Annual Financial Statements as at 31 December 2019 and Management Report

TRANSLATION - AUDITOR'S REPORT

EUREX Clearing Aktiengesellschaft
Frankfurt am Main, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

Balance Statement as at 31 December 2019
of Eurex Clearing AG, Frankfurt/Main

Assets	31.12.2019 €	31.12.2019 €	31.12.2018 T€	31.12.2018 T€
1. Liquid funds				
a) Balances with				
central banks	19,955,935,704.22	19,955,935,704.22	18,245,692	18,245,692
of which with the Bundesbank				
19,955,935,704.22				
(previous year:				
18,245,692 T€)				
2. Receivables from credit institutions				
a) Payable on demand	6,151,656,777.30		7,666,256	
b) other receivables	90,973,505.44	6,242,630,282.74	45,202	7,711,458
3. Receivables from customers		4,695,178.21		7,844
4. Bonds and other fixed-interest securities				
a) Bonds and debt instruments				
of public-sector issuers	4,265,004.35	4,265,004.35	9,518	9,392
5. Investments in subsidiaries		75,000.00		75
6. Assets held in trust		101,075,347.79		107,951
7. Property, plant and equipment		8,492.00		12
8. Other assets		10,536,867.58		7,295
9. Deferred expenses		401,641.58		614
Total assets		26,319,623,518.47		26,090,333

Shareholders' equity and liabilities	31.12.2019 €	31.12.2019 €	31.12.2019 €	31.12.2018 T€	31.12.2018 T€	31.12.2018 T€
1. Liabilities to						
credit institutions						
a) Payable on demand		19,180,340,683.78	19,180,340,683.78		19,070,433	19,070,433
2. Liabilities to customers						
a) Other liabilities						
aa) Payable on demand		6,368,157,738.46	6,368,157,738.46		6,348,399	6,348,399
thereof: to affiliated companies 29,100,000.00 €						
(previous year: 23,101 T€)						
3. Liabilities held in trust			101,075,347.79			107,951
4. Other liabilities			25,536,063.59			20,348
5. Provisions						
a) Provisions for pensions						
and similar obligations		2,134,973.90			2,456	
b) Provisions for tax		3,671.00			0	
c) Other provisions		27,561,616.26	29,700,261.16		25,928	28,388
6. Shareholders' equity						
a) Subscribed capital		25,000,000.00			25,000	
b) Capital reserves		580,312,845.52			480,313	
c) Retained earnings						
ca) Legal reserves	2,500,000.00			2,500		
cb) Other retained earnings	7,000,578.17	9,500,578.17		7,001	9,501	
d) Unappropriated surplus		0.00	614,813,423.69		0	514,814
Total shareholders' equity and liabilities			26,319,623,518.47			26,090,333
Other obligations						
Irrevocable credit commitments			2,000,000.00			2,000

Income Statement
of Eurex Clearing AG, Frankfurt/Main
for the period from 1 January to 31 December 2019

	31.12.2019				31.12.2018			
	€	€	€	€	T€	T€	T€	T€
1. Interest income from								
a) loan and money market business								
aa) Loan and money market business with positive interest rates	4,226,678.15				3,490			
ab) Loan and money market business with negative interest rates	178,951,348.09	183,178,026.24			169,562	173,052		
b) fixed-interest securities and debt register claims								
ba) Fixed-interest securities and debt register claims with positive interest rates		0.00	183,178,026.24			0	173,052	
2. Interest expense								
a) Interest expense from business with positive interest rates	-2,070,202.19				-1,492			
b) Interest expense from business with negative interest rates	-134,575,003.62				-131,179			
c) Clearing item in accordance with section 246 (2) HGB	0.00		-136,645,205.81	46,532,820.43	-2,519		-135,190	37,862
3. Commission expense				-9,209,190.21				-6,097
4. Other operating income				86,634,907.95				77,935
thereof from currency translation 8,530,554.50 € (previous year 3,279 T€)								
5. General administrative expenses								
a) Personnel expenses								
aa) Wages and salaries		-31,352,939.30				-30,425		
ab) Social security and expenses								
for pensions and other employee benefits		-5,122,620.07	-36,475,559.37			-5,668	-36,093	
thereof for pensions -1,845,057.61 €								
(previous year -2,712T€)								
b) Other administrative expenses			-69,424,350.08	-105,899,909.45			-60,423	-96,516
6. Depreciation and amortization of fixed and intangible assets				-4,444.00				-8
7. Other operating expenses				-9,558,208.09				-5,079
thereof from currency translation 8,330,711.48 € (previous year 4,087 T€)								
thereof from accumulation -1,076,930.36 € (previous year -59 T€)								
8. Income from write-ups to claims and certain securities and reversal of provisions for lending business				12,637.30				18
9. Net operating income				**8,508,613.93**				**8,115**
10. Income tax expense				0.00				26
11. Profit transferred under profit transfer agreement				-8,508,613.93				-8,141
12. Net income for the year				**0.00**				**0**
13. Unappropriated surplus				**0.00**				**0**

Notes to the financial statements for financial year 2019

Accounting policies

Eurex Clearing Aktiengesellschaft (hereinafter "Eurex Clearing"), which has its registered office in Frankfurt am Main, Germany, is registered in the Commercial Register of Frankfurt am Main District Court under the number HRB 44828.

The annual report of Eurex Clearing for the financial year 2019 was prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), the Aktiengesetz (AktG, German Stock Corporation Act) and the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV, German Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers).

Receivables and liabilities denominated in foreign currency have been translated using the ECB reference rate or the Bloomberg rates applicable as at the reporting date. If the assets and liabilities denominated in foreign currency have a maturity of one year or less, then sections 253 (1) clause 1 and 252 (1) no. 4 sub-clause 2 of the HGB were not applied.

Income and expenses were translated on the posting date at the ECB reference rate or the Bloomberg rates.

Where the amounts of assets and liabilities in the same currency correspond, these items are regarded as duly covered in accordance with section 340h of the HGB.

Acquired intangible assets are carried at cost and amortised using the straight-line method or valued at the lower fair value. No use was made of the option to capitalise internally generated intangible assets.

Property, plant and equipment is carried at cost. Depreciable property, plant and equipment is depreciated using the straight-line method over its useful life or valued at its lower fair value.

Low-value fixed assets with acquisition costs of up to €800 were written off directly in financial year 2019 in accordance with section 6 (2) of the Einkommensteuergesetz (EStG, German Income Tax Act). In this respect, no use was made of the option granted by section 6 (2a) EStG to create a compound item.

Receivables and other assets are always carried at their nominal amount. Item-by-item valuation allowances are established for all discernible risks. while latent risks are considered on a portfolio basis.

Provisions for pensions and similar obligations have been stated on the basis of actuarial tables using the Projected Unit Credit Method based on the 2018 G mortality tables (generation tables) developed by Dr Klaus Heubeck.

Actuarial assumptions		
	31 Dec. 2019	31 Dec. 2018
	%	%
10-year average discount rate	2.71	3.21
7-year average discount rate	1.97	2.32
Salary growth	3.50	3.50
Pension growth	2.00	2.00
Staff turnover rate (up to age 50, thereafter 0.00%)	2.00	2.00

Calculations for the projected benefit obligations arising from the employee-financed deferred compensation plan were made on the basis of the interest rate issued by Deutsche Bundesbank (the German central bank) of 2.71 per cent (previous year: 3.21 per cent) along with actuarial tables using 2018 G mortality tables developed by Dr Klaus Heubeck.

In accordance with section 246 (2) of the HGB, the settlement amount of pension liabilities as at the reporting date was offset against the fair value of those assets that are protected from all creditors and exclusively serve the purpose of meeting liabilities arising from pension obligations or comparable long-term commitments to employees ("plan assets"). The accumulated acquisition costs of these assets are €16,809 thousand (previous year: €14,621 thousand).

The total assets that were offset, which correspond to a 5.4 per cent share in a special fund as defined by section 1 (10) of the Kapitalanlagegesetzbuch (KAGB, German Capital Investment Code), had a fair value as at the reporting date of €19,039 thousand (previous year: €15,715 thousand), which is equivalent to the market value as defined by section 278 in conjunction with section 168 of the KAGB. In addition, the amount of €2,218 thousand (previous year: €2,776 thousand) was added to the special fund in the year under review and an amount of €29 thousand (previous year: €19 thousand) was transferred. These assets are protected from all creditor claims and are not repayable on demand.

The other provisions take into account all recognisable risks and uncertain liabilities as at the reporting date and were recognised at the amount required to settle the obligation based on a reasonable commercial assessment. The basis for determining provisions for the Stock Bonus Plan is the Deutsche Börse AG, Frankfurt/Main (hereinafter referred to as “Deutsche Börse”) share price at the reporting date.

The values of the provisions for the Stock Bonus Plan and Long-term Sustainable Instrument (LSI) are calculated on the basis of the price of Deutsche Börse AG’s shares on the reporting date.

The provisions for anniversary payments and early retirement were measured at the amount to be paid in accordance with actuarial principles, and for early retirees at present value. The projected unit credit method was applied as the basis of this assessment. During the year under review, the interest rate of 1.97 per cent (previous year: 2.32 per cent) published by Deutsche Bundesbank (the German central bank) was applied. The 2018 G mortality tables developed by Dr Klaus Heubeck were the basis of these projections.

Due to a change in the law relating to the implementation of the Mortgage Credit Directive, the pension provision is discounted from 2016 using a 10-year average discount rate (until 2015: 7-year average discount). The resulting difference is as follows:

Pension provision discounted using a 10-year average	€21,112 thousand
Pension provision discounted using a 7-year average	€23,825 thousand
Difference	€2,713 thousand

The interest-related financial instruments of the banking book are examined annually for excess liability. Eurex Clearing engages in maturity transformation only to a very limited extent, which means that interest rate risk is accordingly low. Due to the fixed-interest surplus in assets as at the reporting date, there was no excess liability resulting from the on-balance-sheet and off-balance-sheet transactions of the banking book, meaning that no provision was required in accordance with section 340a in conjunction with section 249 (1) of the HGB.

