

DUKASCOPY BANK SA

**ANNUAL REPORT**

**2013**



## CONTENTS

■ Introducing the Bank .....	04
■ Message from the Board of Directors .....	05
■ Message from the CEO .....	06
■ Review of operations and key figures .....	07
■ Organisation of the Bank .....	08
■ Financial statements and proposed appropriation of retained earnings .....	09
■ Report of the auditor on the statutory financial statements .....	29
■ Consolidated financial statements .....	31
■ Report of the auditor on the consolidated financial statements .....	51

## INTRODUCING THE BANK

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

Thirteen years later, the founders' vision materialised in an online bank, marketplace, and community offering not only a unique home-made trading environment but also an interactive platform where investors may access specialised information, exchange views, share know-how, and entertain themselves. Dukascopy will continue to heavily invest in research and development and distinguish itself through innovation.

During its years of presence in the internet brokerage industry, Dukascopy has made its name known as a trusted broker offering unrivalled trading technology.

## **MESSAGE FROM THE BOARD OF DIRECTORS**

The execution of our strategy designed to achieve excellence, efficiency and our capacity to adapt and innovate led us to conclude a record year in 2013, in a quite difficult political, regulatory and economic environment for Swiss banks.

While facing multiple local and international challenges, Dukascopy Bank continues its successful development in new products and services and increases its international presence.

Anticipating the trend in financial services, we innovate on products such as Dukascopy Connect, a secure instant messaging application and significantly upgrade our technology to provide our clients with state of the art solutions.

Our vision and our commitment to invest in the future have proven to be effective and successful to reach sustainable development and growth.

## MESSAGE FROM THE CEO

"Coming together is a beginning, keeping together is progress, working together is success" Henry Ford.

These words of Henry Ford describe the road Dukascopy Bank has been striding along. 2013 was the best year Dukascopy has ever had, in spite of the aftermath of European financial crisis. Dukascopy is well placed to continue on its path, based on three pillars: average spread of 0,2 pips in EURUSD, local and international visibility, and innovation of products.

Our business model linked to ultra-competitive spreads has set industry standards and is appreciated by our retail clients who have increased by 30%. The retail numbers, however, show just part of Dukascopy's success; new institutional clients as far afield as Japan, Hong Kong, Australia, Russia, and Turkey have joined Dukascopy White Labelling program, proving its international reputation.

Dukascopy is ready to face the new challenges of more sophisticated clients and adapts its trading technologies and communication tools to compete in the vigorous digital banking war. Experience on our path has taught us to adapt to the changing Forex industry and invest in continuing innovation. In 2013, we have developed new products, such as binary options and VisualJForex; we also have added new crosses. We have increased membership of Dukascopy community to more than 50,000 members and further increased our local and international visibility through the Geneva Forex Event, the Dukascopy TV channel and local representative offices, such as the newly opened local office in Moscow.

Together with our clients, partners and community members, Dukascopy has achieved a lot during 2013 - and we are ready to top these results in 2014 and work together for further success.

**Alain Broyon**  
Chief Executive Officer

## REVIEW OF OPERATIONS

### Dukascopy Bank SA

2013 shows strong financial results and continued organic growth at the Bank. Always more clients are seduced by Dukascopy (JForex) trading technology. As a result, client deposits increased by 13.2% which triggered higher trading volume and higher income compared to previous year. These favourable conditions combined with a controlled increase of operating expenses improved gross and net profits (+23.4% and +31.2%). The latter will be retained so as to build up the Bank's financing and solvency.

The Bank's geographical expansion (a fourth office has been opened in 2013 out of Switzerland), its high investments in innovative technologies and new products are reflected in the staff increase (+13.0%) and inevitably push operating expenses up. However, this expansion strategy is profitable and necessary.

### Dukascopy Group

On a Group level, Dukascopy Europe IBS AS, a wholly owned subsidiary of Dukascopy Bank SA has closed its first positive financial year and contributed by 22.5% to the consolidated net profit. Dukascopy Europe IBS AS' financial results 2013 are very encouraging and confirm the relevance of the Group strategy.

## KEY FIGURES OF DUKASCOPY BANK

	Year 2013 (in CHF million)	Year 2012 (in CHF million)	Variation (in CHF million)	Variation (in %)
Total operating income	30.1	27.2	+2.9	+10.7%
Total operating expenses	24.5	22.7	+1.9	+8.2%
Gross profit	5.6	4.5	+1.1	+23.4%
Depreciation of fixed assets	2.4	2.2	+0.2	+9.6%
Net profit	2.1	1.5	+0.7	+31.2%
Cost / income ratio	81.5%	83.4%	n/a	-1.9%
Total assets	151.5*	139.6	+11.9	+8.6%
Total client deposits	117.6	103.9	+13.7	+13.2%
Shareholders' equity	28.4	26.3	+2.1	+8.0%
Employees at 31 December (full time)	213.8	189.2	+24.6	+13.0%
Solvency ratios (Tier1 and CET1)**	14.7%	15.1%	n/a	-0.4%

\* would have been 153.3 without a change in accounting principles occurred in 2013

\*\* 10.5% minimum are required

## ORGANISATION OF THE BANK

### Board of Directors

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**Chairman**

Bogdan Prensilevich

**Vice-Chairman**

Pierre J-M. Bongard

**Members**

Gérard de Cerjat

Frank Guemara

Pierre-Alain Guillaume

### Internal Auditor

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PKF Certifica SA

### Executive Committee

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**Chairman**

Dr. Andrey Duka, Chief Technology officer

**Vice-Chairman**

Alain Broyon, Chief Executive Officer

**Members**

Laurent Bellières, Chief Financial & Risk Officer

Veronika Makarova, Chief Administrative Officer

### External Auditor

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KPMG SA



## BALANCE SHEET

as at 31 December 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Assets</b>		
Liquid assets	82,630,033	92,787,467
Amounts due from banks	47,793,285	36,476,546
Amounts due from customers	78,459	120,697
Financial investments	15,961,977	-
Participations	1,486,497	1,386,497
Tangible fixed assets	1,690,401	1,988,905
Intangible assets	97,033	1,550,971
Accrued income and prepaid expenses	654,761	326,620
Other assets	1,106,004	4,917,563
<b>Total assets</b>	<b>151,498,450</b>	<b>139,555,266</b>
Total amounts due from Group companies and qualified participants	1,362	-

	CHF	CHF
<b>Liabilities</b>		
Amounts due to banks	17,957,916	7,370,681
Other amounts due to customers	99,662,228	96,510,469
Accrued expenses and deferred income	3,056,781	2,910,204
Other liabilities	1,425,232	5,077,313
Value adjustments and provisions	959,885	1,366,105
Share capital	22,000,000	22,000,000
General legal reserve	226,000	151,000
Profit brought forward	4,094,494	2,713,304
Profit for the year	2,115,914	1,456,190
<b>Total liabilities</b>	<b>151,498,450</b>	<b>139,555,266</b>
Total amounts due to Group companies and qualified participants	4,247,744	2,090,501

## OFF-BALANCE SHEET

as at 31 December 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Off-balance sheet commitments</b>		
Contingent commitments	82,499	43,884
Irrevocable commitments	804,000	808,000

### Off-balance sheet financial instruments

Underlying amounts	2,557,160,717	2,590,427,030
Positive replacement values	2,951,326	4,916,361
Negative replacement values	2,879,174	4,385,060

## STATEMENT OF INCOME

for the year 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Interest income</b>		
Interest income	266,413	32,006
Interest expenses	(257,291)	(5,698)
<b>Net interest income</b>	<b>9,122</b>	<b>26,308</b>
<b>Income from commissions and services</b>		
Commission income from other services	345,116	274,665
Commission expenses	(169,539)	(98,328)
<b>Net income from commissions and services</b>	<b>175,577</b>	<b>176,337</b>
<b>Trading income</b>	<b>29,933,335</b>	<b>26,994,447</b>
<b>Operating expenses</b>		
Personnel expenses	(14,078,266)	(13,846,493)
Other operating expenses	(10,463,994)	(8,830,518)
<b>Total operating expenses</b>	<b>(24,542,260)</b>	<b>(22,677,011)</b>
<b>Gross profit</b>	<b>5,575,774</b>	<b>4,520,081</b>
Depreciation	(2,433,964)	(2,220,406)
Value adjustments, provisions and losses	(90,145)	(133,620)
<b>Profit before extraordinary items and taxes</b>	<b>3,051,665</b>	<b>2,166,055</b>
Extraordinary profit	13,006	21,739
Extraordinary expenses	-	-
Taxes	(948,757)	(731,604)
<b>Profit for the year</b>	<b>2,115,914</b>	<b>1,456,190</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2013

### **1. Activity and number of employees of the Bank**

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva and representative offices in Riga (Latvia), Kiev (Ukraine), Hong Kong (China) and Moscow (Russia).

