

Market Volume

in Derivatives



Good start to the year for the structured products market

Considerable growth in Discount/Bonus Certificates and Reverse Convertibles

The outstanding volume of the German structured products market developed positively at the beginning of 2014. Overall, the market volume grew by 0.6 percent or EUR 501 million in January compared with the previous month.

Prices for structured products fell by an average of 0.3 percent. The price-adjusted increase in market volume was therefore 0.9 percent or EUR 763 million. This trend is shown by the latest figures collected each month from 16 banks by the European Derivatives Group (EDG AG) on behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association.

At the end of December, the total volume of the German structured products market was EUR 90.7 billion. This

was calculated by extrapolating the figures collected to all issuers.

The **ratio of investment products to leverage products** remained unchanged month on month. Investment products accounted for 98.3 percent of the market volume, while leverage products made up 1.7 percent.

Investment products by product category

Investment products offering full capital protection remained by far the most popular category among investors in January. Capital Protection Products with Coupon increased slightly compared with the previous month, gaining 0.1 percent or EUR 63 million. They accounted for more than ►►

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Market Volume January | 2014

- At EUR 90.7 billion, the total volume of the German structured products market was up in January.
- Discount Certificates, Bonus Certificates and Reverse Convertibles experienced the most marked increase in market volume in January.
- Investment products accounted for 98.3 percent of the market volume, while leverage products made up a mere 1.7 percent.
- Structured products offering full capital protection continued to be the dominant investment category. Two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

half of the volume of investment products with a share of 52.6 percent. Uncapped Capital Protection Certificates experienced strong growth of 1.5 percent or EUR 186 million. Their market share was 15.1 percent. More than two-thirds of the market volume was invested in these two product categories in January.

Reverse Convertibles also performed well in January, upping their market volume by 2.4 percent or EUR 145 million. Their share in the volume of investment products was 7.1 percent.

The volume of **Credit Linked Notes** also increased in the month under review. This product category experienced growth of 0.6 percent or EUR 27 million. As before, it accounted for a share of 5.5 percent.

Bucking the overall trend, **Express Certificates** lost 6.1 percent or EUR 296 million. They accounted for a 5.3 percent share of the investment products market.

The volume of **Tracker Certificates** also shrank, falling 2.4 percent or EUR 113 million. They made up 5.5 percent of the total volume.

Discount Certificates charted the sharpest growth of 11.0 percent or EUR 390 million. They upped their share of the investment products market volume to 4.6 percent.

Bonus Certificates increased their volume by 6.8 percent or EUR 148 million. Their share of the investment products segment was 2.7 percent.

The outstanding volume in the **Outperformance and Capped Outperformance Certificates** category grew by 5.9 percent or EUR 6 million in January. However, as it accounted for just 0.1 percent of the total volume, this category had scarcely any impact on the overall trend among the investment products.

The volume of **other investment products without capital protection** rose by 1.0 percent or EUR 12 million. They made up 1.4 percent of the investment products market.

Leverage products by product category

The market volume of **leverage products** decreased by 4.5 percent or EUR 67 million in January compared with December.

The volume of **Knock-Out Warrants** fell by 8.5 percent or EUR 58 million in comparison with the previous month. Their share in the volume of leverage products was 43.8 percent.

Warrants also lost ground. Their outstanding volume dipped by 1.2 percent or EUR 7 million. They made up 40.6 percent of the leverage products market.

Factor Certificates were also down slightly. Their market volume fell by 0.7 percent or EUR 1 million. However, their share of the leverage products segment increased to 15.6 percent.

Investment products by underlying

Investment products with **interest rates as an underlying** were the most popular underlying category with a share of 60.2 percent of the total volume. Their volume increased by 0.4 percent or EUR 188 million in January.

Investment products with **equities as an underlying** followed in second place. Their share of the total volume stood at 20.2 percent. The outstanding volume rose by 2.1 percent or EUR 356 million compared with December. ▶▶

Investment products with **indices as an underlying** accounted for a 17.4 percent share. Their market volume edged up slightly, increasing by 0.1 percent or EUR 20 million.

