Deutsche Bank

Annual Report 2016 Switzerland

Contents

This annual report is published in German and English.
In case of doubt the German version is binding.

Management Bodies of the Bank

Board of Directors

Fabrizio Campelli (since January 2016)
Chairman

Dr. Rudolf W. Hug*
Deputy Chairman

Dr. Andreas J. Bär*

Elisabeth Meyerhans Sarasin*
(since April 2016)

Christina A. Pamberg* (since April 2016)

Nikolaus von Tippelskirch

Dr. h.c. Adolf Ogi* (until April 2016)

Dr. Hans-Rudolf Staiger*
(until April 2016)

Audit Committee

Dr. Rudolf W. Hug*
Chairman

Dr. Andreas J. Bär*
Deputy Chairman (from April 2016)

Dr. Hans-Rudolf Staiger*
Deputy Chairman (until April 2016)

Nikolaus von Tippelskirch

Credit Committee

Fabrizio Campelli

Chairman (since January 2016)

Nikolaus von Tippelskirch

Compensation Committee

Fabrizio Campelli (since January 2016)
Chairman

Dr. Rudolf W. Hug*

General Management

Peter Hinder, CEO
(since December 2016)

Marco Bizzozero, CEO
(until November 2016)

Leonhard Müller, COO

Steve Wainwright, Wealth Management,
Markets (since July 2016)

Serene El-Masri, Wealth Management,
Markets (until March 2016)

Manuel Faccio, Asset Management

Corrado Palmieri,
Wealth Management, Global Products
& Solutions/Advisory Solutions
(since June 2016)

Gregor Guggisberg,
Wealth Management, Global Products
& Solutions/Advisory Solutions
(until May 2016)

Wolfram Lange,
Wealth Management (until June 2016)

Carmen Herbstritt,
CFO (since February 2016)

Carsten Kahl,
Wealth Management, Markets

Catherine Stalker, Legal & Compliance

Corporate Secretary

Tilo Frenzel

Auditors

KPMG AG, Zurich

* Complies with the requirements of independence according to FINMA Circular 2008/24, margin nos. 20–24

Dear Reader,

“Rhetoric into Reality” – such was the title of a series of events that we staged together with the Chief Investment Officer of Wealth Management at the start of this year for our clients and other interested parties. At venues around the globe, including here in Switzerland in Zurich and Geneva, we discussed the ten most important investment themes for 2017. This is the year in which the utterances by politicians should be followed by concrete actions. The key directional pointers last year were probably the United Kingdom’s decision to leave the EU and the election of the 45th President of the USA.

For Deutsche Bank (Switzerland) Ltd. (DBS), last year again proved both eventful and marked by change. As part of the “Strategy 2020” of Deutsche Bank Group, the newly created Deutsche Bank corporate division Private, Wealth & Commercial Clients (PW&CC) has united the expertise of the private and corporate client business and that of the wealth management business under a single roof since 1st January 2016. Thanks to the creation of an independent area with its own market presence, Wealth Management will be strengthened to become a key pillar of the Deutsche Bank offering. Deutsche Bank (Switzerland) Ltd. forms part of this Group division and has a strong international focus.

Decline in operating result

The operating result of Deutsche Bank (Switzerland) Ltd. amounted to CHF 8.6 million in the reporting year, compared to CHF 86.5 million the previous year. Gross income in the reporting year came in at CHF 355.4 million, down from CHF 441.6 million the previous year. The latter result, however, had benefited from extraordinary effects. The cost base declined slightly to CHF 346.8 million (previous year: CHF 355.1 million). The net profit of Deutsche Bank (Switzerland) Ltd. amounted to CHF 5.9 million in 2016.

At the end of 2016, Deutsche Bank (Switzerland) Ltd. had assets under management of CHF 69.9 billion, compared to CHF 82.7 billion at the end of the previous year. The revenue base also includes the credit business amounting to CHF 4.4 billion, thereby resulting in a total client business volume of CHF 74.3 billion (previous year: CHF 87.7 billion). Currency and market developments had a positive impact on the client business volume in the reporting year to the tune of CHF 1.9 billion.

With a total capital ratio of 29.09% (previous year 19.9%), Deutsche Bank (Switzerland) Ltd. has a solid capital base that far exceeds the specified regulatory requirement of 11.2%.

The sharp decline in profit compared to the previous year is partly attributable to the fact that we have invested heavily in the future and in our robust business model. Operating income is therefore greatly influenced by extraordinary effects such as major IT and regulatory projects (e.g. our new core offering, our new digital advisory solution for client advisers or our simplified acceptance process for new clients) which have impacted on the result accordingly. Moreover, asset outflows from our wealth management business also weighed on the result. These outflows were due to structural and strategic factors, and were exacerbated by speculation over the resolution of prominent legal cases in which the Group was involved, including civil cases related to US residential mortgage-backed securities and precious metals, a long-running legal case with the Icelandic bank Kaupthing and parts of the Russia-related proceedings. Following the resolution of the US mortgages dispute, this situation has turned more positive and clients have regained their confidence.

Investment bears fruit

We invested significant funds in the reporting year in order to strengthen client focus and increase efficiency within the Bank. In addition, we overhauled our core offering. We now make a clear distinction between Discretionary Portfolio Management, Wealth Advisory Mandates, and execution-only accounts. This guarantees high transparency with respect to the services provided and the corresponding fees, as well as being in line with a regulatory trend.

Together with our new core offering, we also relaunched Wealth Management Online, our e-banking platform. As well as being more user-friendly, the platform now offers improved functionalities. We also set up an open architecture for currency trading. In contrast to other banks which operate in the field of wealth management, we carry out currency transactions not only via our investment bank but also via 14 major market makers. Our clients benefit from better pricing and improved liquidity.

Furthermore, we launched a new digital advisory solution for client advisers in the reporting year, together with a simplified acceptance process for new clients. Deutsche Bank (Switzerland) Ltd. is playing a pioneering role in global Wealth Management here, as these initiatives will be rolled out in other regions at a later point in time.

After reconstruction work lasting two years, we were able to celebrate the reopening of our Geneva head office on the Place des Bergues at the end of 2016. This branch is the cradle of Deutsche Bank in Switzerland, and was opened shortly after commencement of business activity here back in 1980. This ensures that we now have modern, sophisticated premises all across Switzerland, which in turn enhances our presence at the various locations, as well as being a clear statement of Deutsche Bank's commitment to Switzerland.

We are investing further in the future, and are changing our Bank. Together with a close-knit controlling environment, through which we respond to ever more complex regulation, this makes us a secure, resilient and responsible bank.

Looking ahead to the future

The overriding priority in the current year is to strengthen our revenue base and return to a sustainable path of growth. We want to establish ourselves further as a leading bank for sophisticated international and Swiss clients. We have a clear focus on specific markets and client segments, and are concentrating on high net worth (HNWI) and ultra high net worth (UHWNI) clients from the EMEA region (Europe, Middle East, and Africa), as well as Asia and Latin America.

Deutsche Bank (Switzerland) Ltd. is a bank under Swiss law. With CHF 69.9 billion of assets under management and just under 600 employees, it is one of the largest foreign banks operating in Switzerland. Switzerland is the hub of wealth management operations for the EMEA region. In addition, parts of the Latin American and Asian wealth management business are also handled in Switzerland.

Managing international family assets is a complex task. It requires an ever-widening spectrum of skills and solutions, especially in an increasingly globalised world. This includes not just wealth management, but also successful risk management, loans, access to global capital markets, structured financing solutions and infrastructure services.

