DUKASCOPY
Swiss Forex Bank & Marketplace

ANNUAL REPORT

Year 2015

DUKASCOPY BANK SA

DUKASCOPY
Swiss Forex Bank & Marketplace

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DUKASCOPY
Swiss Forex Bank & Marketplace

INTRODUCING DUKASCOPY GROUP

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

The founders' vision materialised in an international financial and media group headed by an innovative online Swiss bank and securities dealer "Dukascopy Bank", counting 164.8 employees (in full time equivalent as at 31.12.2015). The Group counts 298.4 employees of which 266.9 employees for the consolidated companies (in full time equivalent as at 31.12.2015). It offers multiproduct online and mobile trading platforms as well as online banking services to individual and institutional clients located worldwide. The media arm of Dukascopy Group is "Dukascopy TV", a Swiss financial online television regulated by OFCOM.

The Group is also active in social media through "Dukascopy Community". This online community counts over 120'000 members freely accessing financial information, sharing trading strategies, exchanging views via secure chat and video facilities "Dukascopy Connect" and "Telefision Interactive Rooms" and entertaining themselves e.g. by participating to Dukascopy contests.

More recently, Dukascopy Group added innovative payment solutions via smartphones and e-wallets to its range of services.

The Group development strategy includes international expansion through physical presence in key markets so as to be always closer to our growing international clientele. Our ambition is also to continuously offer new financial instruments and innovative services based on our in-house developed technology.

In Switzerland, Dukascopy Bank is a FinTech precursor. It advocates the adaptation of Swiss regulation to new technologies and new ways of doing financial business. As an example, it supported the authorisation of fully online client onboarding procedures by FINMA, an important milestone for the Swiss online financial industry.

Dukascopy brand is known internationally as high tech and reliable online services.

MESSAGE FROM THE BOARD OF DIRECTORS

2015 was a year rich in challenging and unpredictable events impacting the banking industry: divergences in monetary and fiscal policies, continued tightening of regulatory requirements, uncertainty about economic growth in China and globally, decline in oil prices, lower market liquidity, negative interest rates and above all, the unpredicted decision of the Swiss National Bank to discontinue the minimum exchange rate of 1,20 CHF per EUR.

At Dukascopy, we will remember 2015 as a year of accomplishments and success: we realized one of our strategic objective with the opening of Dukascopy in Japan, a market with a high development potential, we sustained our innovation capacity, the development of our technologies and we were able to realise our record profit to date to further consolidate our capital position in order to ensure the development of innovation and our capacity to capture opportunities for growth in an international environment.

Since many years, sudden economic and geopolitical issues are creating an uncertain operating environment for banks. The emergence of disruptive players and business models in the industry is now forcing financial institutions to rethink the way they deliver their services. Regulators will also have to rapidly adapt the existing framework to safeguard Switzerland's competitiveness. As a highly innovative and technological bank, Dukascopy benefits from years of experience and from its cost competitive and flexible operating model to ensure it delivers advanced solutions and add value for its clients in this continuously changing environment.

In 2016, we will keep on with our vision and strategy to deliver excellence and quality to our clients with enhanced solutions, increased international presence and ongoing dynamism.

The Board of Directors

MESSAGE FROM THE co-CEOs

Dukascopy Group gathers the fruits of its work

2015 has been the best year in Dukascopy history.

Favourable market conditions combined with continuous efforts to satisfy clients and to control costs have been fruitful. Our excellent results comfort us in the rightness of our strategy. No dividend will be distributed. The net profits 2015 and the newly created "Reserves for general banking risks" will build up the capital base of our Group, its resilience towards possible negative events and support our international expansion plans.

2015 also has been an important milestone for our media arm, Dukascopy TV. During this year, the Federal Office of Communication (OFCOM) has registered Dukascopy TV as a Swiss online TV channel. Active since 2008, Dukascopy TV reaches maturity. We will continue to invest in Dukascopy TV with a focus on quality rather than quantity. We strive for meeting the interest of our growing audience.

Certainly, the year 2015 will be remembered for the extraordinary market event which occurred on 15 January 2015 when the Swiss National Bank abandoned its four years long EURCHF peg. The sudden 20% shift in the EUR rate against main currencies has challenged risk management assumptions of brokers. In certain cases, resulting damages were tremendous. Dukascopy Group is proud of having rightfully anticipated and managed this risk.

Looking forward, in the current context of weak global economy and difficult structural reforms, markets should remain under strong influence of state interventions/monetary policies, with stimulating effects on market volatility and trading volumes.

In our Group, 2016 should at least see the addition of new licensed brokerage companies and the launch of CFDs on single stocks.

We thank all our employees, clients and business partners for their trust and contribution.

Veronika and Andrey Duka
co-Chief Executive Officers

REVIEW OF OPERATIONS

Dukascopy Bank

Stimulated by high market volatility, trading volume has reached records in 2015 with a monthly average of CHF 55 billion. Conditions were also favourable to operating income which touched an unprecedented level at CHF 35 million. In comparison to 2014, the increase is impressive: +29%. However, 2014 had been extraordinary due to weak volatility. But even compared to a more ordinary level of annual income (CHF 30 million), 2015 would have appeared 17% higher.

Thanks to the cost containment measures implemented in 2014, operating expenses remained stable: -1% below 2014. The combination of higher income and lower expenses nicely improved the cost/income ratio at 73% compared to 95% in 2014 and resulted in an unprecedented net profit of CHF 3.4 million. CHF 2.8 million have been put aside as "Reserves for general banking risks" for a rainy day. Without this extraordinary item, the net profit 2015 would have reached about CHF 5.5 million.

In 2015, the net inflow of margin deposits has been very strong. However, this left the total of margin deposits almost unchanged (+1% compared to 2014) due to the drop of the EUR/CHF rate (-10% over 2015 which concerns 31% of clients deposits) and to client trading losses.

Dukascopy Group

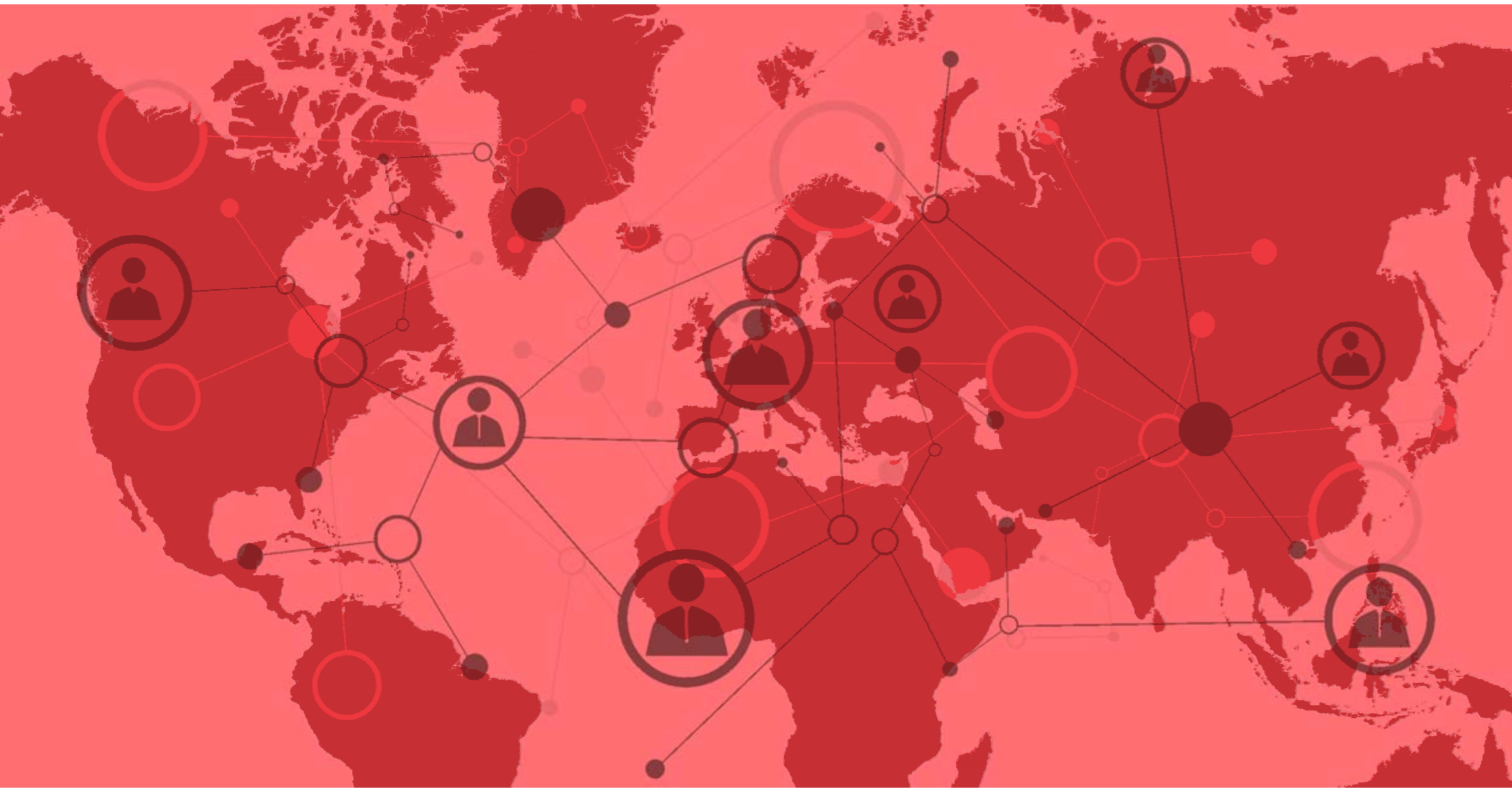
In 2015, Dukascopy Europe remained profitable for the third consecutive year.

Dukascopy Japan has joined the Group in August 2015 while its commercial activities were stopped, meaning when it had operating expenses but no income. The consolidated net profit 2015 of the Group is CHF 0.6 million below Dukascopy Bank's net profit due to the initial losses of Dukascopy Japan. Dukascopy Japan has restarted operations in October 2015 and is expected to break-even by 2017.

