

Market Volume

in Derivatives



Further significant growth in structured products market

Retail investors particularly interested in Reverse Convertibles and Discount Certificates

There was a further increase in the outstanding volume of the German structured products market in February. Overall, the market volume rose by 1.9 percent, or EUR 1.6 billion.

The increase was facilitated by the positive market environment. The prices of structured securities rose by 0.6 percent on average. The price-adjusted increase in the market volume was 1.3 percent, or EUR 1.1 billion. This increase 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.

When the figures collected by EDG are extrapolated to all issuers, the **total volume of the German structured products market at the end of February was EUR 92.4 billion.**

There was a shift in the **ratio of investment certificates to leverage products** compared with January, with leverage products gaining slightly. They accounted for 1.9 percent of the market volume, while investment products accounted for 98.1 percent.

Investment products by product category

Investment products offering full capital protection remained by far the most popular category for investors in



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Market Volume February | 2014

- The total volume of the German structured products market rose to EUR 92.4 billion in February.
- There was a significant increase in Reverse Convertibles and Discount Certificates. The volume of both of these product categories was up by EUR 334 million.
- Investment products accounted for 98.1 percent of the market volume, while leverage products accounted for only 1.9 percent.
- Structured products offering full capital protection remained the dominant investment category. Two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

February. Although a slight decrease of EUR 4 million was recorded in Capital Protection Products with Coupon in comparison with the previous month, they accounted for more than half of the volume of investment certificates, with a share of 51.7 percent. Uncapped Capital Protection Certificates were up 0.4 percent, or EUR 26 million. Their market share was 14.8 percent. Around two-thirds of the market volume was invested in these two product categories in February.

The market volume of **Reverse Convertibles** grew by 5.5 percent, or EUR 334 million, in February. They accounted for 7.3 percent of the volume of investment products, up 0.2 percentage points.

The volume of **Credit Linked Notes** was also up. They grew by 2.2 percent, or EUR 100 million. Their share in the volume of investment products remained steady at 5.5 percent.

There was a sharp rise in the **Discount Certificates** category. Their volume was up 8.5 percent, or EUR 334 million. They accounted for 4.9 percent of the total volume.

A significant increase was also recorded in the volume of **Express Certificates**, which rose by 5.8 percent, or EUR 262

million. Express Certificates accounted for 5.6 percent of the volume of investment products.

Bonus Certificates were up by 3.7 percent, or EUR 85 million. Their share of the volume was 2.8 percent.

There was an increase of 4.1 percent, or EUR 188 million, in the volume of **Tracker Certificates** in February. They accounted for 5.6 percent of the total volume.

The highest percentage increase in February was recorded in the category of **Outperformance and Capped Outperformance Certificates**, which were up 12.8 percent, or EUR 14 million. However, as this category only accounted for 0.1 percent of the total volume, the growth had hardly any impact on the overall trend in the investment products.

The volume of other **investment products without capital protection** was up 3.6 percent, or EUR 43 million. Their share in the total volume was 1.4 percent.

Leverage products by product category

Leverage products were particularly popular in February. Their market volume was up 15.9 percent, or EUR 227 million, in comparison with January.

The market volume of **Warrants** grew by 15.7 percent, or EUR 91 million. They accounted for 40.5 percent of the total volume of leverage products.

The volume of **Factor Certificates** was up by 15.7 percent, or EUR 35 million. They accounted 15.6 percent of the total volume.

There was an even greater increase in the volume invested in **Knock-Out Warrants**. They gained 16.1 percent, or EUR 101 million, and there was a corresponding rise in their share in the total volume of leverage products to 43.9 percent.

Investment products by underlying

Structured products with **interest rates as an underlying** were the most popular. They accounted for 59.4 percent of the volume in February – an increase of 0.4 percent, or EUR 87 million.

Investment certificates with **equities as an underlying** came second. They accounted for 20.6 percent of the volume. The outstanding volume was up 4.0 percent, or EUR 679 million, in comparison with the previous month.



Investment certificates with **indices as an underlying** followed in third place, with a share of 17.8 percent. Their market volume was up 3.7 percent, or EUR 542 million.

