

Market Volume

in Derivatives



Structured products market shrinks in September

Growth in Knock-Out Warrants and Factor Certificates contrary to general trend

There was a significant decline in the outstanding volume of the German structured products market in September. One of the major reasons for this was the large number of Capital Protection Products with Coupon becoming due for redemption.

Overall, the market volume fell by 3.3 percent, or EUR 2.6 billion, in comparison with August. These statistics are based on the latest figures from the European Derivatives Group (EDG AG), which collects data each month from 17 banks 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 84.9 billion at the end of September.

There was no change in the **ratio of investment products to leverage products** in comparison with August. Investment products accounted for 97.9 percent of the market volume, while leverage products made up 2.1 percent.

Investment products by product category

The volume of **investment products offering full capital protection** continued to fall in September. The market volume of Capital Protection Products with Coupon fell by

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Market Volume September | 2014

- The total volume of the German structured products market in September was EUR 84.9 billion.
- Knock-Out Warrants and Factor Certificates experienced the strongest growth in September, bucking the negative trend.
- Investment products accounted for 97.9 percent of the market volume, while leverage products contributed 2.1 percent.
- Despite losing ground, structured products offering full capital protection remained the dominant investment category. Almost two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

4.8 percent to EUR 35.9 billion. This represented a share of 48.0 percent of the volume of investment products. The volume of Uncapped Capital Protection Certificates was down 1.1 percent to EUR 11.0 billion. Their market share was 14.7 percent. These two products accounted for 62.7 percent of the market volume in September.

The market volume of **Reverse Convertibles** decreased by 1.4 percent to EUR 6.7 billion. This category had a market share of 9.0 percent.

The volume of **Tracker Certificates** was down 2.4 percent to EUR 4.5 billion. They accounted for 6.1 percent of the market for investment products.

A decline was also recorded in **Express Certificates**. Their volume fell by 1.3 percent to EUR 4.4 billion, representing a share of 5.9 percent of the investment products market.

The market volume of **Credit Linked Notes** was down 1.1 percent to EUR 4.4 billion. They accounted for 5.9 percent of the total volume.

The volume of **Discount Certificates** fell by 5.9 percent to EUR 4.3 billion. This gave them a share of 5.7 percent of the total volume.

The market volume of **Bonus Certificates** shrank by 0.9 percent to EUR 2.6 billion, representing a 3.4 percent share of the investment products market.

Outperformance and Capped Outperformance Certificates fell by 0.8 percent to EUR 97.1 million. However, with its very small share of 0.1 percent of the total volume, this category had hardly any impact on the overall trend in the investment products segment.

The volume of **other yield enhancement products** (i.e. investment products without capital protection) fell by 3.3 percent to EUR 826 million. They accounted for 1.1 percent of the total volume.

Leverage products by product category

The market volume of **leverage products** rose by 0.8 percent to EUR 1.6 billion in September. This was due to the growth in Knock-Out Warrants and Factor Certificates.

At EUR 747 million the volume invested in **Knock-Out Warrants** was up 3.0 percent. This category had a share of 45.6 percent of the total volume of the leverage products segment.

A decline of 2.5 percent was recorded in the **Warrants** category. The volume dropped to EUR 628 million, representing 38.4 percent of the total.

The volume of **Factor Certificates** grew by 3.1 percent to EUR 262 million. This gave them a share of 16.0 percent of the leverage products market.

Investment products by underlying

Structured products with **interest rates as an underlying** remained the most popular category in September. Their volume shrank by 4.3 percent to EUR 41.7 billion. Despite these losses, they made up over half the total investment products volume, at 55.7 percent.

Investment products with **equities as an underlying** followed in second place, with a share of 23.3 percent. Their volume was down 2.0 percent, at EUR 17.4 billion. ▶▶

Indices as an underlying followed in third place. Their market volume shrank by 1.3 percent to EUR 13.9 billion. They accounted for 18.6 percent of the investment products market.

Following at a considerable distance behind the other classes were investment certificates with **commodities as an underlying**, which made up 1.3 percent. Their market volume was down 6.8 percent, at EUR 957 million.