Changes to the structure of DBS

Since Deutsche Asset Management was established as an independent corporate division as of 1st January 2016, the asset management operation in Switzerland, which belonged to DBS in the reporting year, is being hived off into Deutsche Asset Management Schweiz AG with effect from mid-2017. This step is being taken in the context of implementing our "Strategy 2020", and is a consequence of the separation of the two areas at Group level.

Manuel Faccio will leave the Executive Board with effect from that date in order to become CEO of Deutsche Asset Management Schweiz AG. Our Swiss Asset Management business will continue to offer tailored asset management solutions to institutional clients, as well as access to the global product portfolio of Deutsche Asset Management.

Changes to the Bank's management bodies

Peter Hinder became Chief Executive Officer of Deutsche Bank (Switzerland) Ltd. with effect from 1st December 2016, following the decision by Marco Bizzozero to leave the Bank. Wolfram Lange stepped down from the Executive Board with effect from 30th June to become Divisional Control Officer for Deutsche Bank Wealth Management. Corrado Palmieri joined the Executive Board on 1st June, replacing Gregor Guggisberg, who left the Bank in May. Serene El-Masri left the Executive Board in March and was replaced on 1st July by Steve Wainwright. Carmen Herbstritt has been Chief Financial Officer and a member of the Executive Board since 1st February; she replaces Dirk Volz, who left the Bank on 30th November 2015.

Thanks

We can look back on an eventful financial year with many challenges. Our particular thanks go to our clients for their trust in us, and to all the employees of the Bank for their extraordinary dedication in the reporting year.

Geneva, March 2017

Chairman of the Board of Directors
Fabrizio Campelli

Chief Executive Officer
Peter Hinder

Regulatory Information

Disclosure in accordance with FINMA Circular 2016/01

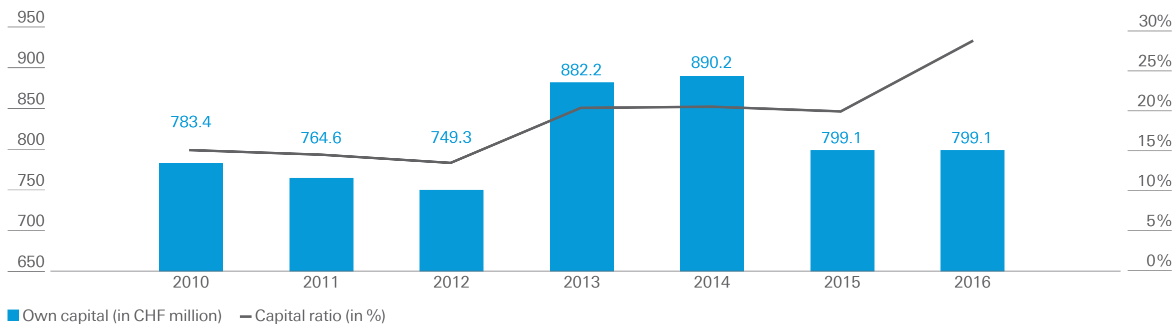
Regulatory Capital

In accordance with paragraphs 12 and 13 of FINMA Circular 2016/01, Deutsche Bank (Switzerland) Ltd as a foreign-controlled bank is partially exempt from the extensive disclosure requirements provided that comparable disclosures are published at Group level in the foreign country in question. More information on consolidated capital adequacy within the Deutsche Bank Group can be found in the chapter on regulatory capital of Deutsche Bank AG's financial report for 2016.

As at the end of 2016, Deutsche Bank (Switzerland) Ltd had surplus capital of around CHF 491 million compared with CHF 317 million in the previous year. The key figures for publication set out in FINMA Circular 2016/1 can be seen in the table below.

Disclosures in accordance with FINMA Circular 2016/01	2016
Minimum capital requirement (in 000 CHF)	219,736
Eligible capital (in 000 CHF)	799,044
thereof common equity tier one (in 000 CHF)	707,667
thereof tier one capital (in 000 CHF)	707,667
Risk Weighted Assets (in 000 CHF)	2,746,706
Common equity tier one ratio (as % of RWA)	25.76%
Tier one ratio (as % of RWA)	25.76%
Total capital ratio (as % of RWA)	29.09%
Countercyclical capital buffer (CCB, as % of risk weighted exposure)	0.01%
CET1-target (in %) as per Appendix 8 of CAO incl. countercyclical capital buffer	7.41%
T1-target (in %) as per Appendix 8 of CAO incl. countercyclical capital buffer	9.01%
Total capital ratio-target (in %) as per Appendix 8 of CAO incl. countercyclical capital buffer	11.21%
Basel III Leverage Ratio (as % of total exposure)	7.40%
Leverage Ratio Exposure (in 000 CHF)	9,556,592

Own capital/Capital ratio



DBS benefited from a one-off capital injection by its parent company of CHF 250 million in 2013. It was decided in 2015 to return CHF 100 million of this subsidy to the parent company by means of an extraordinary dividend from the capital contribution reserves. Moreover, the Board of Directors and the General Management propose paying out a regular dividend of CHF 5.9 million from 2016 profits. Deutsche Bank (Switzerland) Ltd's capital base is nonetheless still comfortable and, in combination with the Bank's improved efficiency, will allow the Bank to achieve its ambitious targets. The capital ratio is 29% as per 31st December 2016 (previous year 19.9%).

Liquidity

The Asset and Liability Committee is tasked by the General Management to manage and monitor liquidity risk. It produces regular reports on its fulfillment of this task.

The minimum requirement in accordance with the Liquidity Ordinance Art. 31a was 70% for 2016 and will increase to 80% for 2017. The liquidity coverage ratio, which represents cover of short-term liquidity, decreased by just under 35 ppt. compared with the 4th quarter 2015 average (163.28%) due to an increase in net cash outflows. Despite the change, Deutsche Bank (Switzerland) Ltd holds a solid buffer compared with the minimum regulatory requirement.

Short-term liquidity ratio (LCR)	2016
LCR (in %) for the first quarter of 2016	168.18%
High-quality liquid assets (in 000 CHF)	1,496,638
Weighted net cash outflows (in 000 CHF)	889,897
LCR (in %) for the second quarter of 2016	141.84%
High-quality liquid assets (in 000 CHF)	1,311,326
Weighted net cash outflows (in 000 CHF)	924,487
LCR (in %) for the third quarter of 2016	119.75%
High-quality liquid assets (in 000 CHF)	1,425,386
Weighted net cash outflows (in 000 CHF)	1,190,265
LCR (in %) for the fourth quarter of 2016	130.23%
High-quality liquid assets (in 000 CHF)	1,712,730
Weighted net cash outflows (in 000 CHF)	1,315,205

Balance Sheet

Assets

CHF 000	31.12.2016	31.12.2015
Liquid assets	1,505,430	1,570,515
Amounts due from banks	2,984,118	5,491,625
Amounts due from customers	2,870,363	3,305,755
Mortgage loans	1,015,227	1,177,090
Trading portfolio assets	25	23
Positive replacement values of derivative financial instruments	186,109	295,030
Financial investments	200,560	267,947
Accrued income and prepaid expenses	148,003	122,620
Non-Consolidated participations	–	–
Tangible fixed assets	36,358	21,103
Other assets	28,880	40,176
Unallocated value adjustments	–	–560
Total assets	8,975,073	12,291,324
Total subordinated claims	–	–

