DUKASCOPY
Swiss Banking Group

ANNUAL REPORT 2021

www.dukascopy.com

DUKASCOPY Swiss Banking Group

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INTRODUCING DUKASCOPY GROUP

Dukascopy's history started in 1998 as a physicist project headed by Dr. Andrey Duka in Geneva, aiming at serving the financial community through innovative solutions based on novel mathematical and 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 83.0 employees on 31.12.2021 (counted in full time equivalent, 109.6 on 31.12.2020). On the same date, Dukascopy Group counted 123.7 for the consolidated companies (156.7 employees on 31.12.2020).

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 bilaterally 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 in one day and fully online which has allowed the Bank to open more than 260'000 accounts.

As a regulated institution, the Bank was able to launch crypto related activities in 2018 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

After an exceptional year 2020, 2021 gave Dukascopy Group yet again an opportunity to firmly establish our capacity to adapt to new challenges, to successfully navigate uncharted territories to emerge profitable and more tenacious than ever before.

Dukascopy Group has rapidly adapted to the new normal of a business life in pandemic times. Strict adherence to COVID related measures such as social distancing and teleworking in our premises worldwide, along with the experience gained during the first pandemic year, allowed our day-to-day operations to remain unaffected, as our customers continued to enjoy the full array of services offered by the entities of the Group throughout the entire year.

During the course of 2021, owing to the outstanding performance of the entire team, Dukascopy Group demonstrated a sustainable growth of its clientele combined with a steady rise in popularity of the Multi-Currency Accounts (MCAs) and the cluster of cryptocurrency services.

Through all these challenges and at all times, the resilience of our employees remained unwavering. We express our admiration and thank them for their dedication and unfaltering professionalism no matter what the circumstances are. We are deeply grateful to our shareholders, customers and business partners for their loyalty and support.

The Board of Directors

MESSAGE FROM THE co-CEOs

The year 2021 was marked by a return to a normal financial year after the exceptional year 2020 characterised by high volatility and the emergence of Covid-19. Our Bank, which was under the pressure induced by the pandemic situation during the whole year 2021 managed to preserve a profitable result despite the unstable environment.

The growth and sustainability of our online retail banking model was strengthened in 2021. We have kept our direction to simplify and rationalize our organization and our mains strategic growth areas remain focused on mobile retail banking and crypto related activities, while continuing to take care of our trading customers. 2021 marked the third year of implementation for Dukascoins. Its development and growth corresponded to the Bank's vision and satisfied its initial expectations where more than 5 million Dukascoins were issued by the end of year 2021.

The digital banking model developed by the Bank was again tested in real conditions during 2021 and showed robustness and reliability. It also proved to be resilient in 2021 as well as driven by growth and economic results. All the subsidiaries of the group are profitable.

Again, Dukascopy Bank's online business model showed to be an immense advantage and a guarantee of stability for the service provided to our customers. The Bank has been offering services fully dependent on IT solutions to a global clientele, which require continuous streamlining and automation/digitalization of all processes. Dukascopy has adopted the model of an online/digital bank already a few years ago assuming its pioneering and frontline position in these fields.

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

Dukascopy Bank continued its crypto expansion by significantly improving its overnight rates for crypto instruments together with launching trading for 10 new crypto currency pairs. Dukascopy Bank continuously expands its list of trading instruments to meet customer requests. 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.

Our internationally spread organization proves to be resilient and adaptable. These achievements make us confident for the future. We address a special welcome to more than 50'000 clients who have opened an account in 2021, confirming the trends and success of Dukascopy's mobile multi-currency accounts (MCA). Digital retail banking is quickly evolving and is expected to become a major part of the Bank's business. The Bank also expects commercial synergies and increased client retention due to those services targeting the same retail clients as online trading services.

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

Despite the ongoing pandemic situation, 2021 has been a succeedingly good year for Dukascopy Bank SA as illustrated by the following key figures:

(in CHF million or in %)	**2021**	**2020**	**2019**
Net result	2.1	10.4	2.2
Cost/income ratio	86.8%	52.5%	87.2%
Total operating income	22.7	40.1	28.0
Total operating expenses	19.7	21.0	24.4
Total assets	184.5	162.7	142.6
Total client deposits	125.9	105.3	102.1
Regulatory capital	51.1	50.4	36.6

The Bank's net profit of 2021 was CHF 2.1 million. In 2021, operating expenses were 6.5% below operating expenses in 2020. From the beginning of the year client deposits have increased by 19.6%. Client deposits on trading accounts grew by 9.0%, client deposits on binary accounts increased by 4.4% and client deposits on LP PAMM went up by 56.2%.

The strong increase in the number of mobile multi-currency accounts (MCA) demonstrates the success of the digital retail banking model. It represents the fast growing share of the Bank's activities and client deposits. Moreover, the Bank is expecting scale synergies where it would benefit from a transfer of some of the clients with MCA to trading accounts. In 2021, 51'935 new MCA accounts were opened. From the beginning of the year clients' deposits on MCA accounts have more than doubled from CHF 16.4 to 36.1 million; in 2021, net revenues from MCA accounts were CHF 1.9 million.

The involvement and development of the Bank in crypto related activities remains one of the main strategic growth areas together with retail banking activities. More than 5.3 million Dukascoins were issued by the end of year 2021. Our trading accounts remain the main generating source of revenue. The Bank is dedicated to always enhance its clients experience with the best trading service.

The Russian-Ukrainian conflict which started in February 2022 may have an impact on the Bank's activities. It is however too early to quantify their effects on the Bank's financials. The result for the first three months of 2022 is a profit of 2.0 million.

DUKASCOPY GROUP

As can be seen in the consolidated financial statements, the Group figures do not significantly deviate from those of the Dukascopy Bank because the Bank remains the prominent element of Dukascopy Group. In 2021, all consolidated subsidiaries of Dukascopy Group were profitable.

Dukascopy Europe's net profit for 2021 was CHF 46.0 thousand. The Company is stably profitable. The role of Outsourcing agreements for the Banks has increased.

Dukascopy Japan's net profit for 2021 was CHF 102.3 thousand. The Company has a stable positive result. Operating expenses were decreased by 4.0% compared to 2020. The Company is stably profitable due to the implementation of the a new marketing policy, MT4 platform and cost reduction.

SWFX – Swiss FX Marketplace SA has been consolidated for the first time in 2019. Its net profit for 2021 amounts to CHF 106.1 thousand.

CORPORATE GOVERNANCE

The corporate governance framework is defined by the Bank's Articles of Incorporation and governance policies, 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 of Directors 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 2021, the Board of Directors was composed of six members, all independent as per the FINMA circular 2019/1. One new member joined the Board during 2021.

- ***Bogdan Prensilevich*** is the chairman of the Board of Directors since 2009 and is a Board member since the inception of the company. He has also 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".

- ***Frank Guemara*** is the vice-chairman of the Board of Directors which he joined in 2009 and the chairman of the Audit Committee since 2018. 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.

• ***Per Prod'hom*** joined the Board and became a member of the Audit Committee in 2018. 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).

• ***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".

• ***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, also being a Member of the Committee of Directors.

• ***Enrico Giacoletto*** was elected member of the Board of Directors in 2021. He holds a Master of Science from the Swiss Federal Institute of Technology (EPFL). He is a CFA charterholder and has the FRM (Financial Risk Manager) certification. He teaches risk management and risk regulation in Geneva and Lugano. He started his career in the financial industry in 2003. Before founding easyReg in 2018, he worked for 9 years in the Financial Service Risk Management unit of EY.

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 2021, the Executive Committee was composed of the following five members:

• ***Veronika Duka,*** co-Chief Executive Officer and Chief Administrative Officer, 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, 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 and 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, 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.

• ***Irina Kupriyanova Vedeneeva,*** Chief Financial Officer, obtained a certificate of business administration from HEC Lausanne, 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.

• ***Andrejs Bagautdinovs,*** Chief Integration Officer, obtained a master's degree from the Riga Civil Aviation University and an MBA in Global Banking and Finance from the European University of Geneva. After working for 4 years as an engineer and a programmer, 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.

• ***Wajih Raïs,*** Chief Risk Officer, has joined the Bank as a deputy CRO in 2020. He obtained a master's degree in business law from University Paris V, passed the bar exam 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.