Following at some distance behind the other classes were investment certificates with **commodities as an underlying**. Their share of the total volume in January was 1.2 percent. Their outstanding volume was up 4.8 percent, or EUR 48 million.

The share of investment products with **investment funds as an underlying** was somewhat lower, at 0.9 percent. However, their volume was up by 4.3 percent, or EUR 30 million, in comparison with February.

Investment certificates with **currencies as an underlying** had hardly any impact on the general trend, with a share of 0.1 percent. Their volume was down by 2.6 percent, or EUR 3 million.

Leverage products by underlying

Products with **equities as an underlying** were again the most popular class in the leverage products segment, with

a share of 45.7 percent. They grew by 17.2 percent, or EUR 111 million.

The market volume of leverage products with **indices as an underlying** was up by 11.3 percent, or EUR 65 million. They accounted for 38.5 percent of the total volume of leverage products.

Following at some distance behind equity and index securities were leverage products with **commodities as an underlying**. The volume outstanding rose by 44.2 percent, or EUR 55 million. They accounted for 10.9 percent of the total volume of leverage products.

The market volume of leverage products with **currencies as an underlying** was down by 8.1 percent, or EUR 4 million. They accounted for 2.9 percent of the total volume.

There was also a decline in the volume of leverage products with **interest rates as an underlying**, which fell by 0.3 percent or EUR 101 thousand. However, because they only accounted for 2.0 percent of the total volume, their impact on the general trend was minimal. ■

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.

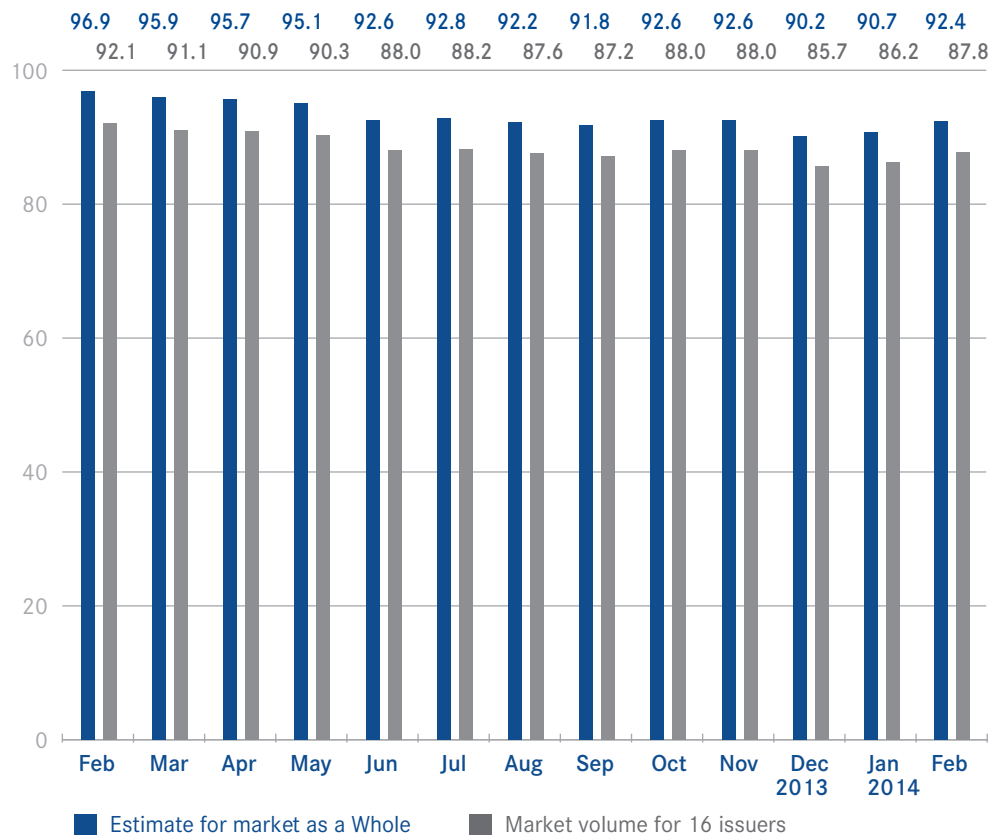
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Market volume since February 2013



