2020. 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 also taught for 7 years at the University of Geneva in the field of audit of financial institutions.

Tatiana Pannatier was elected member of the Board of Directors in 2020. She has a Master's Degree in Law (Sofia, Bulgaria) and a «Diplôme d'études supérieurs» from the Geneva IUHEI in International law, Economy and History. From 1995 till 2020 she worked at International banks in Geneva, being also a Member of the Committee of Directors.

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 2020, 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 had 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 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 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 had been working for 14 years in the banking field (Payment, Investment and Treasury operations) at various positions including 3 years at the executive level.

Laurent Bellières, Chief Risk Officer, he 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 and resigned in 2020.

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 worked for 15 years in the accounting and tax fields for several companies.

Wajih Raïs, Chief Risk Officer, has joined the Bank as a deputy CRO at the beginning of 2020. He obtained a master’s degree in business law from University Paris V, passed the bar exam in Paris and holds a master in Finance & Strategy from Sciences Po Paris, in France. He specialised in financial services first as a banking financial auditor for more than 7 years for KPMG la Defense and for PwC Geneva. He also worked as Head of pricing & research for a financial company before joining the Bank.

FINANCIAL STATEMENTS

and proposed appropriation of retained earnings

BALANCE SHEET

as at 31 December 2020

ASSETS	31.12.2020 CHF	31.12.2019 CHF
Liquid assets	23 260 143	23 720 307
Amounts due from banks	87 719 855	62 254 592
Amounts due from customers	623 876	278 265
Positive replacement values of derivative financial instruments	467 392	1 082 744
Financial investments	45 645 345	47 138 149
Accrued income and prepaid expenses	2 230 097	3 412 107
Investment in subsidiaries	1 608 197	3 762 327
Tangible fixed assets	1 004 429	800 178
Other assets	183 984	176 716
Total assets	**162 743 318**	**142 625 385**

LIABILITIES	CHF	CHF
Amounts due to banks	9 204 619	15 841 440
Amounts due in respect of customer deposits	96 067 268	86 218 971
Negative replacement values of derivative financial instruments	611 185	1 109 916
Accrued expenses and deferred income	3 375 304	1 989 090
Other liabilities	2 481 648	864 442
Reserves for general banking risks	4 000 000	–
Bank's capital	22 000 000	22 000 000
Statutory retained earnings reserve	796 000	685 000
Profit carried forward	13 805 526	11 716 508
Profit of the year	10 401 768	2 200 018
Total liabilities	**162 743 318**	**142 625 385**

OFF–BALANCE SHEET

as at 31 December 2020

Off–balance sheet commitments	31.12.2020 CHF	31.12.2019 CHF
Contingent liabilities	227 412	154 971
Irrevocable commitments	892 000	884 000

STATEMENT OF INCOME

for the year ended 31 December 2020

Result from interest operations	31.12.2020 CHF	31.12.2019 CHF
Interest and discount income	(230 215)	(29 890)
Interest and dividend income from financial investments	728 915	713 807
Interest expense	(576 313)	(502 879)
Gross result from interest operations	**(77 613)**	**181 038**
Changes in value adjustments for default risks and losses from interest operations	(29 741)	–
Subtotal net result from interest operations	**(107 354)**	**181 038**
Result from commission business and services		
Commission income from other services	1 278 095	948 724
Commission expense	(712 932)	(452 367)
Subtotal result from commission business and services	**565 163**	**496 357**
Result from trading activities	**39 639 801**	**27 341 106**
Operating expenses		
Personnel expenses	(7 350 651)	(8 205 795)
General and administrative expenses	(13 688 675)	(16 213 674)
Subtotal operating expenses	**(21 039 326)**	**(24 419 469)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(2 633 859)	(569 091)
Changes to provisions and other value adjustments, and losses	(29 524)	(31 862)
Operating result	**16 394 901**	**2 998 079**
Extraordinary income	431	1 079
Extraordinary expenses	(10 745)	(170 793)
Changes in RRBG	(4 000 000)	–
Taxes	(1 982 819)	(628 347)
Profit of the year	**10 401 768**	**2 200 018**

PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2020

	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**	–	**11 716 508**	**2 200 018**	**36 601 526**
Allocation of previous year result	–	–	–	–	–	–
- Other allocations to (transfer from) the Reserves for general banking risks	–	–	4 000 000	–	–	4 000 000
- Allocation to statutory retained earnings reserve	–	111 000	–	–	(111 000)	–
- Allocation to profit carried forward	–	–	–	2 089 018	(2 089 018)	–
Result of the year	–	–	–	–	10 401 768	10 401 768
Equity at end of current period	**22 000 000**	**796 000**	**4 000 000**	**13 805 526**	**10 401 768**	**51 003 294**

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

	2020 CHF
Result of the year	10 401 768
Profit carried forward	13 805 526
Amount at the disposal of the Shareholders' general meeting	**24 207 294**

Proposed utilisation	2020 CHF
Contribution to the statutory retained earnings reserve	521 000
To be carried forward	23 686 294
Total	**24 207 294**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

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 and Hong Kong. The 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, the FINMA Accounting Ordinance and FINMA circular 2020/01. The financial statements are prepared in accordance with the reliable assessment principle as defined by the FINMA circular 2020/01 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

The revised accounting principles have changed but there is no significant impact on the financial statements.

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 2020

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 purpose 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 2020

f. Crypto assets

Dukascoins

Dukascopy Bank books Dukascoins belonging to the Bank in the caption "Financial investments" valued at lower than 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 Art. 10 Finma Accounting Ordinance, the fair value derives either from a price efficient and liquid market or from a valuation model. 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 considers that there is no fair value estimate 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”.

Other crypto assets

Dukascopy Bank books other crypto assets belonging to the Bank in the caption "Financial investments". The valuation is based on the acquisition cost principle. The subsequent valuation is based on the lower of cost or market principle.

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 minimal 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:

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

- 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 cost 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 "Amounts due to banks" or "Other liabilities".
In case an indication arise 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.

l. 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.

j. 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".

k. 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.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

l. 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 Bank's employees are insured. 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:

		2020	**2019**
		CHF	**CHF**
USD	1.00	0.88505	0.96748
EUR	1.00	1.08102	1.08575
GBP	1.00	1.20960	1.28351
CAD	1.00	0.69535	0.74501
JPY	1.00	0.00857	0.00891
AUD	1.00	0.68084	0.67911
NZD	1.00	0.63580	0.65119
NOK	1.00	0.10317	0.11016
SEK	1.00	0.10757	0.10330
SGD	1.00	0.66950	0.71906

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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. Value adjustments on non-impairment credit exposures are determined individually or on a portfolio basis according to Art. 25 para 1 let. c FINMA Accounting Ordinance.

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, 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

No material event occurred after the balance sheet date that could have a material impact on the financial position of the Bank as of 31 December 2020.