FINANCIAL STATEMENTS

Dukascopy
Swiss Banking Group

BALANCE SHEET

as at 31 December 2021

ASSETS (CHF)	31.12.2021	31.12.2020
Liquid assets	37 719 957	23 260 143
Amounts due from banks	89 446 253	87 719 855
Amounts due from customers	1 736 572	623 876
Trading assets	5 255 953	–
Positive replacement values of derivative financial instruments	837 487	467 392
Financial investments	45 341 390	45 645 345
Accrued income and prepaid expenses	1 603 565	2 230 097
Investment in subsidiaries	1 608 197	1 608 197
Tangible fixed assets	837 020	1 004 429
Other assets	83 136	183 984
Total assets	**184 469 530**	**162 743 318**

LIABILITIES (CHF)		
Amounts due to banks	11 975 263	9 204 619
Amounts due in respect of customer deposits	113 896 999	96 067 268
Negative replacement values of derivative financial instruments	1 272 663	611 185
Accrued expenses and deferred income	2 725 071	3 375 304
Other liabilities	1 676 360	2 481 648
Reserves for general banking risks	3 850 000	4 000 000
Bank's capital	22 000 000	22 000 000
Statutory retained earnings reserve	1 317 000	796 000
Profit carried forward	23 686 294	13 805 526
Profit of the year	2 069 880	10 401 768
Total liabilities	**184 469 530**	**162 743 318**

OFF–BALANCE SHEET

as at 31 December 2021

OFF–BALANCE SHEET COMMITMENTS (CHF)	31.12.2021	31.12.2020
Contingent liabilities	139 755	227 412
Irrevocable commitments	988 000	892 000

STATEMENT OF INCOME

for the year ended 31 December 2021

RESULT FROM INTEREST OPERATIONS (CHF)	**31.12.2021**	**31.12.2020**
Interest and discount income	(316 443)	(230 215)
Interest and dividend income from financial investments	723 495	728 915
Interest expense	(563 885)	(576 313)
Gross result from interest operations	**(156 833)**	**(77 613)**
Changes in value adjustments for default risks and losses from interest operations	–	(29 741)
Subtotal net result from interest operations	**(156 833)**	**(107 354)**

RESULT FROM COMMISSION BUSINESS AND SERVICES (CHF)		
Commission income from other services	3 042 969	1 278 095
Commission expense	(1 347 912)	(712 932)
Subtotal result from commission business and services	**1 695 057**	**565 163**

Result from trading activities	**21 126 836**	**39 639 801**

OPERATING EXPENSES (CHF)		
Personnel expenses	(6 487 064)	(7 350 651)
General and administrative expenses	(13 182 354)	(13 688 675)
Subtotal operating expenses	**(19 669 418)**	**(21 039 326)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(414 111)	(2 633 859)
Changes to provisions and other value adjustments, and losses	(46 422)	(29 524)
Operating result	**2 535 109**	**16 394 901**
Extraordinary income	11	431
Extraordinary expenses	–	(10 745)
Changes in RRBG	150 000	(4 000 000)
Taxes	(615 240)	(1 982 819)
Profit of the year	**2 069 880**	**10 401 768**

PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2021

(CHF)	Bank's capital	Statutory retained earnings reserve	Reserves for general banking risks	Profit carried forward	Result of the year	TOTAL
Equity at start of current period	**22 000 000**	**796 000**	**4 000 000**	**13 805 526**	**10 401 768**	**51 003 294**
Allocation of previous year result	–	–	–	–	–	–
Other allocations to (transfer from) the Reserves for general banking risks	–	–	(150 000)	–	–	(150 000)
Allocation to statutory retained earnings reserve	–	521 000	–	–	(521 000)	–
Allocation to profit carried forward	–	–	–	9 880 768	(9 880 768)	–
Result of the year	–	–	–	–	2 069 880	2 069 880
Equity at end of current period	**22 000 000**	**1 317 000**	**3 850 000**	**23 686 294**	**2 069 880**	**52 923 174**

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

(CHF)	2021
Result of the year	2 069 880
Profit carried forward	23 686 294
Amount at the disposal of the Shareholders' general meeting	**25 756 174**

PROPOSED UTILISATION (CHF)	2021
Contribution to the statutory retained earnings reserve	104 000
To be carried forward	25 652 174
Total	**25 756 174**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

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. 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 2020/1. The financial statements are prepared in accordance with the reliable assessment principle as defined by the FINMA circular 2020/1 and are allowed to include silent reserves. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise.

General valuation principles

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

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

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

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

2.2. Changes to accounting principles and valuation method

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.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

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.

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. Trading assets

Trading assets comprise positions in cryptocurrencies held with a trading intent. Trading positions are measured at market value. Trading results are recognized through "Result from trading activities and the fair value option".

e. 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.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

Netting

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

f. 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”.

g. Crypto assets in Financial investments

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 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. Trading assets comprises positions in Crypto currencies held with a trading intent are booked in “Trading assets”. Trading positions are measured at market value. Trading results are recognized through “Result from trading activities and the fair value option”.

h. 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.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

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".

i. 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 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".

j. 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.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

k. 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.

l. 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".

m. 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.

n. 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

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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:

(CHF)		2021	2020
USD	1.00	0.91217	0.88505
EUR	1.00	1.03719	1.08102
GBP	1.00	1.23308	1.20960
CAD	1.00	0.72179	0.69535
JPY	1.00	0.00792	0.00857
AUD	1.00	0.66316	0.68084
NZD	1.00	0.62396	0.63580
NOK	1.00	0.10346	0.10317
SEK	1.00	0.10075	0.10757
SGD	1.00	0.67642	0.66950

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 defense and establish most of the quarterly reporting about risks to the executive management and the Board of Directors.

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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.

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).

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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 honor 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.

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.

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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 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 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 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 by the Bank. 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 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 significant event that could have an impact on the 2021 annual accounts has occurred after the closing date. Nevertheless, the Russian-Ukrainian conflict which started in February 2022 may have an impact on the Bank's activities in 2022. It is however too early to quantify their effects on the Bank's financial.

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

LOANS (CHF) (before netting with value adjustments)	**Secured by mortgages**	**Other collateral**	**Unsecured**	**Total**
Amounts due from customers	–	40 172	1 696 400	1 736 572
Total at 31 December 2021 (before netting with value adjustments)	–	**40 172**	**1 696 400**	**1 736 572**
Total at 31 December 2020 (before netting with value adjustments)	–	34 351	589 525	623 876
Total at 31 December 2021 (after netting with value adjustments)	–	**40 172**	**1 696 400**	**1 736 572**
Total (after netting with value adjustments) at 31 December 2020	–	34 351	589 525	623 876

OFF-BALANCE SHEET COMMITMENTS (CHF)	**Secured by mortgages**	**Other collateral**	**Unsecured**	**Total**
Contingent liabilities*	–	139 755	–	139 755
Irrevocable commitments	–	–	988 000	988 000
Total at 31 December 2021	–	**139 755**	**988 000**	**1 127 755**
Total at 31 December 2020	–	227 412	892 000	1 119 412

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

BREAKDOWN OF IMPAIRED LOANS/RECEIVABLES (CHF)	**Gross debt amount**	**Estimated liquidation proceeds of collateral**	**Net debt amount**	**Individual value adjustments**
Total at 31 December 2021	–	–	–	–
Total at 31 December 2020	–	–	–	–

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Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)

ASSETS (CHF)	2021	2020
Other trading portfolio assets (cryptocurrencies)	5 255 953	–
Total trading assets	5 255 953	–
Total assets	**5 255 953**	**–**
– of which determined using a valuation model	–	–
– of which, securities eligible for repo transactions in accordance with liquidity requirements	–	–

Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
OTC TRANSACTIONS (CHF)	**Positive replacement values**	**Negative replacement values**	**Contract volumes**
Interest instruments:			
– CFD	1 805	5	1 215 801
Total interest instruments	**1 805**	**5**	**1 215 801**
Currencies:			
– forward contracts*	325 987	332 443	273 579 999
– swaps	280 107	377 829	670 559 190
Total currencies	**606 094**	**710 272**	**944 139 189**
Precious metals:			
– forward contracts*	1	1 129	183 520
– swaps	52 388	16	25 931 932
Total precious metals	**52 389**	**1 145**	**26 115 452**
Equity securities and indices:			
– CFD	219 044	211 079	41 091 491
Total equity securities and indices	**219 044**	**211 079**	**41 091 491**
Others:			
– CFD	478 074	870 080	15 609 360
Total others	**478 074**	**870 080**	**15 609 360**
Total at 31 December 2021 before impact of netting contracts	**1 357 406**	**1 792 581**	**1 028 171 293**
of which determined using a valuation model	–	–	–
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 2021 after impact of netting contracts	**837 487**	**1 272 663**	
Total at 31 December 2020 after impact of netting contracts	467 392	611 185	

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

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Breakdown by counterparty

POSITIVE REPLACEMENT VALUES AFTER IMPACT OF NETTING CONTACTS (CHF)	Central clearing houses	Banks & securities dealers	Others customers	Total
Total at 31 December 2021	–	**322 717**	**514 770**	**837 487**
Total at 31 December 2020	–	438 145	29 247	467 392

Breakdown of financial investments

	Book value		Fair value	
(CHF)	**2021**	**2020**	**2021**	**2020**
Debt securities held to maturity	45 339 716	45 557 708	45 508 932	46 981 305
Cryptocurrencies	1 674	87 637	1 674	87 637
Total	**45 341 390**	**45 645 345**	**45 510 606**	**47 068 942**
including securities eligible for repo transactions in accordance with liquidity regulations	*34 418 633*	*34 985 538*	*34 379 460*	*35 938 370*

Breakdown of contreparties

DEBT SECURITIES: BOOK VALUE OF BONDS HELD TO MATURITY (CHF)	2021	2020
AAA to AA-	45 339 716	45 557 708
A+ to A-	–	–
BBB+ to BBB-	–	–
BB+ to B-	–	–
Lower than B-	–	–
Without rating	–	–

We use Fitch rating's.

