



DEUTSCHE BÖRSE
COMMODITIES

Annual financial statements and management report

31 December 2016

**Balance sheet as at 31 December 2016
of Deutsche Börse Commodities GmbH, Frankfurt/Main**

A s s e t s	31/12/2016 €	31/12/2015 € thousand	S h a r e h o l d e r s ' E q u i t y a n d L i a b i l i t i e s	31/12/2016 €	31/12/2015 € thousand
NON-CURRENT ASSETS			SHAREHOLDERS' EQUITY		
Property, plant and equipment			Subscribed capital	1,000,000,00	1,000
Operating and business equipment	745,00	1	Unappropriated surplus	3,751,770,51	2,626
Total non-current assets	745,00	1	Total shareholders' equity	4,751,770,51	3,626
CURRENT ASSETS			PROVISIONS		
Stocks			Provisions for taxes	717,394,25	168
Raw materials and consumables	14,721,54	30	Other provisions	141,360,00	96
Receivables and other assets			Total provisions	858,754,25	264
Trade accounts receivable	3,779,862,14	451	Liabilities		
Accounts receivable from affiliated companies	211,656,335,23	53,299	Bonds	4,156,845,455,70	1,863,299
Other assets	3,945,266,338,95	1,810,045	Trade accounts payable	244,373,32	133
	4,160,702,536,32	1,863,795	Accounts payable to affiliated companies	220,287,06	150
Bank balances	2,309,627,71	3,626	Other liabilities	106,989,73	21
Total current assets	4,163,026,885,57	1,867,451	thereof for taxes € 106,459,73 (previous year: € 21 thousand)		
DEFERRED EXPENSES	0,00	41	Total liabilities	4,157,417,105,81	1,863,603
Total assets	4,163,027,630,57	1,867,493	Total shareholders' equity and liabilities	4,163,027,630,57	1,867,493

Income statement
of Deutsche Börse Commodities GmbH, Frankfurt/Main
for the period from 1 January to 31 December 2016

	2016 €	2015 € thousand
Sales revenues	7.471.107,56	4.666
Other operating income	146.443.623,10	318.248
Personnel expenses		
Wages and salaries	-202.068,22	-160
Social security and expenses for pensions and other employee benefits	-11.190,60	-12
Depreciation of property, plant and equipment	-315,00	-1
Other operating expenses	-150.770.390,23	-321.241
Other interest and similar income	0,02	0
Interest and similar expenses	-45,00	0
Taxes on income	-805.114,60	-427
Income after taxes	2.125.607,03	1.073
Net income for the year	2.125.607,03	1.073
Profit carried forward from the previous year	1.626.163,48	1.553
Unappropriated surplus	3.751.770,51	2.626

Cash flow statement
of Deutsche Börse Commodities GmbH, Frankfurt/Main
for the period from 1 January to 31 December 2016

	2016 €	2015 € thousand
Net income for the period	2.125.607,03	1.073
+ Depreciation and amortization of non-current assets	315,00	1
- Decrease in provisions	594.728,29	125
+/- Increase/decrease of trade accounts receivable and of other assets not allocated to investing or financing activities	-2.296.851.496,50	-303.465
+/- Increase/decrease of trade accounts payable and of other liabilities not allocated to investing or financing activities	2.293.814.497,09	303.419
= Cash flow from operating activities	-316.349,09	1.153
- Cash payments for investment in property, plant and equipment	0,00	0
= Cash flow from investing activities	0,00	0
- Dividends paid to shareholders	-1.000.000,00	-500
= Cash flow from financing activities	-1.000.000,00	-500
= Change in cash funds from cash relevant transactions	-1.316.349,09	653
+ Cash funds at the beginning of period	3.625.976,80	2.973
= Cash funds at the end of period	2.309.627,71	3.626

**Statement of shareholders' equity
of Deutsche Börse Commodities GmbH, Frankfurt/Main
for the period from 1 January to 31 December 2016**

Subscribed capital	2016 €	2015 € thousand
Balance as at 1 January	1.000.000,00	1.000
Balance as at 31 December	1.000.000,00	1.000
Unappropriated surplus	2016 €	2015 € thousand
Balance as at 1 January	2.626.163,48	2.053
Net income	2.125.607,03	1.073
Distributions to shareholders	-1.000.000,00	-500
Balance as at 31 December	3.751.770,51	2.626
Equity as at 31 December	4.751.770,51	3.626

Notes to the financial statements for financial year 2016

General information on the Company

Deutsche Börse Commodities GmbH, which has its registered office in Frankfurt/Main, Germany, is registered in Commercial Register B of Frankfurt/Main District Court 60485 under the number 80375.