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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	–	34 351	589 525	623 876
Total at 31 December 2020 (before netting with value adjustments)	**–**	**34 351**	**589 525**	**623 876**
Total at 31 December 2019 (before netting with value adjustments)	–	43 529	234 736	278 265
Total at 31 December 2020 (after netting with value adjustments)	**–**	**34 351**	**589 525**	**623 876**
Total at 31 December 2019 (after netting with value adjustments)	–	43 529	234 736	278 265

Off-balance sheet commitments	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Contingent liabilities*	–	227 412	–	227 412
Irrevocable commitments	–	–	892 000	892 000
Total at 31 December 2020	**–**	**227 412**	**892 000**	**1 119 412**
Total at 31 December 2019	–	154 971	884 000	1 038 971

*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 2020	**–**	**–**	**–**	**–**
Total at 31 December 2019	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

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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	15	–	10 752
Total interest instruments	**15**	–	**10 752**
Currencies:			
- forward contracts*	338 632	309 825	131 965 418
- swaps	213 951	251 639	399 308 288
Total currencies	**552 583**	**561 464**	**531 273 706**
Precious metals:			
- forward contracts*	18 566	10 627	6 716 840
- swaps	35 351	7 006	34 088 799
Total precious metals	**53 917**	**17 633**	**40 805 639**
Equity securities and indices:			
- CFD	38 760	82 963	30 231 480
Total equity securities and indices	**38 760**	**82 963**	**30 231 480**
Others:			
- CFD	251 541	378 549	15 393 842
Total others	**251 541**	**378 549**	**15 393 842**
Total at 31 December 2020 before impact of netting contracts	**896 816**	**1 040 609**	**617 715 419**
of which determined using a valuation model	–	–	–
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 2020 after impact of netting contracts	**467 392**	**611 185**	
Total at 31 December 2019 after impact of netting contracts	1 082 744	1 109 916	

* 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 2020	–	**438 145**	**29 247**	**467 392**
Positive replacement values after impact of netting contacts				
Total at 31 December 2019	–	680 353	402 391	1 082 744

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of financial investments

	Book value		Fair value	
	2020 CHF	2019 CHF	2020 CHF	2019 CHF
Debt securities held to maturity	45 557 708	47 082 732	46 981 305	47 997 885
Cryptocurrencies	87 637	55 417	87 637	55 417
Total	**45 645 345**	**47 138 149**	**47 068 942**	**48 053 302**
including securities eligible for repo transactions in accordance with liquidity regulations	*34 985 538*	*35 552 443*	*35 938 370*	*36 215 400*

Breakdown of contreparties by Fitch ratings

2020, 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	**45 557 708**	**–**	**–**	**–**	**–**	**–**
2019, CHF						
Debt securities: Book value of bonds held to maturity	47 082 732	–	–	–	–	–

We use rating Fitch.

Presentation of participations

	2019			2020			
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	3 762 327	–	3 762 327	–	(10 983)*	(2 143 147)**	1 608 197
Total participations	**3 762 327**	–	**3 762 327**	–	**(10 983)***	**(2 143 147)****	**1 608 197**

* This amount relates to the reimbursment of Dukascopy International Ltd's capital

** This amount relates to the value adjustment of Dukascopy Japan K.K.'s 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
2020						
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 Japan K.K.	brokerage	6 021 839	Tokyo	100	100	100
Dukascopy International Ltd.	in liquidation	0	Limassol	100	100	100
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

Presentation of tangible fixed assets

	2019			2020			
	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	23 227 032	(22 938 688)	288 344	52 631	–	(92 252)	248 723
Other tangible fixed assets	9 762 616	(9 250 782)	511 834	642 332	–	(398 460)	755 706
Total fixed assets	**32 989 648**	**(32 189 470)**	**800 178**	**694 963**	–	**(490 712)**	**1 004 429**

Leasing

	2021 CHF	2022 CHF	2023 CHF	2024 CHF	2025 CHF
Future leasing installments arising from operating leases	**1 518 231**	**1 210 153**	**964 982**	**772 705**	**657 515**
of which, may be terminated within one year	*47 040*	–	–	–	–

They are rental costs.

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Breakdown of other assets and liabilities

Other assets	2020 CHF	2019 CHF
Wire transfers	183 984	176 716
Total other assets	**183 984**	**176 716**

Other liabilities		
Wire transfers	2 237 649	552 611
Indirect taxes to be paid	243 890	311 831
Others	109	–
Total other liabilities	**2 481 648**	**864 442**

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

	2020		2019	
	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	18 939 159	381 477	21 562 320	2 097 186
Margin accounts assigned as collateral	24 438 870	112 045	12 066 829	810 950
Deposits made with banks to secure guarantees	219 530	219 530	219 529	219 529
Total	**43 597 559**	**713 052**	**33 848 678**	**3 127 665**

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 contribution scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2019: nil). The pension fund unaudited accounts as of 31 December 2020 present a coverage ratio of 120%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2019, the coverage ratio was 119%.
There is no pension fund for the other foreign representation offices of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

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Presentation of economic benefit / obligation and the pension expenses

	Over or underfunding 31.12.20	Economic interest of the Bank 2020	Economic interest of the Bank 2019	Change in economic interest versus prior year	Contributions paid for 2020	Pension expenses in personnel expenses 2020	Pension expenses in personnel expenses 2019
Pension plans with overfunding	–	–	–	–	280 317	280 317	297 167

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

	Balance at 31 Dec. 2019 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. 2020 CHF
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	–	–	–	–	–	–	–	–
Reserves for general banking risks	–	–	–	–	–	**4 000 000**	–	**4 000 000**
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. Reserves for general banking risks have not been taxed.

Presentation of the Bank's capital

	2020			2019		
	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

	2020		2019	
	Amounts due from CHF	Amounts due to CHF	Amounts due from CHF	Amounts due to CHF
Holders of qualified participations	42 000	30 502	–	19 011
Group companies	600 100	4 008 487	7 415	4 614 533
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	28 059	–	34 940
Other related parties	–	39	–	5 429

Dukascopy Bank SA engaged into transactions with related parties in the normal course of its business. These transactions mainly include outsourcing, 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

	2020			
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

	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

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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	Due: No maturity CHF	Total CHF
Liquid assets	23 260 143	–	–	–	–	–	–	23 260 143
Amounts due from banks	87 500 325	219 530	–	–	–	–	–	87 719 855
Amounts due from customers	578 338	45 538	–	–	–	–	–	623 876
Positive replacement values of derivative financial instruments	467 392	–	–	–	–	–	–	467 392
Financial investments	87 637	–	–	–	10 572 170	34 985 538	–	45 645 345
Total current assets at 31 December 2020	**111 893 835**	**265 068**	–	–	**10 572 170**	**34 985 538**	–	**157 716 611**
Total current assets at 31 December 2019	87 087 434	303 891	–	–	11 530 289	35 552 443	–	134 474 057
Third-party liabilities								
Amounts due to banks	9 204 619	–	–	–	–	–	–	9 204 619
Amounts due in respect of customer deposits	96 067 268	–	–	–	–	–	–	96 067 268
Negative replacement values of derivative financial instruments	611 185	–	–	–	–	–	–	611 185
Total third-party liabilities at 31 December 2020	**105 883 072**	–	–	–	–	–	–	**105 883 072**
Total third-party liabilities at 31 December 2019	103 170 327	–	–	–	–	–	–	103 170 327

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

	2020			2019		
ASSETS in CHF (000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	23 260	–	23 260	23 720	–	23 720
Amounts due from banks	37 761	49 959	87 720	29 656	32 598	62 254
Amounts due from customers	101	523	624	65	214	279
Positive replacement values of derivative financial instruments	216	252	468	78	1 005	1 083
Financial investments	34 989	10 656	45 645	35 552	11 586	47 138
Accrued income and prepaid expenses	1 343	887	2 230	2 384	1 028	3 412
Investment in subsidiaries	200	1 408	1 608	200	3 562	3 762
Tangible fixed assets	787	217	1 004	525	275	800
Other assets	184	–	184	177	–	177
Total assets	**98 841**	**63 902**	**162 743**	**92 357**	**50 268**	**142 625**