Presentation of participations

	2020			2021			
PARTICIPATIONS (CHF)	**Cost value**	**Value adjustment**	**Book value at end of year**	**Additions**	**Disposals Reimbursement**	**Value adjustment**	**Book value at end of year**
Without listed value	3 751 344	(2 143 147)	1 608 197	–	–	–	1 608 197
Total participations	**3 751 344**	**(2 143 147)**	**1 608 197**	–	–	–	**1 608 197**

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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 in %
2021						
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
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	liquidated	0	Limassol	100	100	100

Dukascopy International Ltd was liquidated the 11 June 2021.

Presentation of tangible fixed assets

	2020			2021			
(CHF)	**Cost value**	**Accumulated depreciation**	**Book value at end of year**	**Additions**	**Disposals**	**Depreciation**	**Book value at end of year**
Softwares	23 279 663	(23 030 940)	248 723	–	–	(100 474)	148 249
Other tangible fixed assets	10 110 194	(9 354 488)	755 706	246 702	–	(313 637)	688 771
Total fixed assets	**33 389 857**	**(32 385 428)**	**1 004 429**	**246 702**	–	**(414 111)**	**837 020**

Leasing

(CHF)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Future leasing installments arising from operating leases	**1 478 514**	**1 207 648**	**1 014 838**	**889 236**	**231 580**	**32 298**
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 (CHF)	2021	2020
Wire transfers	83 136	183 984
Total other assets	**83 136**	**183 984**

OTHER LIABILITIES (CHF)	2021	2020
Wire transfers	1 443 113	2 237 649
Indirect taxes to be paid	233 154	243 890
Others	93	109
Total other liabilities	**1 676 360**	**2 481 648**

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

	2021		2020	
(CHF)	Book value of pledged assets & assets assigned as collateral	Effective commitments	Book value of pledged assets & assets assigned as collateral	Effective commitments
Swiss bonds and US government bonds	18 839 353	1 194 602	18 939 159	381 477
Margin accounts assigned as collateral	23 666 255	382 910	24 438 870	112 045
Deposits made with banks to secure guarantees	219 530	219 530	219 530	219 530
Total	**42 725 138**	**1 797 042**	**43 597 559**	**713 052**

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 (2020: nil). The pension fund unaudited accounts as of 31 December 2021 present a coverage ratio of 126%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2020, the coverage ratio was 121.4%.

There is no pension fund for the other foreign representation offices of the Bank.

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Presentation of economic benefit / obligation and the pension expenses

(CHF)	Over or underfunding 31.12.2021	Economic interest of the Bank 2021	Economic interest of the Bank 2020	Change in economic interest versus prior year	Contributions paid for 2021	Pension expenses in personnel expenses 2021	Pension expenses in personnel expenses 2020
Pension plans with overfunding	–	–	–	–	255 008	255 008	280 317

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

(CHF)	Balance at 31.12.2021	Use in conformity with designated purpose	Reclassifi-cations	Currency differences	Recoveries, past due interest	New creations charged to income	Releases to income	Balance at 31.12.2021
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	–	–	–	–	–	–	–	–
Reserves for general banking risks	**4 000 000**	–	–	–	–	–	**(150 000)**	**3 850 000**
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

(CHF)	2021 Total par value	2021 Number of shares	2021 Capital eligible for dividend	2020 Total par value	2020 Number of shares	2020 Capital eligible for dividend
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

	2021		2020	
(CHF)	Amounts due from	Amounts due to	Amounts due from	Amounts due to
Holders of qualified participations	1 204 166	28 123	42 000	30 502
Group companies	1 563 413	3 911 383	600 100	4 008 487
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	12 961	–	28 059
Other related parties	–	14 888	–	39

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

	2021			
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

	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

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Presentation of the maturity structure of financial instruments

ASSETS (CHF)	At sight	Cancellable	Due: Within 3 months	Due: Within 3 to 12 months	Due: Within 1 to 5 years	Due: Over 5 years	Due: No maturity	Total
Liquid assets	37 719 957	–	–	–	–	–	–	37 719 957
Amounts due from banks	89 226 723	219 530	–	–	–	–	–	89 446 253
Amounts due from customers	1 701 938	34 634	–	–	–	–	–	1 736 572
Trading assets	5 255 953	–	–	–	–	–	–	5 255 953
Positive replacement values of derivative financial instruments	837 487	–	–	–	–	–	–	837 487
Financial investments	1 674	–	–	10 921 083	–	34 418 633		45 341 390
Total current assets at 31 December 2021	**134 743 732**	**254 164**	–	**10 921 083**	–	**34 418 633**	–	**180 337 612**
Total current assets at 31 December 2020	111 893 835	265 068	–	–	10 572 170	34 985 538	–	157 716 611

THIRD-PARTY LIABILITIES (CHF)	At sight	Cancellable	Due: Within 3 months	Due: Within 3 to 12 months	Due: Within 1 to 5 years	Due: Over 5 years	Due: No maturity	Total
Amounts due to banks	11 975 263	–	–	–	–	–	–	11 975 263
Amounts due in respect of customer deposits	113 896 999	–	–	–	–	–	–	113 896 999
Negative replacement values of derivative financial instruments	1 272 663	–	–	–	–	–	–	1 272 663
Total third-party liabilities at 31 December 2021	**127 144 925**	–	–	–	–	–	–	**127 144 925**
Total third-party liabilities at 31 December 2020	105 883 072	–	–	–	–	–	–	105 883 072

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

	2021			2020		
ASSETS (CHF 000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	37 720	–	37 720	23 260	–	23 260
Amounts due from banks	37 655	51 791	89 446	37 761	49 959	87 720
Amounts due from customers	1 265	472	1 737	101	523	624
Trading assets	4 306	950	5 256	–	–	–
Positive replacement values of derivative financial instruments	52	785	837	216	252	468
Financial investments	34 419	10 923	45 342	34 989	10 656	45 645
Accrued income and prepaid expenses	1 087	517	1 604	1 343	887	2 230
Investment in subsidiaries	200	1 408	1 608	200	1 408	1 608
Tangible fixed assets	684	153	837	787	217	1 004
Other assets	83	–	83	184	–	184
Total assets	**117 471**	**66 999**	**184 470**	**98 841**	**63 902**	**162 743**

LIABILITIES (CHF 000)						
Amounts due to banks	–	11 975	11 975	–	9 204	9 204
Amounts due in respect of customer deposits	6 999	106 898	113 897	7 194	88 873	96 067
Negative replacement values of derivative financial instruments	114	1 159	1 273	63	548	611
Accrued expenses and deferred income	2 283	442	2 725	3 022	353	3 375
Other liabilities	1 673	4	1 677	2 482	–	2 482
Reserves for general banking risks	3 850	–	3 850	4 000	–	4 000
Bank's capital	22 000	–	22 000	22 000	–	22 000
Statutory retained earnings reserve	1 317	–	1 317	796	–	796
Profit carried forward	23 686	–	23 686	13 806	–	13 806
Result of the year	2 070	–	2 070	10 402	–	10 402
Total liabilities	**63 992**	**120 478**	**184 470**	**63 765**	**98 978**	**162 743**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

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

	2021		2020	
ASSETS	**Absolute (CHF 000)**	**Share %**	**Absolute (CHF 000)**	**Share %**
Switzerland	117 471	63.7	98 841	60.7
Europe excluding Switzerland	48 793	26.4	47 460	29.2
USA and Canada	15 334	8.3	14 601	9.0
Others	2 872	1.6	1 841	1.1
Total	**184 470**	**100.0**	**162 743**	**100.0**

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

	2021		2020	
SERV Rating	**Absolute (CHF 000)**	**Share %**	**Absolute (CHF 000)**	**Share %**
1	64 246	95.9	62 087	97.2
2	6	0.0	1	0.0
3	301	0.4	234	0.4
4	31	0.0	54	0.1
5	2 057	3.2	1 117	1.7
6	167	0.2	95	0.1
7	145	0.2	243	0.4
without rating	46	0.1	71	0.1
Total	**66 999**	**100.0**	**63 902**	**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 2021

