

Market Volume

in Derivatives



Structured products market somewhat weaker in June

Growth in Tracker Certificates

The outstanding volume of the German structured products market fell slightly at the end of the second quarter. One of the main reasons for this was the redemption of a large number of products which matured in June.

Overall, the market volume shrank by 2.6 percent or EUR 2.2 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 the figures collected by EDG to all issuers puts the **total volume of the German structured products market at EUR 90.4 billion at the end of June.**

Compared with the previous month, the **ratio of investment products** to leverage products shifted slightly in favour of investment products. They accounted for 98.0 percent of the market volume, while leverage products made up 2.0 percent.

Investment products by product category

The volume of **investment products offering full capital protection** fell in the reporting month, but they still remained the most popular category among investors. Capital Protection Products with Coupon decreased by 1.8 percent compared with the previous month. Their market volume came in at EUR 40.0 billion. They accounted for half of the volume

CONTENTS

Market volume since June 2013	4
Market volume by product class	4
Market volume by product category	5
Change in the market volume by product category	5
Investment products by product category	5
Leverage products by product category	5
Market volume by underlying	6
Change in market volume by underlying	6
Investment products by underlying	6
Leverage products by underlying	6
Collection, validation and analysis methodology	7

Market Volume June | 2014

- In June, the total volume of the German structured products market was EUR 90.4 billion.
- Tracker Certificates were the only type of investment products to experience growth. They accounted for 6.0 percent of the investment products market.
- Investment products accounted for 98.0 percent of the market volume, while leverage products made up a mere 2.0 percent.
- Despite losing ground, Structured Products offering full capital protection remained the dominant investment category. More than two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

of investment products with a share of 50.1 percent. At EUR 11.5 billion, Uncapped Capital Protection Certificates lost 3.0 percent in volume. Their market share was 14.4 percent. 64.5 percent of the market volume was invested in these two product categories in June.

Reverse Convertibles lost 4.3 percent in volume to stand at EUR 6.9 billion. They therefore accounted for an 8.4 percent share.

The market volume for **Tracker Certificates** grew by 0.4 percent to EUR 4.8 billion. They accounted for 6.0 percent of the investment products market.

Express Certificates experienced a 1.7 percent drop. Their volume came in at EUR 4.5 billion, while their share within the investment products segment was 5.7 percent.

Discount Certificates also lost ground: their market volume was down 8.7 percent at EUR 4.3 billion. They accounted for 5.4 percent of the volume.

The market volume for **Credit Linked Notes** dropped 0.4 percent to EUR 4.2 billion. They made up 5.3 percent of the investment products market.

Bonus Certificates recorded a 5.2 percent drop. EUR 2.6 billion was invested in this product category. Their volume share of the investment products segment was 3.3 percent.

Outperformance and Capped Outperformance Certificates lost 22.1 percent. Their volume came in at EUR 94.5 million. However, as it accounted for just 0.1 percent of the total volume, this category had scarcely any impact on the overall trend among investment products.

The volume of **other investment products without capital protection** shrank by 2.7 percent or EUR 897 million. They accounted for 1.1 percent of the volume.

Leverage products by product category

The market volume of **leverage products** decreased by 6.9 percent to EUR 1.7 billion in June. Factor Certificates were the only leverage products to experience growth in June.

The volume invested in **Knock-Out Warrants** fell by 9.6 percent to EUR 737 million. Their share of volume within the leverage products segment was 44.4 percent.

Warrants recorded a 7.2 percent drop, taking their volume to EUR 675 million. They accounted for 40.6 percent of the volume.

The volume invested in **Factor Certificates** rose by 3.4 percent to EUR 250 million. This category accounted for a 15.0 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 June. Despite losses of 2.0 percent, they made up 57.3 percent of the investment products volume. Their market volume came in at EUR 45.7 billion.

Structured Products with **equities as an underlying** followed in second place. Their volume contracted by 4.4 percent to EUR 17.8 billion. They accounted for 22.2 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 shrank by 2.7 percent to EUR 14.3 billion.



Following at a considerable distance behind the other classes were investment products with **commodities as an underlying**, which made up 1.4 percent. Their outstanding volume grew by 7.5 percent to EUR 1.1 billion.

At 1.0 percent, the share of investment products with **investment funds as an underlying** was even lower. They gained 1.0 percent, taking their volume to EUR 779 million.

Investment certificates 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** dropped by 5.6 percent to EUR 811 million. Their share in the total volume of leverage products was 48.8 percent.

Leverage products with **indices as an underlying** experienced losses of 13.0 percent. Their market volume was EUR 614 million. They made up 37.0 percent of the leverage products market.

Lagging some way behind equity and index securities were leverage products with **commodities as an underlying**. Their volume increased by 14.6 percent, taking it to EUR 177 million. Their share in the total volume of leverage products was 10.6 percent.