In 2011, the Bank acquired from AS Rietumu Banka, Latvia, 100% of AS RB Securities IBS, a European regulated broker based in Riga, Latvia. This subsidiary has been renamed Dukascopy Europe IBS AS. Consolidated financial statements including the Bank and Dukascopy Europe IBS AS are also available in addition to the present financial statements of Dukascopy Bank SA. The Bank is mainly active in the dealing of foreign exchange and precious metals (hereinafter "FX") through its home built trading platform.

Expressed in terms of full-time jobs, the number of employees at 31 December 2013 was 213.8 (189.2 at 31 December 2012).

### **2. Risk Management**

The Board of Directors has established an analysis of the main risks the Bank is exposed to. This analysis relies on data and means implemented by the Bank in matter of Risk Management, as described hereinafter as well as on a prospective estimate of the risks affecting the Bank. In its analysis, the Board of Directors has considered the internal control system in place to manage risks. Based on its risk analysis, the Board of Directors has adopted a General Risk Policy in order to limit and manage the main risks affecting the Bank. The internal control system includes, in particular, a system of limits, the definition of authorised activities as well as competences relating to the risk taking in conformity with applicable prudential regulation. All significant risks are measured and controlled by an independent body.

#### **Credit risk**

FX trading is based on margin accounts which are mainly funded in cash deposited with the Bank or covered by bank guarantees. The trading platform automatically monitors the credit risk relating to clients by way of margin call and margin cut functionalities which ensure that the Bank remains covered by sufficient collateral at any time.

The credit risk relating to banks and other FX counterparties is mitigated by the fixation of 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.

#### **Market risk**

The Bank measures the currency risk on a daily basis and ensures that limits granted by the Board of Directors are complied with. The balance sheet and off-balance sheet are converted at closing spot rates. When necessary, the Bank executes FX trade transactions to reduce FX exposure and to comply with its risk limits.

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2013

### **2. Risk Management (continued)**

The Bank owns Swiss government bonds with the intention to hold them until maturity and is marginally exposed to interest rate risk. The Bank calculates interest rate risk on a quarterly basis and optimises asset and liabilities management as often as deemed necessary.

#### **Operational risks**

Operational risks include the legal risk and concentrate mainly on execution of FX trades on the Bank's trading platform. The latter presents a high level of automation that reduces errors due to the human factor. The Bank has implemented and monitors, on a regular basis, an internal control system which mitigates the operational risks relating to Information Technology and to any other processes involving operational risks. The internal control system includes segregations of duties, internal regulation, control activities such as reconciliations and reporting of relevant information to the bodies in charge of risk supervision: Board of Directors, General Management and specialised committees.

#### **Compliance risks**

The policy of Dukascopy Bank SA is to conduct its activities in respect of the law, banking regulation and the interests of its clients. Compliance Officers follow the legal and regulatory developments and adjust the internal regulation accordingly. Compliance Officers, Internal and External Auditors enquire about the respect of internal and external regulations by the Bank and its personnel and report compliance issues to the Board of Directors.

### **3. Accounting and valuation principles**

The accounting and valuation principles applied for the annual accounts at 31 December are in conformity with the regulations in force in Switzerland and more particularly with the Swiss Code of Obligations, the Federal Law on Banks and Saving institutions and with its Implementing Ordinance and the Guidelines governing the financial statements establishment issued by the Swiss Financial Market Supervisory Authority (FINMA-Circ. 08/2).

#### **Changes to accounting principles**

Starting 2013, the Bank offsets positive and negative replacement values towards several trading counterparties in order to more precisely calculate its risk positions vis-à-vis those counterparties. As a result, the captions "Other assets", "Other liabilities" and the total balance sheet of the Bank as at 31.12.2013 are CHF 1.8 million less than what they would be without netting. This change has no impact on the Bank's income and/or silent reserves. The comparative figures 2012 have not been restated.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 3. Accounting and valuation principles (continued)

#### a. Amounts due from and Amounts due to banks

They are accounted for in the balance sheet at their face value. When deemed necessary, individual value adjustments are recorded as "Valuation adjustments and provisions".

#### b. Loans and advances to customers

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. Loans and advances to customers are carried at their nominal value. Impaired loans are loans for which it is doubtful that debtors will be able to meet their commitments. Impaired loans 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 sale of the collateral, a value adjustment is made for the entire unsecured portion of the loan.

#### c. Financial investments

This caption only comprises Swiss government bonds acquired with the intention to hold them until maturity. Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortised over the term of the instrument using the accrual method. Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the bonds.

#### d. Participations

They are recorded at their acquisition cost less necessary impairment losses.

#### e. Tangible fixed assets

They are carried on the balance sheet at the acquisition cost less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the fixed assets. The appropriateness of the book-value is reviewed each year (impairment test). If this review brings to light a decrease in value or a change in the period of use, the Bank records impairment losses by debiting the caption "Depreciation on fixed assets" or adjusts the depreciation expense over the revised period of use.

\* Annual depreciation amounts to 40% of the accounting value at the beginning of the year. Acquisition cost of fixed assets acquired during the year are depreciated at the same rate on a prorata basis.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 3. Accounting and valuation principles (continued)

Fixed assets are depreciated over the following estimated periods of use:

- 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

#### f. Intangible assets

They consist in softwares acquired either by purchase or by contribution by the shareholders. Contribution values were based on independent valuations. Softwares are carried at acquisition cost or at contribution value less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the intangible assets. The appropriateness of the book-value is reviewed each year (impairment test). If this review brings to light a decrease in value or a change in the period of use, the Bank accounts for impairment losses by debiting the caption "Depreciation on fixed assets" or adjusts the depreciation expense over the revised period of use. Intangible assets are depreciated on a degressive\* basis over 5 years.

#### g. Value adjustments and provisions

The Bank records value adjustments and 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. Value adjustments and provisions which are no longer necessary are released and entered in the statement of income or allocated to cover other risks or maintained in the form of silent reserves.

#### h. Employee benefit obligations

The treatment of pension commitments is based on the Swiss GAAP FER 16 standard. Employee benefit obligations mean all commitments resulting from the pension fund to which Bank's employees are insured for retirement, death or disablement.

There is an economic benefit if, due to contribution reserves, 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.

\* Annual depreciation amounts to 40% of the accounting value at the beginning of the year. Acquisition cost of fixed assets acquired during the year are depreciated at the same rate on a prorata basis.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 3. Accounting and valuation principles (continued)

Each time the annual accounts are closed, the Bank determines whether there is an economic benefit or commitment on the basis of the annual accounts of the pension fund prepared in accordance with the Swiss GAAP FER 26 rules. An economic commitment is recorded as "Valuation adjustments and provisions" whereas an economic benefit is accounted for under "Other assets".

#### i. Taxes

The Bank records liabilities for income and capital taxes on an accrual basis.

#### j. Trading operations

Trading operations are made up of spot foreign exchange and precious metals transactions which are marked-to-market. Realised and unrealised results from trading operations are recorded in the "Trading income".

#### k. Use of swaps

The Bank uses currency swaps to rollover spot foreign exchange / precious metals transactions to the next spot settlement date until positions are closed. Replacement values of these instruments are recorded in "Other assets" and "Other liabilities".

#### l. Recording of transactions

All transactions are recorded in accordance with the trade date principle with the exception of currency / precious metals swaps and spot foreign exchange / precious metals transactions which are carried in the off-balance sheet until their value date.

