Annual Financial Statements as at 31 December 2017 and Management Report

TRANSLATION - AUDITOR'S REPORT

EUREX Clearing Aktiengesellschaft
Frankfurt am Main, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

Balance Statement as at 31 December 2017
of Eurex Clearing AG, Frankfurt/Main

Assets	31.12.2017		31.12.2016	
	€	€	T€	T€
Liquid funds				
Balances with				
central banks	19,251,801,153.76	19,251,801,153.76	14,910,844	14,910,844
of which with the Bundesbank				
19,251,801,153.76				
(previous year:				
14,910,844 T€)				
Receivables from credit institutions				
Payable on demand	7,894,576,084.50		10,375,358	
other receivables	1,541,288.38	7,896,117,372.88	255,218	10,630,576
Receivables from customers		13,122,636.05		35,013
Bonds and other fixed-interest securities				
Bonds and debt instruments				
of public-sector issuers		9,518,225.04		9,648
Investments in subsidiaries		75,000.00		75
Assets held in trust		77,124,476.25		83,924
Property, plant and equipment		25,126.00		33
Other assets		22,552,096.23		43,952
Deferred expenses		2,044,918.23		702
Total assets		27,272,381,004.44		25,714,767

Shareholders'equity and liabilities	31.12.2017			31.12.2016		
	€	€	€	T€	T€	T€
Liabilities to						
credit institutions						
Payable on demand		20,006,940,724.41	20,006,940,724.41		23,344,872	23,344,872
Liabilities to customers						
Other liabilities						
Payable on demand		6,678,532,216.02	6,678,532,216.02		1,879,064	1,879,064
thereof: to affiliated companies 25,902,000.00 €						
(previous year: 25,600 T€)						
Liabilities held in trust			77,124,476.25			83,924
Other liabilities			22,805,834.90			24,874
Provisions						
Provisions for pensions						
and similar obligations		807,681.65			905	
Other provisions		21,356,647.52	22,164,329.17		16,315	17,220
Subscribed capital		25,000,000.00			25,000	
Capital reserves		430,312,845.52			330,313	
Retained earnings						
Legal reserves	2,500,000.00			2,500		
Other retained earnings	7,000,578.17	9,500,578.17		7,000	9,500	
Unappropriated surplus		0.00	464,813,423.69		0	364,813
Total shareholders' equity and liabilities			27,272,381,004.44			25,714,767
Other obligations						
Irrevocable credit commitments			4,000,000.00			4,000

Income Statement
of Eurex Clearing AG, Frankfurt/Main
for the period from 1 January to 31 December 2017

	31.12.2017				31.12.2016			
	€	€	€	€	T€	T€	T€	T€
Interest income from								
loan and money market business								
Loan and money market business with positive interest rates	1,128,731.83				598			
Loan and money market business with negative interest rates	173,898,282.48	175,027,014.31			155,625	156,223		
fixed-interest securities and debt register claims								
Fixed-interest securities and debt register claims with positive interest rates		-21,651.36				-18		
Clearing item in accordance with section 246 (2) HGB		0.00	175,005,362.95			33	156,238	
Interest expense								
Interest expense from business with positive interest rates	-1,721,778.58				-1,719			
Interest expense from business with negative interest rates	-147,968,106.28	-149,689,884.86			-133,018	-134,737		
Clearing item in accordance with section 246 (2) HGB		-19,462.28	-149,709,347.14	25,296,015.81		0	-134,737	21,501
Commission expense				-5,374,063.38				-4,513
Other operating income				85,523,898.78				90,209
thereof from currency translation 1.747.069.56 € (previous year 1,134 T€)								
General administrative expenses								
Personnel expenses								
Wages and salaries		-27,211,130.28				-23,010		
Social security and expenses								
for pensions and other employee benefits		-3,822,743.55	-31,033,873.83			-3,182	-26,192	
thereof for pensions -1,068,801,19 €								
(previous year -872 T€)								
Other administrative expenses			-62,837,445.00	-93,871,318.83			-78,099	-104,291
Depreciation and amortization of fixed and intangible assets				-8,199.00				-7
Other operating expenses				-9,988,676.97				-650
thereof from accumulation -67,918,88 € (previous year -80 T€)								
Amortisation attributable to write-downs for receivables and certain securities as well as the increase of provisions in lending business				0.00				-40
Income from write-ups to claims and certain securities and reversal of provisions for lending business				11,211.35				0
Net operating income				**1,588,867.76**				**2,209**
Profit transferred under profit transfer agreement				-1,588,867.76				-2,209
Net income for the year				**0.00**				**0**
Allocations to retained earnings								
to legal reserves			0.00				0	
to other retained earnings			0.00	0.00			0	0
Unappropriated surplus				**0.00**				**0**

Notes to the financial statements for financial year 2017

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 2017 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.