Following at some distance behind the other classes of underlyings were investment products with **commodities as an underlying**. They made up 1.2 percent of the total volume in January. Their outstanding volume grew by 2.0 percent or EUR 20 million.

At 0.8 percent, the share of investment products with **investment funds as an underlying** was somewhat lower. Their volume fell by 1.8 percent or EUR 13 million month on month.

Investment products with **currencies as an underlying** had hardly any impact in relation to the general trend with a share of 0.1 percent. Their volume fell by 2.3 percent or EUR 3 million.

Leverage products by underlying

With a share of 45.2 percent, products with **equities as an underlying** were the most popular type of underlying in the

leverage products segment. They lost 6.7 percent or EUR 46 million in January.

The market volume of leverage products with **indices as an underlying** fell by 3.4 percent or EUR 20 million. They made up 40.1 percent of the leverage products market.

Following at some distance behind equity and index securities were leverage products with **commodities as an underlying**. Their outstanding volume climbed by 12.9 percent or EUR 14 million. They made up 8.8 percent of the total leverage products volume.

By contrast, the market volume of leverage products with **currencies as an underlying** was down. They lost 3.7 percent or EUR 2 million and accounted for a 3.6 percent share.

Leverage products with **interest rates as an underlying** plummeted in January, down 27.7 percent or EUR 12 million on the December figure. Because they accounted for only 2.3 percent of the total volume, their impact on the general trend was not significant, however. ■

An der Erhebung der Marktvolumenstatistik beteiligen sich:



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.

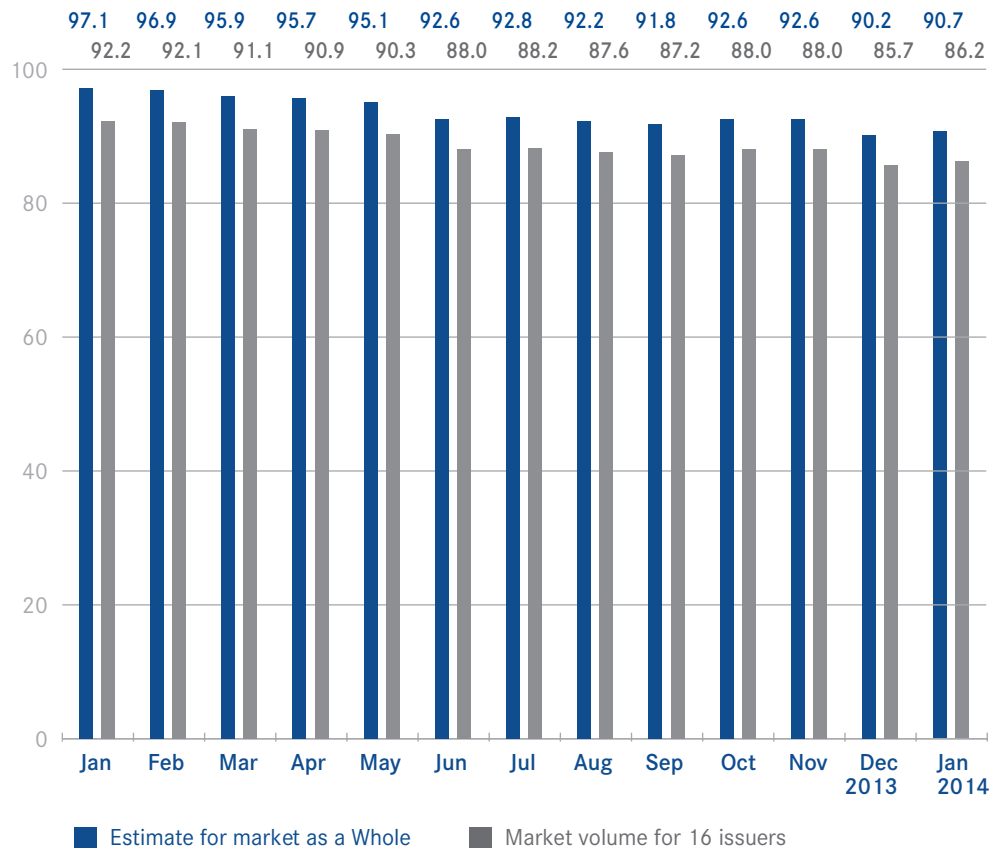
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Market volume since January 2013