#### m. Conversion 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 closing date of the financial statements. Conversion gains and losses are entered in the statement of income as "Trading income". At 31 December, the exchange rates used to convert the main foreign currencies were as follows:

		2013 CHF	2012 CHF
USD	1.00	0.89310	0.91520
EUR	1.00	1.22745	1.20765
GBP	1.00	1.47855	1.48745
CAD	1.00	0.84060	0.92230
JPY	1.00	0.00848	0.01055
AUD	1.00	0.79580	0.95160
NZD	1.00	0.73445	0.75855
LVL	1.00	1.74520	1.71821
NOK	1.00	0.14710	0.16440
SEK	1.00	0.13872	0.14071
SGD	1.00	0.70684	0.74965

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet

#### A. Collateral for loans and off-balance-sheet commitments

Loans	Secured by mortgages CHF	Other collateral CHF	Unsecured CHF	Total CHF
Amounts due from customers	-	-	78,459	78,459
<b>Total at 31 December 2013</b>	-	-	<b>78,459</b>	<b>78,459</b>
Total at 31 December 2012	-	16,436	104,261	120,697

Off-balance sheet commitments				
Contingent commitments	-	82,499	-	82,499
Irrevocable commitments	-	-	804,000	804,000
<b>Total at 31 December 2013</b>	-	<b>82,499</b>	<b>804,000</b>	<b>886,499</b>
Total at 31 December 2012	-	43,884	808,000	851,884

Breakdown of impaired loans/receivables	Gross amounts CHF	Estimated liquidation proceeds of collateral* CHF	Net debt amount CHF	Individual value adjustments CHF
<b>Total at 31 December 2013</b>	<b>10,818</b>	-	<b>10,818</b>	<b>10,818</b>
Total at 31 December 2012	89,475	-	89,475	88,945

\* Credit or liquidation value per customer: the lower value is applied

#### B. Financial investments

	Book value		Fair value	
Debt securities	2013 CHF	2012 CHF	2013 CHF	2012 CHF
<i>of which bonds held until maturity</i>	15,961,977	-	16,312,080	-
<b>Total</b>	<b>15,961,977</b>	-	<b>16,312,080</b>	-
<i>including securities eligible for repo transactions in accordance with liquidity regulations</i>	15,961,977	-	16,312,080	-

#### C. Participations

Participations	2013 CHF	2012 CHF
Without listed value	1,486,497	1,386,497
<b>Total participations</b>	<b>1,486,497</b>	<b>1,386,497</b>



## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

Participations 31 December 2013	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%
Dukascopy Europe IBS AS	brokerage	Riga	1,286,497	1,286,497	100%
Dukascopy Community SA	marketing	Geneva	100,000	100,000	100%
Participations 31 December 2012	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%
Dukascopy Europe IBS AS	brokerage	Riga	1,286,497	1,286,497	100%

#### D. Fixed assets

	2012				2013		
Participations	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
Majority participations	1,386,497	-	1,386,497	100,000	-	-	1,486,497
<b>Total participations</b>	<b>1,386,497</b>	<b>-</b>	<b>1,386,497</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>1,486,497</b>
Tangible fixed assets	7,111,881	(5,122,976)	1,988,905	668,797	-	(967,301)	1,690,401
Intangible assets (softwares)	22,703,271	(21,152,300)	1,550,971	12,726	-	(1,466,664)	97,033
<b>Total fixed assets</b>	<b>29,815,152</b>	<b>(26,275,276)</b>	<b>3,539,876</b>	<b>681,523</b>	<b>-</b>	<b>(2,433,965)</b>	<b>1,787,433</b>

	2013 CHF	2012 CHF
<b>Fire insurance value of other fixed assets</b>	<b>4,202,446</b>	<b>4,304,877</b>

	2014 CHF	2015 CHF	2016 CHF	2017 CHF
<b>Future leasing installments arising from operating leases</b>	<b>1,425,851</b>	<b>1,051,654</b>	<b>346,187</b>	<b>223,493</b>

#### E. Other assets and liabilities

	2013 CHF	2012 CHF
<b>Other assets</b>		
Positive replacement values	1,106,004	4,916,361
Others	-	1,202
<b>Total other assets</b>	<b>1,106,004</b>	<b>4,917,563</b>
<b>Other liabilities</b>		
Negative replacement values	1,033,852	4,385,060
Wire transfers	246,397	592,654
Indirect taxes to be paid	144,983	99,599
<b>Total other liabilities</b>	<b>1,425,232</b>	<b>5,077,313</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

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

	2013		2012	
	Book value of pledged assets and assets assigned as collateral CHF	Effective obligations CHF	Book value of pledged assets and assets assigned as collateral CHF	Effective obligations CHF
Swiss government bonds	15,961,977	4,164,142	-	-
Deposits made with banks to cover guarantees	244,530	244,530	287,057	287,057
<b>Total</b>	<b>16,206,507</b>	<b>4,408,672</b>	<b>287,057</b>	<b>287,057</b>

#### G. 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. As the Bank has not contributed to any employer's contribution reserve, there is no identifiable economic benefit to be capitalised in the balance sheet (2012: nil).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2012, the coverage ratio is 107.5% (31 December 2011: 100.1%).

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

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

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

	2013 CHF	2012 CHF
Contributions paid by the Bank in Switzerland	450,967	503,613
Contributions paid by the Bank in Russia	984	-
<b>Total</b>	<b>451,951</b>	<b>503,613</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### H. Value adjustments, provisions and reserves for general banking risks

	Balance at 31 December 2012 CHF	Utilisation in conformity with designated purpose CHF	Change in allocation CHF	Recoveries, past due interest, currency translation differences CHF	New provisions charged to income CHF	Releases to income CHF	Balance at 31 December 2013 CHF
Value adjustments and provisions for default risks (collection and country risks)	88,945	(18,715)	(46,907)	501	-	(13,006)	10,818
Value adjustments and provisions for other business risks	816,160	(375,000)	46,907	-	-	-	488,067
Other provisions	461,000	-	-	-	-	-	461,000
<b>Total value adjustments and provisions</b>	<b>1,366,105</b>	<b>(393,715)</b>	<b>-</b>	<b>501</b>	<b>-</b>	<b>(13,006)</b>	<b>959,885</b>

Value adjustments and provisions for other business risks include provisions for legal fees and litigations arising out of the normal conduct of Dukascopy Bank SA's activities. Provisions are valued according to the best estimate principle.

#### I. Share capital

2013

	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22,000,000	21,712,000	22,000,000

2012

	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22,000,000	21,712,000	22,000,000

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### J. Justification of equity

	2013 CHF	2012 CHF
<b>Shareholders' equity as at 1 January</b>		
Share capital	22,000,000	22,000,000
General legal reserve	151,000	106,000
Profit brought forward	4,169,494	2,758,304
<b>Total shareholders' equity at 1 January</b>	<b>26,320,494</b>	<b>24,864,304</b>
Profit brought forward allocated to general legal reserve	(75,000)	(45,000)
Contribution to the general legal reserve	75,000	45,000
Profit for the year	2,115,914	1,456,190
<b>Total shareholders' equity at 31 December</b>	<b>28,436,408</b>	<b>26,320,494</b>
Represented by:		
Share capital	22,000,000	22,000,000
General legal reserve	226,000	151,000
Profit brought forward	4,094,494	2,713,304
Profit for the year	2,115,914	1,456,190

#### K. Large shareholders and groups of shareholders bounds by voting agreements (exceeding 5%)

2013

	Nominal CHF	Number of shares CHF	% of equity	Capital eligible for dividend CHF
With voting rights				
Dr. Andrey Duka	10,890,000	10,746,000	49.5%	10,890,000
Veronika Makarova	10,890,000	10,746,000	49.5%	10,890,000

2012

	Nominal CHF	Number of shares CHF	% of equity	Capital eligible for dividend CHF
With voting rights				
Dr. Andrey Duka	10,890,000	10,746,000	49.5%	10,890,000
Veronika Makarova	10,890,000	10,746,000	49.5%	10,890,000

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### L. Presentation of the capital adequacy

	2013 CHF ('000)	2012 CHF ('000)
Tier 1 capital	28,329	24,864
./. Participations	(1,386)	(1,386)
<b>Total eligible capital</b>	<b>26,943</b>	<b>23,478</b>

2013			
	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		1,424
Risks without counterparty	Swiss standardised		894
Market risks	standardised		7,957
<i>of which on currencies</i>	standardised	7,443	
<i>of which on precious metals</i>	standardised	514	
Operational risks	basic indicator		4,364
<b>Total required capital</b>			<b>14,639</b>
<b>Surplus of eligible capital</b>			<b>12,304</b>

\* The Bank uses the transitional rules allowed by the capital adequacy ordinance.

2012			
	Used approach	Required capital CHF ('000)	
Credit risks	Swiss standardised		880
Risks without counterparty	Swiss standardised		1,770
Market risks	standardised		5,524
<i>of which on currencies</i>	standardised	5,040	
<i>of which on precious metals</i>	standardised	484	
Operational risks	basic indicator		4,277
<b>Total required capital</b>			<b>12,451</b>
<b>Surplus of eligible capital</b>			<b>11,027</b>

	2013	2012
<b>Ratio between eligible capital and required capital</b>	<b>184.0%</b>	<b>188.6%</b>
<b>Solvency ratios (Tier 1 and CET 1*)</b>	<b>14.7%</b>	<b>15.1%</b>

\*before coverage of large exposures excess, 10.5% minimum are required

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### M. Maturity structure

<b>Assets</b>	<b>At sight CHF</b>	<b>Cancellable CHF</b>	<b>Within 3 months CHF</b>	<b>Within 3 to 12 months CHF</b>	<b>Within 1 to 5 years CHF</b>	<b>Over 5 years CHF</b>	<b>No maturity CHF</b>	<b>Total CHF</b>
Liquid assets	82,630,033	-	-	-	-	-	-	82,630,033
Amounts due from banks	47,548,755	244,530	-	-	-	-	-	47,793,285
Amounts due from customers	11,830	66,629	-	-	-	-	-	78,459
Financial investments	-	-	-	-	15,961,977	-	-	15,961,977
<b>Total current assets at 31 December 2013</b>	<b>130,190,618</b>	<b>311,159</b>	<b>-</b>	<b>-</b>	<b>15,961,977</b>	<b>-</b>	<b>-</b>	<b>146,463,754</b>
Total current assets at 31 December 2012	129,061,985	322,725	-	-	-	-	-	129,384,710
<b>Third-party liabilities</b>								
Amounts due to banks	17,957,916	-	-	-	-	-	-	17,957,916
Other amounts due to customers	99,662,228	-	-	-	-	-	-	99,662,228
<b>Total third-party liabilities at 31 December 2013</b>	<b>117,620,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,620,144</b>
Total third-party liabilities at 31 December 2012	103,881,150	-	-	-	-	-	-	103,881,150

#### N. Amounts due to / from affiliated entities and loans to governing bodies

At 31 December 2013 and 2012, there were no loans granted to governing bodies and no amounts due to / from affiliated entities.