Liabilities

CHF 000	31.12.2016	31.12.2015
Amounts due to banks	4,088,343	4,071,343
Amounts due in respect of customer deposits	3,618,692	6,766,302
Negative replacement values of derivative financial instruments	184,764	286,980
Accrued expenses and deferred income	174,895	139,340
Other liabilities	61,475	89,752
Provisions	133,345	155,050
Reserves for general banking risks	14,000	14,000
Bank's capital	100,000	100,000
Capital reserve	180,158	180,158
thereof: reserve from capital contribution reserves	180,158	180,158
Legal reserve	47,171	47,171
Retained earnings reserve	366,338	366,338
Loss carried forward	–	–10,033
Profit for the year	5,892	84,923
Total liabilities	8,975,073	12,291,324
Total subordinated liabilities	–	–

Off-balance-sheet transactions

CHF 000	31.12.2016	31.12.2015
Contingent liabilities	437,436	504,745
Irrevocable commitments	27,964	40,253
Obligations to pay up shares and make further contributions	32,242	32,746

Income statement

CHF 000	2016	2015
Result from interest operations		
Interest and discount income	103,778	116,161
Interest and dividend income from trading portfolios	–151	–
Interest and dividend income from financial investments	1,213	1,410
Interest expense	–33,823	–34,837
Gross result from interest operations	71,017	82,734
Changes in value adjustments for default risks and losses from interest operations	693	3,844
Subtotal net result of interest operations	71,710	86,578
Result from commission business and services		
Commission income from securities trading and investment activities	169,693	240,232
Commission income from lending activities	4,190	4,503
Commission income from other services	108,776	93,859
Commission expense	–20,277	–25,088
Subtotal result from commission business and services	262,382	313,506
Result from trading activities and the fair value option	15,497	21,531
Other result from ordinary activities		
Result from the disposal of financial investments	45	–
Income from participations	5,806	20,046
Other ordinary income	–	95
Other ordinary expense	–45	–110
Subtotal other result from ordinary activities	5,806	20,031
Operating income	355,395	441,646
Operating expenses		
Personnel expenses	–172,423	–180,066
General and administrative expenses	–168,134	–156,861
Subtotal operating expenses	–340,557	–336,927
Value adjustments on participations and depreciation and amortisation of tangible fixed and intangible assets	–8,496	–7,089
Changes to provisions and other value adjustments, and losses	2,233	–11,106
Operating result	8,575	86,524
Extraordinary income	213	1,321
Extraordinary expenses	–	–
Taxes	–2,896	–2,922
Profit	5,892	84,923
Appropriation of retained earnings		
Profit for the year	5,892	84,923
Profit/loss brought forward at year-end	–	–10,033
Profit/loss	5,892	74,890
Amounts available for the general meeting	5,892	74,890
Profit distribution		
Dividend payment	–5,892	–74,890
thereof distribution from the balance sheet profit	–5,892	–74,890
Retained earnings/loss to be carried forward	–	0

Statement of changes in equity

CHF 000	Bank's capital	Capital reserve	Legal reserves from retained earnings	Reserves for general banking risks	Other reserves from retained earnings	Result of the period	Total
Equity at 01.01.2016	100,000	180,158	47,171	14,000	356,305	84,923	782,557
Appropriation of profit							
– Dividend payment	–	–	–	–	–	–74,890	–74,890
– Transfer of profits to retained earnings	–	–	–	–	10,033	–10,033	–
Profit for the period	–	–	–	–	–	5,892	5,892
Equity at 31.12.2016	100,000	180,158	47,171	14,000	366,338	5,892	713,559

Notes to the Annual Financial Statements

1 Company name, legal form and registered office of the Bank

Deutsche Bank (Switzerland) Ltd, with its head office in Geneva and branch offices in Zurich and Lugano, is a wholly owned subsidiary of Deutsche Holdings (Luxembourg) S.à r.l., Luxembourg, which is itself integrated into the Deutsche Bank Group. Deutsche Bank (Switzerland) Ltd is one of the companies for which Deutsche Bank AG has issued a letter of comfort in its Annual Report 2016, according to the Supplementary Information.

Incorporated in 1980, Deutsche Bank (Switzerland) Ltd specialises in asset management and investment advisory services for private clients (wealth management), which also includes portfolio management and collateralised lending. Our Swiss Asset Management business will continue to offer tailored asset management solutions to institutional clients, as well as access to the global product portfolio of Deutsche Asset Management. It conducts its activities predominantly in offices rented under long-term leases.

2 Accounting and valuation principles

2.1 General principles

Bookkeeping, accounting and valuation procedures comply with the Swiss Code of Obligations, the Swiss Federal Banking Act and its ordinance, as well as the Swiss Financial Market Supervisory Authority (FINMA) guidelines governing accounting practices for banks, securities dealers, financial groups and conglomerates in accordance with FINMA circular 2015/1. These company financial statements are free from material misstatement and present the economic standing of the Bank such that third parties can make a reliable assessment. The financial statements may contain hidden reserves.

In the Notes, the individual figures are rounded for publication; the calculations are, however, performed using figures that have not been rounded, with the result that small rounding discrepancies may occur.

2.2 General valuation principles

These annual financial statements are drawn up on the assumption of the continuation of the company as a going concern. These items are recognised at their continuation values. Assets are recognised in the balance sheet as such if these are available due to past events, a cash inflow is probable and their value can be reliably estimated. Liabilities are recognised in the balance sheet as such if these arise from past events, a cash outflow is probable and their amount can be reliably estimated. Detailed positions reported in the balance sheet are measured individually. The transitional provision that requires individual valuations for tangible fixed assets to be carried out no later than 1 January 2020 is not applied.

Assets and liabilities, and income and expenditure, are generally not offset. Receivables and payables are offset only in the event of value adjustments to the corresponding asset item.

2.3 Financial instruments

2.3.1 Liquid assets

The liquid assets are recognised at their nominal value.

2.3.2 Amounts due from banks, amounts due from customers and mortgages

Amounts due from banks, customers and mortgages are recognised at their nominal value less the required value adjustments.

Precious metals trading balances on metals accounts are measured at fair value if the corresponding metals are traded on a liquid market.

Impaired loans, i.e. amounts due from customers for which it is unlikely that the obligor will be able to meet future obligations, are valued on an individual basis and the value loss is covered by specific value adjustments. The value reduction of impaired loans is measured on the basis of the difference between the book value of the loan and the estimated recoverable amount. The amount estimated to be recoverable is deemed to be the liquidation value.

If a receivable is deemed to be irrecoverable, in part or in full, or if a debt waiver is granted, the receivable is written off and charged against the corresponding value adjustment.

If recoveries from receivables that were already written off at an earlier date cannot be used for other similar value adjustments at the same time, they are credited to the income statement under “Changes in value adjustments for default risks and losses from interest operations”.

In addition to the specific value adjustments and the other specific value adjustments, the Bank creates value adjustments for latent default risks in order to cover latent risks present on the date of valuation. Default risks are considered to be latent if experience shows that they are present in a seemingly faultless credit portfolio on the balance sheet date but do not become apparent until a later date.

The specific value adjustments are deducted from the corresponding asset item in the balance sheet.

Impaired loans are in turn classified as performing if the outstanding principal amounts and interest expense are paid on schedule in line with the contractual agreements and further credit rating criteria. The reversal of value adjustments is reported in the income statement under “Changes in value adjustments for default risks and losses from interest operations”.

2.3.3 Amounts due to banks and in respect of customer deposits

These items are recognised at their nominal value.
Precious metals liabilities on metals accounts are valued at fair value.

2.3.4 Trading and amounts due to trading

The trading portfolios are generally valued and recognised in the balance sheet at fair value.

Foreign exchange gains and losses resulting from valuation are recognised under “Result from trading activities and the fair value option”. Interest and dividend income from trading is credited in the income statement under “Interest and dividend income from trading portfolios”. No refinancing costs for trading are credited to “Interest and discount income”.

