

Market Volume

in Derivatives



Certificates market slightly weaker in March

Reverse convertibles continue to rise

The outstanding volume of the German certificates market decreased in March. A large number of products matured at the end of the quarter, reducing the total volume by 1.0 percent or EUR 940 million. This is shown by the latest figures collected each month from 16 banks by the European Derivatives Group (EDG) on behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association. Price falls had virtually no impact on the overall weighting in March.

When the figures collected by EDG are extrapolated to all issuers, the **total volume of the German certificates market at the end of March was EUR 95.9 billion.**

There was no change in the **ratio of investment certificates to leverage products**. In the month under review investment products once again accounted for 98.5 of the volume invested while leverage products merely made up 1.5 percent of the total volume.

Investment products by product category

Security and capital protection on maturity remained the prime concern for investors in March, despite a decline in the volume of **investment products offering full capital protection** as the result of a large number of products maturing. Thus the volume invested in Capital Protection Pro-

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Market Volume March I 2013

- The total volume of the German certificates market decreased in March and amounted to EUR 95.9 billion at the end of the quarter.
- Accounting for 98.5 percent of the total volume, investment products continued to dominate the market, while leverage products, making up 1.5 percent, played only a minor role.
- Reverse Convertibles gained ground once again and with a growth of 3.4 percent, or EUR 184 million, they were clearly the winner in the month under review.
- Certificates offering full capital protection remained the dominant investment category. Accounting for 67.5 percent of volume, Capital Protection Products with Coupon and Uncapped Capital Protection Certificates attracted more than two thirds of investors' funds.

ducts with Coupon fell by 1.7 percent or EUR 831 million. More than half of the outstanding volume of investment certificates was invested in this product category, which accounted for 52.3 percent. The outstanding volume of Uncapped Capital Protection Certificates was down by 1.9 percent or EUR 264 million, accounting for 15.2 percent. Despite the decline in March, a total of EUR 60.7 billion was outstanding in products with full capital protection on maturity, making up 67.5 percent of the total volume of investment certificates.

Reverse Convertibles were very much in demand, as in the previous month. In March their market volume rose by 3.4 percent or EUR 184 million. After price adjustments the outstanding volume rose even higher to 4.2 percent or EUR 230 million. The proportion of Reverse Convertibles making up the total volume of investment products rose in line with this to 6.2 percent.

In contrast to Reverse Convertibles, the volume of **Discount Certificates** fell. Due to a large number of products maturing, Discount Certificates lost 3.5 percent or EUR 155 million. March is a common expiry month for Discount Certificates. So the proportion of Discount Certificates making up the total volume of investment certificates was down to 4.7 percent.

The market volume of **Express Certificates** rose by 1.0 percent or EUR 49 million. At the end of March, they accounted for 5.6 percent of total volume in the investment products segment.

Growth in the **Bonus Certificates** segment was somewhat higher, both in terms of percentages and in absolute figures. Market volume rose by 2.0 percent or EUR 51 million, so that Bonus Certificates currently constitute 2.9 percent of the outstanding volume in investment products.

The volume of **Tracker Certificates** was also up in March, growing by 0.4 percent or EUR 24 million. Their share of the total volume grew to 6.4 percent.

Market volume in the **Outperformance Certificates and Capped Outperformance Certificates** category rose by 1.4 percent or EUR 1 million. As they accounted for only 0.1 percent of the total volume, this category played a negligible role in the overall development of investment products.

Volumes for **other investment products without capital protection** remained at the previous month's level. In March they accounted for 6.4 percent, which was particularly due to the large proportion of credit linked notes.

Leverage products by product category

Leverage products bucked the general market trend and were up slightly. Their volume grew by 0.2 percent or EUR 3 million.

Looking at the segment by product category reveals an opposite trend in March. Market volume in the **Warrants** category fell by 3.0 percent or EUR 17 million. Within the segment of leverage products they accounted for 41.8 percent in total.

The outstanding volume of **Knock-Out Warrants**, on the other hand, grew by 2.6 percent or EUR 20 million, accounting for 58.2 percent of volume.