#### Transactions with related parties

Dukascopy Bank SA engages into transactions with related parties in the normal course of its business. These transactions mainly include marketing services and software development support. Transactions with related parties are conducted at arm's length and were recorded as follows:

	<b>2013 CHF</b>	<b>2012 CHF</b>
Amounts due to related companies at 31 December	84	-
Other operating expenses	699,647	688,361
Introducing Agent commissions paid	3,880	995

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### O. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2013			2012		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Assets</b>						
Liquid assets	82,016	614	82,630	88,406	4,381	92,787
Amounts due from banks	23,030	24,763	47,793	22,344	14,132	36,476
Amounts due from customers	72	6	78	103	18	121
Financial investments	15,962	-	15,962	-	-	-
Participations	200	1,286	1,486	100	1,286	1,386
Tangible fixed assets	860	831	1,691	1,989	-	1,989
Intangible assets	82	15	97	1,551	-	1,551
Accrued income and prepaid expenses	612	43	655	327	-	327
Other assets	492	614	1,106	2,092	2,826	4,918
<b>Total assets</b>	<b>123,326</b>	<b>28,172</b>	<b>151,498</b>	<b>116,912</b>	<b>22,643</b>	<b>139,555</b>

#### Liabilities

Amounts due to banks	-	17,958	17,958	-	7,371	7,371
Other amounts due to customers	6,070	93,592	99,662	5,256	91,255	96,511
Accrued expenses and deferred income	3,057	-	3,057	2,910	-	2,910
Other liabilities	986	439	1,425	2,647	2,430	5,077
Value adjustments and provisions	960	-	960	1,366	-	1,366
Share capital	22,000	-	22,000	22,000	-	22,000
General legal reserve	226	-	226	151	-	151
Profit brought forward	4,094	-	4,094	2,713	-	2,713
Profit for the year	2,116	-	2,116	1,456	-	1,456
<b>Total liabilities</b>	<b>39,509</b>	<b>111,989</b>	<b>151,498</b>	<b>38,499</b>	<b>101,056</b>	<b>139,555</b>

#### P. Analysis of total assets by country / group of countries

Assets	2013		2012	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	123,326	82	116,912	84
Europe excluding Switzerland	19,929	13	15,822	11
United States and Canada	8,196	5	6,796	5
Others	47	-	25	-
<b>Total assets</b>	<b>151,498</b>	<b>100</b>	<b>139,555</b>	<b>100</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the balance sheet (continued)

#### Q. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Liquid assets	82,016	614	-	-	-	-	82,630
Amounts due from banks	3,396	6,152	29,548	6,061	483	2,153	47,793
Amounts due from customers	8	26	2	-	-	42	78
Financial investments	15,962	-	-	-	-	-	15,962
Participations	1,486	-	-	-	-	-	1,486
Tangible fixed assets	1,691	-	-	-	-	-	1,691
Intangible assets	97	-	-	-	-	-	97
Accrued income and prepaid expenses	509	29	67	21	-	29	655
Other assets	1,106	-	-	-	-	-	1,106
<b>Total assets</b>	<b>106,271</b>	<b>6,821</b>	<b>29,617</b>	<b>6,082</b>	<b>483</b>	<b>2,224</b>	<b>151,498</b>
Claims arising from spot exchange and swap transactions	207,952	432,383	1,095,041	240,982	196,860	383,871	2,557,089
Total at 31 December 2013	314,223	439,204	1,124,658	247,064	197,343	386,095	2,708,587
<b>Liabilities</b>							
Amounts due to banks	86	7,473	8,385	364	1,389	261	17,958
Other amounts due to customers	8,088	25,596	56,594	5,497	318	3,569	99,662
Accrued expenses and deferred income	2,362	349	256	20	-	70	3,057
Other liabilities	1,201	49	168	6	-	1	1,425
Value adjustments and provisions	953	-	7	-	-	-	960
Share capital	22,000	-	-	-	-	-	22,000
General statutory reserve	226	-	-	-	-	-	226
Profit brought forward	4,094	-	-	-	-	-	4,094
Profit for the year	2,116	-	-	-	-	-	2,116
<b>Total liabilities</b>	<b>41,126</b>	<b>33,467</b>	<b>65,410</b>	<b>5,887</b>	<b>1,707</b>	<b>3,901</b>	<b>151,498</b>
Delivery obligations arising from spot exchange and swap transactions	265,963	364,607	1,110,770	219,824	205,689	390,236	2,557,089
Total at 31 December 2013	307,089	398,074	1,176,180	225,711	207,396	394,137	2,708,587
<b>Net position by currency</b>	<b>7,134</b>	<b>41,130</b>	<b>(51,522)</b>	<b>21,353</b>	<b>(10,053)</b>	<b>(8,042)</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 5. Information concerning the off-balance sheet transactions

#### A. Open financial derivatives

	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
<b>OTC transactions</b>			
<b>Currencies:</b>			
- forward contracts*	665,563	537,994	384,113,933
- swaps	2,095,774	2,204,770	2,117,639,084
<b>Total currencies</b>	<b>2,761,337</b>	<b>2,742,764</b>	<b>2,501,753,017</b>
<b>Precious metals:</b>			
- forward contracts*	6,645	1,030	2,049,850
- swaps	183,344	135,380	53,357,850
<b>Total precious metals</b>	<b>189,989</b>	<b>136,410</b>	<b>55,407,700</b>
<b>Total at 31 December 2013 before impact of netting contracts</b>	<b>2,951,326</b>	<b>2,879,174</b>	<b>2,557,160,717</b>
Total at 31 December 2012 before impact of netting contracts	4,916,361	4,385,060	2,590,427,030

\* Represent the spot foreign exchange / precious metals transactions which are accounted for according to the value date principle.

	Positive replacement values CHF	Negative replacement values CHF
<b>Total at 31 December 2013 after impact of netting contracts</b>	<b>1,106,004</b>	<b>1,033,852</b>

No netting was applied on replacement values as at 31 December 2012.

### 6. Information concerning the statement of income

#### A. Trading income

	2013	2012
<b>Trading income</b>	<b>CHF</b>	<b>CHF</b>
Currency and precious metals trading income	29,933,335	26,994,447
<b>Total trading income</b>	<b>29,933,335</b>	<b>26,994,447</b>

#### B. Personnel expenses

	2013	2012
<b>Personnel expenses</b>	<b>CHF</b>	<b>CHF</b>
Salaries	11,192,849	11,270,770
Benefits	2,794,921	2,510,562
Other personnel expenses	90,496	65,161
<b>Total personnel expenses</b>	<b>14,078,266</b>	<b>13,846,493</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 6. Information concerning the statement of income (continued)

#### C. Other operating expenses

Other operating expenses	2013 CHF	2012 CHF
Marketing and communication	3,178,847	2,731,519
Premises	2,321,330	2,285,417
Legal, audit and consulting	1,083,103	792,324
Post, telecommunications and data	770,055	830,799
Travels	985,476	910,696
Office supply	237,502	197,646
IT related expenses	1,701,671	937,527
Others	186,009	144,590
<b>Total other operating expenses</b>	<b>10,463,994</b>	<b>8,830,518</b>

#### D. Extraordinary income and expenses

Extraordinary income	2013 CHF	2012 CHF
Dissolution of provision on doubtful debtors	13,006	-
Disposal of amortised fixed assets	-	21,739
<b>Total extraordinary income</b>	<b>13,006</b>	<b>21,739</b>

There was no extraordinary expense in 2013 and 2012.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2013