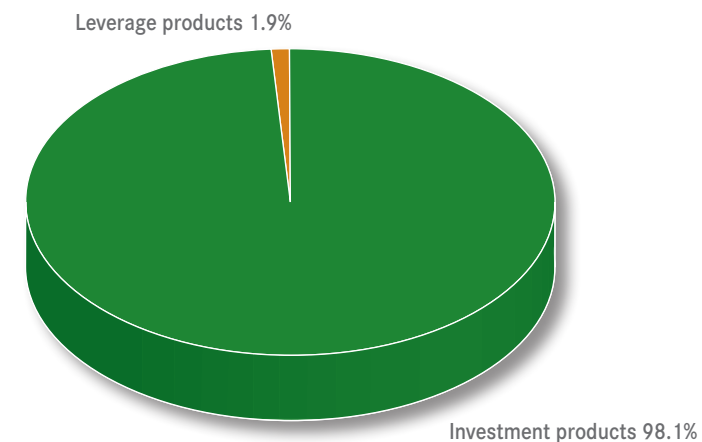
Product classes

Market volume as at 28 February 2014

Product classes	Market volume	Share
	T€	%
Investment products	86,147,467	98.1%
Leverage products	1,657,513	1.9%
Total Derivatives	87,804,980	100.0%

Product classes

Market volume as at 28 February 2014

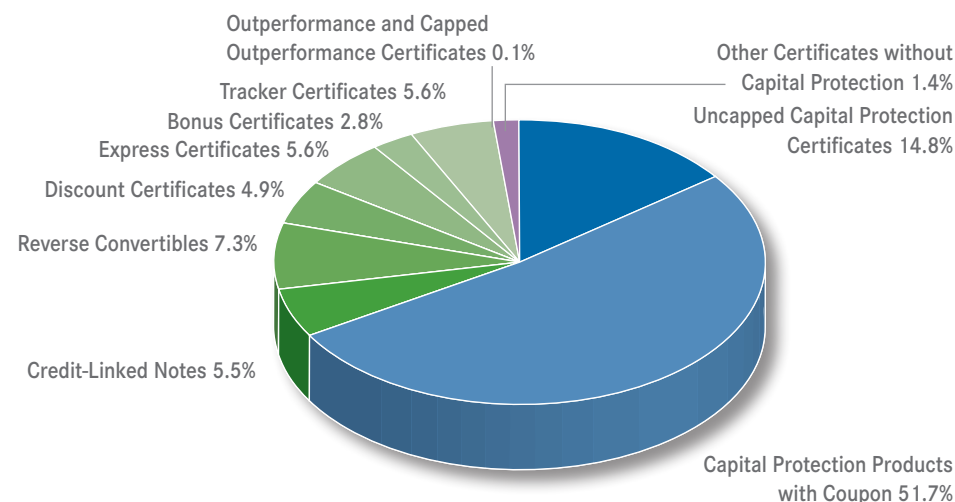


Market volume by product category as at 28 February 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	12,791,146	14.8%	12,745,036	14.9%	3,345	0.8%
■ Capital Protection Products with Coupon	44,566,045	51.7%	44,564,389	52.0%	2,531	0.6%
■ Credit-Linked Notes	4,741,679	5.5%	4,726,439	5.5%	982	0.2%
■ Reverse Convertibles	6,423,709	7.3%	6,407,271	7.5%	73,144	18.0%
■ Discount Certificates	4,255,403	4.9%	4,194,727	4.9%	130,307	32.1%
■ Express Certificates	4,792,726	5.6%	4,747,958	5.5%	3,969	1.0%
■ Bonus Certificates	2,404,078	2.8%	2,361,425	2.8%	187,844	46.3%
■ Tracker Certificates	4,812,059	5.6%	4,665,955	5.4%	2,364	0.6%
■ Outperformance and Capped Outperformance Certificates	125,373	0.1%	121,256	0.1%	872	0.2%
■ Other Certificates without Capital Protection	1,235,249	1.4%	1,224,120	1.4%	595	0.1%
Investment products total	86,147,467	98.1%	85,758,575	98.2%	405,953	44.3%
■ Warrants	672,017	40.5%	646,296	41.3%	308,662	60.5%
■ Factor Certificates	258,622	15.6%	255,486	16.3%	1,084	0.2%
■ Knock-Out Warrants	726,874	43.9%	664,379	42.4%	200,568	39.3%
Leverage products total	1,657,513	1.9%	1,566,161	1.8%	510,314	55.7%
Total	87,804,980	100.0%	87,324,736	100.0%	916,267	100.0%