LIABILITIES in CHF (000)						
Amounts due to banks	–	9 204	9 204	–	15 841	15 841
Amounts due in respect of customer deposits	7 194	88 873	96 067	6 952	79 267	86 219
Negative replacement values of derivative financial instruments	63	548	611	293	817	1 110
Accrued expenses and deferred income	3 022	353	3 375	1 738	250	1 988
Other liabilities	2 482	–	2 482	865	–	865
Reserves for general banking risks	4 000	–	4 000	–	–	–
Bank's capital	22 000	–	22 000	22 000	–	22 000
Statutory retained earnings reserve	796	–	796	685	–	685
Profit carried forward	13 806	–	13 806	11 717	–	11 717
Result of the year	10 402	–	10 402	2 200	–	2 200
Total liabilities	**63 765**	**98 978**	**162 743**	**46 450**	**96 175**	**142 625**

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

	2020		2019	
ASSETS	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
Switzerland	98 841	60.7	92 357	64.7
Europe excluding Switzerland	47 460	29.2	34 074	23.9
USA and Canada	14 601	9.0	12 556	8.8
Others	1 841	1.1	3 638	2.6
Total	**162 743**	**100.0**	**142 625**	**100.0**

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

	2020		2019	
SERV Rating	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
1	62 087	97.2	48 055	95.7
2	1	0.0	6	0.0
3	234	0.4	367	0.7
4	54	0.1	22	0.0
5	1 117	1.7	1 356	2.7
6	95	0.1	197	0.4
7	243	0.4	174	0.3
without rating	71	0.1	91	0.2
Total	**63 902**	**100.0**	**50 268**	**100.0**

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

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

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	23 260	–	–	–	–	–	23 260
Amounts due from banks	5 357	33 268	32 503	6 173	1 016	9 403	87 720
Amounts due from customers	96	193	271	5	–	59	624
Positive replacement values of derivative financial instruments	468	–	–	–	–	–	468
Financial investments	34 985	–	10 572	–	–	88	45 645
Accrued income and prepaid expenses	1 221	207	626	50	–	126	2 230
Investment in subsidiaries	1 608	–	–	–	–	–	1 608
Tangible fixed assets	1 004	–	–	–	–	–	1 004
Other assets	10	17	18	18	–	121	184
Total assets	**68 009**	**33 685**	**43 990**	**6 246**	**1 016**	**9 797**	**162 743**
Claims arising from spot exchange and swap transactions	31 434	122 626	189 106	51 289	37 868	139 729	572 052
Total at 31 December 2020	**99 443**	**156 311**	**233 096**	**57 535**	**38 884**	**149 526**	**734 795**

LIABILITIES							
Amounts due to banks	187	6 798	1 758	171	91	199	9 204
Amounts due in respect of customer deposits	9 884	25 563	43 250	5 069	299	12 002	96 067
Negative replacement values of derivative financial instruments	611	–	–	–	–	–	611
Accrued expenses and deferred income	2 257	907	137	1	42	31	3 375
Other liabilities	509	659	1 042	141	4	127	2 482
Reserves for general banking risks	4 000	–	–	–	–	–	4 000
Bank's capital	22 000	–	–	–	–	–	22 000
Statutory retained earnings reserve	796	–	–	–	–	–	796
Profit carried forward	13 806	–	–	–	–	–	13 806
Result of the year	10 402	–	–	–	–	–	10 402
Total liabilities	**64 452**	**33 927**	**46 187**	**5 382**	**436**	**12 359**	**162 743**
Delivery obligations arising from spot exchange and swap transactions	23 480	109 293	223 893	44 410	40 687	130 289	572 052
Total at 31 December 2020	**87 932**	**143 220**	**270 080**	**49 792**	**41 123**	**142 648**	**734 795**
Net position by currency	**11 511**	**13 091**	**(36 984)**	**7 743**	**(2 239)**	**6 878**	–

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of contingent assets and contingent liabilities

Contingent assets	2020 CHF	2019 CHF
Other contingent assets	–	–
Total contingent assets	–	–

Contingent liabilities		
Other contingent liabilities	227 412	154 971
Total contingent liabilities	**227 412**	**154 971**

Breakdown of the result from trading activities

Trading income	2020 CHF	2019 CHF
Leveraged margin trading	39 163 209	26 682 471
Binary options	476 592	658 635
Total	**39 639 801**	**27 341 106**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown by underlying risk

Result from trading activities from:	2020 CHF	2019 CHF
Equity securities	5 306 580	4 831 188
Foreign currency	24 086 890	17 239 012
Commodities / precious metals	10 246 331	5 270 906
Total	**39 639 801**	**27 341 106**

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

Negative interest	2020 CHF	2019 CHF
Negative interest on credit operations	273 161	203 397
Negative interest on deposits	3 257	–

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

Breakdown of personnel expenses

Personnel expenses	2020 CHF	2019 CHF
Salaries	5 983 966	6 565 252
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 273 969	1 560 221
Other personnel expenses	92 716	80 322
Total personnel expenses	**7 350 651**	**8 205 795**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of general and administrative expenses

General and administrative expenses	2020 CHF	2019 CHF
Premises	2 124 934	2 355 200
IT related expenses	2 106 913	2 600 858
Copyright agreement	3 081 458	3 599 297
Legal and consulting	1 895 007	1 931 359
Post, telecommunications and data	627 366	822 173
Expenses for vehicles	40 152	60 870
Office supply	198 845	187 994
Audit fees	258 480	254 325
of which for financial and regulatory audits	*258 480*	*254 325*
of which for other services	–	–
Marketing and communication	2 511 908	3 125 439
Travels	578 864	932 981
Others	264 748	343 178
Total general and administrative expenses	**13 688 675**	**16 213 674**

Explanations regarding extraordinary income and expenses

Extraordinary income	2020 CHF	2019 CHF
Profit realised on the disposal of participation	–	1 079
Transfer return	414	–
Disposal of fully depreciated fixed assets	17	–
Total extraordinary income	**431**	**1 079**

Extraordinary expenses		
Loss realised on the disposal of participation	(10 745)	(170 793)
Total extraordinary expenses	**(10 745)**	**(170 793)**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020

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

	2020		2019	
	Domestic CHF	**Foreign CHF**	**Domestic CHF**	**Foreign CHF**
Subtotal net result for interest operations	(77 613)	(29 741)	181 038	–
Subtotal result from commission business and services	565 163	–	496 357	–
Result from trading activities	39 639 801	–	27 341 106	–
Personnel expenses	(5 903 680)	(1 446 971)	(6 005 506)	(2 200 289)
General and administrative expenses	(4 415 574)	(9 273 101)	(4 700 245)	(11 513 429)
Subtotal operating expenses	**(10 319 254)**	**(10 720 072)**	**(10 705 751)**	**(13 713 718)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(2 426 812)	(207 047)	(333 797)	(235 294)
Changes to provisions and other value adjustments and losses	(29 329)	(195)	(31 862)	–
Operating result	**27 351 956**	**(10 957 055)**	**16 947 091**	**(13 949 012)**

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

	2020 CHF	**2019 CHF**
Current tax expenses	(1 982 819)	(628 347)
Total taxes	**(1 982 819)**	**(628 347)**

	2020	**2019**
Average tax rate	**12.1%**	**21.0%**

Taxes consist of tax on profit and capital, as well as professional tax.
As of 2020, taxes have decreased in the canton of Geneva.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS TO THE GENERAL MEETING OF SHAREHOLDERS of Dukascopy Bank SA, Meyrin

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 2020.