At 0.9 percent, the share of investment products with **investment funds as an underlying** was even lower. Their volume dropped by 12.0 percent in September, to EUR 698 million.

Investment products with **currencies as an underlying** had hardly any impact on the overall trend, with a share of 0.1 percent.

Leverage products by underlying

The market volume of leverage products with **equities as an underlying** rose by 0.4 percent to EUR 796 million. Their

share in the total volume of leverage products was 48.6 percent.

An increase was also recorded in leverage products with **indices as an underlying**. At EUR 611 million, their market volume was up 0.4 percent. This represented a share of 37.3 percent of the total volume of leverage products.

Lagging some way behind equity and index securities were leverage products with **commodities as an underlying**. Their volume decreased by 18.5 percent to EUR 125 million. Their share in the total volume of leverage products was 7.6 percent.

By contrast, leverage products with **currencies as an underlying** grew again by 68.6 percent, resulting in a market volume of EUR 88 million. This represented a share of 5.4 percent of the leverage products market.

The market volume of leverage products with **interest rates as an underlying** grew by 4.5 percent to EUR 18 million. They accounted for 1.1 percent of the total 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.

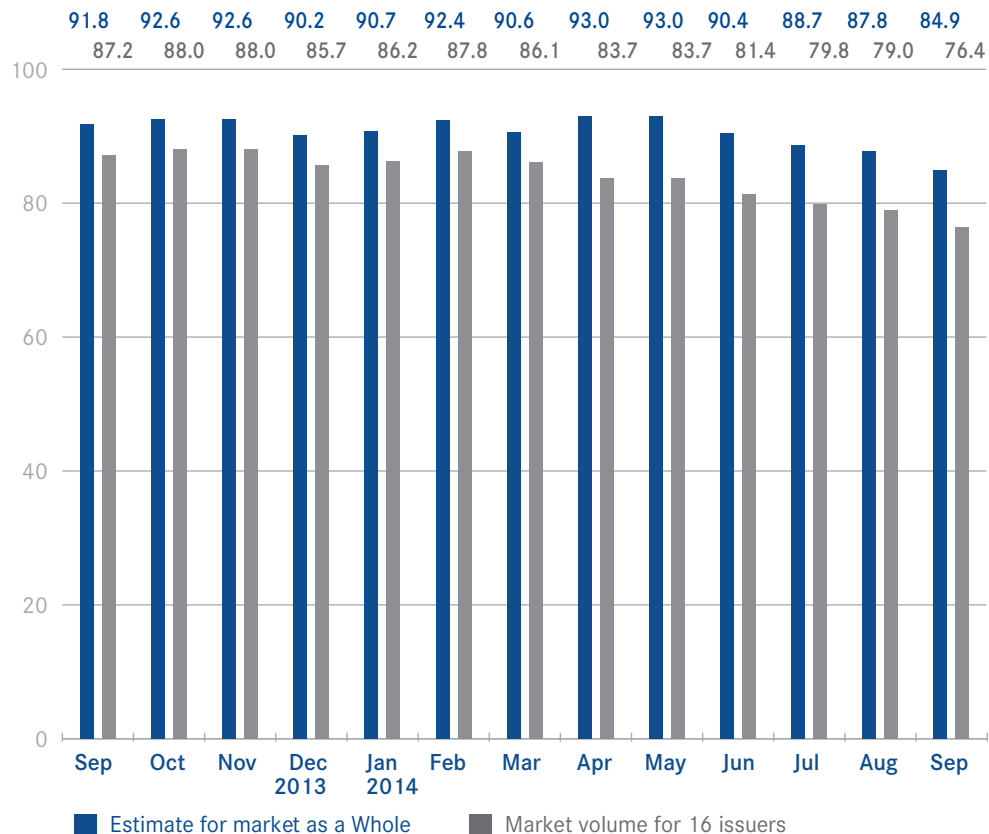
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Market volume since September 2013



