

Market Volume

in Derivatives



Structured products market stable in May

Growth in Reverse Convertibles and Bonus Certificates

The outstanding volume of the German structured products market was down somewhat in May. Compared to the previous month, the market volume dipped slightly by 0.1 percent or EUR 60 million. Price effects had a major impact on this trend, with prices rising by an average of 0.5 percent. In price-adjusted terms, the outstanding volume therefore fell more sharply, down 0.6 percent or EUR 504 billion. 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 the figures collected by EDG to all issuers puts the **total volume of the German structured products market** at **EUR 93 billion at the end of May**.

Compared with the previous month, the **ratio of investment products to leverage products** shifted slightly in favour of leverage products again. They accounted for 2.1 percent of the market volume, while investment products made up 97.9 percent.

Investment products by product category

The volume of **capital protection products** fell markedly in the reporting month, but they still remained the most popular category among investors. Capital Protection Products with Coupon decreased by 1.3 percent or EUR 549 million compared with the previous month. They accounted for almost half of the volume of investment products with ►►

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Market Volume May | 2014

- In May, the total volume of the German structured products market was EUR 93.0 billion.
- Investment products accounted for 97.9 percent of the market volume, while leverage products made up a mere 2.1 percent.
- Reverse Convertibles and Bonus Certificates in particular succeeded in bucking the overall market trend, while Capital Protection Products with Coupon and Uncapped Capital Protection Certificates lost volume considerably.
- Despite losing ground, capital protection products remained the dominant investment category. Almost two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

a share of 49.8 percent. Uncapped Capital Protection Certificates lost 1.1 percent or EUR 130 million in volume. Their market share was 14.5 percent. 64.3 percent of the market volume was invested in these two product categories in May.

Reverse Convertibles increased their market volume by 3.3 percent or EUR 226 million. They therefore accounted for an 8.5 percent share.

The market volume for **Tracker Certificates** grew by 1.5 percent or EUR 71 million. They made up 5.9 percent of the investment products market.

Discount Certificates also experienced gains, increasing their market volume by 1.6 percent or EUR 74 million. They accounted for 5.7 percent of the volume.

Express Certificates fell slightly, down 0.1 percent or EUR 3 million. Their share within the investment products segment was 5.6 percent.

The market volume for **Credit Linked Notes** charted growth of 1.8 percent or EUR 77 million. They made up 5.2 percent of the investment products market.

Bonus Certificates increased their market volume by 3.2 percent or EUR 86 million. They accounted for 3.4 percent of the volume of investment products.

The **Outperformance and Capped Outperformance Certificates** category shrank markedly, coming in down 19.3 percent or EUR 29 million. However, as it accounted for just 0.2 percent of the total volume, this category had scarcely any impact on the overall trend among investment products.

The volume of **other yield enhancement products** rose by 2.0 percent or EUR 18 million. Their market share was 1.1 percent.

Leverage products by product category

The market volume of **leverage products** increased by 5.8 percent or EUR 99 million in May. All three product categories gained in volume.

The volume invested in **Knock-Out Warrants** was up 7.2 percent or EUR 55 million. Their share of volume within the leverage products segment was 45.4 percent.

Warrants recorded growth of 5.7 percent or EUR 40 million. They accounted for 41.2 percent of the volume.

The volume invested in **Factor Certificates** rose by 1.8 percent or EUR 4 million. This category accounted for a 13.4 percent share of the leverage products market.

Investment products by underlying

Structured products with interest rates as an underlying were the most popular investment products in May. Despite losses of 1.0 percent or EUR 468 million, they made up 57.0 percent of the investment products volume.

Structured products with **equities as an underlying** followed in second place. Their volume climbed by 1.9 percent or EUR 348 million. They accounted for 22.7 percent of the investment products market.

With a share of 18.0 percent, investment products with **indices as an underlying** ranked after equities. Their market volume dwindled slightly by 0.1 percent or EUR 8 million.