Deferred taxes are calculated in accordance with section 274 HGB on temporary differences between the carrying amounts according to commercial law and their taxable values. Deferred tax liabilities are reported only insofar as they exceed deferred tax assets. In view of the existing single-entity relationship for tax purposes with Eurex Frankfurt Aktiengesellschaft, Frankfurt/Main (hereinafter “Eurex Frankfurt”), temporary differences between the carrying amounts according to commercial law and the taxable values were accounted for at the level of the controlling company, Eurex Frankfurt. There is currently a uniform corporation tax rate of 15 per cent plus a solidarity surcharge of 5.5 per cent. Taking trade tax into account, this results in an aggregate tax rate for the purposes of deferred taxes of 27.5 per cent. The calculation of deferred taxes is based on the combined income tax rate of all the companies comprising the single-entity for tax purposes with Eurex Frankfurt.

In accordance with section 253 (1) clause 2 of the HGB, liabilities are recognised with their respective settlement amounts.

If the margin that clearing members are required to deposit with Eurex Clearing as collateral or a contribution to the default fund is paid in cash, Eurex Clearing recognises them as liabilities (under member cash deposits). The margins to be paid are calculated at time "t" and are due at "t+1". Margin payments are calculated only after the post-trading period. In accordance with standard sector practice, the margin payments to be deposited as collateral are recognised only after the margins have been collected.

With respect to transactions settled via the central counterparty (CCP), the position of Eurex Clearing from an economic point of view is comparable to that of a financial broker as defined in section 1 (1) no. 4 of the Kreditwesengesetz (KWG, German Banking Act). Similar to the accounting treatment of transactions executed via a financial broker, transactions by Eurex Clearing are not recognised on the balance sheet.

The open positions from the CCP business are determined for each clearing member and shown as assets and liabilities.

Interest income and expenses are classified as transactions with positive interest rates and transactions with negative interest rates according to their source. They are reported based on this classification in sub-positions of the interest result.

Interest rate effects from pensions and plan assets from the clearing item in accordance with section 246 (2) of the HGB, in the amount of €1,013 thousand, are included under other operating expenses in the year under review (previous year: €2,519 thousand, included in interest expense).
The other operating expenses also include interest rate effects from the addition of discounted interest for other provisions.

Notes to the balance sheet

Assets in foreign currency

Assets in foreign currencies as at the reporting date amounted to €6,671,052 thousand (previous year: €6,362,167 thousand).

Receivables from banks

Of receivables from banks, €3,335 thousand (previous year: €3,139 thousand) relate to receivables from affiliated companies.

Receivables from banks break down as follows:

	31 Dec. 2019	31 Dec. 2018
	€ thous.	€ thous.
Payable on demand		
Balances at foreign central banks	6,082,877	6,042,205
Bank balances and receivables from the clearing business	55,445	1,613,082
Interest receivables from the clearing business	13,329	10,964
Other receivables from banks	6	5
	6,151,657	**7,666,256**
Term up to 3 months		
Reverse repo investments	90,974	45,202
	6,242,631	**7,711,458**

Receivables from customers

Receivables from customers amounting to €4,695 thousand (previous year: €7,844 thousand) are payable on demand and mainly comprise receivables from financial transactions in EUR and CHF amounting to €4,375 thousand (previous year: €3,331 thousand).

Bonds and other fixed-interest securities

The bonds held as at the reporting date were exchange-listed securities in the amount of €4,265 thousand (previous year: €9,392 thousand).

Investments in affiliated companies

As at 31 December 2019, Eurex Clearing had investments in affiliated companies as follows:

Company	Domicile	Equity € thous.	2019 net profit/loss € thous.	Equity interest direct (indirect)
Eurex Clearing Security Trustee GmbH	Germany	81	2	100.00 %

Assets held in trust

This item concerns receivables from clearing members arising from turnover related to remuneration that is ultimately collected for Deutsche Börse and Eurex Global Derivatives AG, Zug, Switzerland, on a fiduciary basis. As at the reporting date, these receivables amounted to €101,075 thousand (previous year: €107,951 thousand), of which €64,938 thousand (previous year: €71,042 thousand) were from banks and €36,137 thousand (previous year: €36,909 thousand) were from customers.

Fixed assets

The changes in fixed assets are described in the statement of changes in fixed assets.

Other assets

Other assets as at the reporting date comprise the following:

	31 Dec. 2019	31 Dec. 2018
	€ thous.	€ thous.
Receivables from Deutsche Börse AG	5,655	4,595
Receivables from Eurex Frankfurt AG	3,299	1,590
Receivables from Clearstream Banking AG	548	11
Receivables from Eurex Securities Transaction Services GmbH	534	0
Receivables from incentive programme	120	300
Receivables from Deutsche Börse Systems Inc.	85	
Receivables from Eurex Repo GmbH	27	2
Receivables from Clearstream Banking S.A.	19	0
Receivables from Eurex Global Derivatives AG	17	15
Personnel-related receivables	4	1
Receivables from taxes	2	0
Miscellaneous other assets	227	781
	10,537	7,295

Liabilities in foreign currency

As at the reporting date, liabilities in foreign currency amounted to €6,667,404 thousand (previous year: €6,340,610 thousand).

Liabilities towards banks

Liabilities towards banks amounting to €19,180,341 thousand (previous year: €19,070,433 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €19,122,916 thousand (previous year: €17,348,768 thousand) and liabilities from the clearing business in the amount of €49,888 thousand (previous year: €1,714,888 thousand). Of the liabilities towards banks, €0 thousand (previous year: €28 thousand) relate to liabilities towards affiliated companies.

Liabilities towards customers

Liabilities towards customers amounting to €6,368,157 thousand (previous year: €6,348,399 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €6,338,974 thousand (previous year: €6,325,158 thousand), as well as liabilities towards affiliated companies from cash pooling amounting to €29,100 thousand (previous year: €23,101 thousand).

Liabilities held in trust

This item concerns liabilities towards customers associated with the collection of remuneration on a fiduciary basis that has not yet been transferred via Eurex Frankfurt to Deutsche Börse and Eurex Global Derivatives AG.

Other liabilities

	31 Dec. 2019	31 Dec. 2018
	€ thous.	€ thous.
Liabilities towards Eurex Frankfurt AG	8,932	9,206
Liabilities towards Deutsche Börse AG	6,542	3,058
Trade payables	4,111	2,408
Liabilities towards Eurex Repo GmbH	2,867	1,818
Liabilities from taxes	968	727
Liabilities towards Clearstream Operations Prague sro	943	495
Liabilities towards Clearstream Banking AG	612	1,416
Liabilities towards Deutsche Börse Systems Inc.	165	353
Liabilities towards Clearstream Services S.A.	160	297
Liabilities towards Clearstream Banking Luxembourg S.A.	27	45
Liabilities towards Eurex Clearing Security Trustee GmbH	12	4
Liabilities towards Clearstream International S.A.	0	323
Liabilities towards Eurex Global Derivatives AG	0	18
Miscellaneous other liabilities	197	180
	25,536	20,348

Provisions for pensions and similar obligations

Asset offsetting pursuant to section 246 (2) clause 2 of the HGB	
	€ thous.
Pension obligations payable	21,174
Fair value of plan assets	(19,039)
Provisions for pensions and similar obligations	**2,135**
Netting profit and loss	
	€ thous.
Expenses arising from pension obligations	669
Net expense stated under personnel expenses	**669**
Interest expense arising from pension obligations	2,171
Reversals of impairments to cover assets	(1,136)
Income from cover assets	(22)
Net expenses stated under net interest income	**1,013**

Other provisions

Other provisions, amounting to €27,562 thousand, comprise the following:

	€ thous.
Personnel provisions	13,603
of which, share-based remuneration components	7,595
of which, bonus	5,069
of which, other personnel provisions	939
Outstanding invoices	7,042
Provisions for incentive programme	3,383
Provisions recognised as part of the restructuring programme	2,305
Flexible working time credit balance	801
Provisions for Supervisory Board remuneration	374
Provisions for claims for damages	50
Other provisions	4
	27,562

Equity

The share capital of Eurex Clearing remains unchanged at €25,000,000. It is divided into 2,000,000 no-par value registered shares. The shares may be assigned only with the Company's consent.

Equity changed as follows:

	€ thous.	€ thous.	€ thous.	€ thous.
	Subscribed capital	Capital reserves	Retained earnings	
			Legal reserves	Other retained earnings
Carried forward as at 01 January 2019	25,000	480,313	2,500	7,000
Addition	-	100,000	-	-
Addition from 2019 net income	-	-	-	-
Balance as at 31 December 2019	25,000	580,313	2,500	7,000
Total shareholder's equity				614,813

Since the market price of the plan assets is higher than their acquisition cost, there is a block on distributions of €2,229 thousand in accordance with section 268 (8) of the HGB in conjunction with section 301 AktG (previous year: €1,093 thousand).

Income statement disclosures

Interest income

Interest income and other operating income are primarily generated in Germany; a breakdown by geographical markets in accordance with section 34 (2) no. 1 of the RechKredV has therefore not been carried out.

Interest income in the amount of €183,178 thousand (previous year: €173,052 thousand) mainly comprises lending and money market transactions with negative interest rates.

Interest expense

The clearing item shown under interest expense in the previous year in accordance with section 246 (2) of the HGB, amounting to €1,013 thousand (previous year: €2,519 thousand), was reclassified to other operating expenses in the year under review.

Interest expense in the amount of €136,645 thousand (previous year: €135,190 thousand) mainly comprises interest expense from transactions with negative interest rates.

Commission expense

Commission expense amounts to €9,209 thousand (previous year: €6,097 thousand) in the year under review and is primarily related to bank fees.

