

**db ETC Plc**

**Management report and  
Condensed unaudited interim financial statements**

**For the half year ended 30 June 2017**

**Registered number : 103781**

## **db ETC Plc**

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# db ETC Plc

## Directors and other information

### Directors

Intertrust Corporate Director 3 Limited  
Intertrust Corporate Director 4 Limited  
Carl McConnell

### Registered Office

St Paul's Gate  
New Street  
St Helier  
Jersey JE4 8ZB  
Channel Islands

### Administrator, Determination Agent & Company Secretary

Deutsche International Corporate Services Limited  
St Paul's Gate  
New Street  
St Helier  
Jersey JE4 8ZB  
Channel Islands

### Authorised Participant, Arranger, Issuing and Paying Agent, Programme Counterparty, Custodian and Metal Agent

Deutsche Bank AG  
London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### Note Trustee

Deutsche Trustee Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**Interim management report**

The directors present their interim report and the condensed unaudited interim financial statements of db ETC Plc (the "Company") for the half year ended 30 June 2017.

**Principal activities and business review**

The Company was incorporated on 6 August 2009 as a public limited company in Jersey under the Companies (Jersey) Law 1991 with Company number 103781.

The principal activity of the Company, under the secured ETC precious metal securities programme (the "Programme"), is to issue from time to time series (each a "Series") of secured precious metal linked securities (the "ETC Securities"), where recourse in respect of each Series is limited to the proceeds of enforcement of the security over each respective Series' assets.

With respect to each Series of ETC Securities, the Company's main assets are its holdings of underlying metal and its interests under the related Balancing Agreement. The obligations of the Company under the ETC Securities of a Series will be secured in favour of the Trustee by an assignment by way of security of all the Company's rights, title, interest and benefit present and future against the Secured Account Custodian, the Subscription Account Custodian and any Sub-Custodian relating to the underlying metal in respect of this Series of ETC Securities.

The net proceeds from the issue of a Series of ETC Securities are used to purchase an amount of metal which, in accordance with the Custody Agreement for secured accounts will, to the extent possible, be allocated to physical metal bars or other metal shapes and be held in the secured allocated account. Any remaining metal is held in the secured unallocated account. Such underlying metal is used to meet the Company's obligations under the relevant Series of ETC Securities and the relevant Balancing Agreement.

The ETC Securities issued are listed on various exchanges including London, Switzerland, Milan and Frankfurt.

**Key performance indicators**

The Company is a Special Purpose Vehicle (the "SPV") and its principal activity is the issue of secured precious metal linked securities. The best benchmark is the price of the relevant metal in which the proceeds of the ETC Securities are invested in. For all Series, the performance closely follows the movement in the metal linked to the Series.

The directors confirm that the key performance indicators as disclosed below are those that are used to assess the performance of the Company.

During the half year ended:

- the Company made a profit of EUR nil (30 June 2016: EUR nil);
- the net fair value gain on inventories amounted to EUR 26,211,947 (30 June 2016: EUR 377,363,151); and
- the net fair value loss on financial liabilities designated at fair value through profit or loss amounted to EUR 26,211,947 (30 June 2016: EUR 377,363,151).

As at 30 June 2017:

- the Company's total indebtedness was EUR 2,893,213,979 (31 December 2016: EUR 2,123,381,387); and
- the net assets were EUR 30,002 (31 December 2016: EUR 30,002).

**Future developments**

The directors expect that the present level of activity will be sustained for the foreseeable future. The board (the "Board") will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of Series of the Company.

**Credit events**

There was no credit event noted during the period.

**Subsequent events**

Subsequent events are disclosed under note 17 to the financial statements.

**Results and dividends for the period**

The results for the period are set out on page 5. The directors do not recommend the payment of a dividend for the period under review (30 June 2016: EUR nil).

**Changes in directors, secretary and registered office**

There has been no change in directors, secretary and registered office during the period.

