

Market Volume

in Derivatives



Structured products market shrinks at year-end

Growth in Factor Certificates

The outstanding volume of the German structured products market fell towards the end of the year. One of the main reasons for this was the redemption of a large number of structured securities, such as Capital Protection Products with Coupon and Discount/Bonus Certificates.

Overall, the market volume shrank by 4.2 percent or EUR 3.4 billion compared with the previous month. This trend is shown by the latest figures collected each month from 17 banks by the European Derivatives Group (EDG AG) on behalf of Deutscher Derivate Verband (DDV), the German

Derivatives Association. Extrapolating these figures to all issuers puts the **total volume of the German structured products market at EUR 79.4 billion at the end of December 2014.**

Compared with the previous month, the **ratio of investment products to leverage products** changed slightly in favour of investment products. With a 97.7 percent share of the total market volume, investment products continue to shape the trend to a large extent. Leverage products made up 2.3 percent. ▶▶

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Marktvolumen December | 2014

- In December, the total volume of the German structured products market was EUR 79.4 billion.
- Investment products accounted for 97.7 percent of the market volume, while leverage products made up 2.3 percent.
- Reverse Convertibles have been gaining in popularity with investors for a number of years. Their share within the investment products segment was 9.3 percent in December.
- Despite losing ground, Structured Products offering full capital protection remained the dominant investment category. More than 60 percent of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

Investment products by product category

The volume of **investment products offering full capital protection** fell in December. The market volume relating to Capital Protection Products with Coupon was down 3.0 percent compared with the previous month at EUR 32.5 billion. This corresponded to 46.5 percent of the investment products. At EUR 10.5 billion, Uncapped Capital Protection Certificates lost 2.4 percent in volume. Their share was 15.0 percent. 61.5 percent of the market volume was invested in these two product categories in December.

Reverse Convertibles experienced a dip of 5.7 percent, taking their volume to EUR 6.5 billion. Their share within the investment products segment was 9.3 percent.

Tracker Certificates were down 0.9 percent, charting the smallest losses within the investment products category. With a volume of EUR 4.4 billion, they upped their market share to 6.4 percent.

Credit Linked Notes were down 4.7 percent to come in at EUR 4.2 billion. Their share remained unchanged at 6.0 percent.

At EUR 4.1 billion, **Discount Certificates** lost 10.7 percent in volume. This corresponded to a share of 5.9 percent.

The market volume for **Bonus Certificates** shrank by 12.0 percent, taking it to EUR 2.3 billion. They accounted for 3.3 percent of the volume.

Outperformance and Capped Outperformance Certificates also lost a substantial amount of ground, coming in down 11.6 percent. Their total volume was EUR 91 million. However, as it accounted for just 0.1 percent of the total investment products volume, this category continued to have scarcely any impact on the overall trend.

The volume of **other investment products without capital protection** shrank by 1.2 percent to EUR 797 million. As before, they accounted for 1.1 percent of the volume.

Leverage products by product category

The market volume of **leverage products** fell by 9.1 percent to EUR 1.6 billion in December. Warrants and Knock-Out Warrants saw the sharpest decreases in volume.

The volume invested in **Knock-Out Warrants** was down 10.2 percent at EUR 699 million. Their share of volume within the leverage products segment was 43.2 percent.

Warrants experienced negative growth of 11.3 percent with a volume of EUR 660 million. Their share was 40.8 percent.

The market volume for **Factor Certificates** grew by 0.8 percent, taking it to EUR 260 million. This meant they increased their share of the leverage products category to 16.0 percent.

Investment products by underlying

Structured Products with **interest rates as an underlying** remained the most popular category in December. Their volume was down 3.1 percent at EUR 38.0 billion due in particular to the decrease in Capital Protection Products with Coupon. However, they continued to make up over half of the total investment products volume, accounting for 54.4 percent.

With a share of 23.2 percent, investment products with **equities as an underlying** ranked next. Their volume fell by 7.3 percent to EUR 16.2 billion.

Investment products with **indices as an underlying** took third place with a 20.0 percent share. Their market volume dipped 2.9 percent to EUR 14.0 billion.