Accounting policies

The financial statements of Deutsche Börse Commodities GmbH, Frankfurt/Main, were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code) and the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG, German Act on Limited Liability Companies).

The total cost accounting method was chosen for the income statement.

The Company is deemed to be a large corporation as defined by section 267 (3) of the HGB.

The informative value of comparisons with the figures for previous years for the income statements is limited due to the entry into force of the Bilanzrichtlinie-Umsetzungsgesetz (BilRUG, the German Act Implementing the Accounting Directive) on 1 January 2016.

Property, plant and equipment is carried at cost. Depreciable property, plant and equipment is depreciated using the straight-line method over its useful life. For movable assets, the tax simplification rules regarding the depreciation start date are applied in their valid form on the respective date of acquisition.

Expenses denominated in foreign currency were translated on the posting date at the ECB reference rate or the Bloomberg rates.

The advertising materials for trade fair appearances reported under inventories are carried at cost.

Receivables and bank balances are carried at their nominal value.

All other provisions take appropriate account of all identifiable risks and contingent liabilities as at the balance sheet date and have been set aside in the amount of anticipated settlement expenses in accordance with prudent commercial judgement.

In accordance with section 253 (1) clause 2 of the HGB, liabilities are recognised with their respective settlement amounts with the exception of the issued bearer bonds.

Formation of a valuation unit

In view of the cover for bearer bonds issued in the form of physical gold stocks and rights to take delivery of gold (Xetra book gold), a valuation unit was formed between these balance sheet items.

The physical gold stocks, the rights to take delivery of gold and the bearer bonds have to be valued together as an underlying and hedging transaction as defined in section 254 of the HGB to the extent that the bearer bonds are actually covered by stocks or rights to take delivery of gold. The accounting is prepared in accordance with the gross hedge presentation method; the bearer bonds, the stocks of physical gold and the rights to take delivery of gold are accordingly valued at the price of Xetra Gold prevailing on the reporting date. The valuation unit was effective at all times during the year and on the balance sheet date.

Notes to the balance sheet

Fixed assets

The changes in fixed assets are described in the statement of changes in fixed assets.

Receivables

All receivables have a residual maturity of less than one year.

Receivables from companies in which the Company has a participating interest

Receivables relate to the right to take delivery of physical gold (5,987.4 kg; previous year: 1,694.7 kg); upon asserting the right to take delivery, the physical gold must be delivered within ten bank working days. These receivables are due from a shareholder.

Other assets

This item primarily includes the physical stocks of gold held in custody at Clearstream Banking AG (111,603.7 kg; previous year: 57,551.7 kg) in the amount of €3,945,189.1 thousand (previous year: €1,810,000.6 thousand).

Equity

The share capital in the amount of €1,000.0 thousand (previous year: €1,000.0 thousand) is fully paid in.

Unappropriated surplus

The profit carried forward from the previous year and included in the unappropriated surplus amounts to €2,626.2 thousand (previous year: €1,533.2 thousand).

Proposal for the appropriation of earnings

The management proposes appropriating the net profit of EUR 3,751,770.51 reported in Deutsche Börse Commodities GmbH's annual financial statements as follows:

A distribution of €2,000 thousand to the shareholders and carrying the remaining amount forward to the next financial year.

Other provisions

Other provisions totalling €141.4 thousand comprise the following:

	31.12.2016	31.12.2015
	€ thous.	€ thous.
Personnel	100.0	60.0
Provisions for auditing costs	9.3	22.0
Outstanding invoices	32.1	13.6
	141.4	95.6

Liabilities

Liabilities are divided into the categories below.