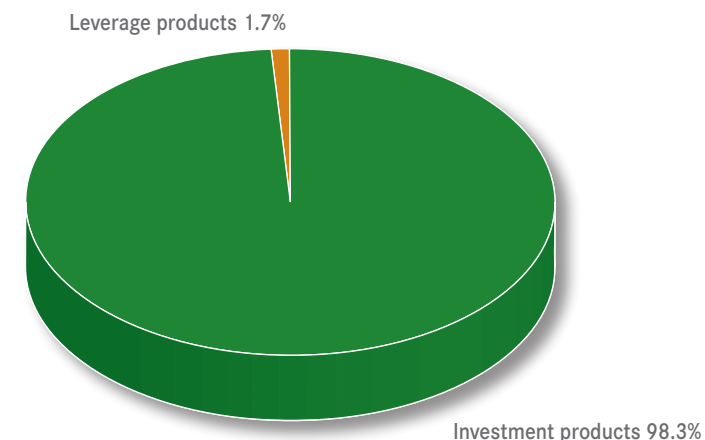
Product classes

Market volume as at 31 January 2014

Product classes	Market volume	Share
	T€	%
■ Investment products	84,764,521	98.3%
■ Leverage products	1,430,600	1.7%
Total Derivatives	86,195,121	100.0%

Product classes

Market volume as at 31 January 2014

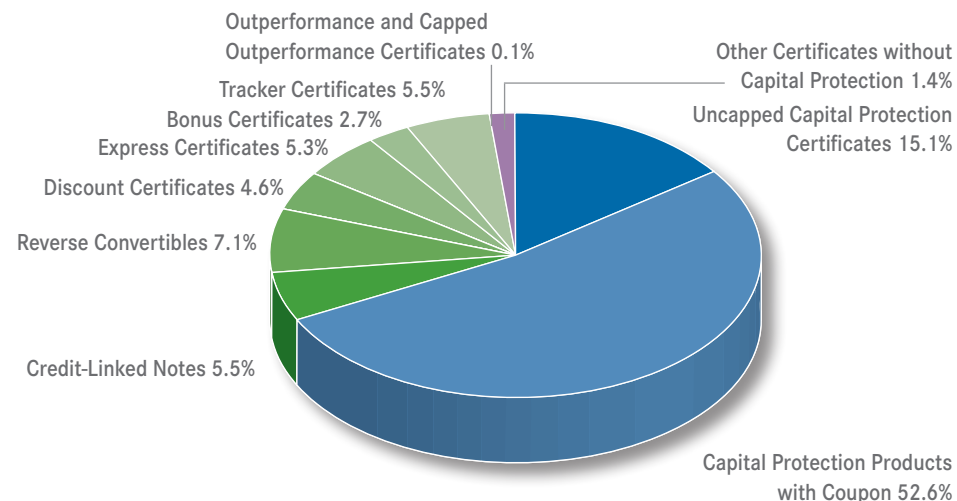


Market volume by product category as at 31 January 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	12,765,258	15.1%	12,727,420	15.0%	3,329	0.8%
■ Capital Protection Products with Coupon	44,570,241	52.6%	44,526,337	52.5%	2,498	0.6%
■ Credit-Linked Notes	4,641,876	5.5%	4,638,047	5.5%	954	0.2%
■ Reverse Convertibles	6,089,558	7.1%	6,111,631	7.2%	69,862	17.6%
■ Discount Certificates	3,921,159	4.6%	3,941,072	4.6%	129,732	32.7%
■ Express Certificates	4,530,325	5.3%	4,556,069	5.4%	3,928	1.0%
■ Bonus Certificates	2,319,407	2.7%	2,336,903	2.8%	182,642	46.0%
■ Tracker Certificates	4,623,640	5.5%	4,682,971	5.5%	2,366	0.6%
■ Outperformance and Capped Outperformance Certificates	111,157	0.1%	113,303	0.1%	835	0.2%
■ Other Certificates without Capital Protection	1,191,901	1.4%	1,194,645	1.4%	576	0.1%
Investment products total	84,764,521	98.3%	84,828,398	98.1%	396,722	44.1%
■ Warrants	580,842	40.6%	674,415	41.4%	305,971	60.9%
■ Factor Certificates	223,533	15.6%	252,592	15.5%	1,075	0.2%
■ Knock-Out Warrants	626,225	43.8%	701,525	43.1%	195,442	38.9%
Leverage products total	1,430,600	1.7%	1,628,533	1.9%	502,488	55.9%
Total	86,195,121	100.0%	86,456,931	100.0%	899,210	100.0%