Following at a considerable distance behind the other classes were investment products with **commodities as an underlying**, which made up 1.3 percent. Their outstanding volume grew by 6.0 percent to EUR 921 million. ►►

At 0.9 percent, the share of investment products with **investment funds as an underlying** was even lower. They lost 0.2 percent in December to stand at EUR 664 million.

Investment products with **currencies as an underlying** had hardly any impact in relation to the general trend with a share of 0.2 percent.

Leverage products by underlying

The market volume of leverage products with **equities as an underlying** fell considerably, down 10.7 percent. At EUR 794 million, they accounted for 49.1 percent of the total leverage products volume.

Leverage products with **indices as an underlying** lost 8.8 percent, taking them to EUR 608 million. This corresponded to a share of 37.6 percent.

Lagging some way behind leverage products based on equities and indices were those with **commodities as an underlying**. Their volume fell by 0.9 percent to EUR 113 million, taking their share to 7.0 percent.

Leverage products with **currencies as an underlying** experienced negative growth of 6.3 percent and accounted for a market volume of EUR 91 million. They made up 5.6 percent of the leverage products market.

The market volume of leverage products with **interest rates as an underlying** decreased by 1.3 percent to EUR 13 million. They accounted for 0.8 percent of the volume. ■

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, BayernLB, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, DZ BANK, Goldman Sachs, Helaba, HSBC Trinkaus, HypoVereinsbank, LBB, LBBW, Royal Bank of Scotland, Société Générale, UBS and Vontobel. The Association's work is supported by nine sponsoring members, which include the Stuttgart and Frankfurt am Main stock exchanges, finance portals and service providers.

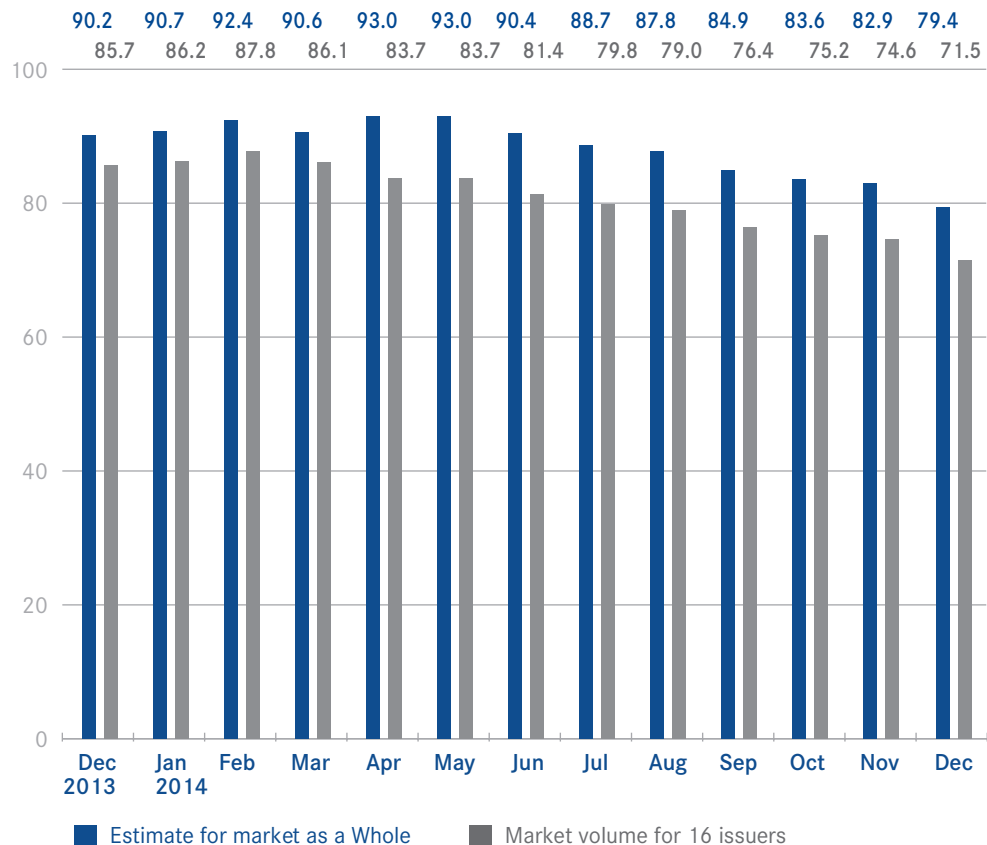
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Market volume since December 2013