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 dis-closures 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 2020 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 Over-sight 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, 26 April 2021

Enclosure:
- Financial statements (balance sheet, income statement, 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 2020

KM1 : Key regulatory figures

	Available capital (amounts) 000 CHF	2020	2020Q3	2020Q2	2020Q1	2019
1	Common Equity Tier 1 (CET1)	46 086				34 402
1a	Fully loaded ECL accounting model CET1	–				–
2	Tier 1	46 086				34 402
2a	Fully loaded ECL accounting model Tier 1	–				–
3	Total capital	46 086				34 402
3a	Fully loaded ECL accounting model Total capital	–				–
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	166 650				261 713
4a	Minimum capital requirements (000 CHF)	13 332				20 937
	Risk-based capital ratios (as a percentage % of RWA)					
5	CET1 ratio (%)	27.65%				13.14%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	–				–
6	T1 ratio (%)	27.65%				13.14%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	–				–
7	Total capital ratio (%)	27.65%				13.14%
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%				2.50%
9	Countercyclical buffer requirement according to Basel min. requirements (%)	–				–
10	Bank G-SIB and/or D-SIB additional requirements	–				–
11	Total of bank CET1 specific buffer requirements according to Basel min. requirements (%)	2.50%				2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	19.65%				5.14%
	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 (%)	–				–
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)	147 811				160 787
14	Basel IIII Leverage Ratio	31.18%				21.40%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	–				–
	Medium short-term liquidity coverage ratio LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	55 816	61 843	55 812	51 091	46 211
16	LCR Denumerator: total cash outflow (000 CHF)	4 878	4 639	6 044	6 236	6 657
17	Liquidity coverage ratio (%)	1 144%	1 333%	923%	819%	694%

KEY METRICS DISCLOSURES
FOR THE FINANCIAL STATEMENTS

as at 31 December 2020

OV1: Overwiew of risk-weighted assets

in 000 CHF		RWA 2020	RWA 2019	Min. capital requirements 2020
1	Credit risk	34 412	47 362	2 753
20	Market risk*	69 975	160 688	5 598
24	Operational risk	59 725	52 838	4 778
24a	Risks without counterparty	1 000	800	80
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	1 538	25	123
27	**Total (1 + 20 + 24 + 25 + 26)**	**166 650**	**261 713**	**13 332**

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

*Market risk reduced due to a decrease in open positions in currencies

LIQA : Liquidity risk management

In general, Dukascopy Bank has a very low liquidity risk appetite. Therefore, Dukascopy Bank and its Group have abundant liquidity, which resulted from the vast majority of its assets being allocated into high quality liquid assets and bank deposits at sight. High quality liquid assets are constituted of high-grade government bonds and deposits with the Swiss National Bank. The bank deposits are mostly held with top rank Swiss, German, UK and US banks. Liquidity risk management is oriented to limit the liquidity risk and to ensure that the Bank has sufficient liquid assets in order to be able to meet its payment obligations in stress situations and at all times. The Treasurer of the Bank is responsible for managing the liquidity of the Bank as well as for its compliance with the regulatory requirements.
The Finance department of the Bank is in charge of the independent measurement and monitoring of the liquidity requirements and limits and is responsible for the regular risk reporting to the attention of the Executive Committee and to the Board of Directors of the Bank.
The Executive Committee of the Bank is responsible for ensuring the risk tolerance and liquidity limits of the Bank as well as of the Group. It is in charge of implementing and observing the risk policy principles and requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. Furthermore, it reports to the Board of Directors and its committees. The Board of Directors of the Bank determines the risk tolerance and liquidity limits of the Group. Moreover, it defines the requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. On a quarterly basis, the Chief Risk Officer issues a Risk Report to the Audit Committee and the Board of Directors that includes the liquidity risk situation.
To measure the liquidity risk, the Finance department regularly conducts liquidity stress tests to verify the compliance with the regulatory requirements through internal liquidity stress scenarios. The stress scenarios include a market-wide shock, temporary unavailability of the largest correspondent banks and a massive outflow of clients' deposits. The results of stress testing are periodically communicated as a part of the risk reporting to the attention of the Executive Committee and to the Board of Directors of the Bank.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2020

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)	–	114 573	–	114 573
2	Debt securities	–	45 557	–	45 557
3	Off-balance sheet exposures	–	1 119	–	1 119
24	Total	–	**161 249**	–	**161 249**

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)	160 096	–	34
Off-balance sheet exposures	892	227	–
Total	**160 988**	**227**	**34**
of which defaulted	–	–	–

KEY METRICS DISCLOSURES
FOR THE FINANCIAL STATEMENTS

as at 31 December 2020

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 much 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 pays interests to its clients.

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

The Board of Directors defines the interest rate risk appetite of the Group. The principles for managing risk are approved by the Board of Directors and are incorporated in the Group risk management policies. The Group 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 considers 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 do 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.

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).

The interest rate risks of subsidiaries are insignificant compared to the interest rate risks taken by the bank itself. In application of Note 3 of circular FINMA 2019/2 "Interest rate risks - banks", the Bank withdraws from including them in the analysis at the consolidated level.

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. The impact on each position is calculated stressing the effective interest rate.

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.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2020

IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2020

	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	6.33	8.22
Positions with an undefined interest rate reset date					
Amounts due from banks	88	5	66	0.04	0.04
Amounts due from customers	1	0	1	0.62	0.62
Sight liabilities in personal and current accounts	(85)	(10)	(69)	0.04	0.04
Other liabilities	(9)	0	(9)	0.04	0.04
TOTAL	**38**	**25**	**2**	–	–

*Significant currencies are those that make up 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	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parallel upward shift	(4.0)	(4.8)	0	0
Parallel downward shift	4.6	5.7	0	0
Steepener shock	(1.5)	(2.1)	–	–
Flattener shock	0.7	1.2	–	–
Upward short-term interest rate shock	(0.9)	(0.9)	–	–
Downward short-term interest rate shock	0.9	0.9	–	–
Maximum	4.6	5.7	0	0
Total eligible capital	**46.1**	**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 hardly exposes itself to the interest rate risk because it basically has no interest based business activities: the Bank neither charges or pays interests to its clients. Nevertheless, it can review that policy at any time if considers 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 repricing maturities and all due from customers have 9 month repricing maturities.

The Bank could be exposed to the interest rate risk by offrering CFD trading on debt instruments. In such case, the Bank's exposure to the interest rate risk would much 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 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.

KEY METRICS DISCLOSURES
FOR THE FINANCIAL STATEMENTS

as at 31 December 2020

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 acceptable level. Quarterly, the Board of Directors and the Executive Committee are informed of the evolutions in the Bank and Group's risk profile, receive 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.