Other operating income

Other operating income amounting to €86,635 thousand (previous year: €77,935 thousand) consists of:

	31 Dec. 2019	31 Dec. 2018
	€ thous.	€ thous.
Services for Eurex Frankfurt AG	57,630	54,798
Services for Deutsche Börse AG	16,228	15,157
Income from currency valuation	8,531	3,275
Income from the reversal of provisions	2,270	1,919
Services for Clearstream Banking AG	664	10
Services for Eurex Securities Transaction Services GmbH	534	0
Services for Clearstream International S.A.	362	0
Services for Clearstream Banking Luxembourg S.A.	19	0
Services for Eurex Global Derivatives AG (Eurex Zürich AG merged into Eurex Global Derivatives AG as of 1 October 2018)	2	2,329
Services for Eurex Repo GmbH	2	0
Miscellaneous other operating income	393	447
	86,635	77,935

General administration expenses

The other administration expenses are broken down as follows:

	31 Dec. 2019	31 Dec. 2018
	€ thous.	€ thous.
Agency agreement services	26,313	22,111
provided by Deutsche Börse AG	19,392	16,619
provided by Eurex Repo GmbH	2,788	1,444
provided by Eurex Frankfurt AG	1,758	0
provided by Clearstream Operations Prague s.r.o.	919	2,609
provided by CS Luxembourg	386	197
provided by Clearstream Banking AG	375	285
provided by Clearstream Luxembourg Singapore Branch	365	275
provided by Deutsche Börse Systems Inc.	269	247
provided by Clearstream Banking S.A.	49	55
provided by Eurex Security Trustee GmbH	12	0
provided by Clearstream International S.A.	0	362
provided by Eurex Global Derivatives AG	0	18
External consultancy costs	17,280	16,684
Communication	13,946	4,436
Non-deductible input tax	5,322	6,327
IT costs	1,936	2,849
Cooperation costs with Nasdaq OMX	1,399	935
Marketing costs	1,059	4,962
Other administration expenses	2,169	2,119
	69,424	60,423

Other operating expenses

Other operating expenses amounting to €9,558 thousand (previous year: €5,079 thousand) consist primarily of foreign currency losses amounting to €8,331 thousand (previous year: €4,087 thousand) as well as expenses in accordance with section 246 (2) of the HGB, amounting to €1,013 thousand (previous year: €2,519 thousand).

In the year under review, the expenses from the clearing item were reclassified to other operating expenses in order to increase the transparency of the presentation of the result from the banking business. In the previous year, the expenses from the clearing item were shown in interest expenses.

Transfer of profit

Based on the profit transfer agreement with Eurex Frankfurt, an amount of €8,509 thousand (previous year: €8,141 thousand) is transferred.

Auditor's fee

In accordance with section 285 no. 17 of the HGB, disclosures on the auditor's fee are contained in the notes to the consolidated financial statements of Deutsche Börse.

Other information about the clearing business

As at 31 December 2019, market participants had netting-eligible gross payment obligations from open positions due to transactions traded via the central counterparty with a total value of €83.5 billion (previous year: €104.2 billion). From the point of view of Eurex Clearing, the receivables and liabilities from these open positions always fully offset each other. The total value of €83.5 billion takes into account gross payment obligations, i.e. the risk-oriented net view would lead to a significantly lower value.

To hedge Eurex Clearing's risk in the event of the default of a clearing member, the clearing conditions require clearing members to deposit margins in the form of cash or securities on a daily or intraday basis in the amount stipulated by Eurex Clearing.

The aggregate margin calls based on the executed transactions and clearing fund requirements amounted to €48,736.7 million at the reporting date (previous year: €42,180.4 million). The actual collateral deposited was as follows:

Composition of Eurex Clearing's collateral (after haircuts)		
	Collateral value as at 31.12.2019	**Collateral value as at 31.12.2018**
	€m	€m
Cash collateral (cash deposits) [1)]	25,097.3	23,336.2
Securities and book-entry securities collateral [1)]	37,114.3	29,286.9
Total	**62,211.6**	**52,623.1**

[1)] Including clearing fund

As at 31 December 2019, the volume of Eurex Clearing's clearing fund stood at €4,811.1 million (previous year: €4,338.1 million).

Other financial obligations

Amount in €m	Total amount	Thereof: up to 1 year	Thereof: 1-5 years
Rental, leasing and maintenance contracts (previous year)	4.3 (5.6)	1.2 (1.3)	3.1 (4.3)
Management and agency contracts (previous year)	15.7 (13.8)	15.7 (13.8)	0 (0)
- Thereof to affiliated companies or associates (previous year)	15.7 (13.8)	15.7 (13.8)	0 (0)

Other disclosures

Supervisory Board

The members of the Supervisory Board are:

Jeffrey Tessler *Chairman*	Member of the Supervisory Board of China Europe International Exchange AG, Frankfurt/Main, Chairman of the Supervisory Board of Eurex Frankfurt AG, Frankfurt/Main
Gregor Pottmeyer *Deputy Chairman*	Member of the Executive Board, Deutsche Börse AG, Frankfurt/Main
Peter Barrowcliff	Former Managing Director, Société Général Newedge UK Financial Limited, London
Charles Bristow	Global Head of Rates, Fixed Income Financing and Markets Portfolio Management, JP Morgan Securities PLC, London
Jutta Anneliese Dönges	Member of the Executive Board of Federal Republic of Germany Finance Agency GmbH, Frankfurt/Main
Nikolaus Ralf Horst Giesbert	Divisional Board Member, Institutionals, Commerzbank AG, Frankfurt/Main
Wim den Hartog	Managing Director, STX Group B.V., Amsterdam
Stefan Hoops	Head of Corporate Bank, Deutsche Bank AG, Frankfurt/Main
Clifford M. Lewis	Lead Independent Director, Eris Exchange, Chicago Non-Executive Chair, TradAir, Tel Aviv
Raphael Masgnaux	Global Head of Prime Solutions & Financing and G10 Rates BNP Paribas S.A.
Roselyne Renel	Group Chief Credit Officer, Standard Chartered Bank UK, London
Thilo Roßberg	Head of Fixed Income Currency & Commodity Markets Germany, Deutsche Bank AG, Frankfurt/Main

The members of the Supervisory Board received remuneration of €325 thousand in the year under review.

Executive Board

The members of the Executive Board are:

Erik Tim Müller *Chairman*	Chief Executive Officer (CEO) Responsible for Human Resources, Compliance, Internal Audit, Legal, Corporate Office, Sales, Communication & Media, Treasury
Heike Eckert *Deputy Chairwoman*	Chief Operating Officer Deputy Chief Executive Officer Responsible for Clearing Design, Clearing Models, Clearing Delivery & Control, Member Services & Admission, Vendor Relations & Market Readiness, Facility Management, Purchasing & Resourcing, Outsourcing Management
Matthias Graulich	Chief Strategy Officer Responsible for Business Development, Strategy, Pricing, Marketing
Thomas Laux (until 30.06.2019)	Chief Risk Officer Responsible for Models & Analytics, Model Validation, Default Management, Risk Exposure Management, Credit, Treasury Back Office, Enterprise Risk Management, Financial Accounting & Controlling, Business Continuity Management, Business Information Security
Dmitrij Senko (from 01.07.2019)	Chief Risk Officer Responsible for Models & Analytics, Model Validation, Default Management, Risk Exposure Management, Credit, Treasury Back Office, Enterprise Risk Management, Financial Accounting & Controlling, Business Continuity Management, Business Information Security
Manfred Matusza	Chief Technology Officer Responsible for Clearing & Risk IT, System Architecture, Networks & Infrastructure, SAP & Office Automation, Group Security

In 2019, the total remuneration of members of the Executive Board amounted to €4,942.9 thousand (previous year: €5,438.4 thousand). Total remuneration includes share-based compensation of €1,674.4 thousand (previous year: €1,911.3 thousand). The corresponding shares were valued in the year under review at the market price on the reporting date. The estimated number of shares (11,947) is based on the share price of Deutsche Börse on the reporting date.

Appointments to supervisory boards and other supervisory committees

In accordance with section 340a (4) no. 1 of the HGB, a list of appointments to supervisory boards and other supervisory committees is presented below:

Erik Tim Müller

- Eurex Deutschland, Member of the Management Board, Frankfurt/Main
- International Swaps and Derivatives Association (ISDA), New York, Member of Board of Directors

Heike Eckert

- European Commodity Clearing AG, Leipzig, Chairman of the Supervisory Board
- European Energy Exchange AG, Leipzig, Member of the Supervisory Board
- European Commodity Clearing AG, Leipzig, Member of the Risk Committee
- Eurex Clearing Security Trustee GmbH, Frankfurt/Main, Member of the Management Board

Matthias Graulich

- Eurex Clearing Security Trustee GmbH, Frankfurt/Main, Member of the Management Board
- Eurex Repo GmbH, Member of the Management Board, Frankfurt/Main

Employees

As at 31 December 2019, the number of employees at Eurex Clearing AG (excluding the Executive Board) was 251.3 (previous year: 230.0). During financial year 2019, the average number of employees was 241.9 (previous year: 227.5).

	Male	Female	Total
Management employees	15.0	4.0	19.0
Non-management employees	136.9	86.0	222.9
Number of employees	**151.9**	**90.0**	**241.9**

Intercompany agreements

As part of the profit transfer agreement concluded between Eurex Clearing and Eurex Frankfurt, Eurex Clearing is obliged to transfer its net income for the year to Eurex Frankfurt, less any losses carried forward from the previous year and the amount to be added to the reserves, as required by section 300 of the AktG. At the same time, Eurex Frankfurt is required during the term of the agreement to make up any annual deficit incurred at Eurex Clearing through loss absorption, provided such losses have not already been offset through transfers from other retained earnings added during the term of the agreement.