Key Figures of Dukascopy Bank

	Year 2015 (in CHF million or in %)	Year 2014 (in CHF million or in %)	Year 2013 (in CHF million or in %)
Total operating income	35.0	27.1	30.1
Total operating expenses	25.6	25.9	24.5
Net profit	3.4	1.0	2.1
Cost / income ratio	73.3%	95.4%	81.5%
Total assets	184.1	177.8	151.5
Total client deposits	144.5	143.3	117.6
Shareholders' equity	32.8	29.4	28.4
Regulatory capital	34.9	29.4	28.4

ORGANISATION OF THE BANK



Board of Directors

Chairman
Bogdan Prensilevich

Vice-Chairman
Pierre J-M. Bongard

Members
Gérard de Cerjat
Frank Guemara
Pierre-Alain Guillaume

Executive Committee

Chairman
Dr. Andrey Duka,
co-Chief Executive Officer & Chief Technology officer

Veronika Duka,
co-Chief Executive Officer & Chief Administrative Officer

Members
Laurent Bellières, Chief Financial & Chief Risk Officer
Dmitrijs Kukels, Chief Brokerage Officer

Internal Auditor

PKF Certifica SA

External Auditor

KPMG SA

Swiss Forex Bank & Marketplace

FINANCIAL STATEMENTS

and proposed appropriation of retained earnings

BALANCE SHEET
as at 31 December 2015

ASSETS	31.12.2015 CHF	31.12.2014 CHF
Liquid assets	37 818 353	95 024 810
Amounts due from banks	97 342 305	47 206 276
Amounts due from customers	821 764	75 747
Positive replacement values of derivative financial instruments	645 264	1 356 813
Financial investments	40 052 872	28 934 315
Accrued income and prepaid expenses	3 118 388	1 646 457
Participations	3 371 169	2 094 582
Tangible fixed assets	917 185	1 444 379
Other assets	563	2 687
TOTAL ASSETS	**184 087 863**	**177 786 066**

LIABILITIES	CHF	CHF
Amounts due to banks	39 377 263	40 002 092
Amounts due in respect of customer deposits	105 129 317	103 268 514
Negative replacement values of derivative financial instruments	579 348	638 584
Accrued expenses and deferred income	2 300 088	1 908 112
Other liabilities	769 359	2 300 097
Provisions	300 000	225 793
Reserves for general banking risks	2 800 000	–
Bank's capital	22 000 000	22 000 000
Statutory retained earnings reserve	383 000	332 000
Profit carried forward	7 059 873	6 104 408
Profit of the year	3 389 615	1 006 466
TOTAL LIABILITIES	**184 087 863**	**177 786 066**

OFF–BALANCE SHEET
as at 31 December 2015

Off–balance sheet commitments	31.12.2015 CHF	31.12.2014 CHF
Contingent liabilities	116 992	125 381
Irrevocable commitments	878 000	822 000

STATEMENT OF INCOME

for the year ended 31 December

Result from interest operations	31.12.2015 CHF	31.12.2014 CHF
Interest and discount income	(30 289)	18 560
Interest and dividend income from financial investments	1 047 607	665 116
Interest expense	(969 942)	(633 777)
Gross result from interest operations	**47 376**	**49 889**
Change in value ajustments from default risks and losses from interest result operations	–	–
Subtotal net from interest operations	**47 376**	**49 889**
Result from commission business and services		
Commission income from other services	589 003	551 761
Commission expense	(256 111)	(220 388)
Subtotal result from commission business and services	**332 892**	**331 373**
Result from trading activities	**34 579 549**	**26 768 709**
Operating expenses		
Personnel expenses	(12 220 454)	(13 830 772)
General and administrative expenses	(13 395 215)	(12 058 193)
Subtotal operating expenses	**(25 615 669)**	**(25 888 965)**
Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(888 759)	(945 373)
Change to provisions and other value adjustments, and losses	(900 494)	(247 651)
Operating result	**7 554 895**	**67 992**
Extraordinary income	1 675	1 537 459
Change in reserves for general banking risks	(2 800 000)	–
Taxes	(1 366 955)	(598 985)
Profit of the year	**3 389 615**	**1 006 466**

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

	2015 CHF
Profit of the year	3 389 615
Profit carried forward	7 059 873
Amount at the disposal of the Shareholders' general meeting	**10 449 488**
Proposed utilisation	
Contribution to the statutory retained earnings reserve	170 000
To be carried forward	10 279 488
Total	**10 449 488**

PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2015

	Bank's capital CHF	Statutory retained earnings reserve CHF	Reserves for general banking risks* CHF	Voluntary retained earnings reserves and profit carried forward CHF	Result of the year CHF	Total CHF
Equity at start of current year	**22 000 000**	**332 000**	–	**6 104 408**	**1 006 466**	**29 442 874**
Allocation of previous year result	–	–	–	–		–
– Allocation to Retained earnings reserve	–	51 000	–	–	(51 000)	–
– Allocation to Voluntary retained earnings reserves and profit carried forward	–	–	–	955 466	(955 466)	–
Other allocations to (transfer from) the reserves for general banking risks	–	–	2 800 000	–	–	**2 800 000**
Profit (result of the year)	–	–	–	–	3 389 615	**3 389 615**
Equity at end of current year	**22 000 000**	**383 000**	**2 800 000**	**7 059 874**	**3 389 615**	**35 632 489**

*Only the portion of Reserves for general banking risks which remains of the deduction of deferred tax can be counted as regulatory capital.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2015

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 dealer, which renders online brokerage and online banking services from its head office in Geneva (Switzerland). The Bank has an agency in Zürich and representative offices in Riga, Kiev, Moscow, Hong Kong and Kuala Lumpur.

2. Accounting and valuation principles

2.1. General principles

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

General valuation principles

The financial statements are prepared on the assumption of an ongoing 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.

2.2. Changes to accounting principles and valuation method

There was no such change in 2015.

However, it must be noted that the new FINMA circular 15/1 guiding the establishment of the financial statements, applicable for the first time to the financial statements established as at 31.12.2015, have introduced new disclosure requirements and various changes to the balance sheet, statement of income and notes. For instance, the Bank had to offset value adjustments and corresponding asset items while such items were previously published on a gross basis. Comparative figures 2014 have been adapted according to the changes introduced by the FINMA circular 15/1, without any impact on the shareholders' capital and net profit. As permitted by the FINMA circular 15/1, no comparative figures are published in relation with items which are published for the first time.

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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

The Bank is not active in credit activities. However, loans and advances on salaries may be granted to employees of the Bank and amounts receivable from clients may appear in the normal course of the Bank's core activities.
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' credit-worthiness. 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 derecognised 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 previous metal account deposits are valued at fair value.

d. Positive and negative replacement values of derivative financial instruments
Trading operations comprise execution of client orders and transactions of the Bank for its own account including hedging transactions.
The Trading assets and liabilities relating 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 derivatives 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 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.
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 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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

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

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

e. Financial investments
Financial investments only 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 realised 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".

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 due to business reasons.
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 indictors exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item "Value adjustments on participations and 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".

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 amortization over the estimated operating life.
Tangible fixed assets are amortised at a consistent rate over an estimated operating life via the item "Value adjustments on participations and amortization of tangible fixed assets and intangible assets". The estimated operating lives of the different categories of tangible fixed assets and the amortization methods are as follows:

- Fixtures and fittings	4 years, on a straight-line basis
- Furniture	4 years, on a straight-line basis
- IT hardware	3 years, on a degressive* basis
- Vehicles	5 years, on a degressive* basis
- Software	5 years, on a degressive* basis

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

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 "Liabilities with banks" or "Other liabilities".
In case an indication arise that the value of a tangible fixed assets is impaired, an additional amortization is recorded in the item "Value adjustments on participations and amortization 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 amortization of tangible fixed assets and intangible assets".
If the impairment test shows that the operating life of an intangible asset has changed, the residual carrying amount should be depreciated systematically over the newly estimated useful life.
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".

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.

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.

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".

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.

* The amortization rate is applied to the accounting value at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2015

Pension benefit obligations

The Bank's employees based in Switzerland are insured for retirement, death or disablement through a defined contribution pension scheme. The Bank bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contribution 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. A contrario, there is a liability if, owing to a shortfall in the pension fund, the Bank wants or has to participate in the financing of the pension fund.

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 values of derivatives financial instruments" or "Negative replacement value of derivative financial instruments".

2.4. Treatment of foreign currencies

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

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

		2015 CHF	2014 CHF
USD	1.00	1.00230	0.99435
EUR	1.00	1.08815	1.20295
GBP	1.00	1.47700	1.54890
CAD	1.00	0.72440	0.85540
JPY	1.00	0.00834	0.00831
AUD	1.00	0.73065	0.81215
NZD	1.00	0.68455	0.77520
NOK	1.00	0.11395	0.13339
SEK	1.00	0.11846	0.12762
SGD	1.00	0.70296	0.75027

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2015

3. Risk Management

As 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, even in case of extraordinary events such as the abandon of the EURCHF peg by the Swiss National Bank on 15 January 2015, is a priority for the Bank's shareholders. 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 defense: 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 organ 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 General Risk Policy aiming at limiting and managing the main risks affecting the Bank. The General Risk Policy 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 ensure 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 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 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 but 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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

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 about operational risks in a systematic and objective way to the executive management and 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 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, 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 orders execution.
The Bank applies prudent market risks 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 time. If deemed necessary, the Bank's advanced technology allows it to fully exclude exposure deriving from trading on all or specific instruments, for instance in anticipation of exceptional market events such as the abandon of a currency peg by a Central Bank.

Market risks – other currency risks
The Bank has a limit applicable to currency risk exposure deriving from currency discrepancies between assets and liabilities. This limit is monitored on a daily basis by the Treasurer who maintains sufficient currency congruence between assets and liabilities through the assets and liabilities management (ALM).
Market risks – interest rate risks
The Bank is not active in credit or other interest generating activities. The Bank's exposure to interest rate risks mostly derives from government bonds it has bought and deposited with trading counterparties as trading collateral. Since the Bank intends to hold those bonds until maturity, the identified interest rate risks should not materialize in losses. The Bank calculates and reports about 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 relating to clients by way of margin call and margin cut functionalities which shall ensure that the Bank remains

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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 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.

The Bank considers that a risk of default exists on unsecured receivables if a payment of interests or a reimbursement of principal is not honored in due date or if the debtor disputes such payment obligation 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.

