DUKASCOPY
Swiss Banking Group

# ANNUAL REPORT

# 2022

www.dukascopy.com

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# INTRODUCING DUKASCOPY GROUP

Dukascopy's history started in 1998 in Geneva as a physicist project headed by Dr. Andrey Duka. His aim was to serve the financial community through innovative solutions derived from novel scientific techniques based on advanced mathematics and econophysics.

The founders' vision materialised in the form of an international FinTech group headed by Dukascopy Bank. The group is a fully digital Internet-based Swiss bank and securities house counting 72.1 employees on 31.12.2022 (counted in full time equivalent, 83.0 on 31.12.2021). On the same date, Dukascopy Group counted 108.0 for the consolidated companies (123.7 employees on 31.12.2021).

The Bank and securities houses of Dukascopy Group are regulated in Switzerland, Latvia and Japan. The Latvian entity, Dukascopy Europe has a license to operate in the European Union.

The Group offers multi-products (FX, bullion, CFD, binary options) online and mobile trading platforms together with an increasing range of other financial services including current accounts, guarantees, classic banking payments, innovative instant payments via smartphones, payment cards, its own crypto currency, etc. to individuals and institutions. The SWFX trading platforms operated by Dukascopy Bank SA are considered bilaterally organised trading facilities offering more than a thousand products by the end of year 2022.

Since 2016, an account with Dukascopy can be opened, using the latest online identification technologies, in less than one day and has allowed the Bank to open more than 300 000 accounts as of the date of this report.

As a regulated institution, the Bank was able to launch crypto and blockchain related activities in 2018. The "Dukascoin" is the Ethereum-based token created by the Bank. Dukascoins are designed as a means of payment and speculation and were a great success for the Bank considering its wide acceptance as a reward for clients opening an MCA. The Dukascopy brand is internationally known as a reference for innovation and recognised for its integrity in providing digital financial services.

The motto of Dukascopy Group is to offer everyone from around the world easy-to-use financial services at affordable conditions in a friendly digital environment.

# MESSAGE FROM THE BOARD OF DIRECTORS

The year 2022 brought new challenges to the World. The conflict in Europe is shaping a new international relations world map. Added to increased environmental requests, the energy industry is transforming, and from there all industries are reorganising. Not forgetting that the COVID effects are not yet fully overcome.

The financial markets are reflecting these quickly moving realities and are bringing new and important issues to financial markets' players. In this complex actuality, Dukascopy Group showed once again to be a fast moving, flexible and highly reactive Institution. Dukascopy is able to plan, study and provide for alternative roads in continuing complex realities, while also keeping stable roots in its rules and procedures of risk control.

Although numerous challenges exist, Dukascopy Group continued its planned development towards better full digitalisation and automatisation of all its procedures. Dukascopy continued to diversify its products, partners and geographical presence to provide the best services for its varied client base - who are the real wealth of Dukascopy Group and a gage for stable and longterm future development.

We would like to express also our gratitude and congratulations to the Dukascopy group shareholders, executive management, employees and partners for their excellent work, support and loyalty in 2022.

*The Board of Directors*

# MESSAGE FROM THE co-CEOs

The year 2022 has brought tremendous changes in the economic and political situation in Switzerland and all around the World. The sharp rise of inflation in most developed economies has led to extraordinarily fast increase of key interest rates by central banks. The market interest rates have moved away from zero and negative levels into a positive zone and have grown rapidly during 2022. On stock markets, the shares of Big Tech companies - the leaders in previous years - have dropped dramatically.

The crypto winter together with tightening regulations has brought a sharp decline in the prices of all major crypto currencies and has led to bankruptcy of large actors in the crypto industry. Galloping energy prices have led to crisis in industries with high energy consumption. The military conflicts and growth of tension in all regions of the World have led to an unprecedented number of sanctions implemented by developed countries. The sanctions implemented by Switzerland, USA and EU in 2022 in relation to the military conflict in Ukraine significantly impacted the Swiss banking industry by tightening compliance regulations and adding limitations on financial services. Disruptions in the delivery chains of the global economy destabilized all industries and agriculture. This unstable environment has led to extremely high volatility in financial instrument prices throughout the year 2022.

Dukascopy Bank continued its strategy of development in these conditions and focused on two main business areas: FX and CFD electronic trading platforms and retail digital banking.

The range of financial instruments traded on the Bank's platforms has increased with more than 1000 CFDs on various stocks. Further improvements in all existing trading platforms together with the implementation of the new platform Meta Trader 5 (Will be delivered to clients in 2023), have directed to support the trend towards an increase of the shares of CFDs in the trading volume of the Bank's clients.

Offering of new types of payment cards, extension of the range of payment methods, establishment of new correspondent banking relationships and an increased degree of automatisation in transactions processing have stimulated an increase in the number and volume of retail banking clients' deposits as well as in the revenue of the Bank.

Operations with cryptocurrencies as well gradually developed with the extension of the range of services provided to the Bank's clients and the number of counterparts. Issuing of Dukascoins continued and the number of tokens in circulation reached 6.1 million by the end of the year 2022.

Despite all complexities and challenges of the financial year 2022, the Bank's profit is 200% higher than the profit for 2021. All of the Bank's subsidiaries were also profitable. The conservative asset allocation and liquidity management policies allowed the Bank to successfully traverse a year of extremely high market turbulence and instability, and to await with confidence and optimism further development of the Bank's business in 2023.

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

**Veronika and Andrey Duka**

*co-Chief Executive Officers*

# REVIEW OF OPERATIONS & KEY FIGURES

**DUKASCOPY BANK SA**

Despite a very difficult market environment characterised by a conflict in Europe, high inflation and rising interest rates, the profit for 2022 was second-highest after 2020 in the group history as illustrated by the following key figures:

| (in CHF million or in %) | **2022** | **2021** | **2020** |
|---|---|---|---|
| Net result | 6.4 | 2.1 | 10.4 |
| Cost/income ratio | 71.3% | 86.8% | 52.5% |
| Total operating income | 27.4 | 22.7 | 40.1 |
| Total operating expenses | 19.6 | 19.7 | 21.0 |
| Total assets | 196.3 | 184.5 | 162.7 |
| Total client deposits | 131.3 | 125.9 | 105.3 |
| Regulatory capital | 57.1 | 51.1 | 50.4 |

The Bank's net profit for 2022 was CHF 6.4 million. 2022 operating expenses were CHF 19.6 million, 0.4% below operating expenses in 2021. Client deposits have increased 4.3% from 125.9 to CHF 131.3 million during 2022.

The number of Dukascopy's mobile multi-currency accounts (MCA) continued to grow last year. The Bank is expecting scale synergies where it would benefit from the transfer of some of the MCA clients opening trading accounts. 40'018 new MCA accounts were opened in 2022. From the beginning of the year total clients' total deposits on MCA accounts rose by 42.4% from CHF 36.1 to 51.5 million. In 2022, brut revenues from MCA accounts were CHF 2.02 million.

Brokerage services for trading accounts remained the main source of operational revenue in 2022. The bank has an ongoing commitment to improve its client interfaces and combine them with the best possible trading services. More than 450 new tradeable instruments were added during the year, including indices and stocks from US and Mexico. A total of 1160 instruments, including FX, Bullion, CFDs on commodities, bonds, Indices, cryptos, stocks, ETFs are presently available on the bank's proprietary trading platform JForex. In January the newly designed JForex 4 had a smooth launch. It proposes a wide range of improvements for the user, many of them as a result of client feedback. The older version Jforex 3 as well as all other interfaces remain fully supported and integrated within our systems. The MT4 platform also continued to find its clients and the number of tradeable instruments has reached

109 at the end of 2022. All top traded instruments are made available. In the near future, Dukascopy is planning to announce the launch of the MT5 trading platform to further widen the breadth of its reach.

The involvement and development of the Bank in crypto related activities remains an important focus area. In 2022 several new services such as peer to peer (P2P or blockchain operations involving stable coins) were launched. Dukascopy Bank has developed rich crypto-fiat functionality over the last several years together with its retail banking activities. More than 6.1 million Dukascoins were issued by the end of the year 2022.

Net interest income increased by 200 percent in 2022. This is due to rising interest rates across all major currencies. Specifically, the reference of the Swiss Franc was increased from a negative 0.75 percent to a positive 1.0 percent and the reference rate for EUR has moved from a negative 0.5 percent to a positive 1.3 percent at the end of 2022.

**DUKASCOPY GROUP**

As can be seen in the consolidated financial statements, the Group figures do not significantly deviate from those of the Dukascopy Bank because the Bank remains the prominent element of Dukascopy Group. In 2022, all consolidated subsidiaries of Dukascopy Group were profitable.

Dukascopy Japan's net profit  for 2022 was CHF 216.2 thousand. The Company has a stable positive result. Operating expenses were in line with 2021. The Company is stably profitable due to the implementation of the new marketing policy and MT4 platform.

SWFX has been consolidated for the first time in 2019. Its net profit in 2022 amounts to CHF 150.2 thousand.

Dukascopy Europe's net profit for 2022 was CHF 6.2 thousand. The Company is stably profitable. Operating expenses were decreased by 3.2% compared to 2021. The outsourcing agreements ensure high efficiency and allow to reduce the costs of the bank.

# CORPORATE GOVERNANCE

The corporate governance framework is defined by the Bank's Articles of Incorporation and governance policies, bodies of the Bank are:

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

**GENERAL MEETING OF SHAREHOLDERS**

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

**BOARD OF DIRECTORS**

The Board of Directors is responsible for the overall strategic direction, supervision and control of the Bank and appoints the members of the Executive Committee. In 2017, the Board of Directors created an Audit Committee comprising two members. At the end of 2022, the Board of Directors was composed of six members, all independent as per the FINMA circular 2017/1.

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

- ***Frank Guemara*** is the vice-chairman of the Board of Directors which he joined in 2009 & the chairman of the Audit Committee since 2018. He obtained a master's degree in economic sciences from the University of Geneva and is also a Swiss Certified Public Accountant. In 1993, after having started his career at Coopers & Lybrand, he joined the bank Lombard Odier where he developed a consulting activity for family companies. In 2002, he founded Triportail SA, a company engaged in the transfer of family companies.

• ***Per Prod'hom*** joined the Board and became a member of the Audit Committee in 2018. After obtaining degrees in law, business administration and EU law at the University of Geneva, he passed the Bar exam and obtained the Swiss Tax Expert diploma. He has been working as tax lawyer for more than 25 years (Deloitte, Baker & McKenzie, Python). He is currently a partner at the law firm Streng SA. He has also been a lecturer to the future tax experts at the Universities of Geneva and Lausanne ("LLM tax" in Geneva and "Master in International Taxation" in Lausanne).

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

• ***Tatiana Pannatier*** was elected member of the Board of Directors in 2020. She has a Master's Degree in Law (Sofia, Bulgaria) and a «Diplôme d'études supérieurs» from the Geneva IUHEI in International law, Economy and History. From 1995 till 2021 she worked at International banks in Geneva, also being a Member of the Committee of Directors.

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

**EXECUTIVE COMMITTEE**

The Executive Committee is responsible for day-to-day operational management of the Bank's business and for the development and implementation of the strategy. At the end of 2022, the Executive Committee was composed of the following five members:

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

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

• ***Irina Kupriyanova Vedeneeva,*** Chief Financial Officer, obtained a certificate of business administration from HEC Lausanne, a Master's degree in Public Administration from IDHEAP. Before joining the company in 2006, she worked for 15 years in the accounting and tax fields.

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

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

# FINANCIAL STATEMENTS

# BALANCE SHEET

as at 31 December 2022

| ASSETS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Liquid assets | 50 188 954 | 37 719 957 |
| Amounts due from banks | 88 793 552 | 89 446 253 |
| Amounts due from customers | 2 398 634 | 1 736 572 |
| Trading assets | 3 120 740 | 5 255 953 |
| Positive replacement values of derivative financial instruments | 2 349 761 | 837 487 |
| Financial investments | 44 949 869 | 45 341 390 |
| Accrued income and prepaid expenses | 1 536 028 | 1 198 190 |
| Investment in subsidiaries | 1 608 197 | 1 608 197 |
| Tangible fixed assets | 618 786 | 837 020 |
| Other assets | 703 390 | 488 511 |
| **Total assets** | **196 267 911** | **184 469 530** |

| LIABILITIES (CHF) | | |
|---|---|---|
| Amounts due to banks | 7 292 665 | 11 975 263 |
| Amounts due in respect of customer deposits | 124 008 025 | 113 896 999 |
| Negative replacement values of derivative financial instruments | 274 867 | 1 272 663 |
| Accrued expenses and deferred income | 3 465 400 | 2 725 071 |
| Other liabilities | 1 941 289 | 1 676 360 |
| Reserves for general banking risks | 3 850 000 | 3 850 000 |
| Bank's capital | 22 000 000 | 22 000 000 |
| Statutory retained earnings reserve | 1 421 000 | 1 317 000 |
| Profit carried forward | 25 652 174 | 23 686 294 |
| Profit of the year | 6 362 491 | 2 069 880 |
| **Total liabilities** | **196 267 911** | **184 469 530** |

# OFF–BALANCE SHEET

as at 31 December 2022

| OFF–BALANCE SHEET COMMITMENTS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Contingent liabilities | 150 215 | 139 755 |
| Irrevocable commitments | 1 134 000 | 988 000 |

# STATEMENT OF INCOME

for the year ended 31 December 2022

| RESULT FROM INTEREST OPERATIONS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Interest and discount income | (14 597) | (316 443) |
| Interest and dividend income from financial investments | 734 428 | 723 495 |
| Interest expense | (564 629) | (563 885) |
| **Gross result from interest operations** | **155 202** | **(156 833)** |
| Changes in value adjustments for default risks and losses from interest operations | 949 | – |
| **Subtotal net result from interest operations** | **156 151** | **(156 833)** |

| RESULT FROM COMMISSION BUSINESS AND SERVICES (CHF) | | |
|---|---|---|
| Commission income from other services | 2 417 122 | 3 042 969 |
| Commission expense | (985 930) | (1 347 912) |
| **Subtotal result from commission business and services** | **1 431 192** | **1 695 057** |

| | | |
|---|---|---|
| **Result from trading activities** | **25 871 888** | **21 126 836** |

| OPERATING EXPENSES (CHF) | | |
|---|---|---|
| Personnel expenses | (6 108 489) | (6 487 064) |
| General and administrative expenses | (13 480 176) | (13 182 354) |
| **Subtotal operating expenses** | **(19 588 665)** | **(19 669 418)** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | (333 634) | (414 111) |
| Changes to provisions and other value adjustments, and losses | 1 356 | (46 422) |
| **Operating result** | **7 538 288** | **2 535 109** |
| Extraordinary income | | 11 |
| Extraordinary expenses | – | – |
| Changes in RRBG | – | 150 000 |
| Taxes | (1 175 797) | (615 240) |
| **Profit of the year** | **6 362 491** | **2 069 880** |

DUKASCOPY Swiss Banking Group

# PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2022

| (CHF) | Bank's capital | Statutory retained earnings reserve | Reserves for general banking risks | Profit carried forward | Result of the year | TOTAL |
|---|---|---|---|---|---|---|
| **Equity at start of current period** | **22 000 000** | **1 317 000** | **3 850 000** | **23 686 294** | **2 069 880** | **52 923 174** |
| Allocation of previous year result | – | – | – | – | – | – |
| Allocation to statutory retained earnings reserve | – | 104 000 | – | – | (104 000) | – |
| Allocation to profit carried forward | – | – | – | 1 965 880 | (1 965 880) | – |
| Result of the year | – | – | – | – | 6 362 491 | 6 362 491 |
| **Equity at end of current period** | **22 000 000** | **1 421 000** | **3 850 000** | **25 652 174** | **6 362 491** | **59 285 665** |

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

| (CHF) | 2022 |
|---|---|
| Result of the year | 6 362 491 |
| Profit carried forward | 25 652 174 |
| **Amount at the disposal of the Shareholders' general meeting** | **32 014 665** |

| PROPOSED UTILISATION (CHF) | 2022 |
|---|---|
| Contribution to the statutory retained earnings reserve | 319 000 |
| To be carried forward | 31 695 665 |
| **Total** | **32 014 665** |

DUKASCOPY Swiss Banking Group

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

**1. Name, legal status and domicile of the bank**

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

**2. Accounting and valuation principles**

***2.1. General principles***

The financial statements are established in accordance with the Swiss Code of Obligations, the Act on Banks and Saving institutions, its related Ordinance, the FINMA Accounting Ordinance and FINMA circular 2020/1. The financial statements are prepared in accordance with the reliable assessment principle as defined by the FINMA circular 2020/1 and are allowed to include silent reserves. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise.