Purchased goodwill is capitalised upon acquisition and subjected to scheduled amortisation.

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 €410 were written off directly in financial year 2017 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 other employee benefits have been stated along with the projected benefit obligation on the basis of actuarial tables using the modified “2005 G” mortality tables (generation tables) developed by Dr Klaus Heubeck and fully adjusted in 2011.

Actuarial assumptions		
	31/12/2017	31/12/2016
	%	%
10-year average discount rate	3.68	4.01
7-year average discount rate	2.80	3.24
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 3.68 per cent (previous year: 4.01 per cent) along with actuarial tables using modified “2005 G” mortality tables developed by Dr Klaus Heubeck and fully adjusted in 2011.

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 €11,865 thousand (previous year: €10,372 thousand).

The total assets that were offset, which correspond to a 4.6 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 €13,665 thousand (previous year: €11,066 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 €1,521 thousand (previous year: deduction of €67 thousand) was added to the special fund in the year under review and an amount of €28 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. The interest rate of 2.80 per cent (previous year: 3.24 per cent) published by Deutsche Bundesbank (the German central bank) was applied during the year under review. The modified “2005 G” mortality tables developed by Dr Klaus Heubeck and fully adjusted in 2011 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 using a 10-year average discount rate from 2016 (until 2015: 7-year average discount). The resulting difference is as follows:

Pension provision discounted using 10-year average	€14,443 thousand
Pension provision discounted using 7-year average	€16,689 thousand
Difference	€2,246 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.

For structured financial instruments, an investigation is performed at the time of acquisition to determine whether an embedded derivative should be recognised separately from the underlying instrument. If the prerequisites for separate accounting treatment are in place, the components of the structured financial instruments are each recognised as individual 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 are shown in the clearing item in accordance with section 246 (2) of the HGB as a sub-item under interest expenses (previous year: interest income). The other operating costs 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 €7,787,509 thousand (previous year: €9,994,076 thousand).

Shares in affiliated companies

As at 31 December 2017, Eurex Clearing had shares in affiliated companies as follows:

Company	Domicile	Equity € thous.	2017 net profit/loss € thous.	Equity interest direct (indirect)
Eurex Clearing Security Trustee GmbH	Frankfurt am Main.	79	1	100.00 %

Receivables from banks

Receivables from banks break down as follows:

	31/12/2017	31/12/2016
	€ thous.	€ thous.
Payable on demand		
Balances at foreign central banks	7,756,707	9,897,141
Bank balances and receivables from the clearing business	126,490	427,350
Interest receivables from the clearing business	11,373	12,844
Fixed deposits	0	38,017
Other receivables from banks	6	6
	7,894,576	**10,375,358**
Term up to 3 months		
Reverse repo investments	1,541	255,218
	7,896,117	**10,630,576**

Receivables from customers

Receivables from customers amounting to €13,123 thousand (previous year: €35,013 thousand) are payable on demand and consist primarily of reverse repo investments amounting to €10,110 thousand (previous year: €34,280 thousand).

Bonds and other fixed-interest securities

The bonds held as at the reporting date were exchange-listed securities in the amount of €9,518 thousand (previous year: €9,648 thousand).

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, Zurich, Switzerland, on a fiduciary basis. As at the reporting date, these receivables amounted to €77,124 thousand (previous year: €83,924 thousand), of which €60,812 thousand (previous year: €60,008 thousand) were from banks and €16,312 thousand (previous year: €23,916 thousand) were from customers.

Fixed assets

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

Other assets

As at the reporting date, receivables from affiliated companies arising from management services accounted for the majority of other assets. In addition to these receivables, Eurex Clearing grants incentives to certain customers, the repayment of which is associated with specified criteria. The incentives were issued in two tranches and amounted to €6,950 thousand. Due to the fact that the criteria for the first tranche were met, an amount of €1,350 thousand was derecognised in the year under review and €2,625 thousand was repaid. The embedded derivative financial instruments are stated separately from the host contract and are recognised under “other provisions”.

	31/12/2017	31/12/2016
	€ thous.	€ thous.
Receivables from Deutsche Börse AG	14,977	22,793
Receivables from Eurex Zürich AG, Zurich, Switzerland	3,011	3,854
Receivables from incentive programme	2,975	6,950
Receivables from Eurex Frankfurt	474	10,226
Personnel-related receivables	27	0
Receivables from Eurex Bonds GmbH, Frankfurt/Main	15	0
Receivables from Eurex Global Derivatives AG	14	18
Receivables from Eurex Repo GmbH, Frankfurt/Main	14	2
Receivables from Clearstream Services S.A., Luxembourg, Luxembourg	11	18
Receivables from Clearstream Banking AG, Frankfurt/Main	11	0
Miscellaneous other assets	1,023	91
	22,552	43,952

Liabilities in foreign currency

As at the reporting date, liabilities in foreign currency amounted to €7,775,447 thousand (previous year: €9,958,932 thousand).