2.3.5 Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are primarily used on behalf of clients in asset and liability management and foreign exchange trading.

2.3.6 Trading

All derivative financial instruments held for trading are valued at fair value and their positive or negative replacement values are recognised in the balance sheet under the corresponding items. Fair value is based on market rates, prices quoted by traders, discounted cash flow and option premium models. The realised trading income and the unrealised valuation income are recorded under the position “Result from trading activities and the fair value option”.

2.3.7 Netting

Specific value adjustments are deducted from the corresponding asset item.

2.3.8 Financial investments

Financial assets cover debt instruments, equities and physical holdings of precious metals. For financial assets that are valued at the lower of cost or market, a write-up is recognised up to a total of the historical acquisition costs, provided the fair value that was depreciated below the acquisition cost subsequently rises again. The value adjustment balance is recognised under the position “Other ordinary expense” or “Other ordinary income”.

Debt instruments not intended to be held until maturity are valued at the lower of cost or market. Value adjustments from the subsequent valuation are recognised under the position “Other ordinary expense” or “Other ordinary income” for each item. Value adjustments relating to default risk are recognised under the position “Changes in value adjustments for default risks and losses from interest operations”.

The valuation of equity securities and own physical precious metal holdings is carried out at the lower of cost or market. Own physical holdings of precious metals that are used to cover liabilities from precious metals accounts are also valued at fair value in line with the precious metals accounts. Value adjustments are recognised under the position “Other ordinary expense” or “Other ordinary income” for each item.

2.3.9 Participation

The term participations covers equity securities owned by the bank in undertakings where those securities are held with the intention of a permanent investment irrespective of the percentage of voting shares held. The participation is held at acquisition value less any necessary value adjustments. The value of the participation is reviewed at each balance sheet date and any impairment of the value is charged to the result of the period.

2.3.10 Tangible fixed assets

Investments in tangible fixed assets are capitalised if they are used beyond a reporting period and exceed the minimum capitalisation threshold of CHF 1,000. Tangible fixed assets are recognised in the balance sheet at acquisition cost less planned accumulated depreciation and amortisation over their estimated useful life. Tangible fixed assets are written off on a linear basis over a period subject to a conservative estimate of their useful life under "Value adjustments on participations and depreciation and amortisation of tangible fixed and intangible assets". The estimated useful life of a given category of tangible fixed assets is as follows:

Asset category	Useful life
Additions to/renovation of leasehold properties	10 years
Furniture	8 years
Operating equipment, telecommunications	5 years
Software acquired or developed in-house	3 years

On each balance sheet date, the tangible fixed assets are individually reviewed for any impairment losses. This check is triggered by indications that individual assets could be affected by impairment losses. If such signs are confirmed, the recoverable amount is determined. If an impairment loss is found, the book value is reduced to the recoverable amount and the impairment loss is debited under the position "Value adjustments on participations and depreciation and amortisation of tangible fixed and intangible assets".

Realised profits from the sale of tangible fixed assets are recognised under "Extraordinary income", realised losses under "Extraordinary expenses".

2.3.11 Provisions

Legal and factual liabilities are valued on a regular basis. If a cash outflow is probable and can be reliably estimated, a corresponding provision is formed.

Existing provisions are revalued on each balance sheet date. Depending on the revaluation, these will be increased, maintained or reversed. Provisions are included as follows under the individual items of the income statement:

Provisions for deferred tax:	Position "Taxes"
Pension provisions:	Position "Personnel expenses"
Other provisions:	Position "Changes to provisions and other value adjustments, and losses" with the exception of restructuring provisions

Provisions are reversed in the income statement if they are no longer required from a business perspective.

2.3.12 Reserves for general banking risks

The reserves for general banking risks are precautionary reserves against banking business risks in the course of operations.

The establishment and reversal of reserves are recognised in the income statement under the position "Changes to reserves for general banking risks". The reserves for general banking risks are taxed.

2.3.13 Taxes

Current taxes are recurring taxes on capital and income, generally on an annual basis. Transaction-related taxes are not categorised as current taxes.

Amounts due to current capital and income taxes are reported under the position "Accrued expenses and deferred income".

Current capital and income tax expense is reported in the income statement under the position "Taxes".

2.3.14 Off-balance-sheet transactions

Off-balance-sheet transactions are recognised at their nominal value. For foreseeable risks, provisions are made under liabilities on the balance sheet.

2.3.15 Pension obligations

Deutsche Bank (Switzerland) Ltd operates a staff pension foundation for its employees. The Bank's pension obligations and the assets serving as cover are held separately by this legally autonomous foundation. The pension scheme is treated as a defined-contribution scheme under Swiss GAAP FER 16. The pension scheme contributions made by Deutsche Bank (Switzerland) Ltd are recognised as personnel expenses. The employee pension fund provides both obligatory and supplementary cover. The insurance scheme is based on a semi-autonomous policy, with death and invalidity risks reinsured externally.

The Bank determines annually whether the pension fund results in a financial benefit or a financial liability for Deutsche Bank (Switzerland) Ltd. An economic benefit is used only for the insured party and is therefore not recognised in the balance sheet by the Bank, but the Bank does disclose it in the Notes to the financial statements. Any financial liability is reported under the position "Provisions from pension liabilities"; the establishment and reversal of the provisions is reported under the position "Personnel expenses".

The coverage ratio calculated by the actuary in accordance with Art. 44 para. 1 of BVV2 was around 118.5% at the end of 2015 (previous year: 116.8%).

2.3.16 Employee share ownership programmes

Employee share ownership programmes are in place for the members of the General Management and for employees. Employees receive bearer shares in the Deutsche Bank Group according to their seniority, hierarchy level and individual work performance. For the sale of these shares, there is a vesting period of at least four years.

The liability is recorded under the position "Accrued expenses and deferred income" and valued on each balance sheet date. The resulting change to the fair value is adjusted in the income statement under the position "Personnel expenses".

2.3.17 Changes to the accounting and valuation principles

The accounting and valuation principles have not changed with regard to the previous year.

2.3.18 Recognition of business transactions

All business transactions completed on the balance sheet date are recognised in the Bank's books on the transaction date and are valued from that time in accordance with the principles set out above. Foreign exchange spot transactions and foreign exchange forwards that have been traded but not yet settled are reported in the balance sheet from the value date. These transactions are reported under the positions "Positive replacement values of derivative financial instruments" or "Negative replacement values of derivative financial instruments" between the trade date and the settlement date.

2.3.19 Treatment of overdue interest charges

Overdue interest charges and corresponding fees are not collected as interest earned. Interest charges and fees that have been due for more than 90 days but have not been paid, however, are recognised as such. In the event of current account limits, interest charges and fees are considered to be overdue if the credit limit conferred has been exceeded for more than 90 days. Overdue interest charges are not cancelled retroactively. The amounts due from interest charges that accumulated before the 90-day period had expired are written off under the position "Changes in value adjustments for default risks and losses from interest operations".

2.3.20 Foreign currency translation

Transactions in foreign currencies are entered into the accounts at the current rate. On the balance sheet date, assets and liabilities are translated at the closing rate (average rate on the balance sheet date). The gains or losses resulting from foreign currency translation are recognised under "Result from trading activities and the fair value option".

The following rates are used for currency translation:

	31.12.2016	31.12.2015
USD	1.01635	1.00101
EUR	1.07200	1.08740
GBP	1.25586	1.47534
JPY	0.00871	0.00832

2.3.21 Treatment of the refinancing of trading positions

Refinancing costs for trading are not debited to trading income.