Group structure

Eurex Clearing is a wholly owned subsidiary of Eurex Frankfurt.

Eurex Clearing is incorporated into the consolidated accounts of Deutsche Börse AG, Frankfurt/Main, which may be viewed at the business premises of the Company. These consolidated financial statements exempt the Company from the requirement to produce accounts in accordance with the HGB. The consolidated financial statements of Deutsche Börse are prepared on the basis of International Financial Reporting Standards (IFRS) and published in the electronic German Federal Gazette.

In accordance with section 20 (4) of the AktG, Deutsche Börse and Eurex Frankfurt have notified us that they hold a majority interest in the Company.

Disclosure requirements in accordance with Part 8 of Directive (EU) no. 575/2013

Eurex Clearing AG meets the disclosure requirements in accordance with Part 8 of Directive (EU) no. 575/2013 (CRR) by publishing

1. a remuneration report for the fulfilment of the disclosure requirements in accordance with Article 450 of the CRR; and
2. a disclosure report for all other matters requiring disclosure in accordance with Part 8 of the CRR and regarding details for governance arrangements in accordance with section 26a (1) clause 1 of the KWG.

Both reports are published on the Eurex Clearing website (www.eurexclearing.com). The remuneration report is accessible by year on the following website: http://www.eurexclearing.com/clearing-en/about-us/corporate-overview/remuneration. The disclosure report is available on the website https://www.eurexclearing.com/clearing-en/about-us/corporate-overview/annual-reports by year. The reports for financial year 2019 are not yet available online as at the publication date of the 2019 annual report.

Report on post-reporting date events

No significant events occurred after the reporting date.

Frankfurt/Main, 13 March 2020

Eurex Clearing Aktiengesellschaft

Erik Tim Müller   Heike Eckert   Matthias Graulich

Dmitrij Senko   Manfred Matusza

Eurex Clearing AG, Frankfurt am Main

Statement of changes in non-current assets as at December 31, 2019

	Costs					Depreciation and amortization						Carrying amounts	
	Balance as at 01.01.2019	Additions 2019	Disposals 2019	Reclassification 2019	Balance as at 31.12.2019	Balance as at 01.01.2019	Depreciation 2019	Write-Ups 2019	Disposals 2019	Reclassification 2019	Balance as at 31.12.2019	31.12.2019	31.12.2018
	€	€	€	€	€	€	€	€	€	€	€	€	T€
Investments in subsidiaries													
Investments in subsidiaries	75,000.00	0.00	0.00	0.00	75,000.00	0.00	0.00	0.00	0.00	0.00	0.00	75,000.00	75
	75,000.00	0.00	0.00	0.00	75,000.00	0.00	0.00	0.00	0.00	0.00	0.00	75,000.00	75
Property, plant and equipment													
Operating and business equipment	30,071.47	1,030.00	0.00	0.00	31,101.47	18,165.47	4,444.00	0.00	0.00	0.00	22,609.47	8,492.00	12
	30,071.47	1,030.00	0.00	0.00	31,101.47	18,165.47	4,444.00	0.00	0.00	0.00	22,609.47	8,492.00	12
	105,071.47	1,030.00	0.00	0.00	106,101.47	18,165.47	4,444.00	0.00	0.00	0.00	22,609.47	83,492.00	87

Appendix to the Financial Statement 2019

Country-by-country reporting according § 26a s. 2 KWG

Country/ Information*	Entity and its nature of activities	Turnover [TEUR]	Number of employees	Profit or loss before tax [TEUR]	Tax on profit or loss [TEUR]
Germany	- Eurex Clearing AG: CRR-institute, central counterparty; - Eurex Clearing Security Trustee GmbH: trust company	123,970	251.3	8,509	1.3

Eurex Clearing AG and its subsidiary Eurex Clearing Security Trustee GmbH did not receive any public subsidies in the financial year.

Management report for financial year 2019

1. Basic principles and business model

Eurex Clearing Aktiengesellschaft, Frankfurt/Main (hereinafter “Eurex Clearing”) is a credit institution licensed through the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, the German Federal Financial Supervisory Authority), which under the Kreditwesengesetz (KWG, German Banking Act) is authorised to act as a central counterparty (CCP) for financial market transactions in markets connected to it. Since 10 April 2014 Eurex Clearing has also been authorised as a clearing house in accordance with the European Market Infrastructure Regulation (EMIR). Furthermore, Eurex Clearing has had a limited authorisation since 1 August 2013 to operate a deposit and lending business. On 1 October 2013 it initiated this activity, taking into account the restrictions contained in the authorisation. In connection with this authorisation, it grants loans and extends credit lines for certain affiliated companies and accepts deposits from these companies in connection with cash pooling.

The key business purposes of Eurex Clearing are effectively protecting customer positions and mitigating counterparty risk by means of the depositing of collateral, and ensuring cost-effective risk and position management for clearing members and their customers as participants in the financial and capital markets.

On 1 February 2016, Eurex Clearing was registered with the Commodity Futures Trading Commission (CFTC) as a derivatives clearing organisation (DCO) for clearing OTC interest rate swaps for US clearing members in accordance with the Commodity Exchange Act, and since 22 December 2018 Eurex Clearing has been able to clear customer transactions of US clearing members. Within the framework of the Temporary Recognition Regime (TRR) Eurex Clearing has retained its status as a recognised provider of clearing services in the United Kingdom. Eurex Clearing has also registered for permanent authorisation with the Bank of England. Furthermore, Eurex Clearing is listed by the Monetary Authority of Singapore as a Recognised Clearing House in Singapore.

BaFin has classified Eurex Clearing as an institution that potentially poses a threat to the system (section 20 (1) of the Sanierungs- und Abwicklungsgesetz (SAG, German Recovery and Resolution Act)) due to the fact that no simplified recovery plan requirements can be identified for Eurex Clearing in accordance with the SAG.

Eurex Clearing performs the duties of a clearing house, including the operation of a clearing system for cash and unit settlement of transactions on domestic and international securities or derivatives exchanges, multi-lateral trading platforms and of OTC transactions in various financial instruments such as derivatives, equities, securities lending and repo transactions. Eurex Clearing guarantees the performance of delivery and payment obligations after transactions are concluded on Eurex Deutschland, Frankfurt/Main; the Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange), Frankfurt/Main; the Irish Stock Exchange, Dublin, Ireland; Eurex Repo GmbH, Frankfurt/Main; and of off-exchange transactions on approved trade sources.

Irish Stock Exchange plc (“ISE” or “Euronext Dublin”) has switched its trading and other services to the Euronext Group systems, with 1 February 2019 being the last day of trading. Thus the clearing services for CCP-eligible transactions on ISE Xetra ceased.

As a service provider, Eurex Clearing does not engage in research and development activities comparable with those of manufacturing companies. Consequently, this report does not include a section detailing research activities. However, Eurex Clearing does develop system solutions for the implementation of its structural growth objectives. Against this background, the Company is constantly working to maintain and further increase the technology leadership and stability of its electronic systems – in the interests of its customers and the systemic stability of the financial markets.

As a market infrastructure operator, Eurex Clearing bears responsibility for financial market stability. That is why Eurex Clearing decided, against a background of political and regulatory uncertainty surrounding the impending withdrawal of the UK from the EU, to offer its customers a market-oriented partnership programme for the clearing of OTC interest rate derivatives. The partnership programme commenced in January 2018 and currently has 40 participant groups. In February 2019 the partnership programme was extended to include repo transactions and now has 31 repo participant groups.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

The performance of the economy in 2019 failed to meet expectations overall. Forces driving growth were stymied among other things by ongoing uncertainty resulting from trade conflicts, the decision-making process for the implementation of Brexit and geopolitical tension.

In view of the risks referred to, the global economy found itself in a period of weakness. Over the entire course of the year, falling trends were to be observed both in global industrial production and in global trade. Industrial production in developed economies and in emerging market countries only posted low growth. Global economic signals worsened and varied between periodic downward and recovery trends. Against the backdrop of these indicators and the concentration of global risks, international organisations forecast the world economy would not have so much momentum but would continue on an upward trajectory.

In this context, the countries affected resumed their programmes for strengthening economic recovery. The US Federal Reserve Bank (Fed), for example, took further monetary policy measures by reducing its federal funds rate three times in 2019, with the last cut to a range of between 1.5 per cent to 1.75 per cent on 30 October 2019.

On March 3, 2020, the US central bank FED cuts the key interest rate by 0.5 percentage points to 1.25 percent (Federal Funds Rate interest margin of 1 - 1.25%). With this, the central bank reacted to the worldwide spread of the SARS-CoV-2 (“Coronavirus“) virus. Lowering the interest rate is intended to limit the possible negative consequences of the virus for the US economy. The

ECB announced that they would monitor developments and their importance for the economy, inflation and monetary policy, but has not taken any explicit measures yet.

The Bank of England's Monetary Policy Committee remained uncoupled from the interest rate decisions of other leading central banks because of the particular situation in the context of Brexit and left its policy rate unchanged at 0.75 per cent. The Bank of Japan also decided to stick with its monetary policy course and likewise took no further measures.
The European Central Bank (ECB) remained committed to its expansionary monetary policy. Since March 2016 the main refinancing rate has been at an historical low of 0.0 per cent. Meanwhile the rate applying to the deposit facility was -0.5 per cent, while the marginal refinancing rate was 0.25 per cent. In November 2019 the ECB resumed its bond purchases in response to economic conditions.

Eurex Clearing has a leading global position in exchange-traded shares and equity index derivatives. In addition, in Europe Eurex Clearing is the market leader in the clearing of exchange-traded fixed income derivatives. The growth in the clearing of OTC interest rate derivatives continued in 2019. The market share in euro-denominated OTC interest rate derivatives rose accordingly to 14.5 per cent.