Investment products by underlying

Despite the downward trend, certificates with **interest rates as an underlying** continued to be very popular in March. This class of underlying assets accounted for 59.0 percent of the open interest in the investment certificates segment, i.e. well above half, particularly owing to the high outstanding volume of Capital Protection Products with Coupon and credit linked notes. Their volume fell by 1.6 percent or EUR 843 million, which can be particularly explained by the ▶▶

downward trend in the case of Capital Protection Products with Coupon.

Certificates with **equities as an underlying** followed in second place accounting for 19.1 percent of volume. Their outstanding volume went down by 0.1 percent or EUR 13 million.

Following close behind equities were investment certificates with **indices as an underlying**, accounting for 19.0 percent. Their market volume was also down by 0.4 percent or EUR 71 million month on month.

Following behind at some distance, there were investment certificates with **commodities as an underlying**. Their outstanding volume was up slightly by 1.0 percent or EUR 15 million. However, as they accounted for only 1.8 percent of the total volume, commodities were of only minor importance for the overall development of investment certificates.

The same is true of investment products with **investment funds as an underlying** which accounted for 0.9 percent of total volume. They were down by 4.8 percent or 42 million month on month.

The market volume of investment certificates with **currencies as an underlying** had little impact on the overall picture. Although volumes in this asset class were up by 9.9 percent, or EUR 13 million, in March, they made up only 0.1 percent of the total volume.

Leverage products by underlying

As in the previous month, leverage products with **equities as an underlying** were the most popular category of underlying assets in this segment. All in all, they made up 40.6 percent of the total volume of leverage products. Their market volume, however, dropped by 2.6 percent or EUR 14 million in the month under review.

Following close behind equity products were leverage products with **indices as an underlying**, whose volume was up by 3.4 percent or EUR 17 million in March. So their share of the volume also rose to 39.1 percent.

Products with **commodities as an underlying** also proved to be popular. In comparison with February their outstanding volume was up by 0.8 percent or EUR 2 million, and they accounted for 14.3 percent of volume.

The market volume of leverage products with **currencies as an underlying** was also higher in the month under review. The outstanding volume grew by 4.4 percent or EUR 2 million, and they accounted for 3.9 percent of the total volume of leverage products.

Due to heavy price falls the volume of leverage products with **interest rates as an underlying** dropped sharply by 12.5 percent or EUR 4 million. After adjustment to take account of a price fall of 27.4 percent, interest rate products even made it into positive territory. However, as they accounted for a mere 2.0 percent, they had little impact on the overall picture. ■

The following companies contributed to the market volume statistics:



Deutscher Derivate Verband (DDV)

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the 17 leading issuers of derivatives in Germany: Barclays, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC Trinkaus, HypoVereinsbank, J.P. Morgan, LBBW, MACQUARIE, Royal Bank of Scotland, Société Générale, UBS, Vontobel and WestLB. The Association's work is supported by ten sponsoring members, which include the Stuttgart and Frankfurt am Main stock exchanges, finance portals and service providers.