Liabilities towards banks

Liabilities towards banks amounting to €20,006,941 thousand (previous year: €23,344,872 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €19,902,504 thousand (previous year: €22,944,731 thousand), liabilities from the clearing business in the amount of €96,722 thousand (previous year: €390,796 thousand) and balances from current accounts of €3 thousand (previous year: €12 thousand).

Liabilities towards customers amounting to €6,678,532 thousand (previous year: €1,879,064 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €6,652,480 thousand (previous year: €1,853,471 thousand), as well as liabilities towards affiliated companies from cash pooling amounting to €25,902 thousand (previous year: €25,600 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 to Eurex Frankfurt AG and Eurex Zürich AG, Zurich, Switzerland, and then ultimately to Deutsche Börse AG and Eurex Global Derivatives AG.

Other liabilities

	31/12/2017	31/12/2016
	€ thous.	€ thous.
Liabilities towards Eurex Frankfurt	9,065	2,340
Trade payables	4,500	2,325
Liabilities towards Clearstream Banking AG	3,472	1,678
Liabilities from taxes	2,218	503
Liabilities towards Eurex Zürich AG	1,665	0
Liabilities towards Eurex Repo GmbH	1,074	1,428
Liabilities towards Clearstream Operations Prague sro, Prague, Czech Republic	536	265
Liabilities towards Clearstream Services S.A., Luxembourg, Luxembourg	246	51
Liabilities towards Eurex Clearing Security Trustee GmbH, Frankfurt am Main	24	37
Liabilities towards Deutsche Börse	0	14,171
Liabilities towards Eurex Global Derivatives AG	0	2,005
Liabilities towards Eurex Bonds GmbH	0	44
Miscellaneous other liabilities	6	26
	22,806	24,874

Provisions for pensions and other employee benefits

Asset offsetting pursuant to section 246 (2) clause 2 of the HGB	
	€ thous.
Pension obligations payable	14,473
Fair value of plan assets	(13,665)
Provisions for pensions and similar liabilities	**808**
Netting profit and loss	
	€ thous.
Expenses arising from pension obligations	465
Net expense stated under personnel expenses	**465**
Interest expense arising from pension obligations	1,219
Reversals of impairments to cover assets	(1,106)
Income from cover assets	(94)
Net expenses stated under net interest income	**19**

Other provisions

Other provisions, amounting to €20,454 thousand, comprise the following:

	€ thous.
Personnel provisions	9,464
of which, share-based remuneration components	4,243
of which, bonus	4,437
of which, other personnel provisions	784
Outstanding invoices	8,248
Provisions for anticipated losses (incentive programme)	1,425
Flexible working time credit balance	822
Provisions recognised as part of the restructuring programme	653
Provisions for claims for damages	465
Provisions for Supervisory Board remuneration	280
	21,357

The derivatives embedded in incentives to customers are reported under “provisions for anticipated losses”. These derivative financial instruments cover miscellaneous risks. The nominal volume of the derivatives per tranche amounts to €3,475 thousand. The first tranche expired in January 2017; the second tranche has a residual maturity of less than one year and is set to expire in January 2018. These incentives are repayable depending on specified criteria. Taking these criteria into account, the derivative financial instruments were recognised separately from the underlying instrument at fair value in profit and loss on the basis of an internal model. The negative market values of the embedded derivatives amount to €1.425 thousand.

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 1 January 2017	25,000	330,313	2,500	7,000
Addition	-	100,000	-	-
Addition from 2017 net income	-	-	-	-
Balance as at 31 December 2017	25,000	430,313	2,500	7,000
Total shareholder's equity				464,813

Since the market price of the plan assets is higher than their acquisition cost, there is a block on distributions of €1,800 thousand in accordance with section 268 (8) of the HGB in conjunction with section 301 AktG (previous year: €694 thousand).

Income statement disclosures

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 expense

The clearing item shown under interest expense in accordance with section 246 (2) of the HGB comprises interest rate effects from pensions and plan assets amounting to €19 thousand (previous year: €0 thousand).