DUKASCOPY
Swiss Banking Group

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2020

ASSETS	31.12.2020 CHF	31.12.2019 CHF
Liquid assets	23 260 143	23 720 307
Amounts due from banks	94 957 680	69 142 972
Amounts due from customers	686 949	348 388
Positive replacement values of derivative financial instruments	484 787	1 096 498
Financial investments	45 645 345	47 138 149
Accrued income and prepaid expenses	2 252 543	3 445 496
Non-consolidated investment in subsidiaries	100 000	110 983
Tangible fixed assets	1 011 397	810 522
Other assets	276 998	210 143
Total assets	**168 675 842**	**146 023 458**

LIABILITIES	CHF	CHF
Amounts due to banks	6 308 735	12 085 187
Amounts due in respect of customer deposits	104 049 498	94 861 033
Negative replacement values of derivative financial instruments	623 550	1 124 708
Accrued expenses and deferred income	3 546 066	2 160 568
Other liabilities	2 567 641	1 018 923
Provisions	640 000	–
Reserves for general banking risks	3 360 000	–
Bank's capital	22 000 000	22 000 000
Retained earnings reserve	12 496 059	10 280 237
Currency translation reserve	247 889	276 980
Consolidated profit of the year	12 836 404	2 215 822
Total liabilities	**168 675 842**	**146 023 458**

CONSOLIDATED OFF-BALANCE SHEET TRANSACTIONS

as at 31 December 2020

Off–balance sheet commitments	31.12.2020 CHF	31.12.2019 CHF
Contingent liabilities	227 412	154 971
Irrevocable commitments	892 000	884 000

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2020

Result from interest operations	**31.12.2020 CHF**	**31.12.2019 CHF**
Interest and discount income	(230 215)	(29 890)
Interest and dividend income from financial investments	728 915	713 807
Interest expense	(576 939)	(503 350)
Gross result from interest operations	**(78 239)**	**180 567**
Changes in value adjustments for default risks and losses from interest operations	(29 741)	–
Subtotal net result from interest operations	**(107 980)**	**180 567**

Result from commission business and services		
Commission income from other services	1 333 512	1 011 162
Commission expense	(817 284)	(548 218)
Subtotal result from commission business and services	**516 228**	**462 944**

Result from trading activities	**40 549 238**	**28 387 801**

Operating expenses		
Personnel expenses	(8 257 350)	(9 555 605)
General and administrative expenses	(13 314 180)	(15 771 895)
Subtotal operating expenses	**(21 571 530)**	**(25 327 500)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(493 772)	(578 724)
Changes to provisions and other value adjustments, and losses	(29 724)	(32 416)
Operating result	**18 862 460**	**3 092 672**
Extraordinary income	43 011	1 079
Extraordinary expenses	(10 745)	(170 793)
Changes in reserves for general banking risks	(3 360 000)	–
Taxes	(2 698 322)	(707 136)
Consolidated profit of the year	**12 836 404**	**2 215 822**

PRESENTATION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2020

	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**	–	**276 980**	**10 280 237**	**2 215 822**	**34 773 039**
Allocation of previous year result	–	–	–	–	–	–
- Other allocations to (transfer from) the Reserves for general banking risks	–	3 360 000	–	–	–	3 360 000
- Allocation to Retained earnings reserve	–	–	–	2 215 822	(2 215 822)	–
Currency translation differences	–	–	(29 091)	–	–	(29 091)
Profit of the year	–	–	–	–	12 836 404	12 836 404
Equity at end of current period	**22 000 000**	**3 360 000**	**247 889**	**12 496 059**	**12 836 404**	**50 940 352**

CONSOLIDATED CASH FLOW STATEMENT

as at 31 December 2020

	2020		2019	
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	12 836	–	2 215	–
Changes in reserves for general banking risks	3 360	–	–	–
Value adjustement on participations, depreciation and amortisation of tangible fixed assets and intangible assets	494	–	579	–
Provisions and other value adjustments	640	–	–	–
Accrued income and prepaid expenses	1 193	–	974	–
Accrued expenses and differed income	1 386	–	–	100
Other items	1 482	–	–	312
Subtotal	**21 391**	–	**3 768**	**412**
Cash flow from shareholder's equity transactions				
Recognised in reserves	–	29	–	26
Change of scope of consolidation	–	–	–	19
Subtotal	–	**29**	–	**45**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	11	–	918	–
Other tangible fixed assets	–	695	–	144
Subtotal	**11**	**695**	**918**	**144**
Cash flow from banking operations				
Medium and long-term business (> 1 year)				
Financial instruments	1 525	–	–	28 244
Short-term business				
Amounts due to banks	–	5 777	–	8 331
Amounts due in respect of customer deposits	9 189	–	–	4 820
Negative replacement values of derivative financial instuments	–	501	249	–
Amounts due from banks	–	25 815	14 583	–
Amounts due from customers	–	339	50	–
Positive replacement values of derivative financial instuments	612	–	33	–
Financial instruments	–	32	12 128	55
Liquidity				
Liquid assets	460	–	10 322	–
Subtotal	**11 786**	**32 464**	**37 365**	**41 450**
TOTAL	**33 188**	**33 188**	**42 051**	**42 051**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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 2020 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 International Ltd and their subsidiaries, if any, are not consolidated in the Group's consolidated financial statements because they are of a very small size.

2. Accounting and valuation principles

2.1. General principles

The Group's financial statements are established in accordance with the Swiss Code of Obligations, the Act on Banks and Saving institutions, its related Ordinance, the FINMA Accounting Ordinance and FINMA circular 2020/01. 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 complied 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

2.2. Changes to accounting principles and valuation method

The revised accounting principles have changed but there is no significant impact on the financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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.

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. Crypto assets

Dukascoins

Dukascopy Bank books Dukascoins belonging to the Bank in the caption "Financial investments" valued at lower than 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 Art. 10 Finma Accounting Ordinance, the fair value derives either from a price efficient and liquid market or from a valuation model. 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 the 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”.

Other crypto assets

Dukascopy Bank books other crypto assets belonging to the Bank in the caption "Financial investments". The valuation is based on the acquisition cost principle. The subsequent valuation is based on the lower of cost or market principle.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2020

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".

h. Tangible fixed assets
Investments in tangible fixed assets are capitalized as an asset if they exceed the minimal 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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 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.

l. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

		2020 CHF	2019 CHF
USD	1.00	0.88505	0.96748
EUR	1.00	1.08102	1.08575
GBP	1.00	1.20960	1.28351
CAD	1.00	0.69535	0.74501
JPY	1.00	0.00857	0.00891
AUD	1.00	0.68084	0.67911
NZD	1.00	0.63580	0.65119
NOK	1.00	0.10317	0.11016
SEK	1.00	0.10757	0.10330
SGD	1.00	0.66950	0.71906

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

		2020 CHF	2019 CHF
EUR	1.00	1.07030	1.11123
JPY	1.00	0.00879	0.00912

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 labeling 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 defense: 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.

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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 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 defense 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.

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as at 31 December 2020

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 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.

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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 honored in due date or if the debtor disputes such payment obligations or indicates that he/she will not be able to honor 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 honor 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. Value adjustments on non-impairment credit exposures are determined individually or on a portfolio basis according to Art. 25 para 1 let. c FINMA Accounting Ordinance.