Hedging the bearer bonds issued with physical gold and rights to take delivery of gold is a fair value hedge, which hedges miscellaneous price risk. As at the reporting date, a nominal amount of 117,591.1 kg (previous year: 59,246.4 kg) with a fair value of €4,156,845.4 thousand (previous year: €1,863,299.3 thousand) was hedged with rights to take delivery of gold in the amount of €211,656.3 thousand (previous year: €53,298.7 thousand) and with physical gold in the amount of €3,945,189.1 thousand (previous year: €1,810,000.6 thousand).

Deutsche Börse Commodities GmbH is entitled to terminate all bearer bonds at the end of any year if on 31 December in any year fewer than ten million bearer bonds have been issued by the issuer; payment is made in the following year under the terms and conditions of issue.

Trade payables in the amount of €244.4 thousand (previous year: €132.6 thousand) have a residual maturity of up to one year.

Liabilities towards companies in which the Company has a participating interest in the amount of €220.3 thousand (previous year: €149.8 thousand) have a residual maturity of up to one year. They are due to shareholders.

Other liabilities mainly comprise the wage and church tax in the amount of €3.6 thousand (previous year: €2.9 thousand) and the VAT liabilities in the amount of €102.9 thousand (previous year: €18.0 thousand) with a residual maturity of up to one year.

Notes to the income statement

Sales revenue

Sales revenue amounts to €7,471.1 thousand (previous year: €4,665.9 thousand) and includes the fees earned based on the custodian and service agreement with Clearstream Banking AG.

Other operating income

Other operating income almost exclusively comprises the effects from the revaluation of the rights to take delivery of physical gold and the physical stocks of gold held in custody at Clearstream Banking AG in the amount of €146,411.0 thousand (previous year: €318,199.2 thousand).

Other operating expenses

Other operating expenses amount to €150,770.4 thousand (previous year: €321,240.7 thousand) and in particular comprise:

- Write-up of bearer bonds of €146,411.0 thousand (previous year: €318,199.2 thousand).
- Distribution fees to the shareholders of €1,344.1 thousand (previous year: €882.2 thousand).
- Cost of storing gold in safekeeping at Clearstream Banking AG of €1,582.9 thousand (previous year: €959.4 thousand).
- Advertising and marketing costs of €378.1 thousand (previous year: €364.0 thousand).
- Remuneration for designated sponsoring activities of €474.9 thousand (previous year: €287.8 thousand).
- Costs of the agency agreement with Deutsche Börse AG of €146.0 thousand (previous year: €151.4 thousand).

- Advisory and auditing costs of €126.2 thousand (previous year: €100.1 thousand).

Auditor's fee

The total fee charged by the auditor for financial year 2016 amounts to €55.0 thousand (previous year: €40.1 thousand). Of this amount, €17.0 thousand (previous year: €22.0 thousand) relates to year-end auditing services, €26.7 thousand (previous year: €13.2 thousand) to other confirmation services and €11.3 thousand (previous year: €4.9 thousand) to tax advisory services.

Other financial obligations

Figures in € thousand	Total amount	Thereof: up to 1 year	Thereof: 1-5 years	Thereof: > 5 years
Management and agency contracts (previous year)	3,332 (5,400)	1,732 (900)	1,600 (3,600)	0 (900)
Other contracts, including service agreements (previous year)	2,200 (6,000)	2,200 (1,000)	0 (4,000)	0 (1,000)

Other disclosures

Board of Directors

The members of the Board of Directors include:

Martina Gruber Member of the Executive Board of Clearstream Banking
(Chair) AG, Frankfurt/Main

Peter Thoma Director of Global Foreign Exchange at Deutsche Bank AG
(Deputy Chairman) Frankfurt/Main

Ingo Ramming Managing Director, Co-Head of Commodity Solutions, EMC
Commodities, Corporate & Markets at Commerzbank AG,
Frankfurt/Main

Jürgen Scharnowske	Director/Department Head for Capital Market Trading, Deputy Area Head for Capital Market Trading at DZ BANK AG Deutsche Zentral Genossenschaftsbank, Frankfurt/Main
Mario Mattera	Director/Head of Fixed Income/Foreign Exchange at B. Metzler seel. Sohn & Co. KGaA, Frankfurt/Main
Dr Bernhard Fuchs	Senior Vice President, Precious Metals Management and Umicore Marketing Services at Umicore AG & Co. KG, Hanaue
Christoph Naef	Managing Director, Head of Business & Distribution Management at Bank Vontobel AG Investment Banking, Zurich, Switzerland
Sandra Vogt-Sasse	Tax Consultant and Wirtschaftsprüferin (Public Auditor), Managing Director at SAVOSA GmbH Steuerberatungsgesellschaft, Karben