Share volatility in 2019 measured by the VSTOXX volatility index was an average of 10 per cent below the level recorded in the previous year. Business in interest rate derivatives was also down in 2019 in connection with the ECB's continuation of loose monetary policy in particular.

In a referendum on 23 June 2016 a majority of the British electorate voted for the United Kingdom to leave the European Union, or Brexit. Market participants on both sides of the Channel defined and implemented measures to safeguard their operations, in order to be prepared for every possible scenario that might occur. As it remained unclear how the UK will leave the EU, and the risk remained very high that there may be no agreement at all between the UK and the EU, market participants, particularly those based in the UK, activated their contingency plans to ensure their business operations were secured for the worst possible outcome of the negotiations. These developments had a significant influence on Eurex Clearing and its business, as these participants' contribution to revenue was considerable. On 31 January 2020 the United Kingdom left the European Union and a transition period will now follow until 31 December 2020 in which the two sides will negotiate their future relationship. The negotiations will officially begin on 3 March 2020. If an agreement is not reached by the end of November 2020, there remains a risk that the two sides will separate without a trade agreement. To mitigate follow-on risks, Eurex assisted its participants as much as possible with their Brexit preparations. Eurex anticipated that these measures would prevent significant negative effects on its business operations as a result of Brexit. In accordance with the UK's transition arrangement, Eurex Clearing is currently operating as a clearing house with temporary authorisation. An application has been made for permanent authorisation.

2.2 Business developments

An assessment of Eurex Clearing's business development must take into account that due to contractual agreements with Eurex Frankfurt AG, the Company conducts its business activities primarily in its own name but for the account of another company. Eurex Clearing does not generate commission income; the fees it receives are transferred to Eurex Frankfurt AG or to Deutsche Börse AG in the case of transactions on the Frankfurt Stock Exchange cleared via Eurex Clearing. Eurex Frankfurt AG assumes the expenses incurred in connection with the operation of the clearing house, plus a profit surcharge, meaning that this profit surcharge ultimately constitutes an essential component of the result before profit transfer.

In financial year 2019, Eurex Clearing generated a profit of €8,509 thousand before profit transfer to Eurex Frankfurt AG (previous year: €8,141 thousand).

Eurex Clearing's clearing volumes rose significantly in financial year 2019 compared with 2018 levels with respect to the number of cleared transactions due to an increase in commission income on the derivative markets and a successful start to the Eurex Clearing partnership programme. This performance met the expectations from the previous year's forecast. The development of Eurex Clearing's clearing volume will now be discussed in detail. On the basis of existing agreements, this has no direct influence on the Company's net assets, financial position and results of operations.

The clearing and trading volume were 1,947.2 million contracts for futures and options (previous year: 1,951.8 million). This is equivalent to a daily average of around 7.7 million contracts (previous year: 7.7 million).

Clearing in equity index derivatives, including derivatives on dividend indices and volatility indices, was almost unchanged on the previous year at 953.0 million contracts (previous year: 949.8 million). By far the most commonly traded and settled products were contracts on the EURO STOXX 50® index with 292.4 million futures (previous year: 318.6 million) and 291.6 million options (previous year: 295.5 million). The volume of equity derivatives contracts (single-stock options and futures, as well as dividend derivatives on individual securities and various ETF products) cleared in the year under review was 425.2 million (previous year: 372.1 million), an increase of 14 per cent.

The volume of interest rate derivatives cleared in the year under review decreased by 11 per cent to 560.8 million contracts (previous year: 628.5 million). At the end of financial year 2019, over-the-counter interest rate swaps settled via EurexOTC Clear achieved an outstanding nominal volume of €12,886.3 billion (previous year: €7,912.9 billion), an increase of 63 per cent.
At Eurex Repo, the marketplace for the collateralised money market and for the General Collateral Pooling (GC Pooling) range, the average outstanding volume increased in the year under review by 9 per cent to €101.7 billion (previous year: €93.1 billion, single-counted for both periods). Growth was achieved in particular in the products GC Repo (up 27 per cent to €15.9 billion) and Repo Pooling® (up 21 per cent to €44.2 billion). As a result of the low interest rate environment and the ECB's bond purchase programme, many bonds which could serve as collateral for repo transactions continued to be taken off the market.

In cash markets, the clearing volume for transactions involving equities, at 108.2 million transactions, was 14 per cent below the previous year's level (previous year: 125.5 million transactions). The clearing volume for bond transactions fell by 15 per cent year on year to 3.1 thousand transactions (previous year: 3.7 thousand transactions).

In the clearing offering for securities lending business, the average daily outstanding nominal volume was €1.6 billion in the reporting period (previous year: €2.0 billion).

2.3 Results of operations, financial position and net assets

2.3.1. Results of operations

Net interest income amounted to €46,533 thousand in 2019 (previous year: €37,862 thousand). Included in this are interest income in the amount of €183,178 thousand (previous year: €173,052 thousand) as well as interest expense of €136,645 thousand (previous year: €135,190 thousand). The Company did not generate any commission income after transfers. The commission expense of €9,209 thousand (previous year: €6,097 thousand) is primarily related to bank fees.

In 2019 other operating income at Eurex Clearing amounted to €86,635 thousand (previous year: €77,935 thousand) and largely comprises income from management services for Eurex Frankfurt AG and Eurex Global Derivatives AG, Zug, Switzerland, amounting to €57,632 thousand (previous year: €57,127 thousand), agency agreement services for Deutsche Börse amounting to €16,228 thousand (previous year: €15,157 thousand), income from foreign currency measurement of €8,531 thousand (previous year: €3,275 thousand) as well as the reversal of provisions in the amount of €2,270 thousand (previous year: €1,919 thousand).

Administrative expenses amounted to €105,900 thousand (previous year: €96,516 thousand) and in the main relate to personnel expenses in the amount of €36,476 thousand (previous year: €36,093 thousand), expenses for agency agreement services provided by Deutsche Börse AG amounting to €19,392 thousand (previous year: €16,619 thousand), external consulting costs of €17,280 thousand (previous year: €16,684 thousand), communication costs in the amount of €13,946 thousand (previous year: €4,436 thousand), non-deductible input tax in the amount of €5,322 thousand (previous year: €6,327 thousand), commission expenses with Eurex Repo GmbH amounting to €2,788 thousand (previous year: €1,444 thousand), agency agreement services provided by Eurex Frankfurt AG amounting to €1,758 thousand (previous year: €0 thousand), IT costs in the amount of €1,936 thousand (previous year: €2,849 thousand), cooperation costs with Nasdaq OMX amounting to €1,399 thousand (previous year: €935 thousand), marketing costs in the amount of €1,059 thousand (previous year: €4,962 thousand) and agency agreement services provided by Clearstream Operations Prague SRO, Prague, Czech Republic, amounting to €919 thousand (previous year: €2,609 thousand).

The Company's net profit (before profit transfer to the parent company) was €8,509 thousand (previous year: €8,141 thousand). Under the existing profit transfer agreement, €8,509 thousand (previous year: €8,141 thousand) was transferred to Eurex Frankfurt AG.

In relation to the average capital employed (monthly calculation) the return on capital (based on the net income before transfer of profit) in the financial year was 0.2 per cent (previous year: 0.2 per cent).

2.3.2. Financial position

As a result of a payment of €100,000 thousand into capital reserves on 4 February 2019, Eurex Clearing's equity increased from €514,813 thousand to €614,813 thousand as at 31 December 2019.

Funds paid in as collateral after haircuts by clearing participants of €25,097,296 thousand (previous year: €23,336,219 thousand) are payable on demand. They are secured in the form of repurchase agreements deposited with credit institutions and financial service providers, with the terms of the repurchase agreements ranging from on demand to up to a month. Despite an investment of €4,265 thousand (previous year: €9,392 thousand) in bonds, Eurex Clearing engages in maturity transformation to only a very limited extent. Furthermore, Eurex Clearing has uncollateralised balances at central banks that are payable on demand. As at 31 December 2019, these amounted to €26,038,813 thousand (previous year: €24,287,896 thousand).

Expenses associated with the operation of the clearing house are reimbursed to the Company regularly during the financial year on the basis of the contractual agreements with Eurex Frankfurt AG and Eurex Global Derivatives AG. In addition, Eurex Frankfurt AG would compensate a loss incurred by Eurex Clearing due to the profit transfer agreement.

Approved credit lines amounting to €1,170 million, CHF 200 million and USD 150 million in total, granted by various credit institutions, are available for refinancing purposes. The approved euro credit lines were drawn on regularly during financial year 2019. As at 31 December 2019, these lines had not been drawn down.

Additionally, since the expansion of its authorisation in August 2013, Eurex Clearing has had the option of short-term refinancing with Deutsche Bundesbank (the German central bank) using intraday or overnight credit lines. In financial year 2019, Eurex Clearing exclusively used intraday loans for secured borrowing. As at 31 December 2019, there was no collateral deposited in the collateral account with Deutsche Bundesbank and, consequently, no credit line was granted or used.

Total assets after the deduction of margins and liabilities held in trust amounted to €805,050 thousand (previous year: €844,977 thousand), resulting in an equity ratio of 76.4 per cent (previous year: 60.9 per cent).

As from 1 January 2018, the Company is required to adhere to 100 per cent of the liquidity coverage ratio introduced by the Capital Requirements Regulation (EU) no. 575/2013 and the revised version of the Liquidity Coverage Ratio Delegated Regulation (LCRDR), which came into effect on 30 September 2016 with Implementing Regulation (EU) 2015/61. As at 31 December 2019, Eurex Clearing AG had a ratio (LCRDR) of 155.77 per cent.

Liquidity management at Eurex Clearing AG is based on the principles deriving from the German Banking Act, which are set out in the risk report. No cash flow statement is therefore provided at this point.

In view of the above, the Company had a good liquidity position which allowed it to meet its payment obligations at all times during financial year 2019.