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, 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

No material event occurred after the balance sheet date that could have a material impact on the financial position of the Bank as of 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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	–	34 351	652 598	686 949
Total at 31 December 2020 (before netting with value adjustments)	–	**34 351**	**652 598**	**686 949**
Total at 31 December 2019 (before netting with value adjustments)	–	43 529	304 859	348 388
Total at 31 December 2020 (after netting with value adjustments)	–	**34 351**	**652 598**	**686 949**
Total at 31 December 2019 (after netting with value adjustments)	–	43 529	304 859	348 388

Off-balance sheet commitments	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Contingent liabilities*	–	227 412	–	227 412
Irrevocable commitments	–	–	892 000	892 000
Total at 31 December 2020	–	**227 412**	**892 000**	**1 119 412**
Total at 31 December 2019	–	154 971	884 000	1 038 971

*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 2020	–	–	–	–
Total at 31 December 2019	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2020

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	15	–	10 752
Total interest instruments	**15**	–	10 752
Currencies:			
- forward contracts*	338 632	309 825	131 965 418
- swaps	227 713	260 521	399 285 774
Total currencies	**566 345**	**570 346**	**531 251 192**
Precious metals:			
- forward contracts*	18 566	10 627	6 716 840
- swaps	36 527	8 915	34 086 786
Total precious metals	**55 093**	**19 542**	**40 803 626**
Equity securities and indices:			
- CFD	40 869	83 694	30 230 715
Total equity securities and indices	**40 869**	**83 694**	**30 230 715**
Others:			
- CFD	251 889	379 392	15 392 938
Total others	**251 889**	379 392	15 392 938
Total at 31 December 2020 before impact of netting contracts	**914 211**	**1 052 974**	**617 689 223**
of which determined using a valuation model	–	–	–
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 2020 after impact of netting contracts	**484 787**	**623 550**	
Total at 31 December 2019 after impact of netting contracts	1 096 498	1 124 708	

* 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 2020	–	**434 850**	**49 937**	**484 787**
Positive replacement values after impact of netting contacts				
Total at 31 December 2019	–	672 939	423 559	1 096 498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of financial investments

	Book value		Fair value	
	2020 CHF	**2019 CHF**	**2020 CHF**	**2019 CHF**
Debt securities held to maturity	45 557 708	47 082 732	46 981 305	47 997 885
Cryptocurrencies	87 637	55 417	87 637	55 417
Total	**45 645 345**	**47 138 149**	**47 068 942**	**48 053 302**
including securities eligible for repo transactions in accordance with liquidity regulations	*34 985 538*	*35 552 443*	*35 938 370*	*36 215 400*

Breakdown of contreparties by Fitch ratings

2020, 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	**45 557 708**	**–**	**–**	**–**	**–**	**–**
2019, CHF						
Debt securities: Book value of bonds held to maturity	47 082 732	–	–	–	–	–

We use rating Fitch.

Presentation of non-consolidated participations

	2019			2020			
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	110 983	–	110 983	–	(10 983)*	–	100 000
Total non-consolidated participations	**110 983**	–	**110 983**	–	**(10 983)***	–	**100 000**

* This amount relates to the reimbursment of Dukascopy International Ltd's capital

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

			2020			
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 International Ltd	in liquidation	0	Limassol	100	100	100

Consolidated participations			2019			
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

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, with the exception of Group companies whose integration would not have any significant influence on the consolidated financial statements such as Dukascopy Community SA (total balance sheet CHF 271 502, net loss CHF 70 844). 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 International Ltd will be liquidated in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Presentation of tangible fixed assets

	2019			2020			
	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	23 272 426	(22 984 082)	288 344	52 631	–	(92 252)	248 723
Other tangible fixed assets	9 817 594	(9 295 416)	522 178	642 332	(316)	(401 520)	762 674
Total fixed assets	**33 090 020**	**(32 279 498)**	**810 522**	**694 963**	**(316)**	**(493 772)**	**1 011 397**

Leasing

	2021 CHF	2022 CHF	2023 CHF	2024 CHF	2025 CHF
Future leasing installments arising from operating leases	**1 703 981**	**1 347 182**	**1 100 941**	**908 180**	**736 542**
of which, may be terminated within one year	47 040	–	–	–	–

They are rental costs.

Breakdown of other assets and other liabilities

Other assets	2020 CHF	2019 CHF
Wire transfers	276 991	210 136
Others	7	7
Total other assets	**276 998**	**210 143**

Other liabilities		
Wire transfers	2 237 839	557 703
Indirect taxes to be paid	297 698	430 090
Others	32 104	31 130
Total other liabilities	**2 567 641**	**1 018 923**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2020

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

	2020		2019	
	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	18 939 159	381 477	21 562 320	2 097 186
Margin accounts assigned as collateral	24 438 870	112 045	12 034 600	810 950
Deposits made with banks to secure guarantees	219 530	219 530	219 529	219 528
Total	**43 597 559**	**713 052**	**33 816 449**	**3 127 664**

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 contribution scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2019: nil). The pension fund unaudited accounts as of 31 December 2020 present a coverage ratio of 120%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2019, the coverage ratio was 119%.
The employees based in Japan are affiliated to a defined contributions scheme pension fund of the Japan state.
This fund does not allow any employer's contribution reserve.
There are no pension funds for the other consolidated entities of the Group.

Presentation of economic benefit / obligation and the pension expenses

	Over or under-funding 31.12.2020	Economic interest of the Bank 2020	Economic interest of the Bank 2019	Change in economic interest versus prior year	Contributions paid in 2020	Pension expenses in personnel expenses 2020	Pension expenses in personnel expenses 2019
Pension plans with overfunding	–	–	–	–	303 433	303 433	326 141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

	Balance at 31 Dec. 2019 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. 2020 CHF
Provisions for deferred taxes	–	–	–	–	–	640 000	–	640 000
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	–	–	–	–	–	**640 000**	–	**640 000**
Reserves for general banking risks	–	–	–	–	–	**3 360 000**	–	**3 360 000**
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

	2020			2019		
	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

	2020		2019	
	Amounts due from, CHF	Amounts due to, CHF	Amounts due from, CHF	Amounts due to, CHF
Holders of qualified participations	42 000	30 502	–	19 011
Group companies	–	239 783	–	178 594
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	28 059	–	34 940
Other related parties	–	39	–	5 429

Dukascopy Bank engaged into transactions with related parties in the normal course of its business. These transactions mainly include marketing services. Transactions with related parties are conducted at arm's length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Disclosure of holders of significant participations

	2020			
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

	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

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	23 260 143	–	–	–	–	–	–	23 260 143
Amounts due from banks	94 738 150	219 530	–	–	–	–	–	94 957 680
Amounts due from customers	580 351	106 598	–	–	–	–	–	686 949
Positive replacement values of derivative financial instruments	484 787	–	–	–	–	–	–	484 787
Financial investments	87 637	–	–	–	10 572 170	34 985 538	–	45 645 345
Total current assets at 31 December 2020	**119 151 068**	**326 128**	–	–	**10 572 170**	**34 985 538**	–	**165 034 904**
Total current assets at 31 December 2019	93 989 593	373 989	–	–	11 530 289	35 552 443	–	141 446 314
Third-party liabilities								
Amounts due to banks	6 308 735	–	–	–	–	–	–	6 308 735
Amounts due in respect of customer deposits	104 049 498	–	–	–	–	–	–	104 049 498
Negative replacement values of derivative financial instruments	623 550	–	–	–	–	–	–	623 550
Total third-party liabilities at 31 December 2020	**110 981 783**	–	–	–	–	–	–	**110 981 783**
Total third-party liabilities at 31 December 2019	108 070 928	–	–	–	–	–	–	108 070 928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