### 6. Information concerning the statement of income (continued)

#### E. Analysis of domestic and foreign income and expenses

	2013	
	Domestic CHF	Foreign CHF
Net interest income	9,122	-
Net income from commissions and services	175,577	-
Trading income	29,933,335	-
Personnel expenses	(8,552,352)	(5,525,914)
Other operating expenses	(5,223,816)	(5,240,178)
<b>Gross profit</b>	<b>16,341,866</b>	<b>(10,766,092)</b>

	2012	
	Domestic CHF	Foreign CHF
Net interest income	26,308	-
Net income from commissions and services	176,337	-
Trading income	26,994,447	-
Personnel expenses	(9,268,974)	(4,577,519)
Other operating expenses	(5,631,819)	(3,198,699)
<b>Gross profit</b>	<b>12,296,299</b>	<b>(7,776,218)</b>

## PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

at 31 December 2013

The Board of Directors proposes the following appropriation of available earnings:

	2013
	CHF
Profit for the year	2,115,914
Profit brought forward	4,094,494
<b>Amount at the disposal of the Shareholders' meeting</b>	<b>6,210,408</b>

	2013
Proposed utilisation	CHF
Contribution to the general legal reserve	106,000
To be carried forward	6,104,408
<b>Total</b>	<b>6,210,408</b>

## **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 and notes for the year ended 31 December 2013.

#### **Board of Directors 'Responsibility**

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

#### **Auditor 's Responsibility**

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

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

#### **Opinion**

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

**Dukascopy Bank SA, Geneva**  
*Report of the Statutory Auditor  
on the Financial Statements 2013  
to the General Meeting*

## 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, 30 April 2014

Enclosure:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

## CONSOLIDATED BALANCE SHEET

as at 31 December 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Assets</b>		
Liquid assets	82,630,033	92,787,467
Amounts due from banks	48,105,078	36,635,582
Amounts due from customers	78,459	120,698
Financial investments	15,961,977	-
Non-consolidated participations	200,000	100,000
Tangible fixed assets	1,690,401	1,988,905
Intangible assets	97,033	1,550,971
Accrued income and prepaid expenses	656,959	326,621
Other assets	1,308,544	968,898
<b>Total assets</b>	<b>150,728,484</b>	<b>134,479,142</b>
Total amounts due from non-consolidated Group companies and qualified participants	1,362	-
<b>Liabilities</b>	<b>CHF</b>	<b>CHF</b>
Amounts due to banks	13,875,581	5,362,892
Other amounts due to customers	102,337,076	97,600,023
Accrued expenses and deferred income	3,091,453	2,951,063
Other liabilities	1,643,473	1,139,542
Value adjustments and provisions	614,135	1,020,355
Reserves for general banking risks	345,750	345,750
Share capital	22,000,000	22,000,000
Profit reserves	4,091,990	2,738,779
Profit for the year	2,729,026	1,320,738
<b>Total liabilities</b>	<b>150,728,484</b>	<b>134,479,142</b>
Total amounts due to non-consolidated Group companies and qualified participants	164,128	84,550

## CONSOLIDATED OFF-BALANCE SHEET

as at 31 December 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Off-balance sheet commitments</b>		
Contingent commitments	82,499	43,884
Irrevocable commitments	804,000	808,000
<b>Off-balance sheet financial instruments</b>		
Underlying amounts	2,557,231,828	2,590,404,750
Positive replacement values	3,127,018	4,941,544
Negative replacement values	3,072,004	4,417,527

## CONSOLIDATED STATEMENT OF INCOME

for the year 2013

	31.12.2013 CHF	31.12.2012 CHF
<b>Interest income</b>		
Interest income	266,413	32,005
Interest expenses	(257,291)	(5,697)
<b>Net interest income</b>	<b>9,122</b>	<b>26,308</b>
<b>Income from commissions and services</b>		
Commission income from other services	345,116	274,686
Commission expenses	(174,136)	(99,653)
<b>Net income from commissions and services</b>	<b>170,980</b>	<b>175,033</b>
<b>Trading income</b>	<b>30,962,064</b>	<b>27,220,125</b>
<b>Operating expenses</b>		
Personnel expenses	(14,415,031)	(14,157,716)
Other operating expenses	(10,538,100)	(8,878,835)
<b>Total operating expenses</b>	<b>(24,953,131)</b>	<b>(23,036,551)</b>
<b>Gross profit</b>	<b>6,189,035</b>	<b>4,384,915</b>
Depreciation	(2,433,964)	(2,220,406)
Value adjustments, provisions and losses	(137,200)	(133,906)
<b>Profit before extraordinary items and taxes</b>	<b>3,617,871</b>	<b>2,030,603</b>
Extraordinary income	59,913	21,739
Taxes	(948,758)	(731,604)
<b>Profit for the year</b>	<b>2,729,026</b>	<b>1,320,738</b>



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

at 31 December 2013

### **1. Activity and number of employees of the Group**

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva and representative offices in Riga (Latvia), Kiev (Ukraine), Hong Kong (China) and Moscow (Russia). The Bank is mainly active in the dealing of foreign exchange and precious metals (hereinafter "FX") through its home built trading platform.

In 2011, the Bank acquired from AS Rietumu Banka, Latvia, 100% of AS RB Securities IBS, a European regulated broker based in Riga, Latvia. This subsidiary has been renamed Dukascopy Europe IBS AS. Dukascopy Europe IBS AS offers the same trading platform to its own clients through a white label agreement signed with the Bank.

Expressed in terms of full-time jobs, the number of employees in the Group at 31 December 2013 was 232.8 (206.3 at 31 December 2012).

### **2. Risk Management**

Each Group entity has a supervisory body responsible for managing risks in accordance with applicable local regulation and the Group standards set by the Bank. The Bank is responsible for exercising consolidated supervision over Dukascopy Group which includes oversight of risks affecting all Group entities. Since the Bank is the main Group entity, comments here-after focus on the Bank. The Bank's Board of Directors has established an analysis of the main risks the Bank is exposed to. This analysis relies on data and means implemented by the Bank in matter of Risk Management, as described hereinafter as well as on a prospective estimate of the risks affecting the Bank. In its analysis, the Board of Directors has considered the internal control system in place to manage risks. Based on its risk analysis, the Bank's Board of Directors has adopted a General Risk Policy in order to limit and manage the main risks affecting the Bank. The internal control system includes, in particular, a system of limits, the definition of authorised activities as well as competences relating to the risk taking in conformity with applicable prudential regulation. All significant risks are measured and controlled by an independent body.

#### **Credit risk**

FX trading is based on margin accounts which are mainly funded in cash deposited with the Bank or covered by bank guarantees. The trading platform automatically monitors the credit risk relating to clients by way of margin call and margin cut functionalities which ensure that the Bank remains covered by sufficient collateral at any time.

The credit risk relating to banks and other FX counterparties is mitigated by the fixation of limits within the competences set by 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

at 31 December 2013

### **2. Risk Management (continued)**

#### **Market risk**

The Bank measures the currency risk on a daily basis and ensures that limits granted by the Board of Directors are complied with. The balance sheet and off-balance sheet are converted at closing spot rates. When necessary, the Bank executes FX trade transactions to reduce FX exposure and to comply with its risk limits.

The Bank owns Swiss government bonds with the intention to hold them until maturity and is marginally exposed to interest rate risk. The Bank calculates interest rate risk on a quarterly basis and optimises asset and liabilities management as often as deemed necessary.

#### **Operational risks**

Operational risks include the legal risk and concentrate mainly on execution of FX trades on the Bank's trading platform. The latter presents a high level of automation that reduces errors due to the human factor. The Bank has implemented and monitors, on a regular basis, an internal control system which mitigates the operational risks relating to Information Technology and to any other processes involving operational risks. The internal control system includes segregations of duties, internal regulation, control activities such as reconciliations and reporting of relevant information to the bodies in charge of risk supervision: Board of Directors, General Management and specialised committees.

#### **Compliance risks**

The policy of Dukascopy Bank SA is to conduct its activities in respect of the law, banking regulation and the interests of its clients. Compliance Officers follow the legal and regulatory developments and adjust the internal regulation accordingly. Compliance Officers, Internal and External Auditors enquire about the respect of internal and external regulations by the Bank and its personnel and report compliance issues to the Board of Directors.

### **3. Accounting principles of the consolidated financial statements**

#### **3.1. Principles ruling the establishment of the consolidated financial statements**

The consolidated annual accounts are established in conformity with the regulations in force in Switzerland and more particularly with the Swiss Code of Obligations, the Federal Law on Banks and Saving institutions and with its Implementing Ordinance and the Guidelines governing the financial statements establishment issued by the Swiss Financial Market Supervisory Authority (FINMA-Circ. 08/2).