Investment products by product category

Market volume as at 28 February 2014

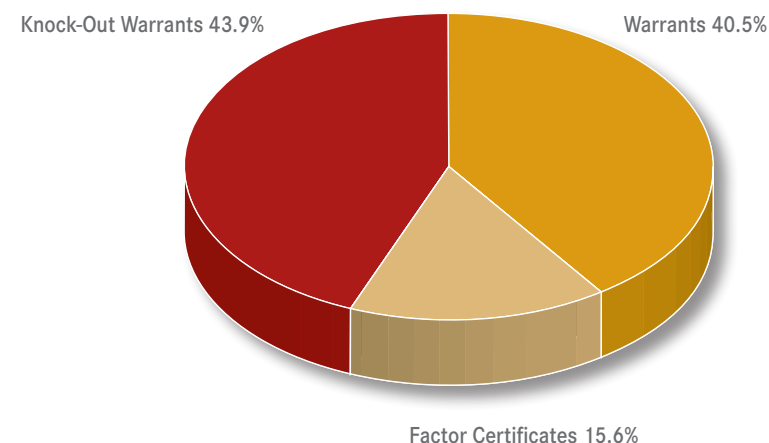


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect	
	T€	in %	T€	in %	T€	in %
■ Uncapped Capital Protection Certificates	25,888	0.2%	-20,222	-0.2%		0.4%
■ Capital Protection Products with Coupon	-4,195	0.0%	-5,851	0.0%		0.0%
■ Credit-Linked Notes	99,803	2.2%	84,563	1.8%		0.3%
■ Reverse Convertibles	334,151	5.5%	317,713	5.2%		0.3%
■ Discount Certificates	334,245	8.5%	273,568	7.0%		1.5%
■ Express Certificates	262,401	5.8%	217,634	4.8%		1.0%
■ Bonus Certificates	84,671	3.7%	42,018	1.8%		1.8%
■ Tracker Certificates	188,419	4.1%	42,314	0.9%		3.2%
■ Outperformance and Capped Outperformance Certificates	14,217	12.8%	10,099	9.1%		3.7%
■ Other Certificates without Capital Protection	43,348	3.6%	32,218	2.7%		0.9%
Investment products total	1,382,947	1.6%	994,054	1.2%		0.5%
■ Warrants	91,175	15.7%	65,454	11.3%		4.4%
■ Factor Certificates	35,089	15.7%	31,953	14.3%		1.4%
■ Knock-Out Warrants	100,649	16.1%	38,154	6.1%		10.0%
Leverage products total	226,913	15.9%	135,561	9.5%		6.4%
Total	1,609,859	1.9%	1,129,615	1.3%		0.6%