3 Risk Management

3.1 Additional information on risk management

Given our broad range of business activities, it is crucial to identify, measure, aggregate and manage risks effectively and to support our various business activities with adequate capital.

We have a dedicated and integrated Legal, Risk & Treasury function, which operates independently of the business areas. The importance of focusing heavily on risk management and the ongoing need to enhance risk management practices became particularly evident during the last financial market crisis.

The Board of Directors is kept apprised of the situation with regard to the Bank's assets, finances, liquidity and revenues, as well as the related risks. The Board of Directors has reviewed an analysis of the material risks to which the Bank is exposed, based on data and tools used by the Bank as part of its risk management process. Risk management essentially addresses market risks, credit risks, operational risks and liquidity risks. Within this review, the Board of Directors has also included the internal control system, which monitors and mitigates risk. Internal Audit regularly reviews the Bank's internal control system and reports its findings to the Audit Committee and the Board of Directors.

The Asset and Liability Committee (ALCO) is responsible for balance sheet management, including investment of the Bank's own funds.

3.2 Market risk

The market risks arising from interest rate exposure in the Bank's books and currency risks are monitored using a Group-wide value-at-risk model. However, capital backing requirements for market risks are determined using the standard method provided for in Art. 82, para. 1 (B), CAO. As at the end of 2016, there were no significant outstanding risk positions.

3.3 Credit risk

The Board of Directors has approved the credit risk appetite and the general guidelines in the "Credit Risk Management Principles of Deutsche Bank (Switzerland) Ltd." Under these guidelines, the Board of Directors' Credit Committee has the ultimate power to approve loans. The Head of Risk Management or his deputy kept the Board of Directors informed about the quality and development of the credit portfolio at four ordinary meetings of the Board of Directors. The Risk Management Team forms part of the Deutsche Bank Group's integrated Risk Management function, which reports to the Chief Risk Officer of the Deutsche Bank Group. Credit risk, in addition to operational risk, is the main component of the Bank's overall risk. The Bank measures and manages this risk in accordance with the following principles:

— Credit decisions are made on the basis of uniform standards in all parts of the Group.
— Approval of credit limits for business partners and management of our individual loan commitments must comply with our portfolio guidelines and credit strategies.
— Each loan granted and any material change in a credit facility extended to a business partner (e.g. duration, collateral structure or key contractual conditions) must be approved at the appropriate authorisation level.
— Staff with the requisite qualifications, experience and training are authorised to approve loans, and this authorisation is reviewed on a regular basis.

Credit risk rating

One key element of the loan-approval process is the performance of a detailed risk assessment of every loan granted to a business partner. The risk assessment takes account of the business partner's creditworthiness, the collateral provided including any relevant safety margins, and other relevant risks for the credit facility or loan. The resultant risk rating not only affects the structure of the transaction and the credit decision but also determines the loan-approval authorisation required for granting or renewal of the loan or any material changes to its term and defines the extent of monitoring required in each individual case.

The Bank uses internal valuation methods, score cards and a rating scale to assess its business partners' creditworthiness. Our 21-notch rating scale is calibrated with reference to the measure of probability of default based on statistical analyses of historical defaults in our portfolio. This scale makes it possible to compare internal ratings with market practices and enhances the mutual comparability of the various sub-portfolios. Loan commitments are generally measured individually. When the Bank determines internal risk ratings for its business partners, it compares its assessments with the risk ratings given by leading international rating agencies, wherever possible.

3.4 Operational risks

The Bank has implemented a framework for managing operational risks. The Group guidelines for managing operational risks define tasks and responsibilities for management and reporting. The provisions contained in these guidelines are supplemented by divisional standards and internal directives. By maintaining back-up systems we help minimise the operational risks arising from the utilisation of our communications, IT and processing systems. The Bank provides ongoing staff training to rectify operational shortcomings and limit errors. Internal directives are continually adapted to meet the latest requirements. The Compliance and Legal departments ensure that the Bank's business activities comply with the applicable regulatory guidelines and due diligence obligations. They are responsible for reviewing requirements and developments introduced by the supervisory authorities, legislative bodies and other organisations. Compliance with the "know-your-customer" principle and the provisions of the Anti-Money Laundering Act is considered very important. The principles for preserving the Group's reputation have been revised and apply to all Deutsche Bank units in Switzerland. The "Deutsche Bank Switzerland Executive Management Board" is responsible for reviewing specific risks.

4 Business policy for the use of derivative financial instruments

Derivative financial instruments are used for trading.

Trading in derivative financial instruments takes place with standardised and OTC instruments on the Bank's own behalf and on behalf of the client. No trading takes place in credit derivatives, and the Bank does not engage in market making.

5 Information on the Balance Sheet

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

CHF 000		Type of collateral Secured by mortgage	Type of collateral Other collateral	Type of collateral Unsecured	Type of collateral Total
Loans (before netting with value adjustments)					
Amounts due from customers		33,100	2,729,648	107,713	2,870,461
Mortgage loans		1,015,227	–	–	1,015,227
Residential property		720,678	–	–	720,678
Office and business premises		294,549	–	–	294,549
Total loans (before netting with value adjustments)	31.12.2016	1,048,327	2,729,648	107,713	3,885,688
	31.12.2015	1,209,952	3,184,396	88,718	4,483,066
Total loans (after netting with value adjustments)	31.12.2016	1,048,327	2,729,648	107,615	3,885,590
	31.12.2015	1,209,952	3,184,396	88,497	4,482,845
Off-balance-sheet					
Contingent liabilities		–	437,436	–	437,436
Irrevocable commitments		–	27,964	–	27,964
Obligation to pay up shares and make further contributions		–	–	32,242	32,242
Total off-balance-sheet	31.12.2016	–	465,400	32,242	497,642
	31.12.2015	–	544,998	32,746	577,744

CHF 000		Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans	31.12.2016	40,876	40,773	103	98
	31.12.2015	31,708	31,500	208	221

5.2 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

CHF 000	31.12.2016	31.12.2015
Assets		
Trading portfolio assets		
Equity securities	25	23
Total trading portfolio assets	25	23
Total assets	25	23

5.3 Presentation of derivative financial instruments (assets and liabilities)

CHF 000		Trading instruments Positive replacement values	Trading instruments Negative replacement values	Trading instruments Contract volume	Hedging instruments Positive replacement values	Hedging instruments Negative replacement values	Hedging instruments Contract volume
Interest rate instruments							
Swaps		676	676	59,231	–	–	–
Foreign exchange/precious metals							
Forward contracts		62,286	60,943	3,133,467	–	–	–
Options (OTC)		120,959	120,957	4,790,615	–	–	–
Equity securities/indices							
Options (OTC)		2,188	2,188	35,501	–	–	–
Total before netting agreements							
	31.12.2016	186,109	184,764	8,018,814	–	–	–
	of which determined using a valuation model	123,823	123,821	4,885,347	–	–	–
	31.12.2015	295,030	286,980	16,518,624	–	–	–
	of which determined using a valuation model	168,397	168,540	6,735,166	–	–	–

CHF 000		Positive replacement values (cumulative)	Negative replacement values (cumulative)
Total after netting agreements	31.12.2016	186,109	184,764
	31.12.2015	295,030	286,980

CHF 000	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)	–	53,319	132,790

5.4 Breakdown of financial investments

CHF 000	Book value 31.12.2016	Book value 31.12.2015	Fair value 31.12.2016	Fair value 31.12.2015
Breakdown of financial investments				
Debt instruments	43,003	65,194	45,545	68,916
of which not intended to be held to maturity (available for sale)	43,003	65,194	45,545	68,916
Equity securities	53	68	80	95
Precious metals	157,504	202,685	157,504	202,683
Total	200,560	267,947	203,129	271,694
of which securities eligible for repo transactions in accordance with liquidity requirements	39,247	61,398	41,716	64,973

CHF 000						
Breakdown of counterparties by rating	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Lower than B–	Not rated
Book value of debt instruments	39,247	–	1,703	–	–	2,053

Rating for debt instruments according to Standard & Poor's (S&P). Where no rating from S&P is available, the Moody's rating applied.