Following at a considerable distance behind the other classes were investment products with **commodities as an underlying**, which made up 1.2 percent. Their outstanding volume contracted by 2.2 percent or EUR 23 million.

At 0.9 percent, the share of investment products with **investment funds as an underlying** was even lower. They lost 0.6 percent or EUR 5 million in volume.

Investment products with **currencies as an underlying** had hardly any impact in relation to the general trend with a share of 0.1 percent.

Leverage products by underlying

The market volume of **leverage products with equities as an underlying** climbed by 7.9 percent or EUR 63 million. Their share in the total volume of leverage products was 47.8 percent.

Leverage products with **indices as an underlying** gained 5.9 percent or EUR 40 million in volume. They made up 40.0 percent of the leverage products market.

Lagging some way behind equity and index securities were leverage products with **commodities as an underlying**. Their outstanding volume dropped by 3.5 percent or EUR 6 million. Their share of the total volume of leverage products fell to 8.6 percent.

By contrast, the market volume of leverage products with **currencies as an underlying** increased. Growth here amounted to 7.5 percent or EUR 3 million. This category accounted for 2.5 percent of the leverage products market.

The market volume of leverage products with **interest rates as an underlying** was down 8.9 percent or EUR 2 million. They accounted for 1.1 percent of the volume. ■

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.

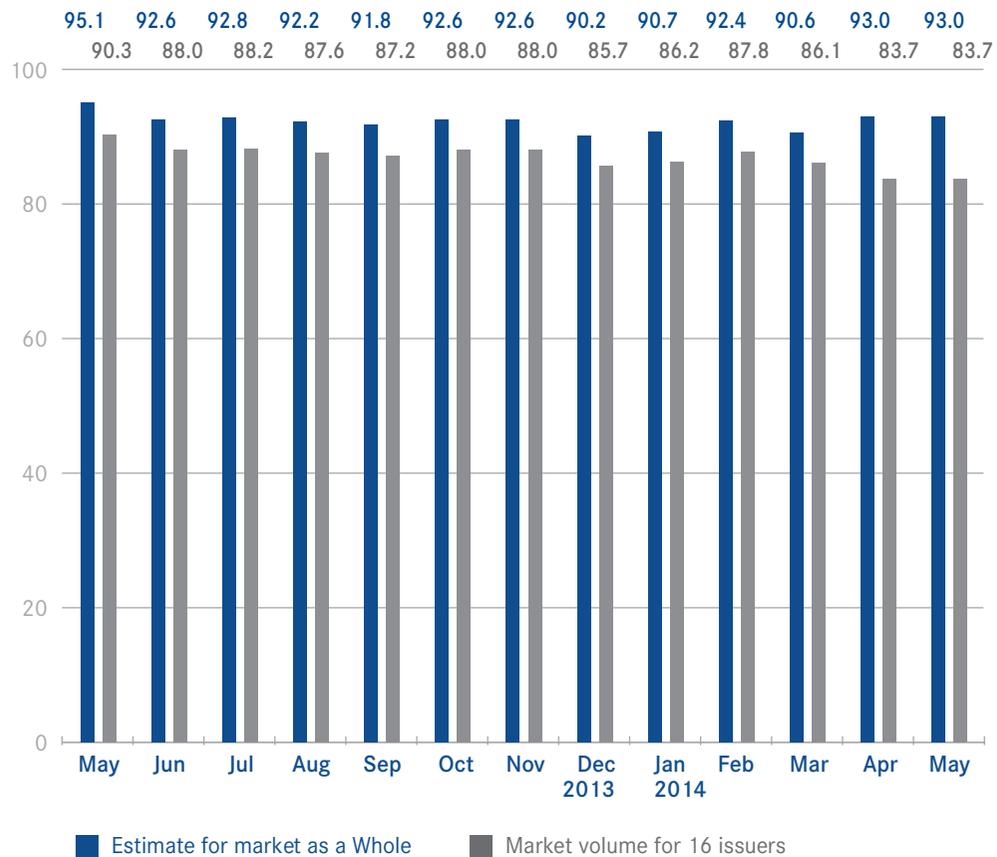
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Market volume since May 2013