The costs incurred by the members of the Board of Directors in performing their rights and responsibilities are borne in each case by the shareholder entitled to appoint the member. In the case of Ms Vogt-Sasse, whose management responsibilities deal in particular with the monitoring of the accounting and year-end auditing, costs of €12.0 thousand (previous year: €11.2 thousand) were incurred in financial year 2016.

Managing Directors

Deutsche Börse Commodities GmbH has the following Managing Directors:

Steffen Orben	Managing Director Global Foreign Exchange at Deutsche Bank AG
Michael König	Head of Unit Client Relations Germany at Clearstream Banking AG

Management was granted a total amount of €200.0 thousand (previous year: €160.0 thousand) as remuneration for their work in financial year 2016. This includes salaries amounting to €100.0 thousand (previous year: €100.0 thousand) and bonuses in the amount of €100.0 thousand (previous year: €60.0 thousand).

Employees

Deutsche Börse Commodities GmbH did not have any employees in the year under review.

Report on post-balance sheet date events

No significant events occurred after the balance sheet date.

Frankfurt/Main, 22 March 2017

Deutsche Börse Commodities GmbH

The Managing Directors

Steffen Orben

Michael König

Deutsche Börse Commodities GmbH, Frankfurt/Main

Statement of changes in non-current assets as at 31 December 2016

	Costs					Depreciation and amortization					Carrying amounts	
	Balance as at 01/01/2016	Additions 2016	Disposals 2016	Reclassification 2016	Balance as at 31/12/2016	Balance as at 01/01/2016	Depreciation 2016	Write-ups 2016	Reclassification 2016	Balance as at 31/12/2016	31/12/2016	31/12/2015
	€	€	€	€	€	€	€	€	€	€	€	€
Property, plant and equipment												
Operating and business equipment	5.617,53	0,00	0,00	0,00	5.617,53	4.557,53	315,00	0,00	0,00	4.872,53	745,00	1.060,00
	5.617,53	0,00	0,00	0,00	5.617,53	4.557,53	315,00	0,00	0,00	4.872,53	745,00	1.060,00
	5.617,53	0,00	0,00	0,00	5.617,53	4.557,53	315,00	0,00	0,00	4.872,53	745,00	1.060,00

Management report for financial year 2016

Basic principles

i) **Business model**

Deutsche Börse Commodities GmbH (hereinafter also referred to as the “Company”) is a joint venture of four banks, a stock exchange operator, an industrial partner and a banking-related holding company. These investors are as follows:

- Commerzbank AG, Frankfurt/Main
- Deutsche Bank AG, Frankfurt/Main
- Deutsche Börse AG, Frankfurt/Main
- DZ BANK AG Deutsche Zentral-Genossenschaftsbank Frankfurt, Frankfurt/Main
- B. Metzler seel. Sohn & Co. KGaA, Frankfurt/Main
- Umicore AG & Co. KG, Hanau
- Vontobel Beteiligungen AG, Zurich, Switzerland.

The purpose of Deutsche Börse Commodities GmbH is to issue innovative forms of securitisation for commodities in the Frankfurt financial centre, to transform commodities into marketable investments and to ensure cost-effective trading with commodities in euros.

The “Xetra Gold” product was registered for trading on 28 November 2007. Xetra Gold is a zero-coupon bond broken down into units which have an indefinite term, are denominated in one gram of gold, are 100 per cent physically backed and securitise a right to delivery. Using this product, the bond holder’s economic position is intended to correspond to physical ownership of the corresponding amount of gold. Xetra Gold is traded on the Xetra electronic trading platform and on various regional exchanges. This enables purchases and sales of the bond at all times during every trading day. The smallest tradeable unit of Xetra Gold is one unit, which corresponds to one gram of gold.

The target groups for the acquisition of Xetra Gold are both private and institutional investors, including UCITS-compliant funds (Undertakings for Collective Investment in Transferable Securities).