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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 on the portion of receivable whose recovery is considered uncertain.

4.3. Process for determining value adjustments and provisions

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

5. Valuation of collateral

Collateral provided by clients is normally made of cash 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 same currency as the reference client account reference currency. Collateral is valued at nominal value of the cash or bank guarantees. The Bank applies no haircut to collateral and grants a leverage for the trading of certain instruments.

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

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

The Bank executes all trading operations in full STP (Straight-through-Processing) mode and always acts as 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. Material events after the balance sheet date

No material events occurred after the balance sheet date that could have a material impact on the financial position of the Bank as of 31 December 2015.

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

Loans (before netting with value adjustments)	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Amounts due from customers	–	689 784	138 846	828 630
Total at 31 December 2015 (before netting with value adjustments)	**–**	**689 784**	**138 846**	**828 630**
Total at 31 December 2014 (before netting with value adjustments)	–	18 017	71 352	89 369
Total at 31 December 2015 (after netting with value adjustments)	**–**	**689 784**	**131 980**	**821 764**
Total at 31 December 2014 (after netting with value adjustments)	–	18 017	57 730	75 747
Off-balance sheet commitments				
Contingent liabilities*	–	116 992	–	116 992
Irrevocable commitments	–	–	878 000	878 000
Total at 31 December 2015	**–**	**116 992**	**878 000**	**994 992**
Total at 31 December 2014	–	125 381	822 000	947 381

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

Breakdown of impaired loans/receivables	**Gross debt amount CHF**	**Estimated liquidation proceeds of collateral CHF**	**Net debt amount CHF**	**Individual value adjustments CHF**
Total at 31 December 2015	**6 866**	**–**	**6 866**	**6 866**
Total at 31 December 2014	30 304	–	30 304	17 331

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Presentation of derivative financial instruments (assets and liabilities)

OTC transactions	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
Currencies:			
– forward contracts*	2 846 180	2 746 884	1 258 459 862
– swaps	2 409 316	2 361 121	1 645 041 590
Total currencies	**5 255 496**	**5 108 005**	**2 903 501 452**
Precious metals:			
– forward contracts*	17	55 324	14 449 657
– swaps	75	29 959	32 398 452
Total precious metals	**92**	**85 283**	**46 848 109**
Indices:			
– CFD	8 990	3 941	9 738 060
Total indices	**8 990**	**3 941**	**9 738 060**
Others:			
– CFD	505	1 938	2 505 431
Total others	**505**	**1 938**	**2 505 431**
Total at 31 December 2015 before impact of netting contracts	**5 265 083**	**5 199 167**	**2 962 593 052**
of which determinated of using valuation models	–	–	–
Total at 31 December 2014 before impact of netting contracts	2 621 084	1 902 854	1 960 157 264
of which determinated of using valuation models	–	–	–
Total at 31 December 2015 after impact of netting contracts	**645 264**	**579 348**	
Total at 31 December 2014 after impact of netting contracts	1 356 813	638 584	

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

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Others customers	Total
Positive replacement values after impact of netting contacts Total at 31 December 2015	–	538 417	106 847	**645 264**

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Breakdown of financial investments

Debt securities	Book value		Fair value	
	2015 CHF	**2014 CHF**	**2015 CHF**	**2014 CHF**
of which bonds held to maturity	*40 052 872*	*28 934 315*	*40 550 740*	*29 207 260*
Total	**40 052 872**	**28 934 315**	**40 550 740**	***29 207 260***
including securities eligible for repo transactions in accordance with liquidity regulations	*40 052 872*	*28 934 315*	*40 550 740*	*29 207 260*

Breakdown of counterparties by Fitch rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	Without rating
Debt securities: Book value of bonds held to maturity	40 052 872					

Presentations of participations

Participations	2014			2015			
	Cost value CHF	**Value adjustment CHF**	**Book value at end of year CHF**	**Additions CHF**	**Disposals Reimbursement CHF**	**Value adjustment CHF**	**Book value at end of year CHF**
Without listed value	2 094 582	–	2 094 582	2 558 395	(1 281 806)*	–	3 371 171
Total participations	**2 094 582**	**–**	**2 094 582**	**2 558 395**	**(1 281 806)**	**–**	**3 371 171**

*This amount relates to the reduction and an reimbursement of Dukascopy Europe IBS AS's capital.

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

Participations	Activity	Share capital CHF	Head office	Share capital in %	Vote in %	Held directly
2015						
SWFX-Swiss FX Marketplace SA	dormant	100 000	Geneva	100%	100%	100%
Dukascopy Europe IBS AS	brokerage	1 479 241	Riga	100%	100%	100%
Dukascopy Community SA	social media	100 000	Geneva	100%	100%	100%
Dukascopy Payments AS	e-money	608 085	Riga	100%	100%	100%
Dukascopy Japan K.K.	brokerage	5 488 259	Tokyo	100%	100%	100%
2014						
SWFX-Swiss FX Marketplace SA	dormant	100 000	Geneva	100%	100%	100%
Dukascopy Europe IBS AS	brokerage	2 765 738	Riga	100%	100%	100%
Dukascopy Community SA	social media	100 000	Geneva	100%	100%	100%
Dukascopy Payments AS	dormant	608 085	Riga	100%	100%	100%

Dukascopy Japan K.K. was acquired in August 2015.

Presentations of tangible fixed assets

	2014			2015			
	Cost value CHF	Accumulated depreciation CHF	Book value at end of year CHF	Additions CHF	Disposals CHF	Depreciation CHF	Book value at end of year CHF
Softwares	22 746 535	(22 667 060)	79 475	5 444	–	(48 889)	36 030
Other tangible fixed assets	8 083 112	(6 718 208)	1 364 904	368 438	(12 317)	(839 870)	881 155
Total fixed assets	**30 829 647**	**(29 385 268)**	**1 444 379**	**373 882**	**(12 317)**	**(888 759)**	**917 185**

Leasing

	2016 CHF	2017 CHF	2018 CHF	2019 CHF	2020 CHF	2021 CHF
Future leasing installments arising from operating leases	1 598 324	1 133 228	890 539	890 539	745 336	10 290
of which, may be terminated within one year	*140 746*					

Breakdown of other assets and liabilities

Other assets	2015 CHF	2014 CHF
Others	563	2 687
Total other assets	**563**	**2 687**
Other liabilities		
Wire transfers	486 648	2 033 676
Indirect taxes to be paid	282 046	266 421
Others	665	–
Total other liabilities	**769 359**	**2 300 097**

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

	2015		2014	
	Book value of pledged assets and assets assigned as collateral CHF	Effective commitments CHF	Book value of pledged assets and assets assigned as collateral CHF	Effective commitments CHF
Swiss and US government bonds	31 261 303	9 529 393	19 907 237	1 700 623
Deposits made with banks to secure guarantees	235 969	235 969	237 219	237 219
Total	**31 497 272**	**9 765 362**	**20 144 456**	**1 937 842**

Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP). This fund is a defined contributions scheme. There is no employer contribution reserve and there no identifiable economic benefit to be capitalised in the balance sheet (2014: nil). The overfunding in the pension fund is based on its unaudited accounts as of 31 December 2015 (coverage ratio is 112%).
Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2014, the coverage ratio was 117.4% (31 December 2013: 112.6%).

The employees based in Russia Federation were affilated to a defined contributions scheme pension fund of the Russian state which has been cancelled in 2015. Since 2015, employees based in Russia are no longer insured by any pension fund.

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

	Over/under-funding 31.12.15	Economic interest of the Bank		Change in economic interest versus prior year	Contributions paid in 2015	Pension expenses in personnel expenses	
		2015	2014			2015	2014
Pension plans with overfunding		–	–	–	**342 249**	**342 249**	428 983

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

	Balance at 31 December 2014 CHF	Use in conformity with designated purpose CHF	Reclassifi-cations CHF	Currency differences CHF	Recoveries, past due interest CHF	New creations charged to income CHF	Releases to income CHF	Balance at 31 December 2015 CHF
Provisions for other business risks	225 793	(125 793)	–	–	–	200 000	–	300 000
Total provisions	**225 793**	**(125 793)**	–	–	–	**200 000**	–	**300 000**
Reserves for general banking risks	–	–	–	–	–	2 800 000	–	2 800 000
Value adjustments for default risks and country risks – of which, value adjustments for default risks in respect of impaired loans/receivables	17 331	(12 650)	–	189	–	2 671	(675)	6 866

Provisions for other business risks include provisions for legal fees and litigations arising out of the normal conduct of Dukascopy Group's activities.

Provisions are valued according to the best estimate principle. Reserves for general banking risks have not been taxed.

Presentation of the Bank's capital

	Total par value CHF	Number of shares	Capital eligible for dividend CHF
	2015		
Share capital	22 000 000	21 712 000	22 000 000
Registred shares	22 000 000	21 712 000	22 000 000
of which, paid up	*22 000 000*	*21 712 000*	*22 000 000*
Total Bank's capital	**22 000 000**	**21 712 000**	**22 000 000**
	2014		
Share capital	22 000 000	21 712 000	22 000 000
Registred shares	22 000 000	21 712 000	22 000 000
of which, paid up	*22 000 000*	*21 712 000*	*22 000 000*
Total Bank's capital	**22 000 000**	**21 712 000**	**22 000 000**

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Disclosure of amounts due from/to related parties

	2015		2014	
	Amounts due from CHF	**Amounts due to CHF**	**Amounts due from CHF**	**Amounts due to CHF**
Holders of qualified participation				
Group companies	20 469	5 575 089	15 446	4 939 848
Linked companies				
Transactions with members of governing bodies				
Other related parties				679

Dukascopy Bank SA engaged into transactions with related parties in the normal course of its business. These transactions mainly include rent, marketing services and software development support. 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

		2015		
With voting rights	**Nominal CHF**	**Number of shares CHF**	**% of equity in %**	**Capital eligible for dividend CHF**
Dr. Andrey Duka	10 890 000	10 890 000	49,5%	10 890 000
Veronika Duka	10 890 000	10 890 000	49,5%	10 890 000
		2014		
With voting rights				
Dr. Andrey Duka	10 890 000	10 746 000	49,5%	10 890 000
Veronika Duka	10 890 000	10 746 000	49,5%	10 890 000