Other operating income

Other operating income amounting to €85,524 thousand (previous year: €90,209 thousand) consists of:

	31/12/2017	31/12/2016
	€ thous.	€ thous.
Services for Eurex Frankfurt	46,341	45,856
Services for Deutsche Börse	25,885	22,992
Services for Eurex Zürich AG	8,175	8,705
Income from the reversal of provisions	2,834	11,007
Income from currency valuation	1,747	1,134
Interest income from pension provisions	0	236
Services for Eurex Global Derivatives AG	0	13
Miscellaneous other operating income	542	266
	85,524	90,209

In the year under review, other operating income includes income relating to other periods amounting to €15,360 thousand (previous year: €14,166 thousand) from the years 2014 to 2016. The other operation income amounting to €15,360 thousand less other operating expenses amounting to €4,385 thousand results to other operation income amounting to €10,975 thousand. This amount plus margin results as part of the operational management agreement an additional other operating expense amounting €10,975 thousand.

	31/12/2017
	€ thous.
Agency agreement for central functions	9,590
Software development	5,699
Other	71
	15,360

General administration expenses

The other administration expenses are broken down as follows:

	31/12/2017	31/12/2016
	€ thous.	€ thous.
Agency agreement services	30,848	43,548
provided by Deutsche Börse AG	19,288	36,399
provided by Eurex Frankfurt AG	5,456	0
provided by Eurex Repo GmbH	1,853	2,775
provided by Clearstream Operations Prague sro	1,795	648
provided by Clearstream Banking AG	1,113	1,471
provided by Eurex Zürich AG	941	0
provided by Eurex Bonds GmbH	153	250
provided by CS Luxemburg	144	0
provided by Deutsche Börse Systems Inc., Chicago, USA	105	0
Eurex Global Derivatives AG	0	2,005
External consultancy costs	16,502	18,574
Non-deductible input tax	8,349	8,393
IT costs	1,937	2,049
Cooperation costs with Nasdaq OMX	1,091	1,059
Marketing costs	966	1,644
Communication	956	801
Other administration expenses	2,188	2,031
	62,837	78,099

Other operating expenses

Other operating expenses amounting to €9,989 thousand consist primarily of foreign currency losses amounting to €5,050 thousand and expenses relating to other periods, which are comprised as follows:

	31/12/2017
	€ thous.
Agency agreement for central functions	2,388
Software development	50
Other	1,947
	4,385

Other operating expenses include interest rate effects from the addition of discounted interest for other provisions in the amount of €68 thousand (previous year: €80 thousand).

Transfer of profit

Based on the profit transfer agreement with Eurex Frankfurt, an amount of €1,589 thousand (previous year: €2,209 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 2017, market participants had netting-eligible gross payment obligations from open positions due to transactions traded via the central counterparty with a total value of €84.3 billion (previous year: €113.8 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 €84.3 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 €42,267.2 million at the reporting date (previous year: €41,302.9 million). The actual collateral deposited was as follows:

Composition of Eurex Clearing's collateral (after haircuts)		
	Collateral value as at 31/12/2017	Collateral value as at 31/12/2016
	€m	€m
Cash collateral (cash deposits) [1)]	26,095.4	24,224.9
Securities and book-entry securities collateral [1)]	25,995.5	29,170.1
Total	**52,090.9**	**53,395.0**

[1)] Including clearing fund

As at 31 December 2017, the volume of Eurex Clearing's clearing fund stood at €4,178.0 million (previous year: €3,963.4 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)	0.4 (0.3)	0.2 (0.2)	0.2 (0.1)
Management and agency contracts (previous year)	13.0 (19.30)	13.0 (19.3)	0 (0)
- Thereof to affiliated or associated companies (previous year)	13.0 (19.30)	13.0 (19.3)	0 (0)

Other disclosures

Supervisory Board

The members of the Supervisory Board are:

Dr Hugo Bänziger *Chairman*	Managing Partner, Lombard Odier (Europe) S.A., Geneva
Gregor Pottmeyer *since 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	Co-Head of Global Rates Trading & Head of Funding & Capital Macro Markets, JP Morgan Securities PLC, London
Dr Susanne Clemenz	Co-Partner, T/S/C Fachanwälte für Arbeitsrecht, Gütersloh
Shane Ó Cuinn	Managing Director, Global Markets Division, Credit Suisse LLC, London
Wim den Hartog	Managing Director, STX Group B.V., Amsterdam
Prof. Hans-Helmut Kotz	Resident Fellow, Center for European Studies, Harvard University, Cambridge, MA Program Director, SAFE Policy Center, Goethe University, Frankfurt/Main
Clifford M. Lewis	Lead Independent Director, Eris Exchange, Chicago Non-Executive Chair, TradAir, Tel Aviv
Roselyne Renel	Group Chief Credit Officer, Standard Chartered Bank UK, London
Jeffrey Tessler	Member of the Executive Board, Deutsche Börse AG, Frankfurt/Main

,

Members of the Supervisory Board who departed in 2017:

Andrea French (until 7 June 2017)	Independent, former Chief Operating Officer and Co-CEO, Rokos Capital Management LLP, London

In the year under review, the members of the Supervisory Board received remuneration of €288 thousand.