By contrast, the market volume of leverage products with **currencies as an underlying** dwindled by 11.5 percent. This category accounted for a volume of EUR 40 million or 2.4 percent of the leverage products market.

The market volume of leverage products with **interest rates as an underlying** decreased by 4.4 percent to EUR 19 million. They accounted for 1.2 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.

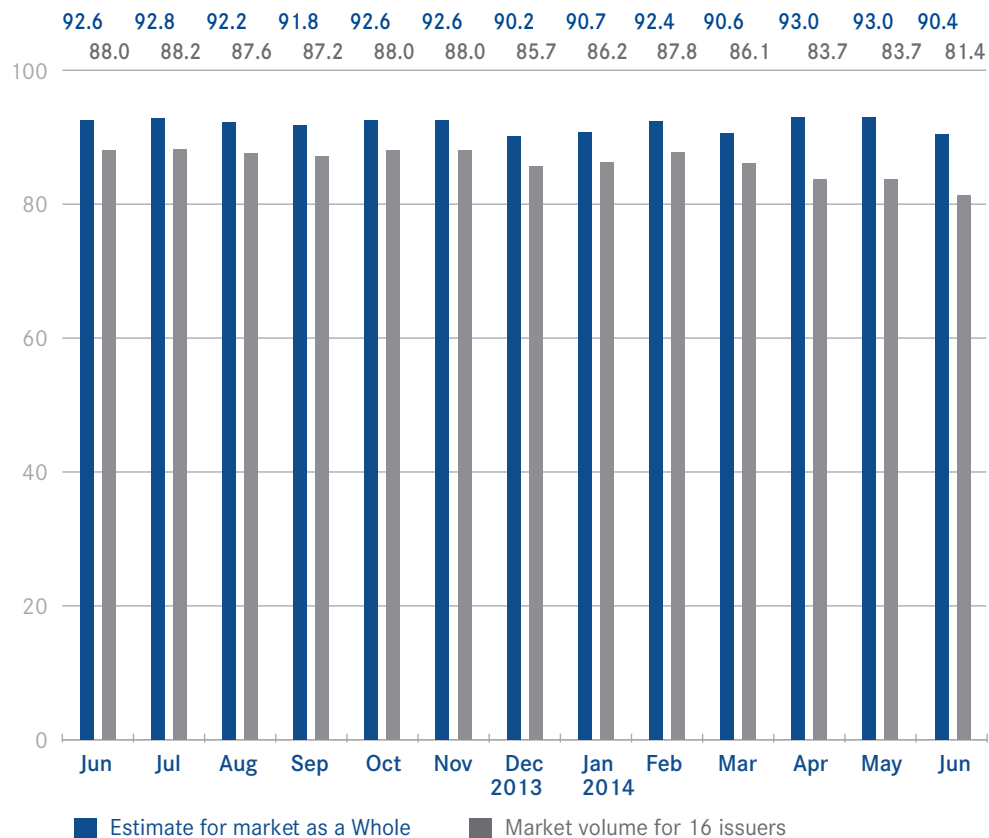
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Market volume since June 2013



Product classes

Market volume as at 30 June 2014

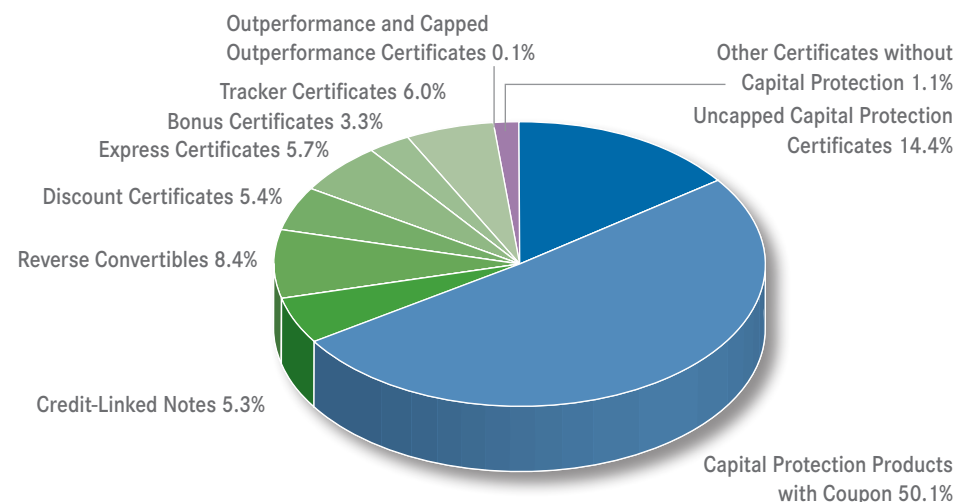
Product classes	Market volume	Share
	T€	%
Investment products	79,782,841	98.0%
Leverage products	1,661,860	2.0%
Total Derivatives	81,444,702	100.0%