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

ASSETS (CHF 000)	CHF	EUR	USD	JPY	Others	Total
Liquid assets	37 720	–	–	–	–	37 720
Amounts due from banks	5 786	35 459	34 010	1 672	12 519	89 446
Amounts due from customers	1 268	281	122	–	66	1 737
Trading assets	–	–	–	–	5 256	5 256
Positive replacement values of derivative financial instruments	837	–	–	–	–	837
Financial investments	34 419	–	10 921	–	2	45 342
Accrued income and prepaid expenses	1 037	122	331	–	114	1 604
Investment in subsidiaries	1 608	–	–	–	–	1 608
Tangible fixed assets	837	–	–	–	–	837
Other assets	–	28	32	–	23	83
Total assets	**83 512**	**35 890**	**45 416**	**1 672**	**17 980**	**184 470**
Claims arising from spot exchange and swap transactions	65 512	170 556	331 981	91 901	310 305	970 255
Total at 31 December 2021	**149 024**	**206 446**	**377 397**	**93 573**	**328 285**	**1 154 725**

LIABILITIES (CHF 000)	CHF	EUR	USD	JPY	Others	Total
Amounts due to banks	140	7 498	3 882	156	299	11 975
Amounts due in respect of customer deposits	11 612	35 207	50 018	441	16 619	113 897
Negative replacement values of derivative financial instruments	1 273	–	–	–	–	1 273
Accrued expenses and deferred income	1 767	832	91	18	17	2 725
Other liabilities	499	350	716	2	110	1 677
Reserves for general banking risks	3 850	–	–	–	–	3 850
Bank's capital	22 000	–	–	–	–	22 000
Statutory retained earnings reserve	1 317	–	–	–	–	1 317
Profit carried forward	23 686	–	–	–	–	23 686
Result of the year	2 070	-	–	–	–	2 070
Total liabilities	**68 214**	**43 887**	**54 707**	**617**	**17 045**	**184 470**
Delivery obligations arising from spot exchange and swap transactions	61 834	174 919	336 541	118 474	278 487	970 255
Total at 31 December 2021	**130 048**	**218 806**	**391 248**	**119 091**	**295 532**	**1 154 725**
Net position by currency	**18 976**	**(12 360)**	**(13 851)**	**(25 518)**	**32 753**	–

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

Breakdown of contingent assets and contingent liabilities

CONTINGENT ASSETS (CHF)	2021	2020
Other contingent assets	–	–
Total contingent assets	–	–

CONTINGENT LIABILITIES (CHF)		
Other contingent liabilities	139 755	227 412
Total contingent liabilities	**139 755**	**227 412**

Breakdown of the result from trading activities

TRADING INCOME (CHF)	2021	2020
Leveraged margin trading	20 564 956	39 163 209
Binary options	561 880	476 592
Total	**21 126 836**	**39 639 801**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

Breakdown by underlying risk

RESULT (CHF) FROM TRADING ACTIVITIES FROM:	2021	2020
Equity securities	2 720 035	5 468 556
Foreign currency	12 655 336	24 086 891
Commodities / precious metals	4 799 515	10 246 331
Cryptocurrencies	951 950	(161 977)
Total	**21 126 836**	**39 639 801**

Comparative figures for 2020 have been adapted included cryptocurrencies.

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

NEGATIVE INTEREST (CHF)	2021	2020
Negative interest on credit operations	348 137	273 161
Negative interest on deposits	3 186	3 257

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

Breakdown of personnel expenses

PERSONNEL EXPENSES (CHF)	2021	2020
Salaries	5 310 740	5 983 966
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 101 388	1 273 969
Other personnel expenses	74 936	92 716
Total personnel expenses	**6 487 064**	**7 350 651**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

Breakdown of general and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (CHF)	2021	2020
Premises	1 934 323	2 124 934
IT related expenses	2 044 675	2 106 913
Copyright agreement	2 939 247	3 081 458
Legal and consulting	1 786 754	1 895 007
Post, telecommunications and data	596 122	627 366
Expenses for vehicles	75 530	40 152
Office supply	183 150	198 845
Audit fees	253 095	258 480
of which for financial and regulatory audits	*253 095*	*258 480*
of which for other services	–	–
Marketing and communication	2 342 058	2 511 908
Travels	779 475	578 864
Others	247 925	264 748
Total general and administrative expenses	**13 182 354**	**13 688 675**

Explanations regarding extraordinary income and expenses

EXTRAORDINARY INCOME (CHF)	2021	2020
Disposal of fully depreciated fixed assets	11	17
Transfer return	–	414
Total extraordinary income	**11**	**431**

EXTRAORDINARY EXPENSES (CHF)		
Loss realised on the disposal of participation	–	(10 745)
Total extraordinary expenses	–	**(10 745)**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2021

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

	2021		2020	
(CHF)	**Domestic**	**Foreign**	**Domestic**	**Foreign**
Subtotal net result for interest operations	(156 833)	–	(77 613)	(29 741)
Subtotal result from commission business and services	1 695 057	–	565 163	–
Result from trading activities	21 126 836	–	39 639 801	–
Personnel expenses	(5 280 019)	(1 207 045)	(5 903 680)	(1 446 971)
General and administrative expenses	(4 077 744)	(9 104 610)	(4 415 574)	(9 273 101)
Subtotal operating expenses	**(9 357 763)**	**(10 311 655)**	**(10 319 254)**	**(10 720 072)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(289 741)	(124 370)	(2 426 812)	(207 047)
Changes to provisions and other value adjustments and losses	(8 102)	(38 320)	(29 329)	(195)
Operating result	**13 009 454**	**(10 474 345)**	**27 351 956**	**(10 957 055)**

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

(CHF)	**2021**	**2020**
Current tax expenses	(615 240)	(1 982 819)
Total taxes	**(615 240)**	**(1 982 819)**

(CHF)	**2021**	**2020**
Average tax rate	**24.3%**	**12.1%**

Taxes consist of tax on profit and capital, as well as professional tax. The fluctuation observed in the tax rate is due to the Geneva professional tax because the latter is not proportionate to the profit but to the total gross income.

REPORT OF THE STATUTORY AUDITOR 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) for the year ended 31 December 2021.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.

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

KPMG SA

Philippe Ruedin
Licensed Audit Expert
Auditor in Charge

Romain Tranchant
Licensed Audit Expert

Geneva, 26 April 2022

Enclosure:

– Financial statements (balance sheet, income statement, statement of changes in equity and notes);

– Proposed appropriation of available earnings.

KEY METRICS FOR DISCLOSURE TO THE FINANCIAL STATEMENTS

as at 31 December 2021

KM1: Key regulatory figures

	AVAILABLE CAPITAL AMOUNTS (CHF 000)	2021	2021Q3	2021Q2	2021Q1	2020
1	Common Equity Tier 1 (CET1)	49 033				46 086
1a	Fully loaded ECL accounting model CET1					
2	Tier 1	49 033				46 086
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	49 033				46 086
3a	Fully loaded ECL accounting model Total capital					
	RISK-WEIGHTED ASSETS AMOUNTS					
4	Total risk-weighted assets (RWA)	194 163				166 650
4a	Minimum capital requirements (000 CHF)	15 533				13 332
	RISK-BASED CAPITAL RATIOS (as a percentage % of RWA)					
5	CET1 ratio (%)	25.25%				27.65%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	T1 ratio (%)	25.25%				27.65%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	25.25%				27.65%
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 minimum requirements (%)	2.50%				2.50%
9	Countercyclical buffer requirement according to Basel minimum requirements (%)	0.00%				0.00%
10	Bank G-SIB and/or D-SIB additional requirements	0.00%				0.00%
11	Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	2.50%				2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	17.25%				19.65%
	TARGET CAPITAL RATIOS ACCORDING TO ANNEX 8 OF THE CAPITAL ADEQUACY ORDINANCE (CAO) (% of RWA)					
12a	Capital conservation buffer according to CAO, Annex 8 (%)	2.50%				2.50%
12b	Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0.00%				0.00%
12c	CET1 capital target (%) accord. to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 & 44a	7.00%				7.00%
12d	T1 capital target according to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 and 44a	8.50%				8.50%
12e	Total capital target according to CAO, Annex 8+contercyclical buffer accord. to CAO, Art. 44 and 44a	10.50%				10.50%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio exposure measure (000 CHF)	195 420				147 811
14	Basel IIII Leverage Ratio	25.09%				31.18%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	25.09%				31.18%
	MEDIUM SHORT-TERM LIQUIDITY COVERAGE RATIO LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	61 342	60 270	57 487	52 181	55 816
16	LCR Denumerator: total cash outflow (000 CHF)	6 257	5 907	5 843	5 400	4 878
17	Liquidity coverage ratio (%)	980%	1020%	984%	966%	1144%
	NET STABLE FUNDING RATIO NSFR					
18	Available stable refinancings (000 CHF)	151 506		149 921		135 794
19	Required stable refinancings (000 CHF)	24 379		24 525		21 361
20	Net stable funding ratio NSFR (%)	621%		611%		636%

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2021

OV1: Overwiew of risk-weighted assets

	(CHF 000)	RWA 2021	RWA 2020	Min. capital requirements 2021
1	Credit risk	38 838	34 413	3 107
20	Market risk*	96 388	69 975	7 711
24	Operational risk	56 738	59 725	4 539
24a	Risks without counterparty	838	1 000	67
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	1 363	1 538	109
27	**Total (1 + 20 + 24 + 25 + 26)**	**194 163**	**166 650**	**15 533**

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

*Market risk increased due to a raise 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 2021

CR1: Credit risk – credit quality of assets

	(CHF 000)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-Defaulted exposures	Value adjustments/ impairments	Net values
1	Loans (excluding debt securities)	–	131 428	–	131 428
2	Debt securities	–	45 340	–	45 340
3	Off-balance sheet exposures	–	1 128	–	1 128
24	**Total**	–	**177 896**	–	**177 896**

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

(CHF 000)	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)	176 728	–	40
Off-balance sheet exposures	988	140	–
Total	**177 716**	**140**	**40**
of which defaulted	–	–	–

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.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2021

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

The Board of Directors defines the interest rate risk appetite of the Bank. The principles for managing risk are approved by the Board of Directors and are incorporated in the Bank risk management policies. The Bank risk management policies define the organisational structure, responsibilities, limits and maximum acceptable risk with the objective to optimise the net interest income on a long term horizon. The Executive Management is responsible for supervising and implementing the risk profile and recommending risk limits to the Board of Directors.