**General valuation principles**

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

Items are entered in the balance sheet as liabilities if they have arisen due to past events, if a cash outflow is probable and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent liability, which is commented on in the notes. The disclosed balance sheet items are valued individually. In principle, neither assets and liabilities nor expenses and income are offset. Accounts receivable and account payable are offset in the following cases:

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

***2.2. Changes to accounting principles and valuation method***

No changes in 2022.

**Financial instruments**

***a.Liquid assets***

Liquid assets are recognized at their nominal value.

***b.Amounts due from banks and amounts due from customers***

They are recognized at their nominal value less any necessary value adjustments. Amounts due in respect of precious metal account deposits are valued at fair value. Doubtful receivables, i.e. obligations entered with clients for which the debtor is unlikely to meet its future obligations, are valued individually and depreciated by means of individual value adjustments. Impaired receivables and any collateral obtained are valued at their liquidation value, and any adjustments in value are made in light of the debtors' creditworthiness. If the repayment of a loan depends exclusively on the proceeds of the collateral, a value adjustment is made for the entire unsecured portion of the receivable. If a receivable is classed as entirely or partially irrecoverable or a receivable is waived, the receivable is derecognized by booking it against the corresponding value adjustment. If recovered amounts from receivables written off in earlier periods cannot be used immediately for other value adjustments of the same type, they are recognized in “Change in value adjustments for default risk and losses from interest operations” in the statement of income.

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

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

***d. Trading assets***

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

***e. Positive and negative replacement values of derivative financial instruments***

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

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

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

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

*Trading purposes*

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

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

*Hedging purposes*

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

*Use of swaps*

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

*Netting*

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

***f. Financial investments***

Financial investments include the bonds and the cryptocurrencies.

Financial investments count Swiss and US government bonds acquired with the intention to hold them until maturity. The

valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method).
If held-to-maturity financial investments are sold or reimbursed early, the realized gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the item “Other assets” or “Other liabilities”.
Value adjustments for default risk are recorded immediately under “Changes in value adjustments for default risk and losses from interest operations”.

***g. Crypto assets in Financial investments***

*Dukascoins*

Dukascopy Bank books Dukascoins belonging to the Bank in the caption "Financial investments" valued at lower than cost or market. For such tokens issued by the Bank, the latter considers that acquisition cost is zero. As a consequence, Dukascoins belonging to the Bank will remain valued at zero as long as they stay in "Financial investments".
The Bank books Dukascoins belonging to clients in the caption "Financial investments" at fair value on the asset side and in "Amounts due in respect of customer deposits" at fair value on the liabilities side.
According to the Art. 10 Finma Accounting Ordinance, the fair value derives either from a price efficient and liquid market or from a valuation model. According to our analysis, there is currently no efficient price and no liquid market for Dukascoins.
To our knowledge, there is no generally accepted valuation methodology for payment tokens. Due to the lack of future cash flows, intrinsic value, highly correlated base assets, which could be used as a benchmark in model, the value of such tokens depends mainly on market demand.
Considering the foregoing, the Bank considered that there is no fair value estimates for Dukascoins and therefore those coins should be valued at cost. Currently, the sole active marketplace is the Dukascoin bulletin board established by the Bank, where prices are set daily for very small volumes.
Value adjustments are recorded under “Other ordinary expenses” or “Other ordinary income”.

*Other crypto assets*

Dukascopy Bank books other crypto assets belonging to the Bank in the caption "Financial investments". The valuation is based on the acquisition cost principle. The subsequent valuation is based on the lower of cost or market principle.
Trading assets comprises positions in Crypto currencies held with a trading intent are booked in “Trading assets”. Trading positions are measured at market value. Trading results are recognized through “Result from trading activities and the fair value option”.

***h. Participations***

Participations owned by the Bank include equity securities of companies that are held for long-term purposes, irrespective of any voting rights. They are valued at historical costs minus any value adjustments, if any. Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use.
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”.

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

***i. Tangible fixed assets***

Investments in tangible fixed assets are capitalized as an asset if they exceed the minimal value for recognition of CHF 1’000. Tangible fixed assets are recognized at acquisition cost minus the scheduled accumulated depreciation over the estimated operating life.

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

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

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

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

In case an indication arise that the value of a tangible fixed asset is impaired, an additional amortization is recorded in the item “Value adjustments on participations and depreciation of tangible fixed assets and intangible assets”.

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

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

***j. Provisions***

The Bank records provisions based on its assessment of the risks of loss and probable liabilities, based on past events, of which the amount and due date are uncertain but assessable. Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision is created.

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

Provisions are released via the statement of income if they are no longer needed on business grounds and cannot be used for other similar purposes except if the Bank decides to maintain them as silent reserves.

***k. Reserves for general banking risks***

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

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

***l. Taxes***

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

***m. Off-balance sheet transactions***

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

***n. Pension benefit obligations***

The Bank’s employees based in Switzerland are insured for retirement, death or disablement through a defined contribution pension scheme. The Bank bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contributions arising from the pension scheme are included in “Personnel expenses” on an accrual basis.
Employee benefit obligations mean all commitments resulting from the pension fund to which Bank’s employees are insured.
There is an economic benefit if the Bank has the ability to reduce its future employer's contributions. On the contrary, there is a liability if, owing to a shortfall in the pension fund, the Bank wants or has to participate in the financing of the pension fund.
The Bank assesses whether there is an economic benefit or economic obligation arising from pension schemes as of the balance sheet date. The assessment is based on the contracts and financial statements of the pension funds (established under Swiss GAAP FER 26 in Switzerland).
The identified economic benefit (including the employer contribution reserves without a waiver of use) are recorded in “Other assets”. If an economic obligation is identified for an individual pension fund, it is recorded in “Provisions”. The difference with the corresponding value of the prior period are recorded in the statement of income in “Personnel expenses”.

**2.3. Recording of business transactions**

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

**2.4. Treatment of foreign currencies**

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

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| (CHF) | | 2022 | 2021 |
|---|---|---|---|
| USD | 1.00 | 0.92485 | 0.91217 |
| EUR | 1.00 | 0.99005 | 1.03719 |
| GBP | 1.00 | 1.11908 | 1.23308 |
| CAD | 1.00 | 0.68287 | 0.72179 |
| JPY | 1.00 | 0.00705 | 0.00792 |
| AUD | 1.00 | 0.63070 | 0.66316 |
| NZD | 1.00 | 0.58755 | 0.62396 |
| NOK | 1.00 | 0.09443 | 0.10346 |
| SEK | 1.00 | 0.08869 | 0.10075 |
| SGD | 1.00 | 0.69009 | 0.67642 |

**3. Risk Management**

As an online bank mainly offering fully automated (Straight-Through-Processing) brokerage services via innovative in-house developed IT solutions, Dukascopy Bank is mostly subject to operational, market and legal risks. Since the Bank is not active in credit activities and only executes client orders based on collateral (client margin deposits and bank guarantees), its credit risk exposure is normally limited to possible default of institutional trading counterparties.

The identification, measurement, monitoring, management of risks and maintenance of the Bank's stability, is a priority for the Bank. The key elements of risk management are the following:

- a comprehensive risk policy and internal regulation defining among others the risk appetite and risk limits which are commensurate with the Bank's risk capacity;
- the permanent monitoring of risk limits and compliance with regulatory capital, risk diversification and liquidity requirements applicable to Swiss banks;
- a risk control function in charge of monitoring the Bank's risk profile and risk management capabilities;
- proper segregation of duties;
- wide application of the four-eyes principle and IT-based controls in business operations;
- three lines of 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 governing body of the risk management organization. It has established an analysis of the main risks the Bank is exposed to. Based on its risk analysis, the Board of Directors has adopted a Risk Management Concept aiming at limiting and managing the main risks affecting the Bank. The Risk Management Concept defines the risk appetite, the main risk limits and features of the risk measurement and risk management. The Board of Directors monitors compliance with the limits as well as the implementation of the risk policy based on a comprehensive quarterly reporting on risks.

The executive management is responsible for the execution of the Board of Directors' policies. It ensures a suitable risk management organization is in place as well as the use of an adequate risk monitoring system. It monitors the use of limits and ensures that an adequate internal reporting is in place. The risk control function and the compliance function are independent of business operations. They monitor all risks as the second line of defense and establish most of the quarterly reporting about risks to the executive management and the Board of Directors.

# NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2022

**Operational risks**

Operational risks are defined as the risk of losses due to inadequacy or failure of internal procedures, people and systems or due to external events. This definition includes risks related to client data confidentiality and legal risks, including fines by supervisory authorities and settlements. As a bank offering highly automated services accessible through the Internet, Dukascopy Bank much relies on IT systems and Internet connections to operate. Automation brings high efficiency, eliminates human errors but at the same time means dependency on the availability and integrity of IT systems and Internet connections that the Bank protects through advanced security solutions and permanent monitoring of the system components. Cyber and IT risks are among the main risks for the Bank.

The operational risks are measured by calculating the probability and extent of possible financial damages due to negative events such as an error in client order execution or the breach of a regulation (compliance risk). The Bank has documented operational risks and key controls aiming at mitigating such risks (e.g. four eyes principle, reconciliations, automated controls, internal regulation, etc.) in a systematic manner via an internal regulation which is approved annually by the Board of Directors and based on the FINMA circular 2008/21. The operational risk management framework also includes a Business Continuity Management documentation, which rules the maintenance or the resumption of business operations in case of occurrence of critical situations such as a natural disaster affecting the Bank. The effectiveness of the Business Continuity Management is tested annually.

The Bank establishes risk indicators, mainly based on operational incidents and losses which allow the risk control function to report on operational risks in a systematic and objective way to the executive management and the Board of Directors.

The management of operational risks is one of the priorities of the Bank since it has a direct effect on its stability and attractiveness as a trusty service provider.

**Market risks – trading operations**

Due to the Bank's specialization in forex trading, market risks are concentrated on currency risk. Market risks related to other financial instruments offered by the Bank (precious metals, stocks, commodities, equities, etc.) are minor in comparison to currency risks.

The management of market risks deriving from trading operations is a priority risk management activity and a cornerstone of the Bank's financial stability. In particular, the volatility on the forex market may trigger significant impact on the Bank's statement of income due to the Bank's currency risk exposure via the item "Result from trading activities". For various reasons including for benefitting from bid and ask spreads, the Bank permanently keeps a certain portion of market exposure deriving from client order execution.

The Bank applies prudent market risk limits and sophisticated monitoring of market risk exposure via automated hedging logics and 24h human and automated surveillance.

The Bank automatically measures its market risk exposure on a permanent and real time basis. The IT system automatically caps such market risk exposure under the limits decided by the executive management and the Board of Directors. Those limits have been set sufficiently carefully to ensure that Swiss banking capital adequacy requirements are complied with at all times. If deemed necessary, the Bank's advanced technology allows it to fully exclude exposure deriving from trading on all or specific instruments, for instance in anticipation of exceptional market events such as the abandon of a currency peg by a Central Bank.

**Market risks – other currency risks**

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

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

**Market risks – interest rate risks**

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

**Credit risk**

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

**Counterparty risk in interbank business**

The Bank deposits its liquidity and trades (mainly to hedge client transactions) with more than 40 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.

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

***4.2. Amounts due from banks***

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

***4.3. Process for determining value adjustments and provisions***

Value adjustments and provisions are reassessed at each balance sheet date. Changes in value adjustments and provisions are approved by the executive management unless they simply result from a use of provision in conformity with its purpose or the recovery of an impaired receivable. Value adjustments on non-impairment credit exposures are determined individually or on a portfolio basis according to Art. 25 para 1 let. c FINMA Accounting Ordinance.

**5. Valuation of collateral**

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

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

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

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

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

**7. Significant subsequent event after the balance sheet date**

No material event occurred after the balance sheet date that could have a material impact on the financial position of the Bank as of 31 December 2022. The merger of UBS and Crédit Suisse did not affect the Bank's financial condition.