Market volume by product category as at 30 June 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	11,489,090	14.4%	11,464,003	14.4%	3,172	0.7%
■ Capital Protection Products with Coupon	39,983,348	50.1%	39,960,187	50.1%	2,339	0.5%
■ Credit-Linked Notes	4,241,734	5.3%	4,229,505	5.3%	922	0.2%
■ Reverse Convertibles	6,850,137	8.4%	6,896,712	8.7%	78,563	18.1%
■ Discount Certificates	4,279,456	5.4%	4,281,075	5.4%	154,689	35.7%
■ Express Certificates	4,530,932	5.7%	4,545,636	5.7%	4,152	1.0%
■ Bonus Certificates	2,603,365	3.3%	2,590,172	3.2%	185,894	42.9%
■ Tracker Certificates	4,812,548	6.0%	4,764,890	6.0%	2,393	0.6%
■ Outperformance and Capped Outperformance Certificates	94,533	0.1%	94,980	0.1%	900	0.2%
■ Other Certificates without Capital Protection	897,699	1.1%	897,166	1.1%	411	0.1%
Investment products total	79,782,841	98.0%	79,724,326	97.9%	433,435	41.5%
■ Warrants	674,615	40.6%	727,269	42.0%	347,136	56.8%
■ Factor Certificates	249,830	15.0%	249,541	14.4%	1,463	0.2%
■ Knock-Out Warrants	737,416	44.4%	756,144	43.6%	262,185	42.9%
Leverage products total	1,661,860	2.0%	1,732,954	2.1%	610,784	58.5%
Total	81,444,702	100.0%	81,457,280	100.0%	1,044,219	100.0%

Investment products by product category

Market volume as at 30 June 2014

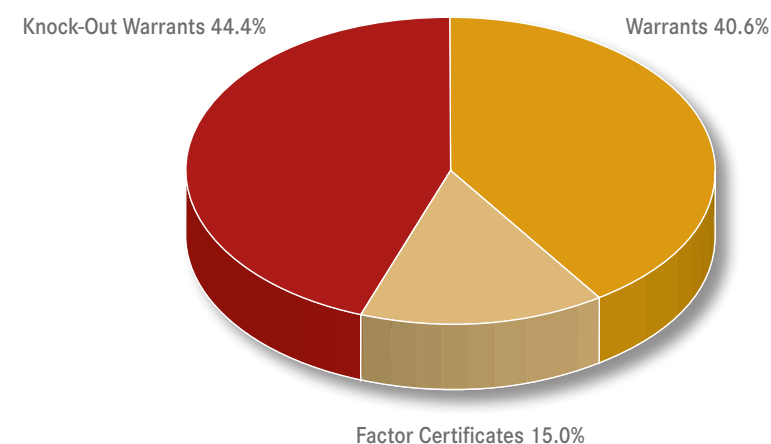


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-352,876	-3.0%	-377,964	-3.2%	0.2%
■ Capital Protection Products with Coupon	-748,874	-1.8%	-772,034	-1.9%	0.1%
■ Credit-Linked Notes	-17,836	-0.4%	-30,065	-0.7%	0.3%
■ Reverse Convertibles	-305,854	-4.3%	-259,278	-3.6%	-0.7%
■ Discount Certificates	-407,292	-8.7%	-405,673	-8.7%	0.0%
■ Express Certificates	-78,317	-1.7%	-63,613	-1.4%	-0.3%
■ Bonus Certificates	-141,905	-5.2%	-155,097	-5.6%	0.5%
■ Tracker Certificates	20,023	0.4%	-27,635	-0.6%	1.0%
■ Outperformance and Capped Outperformance Certificates	-26,774	-22.1%	-26,326	-21.7%	-0.4%
■ Other Certificates without Capital Protection	-24,890	-2.7%	-25,422	-2.8%	0.1%
Investment products total	-2,084,594	-2.5%	-2,143,109	-2.6%	0.1%
■ Warrants	-52,686	-7.2%	-32	0.0%	-7.2%
■ Factor Certificates	8,277	3.4%	7,989	3.3%	0.1%
■ Knock-Out Warrants	-78,735	-9.6%	-60,006	-7.4%	-2.3%
Leverage products total	-123,143	-6.9%	-52,050	-2.9%	-4.0%
Total	-2,207,737	-2.6%	-2,195,158	-2.6%	0.0%