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

at 31 December 2013

### **3. Accounting principles of the consolidated financial statements (continued)**

#### **3.2. Changes to accounting principles**

Starting 2013, the Bank offsets positive and negative replacement values towards several trading counterparties in order to more precisely calculate its risk positions vis-à-vis those counterparties. As a result, the captions "Other assets", "Other liabilities" and the total consolidated balance sheet as at 31.12.2013 were CHF 1.8 million less than what they would be without netting. This change has no impact on the Group's income. The comparative figures have been restated as required by the DEC-FINMA 08/2. The impact is shown in note 5A.

#### **3.3. Consolidation scope**

All companies active in the financial sector in which Dukascopy Bank SA directly or indirectly holds a controlling interest are fully consolidated in the financial statements. Control is the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain benefits from its activities. To determine the existence of control, potential voting rights that are currently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are incorporated in the consolidated financial statements from the date on which control is obtained until the date on which control ceases.

Associates having a financial activity in which the Bank has a significant but not controlling influence on the financial and operating policies are accounted for using the equity method. Significant influence is presumed when Dukascopy Bank SA directly or indirectly holds over 20% of the equity voting rights in these companies. The consolidated financial statements include the Group's share in the net assets and the profit or loss of associates. Goodwill identified on associates is included in the carrying amount of the investment and is tested yearly for impairment as a share of the investment.

Participations below 20%, dormant companies, affiliates which are not active in the financial sector and temporary participations are excluded from the consolidation scope and are carried at cost less necessary impairments reflecting the permanent decrease in value of such participations.

#### **3.4. Elimination of intercompany transactions**

When preparing the consolidated financial statements, significant balances, transactions and unrealised gains and losses between Group companies are eliminated. Unrealised gains and losses on transactions with associates and jointly controlled companies are eliminated to the extent of the Group's interest in these entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 3. Accounting principles of the consolidated financial statements (continued)

#### 3.5. True and fair view principle

The consolidated financial statements of the Group reflect the true and fair view of the assets, the liabilities, the financial situation and financial results of the Group.

#### 3.6. Closing date of the consolidated financial statements

The closing date of the consolidated financial statements is the 31 December.

#### 3.7. Recording of transactions

For all Group entities, all transactions are recorded in accordance with the trade date principle with the exception of currency / precious metals swaps and spot foreign exchange / precious metals transactions which are carried in the off-balance sheet until their value date.

#### 3.8. Conversion of foreign currencies

The consolidated financial statements are presented in Swiss francs (CHF). Foreign currency transactions are translated into the functional currency of each entity of the Group using the exchange rate prevailing on the transaction date.

Assets and liabilities of the Bank carried in foreign currencies are converted at the exchange rates of the consolidated financial statements' closing date. Conversion gains and losses are entered in the Bank's statement of income as "Trading income".

At 31 December, the exchange rates used to convert the main foreign currencies were as follows:

		2013	2012
		CHF	CHF
USD	1.00	0.89310	0.91520
EUR	1.00	1.22745	1.20765
GBP	1.00	1.47855	1.48745
CAD	1.00	0.84060	0.92230
JPY	1.00	0.00848	0.01055
AUD	1.00	0.79580	0.95160
NZD	1.00	0.73445	0.75855
LVL	1.00	1.74520	1.71821
NOK	1.00	0.14710	0.16440
SEK	1.00	0.13872	0.14071
SGD	1.00	0.70684	0.74965

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### **3. Accounting principles of the consolidated financial statements (continued)**

The conversion into CHF of the financial statements of foreign Group entities for the needs of the consolidation are made at the exchange rates listed above for all consolidated balance sheet, off-balance sheet and statement of income captions, except equity which is converted at historical rates. Conversion differences arising from the conversion of the financial statements of foreign Group entities are included in the "Profit reserves" of the consolidated balance sheet.

#### **3.9. Amounts due from and Amounts due to banks**

They are accounted for in the consolidated balance sheet at their face value. When deemed necessary, individual value adjustments are recorded as "Valuation adjustments and provisions".

#### **3.10. Loans and advances to customers**

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. Loans and advances to customers are carried at their nominal value. Impaired loans are loans for which it is doubtful that debtors will be able to meet their commitments. Impaired loans 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 sale of the collateral, a value adjustment is made for the entire unsecured portion of the loan.

#### **3.11. Financial investments**

This caption only comprises Swiss government bonds acquired with the intention to hold them until maturity. Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortised over the term of the instrument using the accrual method. Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the bonds.

#### **3.12. Tangible fixed assets**

They are carried on the consolidated balance sheet at the acquisition cost less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the fixed assets. The appropriateness of the book-value is reviewed each year (impairment test). If this review brings to light a decrease in value or a change in the period of use, the Group entities record impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the revised period of use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 3. Accounting principles of the consolidated financial statements (continued)

In the Group, fixed assets are depreciated over the following estimated periods of use:

- 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

#### 3.13. Intangible assets

They consist in softwares acquired either by purchase or by contribution by the shareholders. Contribution values were based on independent valuations. Softwares are carried at acquisition cost or at contribution value less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the intangible assets. The appropriateness of the book-value is reviewed each year (impairment test).

If this review brings to light a decrease in value or a change in the period of use, the Group entities account for impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the revised period of use. In the Group, intangible assets are depreciated on a degressive\* basis over 5 years.

The goodwill (positive consolidation difference), if any, is presented in the consolidated balance sheet and depreciated over the estimated period of use. There was no such goodwill at the closing date of the consolidated financial statements.

#### 3.14. Value adjustments and provisions

The Group entities record value adjustments and provisions based on their assessment of the risks of loss and probable liabilities, based on past events, of which the amount and due date are uncertain but assessable. Value adjustments and provisions which are no longer necessary are released and entered in the statement of income or allocated to cover other risks. This caption also includes provisions for deferred tax.

\* Annual depreciation amounts to 40% of the accounting value at the beginning of the year. Acquisition cost of fixed assets acquired during the year are depreciated at the same rate on a prorata basis.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

at 31 December 2013

### **3. Accounting principles of the consolidated financial statements (continued)**

#### **3.15. Employee benefit obligations**

The treatment of pension commitments is based on the Swiss GAAP FER 16 standard. Employee benefit obligations mean all commitments resulting from the pension funds to which Group entities' employees are insured for retirement, death or disablement.

There is an economic benefit if, due to contribution reserves, the Group entities have the ability to reduce their future employer's contributions. A contrario, there is a liability if, owing to a shortfall in the pension funds, the Group entities want or have to participate in the financing of the pension funds.

Each time the annual accounts are closed, the Group entities determine whether there is an economic benefit or commitment on the basis of the annual accounts of the pension funds prepared in accordance with the Swiss GAAP FER 26 rules. An economic commitment is recorded as "Valuation adjustments and provisions" whereas an economic benefit is accounted for under "Other assets".

#### **3.16. Reserves for general banking risks**

The Bank may constitute such reserves in order to cover risks relating to the banking activity which are not covered by specific provisions. This caption also consists in hidden reserves in individual financial statements of Group entities which must be reclassified in application of the true and fair view principle. The reserves for general banking risks form an integral part of the equity.

#### **3.17. Share capital**

The share capital is made of Dukascopy Bank SA's share capital.

#### **3.18. Profit reserves**

The profit reserves consist in equity accumulated by the Group. They include the differences resulting from the elimination of the participations, the retained profits and losses and the differences arising from the conversion of the financial statements of foreign Group entities.

#### **3.19. Taxes**

The Group entities record liabilities for income and capital taxes on an accrual basis. This caption also includes deferred tax expenses resulting from value adjustments in accordance with the true and fair view principle which are recognised in the statement of income. Deferred tax assets on tax losses carried forward are not capitalised; they are set out under note 4.P.

#### **3.20. Trading operations**

Trading operations are made up of spot foreign exchange and precious metals transactions which are marked-to-market. Realised and unrealised results from trading operations are recorded in the consolidated "Trading income".