Interim management report (continued)

**Directors, secretary and their interests**

None of the directors or the secretary who held office on 30 June 2017 held any shares or ETC securities in the Company at that date, or during the period. There were no contracts of any significance in relation to the business of the Company in which the directors had any interest. As disclosed in note 13, Related Party Transactions, Carl McConnell, acting as director for the Company is an employee of Deutsche Bank International Limited who provide administrative services to the Company through their subsidiary, Deutsche International Corporate Services Limited. See note 13 for full details of the relationships entered into between the Company and the Deutsche Bank Group.

On behalf of the Board



Carl McConnell

Director

Date: 30 August 2017

**Responsibility statement**

The Company's directors are responsible for preparing the management report and the condensed unaudited interim financial statements in accordance with applicable law and regulations. The directors confirm that, to the best of their knowledge:

- the condensed unaudited interim financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the Company, and
- the interim management report includes a fair review of:
  - important events that have occurred during the first six months of the year;
  - the impact of those events on the condensed financial statements; and
  - a description of the principal risks and uncertainties for the remaining six months of the financial year.

The directors further indicate that such condensed unaudited interim financial statements for the half year ended 30 June 2017 have not been audited.

On behalf of the Board



Carl McConnell

Director

Date: 31 August 2017

**Condensed statement of comprehensive income**  
**For the half year ended 30 June 2017**

	Notes	Period ended 30-Jun-17 EUR	Period ended 30-Jun-16 EUR
Net fair value gain on inventories less costs to sell	4	26,211,947	377,363,151
Net fair value loss on financial liabilities designated at fair value through profit or loss	5	(26,211,947)	(377,363,151)
<b>Operating result</b>		-	-
Other income		-	-
<b>Operating profit before taxation</b>		-	-
Taxation	6	-	-
<b>Profit or loss and total comprehensive income for the period</b>		-	-

**Condensed statement of financial position**  
As at 30 June 2017

	Notes	30-Jun-17 EUR	31-Dec-16 EUR
<b>Assets</b>			
Cash and cash equivalents	7	2	2
Other receivables	8	30,000	30,000
Inventories held at fair value less costs to sell	9	2,893,213,979	2,123,381,387
<b>Total assets</b>		<u>2,893,243,981</u>	<u>2,123,411,389</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Financial liabilities designated at fair value through profit or loss	10	2,893,213,979	2,123,381,387
<b>Total liabilities</b>		<u>2,893,213,979</u>	<u>2,123,381,387</u>
<b>Equity</b>			
Share capital	11	2	2
Retained earnings		30,000	30,000
<b>Total equity</b>		<u>30,002</u>	<u>30,002</u>
<b>Total liabilities and equity</b>		<u>2,893,243,981</u>	<u>2,123,411,389</u>

The condensed unaudited interim financial statements on pages 5 to 15 were approved by the Board and authorised for issue on 30 August 2017.

On behalf of the Board

Director

Date: 30 August 2017



**Condensed statement of changes in equity**  
**For the half year ended 30 June 2017**

	<b>Share capital EUR</b>	<b>Retained earnings EUR</b>	<b>Total equity EUR</b>
<b>Balance as at 1 January 2016</b>	2	30,000	30,002
<i>Comprehensive income for the period</i>			
Profit for the period	-	-	-
Total comprehensive income for the period	-	-	-
<b>Balance as at 30 June 2016</b>	2	30,000	30,002
<i>Comprehensive income for the period</i>			
Profit for the period	-	-	-
Total comprehensive income for the period	-	-	-
<b>Balance as at 31 December 2016</b>	2	30,000	30,002
<i>Comprehensive income for the period</i>			
Profit for the period	-	-	-
Total comprehensive income for the period	-	-	-
<b>Balance as at 30 June 2017</b>	2	30,000	30,002