The partners of Deutsche Börse Commodities GmbH provide their long-standing experience in the financial and commodities market:

- The banking partners organise the distribution of the securities.
- Deutsche Bank AG is the underwriter and market maker. In the latter function, it guarantees a low spread between the purchase and sale price of the bond.
- Deutsche Börse AG operates the Xetra trading platform, on which the Xetra Gold bond is traded.
- Clearstream Banking AG, Frankfurt/Main, which belongs to the Deutsche Börse Group, provides custodial services for the securities and ensures that they are backed by gold at all

times. The gold backing exists in two ways: first, through the deposit of physical gold in the vaults of Clearstream Banking AG and second, in the form of book gold (rights to take delivery of gold).

- Umicore AG & Co. KG is the provider of the gold.

Deutsche Börse Commodities GmbH has concluded master agreements with Deutsche Bank AG and Deutsche Börse AG, whereby they provide central functions and infrastructure services. These agreements govern the main performance obligations of the partners.

ii) Research and development costs

As a service provider, Deutsche Börse Commodities GmbH does not engage in research and development activities comparable with those of manufacturing companies.

iii) Branches

Deutsche Börse Commodities GmbH did not have any branches during the period under review.

Report on economic position

i) Issued bonds

Xetra Gold was issued as a zero-coupon bond broken down into units with an indefinite term. It is a bearer bond that is 100 per cent backed by gold, which securitises a right to take delivery of gold (if a UCITS-compliant fund is involved, a cash payment is made) and is quoted in € per gram. Two global certificates each consisting of up to 5 billion units (corresponds to a total volume of two times 5 thousand tonnes of gold) were deposited with Clearstream Banking AG.

Deutsche Börse Commodities GmbH, as the issuer of the bond, is entitled to redeem the bond early if on 31 December of any year fewer than ten million bonds have been issued.

As of 31 December 2016, bonds with a notional value of 117,591.1 kg had been issued. The gold backing consisted of 111,603.7 kg of stored bars under custody in the vault of Clearstream Banking AG and delivery rights of 5,987.4 kg vis-à-vis Umicore AG & Co. KG.

ii) Business development

In 2016, the result of Deutsche Börse Commodities GmbH remained positive compared with the previous year and was considerably increased. Net profit totalled €2,126 thousand (previous year: €1,073 thousand).

As stated in the report on expected developments for 2016, the Company anticipated that issue volumes would decline moderately; the net profit was therefore considerably higher than expected due to the increased volume of gold sold in 2016. The volume of gold sold rose as a result of the European Central Bank's persistently expansionary monetary policy and the related stabilisation in

the gold price in euros. The main activities during the reporting period were the focus of marketing campaigns on institutional investors and a continuous presence at trade fairs for private investors.

iii) Results of operations

The Executive Board of Deutsche Börse Commodities GmbH assesses the position of the Company to be good. The year 2016 was characterised by further rounds of expansionary monetary policy by the central banks (with the exception of the Fed, the US central bank), economic uncertainty in China, the decision by the British in favour of Brexit, the political changes in Turkey as well as the US elections and the election victory of Donald Trump. This led to a rise in the gold price in both euros and in most other main currencies. The issue volumes of Xetra Gold rose by about 58,300 kg in this environment, contrary to budget planning, which foresaw lower issue volumes. The main activities during the reporting period included the redesign of Xetra Gold's brand, the Company's ongoing presence at trade fairs for private investors, and marketing activities directed towards institutional investors.

During the period from 1 January until 31 December 2016, Deutsche Börse Commodities GmbH generated revenue of €7,471 thousand (previous year: €4,666 thousand). The Company receives a share of the proceeds from the custodian of the bearer bond and the physical gold holdings. Other operating income primarily includes the revaluation of physical gold holdings in the amount of €146,411 thousand (previous year: €318,199 thousand). This income was offset by other operating expenses amounting to €150,770 thousand (previous year: €321,241 thousand), which mainly comprises the revaluation of the bearer bond totalling €146,411 thousand (previous year: €318,199 thousand).

Deutsche Börse Commodities GmbH closed financial year 2016 with a net profit of €2,126 thousand (previous year: €1,073 thousand).