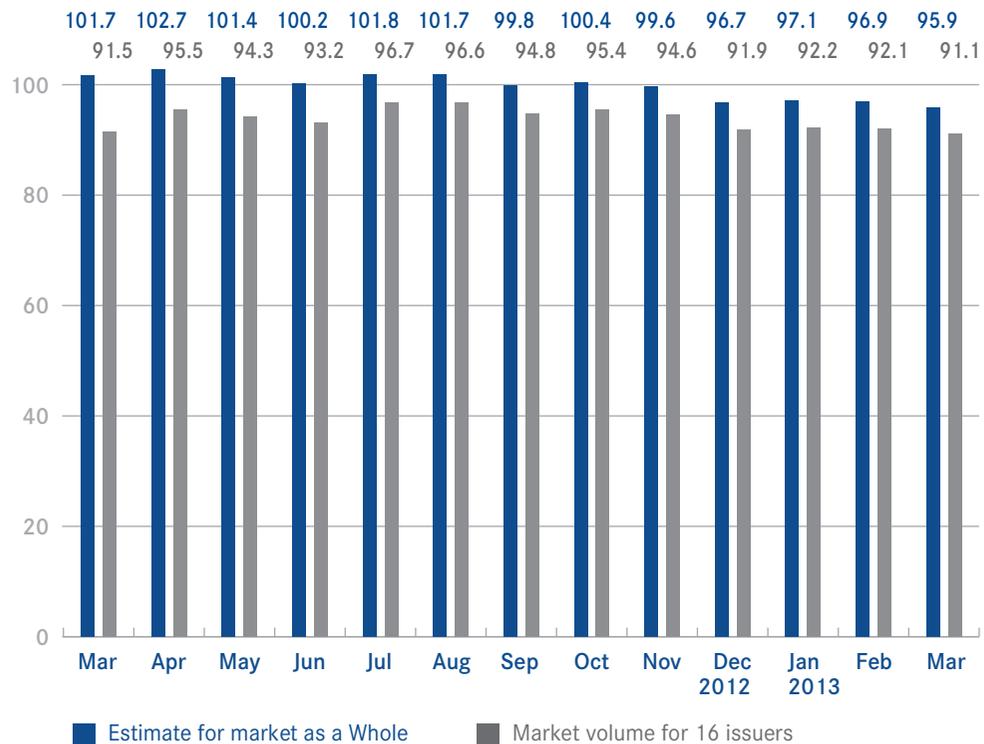
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Market volume since March 2012



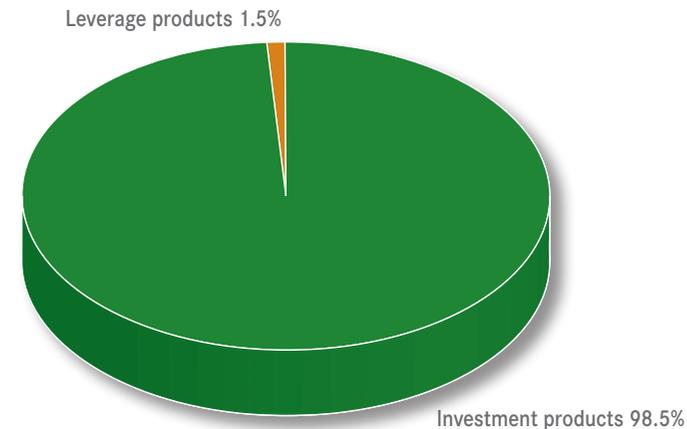
Product classes

Market volume as at 31 March 2013

Product classes	Market volume	Share
	T€	%
Investment products	89,797,439	98.5%
Leverage products	1,345,642	1.5%
Total Derivatives	91,143,081	100.0%