Leverage products by product category

Market volume as at 28 February 2014



Market volume by underlying asset as at 28 February 2014

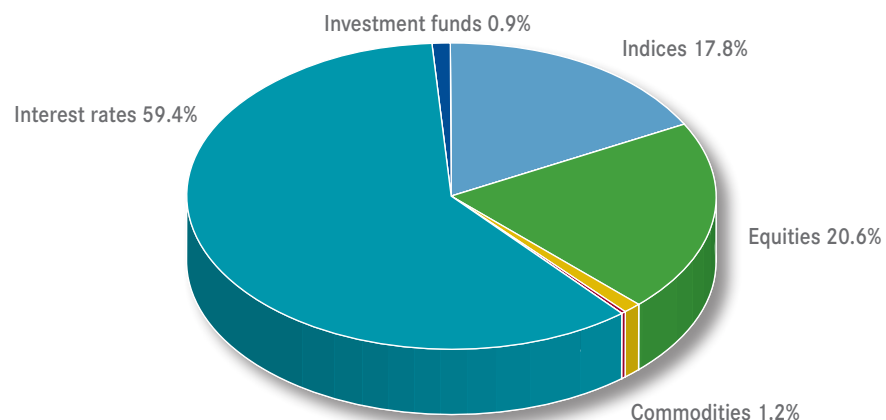
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	15,319,797	17.8%	15,122,422	17.6%	103,315	25.4%
Equities	17,760,231	20.6%	17,635,055	20.6%	296,564	73.1%
Commodities	1,064,659	1.2%	1,022,540	1.2%	2,131	0.5%
Currencies	113,645	0.1%	113,310	0.1%	66	0.0%
Interest rates	51,144,295	59.4%	51,125,323	59.6%	3,747	0.9%
Investment funds	744,839	0.9%	739,923	0.9%	130	0.0%
	86,147,467	98.1%	85,758,575	98.2%	405,953	44.3%
Leverage products						
Indices	638,331	38.5%	620,221	39.6%	124,764	24.4%
Equities	757,981	45.7%	692,866	44.2%	327,433	64.2%
Commodities	180,861	10.9%	158,695	10.1%	23,664	4.6%
Currencies	47,535	2.9%	58,630	3.7%	32,461	6.4%
Interest rates	32,378	2.0%	35,347	2.3%	1,945	0.4%
Investment funds	428	0.0%	403	0.0%	47	0.0%
	1,657,513	1.9%	1,566,161	1.8%	510,314	55.7%
Total	87,804,980	100.0%	87,324,736	100.0%	916,267	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 28 February 2014 x price as at 31 January 2014

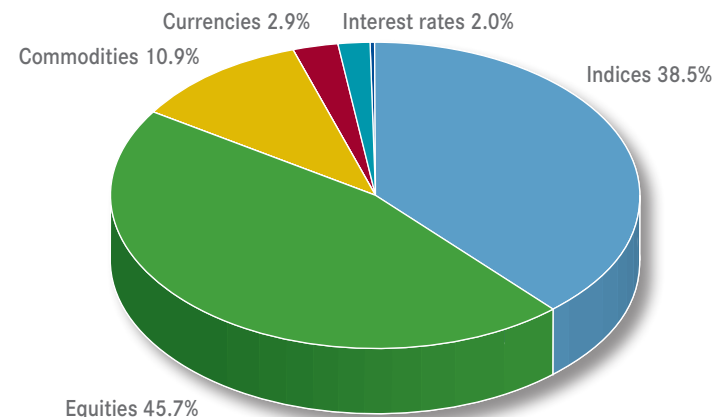
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	541,759	3.7%	344,384	2.3%	1.3%
Equities	679,031	4.0%	553,855	3.2%	0.7%
Commodities	48,288	4.8%	6,169	0.6%	4.1%
Currencies	-3,077	-2.6%	-3,412	-2.9%	0.3%
Interest rates	86,533	0.2%	67,561	0.1%	0.0%
Investment funds	30,412	4.3%	25,497	3.6%	0.7%
	1,382,947	1.6%	994,054	1.2%	0.5%
Leverage products					
Indices	64,770	11.3%	46,660	8.1%	3.2%
Equities	111,006	17.2%	45,891	7.1%	10.1%
Commodities	55,411	44.2%	33,246	26.5%	17.7%
Currencies	-4,215	-8.1%	6,880	13.3%	-21.4%
Interest rates	-101	-0.3%	2,867	8.8%	-9.1%
Investment funds	41	10.7%	17	4.5%	6.2%
	226,913	15.9%	135,561	9.5%	6.4%
Total	1,609,859	1.9%	1,129,615	1.3%	0.6%

Investment products by underlying asset Market volume as at 28 February 2014



Leverage products by underlying asset Market volume as at 28 February 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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