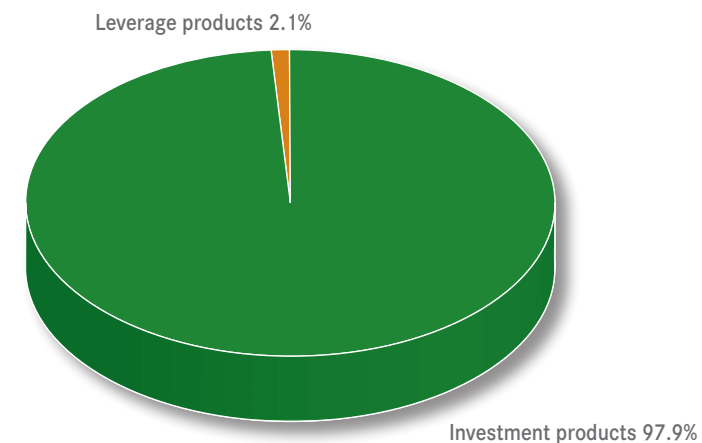
Product classes

Market volume as at 30 September 2014

Product classes	Market volume	Share
	T€	%
Investment products with capital protection	46,917,629	62.7%
Investment products without capital protection	27,868,651	37.3%
Total Investment products	74,786,281	100.0%
Leverage products without Knock-Out	890,812	54.4%
Leverage products with Knock-Out	746,761	45.6%
Total Leverage products	1,637,573	100.0%
Total Investment products	74,786,281	97.9%
Total Leverage products	1,637,573	2.1%
Total Derivatives	76,423,854	100.0%

Product classes

Market volume as at 30 September 2014

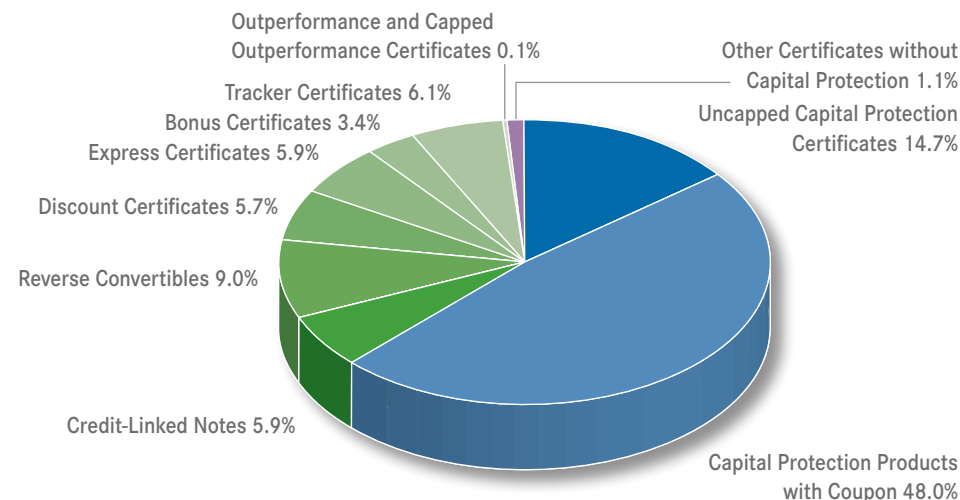


Market volume by product category as at 30 September 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	10,998,293	14.7%	10,981,082	14.7%	3,047	0.7%
■ Capital Protection Products with Coupon	35,919,337	48.0%	35,891,906	48.0%	2,282	0.5%
■ Credit-Linked Notes	4,405,142	5.9%	4,407,752	5.9%	989	0.2%
■ Reverse Convertibles	6,741,895	9.0%	6,749,918	9.0%	79,966	18.5%
■ Discount Certificates	4,289,098	5.7%	4,293,451	5.7%	150,412	34.9%
■ Express Certificates	4,390,344	5.9%	4,389,070	5.9%	4,340	1.0%
■ Bonus Certificates	2,573,425	3.4%	2,560,209	3.4%	186,704	43.3%
■ Tracker Certificates	4,545,664	6.1%	4,589,130	6.1%	2,343	0.5%
■ Outperformance and Capped Outperformance Certificates	97,075	0.1%	96,185	0.1%	745	0.2%
■ Other Certificates without Capital Protection	826,008	1.1%	826,439	1.1%	420	0.1%
Investment products total	74,786,281	97.9%	74,785,143	97.8%	431,248	41.4%
■ Warrants	628,393	38.4%	663,891	39.1%	341,571	55.9%
■ Factor Certificates	262,419	16.0%	280,036	16.5%	1,784	0.3%
■ Knock-Out Warrants	746,761	45.6%	754,289	44.4%	267,762	43.8%
Leverage products total	1,637,573	2.1%	1,698,217	2.2%	611,117	58.6%
Total	76,423,854	100.0%	76,483,360	100.0%	1,042,365	100.0%