Product classes

Market volume as at 30 March 2013

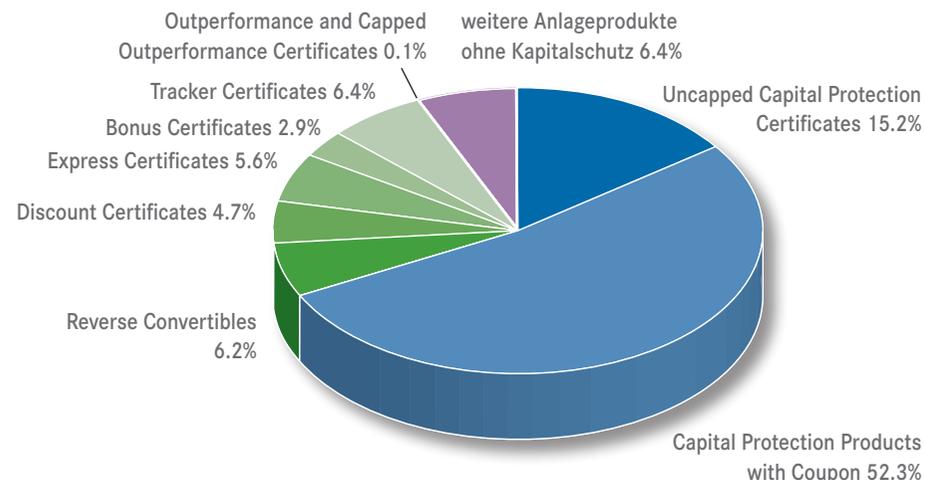


Market volume by product category as at 31 March 2013

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	13,658,301	15.2%	13,665,142	15.2%	3,388	1.0%
■ Capital Protection Products with Coupon	46,993,837	52.3%	47,012,022	52.3%	2,391	0.7%
■ Reverse Convertibles	5,641,822	6.2%	5,688,213	6.3%	47,722	13.8%
■ Discount Certificates	4,242,917	4.7%	4,244,795	4.7%	135,533	39.1%
■ Express Certificates	5,010,122	5.6%	5,044,724	5.6%	3,201	0.9%
■ Bonus Certificates	2,618,327	2.9%	2,617,429	2.9%	149,321	43.1%
■ Tracker Certificates	5,757,963	6.4%	5,699,636	6.3%	2,762	0.8%
■ Outperformance and Capped Outperformance Certificates	95,020	0.1%	94,563	0.1%	770	0.2%
■ Other Certificates without Capital Protection	5,779,130	6.4%	5,777,446	6.4%	1,336	0.4%
Investment products total	89,797,439	98.5%	89,843,970	98.5%	346,424	45.0%
■ Warrants	557,530	41.4%	580,396	41.8%	270,985	63.9%
■ Knock-Out Warrants	788,112	58.6%	808,453	58.2%	153,211	36.1%
Leverage products total	1,345,642	1.5%	1,388,849	1.5%	424,196	55.0%
Total	91,143,081	100.0%	91,232,820	100.0%	770,620	100.0%

Investment products by product category

Market volume as at 31 March 2013

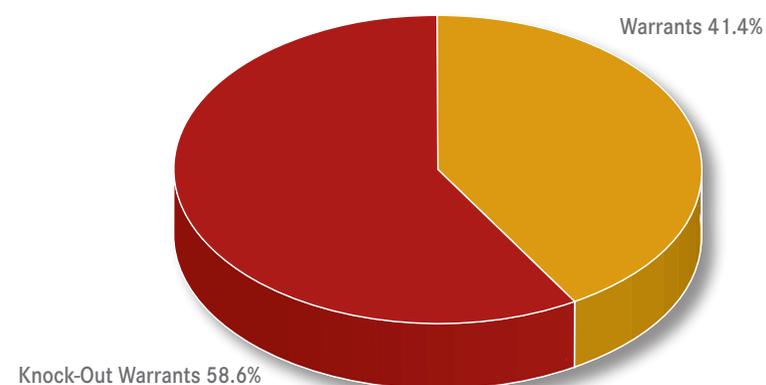


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-263,831	-1.9%	-256,990	-1.8%	0.0%
■ Capital Protection Products with Coupon	-831,042	-1.7%	-812,856	-1.7%	0.0%
■ Reverse Convertibles	183,510	3.4%	229,902	4.2%	-0.8%
■ Discount Certificates	-154,520	-3.5%	-152,642	-3.5%	0.0%
■ Express Certificates	48,687	1.0%	83,289	1.7%	-0.7%
■ Bonus Certificates	50,577	2.0%	49,678	1.9%	0.0%
■ Tracker Certificates	24,069	0.4%	-34,258	-0.6%	1.0%
■ Outperformance and Capped Outperformance Certificates	1,298	1.4%	841	0.9%	0.5%
■ Other Certificates without Capital Protection	-1,625	0.0%	-3,310	-0.1%	0.0%
Investment products total	-942,878	-1.0%	-896,347	-1.0%	-0.1%
■ Warrants	-17,238	-3.0%	5,628	1.0%	-4.0%
■ Knock-Out Warrants	19,793	2.6%	40,134	5.2%	-2.6%
Leverage products total	2,555	0.2%	45,762	3.4%	-3.2%
Total	-940,323	-1.0%	-850,584	-0.9%	-0.1%