#### **3.21. Use of swaps**

Group entities use currency swaps to rollover spot foreign exchange / precious metals transactions to the next spot settlement date until positions are closed. Replacement values of these instruments are recorded in "Other assets" and "Other liabilities".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet

#### A. Collateral for loans and off-balance-sheet commitments

Loans	Secured by mortgages CHF	Other collateral CHF	Unsecured CHF	Total CHF
Amounts due from customers	-	-	78,459	78,459
<b>Total at 31 December 2013</b>	-	-	<b>78,459</b>	<b>78,459</b>
Total at 31 December 2012	-	16,436	104,262	120,698

Off-balance sheet commitments				
Contingent commitments	-	82,499	-	82,499
Irrevocable commitments	-	-	804,000	804,000
<b>Total at 31 December 2013</b>	-	<b>82,499</b>	<b>804,000</b>	<b>886,499</b>
Total at 31 December 2012	-	43,884	808,000	851,884

Breakdown of impaired loans	Gross debt amount CHF	Estimated liquidation proceeds of collateral* CHF	Net debt amount CHF	Individual value adjustments CHF
<b>Total at 31 December 2013</b>	<b>10,818</b>	-	<b>10,818</b>	<b>10,818</b>
Total at 31 December 2012	89,475	-	89,475	89,475

\* Credit or liquidation value per customer: the lower value is applied

#### B. Financial investments

	Book value		Fair value	
	2013 CHF	2012 CHF	2013 CHF	2012 CHF
<b>Debt securities</b>				
<i>of which bonds held until maturity</i>	15,961,977	-	16,312,080	-
<b>Total</b>	<b>15,961,977</b>	-	<b>16,312,080</b>	-
<i>including securities eligible for repo transactions in accordance with liquidity regulations</i>	15,961,977	-	16,312,080	-

#### C. Non-consolidated participations

Non-consolidated participations	2013 CHF	2012 CHF
Without listed value	200,000	100,000
<b>Total non-consolidated participations</b>	<b>200,000</b>	<b>100,000</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

Non-consolidated participations 2013	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%
Dukascopy Community SA	marketing	Geneva	100,000	100,000	100%

Non-consolidated participations 2012	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%

### D. Fixed assets

	2012			2013			
Participations	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
Majority participation	100,000	-	100,000	100,000	-	-	200,000
<b>Total participations</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>200,000</b>
Tangible fixed assets	7,111,881	(5,122,976)	1,988,905	668,797	-	(967,301)	1,690,401
Intangible assets (softwares)	22,703,271	(21,152,300)	1,550,971	12,726	-	(1,466,664)	97,033
<b>Total fixed assets</b>	<b>29,815,152</b>	<b>(26,275,276)</b>	<b>3,539,876</b>	<b>681,523</b>	<b>-</b>	<b>(2,433,965)</b>	<b>1,787,433</b>

	2013 CHF	2012 CHF
<b>Fire insurance value of tangible fixed assets</b>	<b>4,202,446</b>	<b>4,304,877</b>

	2014 CHF	2015 CHF	2016 CHF	2017 CHF
<b>Future leasing installments arising from operating leases</b>	<b>1,425,851</b>	<b>1,051,654</b>	<b>346,187</b>	<b>223,493</b>

### E. Other assets and liabilities

Other assets	2013 CHF	2012 CHF
Positive replacement values	1,281,688	962,249
Others	26,856	6,649
<b>Total other assets</b>	<b>1,308,544</b>	<b>968,898</b>

Other liabilities	2013 CHF	2012 CHF
Negative replacement values	1,226,749	438,232
Wire transfers	246,437	592,654
Indirect taxes to be paid	144,983	99,599
Others	25,304	9,057
<b>Total other liabilities</b>	<b>1,643,473</b>	<b>1,139,542</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

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

	2013		2012	
	Book value of pledged assets and assets assigned as collateral CHF	Effective obligations CHF	Book value of pledged assets and assets assigned as collateral CHF	Effective obligations CHF
Swiss government bonds	15,961,977	4,164,142	-	-
Deposits made with banks to cover guarantees	244,530	244,530	287,057	287,057
<b>Total</b>	<b>16,206,507</b>	<b>4,408,672</b>	<b>287,057</b>	<b>287,057</b>

#### G. 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. As the Bank has not contributed to any employer's contribution reserve, there is no identifiable economic benefit to be capitalised in the balance sheet (2012: nil).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2012, the coverage ratio is 107.5% (31 December 2011: 100.1%).

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

There is no pension funds for the consolidated entity of the Group.

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

	2013 CHF	2012 CHF
Contributions paid by the Bank in Switzerland	450,967	503,613
Contributions paid by the Bank in Russia	984	-
<b>Total</b>	<b>451,951</b>	<b>503,613</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

#### H. Value adjustments, provisions and reserves for general banking risks

	Balance at 31 December 2012 CHF	Utilisation in conformity with designated purpose CHF	Recoveries, past due interest, currency translation differences CHF	New provisions charged to income CHF	Releases to income CHF	Balance at 31 December 2013 CHF
Provisions for deferred taxes	115,250	-	-	-	-	115,250
Value adjustments and provisions for default risks (collection and country risks)	88,945	(18,715)	501	-	(59,913)	10,818
Value adjustments and provisions for other business risks	816,160	(375,000)	-	46,907	-	488,067
<b>Total value adjustments and provisions</b>	<b>1,020,35</b>	<b>(393,715)</b>	<b>501</b>	<b>46,907</b>	<b>(59,913)</b>	<b>614,135</b>
Reserves for general banking risks	345,750	-	-	-	-	345,750

Value adjustments and provisions for other business risks include provisions for legal fees and litigations arising out of the normal conduct of Dukascopy Bank SA's activities. Provisions are valued according to the best estimate principle.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

#### I. Justification of equity

	2013 CHF	2012 CHF
<b>Shareholders' equity as at 1 January</b>		
Share capital	22,000,000	22,000,000
Profit reserves	4,091,990	2,738,779
Reserves for general banking risks	345,750	345,750
<b>Total shareholders' equity at 1 January</b>	<b>26,437,740</b>	<b>25,084,529</b>
Profit for the year	2,729,026	1,320,738
<b>Total shareholders' equity at 31 December</b>	<b>29,166,766</b>	<b>26,405,267</b>
Represented by:		
Share capital	22,000,000	22,000,000
Profit reserves	6,821,016	4,059,517
Reserves for general banking risks	345,750	345,750

#### J. Presentation of the capital adequacy

	2013 CHF ('000)	2012 CHF ('000)
Tier 1 capital	28,446	24,972
./. Participations	(100)	(100)
<b>Total eligible capital</b>	<b>28,346</b>	<b>24,872</b>

		2013		2012	
	Used approach*	Required capital CHF ('000)		Required capital CHF ('000)	
Credit risks	Swiss standardised		1,395		876
Risks without counterparty	Swiss standardised		894		1,770
Market risks	standardised		8,017		5,626
<i>of which on currencies</i>	standardised	7,502		5,142	
<i>of which on precious metals</i>	standardised	515		484	
Operational risks	basic indicator		4,427		4,288
<b>Total required capital</b>			<b>14,733</b>		<b>12,560</b>
<b>Surplus of eligible capital</b>			<b>13,613</b>		<b>12,312</b>

\* In 2013 the Bank uses the transitional rules allowed by the capital adequacy ordinance.

<b>Ratio between eligible capital and required capital as per Swiss Law</b>	<b>192.4%</b>	<b>198.0%</b>
<b>Solvency ratios (Tier 1 and CET 1*)</b>	<b>15.4%</b>	<b>15.8%</b>

\* before coverage of large exposures excess, 10.5% minimum are required

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

#### K. Maturity structure

Assets	At sight CHF	Cancellable CHF	Within 3 months CHF	Within 3 to 12 months CHF	Within 1 to 5 years CHF	Over 5 years CHF	No maturity CHF	Total CHF
Liquid assets	82,630,033	-	-	-	-	-	-	82,630,033
Amounts due from banks	47,860,548	244,530	-	-	-	-	-	48,105,078
Amounts due from customers	11,830	66,629	-	-	-	-	-	78,459
Financial investments	-	-	-	-	15,961,977	-	-	15,961,977
<b>Total current assets at 31 December 2013</b>	<b>130,502,411</b>	<b>311,159</b>	<b>-</b>	<b>-</b>	<b>15,961,977</b>	<b>-</b>	<b>-</b>	<b>146,775,547</b>
Total current assets at 31 December 2012	129,221,022	322,725	-	-	-	-	-	129,543,747
<b>Third-party liabilities</b>								
Amounts due to banks	13,875,581	-	-	-	-	-	-	13,875,581
Other amounts due to customers	102,337,076	-	-	-	-	-	-	102,337,076
<b>Total third-party liabilities at 31 December 2013</b>	<b>116,212,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,212,657</b>
Total third-party liabilities at 31 December 2012	102,962,915	-	-	-	-	-	-	102,962,915

#### L. Amounts due to / from affiliated entities and loans to governing bodies

At 31 December 2013 and 2012, there were no loans granted to governing bodies and no amounts due to / from affiliated entities.