DUKASCOPY Swiss Banking Group

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| **LOANS (CHF)** (before netting with value adjustments) | **Secured by mortgages** | **Other collateral** | **Unsecured** | **Total** |
|---|---|---|---|---|
| Amounts due from customers | – | 38 732 | 2 359 901 | 2 398 633 |
| **Total at 31 December 2022 (before netting with value adjustments)** | – | **38 732** | **2 359 901** | **2 398 633** |
| Total at 31 December 2021 (before netting with value adjustments) | – | 40 172 | 1 696 400 | 1 736 572 |
| **Total at 31 December 2022 (after netting with value adjustments)** | – | **38 732** | **2 359 901** | **2 398 633** |
| Total (after netting with value adjustments) at 31 December 2021 | – | 40 172 | 1 696 400 | 1 736 572 |

| **OFF-BALANCE SHEET COMMITMENTS (CHF)** | **Secured by mortgages** | **Other collateral** | **Unsecured** | **Total** |
|---|---|---|---|---|
| Contingent liabilities* | – | 150 215 | – | 150 215 |
| Irrevocable commitments | – | – | 1 134 000 | 1 134 000 |
| **Total at 31 December 2022** | – | **150 215** | **1 134 000** | **1 284 215** |
| Total at 31 December 2021 | – | 139 755 | 988 000 | 1 127 755 |

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

| **BREAKDOWN OF IMPAIRED LOANS/RECEIVABLES (CHF)** | **Gross debt amount** | **Estimated liquidation proceeds of collateral** | **Net debt amount** | **Individual value adjustments** |
|---|---|---|---|---|
| **Total at 31 December 2022** | – | – | – | – |
| Total at 31 December 2021 | – | – | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| **ASSETS (CHF)** | **2022** | **2021** |
|---|---|---|
| Equity securities | 1 161 044 | – |
| Other trading portfolio assets (cryptocurrencies) | 1 959 696 | 5 255 953 |
| **Total trading assets** | **3 120 740** | **5 255 953** |
| **Total assets** | **3 120 740** | **5 255 953** |
| *– of which determined using a valuation model* | – | – |
| *– of which, securities eligible for repo transactions in accordance with liquidity requirements* | – | – |

## Presentation of derivative financial instruments (assets and liabilities)

| | Trading instruments | | |
|---|---|---|---|
| **OTC TRANSACTIONS (CHF)** | **Positive replacement values** | **Negative replacement values** | **Contract volumes** |
| Interest instruments: | | | |
| – CFD | 3 535 | 17 | 1 173 487 |
| **Total interest instruments** | **3 535** | **17** | **1 173 487** |
| Currencies: | | | |
| – forward contracts* | 804 095 | 719 948 | 173 808 389 |
| – swaps | 197 123 | 206 914 | 317 358 270 |
| **Total currencies** | **1 001 218** | **926 862** | **491 166 659** |
| Precious metals: | | | |
| – forward contracts* | 2 603 | 3 319 | 817 378 |
| – swaps | 31 582 | 7 815 | 20 435 444 |
| **Total precious metals** | **34 185** | **11 134** | **21 252 822** |
| Equity securities and indices: | | | |
| – CFD | 491 379 | 90 267 | 23 689 700 |
| **Total equity securities and indices** | **491 379** | **90 267** | **23 689 700** |
| Others: | | | |
| – CFD | 1 616 366 | 43 121 | 11 125 573 |
| - Futures | – | 388 | 49 832 |
| **Total others** | **1 616 366** | **43 509** | **11 175 405** |
| **Total at 31 December 2022 before impact of netting contracts** | **3 146 683** | **1 071 789** | **548 458 073** |
| *of which determined using a valuation model* | – | – | – |
| Total at 31 December 2021 before impact of netting contracts | 896 816 | 1 040 609 | 617 715 419 |
| *of which determined using a valuation model* | – | – | – |
| **Total at 31 December 2022 after impact of netting contracts** | **2 349 761** | **274 867** | |
| Total at 31 December 2021 after impact of netting contracts | 837 487 | 1 272 663 | |

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

DUKASCOPY Swiss Banking Group

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Breakdown by counterparty

| POSITIVE REPLACEMENT VALUES AFTER IMPACT OF NETTING CONTACTS (CHF) | Central clearing houses | Banks & securities dealers | Others customers | Total |
|---|---|---|---|---|
| **Total at 31 December 2022** | – | **283 097** | **2 066 664** | **2 349 761** |
| Total at 31 December 2021 | – | 322 717 | 514 770 | 837 487 |

## Breakdown of financial investments

| | Book value | | Fair value | |
|---|---|---|---|---|
| **(CHF)** | **2022** | **2021** | **2022** | **2021** |
| Debt securities held to maturity | 44 949 868 | 45 339 716 | 44 560 235 | 45 508 932 |
| Cryptocurrencies | 1 | 1 674 | 1 | 1 674 |
| **Total** | **44 949 869** | **45 341 390** | **44 560 236** | **45 510 606** |
| *including securities eligible for repo transactions in accordance with liquidity regulations* | *33 851 728* | *34 418 633* | *33 463 612* | *34 379 460* |

## Breakdown of contreparties

| DEBT SECURITIES: BOOK VALUE OF BONDS HELD TO MATURITY (CHF) | 2022 | 2021 |
|---|---|---|
| AAA to AA- | 44 949 868 | 45 339 716 |
| A+ to A- | – | – |
| BBB+ to BBB- | – | – |
| BB+ to B- | – | – |
| Lower than B- | – | – |
| Without rating | – | – |

We use rating DBRS Morningstar.

## Presentation of participations

| | 2021 | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| **PARTICIPATIONS (CHF)** | **Cost value** | **Value adjustment** | **Book value at end of year** | **Additions** | **Disposals Reimbursement** | **Value adjustment** | **Book value at end of year** |
| Without listed value | 3 751 344 | (2 143 147) | 1 608 197 | – | – | – | 1 608 197 |
| **Total participations** | **3 751 344** | **(2 143 147)** | **1 608 197** | – | – | – | **1 608 197** |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| PARTICIPATIONS | Activity | Share capital (CHF) | Head office | Share capital in % | Share vote in % | Held directly in % |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| SWFX SA | IP service | 100 000 | Geneva | 100 | 100 | 100 |
| Dukascopy Europe IBS AS | brokerage | 1 933 921 | Riga | 100 | 100 | 100 |
| Dukascopy Community SA | social media | 100 000 | Geneva | 100 | 100 | 100 |
| Dukascopy Japan K.K. | brokerage | 792 347 | Tokyo | 100 | 100 | 100 |

In the end of 2022, the share capital of Dukacopy Japan K.K. was reduced.

| | | | 2021 | | | |
|---|---|---|---|---|---|---|
| SWFX SA | IP service | 100 000 | Geneva | 100 | 100 | 100 |
| Dukascopy Europe IBS AS | brokerage | 1 933 921 | Riga | 100 | 100 | 100 |
| Dukascopy Community SA | social media | 100 000 | Geneva | 100 | 100 | 100 |
| Dukascopy Japan K.K. | brokerage | 6 021 839 | Tokyo | 100 | 100 | 100 |

## Presentation of tangible fixed assets

| | 2021 | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| **(CHF)** | **Cost value** | **Accumulated depreciation** | **Book value at end of year** | **Additions** | **Disposals** | **Depreciation** | **Book value at end of year** |
| Softwares | 23 279 663 | (23 131 414) | 148 249 | 19 184 | – | (75 390) | 92 043 |
| Other tangible fixed assets | 10 356 896 | (9 668 125) | 688 771 | 96 216 | – | (258 244) | 526 743 |
| **Total fixed assets** | **33 636 559** | **(32 799 539)** | **837 020** | **115 400** | – | **(333 634)** | **618 786** |

## Leasing

| (CHF) | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| **Future leasing installments arising from operating leases** | **1 270 957** | **1 008 054** | **885 220** | **233 020** | **32 358** |
| *of which, may be terminated within one year* | *47 040* | – | – | – | – |

They are rental costs.

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Breakdown of other assets and liabilities

| OTHER ASSETS (CHF) | 2022 | 2021 |
|---|---|---|
| Wire transfers | 180 097 | 83 136 |
| Accrual interests on bonds* | 360 543 | 242 625 |
| Indirect taxes to be reimbursed* | 162 750 | 162 750 |
| **Total other assets** | **703 390** | **488 511** |

| OTHER LIABILITIES (CHF) | | |
|---|---|---|
| Wire transfers | 1 697 595 | 1 443 113 |
| Indirect taxes to be paid | 243 612 | 233 154 |
| Others | 82 | 93 |
| **Total other liabilities** | **1 941 289** | **1 676 360** |

* Reclassification "Accrual interests on bonds" and "Indirect taxes to be reimbursed" from "Accrued income and prepaid expenses" to "Other assets". Comparative figures for 2021 have been adapted.

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| (CHF) | Book value of pledged assets & assets assigned as collateral | Effective commitments | Book value of pledged assets & assets assigned as collateral | Effective commitments |
| Swiss bonds | 14 076 301 | 565 868 | 18 839 353 | 1 194 602 |
| Margin accounts assigned as collateral | 22 281 310 | 124 115 | 23 666 255 | 382 910 |
| Deposits made with banks to secure guarantees | 219 530 | 219 530 | 219 530 | 219 530 |
| **Total** | **36 577 141** | **909 513** | **42 725 138** | **1 797 042** |

## Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP). This fund is a defined contribution scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2021: nil). The pension fund unaudited accounts as of 31 December 2022 present a coverage ratio of 109%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2021, the coverage ratio was 126.3%.

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

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Presentation of economic benefit / obligation and the pension expenses

| (CHF) | Over or underfunding 31.12.2022 | Economic interest of the Bank 2022 | Economic interest of the Bank 2021 | Change in economic interest versus prior year | Contributions paid for 2022 | Pension expenses in personnel expenses 2022 | Pension expenses in personnel expenses 2021 |
|---|---|---|---|---|---|---|---|
| Pension plans with overfunding | – | – | – | – | 255 561 | 255 561 | 255 008 |

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

| (CHF) | Balance at 31.12.2021 | Use in conformity with designated purpose | Reclassifi-cations | Currency differences | Recoveries, past due interest | New creations charged to income | Releases to income | Balance at 31.12.2022 |
|---|---|---|---|---|---|---|---|---|
| Provisions for other business risks | – | – | – | – | – | – | – | – |
| **Total provisions** | – | – | – | – | – | – | – | – |
| **Reserves for general banking risks** | **3 850 000** | – | – | – | – | – | – | **3 850 000** |
| **Value adjustments for default risks and country risks** – *of which, value adjustments for default risks in respect of impaired loans/receivables* | – | – | – | – | – | – | – | – |

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

## Presentation of the Bank's capital

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| (CHF) | Total par value | Number of shares | Capital eligible for dividend | Total par value | Number of shares | Capital eligible for dividend |
| Share capital | 22 000 000 | 21 712 000 | 22 000 000 | 22 000 000 | 21 712 000 | 22 000 000 |
| Registered shares | 22 000 000 | 21 712 000 | 22 000 000 | 22 000 000 | 21 712 000 | 22 000 000 |
| *of which, paid up* | *22 000 000* | *21 712 000* | *22 000 000* | *22 000 000* | *21 712 000* | *22 000 000* |
| **Total Bank's capital** | **22 000 000** | **21 712 000** | **22 000 000** | **22 000 000** | **21 712 000** | **22 000 000** |

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

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Disclosure of amounts due from/to related parties

| (CHF) | 2022 Amounts due from | 2022 Amounts due to | 2021 Amounts due from | 2021 Amounts due to |
|---|---|---|---|---|
| Holders of qualified participations | 1 605 165 | 42 063 | 1 204 166 | 28 123 |
| Group companies | 1 959 035 | 3 739 105 | 1 563 413 | 3 911 383 |
| Linked companies | – | – | – | – |
| Transactions with members of governing bodies | – | 19 108 | – | 12 961 |
| Other related parties | 4 998 | 26 134 | – | 14 888 |

Dukascopy Bank SA engaged into transactions with related parties in the normal course of its business. These transactions mainly include outsourcing, marketing services and copyright agreements. Besides, all subsidiaries of the Bank hedge their trading operations with Dukascopy Bank.

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

## Disclosure of holders of significant participations

| | 2022 | | | |
|---|---|---|---|---|
| With voting rights | Nominal (CHF) | Number of shares | % of equity in % | Capital eligible for dividend (CHF) |
| Dr. Andrey Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |
| Veronika Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |

| | 2021 | | | |
|---|---|---|---|---|
| With voting rights | Nominal (CHF) | Number of shares | % of equity in % | Capital eligible for dividend (CHF) |
| Dr. Andrey Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |
| Veronika Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Presentation of the maturity structure of financial instruments

| ASSETS (CHF) | At sight | Cancellable | Due: Within 3 months | Due: Within 3 to 12 months | Due: Within 1 to 5 years | Due: Over 5 years | Due: No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| Liquid assets | 50 188 954 | – | – | – | – | – | – | 50 188 954 |
| Amounts due from banks | 88 574 022 | 219 530 | – | – | – | – | – | 88 793 552 |
| Amounts due from customers | 2 375 382 | 23 252 | – | – | – | – | – | 2 398 634 |
| Trading assets | 3 120 740 | – | – | – | – | – | – | 3 120 740 |
| Positive replacement values of derivative financial instruments | 2 349 761 | – | – | – | – | – | – | 2 349 761 |
| Financial investments | 1 | – | 11 098 140 | – | 14 076 301 | 19 775 427 | – | 44 949 869 |
| **Total current assets at 31 December 2022** | **146 608 860** | **242 782** | **11 098 140** | – | **14 076 301** | **19 775 427** | – | **191 801 510** |
| Total current assets at 31 December 2021 | 134 743 732 | 254 164 | – | 10 921 083 | – | 34 418 633 | – | 180 337 612 |

| THIRD-PARTY LIABILITIES (CHF) | At sight | Cancellable | Due: Within 3 months | Due: Within 3 to 12 months | Due: Within 1 to 5 years | Due: Over 5 years | Due: No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| Amounts due to banks | 7 292 665 | – | – | – | – | – | – | 7 292 665 |
| Amounts due in respect of customer deposits | 124 008 025 | – | – | – | – | – | – | 124 008 025 |
| Negative replacement values of derivative financial instruments | 274 867 | – | – | – | – | – | – | 274 867 |
| **Total third-party liabilities at 31 December 2022** | **131 575 557** | – | – | – | – | – | – | **131 575 557** |
| Total third-party liabilities at 31 December 2021 | 127 144 925 | – | – | – | – | – | – | 127 144 925 |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **ASSETS (CHF 000)** | **Domestic** | **Foreign** | **Total** | **Domestic** | **Foreign** | **Total** |
| Liquid assets | 50 189 | – | 50 189 | 37 720 | – | 37 720 |
| Amounts due from banks | 40 467 | 48 326 | 88 793 | 37 655 | 51 791 | 89 446 |
| Amounts due from customers | 1 662 | 737 | 2 399 | 1 265 | 472 | 1 737 |
| Trading assets | 1 810 | 1 310 | 3 120 | 4 306 | 950 | 5 256 |
| Positive replacement values of derivative financial instruments | 179 | 2 171 | 2 350 | 52 | 785 | 837 |
| Financial investments | 33 852 | 11 098 | 44 950 | 34 419 | 10 923 | 45 342 |
| Accrued income and prepaid expenses | 976 | 561 | 1 537 | 682 | 517 | 1 199 |
| Investment in subsidiaries | 200 | 1 408 | 1 608 | 200 | 1 408 | 1 608 |
| Tangible fixed assets | 505 | 114 | 619 | 684 | 153 | 837 |
| Other assets | 703 | – | 703 | 488 | – | 488 |
| **Total assets** | **130 543** | **65 725** | **196 268** | **117 471** | **66 999** | **184 470** |

| **LIABILITIES (CHF 000)** | | | | | | |
|---|---|---|---|---|---|---|
| Amounts due to banks | – | 7 293 | 7 293 | – | 11 975 | 11 975 |
| Amounts due in respect of customer deposits | 6 975 | 117 033 | 124 008 | 6 999 | 106 898 | 113 897 |
| Negative replacement values of derivative financial instruments | 49 | 226 | 275 | 114 | 1 159 | 1 273 |
| Accrued expenses and deferred income | 2 993 | 473 | 3 466 | 2 283 | 442 | 2 725 |
| Other liabilities | 1 940 | 1 | 1 941 | 1 673 | 4 | 1 677 |
| Reserves for general banking risks | 3 850 | – | 3 850 | 3 850 | – | 3 850 |
| Bank's capital | 22 000 | – | 22 000 | 22 000 | – | 22 000 |
| Statutory retained earnings reserve | 1 421 | – | 1 421 | 1 317 | – | 1 317 |
| Profit carried forward | 25 652 | – | 25 652 | 23 686 | – | 23 686 |
| Result of the year | 6 362 | – | 6 362 | 2 070 | – | 2 070 |
| **Total liabilities** | **71 242** | **125 026** | **196 268** | **63 992** | **120 478** | **184 470** |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **ASSETS** | **Absolute (CHF 000)** | **Share %** | **Absolute (CHF 000)** | **Share %** |
| Switzerland | 130 543 | 66.5 | 117 471 | 63.7 |
| Europe excluding Switzerland | 45 921 | 23.4 | 48 793 | 26.4 |
| USA and Canada | 15 432 | 7.9 | 15 334 | 8.3 |
| Others | 4 372 | 2.2 | 2 872 | 1.6 |
| **Total** | **196 268** | **100.0** | **184 470** | **100.0** |