Executive Board

The members of the Executive Board are:

Erik Tim Müller *Chairman*	Chief Executive Officer (CEO)
Heike Eckert *Deputy Chairman*	Chief Operating Officer Deputy Chief Executive Officer
Matthias Graulich	Chief Strategy Officer
Thomas Laux	Chief Risk Officer
Manfred Matusza	Chief Technology Officer

In 2017, the total remuneration of members of the Executive Board amounted to €3,340.2 thousand (previous year: €3,300 thousand). Total remuneration includes share-based compensation of €894.1 thousand (previous year: €578 thousand). The corresponding shares were valued in the year under review at the market price on the reporting date. The estimated number of shares (6,127) 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

Heike Eckert

- European Energy Exchange AG, Leipzig, Member of the Supervisory Board
- European Commodity Clearing AG, Leipzig, Member of the Supervisory Board (from 8 June 2017)

Employees

As at 31 December 2017, the number of employees at Eurex Clearing AG (excluding the Executive Board) was 220 (previous year: 182). During financial year 2016, the average number of employees was 215.4 (previous year: 180.8).

	Male	Female	Total
Management employees	18.3	4.0	22.3
Non-management employees	118.3	74.8	193.1
Number of employees	**136.6**	**78.8**	**215.4**

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, 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 http://www.eurexclearing.com/clearing-de/ueber-uns/corporate-governance by year. The reports for financial year 2017 are not yet available online as at the publication date of the 2017 annual report.

Report on post-balance sheet date events

No significant events occurred after the reporting date.

Frankfurt/Main, 21 February 2018

Eurex Clearing Aktiengesellschaft

Erik Tim Müller	Heike Eckert	Matthias Graulich
Thomas Laux	Manfred Matusza	

Eurex Clearing AG, Frankfurt am Main

Statement of changes in non-current assets as at December 31, 2017

	Costs					Depreciation and amortization						Carrying amounts	
	Balance as at 01.01.2017	Additions 2017	Disposals 2017	Reclassification 2017	Balance as at 31.12.2017	Balance as at 01.01.2017	Depreciation 2017	Write-Ups 2017	Disposals 2017	Reclassification 2017	Balance as at 31.12.2017	31.12.2017	31.12.2016
	€	€	€	€	€	€	€	€	€	€	€	€	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
Intangible assets													
Software	2,146,233.48	0.00	0.00	0.00	2,146,233.48	2,146,233.48	0.00	0.00	0.00	0.00	2,146,233.48	0.00	0
	2,146,233.48	0.00	0.00	0.00	2,146,233.48	2,146,233.48	0.00	0.00	0.00	0.00	2,146,233.48	0.00	0
Property, plant and equipment													
Operating and business equipment	59,943.69	360.00	0.00	0.00	60,303.69	26,978.69	8,199.00	0.00	0.00	0.00	35,177.69	25,126.00	33
	59,943.69	360.00	0.00	0.00	60,303.69	26,978.69	8,199.00	0.00	0.00	0.00	35,177.69	25,126.00	33
	2,281,177.17	360.00	0.00	0.00	2,281,537.17	2,173,212.17	8,199.00	0.00	0.00	0.00	2,181,411.17	100,126.00	108

Appendix to the Financial Statement 2017

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	104,820	212	1,590	1.7

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 2017

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 the sole 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 purpose of Eurex Clearing includes effectively protecting customer positions and taking counterparty risk 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 CFTC as a derivatives clearing organisation (DCO) for clearing OTC interest rate swaps for US clearing members and their customers in accordance with the Commodity Exchange Act. Eurex Clearing is not yet able to accept customer transactions directly; this will be possible only once all the conditions specified in the DCO licence have been met.

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

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 and bonds. Eurex Clearing ensures the performance of delivery and payment obligations after transactions are concluded on Eurex Deutschland, Frankfurt/Main, and Eurex Zürich AG, Zurich, Switzerland (Eurex exchanges); the Frankfurter Wertpapierbörse (FWB, the Frankfurt Stock Exchange), Frankfurt/Main; the Irish Stock Exchange, Dublin, Ireland; Eurex Repo GmbH, Frankfurt/Main; and Eurex Bonds GmbH, Frankfurt/Main; and of off-exchange transactions on approved trade sources. Eurex Bonds ceased operation at the end of 2017 and shareholders were required to sell their shares to Eurex Frankfurt. Subsequently, it is planned to merge Eurex Bonds with Eurex Repo.

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.