Revenue in connection with custodial fees is the main source of income for Deutsche Börse Commodities GmbH. These fees are primarily determined by the volume of the issued units of Xetra Gold and the gold price. Revenue rose during the year as issue volumes increased and the gold price held steady, and therefore exceeded the planned figures by about 98 per cent in total.

Controllable expenses were about 19 per cent below the budget for 2016. They consist primarily of consulting, advertising and marketing costs. Uncontrollable costs exceeded the budget by around 108 per cent. This budget overrun is mainly the result of higher issue volumes, the custody fees paid for the safe custody of the gold and the sales commissions paid to distribution partners.

iv) Financial position

As at 31 December 2016, Deutsche Börse Commodities GmbH had cash and cash equivalents totalling €2,310 thousand (previous year: €3,626 thousand), which were held in demand deposits at banks.

Cash flow from operating activities in 2016 amounted to €-316 thousand (previous year: €1,153 thousand), while cash flow from investment activities totalled €0 thousand (previous year: €0 thousand) and cash flow from financing activities was €-1,000 thousand (previous year: €-500 thousand) due to the profit distribution for financial year 2015.

v) Net assets

Besides the assets acquired through the issuance of the bond, the Company has no other material assets as of the reporting date.

vi) Equity

The equity of Deutsche Börse Commodities GmbH stands at €4,752 thousand (previous year: €3,626 thousand) and comprises subscribed capital of €1,000 thousand (previous year: €1,000 thousand) and retained earnings of €3,752 thousand (previous year: €2,626 thousand).

Financial and non-financial performance indicators

i) Net profit/loss

The Company is satisfied with the net profit it achieved in 2016. A positive operating result was attained in a favourable market environment.

ii) Gold

The year 2016 was impacted by further expansionary monetary policy measures by central banks as well as important political decisions and the associated macroeconomic uncertainties. These influences were reflected in a rising gold price. The revival of this monetary policy discussion about an expansionary central bank policy and, in particular, the effects of negative interest rates has led to increased demand for investment products in gold and thus also to a rise in the issue volumes of Xetra Gold.

Report on expected developments

The report on expected developments describes how Deutsche Börse Commodities GmbH is expected to perform in financial year 2017. It contains statements and information on events in the future. These forward-looking statements and information are based on the Company's expectations and assumptions at the time of publication of this report on expected developments. These assumptions and expectations are in turn subject to known and unknown risks and uncertainties. Numerous factors influence the success, business strategy and financial results of the Company. Many of these factors are outside the Company's control. Should one of these risks occur or an uncertainty materialise, or if one of the underlying assumptions made turns out to be incorrect, the actual development of the Company could deviate either positively or negatively from the expectations and assumptions contained in the forward-looking statements and information included in this report on expected developments.

The Company anticipates that the price of gold in 2017 might decline slightly due to a waning fiscal policy discourse in Europe. However, demand for gold may still decline due to the ongoing strength of the economy and positive trends on the equity markets. This would also impact the Xetra Gold product. As in the previous financial year 2016, the Company will continue to focus on promoting the product in a sustainable manner and especially on increasing awareness of it among institutional investors. To do this, events are to be held in larger German cities, for example, in order to directly point out the benefits of the product in personal discussions with institutional investors, investment advisors and other influencers. In addition, further advertising campaigns are planned. Deutsche Börse Commodities GmbH will continue to be represented with a stand at various investors' fairs and conferences. We anticipate that the press will continue to report positively on the product during the coming years.

The Company expects that issue volumes will decline slightly in 2017. Taking into account this conservative planning, the quantities that have already been sold, and the higher cost base resulting from ten years of operations and the associated activities, the Company anticipates that monthly operating cash flow will be consistently positive. There is a risk that revenue could fall significantly due to redemptions of the bond or a stronger-than-expected decline in the price of gold, causing negative operating cash flow.

The Company and the Xetra Gold product have established themselves on the market. During the reporting period, the product was the most extensively exchange-traded commodity product in Germany and the Company was one of the largest issuers in the commodities segment. To ensure that this market penetration continues to prevail, marketing expenses will remain one of the largest cost items of Deutsche Börse Commodities GmbH in the coming years. The costs for the necessary central and infrastructure services will likely remain unchanged from the prior-year level. Deutsche Börse Commodities GmbH will actively manage its costs at all times and therefore forecasts a result for financial year 2017 slightly below previous year's level.