2.3.3. Net assets

The cash reserve in the amount of €19,955,936 thousand (previous year: €18,245,692 thousand) and receivables from credit institutions in the amount of €6,242,630 thousand (previous year: €7,711,457 thousand) mainly comprise the investment of the cash collateral deposited by clearing participants in the amount of €25,461,890 thousand (previous year: €23,673,926 thousand).

Overall, the Company's results of operations, financial position and net assets are stable. Eurex Clearing was always able to meet its payment obligations in financial year 2019.

2.4 Financial and non-financial performance indicators

2.4.1. Financial performance indicators

In light of the fact that Eurex Clearing primarily operates its clearing business in its own name but for the account of Eurex Frankfurt AG, the net profit of the Company (before profit transfer to the parent company) is considered to be a key management parameter. In the year under review the profit before profit transfer amounted to €8,509 thousand (previous year: €8,141 thousand). Another financial performance indicator used by Eurex Clearing is commission income before transfers to the parent company. In the year under review commission income before transfers was €921,407 thousand (previous year: €890,105 thousand). The changes in operating costs in accordance with IFRS and the administrative costs in accordance with the Handelsgesetzbuch (HGB, German Commercial Code) are managed as part of quarterly target/actual and actual/actual comparisons.

2.4.2. Non-financial performance indicators

The growth in its clearing and trading volumes – particularly on the Eurex exchange – is seen as a key factor in the clearing house's performance. The growth in clearing and trading volumes is described in the business developments section.

3. Report on expected developments, opportunities and risks

3.1 Report on expected developments

This report describes how Eurex Clearing is expected to perform in financial year 2020 and beyond. It contains statements and information on events in the future. These forward-looking statements and information are based on the Company's expectations and assumptions when this report on expected developments was published.

Eurex Clearing identified various factors in 2019 business trends that significantly impacted investments in the financial markets and which could persist in the coming financial year.

- Since the introduction of unlimited liquidity provision through open market operations (long-term refinancing operations) in 2008, Europe's banks have found themselves in a monetary policy environment characterised by excess liquidity. This reached its high point with the first-time introduction of a negative deposit rate in 2015 and the expansion of the ECB's asset purchase programme (APP) in 2016/2017. In the context of the APP the European Central Bank bought bonds to the value of up to €80 billion every month, until the programme was suspended at the end of 2018. This policy of quantitative easing (QE) was resumed in November 2019 with monthly purchases of €20 billion. The ECB's liquidity operations in an environment of negative interest rates creates a negative situation for the European money market and results in market activities increasingly shifting towards central bank liquidity and lower demand for hedging instruments such as interest rate derivatives traded on Eurex.
- Customers of Eurex Clearing are faced with considerable uncertainty as regards the political and regulatory environment, especially in clearing business. Various public and private institutions are tackling the issue of how to ensure market stability following the withdrawal of the United Kingdom from the EU. The Eurex Clearing partnership programme has created choices and generated competition, increased price transparency and reduced concentration risks. Thanks to this initiative, which has been well received by market participants, Eurex Clearing anticipates continued growth in OTC business in the 2020 financial year.
- Clearing and settlement services for OTC currency products (Foreign Exchange, FX) reached an important milestone in the last financial year with the successful clearing of currency swaps in the operational environment. The focus is now to a greater extent on creating additional interest for this market as well as for the FX OTC product range, such as with non-deliverable forwards or through the introduction of FX options.
- Various regulatory measures are creating a need (both now and in the future) for adaptation on the part of participants. As a result of the implementation of the Capital Requirements Regulation/Directive (currently through CRR II and CRD V) liquidity is linked to higher capital requirements. As with the further progress of the clearing obligation for OTC derivatives, this is having an impact on structural relationships in the clearing environment. Other legislative measures such as the revision of EMIR in Europe (EMIR 2.2) and the uncleared margin requirements will also affect business operations in 2020 and thereafter.

Eurex Clearing expects that if the euro area's economy continues to grow and organic growth initiatives have positive effects, commission income before transfer will increase by more than 10 per cent in 2020 as compared to 2019. In general, the Company expects a positive structural and cyclical development in the global derivatives market despite the anticipated increase in competition. Eurex Clearing is implementing structural growth measures aimed at actively realising sustained growth that is less dependent on cyclical effects. Net profit before taxes, depreciation and contributions from profit transfer agreements (adjusted for extraordinary effects) expected to be stable and unchanged compared with the previous year.

However, at the time of the publication of this management report it becomes apparent, that the “Coronavirus“ outbreak in China at the end of 2019 will have significant negative implications for the development of the global economy, at least in the first months of 2020.

3.2 Report on opportunities

The factors influencing trading activity, an external growth driver in the markets of Eurex Frankfurt for which Eurex Clearing provides clearing, are manifold in 2020 and not easily predictable. Key challenges in the coming financial year will continue to be the introduction and effects of regulatory measures relating to clearing participants' capital and risk management activities, structural changes in the financial markets, as well as political uncertainties, which will increase the risks faced by market participants.

In light of these influencing factors, and in particular due to global economic performance and economic growth in the euro area, Eurex Clearing continues to assume that the cyclical growth drivers in the financial market business remain intact and will have a positive long-term effect.

In addition to cyclical drivers, Eurex Clearing is pursuing opportunities for structural growth that are intended to contribute to sales growth and aim to further reduce dependence on cyclical factors. Eurex Clearing plans to use the measures listed below to participate in these developments:

- further expansion of the range of clearing services, access models and the global distribution network for OTC interest rate derivatives and repo

- entry into new markets for the settlement and risk management of OTC currency derivatives

- collaborative arrangements and partnerships with third-party providers to increase the transparency of efficiencies that can be utilised by Eurex Clearing

- extension of the direct access models to Eurex Clearing for buy-side customers, in order to cater actively to their specific requirements for a solution, efficient in capital and operational terms, for central clearing of repo transactions

In addition, Eurex Clearing expects there to be fundamentally positive stimuli on operating activities during the 2020 forecast period and beyond as a result of many other measures to expand the clearing network, strengthen the customer base in terms of quantity and geographical reach, and increase the number of clearing products and product classes.

As a whole, the measures are part of a comprehensive expansion of Eurex Clearing's services in the context of regulatory reforms that aim to have central counterparties play a greater role in the clearing and risk management of exchange-based and over-the-counter trading. Furthermore, the continual expansion of services in the area of risk management also enables the integrated business model of Deutsche Börse Group to be used to achieve economies of scale across business areas, for example by linking up to securities collateral deposited at Clearstream. These aspects are anticipated to have a slightly positive effect on Eurex Clearing's commission income (before transfers).

3.3 Risk report

Risk management system and methods

Risk management at Eurex Clearing AG is anchored in its organisational structure and workflows. The Executive Board has overall responsibility for risk management. In particular, the Executive Board of Eurex Clearing AG determines risk appetite within the context of the risk strategy. It ensures that the risk appetite is compatible with the Company's short and long-term strategy, business and capital planning, risk-bearing capacity and remuneration systems. The Executive Board of Eurex Clearing AG also determines which metrics are used to assess risk and how regulatory capital is allocated to the different types of risk. It ensures that the requirements placed on risk strategy and risk appetite are complied with. Eurex Clearing AG is also included in Deutsche Börse AG's Group-wide risk management. The Supervisory Board of Eurex Clearing AG assesses and monitors the effectiveness of the risk management system and its ongoing development. In addition, the Supervisory Board discusses the risk strategy once a year.

Using a range of tools, Eurex Clearing AG evaluates and monitors material risks on an ongoing basis. It applies both the liquidation principle and the going-concern principle to aggregate risks at Company level. The main instrument that it uses for the purpose of quantification is the value at risk (VaR) model.

- Liquidation principle: Eurex Clearing AG must not exhaust its regulatory capital in more than 0.02 per cent of all years. It calculates its required economic capital (hereinafter referred to as REC) at a confidence level of 99.98 per cent and over a time window of 12 months. The risk-bearing capacity set against the required economic capital is the regulatory capital. For the purpose of risk management, at least once a quarter Eurex Clearing AG calculates as a metric the REC in relation to its risk-bearing capacity.

- Going-concern principle: Eurex Clearing AG also employs the going-concern principle that assumes an orderly continuation of the business in the event of a crisis, The metric used is earnings at risk (EaR) at a confidence level of 99 per cent and over a time window of 12 months. Under the going-concern principle EaR is set against planned EBITDA (earnings before interest, taxes, depreciation and amortisation).

- In addition, Eurex Clearing AG considers extreme scenarios and factors these into its risk management. These include both stress tests across risk types and stress tests for particular material risk types.

For the liquidation principle and the going-concern principle, an early warning system on utilisation of the risk-bearing capacity is deployed. This shows green, amber or red. In addition to the quantification of risks, risk reporting also includes qualitative information on the risk profile in the form of risk indicators or analyses of realised losses. Events relevant to risk are comprehensively explained, and possible countermeasures are described. A corresponding risk report is submitted to the Executive Board of Eurex Clearing AG at least once a quarter. The Supervisory Board, the Risk Committee and the Audit and Risk Committee also receive quarterly risk reports.

Internal Auditing checks the risk controlling function independently.

Risk profile

Eurex Clearing AG distinguishes between financial and operational risks. Financial risks are divided into credit, market and liquidity risks. Operational, credit and liquidity risks are material.

Operational risk

For Eurex Clearing AG operational risk exists in particular in terms of the non-availability of systems, service deficiencies, damage to material goods, and litigation and business practice. The share of operational risk in the REC of Eurex Clearing AG was 54 per cent as at 31 December 2019.

(a) Availability risk

Availability risk arises when operational resources that are essential to the services offered by Eurex Clearing AG, such as systems, premises, employees or suppliers / service providers, could become unavailable, causing services to be delayed or not provided at all.

(b) Service deficiencies

The category of service deficiencies comprises risks that may arise if a service for clients is performed inadequately, e.g. due to defective products and processes, improperly performed processes or erroneous manual entries.