5.5 Participations

The 3.6% stake in SIX Group remains unchanged from previous year.
The book value is CHF 2.

5.6 Presentation of tangible fixed assets

CHF 000	Acquisition cost	Accumulated depreciation	Book value 31.12.2015	2016 Reclassification	2016 Additions	2016 Disposals	2016 Depreciation	2016 Reversals	Book value 31.12.2016
Other tangible fixed assets	106,094	–84,991	21,103	–	23,751	–	–8,496	–	36,358
Total tangible fixed assets	106,094	–84,991	21,103	–	23,751	–	–8,496	–	36,358

CHF 000	31.12.2016
Operating leases	
Future lease payments	
Within 1 year	11,098
From 1 to 5 years	34,582
More than 5 years	15,262
Total of future lease payments	60,942
thereof commitments which can be terminated within one year	118

Tangible fixed assets are written off on a linear basis over a period subject to a conservative estimate of their useful life under "Value adjustments on equity participations and write-offs on tangible fixed assets and intangible assets". The estimated useful life of a given category of tangible fixed assets is as follows:

Asset category	Useful life
Additions to/renovation of leasehold properties	10 years
Furniture	8 years
Operating equipment, telecommunications	5 years
Acquired or self-developed software	3 years

5.7 Breakdown of other assets and other liabilities

CHF 000	31.12.2016	31.12.2015
Other assets		
Indirect taxes	8,692	6,200
Other assets	20,188	33,976
Total other assets	28,880	40,176
Other liabilities		
Indirect taxes	4,581	2,015
Other liabilities	56,894	87,737
Total other liabilities	61,475	89,752

5.8 Disclosure of assets pledged or assigned to secure own liabilities and of assets under reservation of ownership*

CHF 000	31.12.2016 Book value	31.12.2016 Effective commitments	31.12.2015 Book value	31.12.2015 Effective commitments
Assets pledged or assigned as collateral				
Amounts due from banks	15,205	–	12,916	–
Total assets pledged or assigned as collateral	15,205	–	12,916	–

*excl. securities financing transactions

5.9 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the Group held by own pension schemes

CHF 000	31.12.2016	31.12.2015
Liabilities relating to own pension schemes		
Amounts due to customers	13,473	31,249
Total liabilities relating to own pension schemes	13,473	31,249

The Group's pension fund does not hold equity securities of Deutsche Bank Group.

5.10 Disclosure on the economic situation of own pension schemes

CHF 000	31.12.2016 Nominal value[1]	31.12.2016 Waiver of use	31.12.2016 Net amount	31.12.2015 Net amount	Influence of the ECR on personnel expenses 2016	2015
Employer contribution reserves (ECR)						
Pension fund of Deutsche Bank and affiliated companies	16,910	–	16,910	16,870	–	–
Pension fund of former Bank Sal. Oppenheim jr. & Cie, Switzerland	1,227	–	1,227	1,227	–	–
Total	18,137	–	18,137	18,096	–	–

[1] Share of Deutsche Bank (Switzerland) Ltd

CHF 000	Surplus/deficit coverage 31.12.2016	Economic share of the organisation 31.12.2016	31.12.2015	Change from previous year	Amounts paid for 2015	Pension fund expenses in personnel expenses 31.12.2016	31.12.2015
Presentation of economic benefit/financial liabilities and pension expenses							
Pension plans with surplus							
Pension fund of Deutsche Bank and affiliated companies	65,925	–	–	–	–	15,709	14,922
Pension fund of Bank Sal. Oppenheim jr. & Cie, Switzerland	16,082	–	–	–	–	–	–
Total	82,007					15,709	14,922

Basis:
Audited financial statement 2015 of the employer fund as well as the pension fund according to FER 26 and important changes during the year.
Audited financial statement 2015 of the pension fund of Bank Sal. Oppenheim jr. & Cie (Switzerland) Ltd.

The surplus of the Bank's pension fund of 118.5% (previous year 116.8%) is used exclusively for insured persons, which is why there is no economic benefit for the Bank that would have to be disclosed in the balance sheet and income statement

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

CHF 000	Balance at 31.12.2015	2016 Use in conformity with designated purpose	2016 Re-classifications	2016 Currency differences	2016 Past due interest, recoveries	2016 New creations charged to income	2016 Releases to income	Balance at 31.12.2016
Provisions for pension benefit obligations	2,620	–	–	–	–	9	–	2,629
Provisions for default risks	19	–	–	4	–	6	–29	–
Provisions for restructuring	338	–609	–	–	–	318	–32	15
Other provisions	152,073	–16,501	–	–290	–	1,548	–6,129	130,701
Total provisions	155 050	–17,110	–	–286	–	1,881	–6,190	133,345
Reserves for general banking risks	14,000	–	–	–	–	–	–	14,000
Value adjustments for default and country risks	781	–	–	–11	–	372	–1,044	98
thereof, value adjustments for default risks in respect of impaired loans/receivables	221	–	–	–	–	–	–123	98
thereof, value adjustments for latent risks	560	–	–	–11	–	372	–921	–

Other provisions include mainly hidden reserves and legal provisions as well as provisions for holidays.
The reserves for general banking risks are taxed.

5.12 Presentation of the Bank's capital

CHF 000	31.12.2016 Nominal value	31.12.2016 Quantity	31.12.2016 Capital entitled to dividend	31.12.2015 Nominal value	31.12.2015 Quantity	31.12.2015 Capital entitled to dividend
Bank's capital						
Share capital	100,000	100,000	100,000	100,000	100,000	100,000
thereof fully paid in	100,000	100,000	100,000	100,000	100,000	100,000
Total Bank's capital	100,000	100,000	100,000	100,000	100,000	100,000

5.13 Number and value of shares or options on equity securities held by all executives and directors and by employees, and disclosures on any employee participation scheme

	Shares Number 31.12.2016	Shares Value 31.12.2016 (CHF 000)	Shares Number 31.12.2015	Shares Value 31.12.2015 (CHF 000)
Members of the General Management	112,532	1,884	70,241	2,291
Employees	455,299	7,560	208,811	6,809
Total	567,831	9,444	279,052	9,100

The Group operates incentive plans under which the General Management and eligible employees are awarded share units depending on seniority, hierarchy and individual performance.
Restricted Equity Awards
The deferred equity portion, which is delivered as a Restricted Equity Award (“REA”), vests on a pro rata basis over four years (or in the case of Senior Management Group four and a half years).
Restricted Incentive Awards
The non-equity-based portion is granted as deferred cash compensation (Restricted Incentive Award, “RIA”) which vests on a pro rata basis over four years. Specific forfeiture provisions apply during the deferral period.
Equity Upfront Awards
In addition to the above-mentioned deferred awards, all Material Risk Takers receive 50 % of their upfront (non-deferred) award in the form of an Equity Upfront Award (“EUA”). The EUA is vested at grant but it is subject to a 12 months retention period. The value of the EUA is linked to the Bank's share price during the retention period and is therefore tied to the sustained performance of the Bank. Specific forfeiture provisions apply during the retention period in addition to a service requirement.

The total cost for the year of the employee share participation plan amounts to CHF 4,977 569. This amount is booked under "Staff expenses".