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

The Bank do not pay interest on customers' accounts. 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 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 Bank. 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).

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2021

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
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*
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points*
Rise in short term interest rates	From +150 basis points down to 0 basis points*
Fall in short term interest rates	From -150 basis points down to 0 basis points*

*depending on maturity bucket

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

Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. 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 Bank’s optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2021

IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2021

	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	5.39	7.22
Positions with an undefined interest rate reset date					
Amounts due from banks	89	6	69	0.04	0.04
Amounts due from customers	2	1	1	0.62	0.62
Sight liabilities in personal and current accounts	(113)	(16)	(85)	0.04	0.04
Other liabilities	(12)	0	(11)	0.04	0.04
Total	**9**	**21**	**(13)**	–	–

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

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2021

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

	Δ EVE (change in the net present value)		**Δ NII** (change in the discounted earning value)	
Period (CHF millions)	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Parallel upward shift	(3.3)	(4.0)	0	0
Parallel downward shift	3.7	4.6	0	0
Steepener shock	(1.1)	(1.5)	–	–
Flattener shock	0.5	0.7	–	–
Upward short-term interest rate shock	(0.8)	(0.9)	–	–
Downward short-term interest rate shock	0.8	0.9	–	–
Maximum	3.7	4.6	0	0
Total eligible capital	**49.0**	**46.1**	–	–

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

The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges or pay interests to its clients. Nevertheless, it can review that policy at any time if 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 do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

The Bank could be exposed to the interest rate risk by offrering CFD trading on debt instruments. I 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 in the bonds it hold 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.

Swiss Banking Group

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

ASSETS (CHF)	31.12.2021	31.12.2020
Liquid assets	37 719 957	23 260 143
Amounts due from banks	96 088 110	94 957 680
Amounts due from customers	1 790 542	686 949
Trading assets	5 255 953	–
Positive replacement values of derivative financial instruments	850 980	484 787
Financial investments	45 341 390	45 645 345
Accrued income and prepaid expenses	1 629 785	2 252 543
Investment in subsidiaries	100 000	100 000
Tangible fixed assets	841 131	1 011 397
Other assets	196 322	276 998
Total assets	**189 814 170**	**168 675 842**

LIABILITIES (CHF)		
Amounts due to banks	9 079 237	6 308 735
Amounts due in respect of customer deposits	121 157 749	104 049 498
Negative replacement values of derivative financial instruments	1 282 249	623 550
Accrued expenses and deferred income	2 892 086	3 546 066
Other liabilities	1 766 891	2 567 641
Provisions	616 000	640 000
Reserves for general banking risks	3 234 000	3 360 000
Bank's capital	22 000 000	22 000 000
Retained earnings reserve	25 332 463	12 496 059
Currency translation reserve	130 389	247 889
Consolidated profit of the year	2 323 106	12 836 404
Total liabilities	**189 814 170**	**168 675 842**

OFF–BALANCE SHEET

as at 31 December 2021

OFF–BALANCE SHEET COMMITMENTS (CHF)	31.12.2021	31.12.2020
Contingent liabilities	139 755	227 412
Irrevocable commitments	988 000	892 000

CONSOLIDATED STATEMENT OF INCOME

as at 31 December 2021

RESULT FROM INTEREST OPERATIONS (CHF)	31.12.2021	31.12.2020
Interest and discount income	(316 443)	(230 215)
Interest and dividend income from financial investments	723 495	728 915
Interest expense	(563 885)	(576 939)
Gross result from interest operations	**(156 833)**	**(78 239)**
Changes in value adjustments for default risks and losses from interest operations	–	(29 741)
Subtotal net result from interest operations	**(156 833)**	**(107 980)**

RESULT FROM COMMISSION BUSINESS AND SERVICES (CHF)		
Commission income from other services	3 119 550	1 333 512
Commission expense	(1 445 074)	(817 284)
Subtotal result from commission business and services	**1 674 476**	**516 228**

Result from trading activities	**21 958 905**	**40 549 238**

OPERATING EXPENSES (CHF)		
Personnel expenses	(7 408 302)	(8 257 350)
General and administrative expenses	(12 726 622)	(13 314 180)
Subtotal operating expenses	**(20 134 924)**	**(21 571 530)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(416 565)	(493 772)
Changes to provisions and other value adjustments, and losses	(46 532)	(29 724)
Operating result	**2 878 527**	**18 862 460**
Extraordinary income	1 541	43 011
Extraordinary expenses	–	(10 745)
Changes in RRBG	126 000	(3 360 000)
Taxes	(682 962)	(2 698 322)
Profit of the year	**2 323 106**	**12 836 404**

PRESENTATION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2021

(CHF)	Bank's capital	Reserves for general banking risks	Currency translation reserve	Retained earning reserve	Consolidated profit for the year	TOTAL
Equity at start of current period	**22 000 000**	**3 360 000**	**247 889**	**12 496 059**	**12 836 404**	**50 940 352**
Allocation of previous year result	–	–	–	–	–	–
Other allocations to (transfer from) the Reserves for general banking risks	–	(126 000)	–	–	–	(126 000)
Other allocations to Retained earnings reserve	–	–	–	–	–	–
Allocation to Retained earnings reserve	–	–	–	12 836 404	(12 836 404)	–
Currency translation differences	–	–	(117 500)	–	–	(117 500)
Profit of the year	–	–	–	–	2 323 106	2 323 106
Equity at end of current period	**22 000 000**	**3 234 000**	**130 389**	**25 332 463**	**2 323 106**	**53 019 958**

CONSOLIDATED CASH FLOW STATEMENT

as at 31 December 2021

CASH FLOW FROM OPERATING ACTIVITIES (internal financing) in CHF 000	2021		2020	
	Cash in-flow	Cash out-flow	Cash in-flow	Cash out-flow
Result of the year	2 323	–	12 836	–
Changes in reserves for general banking risks	–	126	3 360	–
Value adjustement on participations, depreciation and amortisation of tangible fixed assets and intangible assets	417	–	494	–
Provisions and other value adjustments	–	24	640	–
Accrued income and prepaid expenses	623	–	1 193	–
Accrued expenses and differred income	–	654	1 386	–
Other items	–	720	1 482	–
Subtotal	**3 363**	**1 524**	**21 391**	–
CASH FLOW FROM SHAREHOLDER'S EQUITY TRANSACTIONS				
Recognised in reserves	–	118	–	29
Subtotal	–	**118**	–	**29**
CASH FLOW FROM TRANSACTIONS IN RESPECT OF PARTICIPATIONS, TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS				
Participations	–	–	11	–
Other tangible fixed assets	–	246	–	695
Subtotal	–	**246**	**11**	**695**
CASH FLOW FROM BANKING OPERATIONS				
MEDIUM AND LONG-TERM BUSINESS (> 1 YEAR)				
Financial instruments	–	10 921	1 525	–
SHORT-TERM BUSINESS				
Amounts due to banks	2 770	–	–	5 777
Amounts due in respect of customer deposits	17 108	–	9 189	–
Negative replacement values of derivative financial instuments	659	–	–	501
Amounts due from banks	–	1 130	–	25 815
Amounts due from customers	–	1 104	–	339
Trading assets	–	5 256	–	–
Positive replacement values of derivative financial instuments	–	366	612	–
Financial instruments	11 225	–	–	32
LIQUIDITY				
Liquid assets	–	14 460	460	–
Subtotal	**31 762**	**33 237**	**11 786**	**32 464**
TOTAL	**35 125**	**35 125**	**33 188**	**33 188**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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 2021 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 and its subsidiaries, if any, are not consolidated in the Group's consolidated financial statements because they are of very small size.