**Condensed statement of cash flows**  
**For the half year ended 30 June 2017**

	Notes	Period ended 30-Jun-17 EUR	Period ended 30-Jun-16 EUR
<b>Cash flows from operating activities</b>			
Profit before taxation		-	-
<i>Adjustments for:</i>			
Net fair value gain on inventories	4	(26,211,947)	(377,363,151)
Net fair value loss on financial liabilities designated at fair value through profit or loss	5	26,211,947	377,363,151
<b>Net cash generated from operating activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of inventories		(958,640,367)	(941,438,935)
Proceeds from disposal of inventories		215,019,722	355,010,015
<b>Net cash used in investing activities</b>		<u>(743,620,645)</u>	<u>(586,428,920)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of financial liabilities designated at fair value through profit or loss		958,640,367	941,438,935
Redemption of financial liabilities designated at fair value through profit or loss		(215,019,722)	(355,010,015)
<b>Net cash generated from financing activities</b>		<u>743,620,645</u>	<u>586,428,920</u>
<b>Movement in cash and cash equivalents</b>			
		-	-
Cash and cash equivalents at start of the period		2	2
<b>Cash and cash equivalents at end of the period</b>		<u>2</u>	<u>2</u>

**Notes to the condensed unaudited interim financial statements  
For the half year ended 30 June 2017**

**1 General information**

The Company was incorporated on 6 August 2009 as a public limited company in Jersey under the Companies (Jersey) Law 1991, as amended, with Company number 103781.

The principal activity of the Company, under the secured ETC precious metal securities programme (the "Programme"), is to issue from time to time series (each a "Series") of secured precious metal linked securities (the "ETC Securities"), where recourse in respect of each Series is limited to the proceeds of enforcement of the security over each respective Series' assets.

The ETC Securities issued are listed on various exchanges including London, Switzerland, Milan and Frankfurt.

**2 Basis of preparation**

The condensed unaudited interim financial statements for the half year ended 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The condensed unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2016 and the condensed unaudited interim financial statements for the period ended 30 June 2016.

**3 Significant accounting policies**

The same accounting policies, presentation and methods of computation are followed in these condensed unaudited interim financial statements as were applied in the preparation of the Company's audited financial statements for the year ended 31 December 2016.

**4 Net fair value gain on inventories less costs to sell**

	<b>Period ended 30-Jun-17</b>	<b>Period ended 30-Jun-16</b>
	<b>EUR</b>	<b>EUR</b>
Net fair value gain on inventories less costs to sell	26,211,947	377,363,151
	<u>26,211,947</u>	<u>377,363,151</u>

**5 Net fair value loss on financial liabilities designated at fair value through profit or loss**

	<b>Period ended 30-Jun-17</b>	<b>Period ended 30-Jun-16</b>
	<b>EUR</b>	<b>EUR</b>
Net fair value loss on ETC Securities	(26,211,947)	(377,363,151)
	<u>(26,211,947)</u>	<u>(377,363,151)</u>

**6 Taxation**

The Company is not a regulated financial service company from a Jersey Income Tax perspective. Therefore, the Company is liable to Jersey Income Tax at 0%.

**7 Cash and cash equivalents**

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EUR</b>	<b>EUR</b>
Cash at bank	2	2
	<u>2</u>	<u>2</u>

**8 Other receivables**

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EUR</b>	<b>EUR</b>
Corporate benefit receivable due from Arranger	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

**9 Inventories held at fair value less costs to sell**

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EUR</b>	<b>EUR</b>
Inventories	2,893,213,979	2,123,381,387
	<u>2,893,213,979</u>	<u>2,123,381,387</u>

**Movement in inventories**

	<b>30-Jun-17</b>	<b>31-Dec-16</b>
	<b>EUR</b>	<b>EUR</b>
At beginning of the period/year	2,123,381,387	1,500,681,239
Additions during the period/year	958,640,367	1,367,480,505
Disposals during the period/year	(215,019,722)	(885,941,203)
Net changes in fair value during the period/year	26,211,947	141,160,846
At end of the period/year	<u>2,893,213,979</u>	<u>2,123,381,387</u>

Notes to the condensed unaudited interim financial statements (continued)  
For the half year ended 30 June 2017