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **SERV Rating** | **Absolute (CHF 000)** | **Share %** | **Absolute (CHF 000)** | **Share %** |
| 1 | 62 605 | 95.2 | 64 246 | 95.9 |
| 2 | 2 | 0.0 | 6 | 0.0 |
| 3 | 709 | 1.1 | 301 | 0.4 |
| 4 | 114 | 0.2 | 31 | 0.0 |
| 5 | 1 293 | 2.0 | 2 057 | 3.2 |
| 6 | 295 | 0.4 | 167 | 0.2 |
| 7 | 638 | 1.0 | 145 | 0.2 |
| without rating | 69 | 0.1 | 46 | 0.1 |
| **Total** | **65 725** | **100.0** | **66 999** | **100.0** |

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

DUKASCOPY
Swiss Banking Group

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| ASSETS (CHF 000) | CHF | EUR | USD | JPY | Others | Total |
|---|---|---|---|---|---|---|
| Liquid assets | 50 189 | – | – | – | – | 50 189 |
| Amounts due from banks | 4 552 | 32 164 | 39 040 | 1 854 | 11 183 | 88 793 |
| Amounts due from customers | 1 647 | 316 | 369 | – | 67 | 2 399 |
| Trading assets | – | – | – | – | 3 121 | 3 121 |
| Positive replacement values of derivative financial instruments | 2 350 | – | – | – | – | 2 350 |
| Financial investments | 33 852 | – | 11 098 | – | – | 44 950 |
| Accrued income and prepaid expenses | 926 | 177 | 328 | – | 105 | 1 536 |
| Investment in subsidiaries | 1 608 | – | – | – | – | 1 608 |
| Tangible fixed assets | 619 | – | – | – | – | 619 |
| Other assets | 462 | 9 | 174 | 1 | 57 | 703 |
| **Total assets** | **96 205** | **32 666** | **51 009** | **1 855** | **14 533** | **196 268** |
| Claims arising from spot exchange and swap transactions | 62 243 | 92 158 | 183 144 | 71 915 | 102 959 | 512 419 |
| **Total at 31 December 2022** | **158 448** | **124 824** | **234 153** | **73 770** | **117 492** | **708 687** |

| LIABILITIES (CHF 000) | CHF | EUR | USD | JPY | Others | Total |
|---|---|---|---|---|---|---|
| Amounts due to banks | 140 | 3 862 | 2 984 | 73 | 234 | 7 293 |
| Amounts due in respect of customer deposits | 14 875 | 39 306 | 55 727 | 449 | 13 651 | 124 008 |
| Negative replacement values of derivative financial instruments | 275 | – | – | – | – | 275 |
| Accrued expenses and deferred income | 2 266 | 1 064 | 95 | 22 | 19 | 3 466 |
| Other liabilities | 385 | 1 409 | 130 | – | 17 | 1 941 |
| Reserves for general banking risks | 3 850 | – | – | – | – | 3 850 |
| Bank's capital | 22 000 | – | – | – | – | 22 000 |
| Statutory retained earnings reserve | 1 421 | – | – | – | – | 1 421 |
| Profit carried forward | 25 652 | – | – | – | – | 25 652 |
| Result of the year | 6 362 | – | – | – | – | 6 362 |
| **Total liabilities** | **77 226** | **45 641** | **58 936** | **544** | **13 921** | **196 268** |
| Delivery obligations arising from spot exchange and swap transactions | 73 317 | 51 312 | 207 400 | 79 481 | 100 812 | 512 322 |
| **Total at 31 December 2022** | **150 543** | **96 953** | **266 336** | **80 025** | **114 733** | **708 590** |
| **Net position by currency** | **7 905** | **27 871** | **(32 183)** | **(6 255)** | **2 759** | **97** |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## Breakdown of contingent assets and contingent liabilities

| CONTINGENT ASSETS (CHF) | 2022 | 2021 |
|---|---|---|
| Other contingent assets | – | – |
| **Total contingent assets** | – | – |

| CONTINGENT LIABILITIES (CHF) | | |
|---|---|---|
| Other contingent liabilities | 150 215 | 139 755 |
| **Total contingent liabilities** | **150 215** | **139 755** |

## Breakdown of the result from trading activities

| TRADING INCOME (CHF) | 2022 | 2021 |
|---|---|---|
| Leveraged margin trading | 25 516 059 | 20 564 956 |
| Binary options | 355 829 | 561 880 |
| **Total** | **25 871 888** | **21 126 836** |

## Breakdown by underlying risk

| RESULT (CHF) FROM TRADING ACTIVITIES FROM: | 2022 | 2021 |
|---|---|---|
| Equity securities | 3 448 746 | 2 720 035 |
| Foreign currency | 17 648 400 | 12 655 336 |
| Commodities / precious metals | 3 659 613 | 4 799 515 |
| Cryptocurrencies | 1 115 129 | 951 950 |
| **Total** | **25 871 888** | **21 126 836** |

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| NEGATIVE INTEREST (CHF) | 2022 | 2021 |
|---|---|---|
| Negative interest on credit operations | 248 094 | 348 137 |
| Negative interest on deposits | 3 331 | 3 186 |

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

## Breakdown of personnel expenses

| PERSONNEL EXPENSES (CHF) | 2022 | 2021 |
|---|---|---|
| Salaries | 5 047 548 | 5 310 740 |
| *of which, expenses relating to share-based compensation and alternative forms of variable compensation* | – | – |
| Benefits | 966 614 | 1 101 388 |
| Other personnel expenses | 94 327 | 74 936 |
| **Total personnel expenses** | **6 108 489** | **6 487 064** |

## NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2022

### Breakdown of general and administrative expenses

| GENERAL AND ADMINISTRATIVE EXPENSES (CHF) | 2022 | 2021 |
|---|---|---|
| Premises | 1 735 919 | 1 934 323 |
| IT related expenses | 2 011 818 | 2 044 675 |
| Copyright agreement | 3 385 302 | 2 939 247 |
| Legal and consulting | 1 888 419 | 1 786 754 |
| Post, telecommunications and data | 599 791 | 596 122 |
| Expenses for vehicles | 65 616 | 75 530 |
| Office supply | 173 061 | 183 150 |
| Audit fees | 304 893 | 253 095 |
| *of which for financial and regulatory audits* | *304 893* | *253 095* |
| *of which for other services* | – | – |
| Marketing and communication | 2 165 855 | 2 342 058 |
| Travels | 891 221 | 779 475 |
| Others | 258 281 | 247 925 |
| **Total general and administrative expenses** | **13 480 176** | **13 182 354** |

### Explanations regarding extraordinary income and expenses

| EXTRAORDINARY INCOME (CHF) | 2022 | 2021 |
|---|---|---|
| Disposal of fully depreciated fixed assets | – | 11 |
| **Total extraordinary income** | – | **11** |

There was no extraordinary expense in 2022 and 2021.

DUKASCOPY Swiss Banking Group

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| (CHF) | 2022 | 2021 |
|---|---|---|
| Current tax expenses | (1 175 797) | (615 240) |
| **Total taxes** | **(1 175 797)** | **(615 240)** |

| (CHF) | 2022 | 2021 |
|---|---|---|
| **Average tax rate** | **15.6%** | **24.3%** |

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

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| (CHF) | Domestic | Foreign | Domestic | Foreign |
| Subtotal net result for interest operations | 156 151 | – | (156 833) | – |
| Subtotal result from commission business and services | 1 431 192 | – | 1 695 057 | – |
| Result from trading activities | 25 871 888 | – | 21 126 836 | – |
| Personnel expenses | (5 266 131) | (842 358) | (5 280 019) | (1 207 045) |
| General and administrative expenses | (4 266 483) | (9 213 693) | (4 077 744) | (9 104 610) |
| **Subtotal operating expenses** | **(9 532 614)** | **(10 056 051)** | **(9 357 763)** | **(10 311 655)** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | (262 890) | (70 744) | (289 741) | (124 370) |
| Changes to provisions and other value adjustments and losses | (7 419) | 8 775 | (8 102) | (38 320) |
| **Operating result** | **17 656 308** | **(10 118 020)** | **13 009 454** | **(10 474 345)** |

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING of Dukascopy Bank SA, Meyrin

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Dukascopy Bank SA (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 12 to 39) comply with Swiss law and the Company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the stand-alone financial statements, the consolidated financial statements of the company, and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions governing the preparation of financial statements for Banks, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 (page 15) 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*

Philippine Bouvard
*Licensed Audit Expert*

Geneva, 21 April 2023

Enclosure:

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

# KEY METRICS FOR DISCLOSURE TO THE FINANCIAL STATEMENTS

as at 31 December 2022

## KM1: Key regulatory figures

| | AVAILABLE CAPITAL AMOUNTS (CHF 000) (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 1 | Common Equity Tier 1 (CET1) | 50 702 | | | | 49 033 |
| 1a | Fully loaded ECL accounting model CET1 | | | | | |
| 2 | Tier 1 | 50 702 | | | | 49 033 |
| 2a | Fully loaded ECL accounting model Tier 1 | | | | | |
| 3 | Total capital | 50 702 | | | | 49 033 |
| 3a | Fully loaded ECL accounting model Total capital | | | | | |
| | **RISK-WEIGHTED ASSETS AMOUNTS (2022 Audited)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 161 582 | | | | 194 163 |
| 4a | Minimum capital requirements (000 CHF) | 12 927 | | | | 15 533 |
| | **RISK-BASED CAPITAL RATIOS (as a percentage % of RWA) (2022 Audited)** | | | | | |
| 5 | CET1 ratio (%) | 31.38% | | | | 25.25% |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1 (%) | | | | | |
| 6 | T1 ratio (%) | 31.38% | | | | 25.25% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | | | | | |
| 7 | Total capital ratio (%) | 31.38% | | | | 25.25% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | | | | | |
| | **ADDITIONAL CET1 REQUIREMENTS (buffers as a percentage of RWA) (2022 Audited)** | | | | | |
| 8 | Capital conservation buffer requirement according to Basel minimum requirements (%) | 2.50% | | | | 2.50% |
| 9 | Countercyclical buffer requirement according to Basel minimum requirements (%) | 0.00% | | | | 0.00% |
| 10 | Bank G-SIB and/or D-SIB additional requirements | 0.00% | | | | 0.00% |
| 11 | Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%) | 2.50% | | | | 2.50% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 23.38% | | | | 17.25% |
| | **TARGET CAPITAL RATIOS ACCORDING TO ANNEX 8 OF THE CAPITAL ADEQUACY ORDINANCE (CAO) (% of RWA) (2022 Audited)** | | | | | |
| 12a | Capital conservation buffer according to CAO, Annex 8 (%) | 2.50% | | | | 2.50% |
| 12b | Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%) | 0.00% | | | | 0.00% |
| 12c | CET1 capital target (%) accord. to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 & 44a | 7.00% | | | | 7.00% |
| 12d | T1 capital target according to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 and 44a | 8.50% | | | | 8.50% |
| 12e | Total capital target according to CAO, Annex 8+contercyclical buffer accord. to CAO, Art. 44 and 44a | 10.50% | | | | 10.50% |
| | **BASEL III LEVERAGE RATIO (2022 Audited)** | | | | | |
| 13 | Total Basel III leverage ratio exposure measure (000 CHF) | 202 877 | | | | 195 420 |
| 14 | Basel IIII Leverage Ratio | 24.99% | | | | 25.09% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) | 0% | | | | 0% |
| | **MEDIUM SHORT-TERM LIQUIDITY COVERAGE RATIO LCR** | | | | | |
| 15 | LCR Numerator: total stock of high quality liquid assets (000 CHF) | 79 855 | 72 877 | 65 786 | 63 765 | 61 342 |
| 16 | LCR Denumerator: total cash outflow (000 CHF) | 5 245 | 5 148 | 5 213 | 5 691 | 6 257 |
| 17 | Liquidity coverage ratio (%) | 1 523% | 1 416% | 1 262% | 1 120% | 980% |
| | **NET STABLE FUNDING RATIO NSFR** | | | | | |
| 18 | Available stable refinancings (000 CHF) | 163 622 | | 155 802 | | 151 506 |
| 19 | Required stable refinancings (000 CHF) | 25 435 | | 24 128 | | 24 379 |
| 20 | Net stable funding ratio NSFR (%) | 643% | | 646% | | 621% |

Dukascopy Swiss Banking Group

# KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

## OV1: Overwiew of risk-weighted assets

| | (CHF 000) | RWA 2022 (Audited) | RWA 2021 | Min. capital requirements 2022 (Audited) |
|---|---|---|---|---|
| 1 | Credit risk | 31 315 | 32 700 | 2 505.2 |
| 20 | Market risk* | 65 829 | 96 388 | 5 266.3 |
| 24 | Operational risk | 56 388 | 56 738 | 4 511.1 |
| 24a | Risks without counterparty | 6 751 | 6 974 | 540.1 |
| 25 | Amounts below the thereshold 3 (subject to 250% risk weight) | – | – | – |
| 26 | Others | 1 299 | 1 363 | 103.9 |
| 27 | **Total (1 + 20 + 24 + 25 + 26)** | **161 582** | **194 163** | **12 926.6** |

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

*Market risk decreased due to a reduction in open positions in currencies

## LIQA: Liquidity risk management

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

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

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

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

# KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

## CR1: Credit risk – credit quality of assets

| | (CHF 000) | Gross carrying values of | | Value adjustments/ impairments | Net values |
|---|---|---|---|---|---|
| | | Defaulted exposures | Non-Defaulted exposures | | |
| 1 | Loans (excluding debt securities) | – | 145 970 | – | 145 970 |
| 2 | Debt securities | – | 44 950 | – | 44 950 |
| 3 | Off-balance sheet exposures | – | 1 284 | – | 1 284 |
| 24 | **Total** | – | **192 204** | – | **192 204** |

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

## CR 3: Credit risk – overview of credit risk mitigation techniques

| (CHF 000) | Unsecured exposures/carrying values | Exposures secured by collateral/ carrying values | Exposures secured by financial guarantees or credit derivatives/ the amounts effectively covered |
|---|---|---|---|
| Loans (Debt securities included) | 190 881 | – | 39 |
| Off-balance sheet exposures | 1 134 | 150 | – |
| **Total** | **192 015** | **150** | **39** |
| *of which defaulted* | – | – | – |

## ORA: Operational risks

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

# KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

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

Definition of interest rate risk in the banking book. Interest rate risk in the banking book is defined as the potential loss in the net interest income (NII) or in the economic value of equity (EVE) arising from the effect of adverse interest rate changes. The Bank could be exposed to the interest rate risk by offering CFD trading on debt instruments. In such case, the Bank's exposure to the interest rate risk would much fluctuate depending on the clients trading positions. Therefore, the Bank fully hedges this trading flow. The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges or pay interests to its clients.
The main source of interest rate risk of the Bank in the bonds it hold as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

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

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

The Bank do not pay interest on customers' accounts. Nevertheless, it can review that policy at any time if consider it necessary. Therefore, repricing maturities for all due to customers match with repricing maturities of interest rates sensitive assets. Since the Bank does not place deposits on term with banks and do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

Risk measurement mechanisms regarding the interest rate risk modelling are aligned with the business model of the Bank. Finance Department performs quarter-end stress tests to monitor the net interest income (NII) and the economic value of equity (EVE). These stress tests are measured for each currency using the own base scenario (100 basis point change in interests) and the six standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 "Interest rate risk – banks). For each standardised scenario, FINMA defines the amount in basis points of interest rate shock per currency (CHF, USD, EUR) and per maturity bucket (from overnight up to more than 20 years).

# KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

### FINMA prescribed scenarios

The six standard scenarios prescribed by FINMA can be summarised and illustrated as follows:

| Standard scenario | Amount of interest rate shock for CHF currency |
|---|---|
| Parallel shift up | +150 basis points |
| Parallel shift down | – 150 basis points |
| Steepener shock (short term rates down and long term rates up) | From -97 basis point up to +90 basis points* |
| Flattener shock (short term rates up and long term rates down) | From +120 basis points down to -60 basis points* |
| Rise in short term interest rates | From +150 basis points down to 0 basis points* |
| Fall in short term interest rates | From -150 basis points down to 0 basis points* |
| | *depending on maturity bucket |

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

### Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. The impact on each position is calculated stressing the effective interest rate.

### Change in net interest income (NII)

Change in net interest income is computed assuming a constant balance sheet, where maturing and repricing cash flows are replaced by new cash flows with identical features. The stress test is based on all cash flows from fixed and floating rate instruments as well as assets and liabilities at sight. The impact is measured for one-year period. Floating rate instruments are impacted after interest rate reset date while fixed interest rate instruments are impacted for the remaining time after the expiration up to one year. At sight assets and liabilities are impacted for the duration of one year. The assumptions reflect the expected behavior of counterparties to modify or to cap the interest rate conditions (asset side) as well as the Bank's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

# KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

## IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2022

| | Volume (in CHF millions) | | | Average interest rate reset period (in years) | |
|---|---|---|---|---|---|
| **Positions with an defined interest rate reset date** | Total | of which CHF | of which other significant currencies* | Total | of which CHF |
| Financial investments | 43 | 31 | 12 | 4.47 | 6.22 |
| **Positions with an undefined interest rate reset date** | | | | | |
| Amounts due from banks | 89 | 5 | 72 | 0.04 | 0.04 |
| Amounts due from customers | 2 | 1 | 1 | 0.62 | 0.62 |
| Sight liabilities in personal and current accounts | (124) | (15) | (104) | 0.04 | 0.04 |
| Other liabilities | (7) | 0 | (7) | 0.04 | 0.04 |
| **Total** | **3** | **22** | **(26)** | – | – |

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

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2022

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

| | Δ EVE (change in the net present value) | | Δ NII (change in the discounted earning value) | |
|---|---|---|---|---|
| **Period (CHF millions)** | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Parallel upward shift | (2.0) | (3.3) | 0 | 0 |
| Parallel downward shift | 2.0 | 3.7 | 0 | 0 |
| Steepener shock | (0.8) | (1.1) | – | – |
| Flattener shock | 0.4 | 0.5 | – | – |
| Upward short-term interest rate shock | (0.5) | (0.8) | – | – |
| Downward short-term interest rate shock | 0.5 | 0.8 | – | – |
| Maximum | 2.0 | 3.7 | 0 | 0 |
| **Total eligible capital** | **50.7** | **49.0** | – | – |

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

The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges or pay interests to its clients. Nevertheless, it can review that policy at any time if consider it necessary. Therefore, repricing maturities for all due to customers match with repricing maturities of interest rates sensitive assets. Since the Bank does not place deposits on term with banks and do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

The Bank could be exposed to the interest rate risk by offrering CFD trading on debt instruments. In such case, the Bank's exposure to the interest rate risk would much fluctuate depending on the clients trading positions. Therefore, the Bank fully hedges this trading flow. The main source of interest rate risk of the Bank in the bonds it hold as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET
as at 31 December 2022

| ASSETS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Liquid assets | 50 188 954 | 37 719 957 |
| Amounts due from banks | 96 816 043 | 96 088 110 |
| Amounts due from customers | 2 443 336 | 1 790 542 |
| Trading assets | 3 120 740 | 5 255 953 |
| Positive replacement values of derivative financial instruments | 2 356 475 | 850 980 |
| Financial investments | 44 949 869 | 45 341 390 |
| Accrued income and prepaid expenses | 1 575 770 | 1 224 410 |
| Investment in subsidiaries | 100 000 | 100 000 |
| Tangible fixed assets | 620 366 | 841 131 |
| Other assets | 758 108 | 601 697 |
| **Total assets** | **202 929 661** | **189 814 170** |

| LIABILITIES (CHF) | | |
|---|---|---|
| Amounts due to banks | 4 779 810 | 9 079 237 |
| Amounts due in respect of customer deposits | 132 103 550 | 121 157 749 |
| Negative replacement values of derivative financial instruments | 283 453 | 1 282 249 |
| Accrued expenses and deferred income | 3 503 799 | 2 892 086 |
| Other liabilities | 2 044 300 | 1 766 891 |
| Provisions | 616 000 | 616 000 |
| Reserves for general banking risks | 3 234 000 | 3 234 000 |
| Bank's capital | 22 000 000 | 22 000 000 |
| Retained earnings reserve | 27 655 569 | 25 332 463 |
| Currency translation reserve | (26 364) | 130 389 |
| Consolidated profit of the year | 6 735 544 | 2 323 106 |
| **Total liabilities** | **202 929 661** | **189 814 170** |

# OFF–BALANCE SHEET
as at 31 December 2022

| OFF–BALANCE SHEET COMMITMENTS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Contingent liabilities | 150 215 | 139 755 |
| Irrevocable commitments | 1 134 000 | 988 000 |

# CONSOLIDATED STATEMENT OF INCOME

as at 31 December 2022

| RESULT FROM INTEREST OPERATIONS (CHF) | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Interest and discount income | (14 597) | (316 443) |
| Interest and dividend income from financial investments | 734 428 | 723 495 |
| Interest expense | (564 629) | (563 885) |
| **Gross result from interest operations** | **155 202** | **(156 833)** |
| Changes in value adjustments for default risks and losses from interest operations | 949 | – |
| **Subtotal net result from interest operations** | **156 151** | **(156 833)** |

| RESULT FROM COMMISSION BUSINESS AND SERVICES (CHF) | | |
|---|---|---|
| Commission income from other services | 2 455 427 | 3 119 550 |
| Commission expense | (1 075 160) | (1 445 074) |
| **Subtotal result from commission business and services** | **1 380 267** | **1 674 476** |

| | | |
|---|---|---|
| **Result from trading activities** | **26 789 140** | **21 958 905** |

| OPERATING EXPENSES (CHF) | | |
|---|---|---|
| Personnel expenses | (7 002 154) | (7 408 302) |
| General and administrative expenses | (12 979 005) | (12 726 622) |
| **Subtotal operating expenses** | **(19 981 159)** | **(20 134 924)** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | (335 785) | (416 565) |
| Changes to provisions and other value adjustments, and losses | 1 346 | (46 532) |
| **Operating result** | **8 009 960** | **2 878 527** |
| Extraordinary income | – | 1 541 |
| Changes in reserves for general banking risks | – | 126 000 |
| Taxes | (1 274 416) | (682 962) |
| **Profit of the year** | **6 735 544** | **2 323 106** |

DUKASCOPY
Swiss Banking Group

# PRESENTATION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2022

| (CHF) | Bank's capital | Reserves for general banking risks | Currency translation reserve | Retained earning reserve | Consolidated profit for the year | TOTAL |
|---|---|---|---|---|---|---|
| **Equity at start of current period** | **22 000 000** | **3 234 000** | **130 389** | **25 332 463** | **2 323 106** | **53 019 958** |
| Allocation of previous year result | – | – | – | – | – | – |
| Other allocations to Retained earnings reserve | – | – | – | – | – | – |
| Allocation to Retained earnings reserve | – | – | – | 2 323 106 | (2 323 106) | – |
| Currency translation differences | – | – | (156 753) | – | – | (156 753) |
| Profit of the year | – | – | – | – | 6 735 544 | 6 735 544 |
| **Equity at end of current period** | **22 000 000** | **3 234 000** | **(26 364)** | **27 655 569** | **6 735 544** | **59 598 749** |

DUKASCOPY Swiss Banking Group

# CONSOLIDATED CASH FLOW STATEMENT

as at 31 December 2022

| CASH FLOW FROM OPERATING ACTIVITIES (internal financing) in CHF 000 | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cash in-flow | Cash out-flow | Cash in-flow | Cash out-flow |
| Result of the year | 6 736 | – | 2 323 | – |
| Changes in reserves for general banking risks | – | – | – | 126 |
| Value adjustement on participations, depreciation and amortisation of tangible fixed assets and intangible assets | 336 | – | 417 | – |
| Provisions and other value adjustments | – | – | – | 24 |
| Accrued income and prepaid expenses | – | 351 | 1 028 | – |
| Accrued expenses and differred income | 612 | – | – | 654 |
| Other items | 121 | – | – | 1 125 |
| **Subtotal** | **7 805** | **351** | **3 768** | **1 929** |
| **CASH FLOW FROM SHAREHOLDER'S EQUITY TRANSACTIONS** | | | | |
| Recognised in reserves | – | 157 | – | 118 |
| Change of scope of consolidation | – | – | – | – |
| **Subtotal** | – | **157** | – | **118** |
| **CASH FLOW FROM TRANSACTIONS IN RESPECT OF PARTICIPATIONS, TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS** | | | | |
| Participations | – | – | – | – |
| Other tangible fixed assets | – | 115 | – | 246 |
| **Subtotal** | – | **115** | – | **246** |
| **CASH FLOW FROM BANKING OPERATIONS MEDIUM AND LONG-TERM BUSINESS (> 1 YEAR)** | | | | |
| Financial instruments | 569 | – | – | 10 921 |
| **SHORT-TERM BUSINESS** | | | | |
| Amounts due to banks | – | 4 300 | 2 770 | – |
| Amounts due in respect of customer deposits | 10 946 | – | 17 108 | – |
| Negative replacement values of derivative financial instuments | – | 999 | 659 | – |
| Amounts due from banks | – | 728 | – | 1 130 |
| Amounts due from customers | – | 653 | – | 1 104 |
| Trading assets | 2 135 | – | – | 5 256 |
| Positive replacement values of derivative financial instuments | – | 1 506 | – | 366 |
| Financial instruments | – | 177 | 11 225 | – |
| **LIQUIDITY** | | | | |
| Liquid assets | – | 12 469 | – | 14 460 |
| **Subtotal** | **13 650** | **20 832** | **31 762** | **33 237** |
| **TOTAL** | **21 455** | **21 455** | **35 530** | **35 530** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

### 1. Name and legal status of the Group

Dukascopy Group (hereinafter the "Group") is headed by Dukascopy Bank SA (hereinafter the "Bank"), a limited company under Swiss law which renders online brokerage and online banking services from its head office in Geneva (Switzerland). The Bank fully owns two subsidiaries offering similar online brokerage services as the Bank, namely, Dukascopy Europe IBS AS, a European regulated broker based in Riga and Dukascopy Japan K.K., a Type-1 licensed brokerage company located in Tokyo. These two subsidiaries are included in the consolidated financial statements of the Group. SWFX SA offers intellectual property services and is consolidated as at 31 December 2022 as well.
The Group's scope of consolidation comprises all companies owned and controlled, either directly or indirectly, over 50% of the capital or voting rights by the Bank, at the exception of Group companies which are insignificant with regard to the size of the Group. Dukascopy Community SA and its subsidiaries, if any, are not consolidated in the Group's consolidated financial statements because they are of very small size.

### 2. Accounting and valuation principles

***2.1. General principles***

The Group's financial statements are established in accordance with the Swiss Code of Obligations, the Act on Banks and Saving institutions, its related Ordinance, the FINMA Accounting Ordinance and FINMA circular 2020/1. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise. The consolidated financial statements have been complied to present a true and fair view of the Group's assets, financial position and results.

**Consolidation method**

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

**General valuation principles**

The consolidated financial statements are prepared on the assumption of a going-concern. The accounting is therefore based on going-concern values.
Items are entered in the consolidated balance sheet as liabilities if they have arisen due to past events, if a cash outflow is probable and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent liability, which is commented on in the notes.
The disclosed consolidated balance sheet items are valued individually.
In principle, neither assets and liabilities nor expenses and income are offset. Accounts receivable and accounts payable are offset in the following cases:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

***2.2. Changes to accounting principles and valuation method***

No changes in 2022.

**Financial instruments**

***a. Liquid assets***

Liquid assets are recognized at their nominal value.

***b. Amounts due from banks and amounts due from customers***

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

Doubtful receivables, i.e. obligations entered with clients for which the debtor is unlikely to meet its future obligations, are valued individually and depreciated by means of individual value adjustments. Impaired receivables and any collateral obtained are valued at their liquidation value, and any adjustments in value are made in light of the debtors' creditworthiness. If the repayment of a loan depends exclusively on the proceeds of the collateral, a value adjustment is made for the entire unsecured portion of the receivable.

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

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

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

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

***d.Trading assets***

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

***e. Positive and negative replacement values of derivative financial instruments***

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

*Trading purposes*

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding item. The fair value is based on market prices or option pricing models. The realized result from trading operations and the unrealized result from valuations relating to trading operations are recorded via the item “Result from trading operations”.

*Hedging purposes*

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

*Use of swaps*

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

*Netting*

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

***f. Financial investments***

Financial investments include the bonds and the cryptocurrencies.

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

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

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

***g. Crypto assets in Financial investments***

**Dukascoins**

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

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

According to the Art. 10 Finma Accounting Ordinance, the fair value derives either from a price efficient and liquid market or from a valuation model. According to our analysis, there is currently no efficient price and no liquid market for Dukascoins. To our knowledge, there is no generally accepted valuation methodology for payment tokens. Due to the lack of future cash flows, intrinsic value, highly correlated base assets, which could be used as a benchmark in model, the value of such tokens depends mainly on market demand. Considering the foregoing, the Bank considered that there

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

is no fair value estimates for Dukascoins and therefore those coins should be valued at cost. Currently, the sole active marketplace is the Dukascoin bulletin board established by the Bank, where prices are set daily for very small volumes.
Value adjustments are recorded under “Other ordinary expenses” or “Other ordinary income”.

**Other crypto assets**

Dukascopy Bank books other crypto assets belonging to the Bank in the caption "Financial investments". The valuation is based on the acquisition cost principle. The subsequent valuation is based on the lower of cost or market principle.
Trading assets comprises positions in Crypto currencies held with a trading intent are booked in “Trading assets”. Trading positions are measured at market value. Trading results are recognized through “Result from trading activities and the fair value option”.

***h. Non-consolidated Participations***

Participations owned by the Bank which are not consolidated include equity securities of companies that are held for long-term purposes, irrespective of any voting rights. They are valued at historical costs minus any value adjustments, if any.
Each non-consolidated participation is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indictors exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if it carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item “Value adjustments on participations and depreciation of tangible fixed assets and intangible assets”.
Realized gains from the sale of non-consolidated participations are recorded via the item “Extraordinary income” and realized losses are recorded via the item “Extraordinary expenses”.

***I. Tangible fixed assets***

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

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

Acquisition costs of tangible fixed assets acquired during the year are depreciated at the same rate on a prorata basis.
Objects used by the Group as the lessees as part of a finance lease are recorded via the item “Tangible fixed assets” at cash purchase value. The leasing liabilities are disclosed, depending on the counterparty, in the items “Amounts due to banks” or “Other liabilities”. Each tangible fixed asset is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of the individual assets impaired. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if it carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item “Value adjustments on participations and depreciation of tangible fixed assets and intangible assets”. Realized gains from the sale of tangible fixed assets are recorded via the item “Extraordinary income” and realized losses are recorded via the item “Extraordinary expenses”.