Besides Germany, Xetra Gold is also registered for public distribution in Luxembourg and Austria. The Company's advertising and marketing measures will therefore focus on these sales markets.

Risk report

The main risks are divided into:

- Business risks
- Operational risks
- Financial risks

Deutsche Börse Commodities GmbH is integrated into the risk management system of Deutsche Börse Group. Its risk system distinguishes between business risks, operational risks and financial risks. The Executive Board monitors the risks of the Company.

A key aspect of risk management is the full coverage of the gold-denominated debt securities by means of the gold holdings and/or the book-gold holdings. This ensures that the Company is not

exposed to market price risks in this respect. To that end, a valuation unit for accounting purposes was established between the issued bearer bonds and the physical gold holdings as well as the delivery claims for gold (Xetra book gold).

i) Business risks

The Company is exposed to potential fluctuations in the price of gold in euros. A sustained decline in the price of gold can have an adverse effect on the sales of the bond and the realisable custodian fees and thus negatively impact the performance of the Company.

The recent past has shown that the development of the gold price is closely correlated with the general state of the global economy, the financial markets and the monetary policy of central banks. Central banks continue to adhere to an expansionary monetary policy due to low inflation figures and declining inflation expectations. This led to an increase in the price of gold and therefore to a rise in the issue volumes of Xetra Gold in 2016. If central banks return to a restrictive monetary policy, this could lead to disproportionately large sales by investors and force the Company to sell gold. The associated delivery and transport costs in the case of a gold sell-off could cause unplanned adverse financial effects.

The number of physical gold deliveries to end customers was low throughout 2016 and totalled about 4 exercises per month with an average exercise volume of roughly 4 kg per exercise. The issuer was able to process the shipment applications submitted from the banks on schedule within the delivery period of 10 working days as defined in the prospectus. A total of 922 shipments to end customers had been carried out or initiated since the product's launch as at 31 December 2016 (31 December 2015: 879).

The Executive Board receives a daily e-mail from the Controls Frankfurt Safekeeping department of Clearstream Banking AG containing data on the current XETRA closing price of gold from the previous trading day and the open exercises.

With the assistance of an established controlling report (a monthly actual-to-plan analysis), which the Executive Board receives every month from the Controlling department of Deutsche Börse AG, the performance and trends in the business as well as significant variances versus the budget can be monitored in a timely manner and counter-measures can be taken if needed.

ii) Operational risks

Operational risks primarily exist in all processes involved with the transport of the physical gold, the delivery to the vault and the shipment to the end customer. In 2009, a change was made in the control process associated with the delivery of standard gold bars to the vault. These bars weigh about 12.5 kilograms. The tolerance level for the variance between the bar weight as per the delivery note and the measurement in the vault was increased from 0.3 grams to 3 grams. This allows for a more efficient process in the vault.

The current portfolio of gold in the vault, together with information on the XETRA closing price, is reported in a daily e-mail from the Controls Frankfurt Safekeeping department of Clearstream Banking AG to the Executive Board. Annual inventories of physical gold holdings are performed by Internal Audit (the timing is random) and the Controls Frankfurt Safekeeping department (in September/October) and the results are reported to the Executive Board.

The Xetra Gold bond is traded on the Xetra electronic trading platform. The trading platform had a very high service availability of nearly 100 per cent in financial year 2016, its first year of operation. However, disruptions in the availability of the trading platform could result in the future in lost income, claims for damage compensation and reputational losses in extreme cases.

iii) Financial risks

The Company divides financial risks into credit, market and liquidity risks. Credit risk describes the risk that a counterparty might fail to meet its contractual obligations in full or in part. Credit risk can also arise from cash investments. Market price risks can arise in relation to cash investments through interest rate and currency fluctuations. A liquidity risk arises if daily payment obligations cannot be fulfilled or can be fulfilled only at increased refinancing costs.

Cash and cash equivalents are held at a domestic bank with a good credit rating. Credit risks are mostly limited to the small number of shareholder companies; interest rate and currency fluctuations do not arise because the Company does not make any investments. Potential liquidity risks can be easily identified with the help of the monthly controlling report.