Leverage products by product category

Market volume as at 30 June 2014



Market volume by underlying asset as at 30 June 2014

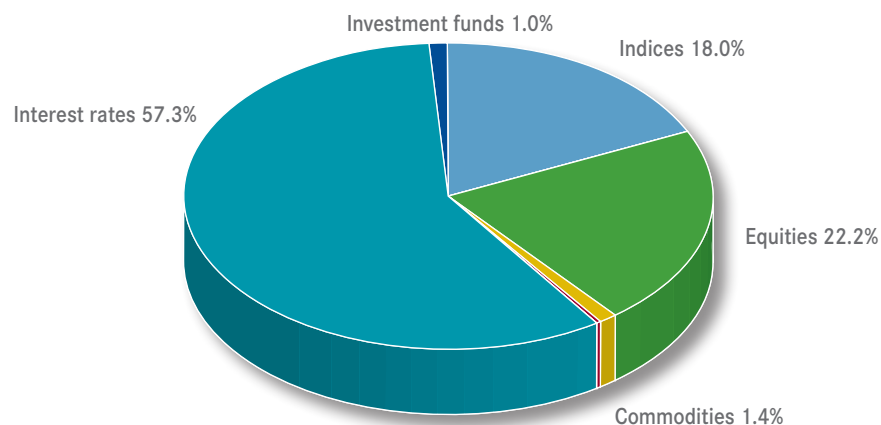
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	14,340,537	18.0%	14,291,953	17.9%	100,959	23.3%
Equities	17,750,371	22.2%	17,821,891	22.4%	327,072	75.5%
Commodities	1,099,746	1.4%	1,058,104	1.3%	1,754	0.4%
Currencies	102,810	0.1%	102,485	0.1%	61	0.0%
Interest rates	45,710,618	57.3%	45,674,050	57.3%	3,462	0.8%
Investment funds	778,759	1.0%	775,844	1.0%	127	0.0%
	79,782,841	98.0%	79,724,326	97.9%	433,435	41.5%
Leverage products						
Indices	614,260	37.0%	631,540	36.4%	132,121	21.6%
Equities	811,472	48.8%	878,079	50.7%	421,012	68.9%
Commodities	176,700	10.6%	153,629	8.9%	28,176	4.6%
Currencies	39,763	2.4%	44,879	2.6%	27,137	4.4%
Interest rates	19,192	1.2%	24,380	1.4%	2,311	0.4%
Investment funds	474	0.0%	446	0.0%	27	0.0%
	1,661,860	2.0%	1,732,954	2.1%	610,784	58.5%
Total	81,444,702	100.0%	81,457,280	100.0%	1,044,219	100.0%

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

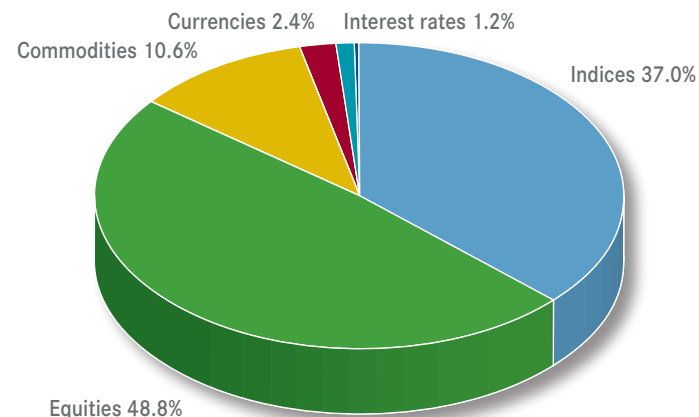
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-400,164	-2.7%	-448,748	-3.0%	0.3%
Equities	-811,395	-4.4%	-739,875	-4.0%	-0.4%
Commodities	76,954	7.5%	35,311	3.5%	4.1%
Currencies	-5,999	-5.5%	-6,324	-5.8%	0.3%
Interest rates	-951,407	-2.0%	-987,975	-2.1%	0.1%
Investment funds	7,418	1.0%	4,502	0.6%	0.4%
	-2,084,594	-2.5%	-2,143,109	-2.6%	0.1%
Leverage products					
Indices	-91,523	-13.0%	-74,243	-10.5%	-2.4%
Equities	-48,155	-5.6%	18,452	2.1%	-7.7%
Commodities	22,552	14.6%	-518	-0.3%	15.0%
Currencies	-5,178	-11.5%	-62	-0.1%	-11.4%
Interest rates	-885	-4.4%	4,303	21.4%	-25.8%
Investment funds	45	10.6%	18	4.2%	6.3%
	-123,143	-6.9%	-52,050	-2.9%	-4.0%
Total	-2,207,737	-2.6%	-2,195,158	-2.6%	0.0%

Investment products by underlying asset Market volume as at 30 June 2014



Leverage products by underlying asset Market volume as at 30 June 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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