## 10 Financial liabilities designated at fair value through profit or loss

	30-Jun-17		31-Dec-16	
	Nominal units issued	Fair value EUR	Nominal units issued	Fair value EUR
ETC Securities issued	33,146,600	2,893,213,979	22,611,000	2,123,381,387
<b>Movement in ETC Securities issued</b>			<b>30-Jun-17</b>	<b>31-Dec-16</b>
			<b>EUR</b>	<b>EUR</b>
At beginning of the period/year			2,123,381,387	1,500,681,239
Issue of ETC Securities issued during the period/year			958,640,367	1,367,480,505
Redemption of ETC Securities issued during the period/year			(215,019,722)	(885,941,203)
Net gain in fair value during the period/year			26,211,947	141,160,846
At end of the period/year			<u>2,893,213,979</u>	<u>2,123,381,387</u>

The ETC Securities issued are listed on various exchanges including London, Switzerland, Milan and Frankfurt. Refer to note 15 for a description of the key risks regarding the issue of these instruments.

The financial liabilities in issue at 30 June 2017 are as follows:

Series	Description	CCY	Maturity date	Units Outstanding 30-Jun-17	NAV per unit (CCY) 30-Jun-17	Fair value EUR 30-Jun-17
Series 1	db Physical Gold ETC	USD	15-Jun-60	6,054,200	121.68	644,741,758
Series 2	db Physical Gold Euro Hedged ETC	EUR	15-Jun-60	15,494,800	90.83	1,407,394,917
Series 3	db Physical Silver ETC	USD	15-Jun-60	284,000	159.50	39,643,738
Series 4	db Physical Silver Euro Hedged ETC	EUR	15-Jun-60	887,000	115.35	102,318,720
Series 5	db Physical Platinum ETC	USD	14-Jul-60	295,000	89.31	23,059,486
Series 6	db Physical Platinum Euro Hedged ETC	EUR	14-Jul-60	396,800	64.32	25,521,316
Series 7	db Physical Palladium ETC	USD	14-Jul-60	115,000	81.47	8,199,560
Series 8	db Physical Palladium Euro Hedged ETC	EUR	14-Jul-60	165,000	57.87	9,548,232
Series 9	db Physical Gold ETC (EUR)	EUR	27-Aug-60	4,403,800	106.61	469,503,338
Series 10	db Physical Silver ETC (EUR)	EUR	27-Aug-60	533,000	139.99	74,613,129
Series 11	db Physical Rhodium ETC	USD	19-May-61	330,000	97.57	28,180,364
Series 12	db Physical Rhodium ETC (EUR)	EUR	19-May-61	240,000	85.53	20,527,120
Series 13	db Physical Gold GBP Hedged ETC	GBP	01-Apr-61	3,868,000	7.33	32,299,944
Series 16	db Physical Gold CHF Hedged ETC	CHF	05-Dec-62	80,000	104.88	7,662,357
				<u>33,146,600</u>		<u>2,893,213,979</u>

Notes to the condensed unaudited interim financial statements (continued)  
For the half year ended 30 June 2017

10 Financial liabilities designated at fair value through profit or loss (continued)

The financial liabilities in issue at 31 December 2016 are as follows:

Series	Description	CCY	Maturity date	Units outstanding 31-Dec-16	NAV per unit (CCY) 31-Dec-16	Fair value EUR 31-Dec-16
Series 1	db Physical Gold ETC	USD	15-Jun-60	4,580,000	113.70	495,015,921
Series 2	db Physical Gold Euro Hedged ETC	EUR	15-Jun-60	9,315,000	85.90	800,181,011
Series 3	db Physical Silver ETC	USD	15-Jun-60	265,000	157.62	39,705,896
Series 4	db Physical Silver Euro Hedged ETC	EUR	15-Jun-60	790,000	115.30	91,083,360
Series 5	db Physical Platinum ETC	USD	14-Jul-60	325,000	88.06	27,206,074
Series 6	db Physical Platinum Euro Hedged ETC	EUR	14-Jul-60	305,000	64.05	19,534,612
Series 7	db Physical Palladium ETC	USD	14-Jul-60	115,000	65.63	7,174,965
Series 8	db Physical Palladium Euro Hedged ETC	EUR	14-Jul-60	205,000	47.05	9,645,087
Series 9	db Physical Gold ETC (EUR)	EUR	27-Aug-60	4,680,000	107.74	504,236,660
Series 10	db Physical Silver ETC (EUR)	EUR	27-Aug-60	505,000	149.41	75,452,946
Series 11	db Physical Rhodium ETC	USD	19-May-61	330,000	71.76	22,509,470
Series 12	db Physical Rhodium ETC (EUR)	EUR	19-May-61	261,000	68.01	17,751,779
Series 13	db Physical Gold GBP Hedged ETC	GBP	01-Apr-61	860,000	6.90	6,962,622
Series 16	db Physical Gold CHF Hedged ETC	CHF	05-Dec-62	75,000	98.90	6,920,984
				22,611,000		2,123,381,387