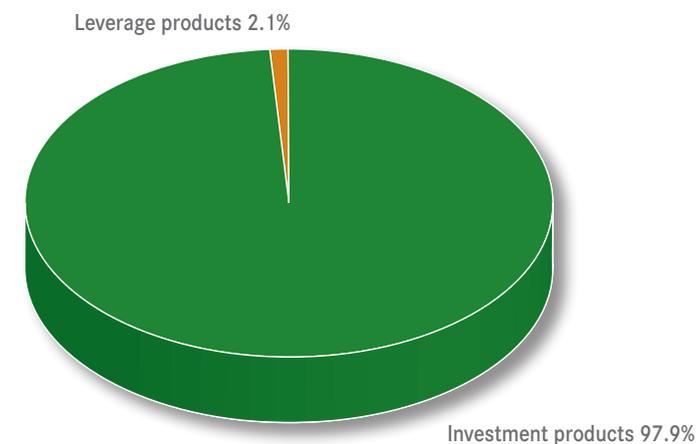
Product classes

Market volume as at 31 May 2014

Product classes	Market volume	Share
	T€	%
Investment products	81,854,412	97.9%
Leverage products	1,798,027	2.1%
Total Derivatives	83,652,439	100.0%

Product classes

Market volume as at 31 May 2014

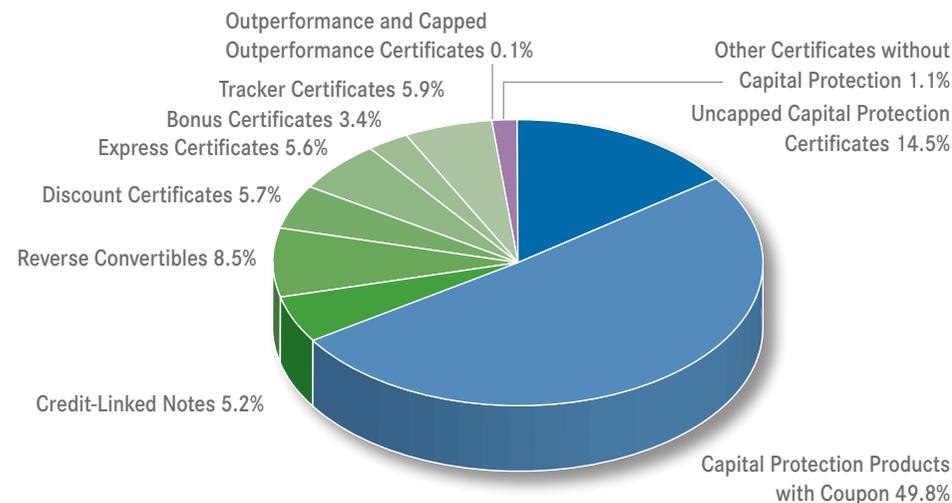


Market volume by product category as at 31 May 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	11,841,966	14.5%	11,776,075	14.5%	3,195	0.7%
■ Capital Protection Products with Coupon	40,732,222	49.8%	40,707,781	50.0%	2,347	0.5%
■ Credit-Linked Notes	4,259,570	5.2%	4,237,933	5.2%	883	0.2%
■ Reverse Convertibles	7,142,967	8.5%	7,101,877	8.7%	79,780	18.0%
■ Discount Certificates	4,686,748	5.7%	4,624,267	5.7%	155,220	35.0%
■ Express Certificates	4,609,249	5.6%	4,563,872	5.6%	4,075	0.9%
■ Bonus Certificates	2,745,270	3.4%	2,706,750	3.3%	193,848	43.7%
■ Tracker Certificates	4,792,525	5.9%	4,696,942	5.8%	2,417	0.5%
■ Outperformance and Capped Outperformance Certificates	121,307	0.1%	117,316	0.1%	952	0.2%
■ Other Certificates without Capital Protection	922,589	1.1%	910,173	1.1%	407	0.1%
Investment products total	81,854,412	97.9%	81,442,985	97.9%	443,124	42.2%
■ Warrants	740,324	41.2%	745,701	42.2%	344,657	56.9%
■ Factor Certificates	241,553	13.4%	249,675	14.1%	1,276	0.2%
■ Knock-Out Warrants	816,151	45.4%	769,910	43.6%	259,781	42.9%
Leverage products total	1,798,027	2.1%	1,765,287	2.1%	605,714	57.8%
Total	83,652,439	100.0%	83,208,272	100.0%	1,048,838	100.0%