Investment products by product category

Market volume as at 31 January 2014

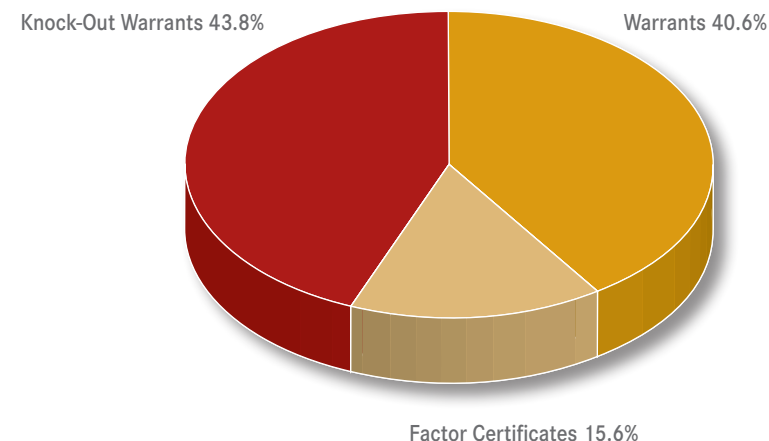


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	in %
■ Uncapped Capital Protection Certificates	186,053	1.5%	148,215	1.2%	0.3%
■ Capital Protection Products with Coupon	63,050	0.1%	19,147	0.0%	0.1%
■ Credit-Linked Notes	26,535	0.6%	22,706	0.5%	0.1%
■ Reverse Convertibles	145,318	2.4%	167,391	2.8%	-0.4%
■ Discount Certificates	389,854	11.0%	409,767	11.6%	-0.6%
■ Express Certificates	-296,114	-6.1%	-270,370	-5.6%	-0.5%
■ Bonus Certificates	147,975	6.8%	165,472	7.6%	-0.8%
■ Tracker Certificates	-112,981	-2.4%	-53,651	-1.1%	-1.3%
■ Outperformance and Capped Outperformance Certificates	6,186	5.9%	8,332	7.9%	-2.0%
■ Other Certificates without Capital Protection	12,147	1.0%	14,891	1.3%	-0.2%
Investment products total	568,022	0.7%	631,899	0.8%	-0.1%
■ Warrants	-6,820	-1.2%	86,753	14.8%	-15.9%
■ Factor Certificates	-1,491	-0.7%	27,568	12.3%	-12.9%
■ Knock-Out Warrants	-58,447	-8.5%	16,853	2.5%	-11.0%
Leverage products total	-66,758	-4.5%	131,174	8.8%	-13.2%
Total	501,264	0.6%	763,074	0.9%	-0.3%