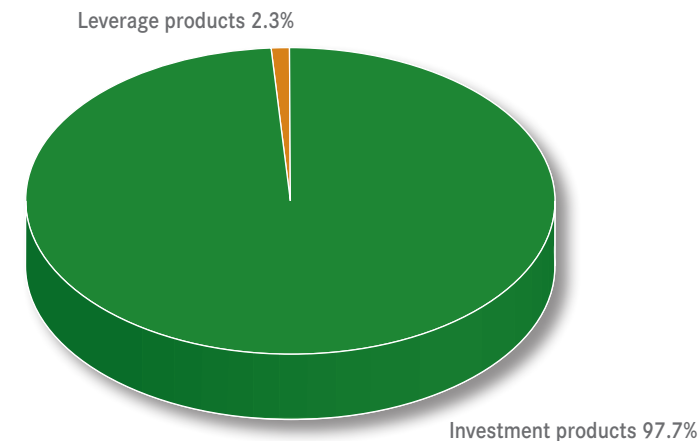
Product classes

Market volume as at 31 December 2014

Product classes	Market volume	Share
	T€	%
Investment products with capital protection	42,969,821	61.5%
Investment products without capital protection	26,944,608	38.5%
Total Investment products	69,914,430	100.0%
Leverage products without Knock-Out	919,787	56.8%
Leverage products with Knock-Out	698,956	43.2%
Total Leverage products	1,618,743	100.0%
Total Investment products	69,914,430	97.7%
Total Leverage products	1,618,743	2.3%
Total Derivatives	71,533,172	100.0%

Product classes

Market volume as at 31 December 2014

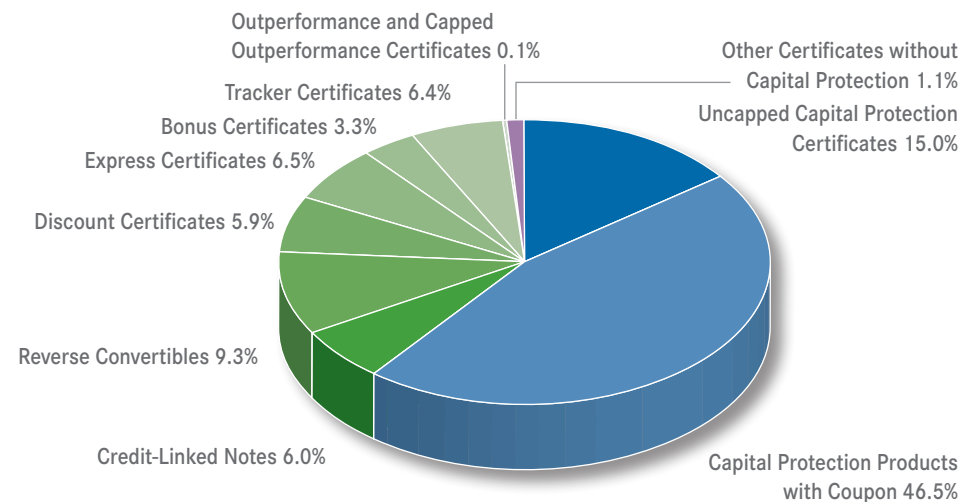


Market volume by product category as at 31 December 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	10,476,707	15.0%	10,498,261	14.9%	2,889	0.6%
■ Capital Protection Products with Coupon	32,493,114	46.5%	32,529,454	46.3%	2,212	0.5%
■ Credit-Linked Notes	4,182,913	6.0%	4,163,943	5.9%	1,026	0.2%
■ Reverse Convertibles	6,528,708	9.3%	6,615,218	9.4%	83,853	18.5%
■ Discount Certificates	4,110,681	5.9%	4,143,990	5.9%	153,167	33.7%
■ Express Certificates	4,514,349	6.5%	4,595,401	6.5%	4,619	1.0%
■ Bonus Certificates	2,277,574	3.3%	2,308,253	3.3%	203,176	44.7%
■ Tracker Certificates	4,442,857	6.4%	4,500,218	6.4%	2,327	0.5%
■ Outperformance and Capped Outperformance Certificates	90,881	0.1%	93,113	0.1%	656	0.1%
■ Other Certificates without Capital Protection	796,645	1.1%	799,444	1.1%	443	0.1%
Investment products total	69,914,430	97.7%	70,247,296	97.6%	454,368	41.4%
■ Warrants	660,071	40.8%	697,841	40.3%	352,918	54.8%
■ Factor Certificates	259,716	16.0%	298,682	17.2%	2,270	0.4%
■ Knock-Out Warrants	698,956	43.2%	737,049	42.5%	289,254	44.9%
Leverage products total	1,618,743	2.3%	1,733,573	2.4%	644,442	58.6%
Total	71,533,172	100.0%	71,980,869	100.0%	1,098,810	100.0%