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Presentation of the maturity structure of financial instruments

ASSETS	At sight CHF	Cancellable CHF	Due Within 3 months CHF	Due Within 3 to 12 months CHF	Due Within 1 to 5 years CHF	Due No maturity CHF	Due Over 5 years CHF	Total CHF
Liquid assets	37 818 353	–	–	–	–	–	–	37 818 353
Amounts due from banks	97 106 336	235 969	–	–	–	–	–	97 342 305
Amounts due from customers	758 962	62 802	–	–	–	–	–	821 764
Positive replacement values of derivative financial instruments	645 264	–	–	–	–	–	–	645 264
Financial investments	–	–	–	–	40 052 872	–	–	40 052 872
Total current assets at 31 December 2015	**136 328 915**	**298 771**	–	–	**40 052 872**	–	–	**176 680 558**
Total current assets at 31 December 2014	143 383 847	279 799	–	–	28 934 315	–	–	172 597 961
Third-party liabilities								
Amounts due to banks	39 377 263	–	–	–	–	–	–	39 377 263
Amounts due in respect of customer deposits	105 129 317	–	–	–	–	–	–	105 129 317
Negative replacement values of derivative financial instruments	579 348	–	–	–	–	–	–	579 348
Total third-party liabilities at 31 December 2015	**145 085 928**	–	–	–	–	–	–	**145 085 928**
Total third-party liabilities at 31 December 2014	143 909 190	–	–	–	–	–	–	143 909 190

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

ASSETS	2015			2014		
in CHF ('000)	Domestic	Foreign	Total	Domestic	Foreign	Total
Liquid assets	8 385	29 433	37 818	80 806	14 219	95 025
Amounts due from banks	76 322	21 020	97 342	15 518	31 688	47 206
Amounts due from customers	722	100	822	21	55	76
Positive replacement values of derivative financial instruments	55	590	645	576	781	1 357
Financial investments	28 008	12 045	40 053	28 934	–	28 934
Accrued income and prepaid expenses	1 330	1 789	3 119	1 128	518	1 646
Participations	200	3 171	3 371	200	1 895	2 095
Tangible fixed assets	587	330	917	843	601	1 444
Other assets	1	–	1	3	–	3
Total assets	**115 610**	**68 478**	**184 088**	**128 029**	**49 757**	**177 786**
LIABILITIES						
Amounts due to banks	12 700	26 677	39 377	16 806	23 196	40 002
Amounts due in respect of customer deposits	7 676	97 453	105 129	8 246	95 023	103 269
Negative replacement values of derivative financial instruments	271	308	579	107	532	639
Accrued expenses and deferred income	2 037	263	2 300	1 844	64	1 908
Other liabilities	769	1	770	2 300	–	2 300
Provisions	300	–	300	226	–	226
Reserves for general banking risks	2 800	–	2 800	–	–	–
Bank's capital	22 000	–	22 000	22 000	–	22 000
Statutory retained earnings reserve	383		383	332	–	332
Profit carried forward	7 060	–	7 060	6 104	–	6 104
Profit of the year	3 390	–	3 390	1 006	–	1 006
Total liabilities	**59 386**	**124 702**	**184 088**	**58 971**	**118 815**	**177 786**

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Breakdown of total assets by country / group of countries

ASSETS	2015		2014	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	115 610	62,8	128 029	72,0
Europe excluding Switzerland	52 449	28,5	40 004	22,5
USA and Canada	12 382	6,7	9 431	5,3
Others	3 647	2,0	322	0,2
Total	**184 088**	**100,0**	**177 786**	**100,0**

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

SERV Rating	2015	
	Absolute CHF ('000)	Share %
1	65 578	95,8
2	69	0,1
3	714	1,0
4	100	0,1
5	1 578	2,3
6	75	0,1
7	249	0,4
without rating	115	0,2
Total	**68 478**	**100,0**

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

NOTES TO THE FINANCIAL STATEMENTS

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Presentation of assets and liabilities broken by most significant currencies of the bank

ASSETS in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Liquid assets	8 385	29 433	–	–	–	–	37 818
Amounts due from banks	7 600	14 587	59 434	8 672	1 718	5 331	97 342
Amounts due from customers	35	38	707	–	–	42	822
Positive replacement values of derivative financial instruments	645	–	–	–	–	–	645
Financial investments	28 008	–	12 045	–	–	–	40 053
Accrued income and prepaid expenses	1 273	421	1 259	62	–	104	3 119
Participations	3 371	–	–	–	–	–	3 371
Tangible fixed assets	917	–	–	–	–	–	917
Other assets	1	–	–	–	–	–	1
Total assets	**50 235**	**44 479**	**73 445**	**8 734**	**1 718**	**5 477**	**184 088**
Claims arising from spot exchange and swap transactions	77 224	701 491	1 332 595	333 670	194 530	323 083	2 962 593
Total at 31 December 2015	**127 459**	**745 970**	**1 406 040**	**342 404**	**196 248**	**328 560**	**3 146 681**
LIABILITIES							
Amounts due to banks	1 613	14 504	18 439	3 136	974	711	39 377
Amounts due in respect of customer deposits	7 096	30 451	59 748	4 055	173	3 606	105 129
Negative replacement values of derivative financial instruments	579	–	–	–	–	–	579
Accrued expenses and deferred income	1 458	567	225	7	–	43	2 300
Other liabilities	617	23	123	–	–	7	770
Provisions	300	–	–	–	–	–	300
Reserves for general banking risks	2 800	–	–	–	–	–	2 800
Bank's capital	22 000	–	–	–	–	–	22 000
Statutory retained earnings reserve	383	–	–	–	–	–	383
Profit carried forward	7 060	–	–	–	–	–	7 060
Profit of the year	3 390	–	–	–	–	–	3 390
Total liabilities	**47 296**	**45 545**	**78 535**	**7 198**	**1 147**	**4 367**	**184 088**
Delivery obligations arising from spot exchange and swap transactions	78 959	682 874	1 342 857	349 539	186 072	322 292	2 962 593
Total at 31 December 2015	**126 255**	**728 419**	**1 421 392**	**356 737**	**187 219**	**326 659**	**3 146 681**
Net position by currency	**1 204**	**17 551**	**(15 352)**	**(14 333)**	**9 029**	**1 901**	**–**

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Breakdown of contingent liabilities and contingent assets

Contingent liabilities	2015 CHF
Other contingent liabilities	116 992
Total contingent liabilities	**116 992**

Contingent assets	2015 CHF
Other contingent assets	–
Total contingent assets	–

Breakdown of the result from trading activities

Trading income	2015 CHF	2014 CHF
Leveraged margin trading	33 992 878	26 625 770
Binary options	586 671	142 939
Total	**34 579 549**	**26 768 709**

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Breakdown by underlying risk

Result from trading activities from:	2015 CHF
Equity securities	1 279 443
Foreign currency	28 977 662
Commodities / precious metals	4 322 444
Total	**34 579 549**

In 2015 the Bank paid negative interests in the amount of CHF 45 873 in relation with bank deposits in EUR and CHF.

Breakdown of personnel expenses

Personnel expenses	2015 CHF	2014 CHF
Salaries	10 084 353	11 159 225
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	2 016 200	2 563 549
Other personnel expenses	119 901	107 998
Total personnel expenses	**12 220 454**	**13 830 772**

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Breakdown of general and administrative expenses

General and administrative expenses	2015 CHF	2014 CHF
Premises	2 158 874	2 182 586
IT related expenses	1 975 007	1 937 772
Legal and consulting	1 289 324	1 218 429
Post, telecommunications and data	579 343	733 784
Expenses for vehicles	45 108	52 820
Office supply	199 952	242 308
Audit fees	264 106	248 400
of which for financial and regulatory audits	*264 106*	*248 400*
of which for other services	–	–
Marketing and communication	5 724 561	4 148 532
Travels	848 872	984 733
Others	310 068	308 829
Total general and administrative expenses	**13 395 215**	**12 058 193**

Explainations regarding extraordinary income and expenses

Extraordinary income	2015 CHF	2014 CHF
Release of provision on doubtful debtors	675	4 637
Disposal of fully depreciated fixed assets	1 000	–
Release of other provisions*	–	461 000
Release of provision for litigations	–	370 000
Reversal of accrued liabilities recorded in previous years	–	692 850
Reimbursement from a broker	–	8 972
Total extraordinary income	**1 675**	**1 537 459**

*Silent reserve as per Swiss banking regulation.

There was no extraordinary expense in 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2015

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

	2015		2014	
	Domestic CHF	**Foreign CHF**	**Domestic CHF**	**Foreign CHF**
Subtotal net from interest operations	47 376	–	49 899	–
Subtotal result from commission business and services	332 892	–	331 373	–
Result from trading activities	34 579 549	–	26 768 709	–
Personnel expenses	(8 002 222)	(4 218 232)	(8 372 453)	(5 458 319)
General and administrative expenses	(7 692 202)	(5 703 013)	(6 079 068)	(5 979 125)
Subtotal operating expenses	**(15 694 424)**	**(9 921 245)**	**(14 451 521)**	**(11 437 444)**
Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(519 147)	(369 612)	(488 201)	(457 172)
Change to provisions and other value adjustments, and losses	(900 494)	–	(247 651)	–
Operating result	**17 845 752**	**(10 290 857)**	**11 962 608**	**(11 894 616)**

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

	2015 CHF	**2014 CHF**
Current tax expenses	(1 366 955)	(598 985)
Total taxes	**(1 366 955)**	**(598 985)**
	2015	**2014**
Average tax rate	18,1%	37,3%

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. In year like 2014 when profit is modest inproportion to gross income, the Geneva professional tax significantly raises the tax rate up.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

to the General Meeting of Shareholders of Dukascopy Bank SA, Geneva

As statutory auditor, we have audited the accompanying financial statements of DUKASCOPY BANK SA, which comprise the balance sheet, income statement, statement of changes in equity and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible 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 2015 comply with Swiss law and the company's articles of incorporation.