(c) Damage to material goods

This category includes risks due to accidents and natural disasters as well as terrorism and sabotage.

(d) Litigation and business practice

Losses can result from legal proceedings. These may occur if Eurex Clearing AG breaches laws or requirements, enters into inadequate contractual agreements, or fails to observe case law to a sufficient degree.

Eurex Clearing AG takes specific measures to reduce its operational risk. This includes in particular business continuity management (BCM). BCM covers all processes that ensure continuing operations in an emergency. It covers arrangements for all key resources (systems, rooms, employees, suppliers/service providers), including the redundant design of all critical IT systems and the technical infrastructure, as well as backup workstations for employees in critical functions. This includes unavailability due to pandemic based events, like the recent "Coronavirus" outbreak. This situation is being handled in accordance Incident and Crisis Management Process. Precautionary measures are centrally coordinated to ensure continuity critical operations as well as employees' health and safety. Back-up locations are subject to regular tests and remote access is also available. Furthermore, Eurex Clearing AG has a compliance structure and associated procedures aimed at ensuring adherence to legal requirements.

No notable operational losses were incurred in the 2019 reporting period.

Financial risks

Eurex Clearing AG divides financial risks into credit, market and liquidity risks. Liquidity risks are not quantified as part of the REC calculation but instead are monitored separately. Financial risks had a share of 46 per cent of the REC of Eurex Clearing AG as at 31 December 2019.

(a) Credit risk

Credit risk (counterparty default risk) describes the danger that a counterparty might not meet its contractual obligations, or not meet them in full. The credit risk faced by Eurex Clearing AG is broken down into credit risks from the clearing business and credit risks that may arise from cash investments. Credit risk had a share of 45 per cent of the REC of Eurex Clearing AG as at 31 December 2019.

Principally, risk concentrations arise from the large proportion of European banks among clearing members and the concentration of business activity on clearing as a result of the business model.

Credit risk from the clearing business

Under its terms and conditions, Eurex Clearing AG only enters into transactions with its clearing members. Clearing mainly relates to defined securities, pre-emptive rights and derivatives that are traded on specific stock exchanges. Eurex Clearing AG also offers this service for over-the-counter (OTC) products such as interest rate swaps and forward rate agreements. As a central counterparty, it stands between transactional counterparties. Through offsetting mutual claims and requiring clearing members to post collateral, Eurex Clearing AG mitigates credit risk.

Each clearing member must prove that it has capital or, in the case of funds, assets under management, equal to at least the amounts that Eurex Clearing AG has defined for the different markets. The amount of capital or assets under management for which evidence must be provided depends on the risk. To mitigate Eurex Clearing AG's risk that clearing members might default before settling open transactions, members are obliged to deposit collateral in the form of cash or securities (margins) on a daily basis and, if required, to meet additional intraday margin calls.

Eurex Clearing AG only permits collateral with a high level of credit quality and liquidity to be deposited. In determining credit quality, both an internal evaluation and external ratings are used.

On the basis of these consolidated ratings, only collateral classed at least as investment grade is permitted. For bank bonds, the threshold is raised to at least “A-” in view of the potential “wrong way” risks. The eligibility criteria are reviewed on an ongoing basis. In addition, the market price risk is covered with a confidence level of at least 99.9 per cent through corresponding margins. Larger safety margins therefore apply to securities from issuers with lower credit quality than to securities with a high level of credit quality. If eligible collateral fails at a later point in time to meet the high credit quality requirements (e.g. because of a new consolidated rating), it is excluded. Risk inputs are checked each month and the safety margins are recalculated daily for each security. In addition, a minimum safety margin applies to all securities.

Margins are calculated separately for clearing member accounts and their client accounts. Gains and losses resulting from intraday changes to the value of financial instruments are either settled in cash by the counterparties (variation margin) or deposited with Eurex Clearing AG as collateral by the seller due to the change in the equivalent value of the item (premium margin). In the case of bond, repo or equity transactions, the margin is collected from either the buyer or the seller (current liquidating margin), depending on how the transaction price performs compared to the current value of the financial instruments. The purpose of these margins is to offset gains and losses already accumulated.

In addition, Eurex Clearing AG uses additional collateral to protect itself in the case of default by a clearing member against any risk that the value of the positions in the member’s account will deteriorate in the period before the account is settled. This additional collateral is known as the initial margin. The target confidence level here is at least 99.0 per cent (with a minimum two-day holding period) for exchange-traded transactions, or 99.5 per cent (with a five-day holding period) for OTC transactions. Eurex Clearing AG checks each day whether the margins meet the required confidence level. The initial margin is currently calculated using two methods: the legacy risk-based margining method, and the Eurex Clearing Prisma method. The Eurex Clearing Prisma method is available for all derivatives contracts traded. It takes into account the clearing member’s entire portfolio and takes historical and stress scenarios into account when calculating the margin requirements. The objective is to cover market fluctuations for the entire liquidation period until the account is settled. At present, the risk-based margining method is still used for cash market products, physical deliveries, as well as for securities lending and repo transactions.

In addition to the margins for current transactions, each clearing member contributes to a default fund, with the contributions based on its individual risk profile. This fund is jointly liable for the financial consequences of a default by a clearing member to the extent that this cannot be covered by the member’s individual margin, its own contributions to the default fund and a contribution from Eurex Clearing AG itself. Eurex Clearing AG checks by means of daily stress tests whether its default fund is sufficient to absorb the default of the two largest clearing members. This involves subjecting all current transactions and their collateral to market price fluctuations at a confidence level of at least 99.9 per cent. In order to be able to determine potential losses in excess of a clearing member’s individual margins, the impact on the default fund of a potential default is simulated. Eurex Clearing AG has defined limits which, when exceeded, trigger an immediate adjustment to the size of the default fund if necessary. The following lines of defence are available for the case that a clearing member is unable to meet its obligations to Eurex Clearing AG due to a delay in performance or a default:

- First, the relevant clearing member's outstanding positions and transactions can be netted and/or closed from a risk perspective by entering into appropriate back-to-back transactions, or they can be settled in cash. Customer segregation models are taken into account.
- Any potential shortfall that might be incurred in connection with such a closing or cash settlement, as well as the associated costs, would be covered in the first instance by the collateral provided by the clearing member concerned. As at 31 December 2019, collateral amounting to €57,697 million had been provided for the benefit of Eurex Clearing AG (after safety margins).
- After this, the relevant clearing member's contribution to the default fund would be used to cover the open amount. Contributions ranged from €1 million to €236.7 million as at 31 December 2019.
- Any remaining shortfall would initially be covered by Eurex Clearing AG's own contribution to the default fund. Eurex Clearing AG's contribution amounted to €200 million as at 31 December 2019.
- Only then would the other clearing members' contributions to the default fund be used proportionately. As at 31 December 2019, aggregate default fund contribution requirements for all clearing members of Eurex Clearing AG amounted to €-3,630 million. After the contributions have been used in full, Eurex Clearing AG can request additional contributions from each clearing member, which can be a maximum of twice as high as their original default fund contributions. In parallel to these additional contributions, Eurex Clearing AG provides additional funds of up to €300 million, provided via a Letter of Comfort from Deutsche Börse AG (see below). These additional funds will be realised together with the additional clearing member and Eurex Clearing AG contributions, on a pro rata basis.
- Next, the portion of Eurex Clearing AG's equity which exceeds the minimum regulatory equity would be realised.
- Finally, the remaining minimum regulatory equity of Eurex Clearing AG would be drawn upon.
- Deutsche Börse AG has issued a Letter of Comfort in favour of Eurex Clearing AG. With this Letter of Comfort, Deutsche Börse AG commits to provide the funds to Eurex Clearing AG required to fulfil its obligations – including the obligation to provide additional funds of up to €300 million, as mentioned above. The maximum amount to be provided under the Letter of Comfort amounts to €600 million, including the payments made already. Third parties are not entitled to any rights under the letter of comfort.

In the event of a clearing member defaulting, Eurex Clearing AG carries out a Default Management Process (DMP). The aim of the DMP is to close out all positions taken over as a result of the default. Costs arising in connection with closing out the positions are covered through the collateral available through Eurex Clearing's lines of defence. At its core, the DMP ensures that products with similar risk characteristics are assigned to liquidation groups that have been closed out collectively. Within a liquidation group, Eurex Clearing AG rebalances itself by transferring the defaulted positions to other clearing members either by means of an auction process or through a bilateral private sale. Any claims against Eurex Clearing AG arising from the closing out of the positions taken over from the defaulted clearing member are covered by the collateral available through the cascade of lines of defence. If necessary, this collateral is sold on the market through bilateral private sales in order to cover the outstanding claims from the closing out of open positions. In this

way the DMP not only contributes to the security and integrity of the capital markets, it also protects non-defaulting clearing members from the potential negative consequences that may result from a participant defaulting.
To date, the DMP at Eurex Clearing AG has been triggered four times: Gontard & MetallBank (2002), Lehman Brothers (2008), MF Global (2011) and Maple Bank (2016).

In each of the above-mentioned cases, the funds deposited by the defaulting clearing member as collateral were sufficient to cover the losses incurred in the closing out and to return a substantial portion of the resources to the defaulting clearing member.

Credit risk arising from cash investments

Credit risk can also arise from cash investments. Eurex Clearing AG reduces its risk when investing cash belonging to Group companies and cash deposited by customers by distributing investments across multiple counterparties, all with a high credit quality, by defining investment limits for each counterparty and by investing cash primarily in the short term and in collateralised form if possible. Investment limits are established for each counterparty on the basis of at least annual credit checks and using ad hoc analyses, as necessary. Since extending its licence as a deposit and credit institution under the German Banking Act, Eurex Clearing AG can also use the permanent facilities of Deutsche Bundesbank and the Swiss National Bank and is therefore able to manage a large part of its customer cash in the central bank framework.