***j. Provisions***

The Group records provisions based on its assessment of the risks of loss and probable liabilities, based on past events, of which the amount and due date are uncertain but assessable. Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision is created.

Existing provisions are reassessed at each consolidated balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Currently, provisions exclusively relate to legal risks and deferred tax. The variation of provisions is recorded in the consolidated statement of income via “Changes in provisions and other value adjustments, and losses”. Provisions are released via the consolidated statement of income if they are no longer needed on business grounds.

***k. Reserves for general banking risks***

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

***l. Taxes***

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

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

Deferred taxes, stemming from temporary timing differences between the taxable and accounting values of assets and liabilities, are booked as deferred taxes in the item “Provisions” on the liabilities side of the consolidated balance sheet. Deferred taxes are calculated based on the tax rate applied to the Bank. Expenses due to current and deferred taxes are disclosed in the consolidated statement of income via the item “Taxes”.

***m. Off-balance sheet transactions***

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

***n. Pension benefit obligations***

The Group’s employees based in Switzerland are insured for retirement, death or disablement through a defined contribution pension scheme. The Group bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contributions arising from the pension scheme are included in “Personnel expenses” on an accrual basis. The treatment of pension commitments is based on the Swiss GAAP FER 16 rules. Employee benefit obligations mean all commitments resulting from the pension fund to which Group’s employees are insured.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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There is an economic benefit if, due to contribution reserves, the Group has the ability to reduce its future employer's contributions. On the contrary, there is a liability if, owing to a shortfall in the pension fund, the Group wants or has to participate in the financing of the pension fund.

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

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

***2.3. Recording of business transactions***

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

***2.4. Treatment of foreign currencies***

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

On consolidation, assets and liabilities of Group companies are converted into Swiss francs at the exchange rate of the consolidated balance sheet date at the exception of the shareholders’ equity which is converted at historical rate. Income and expenses of Group companies are converted at the exchange rate averaged over the reporting period. Exchange differences resulting from conversion into Swiss francs of individual financial statements are recognized in the consolidated balance sheet in the item “Currency translation reserve”.

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

| (CHF) | | 2022 | 2021 |
|---|---|---|---|
| USD | 1.00 | 0.92485 | 0.91217 |
| EUR | 1.00 | 0.99005 | 1.03719 |
| GBP | 1.00 | 1.11908 | 1.23308 |
| CAD | 1.00 | 0.68287 | 0.72179 |
| JPY | 1.00 | 0.00705 | 0.00792 |
| AUD | 1.00 | 0.63070 | 0.66316 |
| NZD | 1.00 | 0.58755 | 0.62396 |
| NOK | 1.00 | 0.09443 | 0.10346 |
| SEK | 1.00 | 0.08869 | 0.10075 |
| SGD | 1.00 | 0.69009 | 0.67642 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The average exchange rates over the reporting period for the conversion of income and expenses of Group companies were as follows:

| (CHF) | | 2022 | 2021 |
|---|---|---|---|
| EUR | 1.00 | 1.00495 | 1.08114 |
| JPY | 1.00 | 0.00730 | 0.00833 |

**3. Risk Management**

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

Since the Group is not active in credit activities and only executes client orders based on collateral (client margin deposits and bank guarantees), its credit risk exposure is normally limited to possible default of institutional trading counterparties.

The identification, measurement, monitoring, management of risks and maintenance of the Group's stability, is a priority for the Bank. The key elements of risk management and Group consolidated supervision are the following:

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2022

**Operational risks**

Operational risks are defined as the risk of losses due to inadequacy or failure of internal procedures, people and systems or due to external events. This definition includes risks related to client data confidentiality and legal risks, including fines by supervisory authorities and settlements. As a Group offering highly automated services accessible through the Internet, the Group much relies on IT systems and Internet connections to operate. Automation brings high efficiency, eliminates human errors but at the same time means dependency on the availability and integrity of IT systems and Internet connections that the Group protects through advanced security solutions and permanent monitoring of the system components. Cyber and IT risks are among the main risks for the Bank.

The operational risks are measured by calculating the probability and extent of possible financial damages due to negative events such as an error in client order execution or the breach of a regulation (compliance risk). The Bank has documented operational risks and key controls aiming at mitigating such risks (e.g. four eyes principle, reconciliations, automated controls, internal regulation, etc.) in a systematic manner via an internal regulation which is approved annually by the Board of Directors and based on the FINMA circular 2008/21. The operational risk management framework also includes a Business Continuity Management (BCM) documentation, which rules the maintenance or the resumption of business operations in case of occurrence of critical situations such as a natural disaster affecting the Bank or Group companies. The effectiveness of the Business Continuity Management of the Bank is tested annually. In other Group entities, the BCM documentation is adapted to local operations and applicable regulation.

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

**Market risks – trading operations**

Due to the Group's specialization in forex trading, market risks are concentrated on currency risk. Market risks related to other financial instruments offered by the Group (precious metals, stocks, commodities, equities, etc.) are minor in comparison to currency risks. As mentioned above, the Bank is the sole Group company which accepts and manages market risks on trading activities.

The management of market risks deriving from trading operations is a priority risk management activity and a cornerstone of the Group's financial stability. In particular, the volatility on the forex market may trigger significant impact on the Group's financial situation due to the Bank's currency risk exposure via the item "Result from trading activities". For various reasons including for benefiting from bid and ask spreads, the Bank permanently keeps a certain portion of market exposure deriving from client order execution.

The Bank applies prudent market risk limits and sophisticated monitoring of market risk exposure via automated hedging logics and 24h human and automated surveillance.

The Bank automatically measures its market risk exposure on a permanent and real time basis. The IT system automatically caps such market risk exposure under the limits decided by the executive management and the Board of Directors. Those limits have been set sufficiently carefully to ensure that Swiss banking capital adequacy requirements are complied with at all times. If deemed necessary, the Bank's advanced technology allows it to fully exclude exposure deriving from trading on all or specific instruments, for instance in anticipation of exceptional market events such as the abandon of a currency peg by a Central Bank.

**Market risks – other currency risks**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

**Market risks – interest rate risks**

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

**Credit risk**

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

**Counterparty risk in interbank business**

The Group deposits its liquidity and trades (mainly to hedge client transactions) with more than 40 different banks and other institutional trading counterparties external to the Bank's ECN marketplace such as brokers and other marketplaces. Counterparty and default risks relating to banks and other trading counterparties are mitigated by the fixation of exposure limits approved by the competent officers including the Bank's Board of Directors. The respect of the risk limits is controlled on a daily basis and limits are adapted as often as deemed necessary.

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

**Liquidity**

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

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

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

***4.1. Amounts due from customers***

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

The Group considers that a risk of default exists on unsecured receivables if a payment of interests or a reimbursement of the principal is not honored in due date or if the debtor disputes such payment obligations or indicates that he/she will not

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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be able to honor them. In such cases, the Group enquires about the debtor's intentions and financial situation and evaluates the chances of recovering the receivable. A value adjustment is recorded for the portion of receivable whose recovery is considered uncertain.

***4.2. Amounts due from banks***

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

***4.3. Process for determining value adjustments and provisions***

Value adjustments and provisions are reassessed at each balance sheet date. Changes in value adjustments and provisions are approved by the executive management unless they simply result from a use of provision in conformity with its purpose or the recovery of an impaired receivable. Value adjustments on non-impairment credit exposures are determined individually or on a portfolio basis according to Art. 25 para 1 let. c FINMA Accounting Ordinance.

**5. Valuation of collateral**

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

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

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

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

The Group also uses derivative financial instruments for risk management purposes, mainly to hedge against market risks (including currency risk) mostly deriving from clients trading operations. By policy, the brokerage subsidiaries of the Bank must hedge all their trading operations with Dukascopy Bank, which is their unique trading venue. In its trading activity, including when dealing with its subsidiaries, the Bank always acts as a principal. The Bank hedges its own market risks by entering into hedging trades with external institutional counterparties or with clients. The Bank does not use hedge accounting.

**7. Significant subsequent event after the balance sheet date**

No material event occurred after the balance sheet date that could have a material impact on the financial position of the Bank as of 31 December 2022. The merger of UBS and Crédit Suisse did not affect the Bank's financial condition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| **LOANS (CHF)** (before netting with value adjustments) | **Secured by mortgages** | **Other collateral** | **Unsecured** | **Total** |
|---|---|---|---|---|
| Amounts due from customers | – | 38 732 | 2 404 604 | 2 443 336 |
| **Total at 31 December 2022 (before netting with value adjustments)** | **–** | **38 732** | **2 404 604** | **2 443 336** |
| Total at 31 December 2021 (before netting with value adjustments) | – | 40 172 | 1 750 370 | 1 790 542 |
| **Total at 31 December 2022 (after netting with value adjustments)** | **–** | **38 732** | **2 404 604** | **2 443 336** |
| Total (after netting with value adjustments) at 31 December 2021 | – | 40 172 | 1 750 370 | 1 790 542 |

| **OFF-BALANCE SHEET COMMITMENTS (CHF)** | **Secured by mortgages** | **Other collateral** | **Unsecured** | **Total** |
|---|---|---|---|---|
| Contingent liabilities* | – | 150 215 | – | 150 215 |
| Irrevocable commitments | – | – | 1 134 000 | 1 134 000 |
| **Total at 31 December 2022** | **–** | **150 215** | **1 134 000** | **1 284 215** |
| Total at 31 December 2021 | – | 139 755 | 988 000 | 1 127 755 |

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

| **BREAKDOWN OF IMPAIRED LOANS/RECEIVABLES (CHF)** | **Gross debt amount** | **Estimated liquidation proceeds of collateral** | **Net debt amount** | **Individual value adjustments** |
|---|---|---|---|---|
| **Total at 31 December 2022** | **–** | **–** | **–** | **–** |
| Total at 31 December 2021 | – | – | – | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| ASSETS (CHF) | 2022 | 2021 |
|---|---|---|
| Equity securities | 1 161 044 | – |
| Other trading portfolio assets (cryptocurrencies) | 1 959 696 | 5 255 953 |
| **Total trading assets** | **3 120 740** | **5 255 953** |
| **Total assets** | **3 120 740** | **5 255 953** |
| *– of which determined using a valuation model* | – | – |
| *– of which, securities eligible for repo transactions in accordance with liquidity requirements* | – | – |

## Presentation of derivative financial instruments (assets and liabilities)

| | Trading instruments | | |
|---|---|---|---|
| **OTC TRANSACTIONS (CHF)** | **Positive replacement values** | **Negative replacement values** | **Contract volumes** |
| Interest instruments: | | | |
| – CFD | 3 535 | 17 | 1 173 487 |
| **Total interest instruments** | **3 535** | **17** | **1 173 487** |
| Currencies: | | | |
| – forward contracts* | 804 095 | 719 948 | 173 808 389 |
| – swaps | 201 906 | 213 706 | 317 363 135 |
| **Total currencies** | **1 006 001** | **933 654** | **491 171 524** |
| Precious metals: | | | |
| – forward contracts* | 2 603 | 3 319 | 817 378 |
| – swaps | 32 779 | 8 286 | 20 436 660 |
| **Total precious metals** | **35 382** | **11 605** | **21 254 038** |
| Equity securities and indices: | | | |
| – CFD | 491 839 | 91 090 | 23 690 151 |
| **Total equity securities and indices** | **491 839** | **91 090** | **23 690 151** |
| Others: | | | |
| – CFD | 1 616 641 | 43 621 | 11 125 858 |
| - futures | – | 388 | 49 832 |
| **Total others** | **1 616 641** | **44 009** | **11 175 690** |
| **Total at 31 December 2022 before impact of netting contracts** | **3 153 398** | **1 080 375** | **548 464 890** |
| *of which determined using a valuation model* | – | – | – |
| Total at 31 December 2021 before impact of netting contracts | 1 370 899 | 1 802 167 | 1 028 188 332 |
| *of which determined using a valuation model* | – | – | – |
| **Total at 31 December 2022 after impact of netting contracts** | **2 356 475** | **283 453** | |
| Total at 31 December 2021 after impact of netting contracts | 850 980 | 1 282 249 | |

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

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## Breakdown by counterparty

| POSITIVE REPLACEMENT VALUES AFTER IMPACT OF NETTING CONTACTS (CHF) | Central clearing houses | Banks & securities dealers | Others customers | Total |
|---|---|---|---|---|
| **Total at 31 December 2022** | – | **281 702** | **2 074 773** | **2 356 475** |
| Total at 31 December 2021 | – | 321 480 | 529 500 | 850 980 |

## Breakdown of financial investments

| | Book value | | Fair value | |
|---|---|---|---|---|
| **(CHF)** | **2022** | **2021** | **2022** | **2021** |
| Debt securities held to maturity | 44 949 868 | 45 339 716 | 44 560 235 | 45 508 932 |
| Cryptocurrencies | 1 | 1 674 | 1 | 1 674 |
| **Total** | **44 949 869** | **45 341 390** | **44 560 236** | **45 510 606** |
| *including securities eligible for repo transactions in accordance with liquidity regulations* | *33 851 728* | *34 418 633* | *33 463 612* | *34 379 460* |

## Breakdown of contreparties

| DEBT SECURITIES: BOOK VALUE OF BONDS HELD TO MATURITY (CHF) | 2022 | 2021 |
|---|---|---|
| AAA to AA- | 44 949 868 | 45 339 716 |
| A+ to A- | – | – |
| BBB+ to BBB- | – | – |
| BB+ to B- | – | – |
| Lower than B- | – | – |
| Without rating | – | – |

We use rating DBRS Morningstar.

## Presentation of non-consolidated participations

| NON-CONSOLIDATED PARTICIPATIONS (CHF) | 2021 | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| | Cost value | Value adjustment | Book value at end of year | Additions | Disposals Reimbursement | Value adjustment | Book value at end of year |
| Without listed value | 100 000 | – | 100 000 | – | – | – | 100 000 |
| **Total participations** | **100 000** | – | **100 000** | – | – | – | **100 000** |

DUKASCOPY Swiss Banking Group

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| 2022 | | | | | | |
|---|---|---|---|---|---|---|
| **CONSOLIDATED PARTICIPATIONS** | **Activity** | **Share capital (CHF)** | **Head office** | **Share capital in %** | **Share vote in %** | **Held directly in %** |
| Dukascopy Europe IBS AS | brokerage | 1 933 921 | Riga | 100 | 100 | 100 |
| Dukascopy Japan K.K. | brokerage | 792 347 | Tokyo | 100 | 100 | 100 |
| SWFX SA | IP service | 100 000 | Geneva | 100 | 100 | 100 |
| **NON-CONSOLIDATED PARTICIPATIONS** | | | | | | |
| Dukascopy Community SA | social media | 100 000 | Geneva | 100 | 100 | 100 |

In the end of 2022, the share capital of Dukacopy Japan K.K. was reduced.

| **CONSOLIDATED PARTICIPATIONS** | 2021 | | | | | |
|---|---|---|---|---|---|---|
| Dukascopy Europe IBS AS | brokerage | 1 933 921 | Riga | 100 | 100 | 100 |
| Dukascopy Japan K.K. | brokerage | 6 021 839 | Tokyo | 100 | 100 | 100 |
| SWFX SA | IP service | 100 000 | Geneva | 100 | 100 | 100 |
| **NON-CONSOLIDATED PARTICIPATIONS** | | | | | | |
| Dukascopy Community SA | social media | 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 under dominant influence of the Bank by another manner, at the exception of Group company whose integration would not have any significantly influence on the consolidated financial statements as Dukascopy Community SA (total balance sheet CHF 260 226, net profit CHF 1 951). Dukascopy Europe IBS AS, Dukascopy Japan K.K. and SWFX SA are fully integrated in consolidated financial statements of the Group.