#### Transactions with related parties

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

Transactions with related parties are conducted at arm's length and were recorded as follows:

	2013 CHF	2012 CHF
Amounts due to related companies at 31 December	84	-
Other operating expenses	699,647	688,361
Introducing Agent commissions paid	3,880	995

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

#### M. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2013			2012		
	Switzerland	Foreign	Total	Switzerland	Foreign	Total
<b>Assets</b>						
Liquid assets	82,016	614	82,630	88,406	4,381	92,787
Amounts due from banks	23,030	25,074	48,104	22,344	14,291	36,635
Amounts due from customers	72	6	78	103	18	121
Financial investments	15,962	-	15,962	-	-	-
Participations	200	-	200	100	-	100
Tangible fixed assets	860	831	1,691	1,989	-	1,989
Intangible assets	82	15	97	1,551	-	1,551
Accrued income and prepaid expenses	612	45	657	327	-	327
Other assets	501	808	1,309	363	606	969
<b>Total assets</b>	<b>123,335</b>	<b>27,393</b>	<b>150,728</b>	<b>115,183</b>	<b>19,296</b>	<b>134,479</b>
<b>Liabilities</b>						
Amounts due to banks	-	13,876	13,876	-	5,363	5,363
Other amounts due to customers	6,102	96,235	102,337	5,263	92,336	97,599
Accrued expenses and deferred income	3,091	-	3,091	2,951	-	2,951
Other liabilities	1,012	631	1,643	929	211	1,140
Value adjustments and provisions	607	7	614	1,020	-	1,020
Reserves for general banking risks	346	-	346	346	-	346
Share capital	22,000	-	22,000	22,000	-	22,000
Profit reserves	4,092	-	4,092	2,739	-	2,739
Profit for the year	2,729	-	2,729	1,321	-	1,321
<b>Total liabilities</b>	<b>39,979</b>	<b>110,749</b>	<b>150,728</b>	<b>36,569</b>	<b>97,910</b>	<b>134,479</b>

#### N. Analysis of total assets by country / group of countries

Assets	2013		2012	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	123,335	82	115,183	86
Europe excluding Switzerland	19,036	13	13,596	10
United States and Canada	8,201	5	5,672	4
Others	156	-	28	-
<b>Total assets</b>	<b>150,728</b>	<b>100</b>	<b>134,479</b>	<b>100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 4. Information concerning the consolidated balance sheet (continued)

#### O. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Liquid assets	82,016	614	-	-	-	-	82,630
Amounts due from banks	3,405	6,235	29,601	6,116	483	2,265	48,105
Amounts due from customers	8	26	2	-	-	42	78
Financial investments	15,962	-	-	-	-	-	15,962
Participations	200	-	-	-	-	-	200
Tangible fixed assets	1,690	-	-	-	-	-	1,690
Intangible assets	97	-	-	-	-	-	97
Accrued income and prepaid expenses	509	30	68	21	-	29	657
Other assets	1,282	-	5	-	-	22	1,309
<b>Total assets</b>	<b>105,169</b>	<b>6,905</b>	<b>29,676</b>	<b>6,137</b>	<b>483</b>	<b>2,358</b>	<b>150,728</b>
Claims arising from spot exchange and swap transactions	207,969	432,378	1,095,137	240,928	196,885	383,880	2,557,177
Total at 31 December 2013	313,138	439,283	1,124,813	247,065	197,368	386,238	2,707,905
<b>Liabilities</b>							
Amounts due to banks	6	4,569	7,667	126	1,389	119	13,876
Other amounts due to customers	8,176	26,885	57,366	5,789	318	3,803	102,337
Accrued expenses and deferred income	2,362	372	263	20	-	74	3,091
Other liabilities	1,393	56	167	6	-	21	1,643
Value adjustments and provisions	607	-	7	-	-	-	614
Reserves for general banking risks	346	-	-	-	-	-	346
Share capital	22,000	-	-	-	-	-	22,000
Profit reserves	4,092	-	-	-	-	-	4,092
Profit for the year	2,729	-	-	-	-	-	2,729
<b>Total liabilities</b>	<b>41,711</b>	<b>31,882</b>	<b>65,470</b>	<b>5,941</b>	<b>1,707</b>	<b>4,017</b>	<b>150,728</b>
Delivery obligations arising from spot exchange and swap transactions	265,963	364,603	1,110,886	219,771	205,705	390,249	2,557,177
Total at 31 December 2013	307,674	396,485	1,176,356	225,712	207,412	394,266	2,707,905
<b>Net position by currency</b>	<b>5,464</b>	<b>42,798</b>	<b>(51,543)</b>	<b>21,353</b>	<b>(10,044)</b>	<b>(8,028)</b>	<b>-</b>

#### P. Deferred tax assets

	2013 CHF	2012 CHF
Amount of non-capitalised deferred tax asset	168,664	186,610

This amount relates to losses carried forward by Dukascopy Europe IBS AS.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 5. Information concerning the consolidated off-balance sheet transactions

#### A. Open financial derivatives

	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
<b>OTC transactions</b>			
<b>Currencies:</b>			
- forward contracts*	665,563	537,994	384,113,933
- swaps	2,269,683	2,395,275	2,117,708,908
<b>Total currencies</b>	<b>2,935,246</b>	<b>2,933,269</b>	<b>2,501,822,841</b>
<b>Precious metals:</b>			
- forward contracts*	6,645	1,030	2,049,850
- swaps	185,127	137,705	53,359,137
<b>Total precious metals</b>	<b>191,772</b>	<b>138,735</b>	<b>55,408,987</b>
<b>Total at 31 December 2013 before impact of netting contracts</b>	<b>3,127,018</b>	<b>3,072,004</b>	<b>2,557,231,828</b>
Total at 31 December 2012 before impact of netting contracts	4,941,544	4,417,527	2,590,404,750

\* Represent the spot foreign exchange / precious metals transactions which are accounted for according to the value date principle.

	Positive replacement values CHF	Negative replacement values CHF
<b>Total at 31 December 2013 after impact of netting contracts</b>	<b>1,281,688</b>	<b>1,226,749</b>
Total at 31 December 2012 after impact of netting contracts	962,249	438,232

### 6. Information concerning the consolidated statement of income

#### A. Trading income

	2013	2012
	CHF	CHF
Trading income		
Currency and precious metals trading income	30,962,064	27,220,125
<b>Total trading income</b>	<b>30,962,064</b>	<b>27,220,125</b>

#### B. Personnel expenses

	2013	2012
	CHF	CHF
Personnel expenses		
Salaries	11,407,153	11,440,096
Benefits	2,914,151	2,652,459
Other personnel expenses	93,727	65,161
<b>Total personnel expenses</b>	<b>14,415,031</b>	<b>14,157,716</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 6. Information concerning the consolidated statement of income (continued)

#### C. Other operating expenses

	2013	2012
<b>Other operating expenses</b>	<b>CHF</b>	<b>CHF</b>
Marketing and communication	3,206,567	2,748,392
Premises	2,321,330	2,285,417
Legal, audit and consulting	1,117,079	815,021
Post, telecommunications and data	770,192	830,937
Travels	985,476	910,696
Office supply	237,560	197,734
IT related expenses	1,702,718	938,558
Others	197,178	152,080
<b>Total other operating expenses</b>	<b>10,538,100</b>	<b>8,878,835</b>

#### D. Extraordinary income and expenses

	2013	2012
<b>Extraordinary income</b>	<b>CHF</b>	<b>CHF</b>
Dissolution of provisions on doubtful debtors	59,913	-
Disposal of amortised fixed assets	-	21,739
<b>Total extraordinary income</b>	<b>59,913</b>	<b>21,739</b>

There was no extraordinary expense in 2013 and 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2013

### 6. Information concerning the consolidated statement of income (continued)

#### E. Analysis of domestic and foreign income and expenses

2013

	Domestic CHF	Foreign CHF
Net interest income	9,122	-
Net income from commissions and services	175,577	(4,597)
Trading income	29,933,335	1,028,729
Personnel expenses	(8,552,352)	(5,862,679)
Other operating expenses	(5,223,816)	(5,314,284)
<b>Gross profit</b>	<b>16,341,866</b>	<b>(10,152,831)</b>

2012

	Domestic CHF	Foreign CHF
Net interest income	26,308	-
Net income from commissions and services	176,337	(1,304)
Trading income	26,994,446	225,679
Personnel expenses	(9,268,973)	(4,888,743)
Other operating expenses	(5,631,819)	(3,247,016)
<b>Gross profit</b>	<b>12,296,299</b>	<b>(7,911,384)</b>

## **Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting 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 and notes for the year ended 31 December 2013.

#### **Board of Directors' Responsibility**

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

#### **Auditor's Responsibility**

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

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

#### **Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2013 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.

**Dukascopy Bank SA, Geneva**  
*Report of the Statutory Auditor on the  
Consolidated Financial Statements 2013  
to the General Meeting*

## 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.

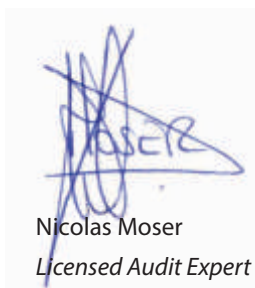
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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, 30 April 2014

Enclosure:

- Consolidated financial statements (balance sheet, income statement and notes)



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