Investment losses on currencies for which Eurex Clearing AG has no access to the respective central banks will be borne, on a pro rata basis, by Eurex Clearing AG and by those clearing members active in the currency where losses were incurred. The maximum amount which each clearing member will have to contribute in this manner is the total amount such clearing member has pledged with Eurex Clearing AG as cash collateral in this currency. The maximum amount to be borne by Eurex Clearing AG is €50 million.

(b) Market price risk

Market price risks include risks of an adverse change in interest rates, currencies or other market prices. Market price risk had a share of 1 per cent of the REC of Eurex Clearing AG as at 31 December 2019.

Due to the short maturities of the cash investments and liabilities, the interest rate risk is low. Eurex Clearing AG avoids open currency positions whenever possible. Market price risks may also arise from ring-fenced pension plan assets (Contractual Trust Arrangement – CTA). The Company reduced its risk of extreme losses by deciding to invest a predominant proportion of the CTA on the basis of a value preservation mechanism.

(c) Liquidity risk

A liquidity risk arises if daily payment obligations cannot be fulfilled or can be fulfilled only at increased refinancing costs. Eurex Clearing AG has to meet stringent internal liquidity requirements and comply with a conservative investment policy due to its status as a central counterparty. A monthly review process ensures the appropriateness of these liquidity requirements. Since extending its licence as a deposit and credit institution under the German Banking Act, Eurex Clearing AG can use Deutsche Bundesbank's permanent facilities.

In order to analyse the liquidity risk of Eurex Clearing AG and to ensure that sufficient liquid financial resources are maintained at all times, daily stress test calculations are carried out. To this end, Eurex Clearing AG has implemented various scenarios that take into consideration sources of liquidity risk both within the Company itself and throughout the entire market. In accordance with regulatory requirements, Eurex Clearing AG performs a daily calculation of the need for liquidity that would result in the event of the default of its two largest clearing members, and maintains sufficient liquidity to meet this identified need. A threshold of 40 per cent is used for the liquidity buffer as an early warning system. The liquidity buffer should not fall below a value of 10 per cent.

In the year under review, Eurex Clearing AG had sufficient liquidity at all times with a liquidity buffer of 202 per cent as at 31 December 2019.

Summary

The risk profile did not change significantly in financial year 2019. As at 31 December 2019, the REC of Eurex Clearing AG amounted to €443 million, with the REC composition for the individual risk types as follows: For operational and financial risk the REC was €238 million and €205 million. Financial risk was made up of credit risk with REC of €200 million and market risk with REC of €5 million. The EaR amounted to €47 million as at 31 December 2019, with €32 million accounted for by operational risk and €15 million accounted for by financial risk.

The capital requirements for the risk-weighted assets (RWA) of Eurex Clearing AG in the amount of €96.8 million as at 31 December 2019 were at all times met by a sufficient amount of regulatory capital in the financial year under review. The regulatory capital as at the end of the financial year totalled €615 million. The overall capital ratio was 50.80 per cent as at 31 December 2019. The regulatory capital requirement pursuant to Article 16 EMIR was €173.0 million.

Outlook

Eurex Clearing AG evaluates its risk situation on an ongoing basis. Based on stress tests and the calculated REC and using the risk management system, the Executive Board of Eurex Clearing AG concludes that the available risk-bearing capacity is sufficient. Furthermore, no risk can be identified that would jeopardise Eurex Clearing AG as a going concern. The Executive Board of Eurex Clearing AG confirms the effectiveness of the risk management system.

Frankfurt/Main, 13 March 2020

Eurex Clearing Aktiengesellschaft

Erik Tim Müller Heike Eckert Matthias Graulich

Dmitrij Senko Manfred Matusza

Independent Auditor's Report

To EUREX Clearing Aktiengesellschaft, Frankfurt am Main

Report on the audit of the annual financial statements and management report

Opinions

We have audited the financial statements of EUREX Clearing Aktiengesellschaft (Eurex Clearing), Frankfurt am Main – which comprise the balance sheet as at 31 December 2019 and the statement of profit and loss for the financial year from 1 January to 31 December 2019 as well as the notes to the financial statements, including the accounting policies presented therein. We have also audited the management report of Eurex Clearing for the financial year from 1 January to 31 December 2019.

In our opinion, based on the findings of our audit,

– the accompanying financial statements comply, in all material respects, with the legal requirements of German commercial law applicable to financial institutions and give a true and fair view of the net assets and financial position of the company as at 31 December 2019 and of its results of operations for the financial year from 1 January to 31 December 2019 in accordance with German principles of proper accounting, and

– the accompanying management report as a whole provides a suitable view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for our opinion

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer

[Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Collection of commission income

For the collection of commission income in its own name for third-party account and its transfer by Eurex Clearing, please refer to Section 2.2, Business performance, in the management report for the financial year 2019.

THE FINANCIAL STATEMENT RISK

Eurex Clearing undertakes the collection in particular of transaction fees and also the clearing of the related exchange-traded derivative transactions on the basis of separate business procurement contracts with Eurex Frankfurt AG as operator of the Eurex futures market in Germany. For Deutsche Börse AG, Eurex Clearing undertakes the clearing of transactions concluded on the Frankfurt Stock Exchange. Clearing is the settlement, in money or shares, of the transactions in various financial instruments, such as stocks, bonds and derivatives. Furthermore, Eurex Clearing collects the fees charged to participants by Eurex Germany for access to the clearing house, transaction fees and the fees for the transactions concluded within the framework of the Eurex OTC functionality. All fees are collected in its own name and for third-party account and transferred within the group.

As a result of the large number of derivative transactions traded every day and of transactions traded on the Frankfurt Stock Exchange, the process used to determine the commission income is accorded great importance. This process is highly automated and based on various IT systems that are connected to each other by automatic interfaces.

The risk for the financial statements consists here in the fact that transactions are not dealt with properly in the process and the wrong amount of commission income is consequently collected and transferred.

OUR AUDIT APPROACH

Based on our risk analysis and the assessment of the risks of error, we have supported our audit opinion using both control-based and substantive audit procedures. We accordingly conducted the following audit procedures in particular in consultation with IT specialists at KPMG:

We first inspected the description of the process used to record commission income and gained an understanding of the related risks and also of the internal control system in relation to the collection of the commission income.

In order to assess the appropriateness of the internal control system, we carried out enquiries, inspected the relevant documentation and identified the IT systems involved. The automatic and semi-automatic controls judged to be relevant for our audit are aimed in particular at ensuring that the correct amount of commission income is collected.

After this structural audit was carried out, we conducted function tests to check the effectiveness of the controls that have been set up. The function tests also extended to the effectiveness of the general IT controls.

Furthermore, we conducted substantive analytical audit procedures to examine the development of the various types of commission income in comparison with the previous year from materiality and risk perspectives and checked the collected commission income with respective invoices for a representative sample.

OUR OBSERVATIONS

The process used to collect and transfer commission income is appropriate, with the result that there were no indications that wrong amounts had been collected.

Determination of other operating income on account of existing internal group contracts

For the other operating income from the reimbursement of the net expenses for the management of operations, please refer to the disclosures in the notes in the Section on disclosures and explanatory notes on the statement of profit and loss. For the existing internal group contracts concerning the transfer of commission income, please refer to the disclosures in Section 2.2, Business performance, of the management report for the financial year 2019.

THE FINANCIAL STATEMENT RISK

Eurex Clearing collected trading and clearing fees for derivatives in its own name and for the account of Eurex Frankfurt AG on the basis of existing business procurement contracts and transferred this income accordingly. Furthermore, Eurex Clearing AG collects clearing fees for transactions concluded on the Frankfurt Stock Exchange for Deutsche Börse AG. In return, Eurex Frankfurt AG and Deutsche Börse AG assumed the expenses for the operation of the clearing house, less a profit surcharge.

The other operating income from the reimbursement of expenses amounted in the 2019 financial year to EUR 73.9 million (previous year: EUR 72.3 million).

As a result of the extensive integration of services between Eurex Clearing and companies of the Deutsche Börse Group, which are regulated in various management, business procurement and shareholder relationship contracts, great importance is ascribed to the correct determination of the reimbursement of expenses. The risk for the financial statements consists here in the fact that the expenses to be reimbursed are allocated incorrectly and that the wrong amount of profit surcharges and the other operating income to be recognised is consequently reported.

OUR AUDIT APPROACH

Based on our risk analysis and the assessment of the risks of error, we have supported our audit opinion using exclusively substantive audit procedures. We accordingly performed the following audit procedures:

We first gained an overview of the key service relationships between Eurex Clearing and the companies of the Deutsche Börse Group as well as the related contractual bases. Building on this, we analysed the underlying offsetting models, identified the related risks with regard to the proper calculation of the other operating income and also gained an overview of the internal control system.

In the course of the substantive audit procedures, we audited in particular whether the reimbursement of expenses was mathematically accurate, verified that expenses had been correctly allocated to the contractual bases, reviewed whether the contractually agreed profit surcharges had been applied and verified whether the other operating income had been correctly posted.

OUR OBSERVATIONS

The procedure for determining other operating income on the basis of existing internal group contracts is appropriate.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. Furthermore, the management is responsible for such internal control as it determines in accordance with German principles of proper accounting is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the company’s position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors by the annual general meeting on 9 April 2019. We were engaged by the Supervisory Board on 31 October 2019. Eurex Clearing has been a financial institution subject to the CRR since August 2013, and we have been the auditor of Eurex Clearing without interruption since that time.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided the following services that are not disclosed in the annual financial statements or in the management report:

– Audit of the IFRS single-entity financial statements of Eurex Clearing as at 31 December 2019

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Klaus-Ulrich Pfeiffer.

Frankfurt am Main, 16 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Pfeiffer Wirtschaftsprüfer [German Public Auditor]	Nebelung Wirtschaftsprüferin [German Public Auditor]