Leverage products by product category

Market volume as at 31 March 2013



Market volume by underlying asset as at 31 March 2013

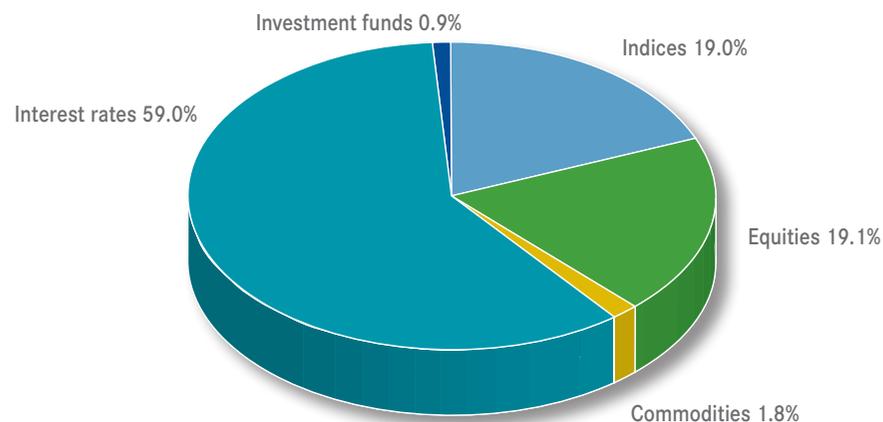
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	17,078,810	19.0%	17,054,648	19.0%	98,806	28.5%
Equities	17,185,788	19.1%	17,258,722	19.2%	240,847	69.5%
Commodities	1,575,479	1.8%	1,558,548	1.7%	2,967	0.9%
Currencies	139,092	0.2%	138,674	0.2%	49	0.0%
Interest rates	52,972,931	59.0%	52,991,402	59.0%	3,310	1.0%
Investment funds	845,339	0.9%	841,977	0.9%	445	0.1%
	89,797,439	98.5%	89,843,970	98.5%	346,424	45.0%
Leverage products						
Indices	526,097	39.1%	531,919	38.3%	101,537	23.9%
Equities	546,521	40.6%	573,488	41.3%	258,320	60.9%
Commodities	192,597	14.3%	191,392	13.8%	26,806	6.3%
Currencies	53,044	3.9%	56,125	4.0%	35,427	8.4%
Interest rates	27,237	2.0%	35,758	2.6%	2,052	0.5%
Investment funds	146	0.0%	168	0.0%	54	0.0%
	1,345,642	1.5%	1,388,849	1.5%	424,196	55.0%
Total	91,143,081	100.0%	91,232,820	100.0%	770,620	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 31 March 2013 x price as at 28 February 2013

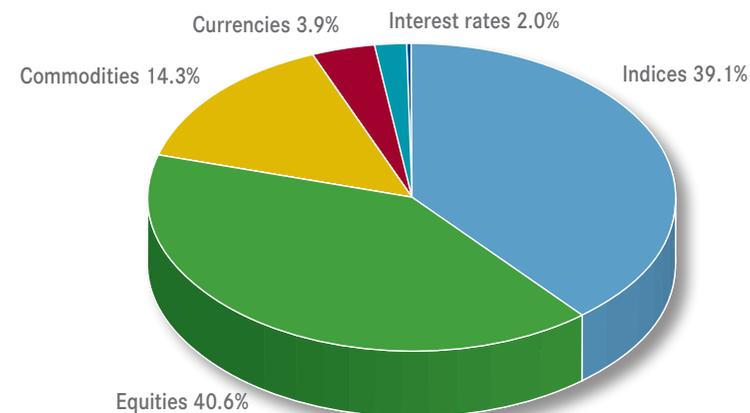
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-71,376	-0.4%	-95,538	-0.6%	0.1%
Equities	-13,025	-0.1%	59,908	0.3%	-0.4%
Commodities	14,894	1.0%	-2,037	-0.1%	1.1%
Currencies	12,537	9.9%	12,119	9.6%	0.3%
Interest rates	-843,476	-1.6%	-825,005	-1.5%	0.0%
Investment funds	-42,431	-4.8%	-45,794	-5.2%	0.4%
	-942,878	-1.0%	-896,347	-1.0%	-0.1%
Leverage products					
Indices	17,135	3.4%	22,957	4.5%	-1.1%
Equities	-14,418	-2.6%	12,550	2.2%	-4.8%
Commodities	1,540	0.8%	334	0.2%	0.6%
Currencies	2,241	4.4%	5,322	10.5%	-6.1%
Interest rates	-3,892	-12.5%	4,629	14.9%	-27.4%
Investment funds	-52	-26.2%	-30	-15.2%	-11.0%
	2,555	0.2%	45,762	3.4%	-3.2%
Total	-940,323	-1.0%	-850,584	-0.9%	-0.1%