One core task in 2017 was preparing for and partially implementing functional enhancements of the system landscape used by Eurex Clearing. In the area of risk management, this included the portfolio-based risk management method Eurex Clearing Prisma, with migration from the formerly used risk-based margining method (RBM) performed by means of ongoing expansion over several releases, while in the area of transaction and position management, the C7 clearing system gradually replaced the former Eurex Clearing Classic system. C7 provides a uniform, modern platform for current and future market requirements. It also covers all regulatory changes.

As a market operator, Deutsche Börse bears the responsibility for financial market stability, which is why Eurex Clearing has decided, against a background of ongoing political and regulatory uncertainty surrounding the planned withdrawal of the UK from the EU, to offer its customers a market-oriented partnership programme for the clearing of interest rate derivatives.

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

The global economic upturn that began in 2016 continued in 2017 and is strengthening further. Economic trends in the industrialised nations were robust throughout the year under review and largely met expectations. The economic development of various up-and-coming economies and a few emerging markets also showed an upward trend, or even exceeded expectations, particularly the emerging market countries in Asia and Europe. While the outlook is positive from a global perspective, growth in many parts of the world remains weak and inflation in industrialised nations remains at a low level.

In line with the macroeconomic recovery in the developed world, the countries concerned are beginning to phase out the programmes which were put in place to strengthen their economic recovery. For example, the US Federal Reserve Bank (Fed) took significant monetary policy measures by raising its federal funds rate three times in the year under review, with the latest increase from 1.25% to 1.50% on 13 December 2017. Further measures involving up to three increases in the federal funds rate have already been announced for 2018. In addition, the Fed announced in September 2017 that it intends to discontinue its bond purchase programme.

The Bank of England's monetary policy committee also raised the base interest rate by 0.25% in November. On the other hand, the Bank of Japan decided to keep to its monetary policy course.

In the euro zone too, the European Central Bank (ECB) continued its purchases as part of the expanded asset purchase programme, and these will remain ongoing until the Governing Council of the ECB identifies a sustained correction of inflation in the euro zone, which is consistent with the objective of achieving inflation rates below but close to 2 per cent over the medium term. Against a background of positive economic development in the euro zone, the ECB decided on 26 October 2017 that, from January 2018 until the end of September 2018, the monthly total of securities purchases should be reduced from €60 billion to €30 billion.

Emerging markets have recently seen rising growth rates and are expected to remain on a stable growth path in the coming years.

The moderate cyclical recovery across the entire region is being driven forward by the economic strength of major economies such as China which are supporting the economic recovery of those countries that performed less strongly last year.

The implementation of regulatory requirements for all market participants, in particular with regard to MiFID II and MiFIR, was one of the key issues during the reporting period. Trading on the euro zone derivatives markets in financial market derivatives, such as index, interest rate and equity products, was affected by historically low volatility over the year and the continued low level of interest rates.

On 29 March 2017, the UK officially announced its intention to withdraw from the European Union. This marked the formal start of the Brexit negotiations which should be completed by the date of the UK's official departure two years later on 29 March 2019. Due to the slow progress of these negotiations and the continued uncertain outcome of the talks, market participants, particularly those based in the United Kingdom, are faced with the task of adapting to an outcome which is unpredictable. As the implementation of possible adaptation strategies may be a protracted process, depending on how the negotiations end, affected companies could find themselves forced to make decisions before the outcome of the political process is certain.

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 and Eurex Zürich AG or to Deutsche Börse AG in the case of transactions on the Frankfurt Stock Exchange cleared via Eurex Clearing. Eurex Frankfurt AG and Eurex Zürich AG assume 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. The result in the financial year was also driven by net interest and currency effects.

In financial year 2017 Eurex Clearing generated a profit of €1,589 thousand (previous year: €2,209 thousand) before profit transfer to Eurex Frankfurt AG and is below the forecast of the previous year. This results from non-transferable costs of €332 thousand (previous year: €133 thousand) and lower one-off effects than in 2016.

Eurex Clearing's clearing volumes declined in the 2017 financial year from 2016 levels with respect to the number of cleared transactions due to a decrease in the number of transactions concluded. This development did not meet the expectations from the previous year's forecast due to lower market volatility. 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 was 1,675.9 million contracts for futures and options, down 3 per cent on the previous year (previous year: 1,727.5 million). This is equivalent to a daily average of around 6.6 million contracts (previous year: 6.7 million).

Clearing in equity index derivatives, including derivatives on dividend indices and volatility indices, fell by 10 per cent year-on-year to 818.6 million contracts (previous year: 909.4 million). By far the most commonly traded and settled products were contracts on the EURO STOXX 50® index with 282.1 million futures (previous year: 374.5 million) and 280.8 million options (previous year: 301.5 million). The volume of equity derivatives contracts (single-stock options and futures, dividend derivatives on individual securities and various ETF products) cleared in the year under review was 275.0 million (previous year: 291.4 million), a decrease of 6 per cent.