5.14 Disclosure of amounts due from/to related parties

CHF 000	Amounts due from 31.12.2016	Amounts due from 31.12.2015	Amounts due to 31.12.2016	Amounts due to 31.12.2015
Group companies	2,981,725	5,434,749	3,894,646	3,966,608
Linked companies	56,808	58,632	424,538	606,346
Transactions with members of governing bodies	–	51	22	708
Other related parties	–	–	338	690

Loans and advances to governing bodies are amounts due from members of the Board of Directors, Executive Management Board, the statutory auditors as well as companies they control. Loans to the governing bodies and holders of qualified interests are advanced with the usual conditions for Bank staff, and loans to companies controlled by these are granted in accordance with the usual conditions for Bank customers.

There are no material off-balance-sheet transactions with governing bodies or related parties.

5.15 Disclosure of significant participants

CHF 000	31.12.2016 Nominal	31.12.2016 Percentage	31.12.2015 Nominal	31.12.2015 Percentage
Significant participants				
With voting rights				
Deutsche Holdings (Luxembourg) S.à r.l., Luxembourg	100,000	100%	100,000	100%

Deutsche Holdings/Luxembourg) S.à.r.l., a wholly owned subsidiary of Deutsche Bank AG, Frankfurt am Main, is the sole shareholder and holds all the voting rights.
Black Rock Inc., New York, has held 5.89 % of the Deutsche Bank shares since December 2016 (2015: 6.76 %),
There are no other shareholders known that held at least 5 % or more of the capital stock of Deutsche Bank AG as at 31.12.2016.

5.16 Disclosure of own shares and composition of the capital stock

CHF 000	31.12.2016	31.12.2015
Non-distributable reserves		
Non-distributable capital reserves	2,829	2,829
Non-distributable reserves from retained earnings	47,171	47,171
Total of non-distributable reserves	50,000	50,000

5.17 Presentation of the maturity structure of financial instruments

CHF 000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 12 month to 5 years	Due after 5 years	No maturity	Total
Assets/financial instruments								
Liquid assets	1,505,430	–	–	–	–	–	–	1,505,430
Amounts due from banks	261,930	–	1,377,387	939,781	354,202	50,818	–	2,984,118
Amounts due from customers	1,937	122,178	1,614,883	203,772	888,937	38,656	–	2,870,363
Mortgage loans	–	35,423	239,282	92,094	644,700	3,728	–	1,015,227
Trading portfolio assets	25	–	–	–	–	–	–	25
Positive replacement values of derivative financial instruments	186,109	–	–	–	–	–	–	186,109
Financial investments	200,560	–	–	–	–	–	–	200,560
Total 31.12.2016	2,155,991	157,601	3,231,552	1,235,647	1,887,839	93,202	–	8,761,832
Total 31.12.2015	2,519,503	217,234	6,238,323	1,998,760	1,033,216	100,949	–	12,107,985
Debt capital/financial instruments								
Amounts due to banks	21,459	–	1,984,340	694,737	1,345,444	42,363	–	4,088,343
Amounts due in respect of customer deposits	3,609,163	147	–	8,308	1,074	–	–	3,618,692
Negative replacement values of derivative financial instruments	184,764	–	–	–	–	–	–	184,764
Total 31.12.2016	3,815,386	147	1,984,340	703,045	1,346,518	42,363	–	7,891,799
Total 31.12.2015	7,011,099	146	2,689,875	722,153	650,475	50,877	–	11,124,625

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

CHF 000	31.12.2016 Domestic	31.12.2016 Foreign	31.12.2015 Domestic	31.12.2015 Foreign
Assets				
Liquid assets	1,504,154	1,276	1,569,425	1,090
Amounts due from banks	28,664	2,955,454	26,267	5,465,358
Amounts due from customers	624,613	2,245,750	438,244	2,867,511
Mortgage loans	56,144	959,083	57,184	1,119,906
Trading portfolio assets	–	25	–	23
Positive replacement values of derivative financial instruments	9,669	176,440	7,280	287,750
Financial investments	197,839	2,721	265,228	2,719
Accrued income and prepaid expenses	22,093	125,910	26,803	95,817
Non-consolidated participations	–	–	–	–
Tangible fixed assets	36,358	–	21,103	–
Other assets	16,435	12,445	33,383	6,793
Non-netted value adjustments	–	–	–560	–
Total assets	2,495,969	6,479,104	2,444,357	9,846,967

CHF 000	31.12.2016 Domestic	31.12.2016 Foreign	31.12.2015 Domestic	31.12.2015 Foreign
Liabilities				
Amounts due to banks	20,087	4,068,256	17,419	4,053,924
Amounts due in respect of customer deposits	751,250	2,867,442	1,395,385	5,370,917
Negative replacement values of derivative financial instruments	8,627	176,137	9,499	277,481
Accrued expenses and deferred income	88,292	86,603	74,522	64,818
Other liabilities	46,791	14,684	74,189	15,563
Provisions	133,345	–	155,050	–
Reserves for general banking risks	14,000	–	14,000	–
Bank's capital	100,000	–	100,000	–
Capital reserve	180,158	–	180,158	–
Legal reserve	47,171	–	47,171	–
Retained earnings reserve	366,338	–	366,338	–
Carryover loss	–	–	–10,033	–
Profit for the period	5,892	–	84,923	–
Total liabilities	1,761,951	7,213,122	2,508,621	9,782,703

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

CHF 000	31.12.2016 absolute	31.12.2016 %	31.12.2015 absolute	31.12.2015 %
Switzerland	2,495,969	27.8%	2,444,357	19.9%
Rest of Europe	4,621,700	51.5%	7,335,607	59.7%
North America	84,095	0.9%	99,943	0.8%
South America	1,158,790	12.9%	1,716,087	14.0%
Asia	529,501	5.9%	639,177	5.2%
Africa	79,605	0.9%	50,855	0.4%
Australia/Oceania	5,413	0.1%	5,298	0.0%
Total assets	8,975,073	100.0%	12,291,324	100.0%

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

CHF 000		31.12.2016 Amount	31.12.2016 Share	31.12.2015 Amount	31.12.2015 Share
Net foreign exposure					
Internal rating system	Standard & Poor's rating				
1 – Superior	AAA to AA–	7,802,621	86.9%	10,862,239	88.4%
2 – Good	A+ to A–	341,318	3.8%	473,437	3.9%
3 – Medium	BBB+ to BBB–	506,464	5.7%	658,780	5.4%
4 – Speculative	BB+ to B–	287,955	3.2%	218,805	1.8%
5 – Risk	CCC+ and lower	27,809	0.3%	62,108	0.5%
6 – No rating	No rating	8,906	0.1%	15,955	0.1%
Total assets		8,975,073	100.0%	12 291,324	100.0%

Ratings for debt instruments according to Standard & Poor's (S&P).
Where no rating from S&P is available, the Moody's rating was applied.