There are no meaningful financial risks for the Company. Due to its business model, Deutsche Börse Commodities GmbH does not have a significant funding need because gold purchases do not have to be paid for in advance and the gold placed into custody for investors is directly connected with revenue. There is only a very limited degree of credit and market risks.

We assess the risks as follows:

Business risks: Probability of occurrence is low,
risk can be borne

Operational risks: Probability of occurrence is low,
risk can be borne

Financial risks: Probability of occurrence is low,
risk can be borne

We see no risks in these risk categories that could in principal threaten the survival of the Company in 2017.

Report on opportunities

Opportunities for an increase in issue volumes result primarily from a rising price of gold compared with the euro. If a sovereign debt crisis was to occur again or if geopolitical crises were to take place, it is likely central banks would implement further expansionary monetary policy measures and that the price of gold would increase from the current level. The recent past has shown that a rise in the price of gold in connection with geopolitical or economic crises also leads to higher demand for gold. The Company would benefit from such a development.

Internal control system

The Executive Board has established an internal control system for Deutsche Börse Commodities GmbH that is intended to safeguard the effective and efficient business activities of the Company, prevent or detect the misappropriation of assets and thus protect the Company's overall business assets. The internal control system is an integral component of the risk management system aimed at controlling risks. It is continuously enhanced and adapted whenever conditions change. The internal control system of Deutsche Börse Commodities GmbH comprises both process-integrated and process-independent controls and safeguards.

With regard to the accounting process of Deutsche Börse Commodities GmbH, the internal control system is primarily intended to ensure proper accounting and financial reporting in order to present the net assets, financial position and results of operations in the annual financial statements in a complete and accurate manner.

Deutsche Börse Commodities GmbH's accounting is primarily performed by the central "Financial Accounting and Controlling" (FA&C) department of Deutsche Börse AG. The Head of the FA&C department of Deutsche Börse AG is responsible for the accounting process of the entire Deutsche Börse Group, including Deutsche Börse Commodities GmbH, as well as for the effectiveness of the process-integrated safeguards and control procedures. He/she ensures that risks in the accounting process are recognised early on so that suitable safeguards and control procedures can be implemented in a timely manner. The following measures are primarily intended to achieve this:

- Work instructions and process descriptions are documented for the individual processes in accounting, including the preparation of the annual financial statements. These documents are stored in a FA&C database that was designed specifically for this purpose.
- The accounting manual in accordance with the German Commercial Code (Handelsgesetzbuch – HGB) supports the correct application of accounting principles.
- To ensure that account classifications are used uniformly, a corresponding guideline has been established.

The work instructions and process descriptions are regularly reviewed to ensure that they are up to date. Furthermore, high-risk processes are subjected to special control. The accounting manual and the account classification guideline are also updated on a regular basis. All FA&C department employees have access to the FA&C database as well as the accounting manuals and account classification guidelines in order to keep up to date about current regulations.

Another important feature of the internal control system within the FA&C department is the principle of functional separation: tasks and responsibilities are clearly defined and allocated within the organisation. Incompatible tasks, such as modifying master data and issuing payment instructions, are strictly segregated. This functional separation is ensured, inter alia, by requiring that an independent control unit must grant access rights to the accounting system to each employee and then monitor these rights continuously on the basis of an incompatibility matrix.

An additional control mechanism is the principle of dual control. All transactions are recorded in the general ledger or corresponding sub-ledgers based on the chart of accounts and the account classification guidelines. Closing entries are made and the consolidated financial statements are prepared in all cases in line with the principle of dual control.

Responsibility statement by the Executive Board

To the best of our knowledge, we confirm that in accordance with the applicable accounting principles for the preparation of annual reports, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company in the remainder of the financial year.

Frankfurt/Main, 22 March 2017

Deutsche Börse Commodities GmbH

The Managing Directors

Michael König

Steffen Orben

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement, the cash flow statement, statement of shareholders' equity and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Börse Commodities GmbH, Frankfurt/Main, for the financial year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code [HGB] and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 22 March, 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dielehner
Wirtschaftsprüfer
[German Public Auditor]

Hommel
Wirtschaftsprüfer
[German Public Auditor]