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

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

Philippe Ruedin
Licensed Audit Expert
Auditor in Charge

Nicolas Moser
Licensed Audit Expert

Geneva, 29 April 2016

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

Presentation of the capital adequacy

	2015 CHF ('000)	**2014 CHF ('000)**
Share capital	22 000	22 000
General legal reserve	383	332
Profit brought forward	7 060	6 104
./. Participations	(3 371)	(1 994)
Total eligible capital (CET1)*	**26 072**	**26 442**

*The Bank counted neither the net profit 2015 nor the Reserves for general banking risks which would increase the regulatory capital by CHF 5.5 mio.

2015

	Used approach*	**Required capital CHF ('000)**	
Credit risks	Swiss standardised		2 442
Risks without counterparty	Swiss standardised		459
Market risks	standardised		5 770
of which on currencies	*standardised*	*4 482*	
of which on equity instruments	*standardised*	*163*	
of which on gold and commodities	*standardised*	*1 125*	
Operational risks	basic indicator		4 611
Total required capital			**13 282**
Surplus of eligible capital			12 790

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

2014

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

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2015

Disclosure of amounts due from/to related parties

	2015	2014
Ratio between eligible capital and required capital[1]	196,3%	252,8%
Solvency ratios[1,2,3]	15,7%	20,2%

[1] before coverage of large exposures excess
[2] 10.5% minimum is required
[3] the solvency ratio would reach 19.0% in 2015 if we would count the net profit 2015 and the Reserves for general banking risks contributed in 2015.

Capital adequacy disclosures: capital ratios 2015

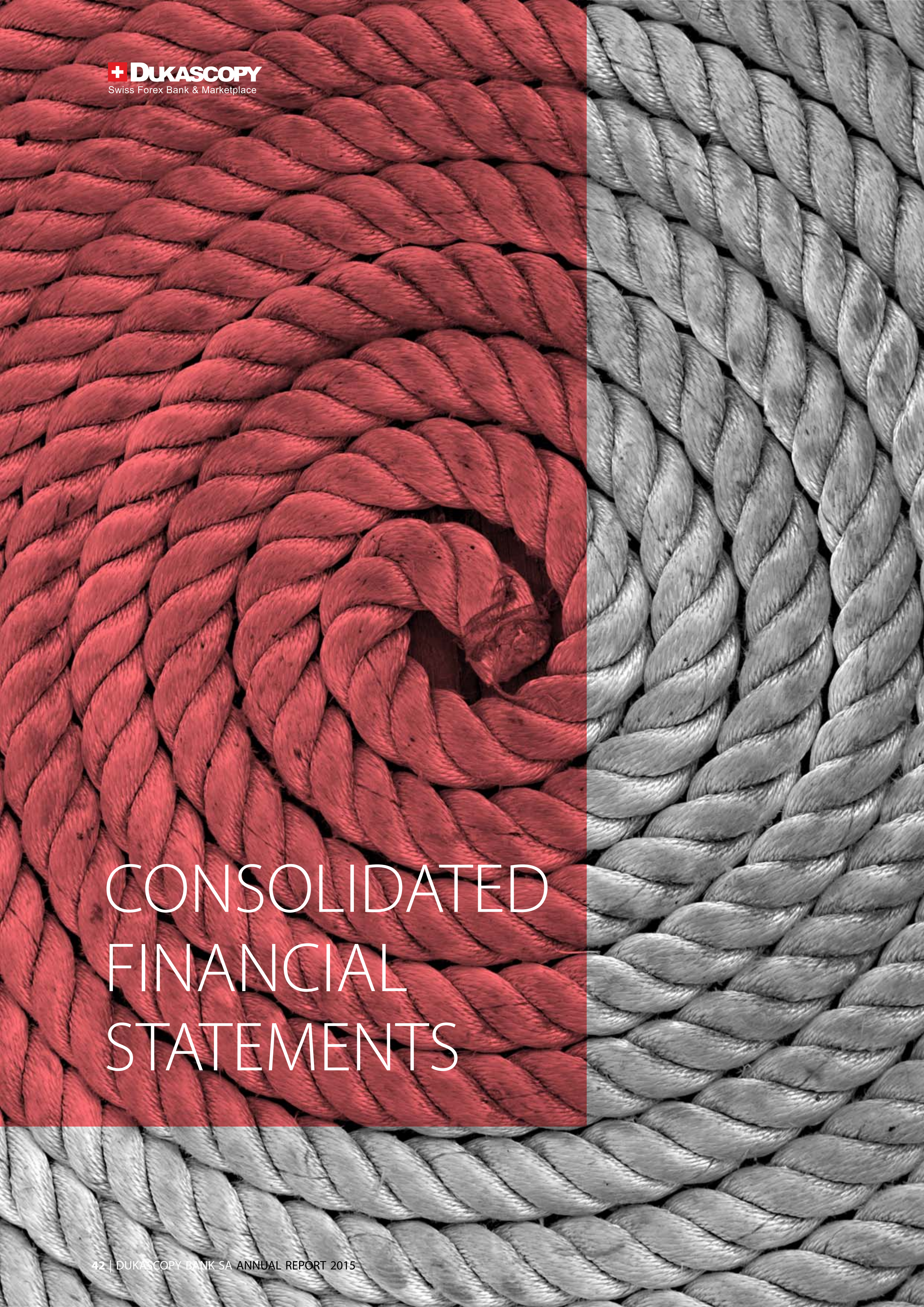
	Ratio
CET 1 Capital Ratio	15.7%
T1 ratio	15.7%
Ratio regarding the regulatory capital	15.7%
CET1 requirements according to CAO	4.5%
Of which capital buffers according to CAO	*0.0%*
Of which countercyclical buffers	*0.0%*
Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements which are fulfilled with CET1	8.7%
Capital target ratios for CET1 as per the FINMA circ. 11/2 plus the countercyclical buffer	7.0%
Available CET1	8.7%
Capital target ratios for T1 as per the FINMA circ. 11/2 plus the countercyclical buffer	8.5%
Available T1	7.2%
Regulatory capital target ratios according to the FINMA circ. 11/2 plus the countercyclical buffer	10.5%
Available regulatory capital	5.2%

Capital adequacy disclosures: leverage ratio 2015

Tier 1 capital	26 072
Exposure Measure	184 745
Leverage Ratio	14,1%

Medium short-term liquidity coverage ratio LCR

	Ratio
LCR Q1 2015	262,2%
LCR Q2 2015	259,7%
LCR Q3 2015	294,8%
LCR Q4 2015	348,9%



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2015

ASSETS	31.12.2015 CHF	31.12.2014 CHF
Liquid assets	37 818 353	95 024 810
Amounts due from banks	99 566 325	47 662 280
Amounts due from customers	1 017 336	87 129
Positive replacement values of derivative financial instruments	775 125	1 393 870
Financial investments	40 052 872	28 934 315
Accrued income and prepaid expenses	3 785 436	1 773 999
Participations non-consolidated	808 085	808 085
Tangible fixed assets	930 728	1 447 607
Other assets	3 737	18 533
TOTAL ASSETS	**184 757 997**	**177 150 628**

LIABILITIES	CHF	CHF
Amounts due to banks	34 231 697	35 151 126
Amounts due in respect of customer deposits	110 388 649	106 597 797
Negative replacement values of derivative financial instruments	775 186	675 206
Accrued expenses and deferred income	2 577 651	2 032 111
Other liabilities	828 572	2 396 312
Provisions	1 000 000	225 793
Reserves for general banking risks	2 100 000	–
Bank's capital	22 000 000	22 000 000
Retained earnings reserve	7 906 520	6 675 492
Currency translation reserve	128 942	104 580
Consolidated profit of the year	2 820 780	1 292 211
TOTAL LIABILITIES	**184 757 997**	**177 150 628**

CONSOLIDATED OFF–BALANCE SHEET

as at 31 December 2015

Off–balance sheet commitments	31.12.2015 CHF	31.12.2014 CHF
Contingent liabilities	116 992	125 381
Irrevocable commitments	878 000	822 000

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December

Result from interest operations	31.12.2015 CHF	31.12.2014 CHF
Interest and discount income	(30 212)	18 561
Interest and dividend income from financial investments	1 047 607	665 115
Interest expense	(969 942)	(633 777)
Gross result from interest operations	**47 453**	**49 899**
Change in value ajustments from default risks and losses from interest operations	–	–
Subtotal net result from interest operations	**47 453**	**49 899**
Result from commission business and services		
Commission income from other services	596 382	551 707
Commission expense	(289 644)	(223 751)
Subtotal result from commission business and services	**306 738**	**327 956**
Result from trading activities	**36 030 131**	**27 908 009**
Operating expenses		
Personnel expenses	(13 503 829)	(14 432 576)
General and administrative expenses	(14 035 170)	(12 305 727)
Subtotal operating expenses	**(27 538 999)**	**(26 738 303)**
Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(947 159)	(946 121)
Change to provisions and other value adjustments, and losses	(902 378)	(247 703)
Operating result	**6 995 786**	**353 737**
Extraordinary income	2 836	1 422 209
Change in reserves for general banking risks	(2 100 000)	–
Taxes	(2 077 842)	(483 735)
Consolidated profit of the year	**2 820 780**	**1 292 211**

DUKASCOPY
Swiss Forex Bank & Marketplace

CONSOLIDATED CASH FLOW STATEMENT

as at 31 December 2015

	2015		2014	
Cash flow from operating activities (internal financing):	**Cash in-flow 000 CHF**	**Cash out-flow 000 CHF**	**Cash in-flow 000 CHF**	**Cash out-flow 000 CHF**
Result of the year	2 821		1 292	
Change in reserves for general banking risks	2 100			346
Value adjustement on participations, depreciation and amortisation of tangible fixed assets and intangible assets	947		946	
Provisions and other value adjustments	774			377
Accrued income and prepaid expenses		2 011		1 117
Accrued expenses and differed income	546			1 059
Other items	15	1 567	1 988	
Subtotal	**7 203**	**3 578**	**4 226**	**2 899**
Cash flow from shareholder's equity transactions:				
Recognised in reserves		37		41
Subtotal	**0**	**37**	**0**	**41**
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets:				
Participations				609
Other tangible fixed assets		430		606
Subtotal	**0**	**430**	**0**	**1 215**
Cash flow from banking operations:				
Medium and long-term business (> 1 year)				
Financial instruments		11 119		12 972
Short-term business:				
Amounts due to banks		920	21 275	
Amounts due in respect of customer deposits	3 791		4 261	
Negative replacement values of derivative financial instuments	100			552
Amounts due from banks		51 904	436	
Amounts due from customers		930		12
Positive replacement values of derivative financial instuments	618			112
Liquidity:				
Liquid assets	57 206			12 395
Subtotal	**61 715**	**64 873**	**25 972**	**26 043**
Total	**68 918**	**68 918**	**30 198**	**30 198**