Investment products by product category

Market volume as at 31 December 2014

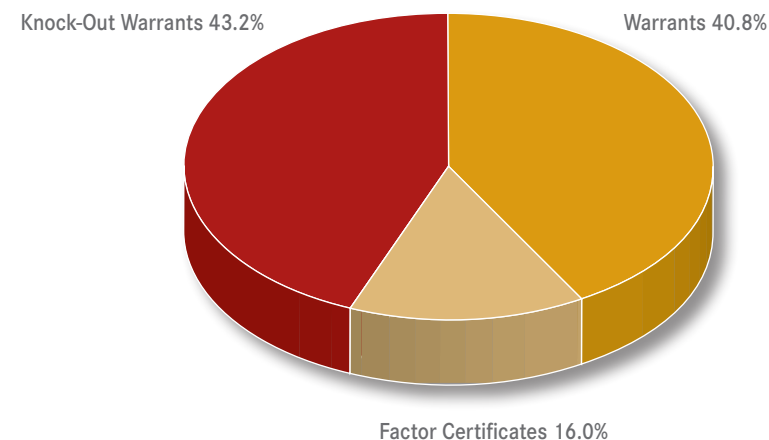


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	in %
■ Uncapped Capital Protection Certificates	-254,186	-2.4%	-232,632	-2.2%	-0.2%
■ Capital Protection Products with Coupon	-1,012,248	-3.0%	-975,909	-2.9%	-0.1%
■ Credit-Linked Notes	-207,601	-4.7%	-226,571	-5.2%	0.4%
■ Reverse Convertibles	-392,969	-5.7%	-306,459	-4.4%	-1.2%
■ Discount Certificates	-491,664	-10.7%	-458,355	-10.0%	-0.7%
■ Express Certificates	-138,538	-3.0%	-57,486	-1.2%	-1.7%
■ Bonus Certificates	-310,366	-12.0%	-279,687	-10.8%	-1.2%
■ Tracker Certificates	-42,296	-0.9%	15,065	0.3%	-1.3%
■ Outperformance and Capped Outperformance Certificates	-11,975	-11.6%	-9,743	-9.5%	-2.2%
■ Other Certificates without Capital Protection	-9,403	-1.2%	-6,604	-0.8%	-0.3%
Investment products total	-2,871,247	-3.9%	-2,538,381	-3.5%	-0.5%
■ Warrants	-83,989	-11.3%	-46,219	-6.2%	-5.1%
■ Factor Certificates	1,991	0.8%	40,958	15.9%	-15.1%
■ Knock-Out Warrants	-79,385	-10.2%	-41,292	-5.3%	-4.9%
Leverage products total	-161,383	-9.1%	-46,553	-2.6%	-6.5%
Total	-3,032,630	-4.1%	-2,584,934	-3.5%	-0.6%