Investment products by underlying asset Market volume as at 31 March 2013



Leverage products by underlying asset Market volume as at 31 March 2013



Collection, validation and analysis methodology

1. Calculation of the market volume

In calculating the outstanding volume, the first step is to establish the market volume for an individual issue by multiplying the quantity outstanding by the market price on the last trading day of the month under review. The total market volume is calculated by adding the individual values. The price-adjusted figure is obtained by valuing the outstanding quantities at the market prices on the last trading day of the previous month. Newly launched products are valued at the price on the last trading day in the month under review.

2. Calculation of the turnover

Turnover is calculated at the relevant exercise price by aggregating the individual trades per issue and period and then adding them up. Purchases and sales are included at their relevant absolute amounts. The only turnover recorded is that relating to end customers. Also, issues are not classified as turnover until their value dates. By contrast, repayments are not included in the turnover figures, since they do not constitute actual trades. This means that there is a natural outflow of funds at the maturity date of the products, although this is offset by new issues if investors continue to invest in these investment classes. This turnover calculation can lead to inflows of funds in one investment class in one month that exceed the turnover recorded for that month in terms of their amounts. Also, large price fluctuations can lead to a change in the market volume that exceeds the turnover amount in terms of its amount.

3. Definition of the retail products covered

The collection and analysis process covers market volume and turnover in retail products that are publicly offered and listed on at least one German stock exchange in the relevant survey period. Private placements, institutional transactions and white-label trading are not covered. The possibility that parts of an issue may be bought by institutional investors, for instance through the stock exchange, cannot be ruled out.

4. DDV classification system (Derivatives League)

The product classification system used is based on DDV's Derivatives League concept. Investment products include Uncapped Capital Protection Certificates, Capital Protection Products with Coupon, Reverse Convertibles, Discount Certificates, Express Certificates, Bonus Certificates, Tracker Certificates, Outperformance and Capped Outperformance Certificates, as well as other investment products without capital protection. Leverage products comprise Warrants and Knock-Out Warrants. (For further details please refer to http://www.derivateverband.de/DE/MediaLibrary/Document/ddv_klassifizierung_final.pdf).

5. Differentiation by investment class

Retail products are differentiated by the investment class of the underlying. All products with an equity component are included among the equity-based investment or leverage products. Products with a purely bond-based underlying (e.g. index certificates based on the German REX bond index, capital protected certificates based on the EURIBOR Euro Interbank Offered Rate) are included in the investment class of bonds. The currencies and commodities investment class comprises products based on goods, commodities and currencies. Hedge fund products are also shown separately.

6. Collection of the data

Each month, the issuers provide the relevant data in a specified scope and format from their internal systems (trading, risk management and pricing systems etc.). The mandatory information comprises ISIN, product type, asset class of the underlying, product category, turnover, market volume, quantity outstanding, maturity date of the products, product name, issue date, issue volume (quantity issued). The optional information includes details of the underlying, the knock-out thresholds, market prices and listings on German stock exchanges.

7. Monitoring of compliance with the self-commitment

Compliance with the code of conduct is monitored by means of on-site and off-site inspection of data and systems. Random sampling and targeted requests for selected information are backed up by cross-checking of data using stock exchange data, information services and the websites of issuers. In particular, the data are reconciled on a regular basis in cooperation with Boerse Stuttgart, with the main focus on stock exchange listing, the categorisation of products and the substantiation of figures for turnover and outstanding volumes.

DISCLAIMER

EDG AG regularly checks the methods and analyses on which this interpretation is based. However, it does not guarantee the correctness of the analyses. By signing up to the voluntary agreement, the issuers have agreed to ensure the correctness of the transaction data provided by them, and on which the analysis is based. However, EDG AG cannot guarantee the correctness or the completeness of the data from the issuers.

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