Investment products by product category

Market volume as at 30 September 2014

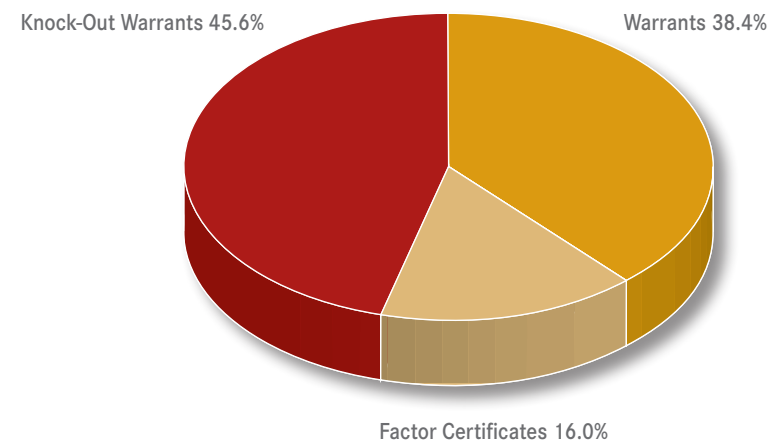


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-117,611	-1.1%	-134,822	-1.2%	0.2%
■ Capital Protection Products with Coupon	-1,829,341	-4.8%	-1,856,771	-4.9%	0.1%
■ Credit-Linked Notes	-48,782	-1.1%	-46,172	-1.0%	-0.1%
■ Reverse Convertibles	-97,259	-1.4%	-89,236	-1.3%	-0.1%
■ Discount Certificates	-268,168	-5.9%	-263,816	-5.8%	-0.1%
■ Express Certificates	-59,769	-1.3%	-61,044	-1.4%	0.0%
■ Bonus Certificates	-24,438	-0.9%	-37,654	-1.4%	0.5%
■ Tracker Certificates	-110,971	-2.4%	-67,504	-1.4%	-0.9%
■ Outperformance and Capped Outperformance Certificates	-812	-0.8%	-1,702	-1.7%	0.9%
■ Other Certificates without Capital Protection	-28,422	-3.3%	-27,991	-3.3%	-0.1%
Investment products total	-2,585,574	-3.3%	-2,586,712	-3.3%	0.0%
■ Warrants	-15,975	-2.5%	19,523	3.0%	-5.5%
■ Factor Certificates	7,997	3.1%	25,614	10.1%	-6.9%
■ Knock-Out Warrants	21,525	3.0%	29,053	4.0%	-1.0%
Leverage products total	13,546	0.8%	74,190	4.6%	-3.7%
Total	-2,572,028	-3.3%	-2,512,522	-3.2%	-0.1%