	2020			2019		
ASSETS in CHF ('000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	23 260	–	23 260	23 720	–	23 720
Amounts due from banks	37 761	57 197	94 958	29 656	39 486	69 142
Amounts due from customers	102	585	687	65	284	349
Positive replacement values of derivative financial instruments	216	269	485	78	1 018	1 096
Financial investments	34 989	10 656	45 645	35 552	11 586	47 138
Accrued income and prepaid expenses	1 365	888	2 253	2 417	1 028	3 445
Non-consolidated investment in subsidiaries	100	–	100	100	11	111
Tangible fixed assets	787	224	1 011	525	286	811
Other assets	277	–	277	211	–	211
Total assets	**98 857**	**69 819**	**168 676**	**92 324**	**53 699**	**146 023**

LIABILITIES						
Amounts due to banks	–	6 309	6 309	–	12 085	12 085
Amounts due in respect of customer deposits	6 888	97 162	104 050	6 750	88 111	94 861
Negative replacement values of derivative financial instruments	63	560	623	294	831	1 125
Accrued expenses and deferred income	3 213	333	3 546	1 925	235	2 160
Other liabilities	2 568	–	2 568	1 019	–	1 019
Provisions	640	–	640	–	–	–
Reserves for general banking risks	3 360	–	3 360	–	–	–
Bank's capital	22 000	–	22 000	22 000	–	22 000
Retained earnings reserve	12 496	–	12 496	10 280	–	10 280
Currency translation reserve	248	–	248	277	–	277
Consolidated result of the year	12 663	173	12 836	2 323	(107)	2 216
Total liabilities	**64 139**	**104 537**	**168 676**	**44 868**	**101 155**	**146 023**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

	2020		2019	
ASSETS	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
Switzerland	98 857	58.6	92 325	63.3
Europe excluding Switzerland	47 356	28.0	33 854	23.1
USA and Canada	14 602	8.7	12 557	8.6
Others	7 861	4.7	7 287	5.0
Total	**168 676**	100	**146 023**	**100**

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

	2020		2019	
SERV Rating	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
1	68 373	97.9	51 836	96.5
2	1	0.0	6	0.0
3	235	0.3	368	0.7
4	54	0.1	22	0.0
5	743	1.1	1 002	1.9
6	95	0.2	197	0.4
7	243	0.3	174	0.3
without rating	75	0.1	94	0.2
Total	**69 819**	**100**	**53 699**	**100**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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	23 260	–	–	–	–	–	23 260
Amounts due from banks	5 358	33 336	32 507	6 175	7 934	9 648	94 958
Amounts due from customers	96	212	272	5	43	59	687
Positive replacement values of derivative financial instruments	485	–	–	–	–	–	485
Financial investments	34 985	–	10 572	–	–	88	45 645
Accrued income and prepaid expenses	1 221	214	626	50	16	126	2 253
Non-consolidated participations	100	–	–	–	–	–	100
Tangible fixed assets	1 004	–	–	–	7	–	1 011
Other assets	31	63	44	18	–	121	277
Total assets	**66 540**	**33 825**	**44 021**	**6 248**	**8 000**	**10 042**	**168 676**
Claims arising from spot exchange and swap transactions	31 430	122 625	189 094	51 282	37 866	139 726	572 023
Total at 31 December 2020	**97 970**	**156 450**	**233 115**	**57 530**	**45 866**	**149 768**	**740 699**

LIABILITIES							
Amounts due to banks	4	4 909	1 144	77	63	112	6 309
Amounts due in respect of customer deposits	10 064	26 329	43 890	5 171	6 268	12 328	104 050
Negative replacement values of derivative financial instruments	624	–	–	–	–	–	624
Accrued expenses and deferred income	2 314	899	161	4	136	32	3 546
Other liabilities	558	695	1 042	141	4	127	2 567
Provisions	640	–	–	–	–	–	640
Reserves for general banking risks	3 360	–	–	–	–	–	3 360
Bank's capital	22 000	–	–	–	–	–	22 000
Retained earnings reserve	12 496	–	–	–	–	–	12 496
Currency translation reserve	248	–	–	–	–	–	248
Consolidated profit of the year	12 836	–	–	–	–	–	12 836
Total liabilities	**65 144**	**32 832**	**46 237**	**5 393**	**6 471**	**12 599**	**168 676**
Delivery obligations arising from spot exchange and swap transactions	23 480	109 293	223 875	44 404	40 686	130 285	572 023
Total at 31 December 2020	**88 624**	**142 125**	**270 112**	**49 797**	**47 157**	**142 884**	**740 699**
Net position by currency	9 346	14 325	(36 997)	7 733	(1 291)	6 884	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of contingent assets and contingent liabilities

Contingent assets	2020 CHF	2019 CHF
Other contingent assets	–	–
Total contingent assets	–	–

Contingent liabilities		
Other contingent liabilities	227 412	154 971
Total contingent liabilities	**227 412**	**154 971**

Breakdown of the result from trading activities

Trading income	2020 CHF	2019 CHF
Leveraged margin trading	40 072 646	27 729 166
Binary options	476 592	658 635
Total	**40 549 238**	**28 387 801**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown by underlying risk

Result from trading activities from:	2020 CHF	2019 CHF
Equity securities	5 368 592	4 863 299
Foreign currency	24 914 767	18 224 458
Commodities / precious metals	10 265 879	5 300 044
Total	**40 549 238**	**28 387 801**

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

Negative interest	2020 CHF	2019 CHF
Negative interest on credit operations	273 161	203 397
Negative interest on deposits	3 257	–

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

Breakdown of personnel expenses

Personnel expenses	2020 CHF	2019 CHF
Salaries	6 638 892	7 541 755
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 494 327	1 887 467
Other personnel expenses	124 131	126 383
Total personnel expenses	**8 257 350**	**9 555 605**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

Breakdown of general and administrative expenses

General and administrative expenses	**2020 CHF**	**2019 CHF**
Premises	2 360 096	2 679 093
IT related expenses	2 118 690	2 622 902
Copyright agreement	2 879 943	3 370 245
Legal and consulting	1 306 727	1 151 114
Post, telecommunications and data	655 381	870 443
Expenses for vehicles	40 152	60 870
Office supply	203 153	199 433
Audit fees	274 399	266 637
of which for financial and regulatory audits	*274 399*	*266 637*
of which for other services	–	–
Marketing and communication	2 579 205	3 211 289
Travels	578 870	933 814
Others	317 564	406 055
Total general and administrative expenses	**13 314 180**	**15 771 895**

Explanations regarding extraordinary income and expenses

Extraordinary income	**2020 CHF**	**2019 CHF**
Profit realised on the disposal of participation	–	1 079
Transfer return	414	–
Donation from Japanese State	42 580	–
Disposal of fully depreciated fixed assets	17	–
Total extraordinary income	**43 011**	**1 079**

Extraordinary expenses		
Loss realised on the disposal of participation	(10 745)	(170 793)
Total extraordinary expenses	**(10 745)**	**(170 793)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