## Presentation of tangible fixed assets

| | 2021 | | | 2022 | | | |
|---|---|---|---|---|---|---|---|
| **(CHF)** | **Cost value** | **Accumulated depreciation** | **Book value at end of year** | **Additions** | **Disposals** | **Depreciation** | **Book value at end of year** |
| Softwares | 23 323 414 | (23 175 166) | 148 248 | 19 184 | – | (75 390) | 92 042 |
| Other tangible fixed assets | 10 406 950 | (9 714 067) | 692 883 | 96 216 | (380) | (260 395) | 528 324 |
| **Total fixed assets** | **33 730 364** | **(32 889 233)** | **841 131** | **115 400** | **(380)** | **(335 785)** | **620 366** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Leasing

| (CHF) | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| **Future leasing installments arising from operating leases** | **1 428 025** | **1 124 996** | **953 477** | **233 119** | **32 369** |
| *of which, may be terminated within one year* | *47 040* | – | – | – | – |

They are rental costs.

## Breakdown of other assets and liabilities

| OTHER ASSETS (CHF) | 2022 | 2021 |
|---|---|---|
| Wire transfers | 234 815 | 196 315 |
| Accrual interests on bonds* | 360 543 | 242 625 |
| Indirect taxes to be reimbursed* | 162 750 | 162 750 |
| Others | – | 7 |
| **Total other assets** | **758 108** | **601 697** |

| OTHER LIABILITIES (CHF) | | |
|---|---|---|
| Wire transfers | 1 697 699 | 1 444 826 |
| Indirect taxes to be paid | 308 645 | 287 325 |
| Others | 37 956 | 34 740 |
| **Total other liabilities** | **2 044 300** | **1 766 891** |

* Reclassification "Accrual interests on bonds" and "Indirect taxes to be reimbursed" from "Accrued income and prepaid expenses" to "Other assets". Comparative figures for 2021 have been adapted.

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| (CHF) | Book value of pledged assets & assets assigned as collateral | Effective commitments | Book value of pledged assets & assets assigned as collateral | Effective commitments |
| Swiss bonds | 14 076 301 | 565 868 | 18 839 353 | 1 194 602 |
| Margin accounts assigned as collateral | 22 281 310 | 124 115 | 23 666 255 | 382 910 |
| Deposits made with banks to secure guarantees | 219 530 | 219 530 | 219 530 | 219 530 |
| **Total** | **36 577 141** | **909 513** | **42 725 138** | **1 797 042** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP). This fund is a defined contribution scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2021: nil). The pension fund unaudited accounts as of 31 December 2022 present a coverage ratio of 109%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2021, the coverage ratio was 126.3%.

The employees based in Japan are affilated to a defined contributions scheme pension fund of the Japan state.

This fund does not allow any employer's contribution reserve.

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

## Presentation of economic benefit / obligation and the pension expenses

| (CHF) | Over or underfunding 31.12.2022 | Economic interest of the Bank | | Change in economic interest versus prior year | Contributions paid for 2022 | Pension expenses in personnel expenses | |
|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | | | 2022 | 2021 |
| Pension plans with overfunding | – | – | – | – | 276 554 | 276 554 | 275 063 |

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

| (CHF) | Balance at 31.12.2021 | Use in conformity with designated purpose | Reclassifi-cations | Currency differences | Recoveries, past due interest | New creations charged to income | Releases to income | Balance at 31.12.2022 |
|---|---|---|---|---|---|---|---|---|
| Provisions for deferred taxes | 616 000 | – | – | – | – | – | – | 616 000 |
| Provisions for other business risks | – | – | – | – | – | – | – | – |
| **Total provisions** | **616 000** | – | – | – | – | – | – | **616 000** |
| **Reserves for general banking risks** | **3 234 000** | – | – | – | – | – | – | **3 234 000** |
| **Value adjustments for default risks and country risks** – *of which, value adjustments for default risks in respect of impaired loans/receivables* | – | – | – | – | – | – | – | – |

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

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## Presentation of the Bank's capital

| (CHF) | 2022 Total par value | 2022 Number of shares | 2022 Capital eligible for dividend | 2021 Total par value | 2021 Number of shares | 2021 Capital eligible for dividend |
|---|---|---|---|---|---|---|
| Share capital | 22 000 000 | 21 712 000 | 22 000 000 | 22 000 000 | 21 712 000 | 22 000 000 |
| Registered shares | 22 000 000 | 21 712 000 | 22 000 000 | 22 000 000 | 21 712 000 | 22 000 000 |
| *of which, paid up* | *22 000 000* | *21 712 000* | *22 000 000* | *22 000 000* | *21 712 000* | *22 000 000* |
| **Total Bank's capital** | **22 000 000** | **21 712 000** | **22 000 000** | **22 000 000** | **21 712 000** | **22 000 000** |

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

## Disclosure of amounts due from/to related parties

| (CHF) | 2022 Amounts due from | 2022 Amounts due to | 2021 Amounts due from | 2021 Amounts due to |
|---|---|---|---|---|
| Holders of qualified participations | 1 605 165 | 42 063 | 1 204 166 | 28 123 |
| Group companies | – | 260 190 | – | 256 111 |
| Linked companies | – | – | – | – |
| Transactions with members of governing bodies | – | 19 108 | – | 12 961 |
| Other related parties | 4 998 | 26 134 | – | 14 888 |

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

## Disclosure of holders of significant participations

| With voting rights | 2022 Nominal (CHF) | 2022 Number of shares | 2022 % of equity in % | 2022 Capital eligible for dividend (CHF) |
|---|---|---|---|---|
| Dr. Andrey Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |
| Veronika Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |

| With voting rights | 2021 Nominal (CHF) | 2021 Number of shares | 2021 % of equity in % | 2021 Capital eligible for dividend (CHF) |
|---|---|---|---|---|
| Dr. Andrey Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |
| Veronika Duka | 10 890 000 | 10 746 000 | 49.5 | 10 890 000 |

DUKASCOPY Swiss Banking Group

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## Presentation of the maturity structure of financial instruments

| | | | Due | | | | | |
|---|---|---|---|---|---|---|---|---|
| **ASSETS (CHF)** | **At sight** | **Cancellable** | **Within 3 months** | **Within 3 to 12 months** | **Within 1 to 5 years** | **Over 5 years** | **No maturity** | **Total** |
| Liquid assets | 50 188 954 | – | – | – | – | – | – | 50 188 954 |
| Amounts due from banks | 96 596 513 | 219 530 | – | – | – | – | – | 96 816 043 |
| Amounts due from customers | 2 375 948 | 67 388 | – | – | – | – | – | 2 443 336 |
| Trading assets | 3 120 740 | – | – | – | – | – | – | 3 120 740 |
| Positive replacement values of derivative financial instruments | 2 356 475 | – | – | – | – | – | – | 2 356 475 |
| Financial investments | 1 | – | 11 098 140 | – | 14 076 301 | 19 775 427 | – | 44 949 869 |
| **Total current assets at 31 December 2022** | **154 638 631** | **286 918** | **11 098 140** | – | **14 076 301** | **19 775 427** | – | **199 875 417** |
| Total current assets at 31 December 2021 | 141 399 684 | 307 532 | – | 10 921 083 | – | 34 418 633 | – | 187 046 932 |

| **THIRD-PARTY LIABILITIES (CHF)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts due to banks | 4 779 810 | – | – | – | – | – | – | 4 779 810 |
| Amounts due in respect of customer deposits | 132 103 550 | – | – | – | – | – | – | 132 103 550 |
| Negative replacement values of derivative financial instruments | 283 453 | – | – | – | – | – | – | 283 453 |
| **Total third-party liabilities at 31 December 2022** | **137 166 813** | – | – | – | – | – | – | **137 166 813** |
| Total third-party liabilities at 31 December 2021 | 131 519 235 | – | – | – | – | – | – | 131 519 235 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **ASSETS (CHF 000)** | **Domestic** | **Foreign** | **Total** | **Domestic** | **Foreign** | **Total** |
| Liquid assets | 50 189 | – | 50 189 | 37 720 | – | 37 720 |
| Amounts due from banks | 40 467 | 56 349 | 96 816 | 37 655 | 58 433 | 96 088 |
| Amounts due from customers | 1 663 | 781 | 2 444 | 1 265 | 526 | 1 791 |
| Trading assets | 1 810 | 1 310 | 3 120 | 4 306 | 950 | 5 256 |
| Positive replacement values of derivative financial instruments | 179 | 2 178 | 2 357 | 52 | 799 | 851 |
| Financial investments | 33 852 | 11 098 | 44 950 | 34 419 | 10 923 | 45 342 |
| Accrued income and prepaid expenses | 1 015 | 561 | 1 576 | 708 | 516 | 1 224 |
| Investment in subsidiaries | 100 | – | 100 | 100 | – | 100 |
| Tangible fixed assets | 505 | 115 | 620 | 684 | 157 | 841 |
| Other assets | 758 | – | 758 | 601 | – | 601 |
| **Total assets** | **130 538** | **72 392** | **202 930** | **117 510** | **72 304** | **189 814** |

| **LIABILITIES (CHF 000)** | | | | | | |
|---|---|---|---|---|---|---|
| Amounts due to banks | – | 4 780 | 4 780 | – | 9 079 | 9 079 |
| Amounts due in respect of customer deposits | 6 472 | 125 632 | 132 104 | 6 569 | 114 589 | 121 158 |
| Negative replacement values of derivative financial instruments | 49 | 234 | 283 | 113 | 1 169 | 1 282 |
| Accrued expenses and deferred income | 3 055 | 448 | 3 503 | 2 450 | 443 | 2 893 |
| Other liabilities | 2 043 | 1 | 2 044 | 1 763 | 4 | 1 767 |
| Provisions | 616 | – | 616 | 616 | – | 616 |
| Reserves for general banking risks | 3 234 | – | 3 234 | 3 234 | – | 3 234 |
| Bank's capital | 22 000 | – | 22 000 | 22 000 | – | 22 000 |
| Retained earnings reserve | 27 656 | – | 27 656 | 25 332 | – | 25 332 |
| Currency translation reserve | (26) | – | (26) | 130 | – | 130 |
| Consolidated profit of the year | 6 513 | 223 | 6 736 | 2 176 | 147 | 2 323 |
| **Total liabilities** | **71 612** | **131 318** | **202 930** | **64 383** | **125 431** | **189 814** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **ASSETS** | **Absolute (CHF 000)** | **Share %** | **Absolute (CHF 000)** | **Share %** |
| Switzerland | 130 538 | 64.3 | 117 511 | 61.9 |
| Europe excluding Switzerland | 45 674 | 22.5 | 48 568 | 25.6 |
| USA and Canada | 15 432 | 7.6 | 15 334 | 8.1 |
| Others | 11 286 | 5.6 | 8 401 | 4.4 |
| **Total** | **202 930** | **100** | **189 814** | **100** |

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **SERV Rating** | **Absolute (CHF 000)** | **Share %** | **Absolute (CHF 000)** | **Share %** |
| 1 | 70 484 | 97.3 | 70 046 | 96.8 |
| 2 | 2 | 0.0 | 6 | 0.0 |
| 3 | 697 | 1.0 | 301 | 0.4 |
| 4 | 95 | 0.1 | 31 | 0.0 |
| 5 | 55 | 0.1 | 1 561 | 2.2 |
| 6 | 271 | 0.4 | 167 | 0.2 |
| 7 | 718 | 1.0 | 145 | 0.2 |
| without rating | 70 | 0.1 | 47 | 0.1 |
| **Total** | **72 392** | **100** | **72 304** | **100** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

| ASSETS (CHF 000) | CHF | EUR | USD | JPY | Others | Total |
|---|---|---|---|---|---|---|
| Liquid assets | 50 189 | – | – | – | – | 50 189 |
| Amounts due from banks | 4 562 | 32 229 | 39 044 | 9 690 | 11 291 | 96 816 |
| Amounts due from customers | 1 647 | 334 | 369 | 27 | 67 | 2 444 |
| Trading assets | – | – | – | – | 3 121 | 3 121 |
| Positive replacement values of derivative financial instruments | 2 356 | – | – | – | – | 2 356 |
| Financial investments | 33 852 | – | 11 098 | – | – | 44 950 |
| Accrued income and prepaid expenses | 926 | 186 | 328 | 30 | 106 | 1 576 |
| Non-consolidated investment in subsidiaries | 100 | – | – | – | – | 100 |
| Tangible fixed assets | 619 | – | – | 1 | – | 620 |
| Other assets | 472 | 10 | 206 | 1 | 69 | 758 |
| **Total assets** | **94 723** | **32 759** | **51 045** | **9 749** | **14 654** | **202 930** |
| Claims arising from spot exchange and swap transactions | 62 245 | 92 157 | 183 149 | 71 915 | 102 960 | 512,426 |
| **Total at 31 December 2022** | **156 968** | **124 916** | **234 194** | **81 664** | **117 614** | **715 356** |

| LIABILITIES (CHF 000) | CHF | EUR | USD | JPY | Others | Total |
|---|---|---|---|---|---|---|
| Amounts due to banks | 4 | 2 165 | 2 426 | 51 | 134 | 4 780 |
| Amounts due in respect of customer deposits | 15 017 | 39 717 | 56 301 | 7 192 | 13 877 | 132 104 |
| Negative replacement values of derivative financial instruments | 283 | – | – | – | – | 283 |
| Accrued expenses and deferred income | 2 288 | 959 | 118 | 117 | 21 | 3 503 |
| Other liabilities | 446 | 173 | 1 409 | – | 16 | 2 044 |
| Provisions | 616 | – | – | – | – | 616 |
| Reserves for general banking risks | 3 234 | – | – | – | – | 3 234 |
| Bank's capital | 22 000 | – | – | – | – | 22 000 |
| Retained earnings reserve | 27 656 | – | – | – | – | 27 656 |
| Currency translation reserve | (26) | – | – | – | – | (26) |
| Consolidated profit of the year | 6 736 | – | – | – | – | 6 736 |
| **Total liabilities** | **78 254** | **43 014** | **60 254** | **7 360** | **14 048** | **202 930** |
| Delivery obligations arising from spot exchange and swap transactions | 73 317 | 51 312 | 207 408 | 79 481 | 100 811 | 512 329 |
| **Total at 31 December 2022** | **151 571** | **94 326** | **267 662** | **86 841** | **114 859** | **715 259** |
| **Net position by currency** | **5 397** | **30 590** | **(33 468)** | **(5 177)** | **2 755** | **97** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## Breakdown of contingent assets and contingent liabilities

| CONTINGENT ASSETS (CHF) | 2022 | 2021 |
|---|---|---|
| Other contingent assets | – | – |
| **Total contingent assets** | **–** | **–** |

| CONTINGENT LIABILITIES (CHF) | | |
|---|---|---|
| Other contingent liabilities | 150 215 | 139 755 |
| **Total contingent liabilities** | **150 215** | **139 755** |