Investment products by product category

Market volume as at 31 May 2014

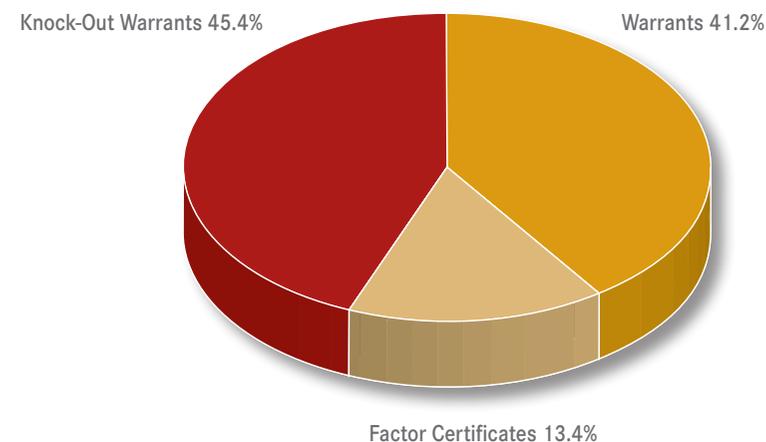


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-129,558	-1.1%	-195,449	-1.6%	0.6%
■ Capital Protection Products with Coupon	-549,132	-1.3%	-573,573	-1.4%	0.1%
■ Credit-Linked Notes	76,900	1.8%	55,262	1.3%	0.5%
■ Reverse Convertibles	226,208	3.3%	185,118	2.7%	0.6%
■ Discount Certificates	73,901	1.6%	11,420	0.2%	1.4%
■ Express Certificates	-2,881	-0.1%	-48,258	-1.0%	1.0%
■ Bonus Certificates	86,392	3.2%	47,872	1.8%	1.4%
■ Tracker Certificates	70,839	1.5%	-24,744	-0.5%	2.0%
■ Outperformance and Capped Outperformance Certificates	-29,053	-19.3%	-33,044	-22.0%	2.7%
■ Other Certificates without Capital Protection	17,984	2.0%	5,569	0.6%	1.4%
Investment products total	-158,399	-0.2%	-569,826	-0.7%	0.5%
■ Warrants	39,892	5.7%	45,269	6.5%	-0.8%
■ Factor Certificates	4,193	1.8%	12,315	5.2%	-3.4%
■ Knock-Out Warrants	54,646	7.2%	8,406	1.1%	6.1%
Leverage products total	98,730	5.8%	65,990	3.9%	1.9%
Total	-59,669	-0.1%	-503,836	-0.6%	0.5%