Movement in fair values by Series for the period ended 30 June 2017

Series	Description	Opening balance 01-Jan-17 EUR	Issuances EUR	Redemptions EUR	Net changes in fair values EUR	Closing balance 30-Jun-17 EUR
Series 1	db Physical Gold ETC	495,015,921	209,421,560	(42,632,577)	(17,063,146)	644,741,758
Series 2	db Physical Gold Euro Hedged ETC	800,181,011	594,790,697	(31,859,177)	44,282,386	1,407,394,917
Series 3	db Physical Silver ETC	39,705,896	5,945,096	(3,079,446)	(2,927,808)	39,643,738
Series 4	db Physical Silver Euro Hedged ETC	91,083,360	39,263,384	(27,888,816)	(139,208)	102,318,720
Series 5	db Physical Platinum ETC	27,206,074	-	(2,688,809)	(1,457,779)	23,059,486
Series 6	db Physical Platinum Euro Hedged ETC	19,534,612	6,109,455	-	(122,751)	25,521,316
Series 7	db Physical Palladium ETC	7,174,965	-	-	1,024,595	8,199,560
Series 8	db Physical Palladium Euro Hedged ETC	9,645,087	-	(2,072,490)	1,975,635	9,548,232
Series 9	db Physical Gold ETC (EUR)	504,236,660	61,634,271	(92,346,905)	(4,020,688)	469,503,338
Series 10	db Physical Silver ETC (EUR)	75,452,946	13,603,298	(9,251,797)	(5,191,318)	74,613,129
Series 11	db Physical Rhodium ETC	22,509,470	-	-	5,670,894	28,180,364
Series 12	db Physical Rhodium ETC (EUR)	17,751,779	-	(1,896,957)	4,672,298	20,527,120
Series 13	db Physical Gold GBP Hedged ETC	6,962,622	27,386,020	(1,302,748)	(745,950)	32,299,944
Series 16	db Physical Gold CHF Hedged ETC	6,920,984	486,586	-	254,787	7,662,357
		2,123,381,387	958,640,367	(215,019,722)	26,211,947	2,893,213,979

**Notes to the condensed unaudited interim financial statements (continued)**  
**For the half year ended 30 June 2017**

**10 Financial liabilities designated at fair value through profit or loss (continued)**

*Movement in fair values by Series for the year ended 31 December 2016*

Series	Description	Opening balance 01-Jan-16 EUR	Issuances EUR	Redemptions EUR	Net changes in fair values EUR	Closing balance 31-Dec-16 EUR
Series 1	db Physical Gold ETC	431,197,580	127,220,570	(115,158,596)	51,756,367	495,015,921
Series 2	db Physical Gold Euro Hedged ETC	388,350,563	757,643,506	(352,766,251)	6,953,193	800,181,011
Series 3	db Physical Silver ETC	41,573,756	-	(12,060,548)	10,192,688	39,705,896
Series 4	db Physical Silver Euro Hedged ETC	62,534,250	87,128,293	(72,117,546)	13,538,363	91,083,360
Series 5	db Physical Platinum ETC	29,374,216	-	(4,191,506)	2,023,364	27,206,074
Series 6	db Physical Platinum Euro Hedged ETC	22,490,491	-	(3,890,769)	934,890	19,534,612
Series 7	db Physical Palladium ETC	29,236,328	-	(22,839,847)	778,484	7,174,965
Series 8	db Physical Palladium Euro Hedged ETC	13,877,531	21,703,141	(32,951,486)	7,015,901	9,645,087
Series 9	db Physical Gold ETC (EUR)	357,764,133	356,854,288	(237,292,072)	26,910,311	504,236,660
Series 10	db Physical Silver ETC (EUR)	50,139,359	15,875,894	-	9,437,693	75,452,946
Series 11	db Physical Rhodium ETC	40,783,578	-	(25,483,311)	7,209,203	22,509,470
Series 12	db Physical Rhodium ETC (EUR)	15,282,645	-	(1,467,617)	3,936,751	17,751,779
Series 13	db Physical Gold GBP Hedged ETC	11,569,405	1,054,813	(5,721,654)	60,058	6,962,622
Series 16	db Physical Gold CHF Hedged ETC	6,507,404	-	-	413,580	6,920,984
		<u>1,500,681,239</u>	<u>1,367,480,505</u>	<u>(885,941,203)</u>	<u>141,160,846</u>	<u>2,123,381,387</u>