The volume of interest rate derivatives cleared in the year under review increased by 11 per cent to 582.1 million contracts (previous year: 526.6 million). At the end of the 2017 financial year, over-the-counter interest rate swaps settled via EurexOTC Clear achieved an outstanding nominal volume of €1,930.8 billion (previous year: €907.5 billion), an increase of 113%.

At Eurex Repo, the marketplace for the collateralised money market and for the General Collateral Pooling (GC Pooling) range, the average outstanding volume dropped in the year under review by 28.5 per cent to €91.1 billion (previous year: €127.5 billion, single-counted for both periods). As a result of the low interest rate environment and the ECB's bond purchase programme, many bonds which could act as collateral for repo transactions have been taken off the market.

In cash markets, the clearing volume for transactions involving equities was 5.5 per cent above the previous year's level, at 123.4 million transactions (previous year: 117.0 million transactions). The clearing volume for bond transactions fell by 31 per cent year-on-year to 7.5 thousand transactions (previous year: 10.9 thousand transactions).

In the clearing offering for securities lending business, the average daily outstanding nominal volume was €3.0 billion in the reporting period (previous year: €3.2 billion).

2.3. Results of operations, financial position and net assets

2.3.1. Results of operations

Net interest income amounted to €25,296 thousand in 2017 (previous year: €21,501 thousand). Included in this are interest income in the amount of €175,005 thousand (previous year: €156,238 thousand) as well as interest expense of €149,709 thousand (previous year: €134,737 thousand). The Company did not generate any commission income after transfers. The commission expense of €5,374 thousand (previous year: €4,513 thousand) is primarily related to bank fees.

In 2017 other operating income at Eurex Clearing amounted to €85,524 thousand (previous year: €90,209 thousand) and largely comprises income from management services for Eurex Frankfurt AG and Eurex Zürich AG amounting to €55,166 thousand (previous year: €54,516 thousand), agency agreement services for Deutsche Börse amounting to €25,885 thousand (previous year: €22,992 thousand) as well as the reversal of provisions in the amount of €2,834 thousand (previous year: €11,007 thousand). The decline mainly results from a reduction in the reversal of provisions.

Administrative expenses amounted to €93,871 thousand (previous year: €104,291 thousand) and in the main relate to personnel expenses in the amount of €31,034 thousand (previous year: €26,192 thousand) and expenses for agency agreement services provided by Deutsche Börse AG amounting to €19,288 thousand (previous year: €36,399 thousand), external consulting costs of €16,502 thousand (previous year: €18,574 thousand), non-deductible input tax in the amount of €8,349 thousand (previous year: €8,393 thousand), agency agreement services provided by Eurex Frankfurt AG amounting to €4,903 thousand (previous year: €0 thousand), IT costs in the amount of €1,937 thousand (previous year: €2,049 thousand), commission expenses with Eurex Repo GmbH amounting to €1,853 thousand (previous year: €2,775 thousand), agency agreement services provided by Clearstream Operations Prague SRO, Prague, Czech Republic amounting to €1,795 thousand (previous year: €648 thousand), cooperation costs with Nasdaq OMX amounting to €1,091 thousand (previous year: €1,059 thousand), marketing costs of €966 thousand (previous year: €1,644 thousand) as well communication costs of €956 thousand (previous year: €801 thousand).

The Company's net profit (before profit transfer to the parent company) was €1,589 thousand (previous year: €2,209 thousand). As part of the existing profit transfer agreement, €1,589 thousand (previous year: €2,209 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% (previous year: 0.3%).

2.3.2. Financial position

Primarily as a result of a payment of €100,000 thousand into capital reserves on 10 January 2017, Eurex Clearing's equity increased from €364,813 thousand to €464,813 thousand as at 31 December 2017.

Funds paid in as collateral by clearing participants of €26,554,984 thousand (previous year: €24,798,203 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 €9,518 thousand (previous year: €9,648 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 2017, these amounted to €27,008,508 thousand (previous year: €24,807,985 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 Zürich 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 and CHF 200 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 2017. As at 31 December 2017, 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 2017 Eurex Clearing exclusively used intraday loans for secured borrowing. As at 31 December 2017 there was no collateral deposited in the collateral account with Deutsche Bundesbank and, consequently, no credit line was granted or used.

In view of this, the Company had a good liquidity position which allowed it to meet its payment obligations at all times during financial year 2017.