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

CHF 000	31.12.2016 CHF	31.12.2016 EUR	31.12.2016 USD	31.12.2016 Others
Assets				
Liquid assets	1,503,091	2,169	114	56
Amounts due from banks	65,929	783,462	1,782,882	351,845
Amounts due from customers	495,290	604,794	1,573,915	196,364
Mortgage loans	56,144	60,697	4,594	893,792
Trading portfolio assets	–	–	25	–
Positive replacement values of derivative financial instruments	63,841	6,749	101,475	14,044
Financial investments	43,043	13	–	157,504
Accrued income and prepaid expenses	27,835	76,524	40,173	3,471
Non-consolidated participations	–	–	–	–
Tangible fixed assets	32,647	3,471	236	4
Other assets	14,635	3,050	9,053	2,142
Not netted value adjustments	–	–	–	–
Total assets shown in balance sheet	2,302,455	1,540,929	3,512,467	1,619,222
Delivery entitlements from spot exchange, forward forex and forex options transactions	644,020	1,745,204	3,146,992	2,447,552
Total assets	2,946,475	3,286,133	6,659,459	4,066,774

CHF 000	31.12.2016 CHF	31.12.2016 EUR	31.12.2016 USD	31.12.2016 Others
Liabilities				
Amounts due to banks	952,002	648,793	1,483,620	1,003,928
Amounts due in respect of customer deposits	344,118	842,049	1,858,570	573,955
Negative replacement values of derivative financial instruments	62,498	7,110	101,475	13,681
Accrued expenses and deferred income	64,231	57,283	40,660	12,721
Other liabilities	13,665	6,199	31,791	9,820
Provisions	131,516	573	–215	1,471
Reserves for general banking risks	14,000	–	–	–
Bank's capital	100,000	–	–	–
Capital reserve	180,158	–	–	–
Legal reserve	47,171	–	–	–
Retained earnings reserve	366,338	–	–	–
Carryover profit/loss	–	–	–	–
Profit for the period	5,892	–	–	–
Total liabilities shown in the balance sheet	2,281,589	1,562,007	3,515,901	1,615,576
Delivery obligations from spot exchange, forward forex and forex options transactions	641,392	1,747,429	3,146,536	2,447,070
Total liabilities	2,922,981	3,309,436	6,662,437	4,062,646
Net position per currency	23,494	–23,303	–2,978	4,128

5.22 Breakdown of contingent liabilities and contingent assets

CHF 000	31.12.2016	31.12.2015
Guarantees to secure credits and similar	364,787	414,826
Performance guarantees and similar	72,649	89,919
Total contingent liabilities	437,436	504,745

5.23 Breakdown of fiduciary transactions

CHF 000	31.12.2016	31.12.2015
Fiduciary deposits with third-party companies	1,009,067	912,181
Fiduciary deposits with Group companies and linked companies	2,348,455	3,911,739
Total fiduciary transactions	3,357,522	4,823,920

5.24 Breakdown of managed assets and presentation of their development

CHF 000	31.12.2016	31.12.2015
Type of managed assets		
Assets in collective investment schemes managed by the bank	144,007	148,336
Assets under discretionary asset management agreements	35,751,067	37,110,222
Other managed assets	34,048,314	45,443,716
Total managed assets (including double counting)	69,943,388	82,702,274
thereof: double counting	187,978	107,015
thereof: Asset Management	39,097,921	39,915,231
thereof: Wealth Management	30,845,467	42,787,033

CHF 000	31.12.2016	31.12.2015
Presentation of the development of managed assets		
Total managed assets (including double counting) at beginning	82,702,274	85,721,259
+/– net new money inflow or net new money outflow	–11,636,828	–2,959,313
+/– price gains/losses, interest, dividends and currency gains/losses	1,871,934	–3,924,898
+/– other effects*	–2,993,992	3,865,226
Total managed assets (including double counting) at end	69,943,388	82,702,274
thereof: net new money inflow/outflow Asset Management	–2,290,371	–2,347,777
thereof: net new money inflow/outflow Wealth Management	–9,346,458	–611,536

* 2016: Assets under management reclassified to "Custody only" assets.
* 2015: Assets managed locally where the Bank receives management fees and that were not recognised in the previous years.

Calculations based on FINMA circular 2015/01.
Assets under management consist of clients' assets held or managed by the Bank for investment purposes. These assets can, in turn, be broken down into discretionary asset management mandates and other client assets. "Custody only" assets are defined as assets deposited at the Bank for transaction and custodial purposes only. Here the Bank provides no further services to the client. "Custody only" assets are not included in assets under management.
Only deposits and withdrawal of cash and deliveries or transfers of securities are taken into account when computing net new assets inflow and outflow. The net new assets do not include interest, commissions and fees charged.

5.25 Breakdown of the result from trading activities and the fair value option

CHF 000	2016	2015
Breakdown by business area		
Result from trading from commercial customers	2,392	2,943
Result from trading from private customers	12,195	15,208
Result from own trading	910	3,380
Result from other trading	–	–
Total result from trading activities	15,497	21,531

CHF 000	2016	2015
Breakdown by underlying risk and based on the use of the fair value option		
Result from trading activities from:		
Interest rate instruments (including funds)	142	–141
Equity securities (including funds)	20	–318
Foreign currencies	15,335	21,990
Commodities/precious metals	–	–
Total result from trading activities	15,497	21,531

5.26 Disclosure of material refinancing income under "Interest and discount income" as well as material negative interest

Refinancing income related to "Interest and discount income"
No refinancing costs of the trading assets portfolio have been credited to "Interest and discount income".
Negative interest
Asset-related negative interest is debited to "Interest and discount income".
Liability-related negative interest stated as reduction of "Interest expenses".

CHF 000	2016	2015
Asset-related negative interest (reduction in interest and discount income)	7,250	7,957
Liability-related negative interest (reduction in interest expense)	1,233	1,932

5.27 Breakdown of personnel expenses

CHF 000	2016	2015
Salaries (meeting attendance fees and fixed compensation to members of the Bank's governing bodies, salaries and benefits)	129,836	149,267
of which, expenses relating to share-based compensation and alternative forms of variable compensation	15,276	36,624
Social insurance benefits	24,731	23,585
Other personnel expenses	17,856	7,214
Total personnel expenses	172,423	180,066

Personnel:
The number of employees decreased from 609 to 597.
This corresponds to a full-time equivalent of 571.1 (previous year: 584.5) employees.

5.28 Breakdown of general and administrative expenses

CHF 000	2016	2015
Office space expenses	17,259	15,151
Expenses for information and communications technology	24,156	35,321
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	1,090	1,481
Fees of audit firm	1,253	1,242
of which for financial and regulatory audits	1,011	1,232
of which for other services	242	10
Other operating expenses	124,376	103,665
Total general and administrative expenses	168,134	156,860

5.29 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

Release of value adjustments and provisions
Provisions for legal risks were partially released as they are no longer required and are reported under "Changes to provisions and other value adjustments, and losses".

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

CHF 000	31.12.2016	31.12.2015
Current tax expenses (wealth and income taxes)	2,896	2,923
Deferred tax expenses	–	–
Total tax expenses	2,896	2,923
Weighted average tax rate (based on operating result)	33.8%	3.4%

The tax expenses include taxes not arising from the operating result.
In 2016 and 2015, no income taxes were calculated due to carryover losses.

Report of the Statutory Auditor on the Financial Statements

Report of the Statutory Auditor to the General Meeting of Shareholders of Deutsche Bank (Switzerland) Ltd, Geneva

As statutory auditor, we have audited the accompanying financial statements of Deutsche Bank (Switzerland) Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes for the year ended 31 December 2016.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Erich Schärli	Daniel Güttinger
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 6. April 2017

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The office in Lugano will be closed in 2017.

Deutsche Bank in Switzerland: Independence, expertise and global reach

The Swiss bank with a global background

Deutsche Bank (Switzerland) Ltd. is a bank under Swiss law. It is one of the biggest foreign banks in Switzerland and combines a global presence with in-depth knowledge of its domestic market. Private and institutional clients, independent asset managers and high net worth clients rely on our passion for sustainable financial solutions – both regionally and worldwide. Clients can expect the outstanding service of a Swiss bank while also putting their faith in the strength of Deutsche Bank AG. Switzerland is the centre for the wealth management business in the EMEA region (Europe, Middle East and Africa).