2. Accounting and valuation principles

2.1. General principles

The Group's 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 2020/1. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise. The consolidated financial statements have been 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 2021

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. Trading assets

Trading assets comprise positions in cryptocurrencies held with a trading intent. Trading positions are measured at market value. Trading results are recognized through “Result from trading activities and the fair value option”.

e. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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

Hedging purposes

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

Use of swaps

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

Netting

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

f. 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”.

g. Crypto assets in Financial investments

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 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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2021

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.
Trading assets comprises positions in Crypto currencies held with a trading intent are booked in “Trading assets”. Trading positions are measured at market value. Trading results are recognized through “Result from trading activities and the fair value option”.

h. Non-consolidated Participations
Participations owned by the Bank which are not consolidated include equity securities of companies that are held for long-term purposes, irrespective of any voting rights. They are valued at historical costs minus any value adjustments, if any.
Each non-consolidated participation is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indictors exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use.
An asset is impaired if it 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”.

i. 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 it 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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

j. 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.

k. Reserves for general banking risks

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

l. 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”.

m. 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.

n. 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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

2.3. Recording of business transactions

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

2.4. Treatment of foreign currencies

For each Group company, income and expenses denominated in foreign currencies are converted, in the individual company accounts, at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are converted at the exchange rate applicable on the period-closing date. Currency gains and losses resulting from currency translation are included in the respective statement of income of individual companies.

On consolidation, assets and liabilities of Group companies are converted into Swiss francs at the exchange rate of the consolidated balance sheet date at the exception of the shareholders' equity which is converted at historical rate. Income and expenses of Group companies are converted at the exchange rate averaged over the reporting period. Exchange differences resulting from conversion into Swiss francs of individual financial statements are recognized in the consolidated balance sheet in the item "Currency translation reserve". At the consolidated balance sheet date, the main exchange rates used to convert assets and liabilities in foreign currencies were as follows:

(CHF)		2021	2020
USD	1.00	0.91217	0.88505
EUR	1.00	1.03719	1.08102
GBP	1.00	1.23308	1.20960
CAD	1.00	0.72179	0.69535
JPY	1.00	0.00792	0.00857
AUD	1.00	0.66316	0.68084
NZD	1.00	0.62396	0.63580
NOK	1.00	0.10346	0.10317
SEK	1.00	0.10075	0.10757
SGD	1.00	0.67642	0.66950

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

(CHF)		2021	2020
EUR	1.00	1.08114	1.07030
JPY	1.00	0.00833	0.00879

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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.

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. 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.

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.

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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 significant event that could have an impact on the 2021 annual accounts has occurred after the closing date. Nevertheless, the Russian-Ukrainian conflict which started in February 2022 may have an impact on the Bank's activities in 2022. It is however too early to quantify their effects on the Bank's financial.

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

LOANS (CHF) (before netting with value adjustments)	Secured by mortgages	Other collateral	Unsecured	Total
Amounts due from customers	–	40 172	1 750 370	1 790 542
Total at 31 December 2021 (before netting with value adjustments)	**–**	**40 172**	**1 750 370**	**1 790 542**
Total at 31 December 2020 (before netting with value adjustments)	–	34 351	652 598	686 949
Total at 31 December 2021 (after netting with value adjustments)	**–**	**40 172**	**1 750 370**	**1 790 542**
Total (after netting with value adjustments) at 31 December 2020	–	34 351	652 598	686 949

OFF-BALANCE SHEET COMMITMENTS (CHF)	Secured by mortgages	Other collateral	Unsecured	Total
Contingent liabilities*	–	139 755	–	139 755
Irrevocable commitments	–	–	988 000	988 000
Total at 31 December 2021	**–**	**139 755**	**988 000**	**1 127 755**
Total at 31 December 2020	–	227 412	892 000	1 119 412

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

BREAKDOWN OF IMPAIRED LOANS/RECEIVABLES (CHF)	Gross debt amount	Estimated liquidation proceeds of collateral	Net debt amount	Individual value adjustments
Total at 31 December 2021	**–**	**–**	**–**	**–**
Total at 31 December 2020	–	–	–	–

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as at 31 December 2021

Breakdown of trading portfolio and other financial instruments at fair value (assets and liabilities)

ASSETS (CHF)	2021	2020
Other trading portfolio assets (cryptocurrencies)	5 255 953	–
Total trading assets	5 255 953	–
Total assets	**5 255 953**	**–**
– of which determined using a valuation model	–	–
– of which, securities eligible for repo transactions in accordance with liquidity requirements	–	–

Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
OTC TRANSACTIONS (CHF)	**Positive replacement values**	**Negative replacement values**	**Contract volumes**
Interest instruments:			
– CFD	1 805	5	1 215 801
Total interest instruments	**1 805**	**5**	**1 215 801**
Currencies:			
– forward contracts*	325 987	332 443	273 579 999
– swaps	288 218	384 763	670 570 872
Total currencies	**614 205**	**717 206**	**944 150 871**
Precious metals:			
– forward contracts*	1	1 129	183 520
– swaps	55 112	1 205	25 934 592
Total precious metals	**55 113**	**2 334**	**26 118 112**
Equity securities and indices:			
– CFD	220 556	211 967	41 093 033
Total equity securities and indices	**220 556**	**211 967**	**41 093 033**
Others:			
– CFD	479 220	870 655	15 610 515
Total others	**479 220**	**870 655**	**15 610 515**
Total at 31 December 2021 before impact of netting contracts	**1 370 899**	**1 802 167**	**1 028 188 332**
of which determined using a valuation model	–	–	–
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 2021 after impact of netting contracts	**850 980**	**1 282 249**	
Total at 31 December 2020 after impact of netting contracts	484 787	623 550	

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

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Breakdown by counterparty

POSITIVE REPLACEMENT VALUES AFTER IMPACT OF NETTING CONTACTS (CHF)	Central clearing houses	Banks & securities dealers	Others customers	Total
Total at 31 December 2021	–	**321 480**	**529 500**	**850 980**
Total at 31 December 2020	–	434 850	49 937	484 787

Breakdown of financial investments

	Book value		Fair value	
(CHF)	**2021**	**2020**	**2021**	**2020**
Debt securities held to maturity	45 339 716	45 557 708	45 508 932	46 981 305
Cryptocurrencies	1 674	87 637	1 674	87 637
Total	**45 341 390**	**45 645 345**	**45 510 606**	**47 068 942**
including securities eligible for repo transactions in accordance with liquidity regulations	*34 418 633*	*34 985 538*	*34 379 460*	*35 938 370*

Breakdown of contreparties

DEBT SECURITIES: BOOK VALUE OF BONDS HELD TO MATURITY (CHF)	2021	2020
AAA to AA-	45 339 716	45 557 708
A+ to A-	–	–
BBB+ to BBB-	–	–
BB+ to B-	–	–
Lower than B-	–	–
Without rating	–	–

We use Fitch rating's.

Presentation of non-consolidated participations

	2020			2021			
NON-CONSOLIDATED PARTICIPATIONS (CHF)	**Cost value**	**Value adjustment**	**Book value at end of year**	**Additions**	**Disposals Reimbursement**	**Value adjustment**	**Book value at end of year**
Without listed value	100 000	–	100 000	–	–	–	100 000
Total participations	**100 000**	–	**100 000**	–	–	–	**100 000**

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

			2021			
CONSOLIDATED PARTICIPATIONS	**Activity**	**Share capital (CHF)**	**Head office**	**Share capital in %**	**Share vote in %**	**Held directly in %**
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

CONSOLIDATED PARTICIPATIONS			2020			
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	liquidated	0	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, at the exception of Group company whose integration would not have any significantly influence on the consolidated financial statements as Dukascopy Community SA (total balance sheet CHF 258'686, net profit CHF 1'497). 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 was liquidated the 11 June 2021.

Presentation of tangible fixed assets

	2020			2021			
(CHF)	**Cost value**	**Accumulated depreciation**	**Book value at end of year**	**Additions**	**Disposals**	**Depreciation**	**Book value at end of year**
Softwares	23 323 415	(23 074 692)	248 723	–	–	(100 474)	148 249
Other tangible fixed assets	10 163 105	(9 400 431)	762 674	246 702	(403)	(316 091)	692 882
Total fixed assets	**33 486 520**	**(32 475 123)**	**1 011 397**	**246 702**	**(403)**	**(416 565)**	**841 131**

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Leasing

(CHF)	2022	2023	2024	2025	2026	2027
Future leasing installments arising from operating leases	**1 677 542**	**1 383 150**	**1 144 820**	**965 059**	**231 580**	**32 298**
of which, may be terminated within one year	*47 040*	–	–	–	–	–

They are rental costs.