Leverage products by product category

Market volume as at 31 December 2014



Market volume by underlying asset as at 31 December 2014

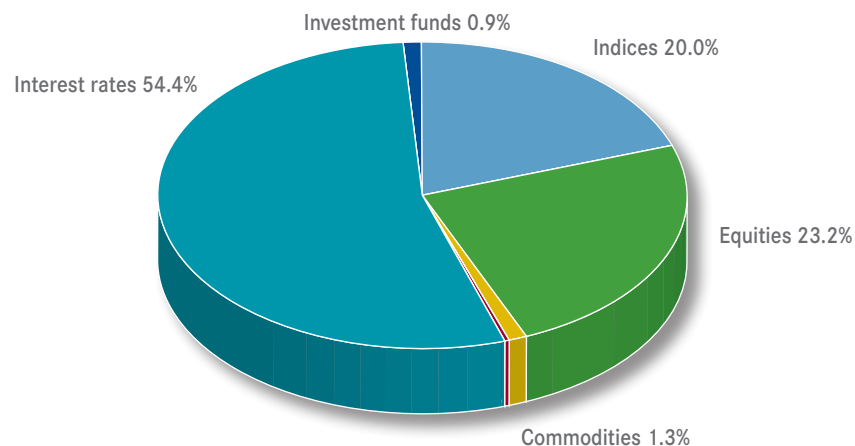
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	13,953,610	20.0%	14,059,987	20.0%	114,284	25.2%
Equities	16,205,597	23.2%	16,386,603	23.3%	334,345	73.6%
Commodities	920,584	1.3%	951,508	1.4%	2,140	0.5%
Currencies	163,776	0.2%	163,923	0.2%	64	0.0%
Interest rates	38,007,179	54.4%	38,026,104	54.1%	3,427	0.8%
Investment funds	663,683	0.9%	659,170	0.9%	108	0.0%
	69,914,430	97.7%	70,247,296	97.6%	454,368	41.4%
Leverage products						
Indices	607,840	37.6%	639,698	36.9%	165,823	25.7%
Equities	794,157	49.1%	860,752	49.7%	418,663	65.0%
Commodities	112,737	7.0%	137,391	7.9%	28,909	4.5%
Currencies	91,239	5.6%	79,968	4.6%	28,304	4.4%
Interest rates	12,716	0.8%	15,710	0.9%	2,728	0.4%
Investment funds	54	0.0%	53	0.0%	15	0.0%
	1,618,743	2.3%	1,733,573	2.4%	644,442	58.6%
Total	71,533,172	100.0%	71,980,869	100.0%	1,098,810	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 31 December 2014 x price as at 30 November 2014

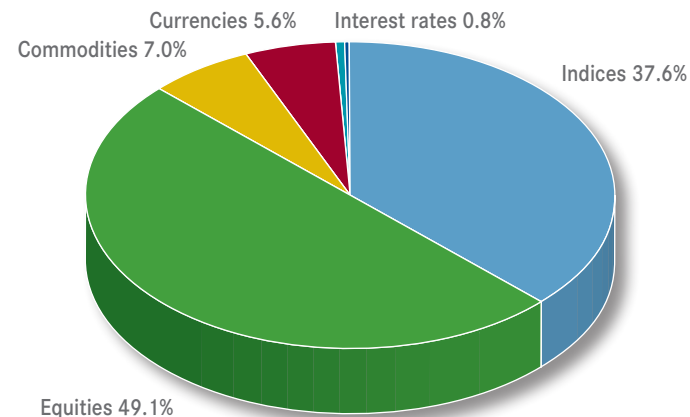
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-418,500	-2.9%	-312,123	-2.2%	-0.7%
Equities	-1,282,484	-7.3%	-1,101,478	-6.3%	-1.0%
Commodities	51,731	6.0%	82,655	9.5%	-3.6%
Currencies	87	0.1%	235	0.1%	-0.1%
Interest rates	-1,220,470	-3.1%	-1,201,545	-3.1%	0.0%
Investment funds	-1,612	-0.2%	-6,125	-0.9%	0.7%
	-2,871,247	-3.9%	-2,538,381	-3.5%	-0.5%
Leverage products					
Indices	-58,653	-8.8%	-26,795	-4.0%	-4.8%
Equities	-95,372	-10.7%	-28,776	-3.2%	-7.5%
Commodities	-1,073	-0.9%	23,581	20.7%	-21.7%
Currencies	-6,119	-6.3%	-17,391	-17.9%	11.6%
Interest rates	-165	-1.3%	2,830	22.0%	-23.2%
Investment funds	-1	-2.1%	-2	-3.1%	1.0%
	-161,383	-9.1%	-46,553	-2.6%	-6.5%
Total	-3,032,630	-4.1%	-2,584,934	-3.5%	-0.6%

Investment products by underlying asset Market volume as at 31 December 2014



Leverage products by underlying asset Market volume as at 31 December 2014



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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