**11 Share capital**

*Authorised:*

10,000 ordinary shares of GBP 1 each

**30-Jun-17**

**GBP**

10,000

**31-Dec-16**

**GBP**

10,000

*Issued and fully paid*

2 ordinary shares of GBP 1 each

**30-Jun-17**

**EUR**

2

**31-Dec-16**

**EUR**

2

As at 30 June 2017 and 31 December 2016, the ordinary share capital was held by the following non-beneficial nominees:

	<b>30-Jun-17</b> <b>GBP</b>	<b>31-Dec-16</b> <b>GBP</b>
Intertrust Nominees (Jersey) Limited	1	1
Intertrust Nominees 2 (Jersey) Limited	1	1
	<u>2</u>	<u>2</u>

The authorised share capital of the Company is GBP 10,000 out of which 2 ordinary shares have been issued and fully paid. The nominees have no beneficial interest in and derives no benefit from its holding of the shares. There are no other rights that pertain to the shares and the shareholders.

**Notes to the condensed unaudited interim financial statements (continued)**  
**For the half year ended 30 June 2017**

**12 Capital risk management**

The Company views the share capital as its capital. The Company is a special purpose vehicle set up to issue ETC Securities for the purpose of making investments as defined under the programme memorandum and in each of the Series memorandum agreements. Share capital of GBP 2 was issued in line with Jersey Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

The Company can issue further series of ETC Securities to meet the demand of its investors.

**13 Related Party Transactions**

Intertrust Corporate Director 3 Limited and Intertrust Corporate Director 4 Limited act solely in the capacity as directors of Jersey companies, pursuant to the Companies (Jersey) Law 1991, as amended. Both are part of the Intertrust group of companies. No fee was charged or paid to the Intertrust Group during the period under review by the Company for the provision of directors. Most expenses of the Company are borne by the Arranger, Deutsche Bank AG, London Branch, including fees paid to Intertrust.

Product fees accrued for the period ended 30 June 2017 due to Deutsche Bank AG, London branch in its capacity as Arranger amounted to EUR 5,795,105 (31 December 2016: EUR 10,493,533).

Carl McConnell, acting as director for the Company is an employee of Deutsche Bank International Limited. Deutsche International Corporate Services Limited, which acts as administrator to the Company, is a subsidiary of Deutsche Bank International Limited and is part of Deutsche Bank AG, London Branch.

As at 30 June 2017, corporate benefit fees amounting to EUR 30,000 (31 December 2016: EUR 30,000) were receivable from the Arranger, Deutsche Bank AG, London Branch.

As at 30 June 2017, the number of ETC Securities held by Deutsche Bank AG, London Branch, as authorised participant was 230,277 units (EUR 10,541,586) (31 December 2016: 494,248 units (EUR 49,280,064)).

**14 Ultimate controlling party**

The directors of the Company consider Intertrust Corporate Trustee (Jersey) Limited as trustee of the db ETC Charitable Trust (the beneficial owner of the issued share capital of the Company) to be the ultimate controlling party of the Company.