Leverage products by product category

Market volume as at 30 September 2014



Market volume by underlying asset as at 30 September 2014

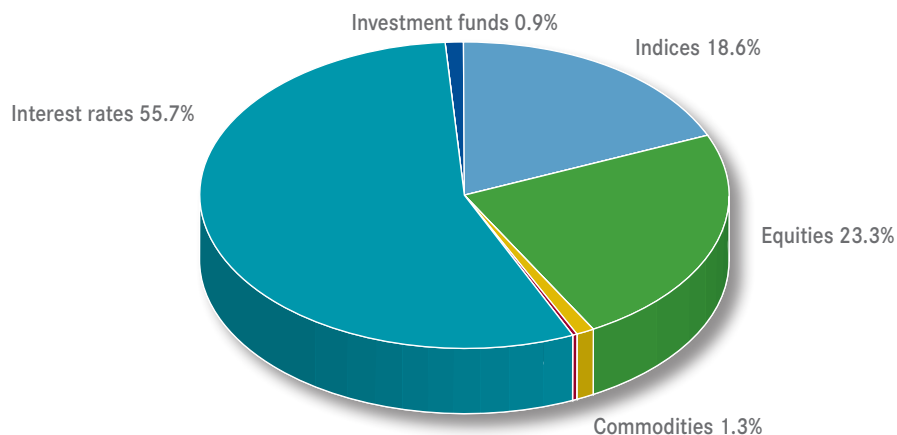
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	13,938,109	18.6%	13,903,759	18.6%	97,742	22.7%
Equities	17,434,482	23.3%	17,448,486	23.3%	328,008	76.1%
Commodities	956,623	1.3%	1,006,697	1.3%	1,867	0.4%
Currencies	102,939	0.1%	103,158	0.1%	62	0.0%
Interest rates	41,655,824	55.7%	41,625,613	55.7%	3,452	0.8%
Investment funds	698,304	0.9%	697,429	0.9%	117	0.0%
	74,786,281	97.9%	74,785,143	97.8%	431,248	41.4%
Leverage products						
Indices	610,651	37.3%	617,828	36.4%	132,413	21.7%
Equities	796,460	48.6%	833,236	49.1%	422,430	69.1%
Commodities	124,792	7.6%	160,966	9.5%	26,296	4.3%
Currencies	88,003	5.4%	68,222	4.0%	27,482	4.5%
Interest rates	17,566	1.1%	17,853	1.1%	2,473	0.4%
Investment funds	102	0.0%	113	0.0%	23	0.0%
	1,637,573	2.1%	1,698,217	2.2%	611,117	58.6%
Total	76,423,854	100.0%	76,483,360	100.0%	1,042,365	100.0%

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

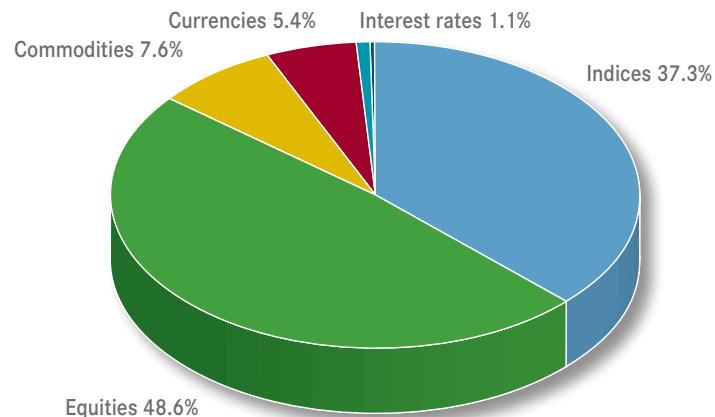
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-177,709	-1.3%	-212,059	-1.5%	0.2%
Equities	-354,706	-2.0%	-340,701	-1.9%	-0.1%
Commodities	-70,254	-6.8%	-20,181	-2.0%	-4.9%
Currencies	-439	-0.4%	-220	-0.2%	-0.2%
Interest rates	-1,887,588	-4.3%	-1,917,799	-4.4%	0.1%
Investment funds	-94,878	-12.0%	-95,752	-12.1%	0.1%
	-2,585,574	-3.3%	-2,586,712	-3.3%	0.0%
Leverage products					
Indices	2,130	0.4%	9,308	1.5%	-1.2%
Equities	3,500	0.4%	40,276	5.1%	-4.6%
Commodities	-28,354	-18.5%	7,820	5.1%	-23.6%
Currencies	35,806	68.6%	16,025	30.7%	37.9%
Interest rates	760	4.5%	1,047	6.2%	-1.7%
Investment funds	-296	-74.5%	-286	-71.7%	-2.7%
	13,546	0.8%	74,190	4.6%	-3.7%
Total	-2,572,028	-3.3%	-2,512,522	-3.2%	-0.1%

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



Leverage products by underlying asset Market volume as at 30 September 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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