Breakdown of other assets and liabilities

OTHER ASSETS (CHF)	2021	2020
Wire transfers	196 315	276 991
Others	7	7
Total other assets	**196 322**	**276 998**

OTHER LIABILITIES (CHF)		
Wire transfers	1 444 826	2 237 839
Indirect taxes to be paid	287 325	297 698
Others	34 740	32 104
Total other liabilities	**1 766 891**	**2 567 641**

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

	2021		2020	
(CHF)	Book value of pledged assets & assets assigned as collateral	Effective commitments	Book value of pledged assets & assets assigned as collateral	Effective commitments
Swiss bonds and US government bonds	18 839 353	1 194 602	18 939 159	381 477
Margin accounts assigned as collateral	23 666 255	382 910	24 438 870	112 045
Deposits made with banks to secure guarantees	219 530	219 530	219 530	219 530
Total	**42 725 138**	**1 797 042**	**43 597 559**	**713 052**

DUKASCOPY Swiss Banking Group

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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 (2020: nil). The pension fund unaudited accounts as of 31 December 2021 present a coverage ratio of 126%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2020, the coverage ratio was 121.4%.

The employees based in Japan are affilated to a defined contributions scheme pension fund of the Japan state. This fund does not allow any employer's contribution reserve.

There is no pension funds for the other consolidated entities of the Group.

Presentation of economic benefit / obligation and the pension expenses

(CHF)	Over or underfunding 31.12.2021	Economic interest of the Bank 2021	2020	Change in economic interest versus prior year	Contributions paid for 2021	Pension expenses in personnel expenses 2021	2020
Pension plans with overfunding	–	–	–	–	275 063	275 063	303 433

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

(CHF)	Balance at 31.12.2021	Use in conformity with designated purpose	Reclassifi-cations	Currency differences	Recoveries, past due interest	New creations charged to income	Releases to income	Balance at 31.12.2021
Provisions for deferred taxes	640 000	–	–	–	–	–	(24 000)	616 000
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	**640 000**	–	–	–	–	–	**(24 000)**	**616 000**
Reserves for general banking risks	**3 360 000**	–	–	–	–	–	**(126 000)**	**3 234 000**
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.

DUKASCOPY
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Presentation of the Bank's capital

	2021			2020		
(CHF)	**Total par value**	**Number of shares**	**Capital eligible for dividend**	**Total par value**	**Number of shares**	**Capital eligible for dividend**
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

	2021		2020	
(CHF)	**Amounts due from**	**Amounts due to**	**Amounts due from**	**Amounts due to**
Holders of qualified participations	1 204 166	28 123	42 000	30 502
Group companies	–	256 111	–	239 783
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	12 961	–	28 059
Other related parties	–	14 888	–	39

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.

Disclosure of holders of significant participations

	2021			
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

	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

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Presentation of the maturity structure of financial instruments

			Due					
ASSETS (CHF)	**At sight**	**Cancellable**	**Within 3 months**	**Within 3 to 12 months**	**Within 1 to 5 years**	**Over 5 years**	**No maturity**	**Total**
Liquid assets	37 719 957	–	–	–	–	–	–	37 719 957
Amounts due from banks	95 868 580	219 530	–	–	–	–	–	96 088 110
Amounts due from customers	1 702 540	88 002	–	–	–	–	–	1 790 542
Trading assets	5 255 953	–	–	–	–	–	–	5 255 953
Positive replacement values of derivative financial instruments	850 980	–	–	–	–	–	–	850 980
Financial investments	1 674	–	–	10 921 083	–	34 418 633		45 341 390
Total current assets at 31 December 2021	**141 399 684**	**307 532**	–	**10 921 083**	–	**34 418 633**	–	**187 046 932**
Total current assets at 31 December 2020	119 151 068	326 128	–	–	10 572 170	34 985 538	–	165 034 904

THIRD-PARTY LIABILITIES (CHF)								
Amounts due to banks	9 079 237	–	–	–	–	–	–	9 079 237
Amounts due in respect of customer deposits	121 157 749	–	–	–	–	–	–	121 157 749
Negative replacement values of derivative financial instruments	1 282 249	–	–	–	–	–	–	1 282 249
Total third-party liabilities at 31 December 2021	**131 519 235**	–	–	–	–	–	–	**131 519 235**
Total third-party liabilities at 31 December 2020	110 981 783	–	–	–	–	–	–	110 981 783

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

	2021			2020		
ASSETS (CHF 000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	37 720	–	37 720	23 260	–	23 260
Amounts due from banks	37 655	58 433	96 088	37 761	57 197	94 958
Amounts due from customers	1 265	526	1 791	102	585	687
Trading assets	4 306	950	5 256	–	–	–
Positive replacement values of derivative financial instruments	52	799	851	216	269	485
Financial investments	34 419	10 923	45 342	34 989	10 656	45 645
Accrued income and prepaid expenses	1 113	516	1 629	1 365	888	2 253
Investment in subsidiaries	100	–	100	100	–	100
Tangible fixed assets	684	157	841	787	224	1 011
Other assets	196	–	196	277	–	277
Total assets	**117 510**	**72 304**	**189 814**	**98 857**	**69 819**	**168 676**

LIABILITIES (CHF 000)						
Amounts due to banks	–	9 079	9 079	–	6 309	6 309
Amounts due in respect of customer deposits	6 569	114 589	121 158	6 888	97 162	104 050
Negative replacement values	113	1 169	1 282	63	560	623
of derivative financial instruments	2 450	443	2 893	3 213	333	3 546
Accrued expenses and deferred income	1 763	4	1 767	2 568	–	2 568
Other liabilities	616	–	616	640	–	640
Reserves for general banking risks	3 234	–	3 234	3 360	–	3 360
Bank's capital	22 000	–	22 000	22 000	–	22 000
Statutory retained earnings reserve	25 332	–	25 332	12 496	–	12 496
Profit carried forward	130	–	130	248	–	248
Result of the year	2 176	147	2 323	12 663	173	12 836
Total liabilities	**64 383**	**125 431**	**189 814**	**64 139**	**104 537**	**168 676**

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

	2021		2020	
ASSETS	**Absolute (CHF 000)**	**Share %**	**Absolute (CHF 000)**	**Share %**
Switzerland	117 511	61.9	98 857	58.6
Europe excluding Switzerland	48 568	25.6	47 356	28.0
USA and Canada	15 334	8.1	14 602	8.7
Others	8 401	4.4	7 861	4.7
Total	**189 814**	**100**	**168 676**	**100**

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

	2021		2020	
SERV Rating	**Absolute (CHF 000)**	**Share %**	**Absolute (CHF 000)**	**Share %**
1	70 046	96.9	68 373	97.9
2	6	0.0	1	0.0
3	301	0.4	235	0.3
4	31	0.0	54	0.1
5	1 561	2.2	743	1.1
6	167	0.2	95	0.2
7	145	0.2	243	0.3
without rating	47	0.1	75	0.1
Total	**72 304**	**100**	**69 819**	**100**

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

Exposure excluding Switzerland.

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

ASSETS (CHF 000)	CHF	EUR	USD	JPY	Others	Total
Liquid assets	37 720	–	–	–	–	37 720
Amounts due from banks	5 787	35 503	34 017	8 110	12 671	96 088
Amounts due from customers	1 268	299	123	35	66	1 791
Trading assets	–	–	–	–	5 256	5 256
Positive replacement values of derivative financial instruments	851	–	–	–	–	851
Financial investments	34 419	–	10 921	–	2	45 342
Accrued income and prepaid expenses	1 037	129	330	19	114	1 629
Non-consolidated investment in subsidiaries	100	–	–	–	–	100
Tangible fixed assets	837	–	–	4	–	841
Other assets	40	61	33	–	62	196
Total assets	**82 059**	**35 992**	**45 424**	**8 168**	**18 171**	**189 814**
Claims arising from spot exchange and swap transactions	65 514	170 556	331 990	91 902	310 307	970 269
Total at 31 December 2021	**147 573**	**206 548**	**377 414**	**100 070**	**328 478**	**1 160 083**

LIABILITIES (CHF 000)	CHF	EUR	USD	JPY	Others	Total
Amounts due to banks	4	5 631	3 273	58	113	9 079
Amounts due in respect of customer deposits	11 789	35 838	50 615	5 923	16 993	121 158
Negative replacement values of derivative financial instruments	1 282	–	–	–	–	1 282
Accrued expenses and deferred income	1 791	812	114	156	20	2 893
Other liabilities	551	388	715	2	111	1 767
Provisions	616	–	–	–	–	616
Reserves for general banking risks	3 234	–	–	–	–	3 234
Bank's capital	22 000	–	–	–	–	22 000
Retained earnings reserve	25 332	–	–	–	–	25 332
Currency translation reserve	130	–	–	–	–	130
Consolidated profit of the year	2 323	–	–	–	–	2 323
Total liabilities	**69 052**	**42 669**	**54 717**	**6 139**	**17 237**	**189 814**
Delivery obligations arising from spot exchange and swap transactions	61 834	174 919	336 549	118 477	278 490	970 269
Total at 31 December 2021	**130 886**	**217 588**	**391 266**	**124 616**	**295 727**	**1 160 083**
Net position by currency	**16 687**	**(11 040)**	**(13 852)**	**(24 546)**	**32 751**	–

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Breakdown of contingent assets and contingent liabilities

CONTINGENT ASSETS (CHF)	2021	2020
Other contingent assets	–	–
Total contingent assets	–	–

CONTINGENT LIABILITIES (CHF)		
Other contingent liabilities	139 755	227 412
Total contingent liabilities	**139 755**	**227 412**

Breakdown of the result from trading activities

TRADING INCOME (CHF)	2021	2020
Leveraged margin trading	21 397 025	40 072 646
Binary options	561 880	476 592
Total	**21 958 905**	**40 549 238**

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Breakdown by underlying risk

RESULT (CHF) FROM TRADING ACTIVITIES FROM:	2021	2020
Equity securities	2 765 761	5 530 528
Foreign currency	13 429 253	24 914 768
Commodities / precious metals	4 810 740	10 265 879
Cryptocurrencies	953 151	(161 937)
Total	**21 958 905**	**40 549 238**

Comparative figures for 2020 have been adapted included cryptocurrencies.