## Breakdown of the result from trading activities

| TRADING INCOME (CHF) | 2022 | 2021 |
|---|---|---|
| Leveraged margin trading | 26 433 311 | 21 397 025 |
| Binary options | 355 829 | 561 880 |
| **Total** | **26 789 140** | **21 958 905** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2022

## Breakdown by underlying risk

| RESULT (CHF) FROM TRADING ACTIVITIES FROM: | 2022 | 2021 |
|---|---|---|
| Equity securities | 3 510 019 | 2 765 761 |
| Foreign currency | 18 494 757 | 13 429 253 |
| Commodities / precious metals | 3 669 065 | 4 810 740 |
| Cryptocurrencies | 1 115 299 | 953 151 |
| **Total** | **26 789 140** | **21 958 905** |

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

| NEGATIVE INTEREST (CHF) | 2022 | 2021 |
|---|---|---|
| Negative interest on credit operations | 248 094 | 348 137 |
| Negative interest on deposits | 3 331 | 3 186 |

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

## Breakdown of personnel expenses

| PERSONNEL EXPENSES (CHF) | 2022 | 2021 |
|---|---|---|
| Salaries | 5 684 624 | 5 973 658 |
| *of which, expenses relating to share-based compensation and alternative forms of variable compensation* | – | – |
| Benefits | 1 181 741 | 1 331 745 |
| Other personnel expenses | 135 789 | 102 899 |
| **Total personnel expenses** | **7 002 154** | **7 408 302** |

DUKASCOPY Swiss Banking Group

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## Breakdown of general and administrative expenses

| GENERAL AND ADMINISTRATIVE EXPENSES (CHF) | 2022 | 2021 |
|---|---|---|
| Premises | 1 959 385 | 2 178 732 |
| IT related expenses | 2 022 828 | 2 056 036 |
| Copyright agreement | 3 094 942 | 2 729 736 |
| Legal and consulting | 1 259 276 | 1 116 046 |
| Post, telecommunications and data | 622 423 | 621 562 |
| Expenses for vehicles | 65 616 | 75 530 |
| Office supply | 178 299 | 186 898 |
| Audit fees | 315 761 | 266 065 |
| *of which for financial and regulatory audits* | *315 761* | *266 065* |
| *of which for other services* | – | – |
| Marketing and communication | 2 253 726 | 2 413 132 |
| Travels | 891 258 | 779 478 |
| Others | 315 491 | 303 407 |
| **Total general and administrative expenses** | **12 979 005** | **12 726 622** |

## Explanations regarding extraordinary income and expenses

| EXTRAORDINARY INCOME (CHF) | 2022 | 2021 |
|---|---|---|
| Disposal of fully depreciated fixed assets | – | 11 |
| Donation from Japanese State | – | 1 530 |
| **Total extraordinary income** | – | **1 541** |

There was no extraordinary expense in 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **(CHF)** | **Domestic** | **Foreign** | **Domestic** | **Foreign** |
| Subtotal net result for interest operations | 156 151 | – | (156 833) | – |
| Subtotal result from commission business and services | 1 431 192 | (50 925) | 1 695 057 | (20 581) |
| Result from trading activities | 25 871 888 | 917 252 | 21 126 836 | 832 069 |
| Personnel expenses | (5 305 571) | (1 696 583) | (5 319 493) | (2 088 809) |
| General and administrative expenses | (4 268 768) | (8 710 237) | (4 078 629) | (8 647 993) |
| **Subtotal operating expenses** | **(9 574 339)** | **(10 406 820)** | **(9 398 122)** | **(10 736 802)** |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | (262 890) | (72 895) | (289 741) | (126 824) |
| Changes to provisions and other value adjustments and losses | (7 419) | 8 765 | (8 102) | (38 430) |
| **Operating result** | **17 614 583** | **(9 604 623)** | **12 969 095** | **(10 090 568)** |

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

| **(CHF)** | **2022** | **2021** |
|---|---|---|
| Current tax expenses | (1 274 416) | (682 962) |
| **Total taxes** | **(1 274 416)** | **(682 962)** |

| **(CHF)** | **2022** | **2021** |
|---|---|---|
| **Average tax rate** | **15.9%** | **23.7%** |

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

# REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING of Dukascopy Bank SA, Meyrin

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Dukascopy Bank SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (page 49 to 78) give a true and fair view of the financial position of the Group as at 31 December 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Board of Directors’ Responsibilities for the Consolidated Financial Statements

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 provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 | Philippine Bouvard |
| *Licensed Audit Expert* | *Licensed Audit Expert* |
| *Auditor in Charge* | |

Geneva, 21 April 2023

Enclosure:

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

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## KM1: Key regulatory figures

| | AVAILABLE CAPITAL AMOUNTS (CHF 000) (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 1 | Common Equity Tier 1 (CET1) | 51 258 | | | | 49 493 |
| 1a | Fully loaded ECL accounting model CET1 | | | | | |
| 2 | Tier 1 | 51 258 | | | | 49 493 |
| 2a | Fully loaded ECL accounting model Tier 1 | | | | | |
| 3 | Total capital | 51 258 | | | | 49 493 |
| 3a | Fully loaded ECL accounting model Total capital | | | | | |

| | RISK-WEIGHTED ASSETS AMOUNTS (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 4 | Total risk-weighted assets (RWA) | 158 330 | | | | 189 450 |
| 4a | Minimum capital requirements (000 CHF) | 12 666 | | | | 15 156 |

| | RISK-BASED CAPITAL RATIOS (as a percentage % of RWA) (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 5 | CET1 ratio (%) | 32.37% | | | | 26.12% |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1 (%) | | | | | |
| 6 | T1 ratio (%) | 32.37% | | | | 26.12% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | | | | | |
| 7 | Total capital ratio (%) | 32.37% | | | | 26.12% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | | | | | |

| | ADDITIONAL CET1 REQUIREMENTS (buffers as a percentage of RWA) (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 8 | Capital conservation buffer requirement according to Basel minimum requirements (%) | 2.50% | | | | 2.50% |
| 9 | Countercyclical buffer requirement according to Basel minimum requirements (%) | 0.00% | | | | 0.00% |
| 10 | Bank G-SIB and/or D-SIB additional requirements | 0.00% | | | | 0.00% |
| 11 | Total of bank CET1 specific buffer requirements according to Basel minimum requirements (%) | 2.50% | | | | 2.50% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 24.37% | | | | 18.12% |

| | TARGET CAPITAL RATIOS ACCORDING TO ANNEX 8 OF THE CAPITAL ADEQUACY ORDINANCE (CAO) (% of RWA) (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 12a | Capital conservation buffer according to CAO, Annex 8 (%) | 2.50% | | | | 2.50% |
| 12b | Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%) | 0.00% | | | | 0.00% |
| 12c | CET1 capital target (%) accord. to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 & 44a | 7.00% | | | | 7.00% |
| 12d | T1 capital target according to CAO, Annex 8+countercyclical buffer accord. to CAO, Art. 44 and 44a | 8.50% | | | | 8.50% |
| 12e | Total capital target according to CAO, Annex 8+contercyclical buffer accord. to CAO, Art. 44 and 44a | 10.50% | | | | 10.50% |

| | BASEL III LEVERAGE RATIO (2022 Audited) | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 13 | Total Basel III leverage ratio exposure measure (000 CHF) | 209 538 | | | | 200 765 |
| 14 | Basel IIII Leverage Ratio | 24.46% | | | | 24.65% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) | 0% | | | | 0% |

| | MEDIUM SHORT-TERM LIQUIDITY COVERAGE RATIO LCR | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 15 | LCR Numerator: total stock of high quality liquid assets (000 CHF) | 79 855 | 72 877 | 65 786 | 63 765 | 61 342 |
| 16 | LCR Denumerator: total cash outflow (000 CHF) | 4 809 | 4 677 | 4 739 | 5 183 | 5 627 |
| 17 | Liquidity coverage ratio (%) | 1 661% | 1 558% | 1 388% | 1 230% | 1 090% |

| | NET STABLE FUNDING RATIO NSFR | 2022 | 2022Q3 | 2022Q2 | 2022Q1 | 2021 |
|---|---|---|---|---|---|---|
| 18 | Available stable refinancings (000 CHF) | 171 396 | | 162 574 | | 158 500 |
| 19 | Required stable refinancings (000 CHF) | 23 584 | | 22 429 | | 22 701 |
| 20 | Net stable funding ratio NSFR (%) | 727% | | 725% | | 698% |

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## OV1: Overwiew of risk-weighted assets

| | (CHF 000) | RWA 2022 (Audited) | RWA 2021 | Min. capital requirements 2022 (Audited) |
|---|---|---|---|---|
| 1 | Credit risk | 33 221 | 34 338 | 2 657.7 |
| 20 | Market risk* | 64 965 | 94 238 | 5 197.2 |
| 24 | Operational risk | 57 975 | 58 425 | 4 638 |
| 24a | Risks without counterparty | 870 | 1 087 | 69.6 |
| 25 | Amounts below the thereshold 3 (subject to 250% risk weight) | – | – | – |
| 26 | Others | 1 299 | 1 362 | 103.9 |
| 27 | **Total (1 + 20 + 24 + 25 + 26)** | **158 330** | **189 450** | **12 666.4** |

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

*Market risk decreased due to a reduction in open positions in currencies

## LIQA: Liquidity risk management

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

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

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

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

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## CR1: Credit risk – credit quality of assets

| (CHF 000) | | Gross carrying values of | | Value adjustments/ impairments | Net values |
|---|---|---|---|---|---|
| | | Defaulted exposures | Non-Defaulted exposures | | |
| 1 | Loans (excluding debt securities) | – | 154 139 | – | 154 139 |
| 2 | Debt securities | – | 44 950 | – | 44 950 |
| 3 | Off-balance sheet exposures | – | 1 284 | – | 1 284 |
| 24 | **Total** | **–** | **200 373** | **–** | **200 373** |

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

## CR 3: Credit risk – overview of credit risk mitigation techniques

| (CHF 000) | Unsecured exposures/carrying values | Exposures secured by collateral/ carrying values | Exposures secured by financial guarantees or credit derivatives/ the amounts effectively covered |
|---|---|---|---|
| Loans (Debt securities included) | 199 050 | – | 39 |
| Off-balance sheet exposures | 1 134 | 150 | – |
| **Total** | **200 184** | **150** | **39** |
| *of which defaulted* | – | – | – |

## ORA: Operational risks

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

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

Definition of interest rate risk in the banking book. Interest rate risk in the banking book is defined as the potential loss in the net interest income (NII) or in the economic value of equity (EVE) arising from the effect of adverse interest rate changes. The Bank could be exposed to the interest rate risk by offering CFD trading on debt instruments. I such case, the Bank's exposure to the interest rate risk would much fluctuate depending on the clients trading positions. Therefore, the Bank fully hedges this trading flow. The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges or pay interests to its clients. The main source of interest rate risk of the Bank in the bonds it hold as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

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

On a quarterly basis, the Chief Risk Officer issues a Risk Report to the Audit Committee and the Board of Directors that includes the interest rate risk situation. This Risk Report presents inter alia the results of the stress tests with significant shifts in interest rate curves, the level of use of the risk limits and the distribution of relevant positions per currency and per maturity. The Bank do not pay interest on customers' accounts. Nevertheless, it can review that policy at any time if consider it necessary. Therefore, repricing maturities for all due to customers match with repricing maturities of interest rates sensitive assets. Since the Bank does not place deposits on term with banks and do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

Risk measurement mechanisms regarding the interest rate risk modelling are aligned with the business model of the Group. Finance Department performs quarter-end stress tests to monitor the net interest income (NII) and the economic value of equity (EVE). These stress tests are measured for each currency using the own base scenario (100 basis point change in interests) and the six standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 "Interest rate risk – banks). For each standardised scenario, FINMA defines the amount in basis points of interest rate shock per currency (CHF, USD, EUR) and per maturity bucket (from overnight up to more than 20 years).

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

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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**FINMA prescribed scenarios**

The six standard scenarios prescribed by FINMA can be summarised and illustrated as follows:

| Standard scenario | Amount of interest rate shock for CHF currency |
|---|---|
| Parallel shift up | +150 basis points |
| Parallel shift down | – 150 basis points |
| Steepener shock (short term rates down and long term rates up) | From -97 basis point up to +90 basis points* |
| Flattener shock (short term rates up and long term rates down) | From +120 basis points down to -60 basis points* |
| Rise in short term interest rates | From +150 basis points down to 0 basis points* |
| Fall in short term interest rates | From -150 basis points down to 0 basis points* |
| | *depending on maturity bucket |

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

**Change in economic value of equity (EVE)**

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted. The impact on each position is calculated stressing the effective interest rate.

**Change in net interest income (NII)**

Change in net interest income is computed assuming a constant balance sheet, where maturing and repricing cash flows are replaced by new cash flows with identical features. The stress test is based on all cash flows from fixed and floating rate instruments as well as assets and liabilities at sight. The impact is measured for one-year period. Floating rate instruments are impacted after interest rate reset date while fixed interest rate instruments are impacted for the remaining time after the expiration up to one year. At sight assets and liabilities are impacted for the duration of one year. The assumptions reflect the expected behavior of counterparties to modify or to cap the interest rate conditions (asset side) as well as the Bank's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

## IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2022

| | **Volume** (in CHF millions) | | | **Average interest rate reset period** (in years) | |
|---|---|---|---|---|---|
| **Positions with an defined interest rate reset date** | Total | of which CHF | of which other significant currencies* | Total | of which CHF |
| Financial investments | 43 | 31 | 12 | 4.47 | 6.22 |
| **Positions with an undefined interest rate reset date** | | | | | |
| Amounts due from banks | 89 | 5 | 72 | 0.04 | 0.04 |
| Amounts due from customers | 2 | 1 | 1 | 0.62 | 0.62 |
| Sight liabilities in personal and current accounts | (124) | (15) | (104) | 0.04 | 0.04 |
| Other liabilities | (7) | 0 | (7) | 0.04 | 0.04 |
| **Total** | **3** | **22** | **(26)** | – | – |

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

# KEY METRICS DISCLOSURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2022

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

| | Δ EVE (change in the net present value) | | Δ NII (change in the discounted earning value) | |
|---|---|---|---|---|
| **Period (CHF millions)** | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Parallel upward shift | (2.0) | (3.3) | 0 | 0 |
| Parallel downward shift | 2.0 | 3.7 | 0 | 0 |
| Steepener shock | (0.8) | (1.1) | – | – |
| Flattener shock | 0.4 | 0.5 | – | – |
| Upward short-term interest rate shock | (0.5) | (0.8) | – | – |
| Downward short-term interest rate shock | 0.5 | 0.8 | – | – |
| Maximum | 2.0 | 3.7 | 0 | 0 |
| **Total eligible capital** | **51.3** | **49.5** | – | – |

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

The Group's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Group neither charges or pay interests to its clients. Nevertheless, it can review that policy at any time if consider it necessary. Therefore, repricing maturities for all due to customers match with repricing maturities of interest rates sensitive assets. Since the Bank does not place deposits on term with banks and do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

The Group could be exposed to the interest rate risk by offrering CFD trading on debt instruments. In such case, the Group's exposure to the interest rate risk would much fluctuate depending on the clients trading positions. Therefore, the Group fully hedges this trading flow. The main source of interest rate risk of the Group in the bonds it hold as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

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