PRESENTATION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2015

	Bank's capital CHF	Reserves for general banking risks CHF	Currency translation reserve CHF	Retained earning reserve CHF	Consolidated profit of the year CHF	Total CHF
Equity at start of current year	**22 000 000**	**–**	**104 580**	**6 675 492**	**1 292 211**	**30 072 283**
Allocation of previous year result	–	–	–	–	–	–
– Allocation to Retained earnings reserve	–	–	–	1 292 211	(1 292 211)	–
– Allocation to Voluntary retained earnings reserves and profit carried forward	–	–	–	–	–	–
Other allocations to (transfer from) the Reserves for general banking risks	–	2 100 000	–	–	–	**2 100 000**
Others	–	–	24 362	(61 183)	–	**(36 821)**
Profit (result of the year)	–	–	–	–	2 820 780	**2 820 780**
Equity at end of current year	**22 000 000**	**2 100 000**	**128 942**	**7 906 520**	**2 820 780**	**34 956 242**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

1. Name legal status and domicile of the Group

Dukascopy Group (hereinafter the "Group") is headed by Dukascopy Bank SA (hereinafter the "Bank"), a limited company under Swiss law headquartered in Geneva (Switzerland) autorised and regulated by FINMA as a bank and a securities dealer.
The Group's scope of consolidation comprises all companies owned, either directly or indirectly, over 50% of the capital or voting rights by the Bank or which are under dominant influence of the Bank by another manner, at the exception of Group companies whose integration would not have any significantly influence on the consolidated financial statements.
In application of the above, 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 are fully integrated in the consolidated financial statements of the Group. SWFX – Swiss FX Marketplace SA, Dukascopy Community SA, Dukascopy Payments AS and their subsidiaries, if any, are disclosed as non-consolidated participations in the consolidated balance sheet and are not integrated.

2. Accounting and valuation principles

2.1. General principles

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

Consolidation method

Entities under dominant influence of the Bank 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 keeping 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 an ongoing 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 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.

2.2. Changes to accounting principles and valuation method

There was no such change in 2015.
However, it must be noted that the new FINMA circular 15/1 guiding the establishment of the financial statements, applicable for the first time to the consolidated financial statements established as at 31.12.2015, have introduced new

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

disclosure requirements and various changes to the consolidated balance sheet, consolidated statement of income and notes. For instance, the Group had to offset value adjustments and corresponding asset items while such items were previously published on a gross basis. Comparative figures 2014 have been adapted according to the changes introduced by the FINMA circular 15/1, without any impact on consolidated net assets and consolidated net profit. As permitted by the FINMA circular 15/1, no comparative figures are published in relation with items which are published for the first time.

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.
The Group is not active in credit activities. However, loans and advances on salaries may be granted to employees of the Bank and amounts receivable from clients may appear in the normal course of the Bank's core activities.
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 derecognised 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 previous metal account deposits are valued at fair value.

d. Positive and negative replacement values of derivative financial instruments
Trading operations comprise execution of client orders and transactions of the Bank for its own account including hedging transactions. The Trading assets and liabilities relating 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 derivatives 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.
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.
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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015

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. Derivatives are used for economic hedging purpose and the Group does not apply hedge accounting.

Use of swaps

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

Netting

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

e. Financial investments

Financial investments only 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 realised 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".

Participations non-consolidated

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 due to business reasons. Each non-consolidated participation is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indictors exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use.
An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item "Value adjustments on participations and amortization 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".

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 amortization over the estimated operating life.
Tangible fixed assets are amortised at a consistent rate over an estimated operating life via the item "Value adjustments on participations and amortization of tangible fixed assets and intangible assets".
The estimated operating lives of the different categories of tangible fixed assets and the amortization methods are as follows:

- Fixtures and fittings	4 years, on a straight-line basis
- Furniture	4 years, on a straight-line basis
- IT hardware	3 years, on a degressive* basis
- Vehicles	5 years, on a degressive* basis
- Software	5 years, on a degressive* basis

* The amortization rate is applied to the accounting value at the beginning of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015

Acquisition cost 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 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 "Liabilities with banks" or "Other liabilities".
Each tangible fixed assets is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets impaired. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset.
The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item "Value adjustments on participations and amortization of tangible fixed assets and intangible assets".
If the impairment test shows that the operating life of an intangible asset has changed, the residual carrying amount should be depreciated systematically over the newly estimated useful life.
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".

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.

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.

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".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

Pension benefit obligations
The Group's employees based in Switzerland are insured for retirement, death or disablement through a defined contribution pension scheme. The Group bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contribution 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 Group's employees are insured. There is an economic benefit if the Group has the ability to reduce its future employer's contributions. A contrario, there is a liability if, owing to a shortfall in the pension fund, the 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 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 consolidated statement of income in "Personnel expenses".

2.3. Recording of business transactions
All business transactions, except trading operations, 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 trading operations includin 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 values of derivatives 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.
Group companies' assets and liabilities in foreign currencies are converted at the exchange rate of the consolidated balance sheet date. Currency gains and losses resulting from currency translation are included in the respective statement of income of individual Group 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:

		2015 CHF	2014 CHF
USD	1.00	1.00230	0.99435
EUR	1.00	1.08815	1.20295
GBP	1.00	1.47700	1.54890
CAD	1.00	0.72440	0.85540
JPY	1.00	0.00834	0.00831
AUD	1.00	0.73065	0.81215
NZD	1.00	0.68455	0.77520
NOK	1.00	0.11395	0.13339
SEK	1.00	0.11846	0.12762
SGD	1.00	0.70296	0.75027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

The average exchange rates used to convert the statement of income of consolidated subsidiaries were as follows:

		2015 CHF
EUR	1.00	0.06791
JPY	1.00	0.00809

3. Risk Management
Due to its core business consisting in offering fully automated (Straight-Through-Processing) brokerage services via innovative in-house developed IT solutions, the Group is mostly subject to operational, market and legal risks. The Bank provides IT and trading technology to all Group companies under white labeling agreements. Besides, the Bank is the sole Group company which is allowed to take market risks. As a consequence, operational and market risks of the Group are concentrated at the Bank.
Since the Group is not active in credit activities and only executes client orders based on collateral (client margin deposits and bank guarantees), its credit risk exposure is normally limited to possible default of institutional trading counterparties.
The identification, measurement, monitoring, management of risks and maintenance of the Group's stability, even in case of extraordinary events such as the abandon of the EURCHF peg by the Swiss National Bank on 15 January 2015, is a priority for the Group's shareholders. 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 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 organ 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 General Risk Policy 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 General Risk Policy 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 ensure 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 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 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 but 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 about operational risks in a systematic and objective way to the Bank's executive management and 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 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, etc.) are minor in comparison to currency risks. As mentioned above, the Bank is the sole Group company which accepts and manage 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 orders execution.

The Bank applies prudent market risks 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 time. 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).

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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 about interest rate risks on a quarterly basis.

Credit risk
The Group 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 (settlement of trading losses and payment of fees). For that reason, the Group only accepts to trade on a covered basis. The trading platforms automatically monitor the credit risk relating to clients by way of margin call and margin cut functionalities which shall ensure that the Group remains covered by sufficient collateral at any time. In some circumstances, the margin call and margin cut functionalities of the Group may not suffice to fully prevent certain client accounts to become negative. In such cases, the Group collects unsecured receivables. Also, the Bank may grant short term unsecured loans and advances to 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 a 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. The Group 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. If deemed necessary, risk limits and credit risk exposures are adjusted or suppressed by the local and Group executive management and risk control function.

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 have 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 accepting 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.

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The Group considers that a risk of default exists on unsecured receivables if a payment of interests or a reimbursement of principal is not honored in due date or if the debtor disputes such payment obligation 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 on the portion of receivable whose recovery is considered uncertain.

4.3. Process for determining value adjustments and provisions

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

5. Valuation of collateral

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

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

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

Dukascopy Group executes all trading operations in full STP (Straight-through-Processing).

The Group also uses derivative financial instruments for risk management purposes, mainly to hedge against market risks (including currency risk) mostly deriving from clients trading operations. By policy, the brokerage subsidiaries of the Bank must hedge all their trading operations with Dukascopy Bank, which is their unique trading venue. In its trading activity, including when dealing with its subsidiaries, the Bank always act as 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. Material events after the consolidated balance sheet date

No material events occurred after the consolidated balance sheet date that could have a material impact on the financial position of the Group as of 31 December 2015.

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

Loans (before netting with value adjustments)	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Amounts due from customers	–	689 784	2 521 287	3 211 071
Total at 31 December 2015 (before netting with value adjustments)	**–**	**689 784**	**2 521 287**	**3 211 071**
Total at 31 December 2014 (before netting with value adjustments)	–	18 017	82 734	100 751
Total at 31 December 2015 (after netting with value adjustments)	**–**	**689 784**	**327 552**	**1 017 336**
Total at 31 December 2014 (after netting with value adjustments)	–	18 017	69 112	87 129
Off-balance sheet commitments				
Contingent liabilities*	–	116 992	–	116 992
Irrevocable commitments	–	–	878 000	878 000
Total at 31 December 2015	**–**	**116 992**	**878 000**	**994 992**
Total at 31 December 2014	–	125 381	822 000	947 381

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

Breakdown of impaired loans/receivables	**Gross debt amount CHF**	**Estimated liquidation proceeds of collateral CHF**	**Net debt amount CHF**	**Individual value adjustments CHF**
Total at 31 December 2015*	**2 193 735**	**–**	**2 193 735**	**2 193 735**
Total at 31 December 2014	41 686	–	41 686	17 331

* CHF 2'186'869.- relate to some clients of Dukascopy Japan K.K. who got negative account balances pursuant to the abandon of the CHF/EUR floor rate on 15.01.2015.