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

NEGATIVE INTEREST (CHF)	2021	2020
Negative interest on credit operations	348 137	273 161
Negative interest on deposits	3 186	3 257

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

Breakdown of personnel expenses

PERSONNEL EXPENSES (CHF)	2021	2020
Salaries	5 973 658	6 638 892
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 331 745	1 494 327
Other personnel expenses	102 899	124 131
Total personnel expenses	**7 408 302**	**8 257 350**

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Breakdown of general and administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSES (CHF)	2021	2020
Premises	2 178 732	2 360 096
IT related expenses	2 056 036	2 118 690
Copyright agreement	2 729 736	2 879 943
Legal and consulting	1 116 046	1 306 727
Post, telecommunications and data	621 562	655 381
Expenses for vehicles	75 530	40 152
Office supply	186 898	203 153
Audit fees	266 065	274 399
of which for financial and regulatory audits	*266 065*	*274 399*
of which for other services	–	–
Marketing and communication	2 413 132	2 579 205
Travels	779 478	578 870
Others	303 407	317 564
Total general and administrative expenses	**12 726 622**	**13 314 180**

Explanations regarding extraordinary income and expenses

EXTRAORDINARY INCOME (CHF)	2021	2020
Disposal of fully depreciated fixed assets	11	17
Transfer return	–	414
Donation from Japanese State	1 530	42 580
Total extraordinary income	**1 541**	**43 011**

EXTRAORDINARY EXPENSES (CHF)		
Loss realised on the disposal of participation	–	(10 745)
Total extraordinary expenses	–	**(10 745)**

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

	2021		2020	
(CHF)	**Domestic**	**Foreign**	**Domestic**	**Foreign**
Subtotal net result for interest operations	(156 833)	–	(78 239)	(29 741)
Subtotal result from commission business and services	1 695 057	(20 581)	565 163	(48 935)
Result from trading activities	21 126 836	832 069	39 639 801	909 437
Personnel expenses	(5 319 493)	(2 088 809)	(5 942 754)	(2 314 596)
General and administrative expenses	(4 078 629)	(8 647 993)	(4 416 724)	(8 897 456)
Subtotal operating expenses	**(9 398 122)**	**(10 736 802)**	**(10 359 478)**	**(11 212 052)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(289 741)	(126 824)	(283 665)	(210 107)
Changes to provisions and other value adjustments and losses	(8 102)	(38 430)	(29 329)	(395)
Operating result	**12 969 095**	**(10 090 568)**	**29 454 253**	**(10 591 793)**

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

(CHF)	**2021**	**2020**
Current tax expenses	(682 962)	(2 698 322)
Total taxes	**(682 962)**	**(2 698 322)**

(CHF)	**2021**	**2020**
Average tax rate	**23.7%**	**14.3%**

Taxes consist of tax on profit and capital, as well as professional tax. The fluctuation observed in the tax rate is due to the Geneva professional tax because the latter is not proportionate to the profit but to the total gross income.

REPORT OF THE STATUTORY AUDITOR 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, statement of changes in equity, cashflow statement and notes (pages 49 to 78) for the year ended 31.12.2021.

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 2021 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 2022

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

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

KM1: Key regulatory figures

	AVAILABLE CAPITAL AMOUNTS (CHF 000)	**2021**	**2021Q3**	**2021Q2**	**2021Q1**	**2020**
1	Common Equity Tier 1 (CET1)	49 493				44 228
1a	Fully loaded ECL accounting model CET1					
2	Tier 1	49 493				44 228
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	49 493				44 228
3a	Fully loaded ECL accounting model Total capital					
	RISK-WEIGHTED ASSETS AMOUNTS					
4	Total risk-weighted assets (RWA)	189 450				152 275
4a	Minimum capital requirements (000 CHF)	15 156				12 182
	RISK-BASED CAPITAL RATIOS (as a percentage % of RWA)					
5	CET1 ratio (%)	26.12%				29.04%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	T1 ratio (%)	26.12%				29.04%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	26.12%				29.04%
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 minimum requirements (%)	2.50%				2.50%
9	Countercyclical buffer requirement according to Basel minimum requirements (%)	0.00%				0.00%
10	Bank G-SIB and/or D-SIB additional requirements	0.00%				0.00%
11	Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%)	2.50%				2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	18.12%				21.04%
	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 (%)	0.00%				0.00%
12c	CET1 capital target (%) accord. to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 & 44a	7.00%				7.00%
12d	T1 capital target according to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 and 44a	8.50%				8.50%
12e	Total capital target according to CAO, Annex 8+contercyclical buffer accord. to CAO, Art. 44 and 44a	10.50%				10.50%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio exposure measure (000 CHF)	200 765				153 744
14	Basel IIII Leverage Ratio	24.65%				28.77%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	24.65%				28.77%
	MEDIUM SHORT-TERM LIQUIDITY COVERAGE RATIO LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	61 342	60 270	57 487	52 181	55 816
16	LCR Denumerator: total cash outflow (000 CHF)	5 627	5 259	5 173	4 745	4 336
17	Liquidity coverage ratio (%)	1090%	1146%	1111%	1100%	1287%
	NET STABLE FUNDING RATIO NSFR					
18	Available stable refinancings (000 CHF)	158 500		158 313		141 120
19	Required stable refinancings (000 CHF)	22 701		23 716		20 587
20	Net stable funding ratio NSFR (%)	698%		668%		685%

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

OV1: Overwiew of risk-weighted assets

	(CHF 000)	RWA 2021	RWA 2020	Min. capital requirements 2021
1	Credit risk	34 588	30 438	2 767
20	Market risk*	94 238	57 338	7 539
24	Operational risk	58 425	61 950	4 674
24a	Risks without counterparty	837	1 012	67
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	1 362	1 537	109
27	**Total (1 + 20 + 24 + 25 + 26)**	**189 450**	**152 275**	**15 156**

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

*Market risk increase due to a raise 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 2021

CR1: Credit risk – credit quality of assets

	(CHF 000)	Gross carrying values of Defaulted exposures	Gross carrying values of Non-Defaulted exposures	Value adjustments/ impairments	Net values
1	Loans (excluding debt securities)	–	138 277	–	138 277
2	Debt securities	–	45 340	–	45 340
3	Off-balance sheet exposures	–	1 128	–	1 128
24	**Total**	–	**184 745**	–	**184 745**

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

(CHF 000)	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)	183 577	–	40
Off-balance sheet exposures	988	140	–
Total	**184 565**	**140**	**40**
of which defaulted	–	–	–

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.

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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. I 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 pay interests to its clients. The main source of interest rate risk of the Bank in the bonds it hold 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 do not pay interest on customers' accounts. 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 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.

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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
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*
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points*
Rise in short term interest rates	From +150 basis points down to 0 basis points*
Fall in short term interest rates	From -150 basis points down to 0 basis points*

*depending on maturity bucket

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

Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. 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 Bank's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2021

	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	5.39	7.22
Positions with an undefined interest rate reset date					
Amounts due from banks	89	6	69	0.04	0.04
Amounts due from customers	2	1	1	0.62	0.62
Sight liabilities in personal and current accounts	(113)	(16)	(85)	0.04	0.04
Other liabilities	(12)	0	(11)	0.04	0.04
Total	**9**	**21**	**(13)**	–	–

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

KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2021

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

	Δ EVE (change in the net present value)		**Δ NII** (change in the discounted earning value)	
Period (CHF millions)	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Parallel upward shift	(3.3)	(4.0)	0	0
Parallel downward shift	3.7	4.6	0	0
Steepener shock	(1.1)	(1.5)	–	–
Flattener shock	0.5	0.7	–	–
Upward short-term interest rate shock	(0.8)	(0.9)	–	–
Downward short-term interest rate shock	0.8	0.9	–	–
Maximum	3.7	4.6	0	0
Total eligible capital	**49.0**	**46.1**	–	–

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

The Group's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Group neither charges or pay interests to its clients. Nevertheless, it can review that policy at any time if 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 do 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 offrering CFD trading on debt instruments. I 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 in the bonds it hold as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

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