Leverage products by product category

Market volume as at 31 January 2014



Market volume by underlying asset as at 31. January 2014

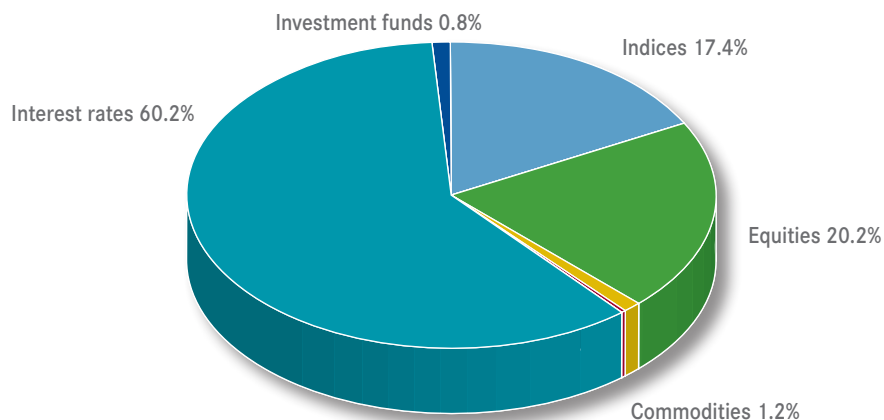
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	14,778,038	17.4%	14,896,078	17.6%	104,478	26.3%
Equities	17,081,200	20.2%	17,095,720	20.2%	286,222	72.1%
Commodities	1,016,371	1.2%	1,008,423	1.2%	2,138	0.5%
Currencies	116,722	0.1%	116,679	0.1%	67	0.0%
Interest rates	51,057,762	60.2%	51,004,453	60.1%	3,688	0.9%
Investment funds	714,426	0.8%	707,045	0.8%	129	0.0%
	84,764,521	98.3%	84,828,398	98.1%	396,722	44.1%
Leverage products						
Indices	573,561	40.1%	645,962	39.7%	121,006	24.1%
Equities	646,975	45.2%	743,441	45.7%	322,200	64.1%
Commodities	125,449	8.8%	130,869	8.0%	23,813	4.7%
Currencies	51,750	3.6%	52,747	3.2%	33,606	6.7%
Interest rates	32,479	2.3%	55,119	3.4%	1,816	0.4%
Investment funds	386	0.0%	395	0.0%	47	0.0%
	1,430,600	1.7%	1,628,533	1.9%	502,488	55.9%
Total	86,195,121	100.0%	86,456,931	100.0%	899,210	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 31 January 2014 x price as at 31. December 2013

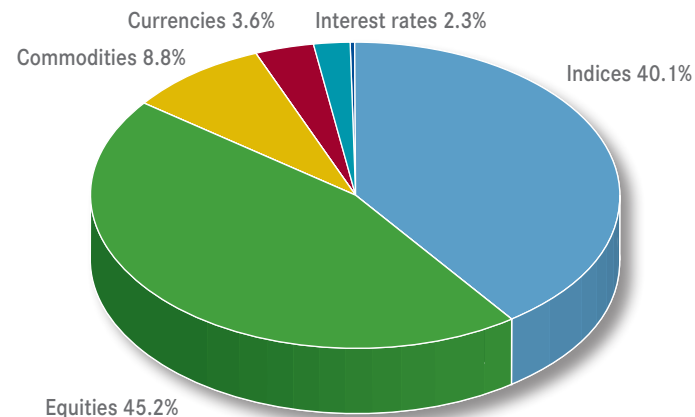
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	19,955	0.1%	137,995	0.9%	-0.8%
Equities	356,309	2.1%	370,829	2.2%	-0.1%
Commodities	19,745	2.0%	11,796	1.2%	0.8%
Currencies	-2,785	-2.3%	-2,828	-2.4%	0.0%
Interest rates	187,798	0.4%	134,489	0.3%	0.1%
Investment funds	-13,000	-1.8%	-20,381	-2.8%	1.0%
	568,022	0.7%	631,899	0.8%	-0.1%
Leverage products					
Indices	-20,241	-3.4%	52,160	8.8%	-12.2%
Equities	-46,402	-6.7%	50,064	7.2%	-13.9%
Commodities	14,289	12.9%	19,709	17.7%	-4.9%
Currencies	-2,005	-3.7%	-1,009	-1.9%	-1.9%
Interest rates	-12,419	-27.7%	10,221	22.8%	-50.4%
Investment funds	20	5.4%	28	7.7%	-2.3%
	-66,758	-4.5%	131,174	8.8%	-13.2%
Total	501,264	0.6%	763,074	0.9%	-0.3%

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



Leverage products by underlying asset Market volume as at 31 January 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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