	2020		2019	
	Domestic CHF	Foreign CHF	Domestic CHF	Foreign CHF
Subtotal net result from interest operations	(78 239)	(29 741)	180 567	–
Subtotal result from commission business & services	565 163	(48 935)	462 944	4 892
Result from trading activities	39 639 801	909 437	28 387 801	13 647
Personnel expenses	(5 942 754)	(2 314 596)	(6 045 392)	(3 510 213)
General and administrative expenses	(4 416 724)	(8 897 456)	(4 700 395)	(11 071 350)
Subtotal operating expenses	**(10 359 478)**	**(11 212 052)**	**(10 745 787)**	**(14 581 563)**
Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(283 665)	(210 107)	(333 797)	(244 926)
Change to provisions and other value adjustments and losses	(29 329)	(395)	(31 862)	(554)
Operating result	**29 454 253**	**(10 591 793)**	**17 919 866**	**(14 808 504)**

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

	2020 CHF	2019 CHF
Current tax expenses	(2 698 322)	(707 136)
Total taxes	**(2 698 322)**	**(707 136)**

	2020	2019
Average tax rate	14.3%	22.9%

Taxes consist of tax on profit and capital, as well as professional tax.
As of 2020, taxes have decreased in the canton of Geneva.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF SHAREHOLDERS of Dukascopy Bank SA, Meyrin

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, income statement, cash flow statement, statement of changes in equity and notes (pages 49 to 77 of this report) for the year ended 31 December 2020.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for Banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2020 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 Banks and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG SA

Philippe Ruedin
Licensed Audit Expert
Auditor in Charge

Romain Tranchant
Licensed Audit Expert

Geneva, 26 April 2021

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

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

KM1: Key regulatory figures

	Available capital (amounts) 000 CHF	**2020**	**2019Q3**	**2019Q2**	**2019Q1**	**2019**
1	CCommon Equity Tier 1 (CET1)	44 228				32 557
1a	Fully loaded ECL accounting model CET1	–				–
2	Tier 1	44 228				32 557
2a	Fully loaded ECL accounting model Tier 1	–				–
3	Total capital	44 228				32 557
3a	Fully loaded ECL accounting model Total capital	–				–
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	152 275				231 863
4a	Minimum capital requirements (000 CHF)	12 182				18 549
	Risk-based capital ratios (as a percentage % of RWA)					
5	CET1 ratio (%)	29.04%				14.04%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	–				–
6	T1 ratio (%)	29.04%				14.04%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	–				–
7	Total capital ratio (%)	29.04%				14.04%
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%				2.50%
9	Countercyclical buffer requirement according to Basel min. requirements (%)	–				–
10	Bank G-SIB and/or D-SIB additional requirements	–				–
11	Total of bank CET1 specific buffer requirements according to Basel min. requirements (%)	2.50%				2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	21.04%				6.04%
	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 (%)	–				–
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)	153 744				164 184
14	Basel IIII Leverage Ratio	28.77%				19.83%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	28.77%				19.83%
	Medium short-term liquidity coverage ratio LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	55 816	61 770	55 812	51 091	50 183
16	LCR Denumerator: total cash outflow (000 CHF)	4 336	4 086	5 457	5 595	5 941
17	Liquidity coverage ratio (%)	1 287%	1 512%	1 023%	913%	845%

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

OV1: Overwiew of risk-weighted assets

in 000 CHF		RWA 2020	RWA 2019	Min. capital requirements 2020
1	Credit risk	30 438	34 763	2 435
20	Market risk*	57 338	140 163	4 587
24	Operational risk	61 950	56 099	4 956
24a	Risks without counterparty	1 012	813	81
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	1 537	25	123
27	**Total (1 + 20 + 24 + 25 + 26)**	**152 275**	**231 863**	**12 182**

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

*Market risk reduced due to a decrease in open positions in currencies

LIQA : Liquidity risk management

In general, Dukascopy Bank has a very low liquidity risk appetite. Therefore, Dukascopy Bank and its Group have abundant liquidity, which resulted from the vast majority of its assets being allocated into high quality liquid assets and bank deposits at sight. High quality liquid assets are constituted of high-grade government bonds and deposits with the Swiss National Bank. The bank deposits are mostly held with top rank Swiss, German, UK and US banks. Liquidity risk management is oriented to limit the liquidity risk and to ensure that the Bank has sufficient liquid assets in order to be able to meet its payment obligations in stress situations and at all times. The Treasurer of the Bank is responsible for managing the liquidity of the Bank as well as for its compliance with the regulatory requirements.

The Finance department of the Bank is in charge of the independent measurement and monitoring of the liquidity requirements and limits and is responsible for the regular risk reporting to the attention of the Executive Committee and to the Board of Directors of the Bank.

The Executive Committee of the Bank is responsible for ensuring the risk tolerance and liquidity limits of the Bank as well as of the Group. It is in charge of implementing and observing the risk policy principles and requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. Furthermore, it reports to the Board of Directors and its committees. The Board of Directors of the Bank determines the risk tolerance and liquidity limits of the Group. Moreover, it defines the requirements for identification, measurement, evaluation, management, monitoring and reporting of the liquidity risk. On a quarterly basis, the Chief Risk Officer issues a Risk Report to the Audit Committee and the Board of Directors that includes the liquidity risk situation.

To measure the liquidity risk, the Finance department regularly conducts liquidity stress tests to verify the compliance with the regulatory requirements through internal liquidity stress scenarios. The stress scenarios include a market-wide shock, temporary unavailability of the largest correspondent banks and a massive outflow of clients' deposits. The results of stress testing are periodically communicated as a part of the risk reporting to the attention of the Executive Committee and to the Board of Directors of the Bank.

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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)	–	122 007	–	122 007
2	Debt securities	–	45 557	–	45 557
3	Off-balance sheet exposures	–	1 119	–	1 119
24	**Total**	–	**168 683**	–	**168 683**

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)	167 530	–	34
Off-balance sheet exposures	892	227	–
Total	**168 422**	**227**	**34**
of which defaulted	–	–	–

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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

The Board of Directors defines the interest rate risk appetite of the Group. The principles for managing risk are approved by the Board of Directors and are incorporated in the Group risk management policies. The Group 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 considers 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.

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).

The interest rate risks of subsidiaries are insignificant compared to the interest rate risks taken by the bank itself. In application of Note 3 of circular FINMA 2019/2 "Interest rate risks - banks", the Bank withdraws from including them in the analysis at the consolidated level.

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. The impact on each position is calculated stressing the effective interest rate.

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 behavior 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.

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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	6.33	8.22
Positions with an undefined interest rate reset date					
Amounts due from banks	88	5	66	0.04	0.04
Amounts due from customers	1	0	1	0.62	0.62
Sight liabilities in personal and current accounts	(85)	(10)	(69)	0.04	0.04
Other liabilities	(9)	0	(9)	0.04	0.04
TOTAL	**38**	**25**	**2**	–	–

*Significant currencies are those that make up 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	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parallel upward shift	(4.0)	(4.8)	0	0
Parallel downward shift	4.6	5.7	0	0
Steepener shock	(1.5)	(2.1)	–	–
Flattener shock	0.7	1.2	–	–
Upward short-term interest rate shock	(0.9)	(0.8)	–	–
Downward short-term interest rate shock	0.9	0.9	–	–
Maximum	4.6	5.7	0	0
Total eligible capital	**44.2**	**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 pays interests to its clients. Nevertheless, it can review that policy at any time if consider 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.

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 much 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 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.

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

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 acceptable level. Quarterly, the Board of Directors and the Executive Committee are informed of the evolutions in the Bank and Group's risk profile, receive 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.

Dukascopy
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