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Presentation of derivative financial instruments (assets and liabilities)

OTC transactions	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
Currencies:			
– forward contracts*	2 846 180	2 746 884	1 258 459 862
– swaps	2 520 950	2 556 742	1 644 544 312
Total currencies	**5 367 130**	**5 303 626**	**2 903 004 174**
Precious metals:			
– forward contracts*	17	55 324	14 449 657
– swaps	1 995	29 959	32 398 318
Total precious metals	**2 012**	**85 283**	**46 847 975**
Indices:			
– CFD	9 406	4 159	9 737 823
Total indices	**9 406**	**4 159**	**9 737 823**
Others:			
– CFD	16 396	1 938	2 521 143
Total others	**16 396**	**1 938**	**2 521 143**
Total at 31 December 2015 before impact of netting contracts	**5 394 944**	**5 395 006**	**2 962 111 115**
of which determinated of using valuation models	–	–	–
Total at 31 December 2014 before impact of netting contracts	2 658 141	1 939 477	1 960 157 264
of which determinated of using valuation models	–	–	–
Total at 31 December 2015 after impact of netting contracts	**775 125**	775 186	
Total at 31 December 2014 after impact of netting contracts	1 393 870	**675 206**	

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

Breakdown by counterparty	Central clearing houses	Banks and securities dealers	Others customers	Total
Positive remplacement values after impact of netting contacts Total at 31 December 2015	–	520 573	254 552	**775 125**

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Financial investments

Debt securities	Book value		Fair value	
	2015 CHF	2014 CHF	2015 CHF	2014 CHF
of which bonds held to maturity	*40 052 872*	*28 934 315*	*40 550 740*	*29 207 260*
Total	**40 052 872**	**28 934 315**	**40 550 740**	***29 207 260***
including securities eligible for repo transactions in accordance with liquidity regulations	*40 052 872*	*28 934 315*	*40 550 740*	*29 207 260*

Breakdown of counterparties by Fitch rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	Without rating
Debt securities: Book value of bonds held to maturity	40 052 872					

Presentations of non-consolidated participations

Non-consolidated participations	2014			2015			
	Cost value CHF	Value adjustment CHF	Book value at end of year CHF	Additions CHF	Disposals Reimbursement CHF	Value adjustment CHF	Book value at end of year CHF
Without listed value	808 085	–	808 085	–	–	–	808 085
Total non-consolidated participations	**808 085**	**–**	**808 085**	**–**	**–**	**–**	**808 085**

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

Consolidated participations	Activity	Share capital CHF	Head office	Share capital in %	Vote in %	Held directly
	2015					
Dukascopy Europe IBS AS	brokerage	1 479 241	Riga	100%	100%	100%
Dukascopy Japan K.K.	brokerage	5 488 259	Tokyo	100%	100%	100%
Non-consolidated participations						
Dukascopy Community SA	social media	100 000	Geneva	100%	100%	100%
Dukascopy Payments AS	e-money	608 085	Riga	100%	100%	100%
SWFX-Swiss FX Marketplace SA	dormant	100 000	Geneva	100%	100%	100%
	2014					
Dukascopy Europe IBS AS	brokerage	2 765 738	Riga	100%	100%	100%
Non-consolidated participations						
Dukascopy Community SA	social media	100 000	Geneva	100%	100%	100%
Dukascopy Payments AS	dormant	608 085	Riga	100%	100%	100%
SWFX-Swiss FX Marketplace SA	dormant	100 000	Geneva	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 dominant influence of the Bank by another manner, at the exception of Group companies whose integration would not have any significantly influence on the consolidated financial statements, as SWFX – Swiss FX Marketplace SA (total balance sheet CHF 83'894, net loss CHF 701), Dukascopy Community SA (total balance sheet CHF 228'514, net profit CHF 65'675), Dukascopy Payments AS (total balance sheet CHF 546'757, net loss 6'887).

Dukascopy Japan K.K. was acquired in August 2015. Dukascopy Europe IBS AS and Dukascopy Japan K.K. are fully integrated in consolidated financial statement of the Group.

Presentations of tangible fixed assets

	2014			2015			
	Cost value CHF	Accumulated depreciation CHF	Book value at end of year CHF	Additions CHF	Disposals (difference of change included) CHF	Depreciation CHF	Book value at end of year CHF
Softwares	22 749 467	(22 667 603)	81 864	22 359	(540)	(58 690)	44 993
Other tangible fixed assets	8 084 156	(6 718 413)	1 365 743	422 386	(13 925)	(888 469)	885 735
Total fixed assets	**30 833 623**	**(29 386 016)**	**1 447 607**	**444 745**	**(14 465)**	**(947 159)**	**930 728**

Leasing

	2016 CHF	2017 CHF	2018 CHF	2019 CHF	2020 CHF	2021 CHF
Future leasing installments arising from operating leases	1 824 581	1 133 228	890 539	890 539	745 336	10 290
of which, may be terminated within one year	*280 281*					

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Breakdown of other assets and liabilities

OTHER ASSETS	2015 CHF	2015 CHF
Others	3 737	18 533
Total other assets	**3 737**	**18 533**
OTHER LIABILITIES		
Wire transfers	524 812	2 088 435
Indirect taxes to be paid	288 888	271 746
Others	14 872	36 131
Total other liabilities	**828 572**	**2 396 312**

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

	2015		2014	
	Book value of pledged assets and assets assigned as collateral CHF	Effective commitments CHF	Book value of pledged assets and assets assigned as collateral CHF	Effective commitments CHF
Swiss and US government bonds	31 261 303	9 529 393	19 907 237	1 700 623
Deposits made with banks to secure guarantees	235 969	235 969	237 219	237 219
Total	**31 497 272**	**9 765 362**	**20 144 456**	**1 937 842**

Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP). This fund is a defined contributions scheme. There is no employer contribution reserve and there no identifiable economic benefit to be capitalised in the balance sheet (2014: nil). The overfunding in the pension fund is based on its unaudited accounts as of 31 December 2015 (coverage ratio is 112%).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2014, the coverage ratio was 117.4% (31 December 2013: 112.6%).

The employees based in Russia Federation were affilated to a defined contributions scheme pension fund of the Russian state which has been cancelled in 2015. Since 2015, employees based in Russia are no longer insured by any pension fund.

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 consolidated entities of the Group.

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

	Over/under-funding 31.12.15	Economic interest of the Bank		Change in economic interest versus prior year	Contributions paid in 2015	Pension expenses in personnel expenses	
		2015	2014			2015	2014
Pension plans with overfunding		–	–	–	**360 302**	**360 302**	428 983

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

	Balance at 31 December 2014 CHF	Use in conformity with designated purpose CHF	Reclassifi-cations CHF	Currency differences CHF	Recoveries, past due interest CHF	New creations charged to income CHF	Releases to income CHF	Balance at 31 December 2015 CHF
Provisions for deferred taxes	–	–	–	–	–	700 000	–	700 000
Provisions for other business risks	225 793	(125 793)	–	–	–	200 000	–	300 000
Total provisions	**225 793**	**(125 793)**				**900 000**		**1 000 000**
Reserves for general banking risks	–	–	–	–	–	2 100 000	–	2 100 000
Value adjustments for default risks and country risks – of which, value adjustments for default risks in respect of impaired loans/receivables	17 331	(12 650)	–	189	–	2 189 540	(675)	2 193 735

Provisions for other business risks include provisions for legal fees and litigations arising out of the normal conduct of Dukascopy Group's activities.

Provisions are valued according to the best estimate principle. Reserves for general banking risks have not been taxed.

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Disclosure of amounts due from/to related parties

	2015		2014	
	Amounts due from CHF	Amounts due to CHF	Amounts due from CHF	Amounts due to CHF
Holders of qualified participation				
Group companies	2 625	406 431	13 000	84 170
Linked companies				
Transactions with members of governing bodies				
Other related parties				679

Dukascopy Bank engaged into transactions with related parties in the normal course of its business. These transactions mainly include rent, marketing services and software development support. Besides, all subsidiaries of the Bank hedge their trading operations with Dukascopy Bank.

Transactions with related parties are conducted at arm's length.

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Presentation of the maturity structure of financial instruments

ASSETS	**At sight CHF**	**Cancellable CHF**	**Due**					**Total CHF**
			Within 3 months CHF	**Within 3 to 12 months CHF**	**Within 1 to 5 years CHF**	**No maturity CHF**	**Over 5 years CHF**	
Liquid assets	37 818 353	–	–	–	–	–	–	**37 818 353**
Amounts due from banks	99 330 356	235 969	–	–	–	–	–	**99 566 325**
Amounts due from customers	759 077	258 259	–	–	–	–	–	**1 017 336**
Positive replacement values of derivative financial instruments	775 125	–	–	–	–	–	–	**775 125**
Financial investments	–		–	–	40 052 872	–	–	**40 052 872**
Total current assets at 31 December 2015	**138 682 911**	**494 228**	–	–	**40 052 872**	–	–	**179 230 011**
Total current assets at 31 December 2014	143 888 289	279 800	–	–	28 934 315	–	–	**173 102 404**
Third-party liabilities								
Amounts due to banks	34 231 697	–	–	–	–	–	–	**34 231 697**
Amounts due in respect of customer deposits	110 388 649	–	–	–	–	–	–	**110 388 649**
Negative replacement values of derivative financial instruments	775 186							**775 186**
Total third-party liabilities at 31 December 2015	**145 395 532**	–	–	–	–	–	–	**145 395 532**
Total third-party liabilities at 31 December 2014	142 424 129	–	–	–	–	–	–	**142 424 129**