**15 Financial risk management**

*Risk management framework*

The Company, and ultimately the holders of the ETC securities, have exposure to the following risks from its use of financial instruments:

- Operational risk;
- Credit risk;
- Market risk; and
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

*Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in note 1. All management and administration functions are outsourced to Deutsche International Corporate Services Limited. Deutsche Bank AG, London Branch acts as the Company's authorised participant, arranger, issuing and paying agent, programme counterparty, custodian and metal agent.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's principal financial assets are cash and cash equivalents, other receivables and inventories which represents the Company's maximum exposure to credit risk. All credit risk are ultimately borne by the ETC Securities holders.

**Notes to the condensed unaudited interim financial statements (continued)**  
**For the half year ended 30 June 2017**

**15 Financial risk management (continued)**

*Market risk*

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The ETC Securities holders are exposed to the market risk of the financial instruments.

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of a change in interest rates. The ETC Securities and the inventories do not bear interest. As such, the Company and ETC Securities holders have limited exposure to interest rate risk.

(ii) *Currency risk*

Currency risk is the risk which arises where the assets and liabilities of the Company that are denominated in currencies other than its functional currency. As at 30 June 2017, the Company is exposed to assets and liabilities denominated in US Dollars (USD), Pound Sterling (GBP) and Swiss Franc (CHF).

The Company is not exposed to net currency risk since the foreign exchange movements in its financial liabilities will be offset by the foreign exchange movements in its inventories. Any net foreign currency risk is borne by the ETC securities holders.

The following significant exchange rates have been applied during the following period:

	Average rate			Closing rate		
	Period ended 30-Jun-17	Year ended 31-Dec-16	Period ended 30-Jun-16	Period ended 30-Jun-17	Year ended 31-Dec-16	Period ended 30-Jun-16
USD-EUR	0.9238	0.9040	0.8959	0.8752	0.9506	0.9004
GBP- EUR	1.1629	1.2243	1.2844	1.1398	1.1731	1.1984
CHF-EUR	0.9289	0.9175	0.9124	0.9132	0.9331	0.9225

(iii) *Price risk*

Price risk is the risk that changes in market prices of metals will affect the Company's income, expense, inventories and financial liabilities designated at fair value through profit or loss. The Company's liabilities are exposed to the market prices of the metals. However, the risk is mitigated by the Company holding quantities of physical metal inventory equivalent to the weight of metal entitlement for each Series of ETC Securities issued. The ETC Security holders are exposed to the market price risk of their metal entitlement under the ETC Securities.

Any changes in the metal spot prices on the inventories held by the Company would not have any net effect on the equity or the profit or loss of the Company since changes in the fair value of inventories would be offset by corresponding changes in the fair value of the ETC Securities and as such any price risk is ultimately borne by the ETC Securities holders.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company limits its exposure to liquidity risk through the purchase of inventory. All liquidity risk associated with the inventories are ultimately borne by the ETC Securities holders.

**Fair values**

The Company's inventories and financial liabilities designated at fair value through profit or loss are carried at fair value in the condensed statement of financial position.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted prices (unadjusted) in active market for an identical instrument.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Company does not have any financial instruments at level 1 or 3 and there has not been any transfer between levels during the half year ended 30 June 2017.



**Notes to the condensed unaudited interim financial statements (continued)**  
**For the half year ended 30 June 2017**

**16 Operating expenses**

All costs associated with the Company are paid by Deutsche Bank AG, London Branch, the Arranger.

**17 Subsequent events**

On 25 July 2017, Series 16 was fully redeemed and its corresponding financial assets disposed accordingly.

There has been no other significant events that require disclosure to the condensed unaudited interim financial statements since the period end and up to the date of approving the interim report.

**18 Comparatives**

In line with IAS 34, the comparative information for the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows are for the period ended 30 June 2016 and the comparative information for the statement of financial position is as at 31 December 2016.

**19 Approval of the condensed unaudited interim financial statements**

The board of directors approved these condensed unaudited interim financial statements on .....30 August.....2017.

**This announcement has been issued through the Companies Announcement Service of  
The London Stock Exchange.**