Leverage products by product category

Market volume as at 31 May 2014



Market volume by underlying asset as at 31 May 2014

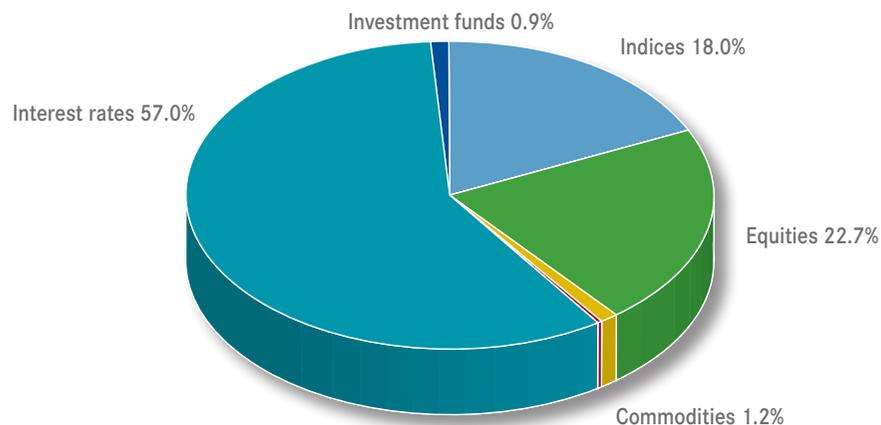
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	14,727,678	18.0%	14,532,070	17.8%	108,461	24.5%
Equities	18,561,766	22.7%	18,396,407	22.6%	329,050	74.3%
Commodities	1,022,793	1.2%	1,025,638	1.3%	1,993	0.4%
Currencies	108,809	0.1%	107,691	0.1%	61	0.0%
Interest rates	46,662,025	57.0%	46,612,133	57.2%	3,434	0.8%
Investment funds	771,341	0.9%	769,045	0.9%	125	0.0%
	81,854,412	97.9%	81,442,985	97.9%	443,124	42.2%
Leverage products						
Indices	718,806	40.0%	718,913	40.7%	131,754	21.8%
Equities	859,627	47.8%	807,707	45.8%	413,120	68.2%
Commodities	154,148	8.6%	169,206	9.6%	30,410	5.0%
Currencies	44,941	2.5%	43,328	2.5%	28,344	4.7%
Interest rates	20,077	1.1%	25,706	1.5%	2,058	0.3%
Investment funds	428	0.0%	427	0.0%	28	0.0%
	1,798,027	2.1%	1,765,287	2.1%	605,714	57.8%
Total	83,652,439	100.0%	83,208,272	100.0%	1,048,838	100.0%

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

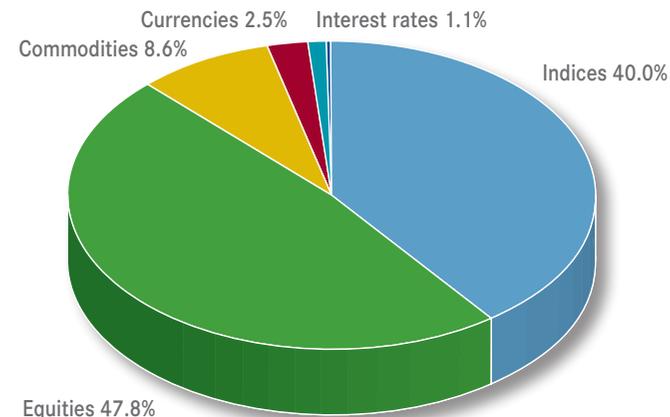
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-7,771	-0.1%	-203,378	-1.4%	1.3%
Equities	348,040	1.9%	182,681	1.0%	0.9%
Commodities	-22,960	-2.2%	-20,115	-1.9%	-0.3%
Currencies	-2,556	-2.3%	-3,675	-3.3%	1.0%
Interest rates	-468,422	-1.0%	-518,314	-1.1%	0.1%
Investment funds	-4,730	-0.6%	-7,026	-0.9%	0.3%
	-158,399	-0.2%	-569,826	-0.7%	0.5%
Leverage products					
Indices	40,272	5.9%	40,379	6.0%	0.0%
Equities	62,797	7.9%	10,876	1.4%	6.5%
Commodities	-5,530	-3.5%	9,528	6.0%	-9.4%
Currencies	3,146	7.5%	1,533	3.7%	3.9%
Interest rates	-1,952	-8.9%	3,678	16.7%	-25.6%
Investment funds	-3	-0.6%	-4	-1.0%	0.3%
	98,730	5.8%	65,990	3.9%	1.9%
Total	-59,669	-0.1%	-503,836	-0.6%	0.5%

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



Leverage products by underlying asset Market volume as at 31 May 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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