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

ASSETS	2015			2014		
in CHF ('000)	Domestic	Foreign	Total	Domestic	Foreign	Total
Liquid assets	8 385	29 433	37 818	80 806	14 219	95 025
Amounts due from banks	76 322	23 244	99 566	15 518	32 144	47 662
Amounts due from customers	722	295	1 017	21	67	88
Positive replacement values of derivative financial instruments	55	720	775	576	818	1 394
Financial investments	28 008	12 045	40 053	28 934	–	28 934
Accrued income and prepaid expenses	1 404	2 382	3 786	1 146	628	1 774
Participations	200	608	808	200	608	808
Tangible fixed assets	587	344	931	843	605	1 448
Other assets	1	3	4	–	18	18
Total assets	**115 684**	**69 074**	**184 758**	**128 044**	**49 107**	**177 151**
LIABILITIES						
Amounts due to banks	12 700	21 531	34 231	16 806	18 345	35 151
Amounts due in respect of customer deposits	7 766	102 623	110 389	8 246	98 352	106 598
Negative replacement values of derivative financial instruments	272	503	775	108	567	675
Accrued expenses and deferred income	2 298	280	2 578	1 844	188	2 032
Other liabilities	828	1	829	2 294	103	2 397
Provisions	1 000	–	1 000	226	–	226
Reserves for general banking risks	2 100	–	2 100	–	–	–
Bank's capital	22 000		22 000	22 000		22 000
Retained earnings reserve	7 906		7 906	6 675	–	6 675
Currency translation reserve	129	–	129	105	–	105
Consolidated profit of the year	3 390	(569)	2 821	1 292	–	1 292
Total liabilities	**60 389**	**124 369**	**184 758**	**59 596**	**117 555**	**177 151**

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Breakdown of total assets by country / group of countries

ASSETS	2015		2014	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	115 684	62,6	128 044	72,3
Europe excluding Switzerland	53 202	28,8	39 320	22,2
USA and Canada	12 407	6,7	9 433	5,3
Others	3 465	1,9	354	0,2
Total	**184 758**	**100,0**	**177 151**	**100,0**

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

SERV Rating	2015	
	Absolute CHF ('000)	Share %
1	65 630	95,0
2	75	0,1
3	784	1,2
4	119	0,2
5	1 813	2,6
6	92	0,1
7	277	0,4
0	284	0,4
Total	**69 074**	**100,0**

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

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Presentation of assets and liabilities broken by most significant currencies of the bank

ASSETS in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Liquid assets	8 385	29 433	–	–	–	–	37 818
Amounts due from banks	7 610	14 685	59 467	8 677	3 685	5 442	99 566
Amounts due from customers	35	37	708	–	195	42	1 017
Positive replacement values of derivative financial instruments	775	–	–	–	–	–	775
Financial investments	28 008	–	12 045	–	–	–	40 053
Accrued income and prepaid expenses	1 286	622	1 514	108	28	228	3 786
Participations	808	–	–	–	–	–	808
Tangible fixed assets	917	2	–	–	12	–	931
Other assets	–	4	–	–	–	–	4
Total assets	**47 824**	**44 783**	**73 734**	**8 785**	**3 920**	**5 712**	**184 758**
Claims arising from spot exchange and swap transactions	77 235	701 491	1 332 292	333 657	194 513	322 923	2 962 111
Total at 31 December 2015	**125 059**	**746 274**	**1 406 026**	**342 442**	**198 433**	**328 635**	**3 146 869**
LIABILITIES							
Amounts due to banks	1 425	12 337	16 688	2 687	867	228	34 232
Amounts due in respect of customer deposits	7 296	32 559	61 522	4 509	311	4 192	110 389
Negative replacement values of derivative financial instruments	775	–	–	–	–	–	775
Accrued expenses and deferred income	1 459	698	262	7	108	44	2 578
Other liabilities	616	73	129	2	–	8	828
Provisions	1 000	–	–	–	–	–	1 000
Reserves for general banking risks	2 100	–	–	–	–	–	2 100
Bank's capital	22 000	–	–	–	–	–	22 000
Retained earnings reserve	7 906	–	–	–	–	–	7 906
Currency translation reserve	129	–	–	–	–	–	129
Consolidated profit of the year	3 390	1	–	–	(570)	–	2 821
Total liabilities	**48 096**	**45 668**	**78 601**	**7 205**	**716**	**4 472**	**184 758**
Delivery obligations arising from spot exchange and swap transactions	78 958	682 471	1 342 761	349 599	186 056	322 266	2 962 111
Total at 31 December 2015	**127 054**	**728 139**	**1 421 362**	**356 804**	**186 772**	**326 738**	**3 146 869**
Net position by currency	**(1 995)**	**18 135**	**(15 336)**	**(14 362)**	**11 661**	**1 897**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

Breakdown of contingent liabilities and contingent assets

Contingent liabilities	2015 CHF
Other contingent liabilities	116 992
Total contingent liabilities	**116 992**

Contingent assets	2015 CHF
Other contingent assets	–
Total contingent assets	**–**

Breakdown of the result from trading activities

Trading income	2015 CHF	2014 CHF
Leveraged margin trading	35 339 633	27 765 070
Binary options	690 498	142 939
Total	**36 030 131**	**27 908 009**

Breakdown by underlying risk

Result from trading activities from:	2015 CHF
Equity securities	1 318 725
Foreign currency	30 348 225
Commodities / precious metals	4 363 181
Total	**36 030 131**

In 2015 the Bank paid negative interests in the amount of CHF 45 873 in relation with bank deposits in EUR and CHF.

Breakdown of personnel expenses

Personnel expenses	2015 CHF	2014 CHF
Salaries	10 971 694	11 550 733
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	2 381 853	2 773 845
Other personnel expenses	150 282	107 998
Total personnel expenses	**13 503 829**	**14 432 576**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015

Breakdown of general and administrative expenses

General and administrative expenses	2015 CHF	2014 CHF
Premises	2 397 224	2 262 029
IT related expenses	1 984 137	1 940 090
Legal and consulting	1 361 425	1 232 590
Post, telecommunications and data	612 020	737 850
Expenses for vehicles	45 108	52 820
Office supply	216 056	245 627
Audit fees	294 051	274 782
of which for financial and regulatory audits	*294 051*	*274 782*
of which for other services	–	–
Marketing and communication	5 901 437	4 227 361
Travels	856 694	984 733
Others	367 018	347 845
Total general and administrative expenses	**14 035 170**	**12 305 727**

Explainations regarding extraordinary income and expenses

Extraordinary income	2015 CHF	2014 CHF
Release of provision on doubtful debtors	675	4 637
Disposal of fully depreciated fixed assets	1 000	–
Deposits abondonned by clients	1 161	–
Release of reserve for general banking risks	–	345 750
Release of provision for litigations	–	370 000
Reversal of accrued liabilities recorded in previous years	–	692 850
Reimbursement from a broker	–	8 972
Total extraordinary income	**2 836**	**1 422 209**

*Silent reserve as per Swiss banking regulation.

There was no extraordinary expense in 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

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

	2015		2014	
	Domestic CHF	**Foreign CHF**	**Domestic CHF**	**Foreign CHF**
Subtotal net from interest operations	47 376	77	49 899	–
Subtotal result from commission business and services	332 892	(26 154)	331 374	(3 418)
Result from trading activities	34 579 549	1 450 582	26 768 708	1 139 301
Personnel expenses	(8 002 222)	(5 501 607)	(8 372 453)	(6 060 123)
General and administrative expenses	(7 692 202)	(6 342 968)	(6 079 068)	(6 226 659)
Subtotal operating expenses	**(15 694 424)**	**(11 844 575)**	**(14 451 521)**	**(12 286 782)**
Value adjustment on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(519 147)	(428 012)	(488 201)	(457 920)
Change to provisions and other value adjustments, and losses	(900 494)	(1 884)	(247 651)	(52)
Operating result	**17 845 752**	**(10 849 966)**	**11 962 608**	**(11 608 871)**

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

	2015 CHF	**2014 CHF**
Deferred taxes	700 000	–
Current tax expenses	1 377 842	483 735
Total taxes	**2 077 842**	**483 735**

	2015	**2014**
Average tax rate	29,7%	27,2%

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

to the General Meeting of Shareholders of Dukascopy Bank SA, Geneva

As statutory auditor, we have audited the accompanying consolidated financial statements of DUKASCOPY BANK SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2015.

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 fir Selecting and applying appropriate, accounting policies and making accounting estimates that ate 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 US 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 2015 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

Nicolas Moser
Licensed Audit Expert

Geneva, 29 April 2016

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2015

Presentation of the capital adequacy

	2015 CHF ('000)	2014 CHF ('000)
Share capital	22 000	22 000
General legal reserve	129	105
Profit brought forward	7 906	6 675
./. Participations	(808)	(808)
Total eligible capital (CET1)*	**29 227**	**27 972**

*The Bank counted neither the net profit 2015 nor the Reserves for general banking risks which would increase the regulatory capital by CHF 4.9 mio.

2015

	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		2 521
Risks without counterparty	Swiss standardised		465
Market risks	standardised		6 166
of which on currencies	*standardised*	*4 867*	
of which on equity instruments	*standardised*	*163*	
of which on gold and commodities	*standardised*	*1 136*	
Operational risks	basic indicator		4 792
Total required capital			**13 944**
Surplus of eligible capital			15 283

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

2014

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015

Disclosure of amounts due from/to related parties

	2015	2014
Ratio between eligible capital and required capital[1]	209,6%	263,8%
Solvency ratios[1,2,3]	16,8%	21,1%

[1] before coverage of large exposures excess
[2] 10.5% minimum is required
[3] the solvency ratio would reach 19.3% in 2015 if we would count the net profit 2015 and the Reserves for general banking risks contributed in 2015.

Capital adequacy disclosures: capital ratios 2015

	Ratio
CET 1 Capital Ratio	16.8%
T1 ratio	16.8%
Ratio regarding the regulatory capital	16.8%
CET1 requirements according to CAO	4.5%
Of which capital buffers according to CAO	*0.0%*
Of which countercyclical buffers	*0.0%*
Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements which are fulfilled with CET1	9.8%
Capital target ratios for CET1 as per the FINMA circ. 11/2 plus the countercyclical buffer	7.0%
Available CET1	9.8%
Capital target ratios for T1 as per the FINMA circ. 11/2 plus the countercyclical buffer	8.5%
Available T1	8.3%
Regulatory capital target ratios according to the FINMA circ. 11/2 plus the countercyclical buffer	10.5%
Available regulatory capital	6.3%

Capital adequacy disclosures: leverage ratio 2015

Tier 1 capital	29 227
Exposure Measure	186 418
Leverage Ratio	15,7%

Medium short-term liquidity coverage ratio LCR

	Ratio
LCR Q1 2015	287,7%
LCR Q2 2015	282,1%
LCR Q3 2015	316,8%
LCR Q4 2015	379,0%

DUKASCOPY
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