As from 1 January 2017, 80 per cent of the liquidity coverage ratio introduced by the Capital Requirements Regulation (EU) no. 575/2013 had to be adhered to. The revised version of the Liquidity Coverage Ratio Delegated Regulation (LCRDR), which was introduced with effect from 30 September 2016 with Implementing Regulation (EU) 2015/61, provides for a requirement for 2017 of 80 per cent of the capital coverage ratio. As at 31 December 2017 Eurex Clearing had a liquidity coverage ratio (LCRDR) of 101%.

The regulatory figure in accordance with the Liquiditätsverordnung (LiqV, German Liquidity Regulation) remains stable and fluctuated in the year under review between 2.89 and 3.13 based on month-end values. This measurement documents the Company’s good liquidity situation. The regulatory figure in accordance with the Liquiditätsverordnung (LiqV, German Liquidity Regulation) was last reported on 31 December 2017.

2.3.3. Net assets

The cash reserve in the amount of €19,251,801 thousand (previous year: €14,910,844 thousand) and receivables from credit institutions in the amount of €7,799,558 thousand (previous year: €10,630,576 thousand) mainly comprise the investment of the cash collateral deposited by clearing participants in the amount of €26,554,984 thousand (previous year: €24,798,203 thousand).

On 10 January 2017, €100,000 thousand was deposited in the capital reserves. In the year under review, equity amounted to €464,813 thousand (previous year: €364,813 thousand).

Total assets after the deduction of margins and liabilities held in trust amounted to €640,272 thousand (previous year: €835,715 thousand), resulting in an equity ratio of 72.6 per cent (previous year: 43.7 per cent).

Overall, the Company’s results of operations, financial position and net asset situation are in good order.

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 and Eurex Zürich AG, the net profit of the Company (before profit transfer to the parent company) is considered to be a key management parameter. Net profit is largely dependent on the size of the profit surcharge; since this is determined on the basis of a percentage of the costs to be reimbursed under IFRS, an increase in the costs for operating the clearing house has a positive effect on net profit. 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

Although Eurex Clearing does not generate commission income from its activity as a clearing house, the development of its clearing and trading volumes – particularly on the Eurex exchanges – are nevertheless seen as a key factor in the clearing house’s performance.

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 2018 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 at the time of publication of this report on expected developments.

Eurex Clearing AG identified various factors in 2017 that significantly impacted investments in the financial markets and which could persist in the coming financial year.

- The fact that key interest rates remained low in 2017 and the central banks’ accommodative monetary policy had the overall effect of lowering investments in government bonds as well as in repo transactions and government bond derivatives, as measured by the demand for hedging in the real economy. Despite this, demand for derivatives market products on German government bonds trended positively in comparison with the relatively low level of the previous periods. Eurex Clearing AG expects business volume in the repo and securities lending sector to experience a recovery in the coming financial year due to the anticipated reduction in quantitative easing by the ECB and increasing volatility.

- 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 partnership programme created by Eurex Clearing offers choices and generates competition, increases price transparency and reduces concentration risks. Thanks to this initiative, which has been well received by market participants, Eurex Clearing anticipates growth in OTC business in the 2018 financial year.
- Various regulatory measures will create a need in the future for adaptation on the part of trading participants. As a result of the implementation of the Capital Requirements Regulation/Directive (CRR/CRD IV) liquidity is linked to higher capital requirements. However, further legislative measures taken in Europe and the US in the context of EMIR, the Dodd-Frank Act and the German Act on Recovery and Resolution Planning for Credit Institutions will have a significant impact on business operations in 2018.

In summary: Eurex Clearing expects that if the economic situation in the euro zone continues to improve and organic growth initiatives have positive effects, clearing volumes will increase in 2018 as compared to financial year 2017. Eurex Clearing also sees the commission income trend before transfers as being positive with single-digit growth. For 2018 the general administrative costs before transfers are projected to be slightly higher than the costs for 2017. In general, the Company expects a positive structural development in the clearing market despite the anticipated increase in competition. Eurex Clearing aims to actively participate in this development as part of its own business model and to have this reflected in its own business trend.

Based on the operational management agreement, Eurex Clearing anticipates in 2018 compared to 2017 a slightly higher net profit (before profit transfer to the parent company) at the same level as in financial year 2017. With regard to subsequent business performance beyond 2018, ongoing developments in the general regulatory conditions and the continued stabilisation of the macroeconomic environment will be crucial.

3.2. Report on opportunities

The factors influencing trading activity, an external driver of earnings growth for Eurex Clearing in 2018, are manifold and not easily predictable. Key challenges in 2018 and beyond will continue to be the introduction and effects of regulatory measures relating to market participants' capital and risk management activities, as well as political uncertainties which will increase the risks faced by market participants.

Yet even when taking into account these influencing factors, Eurex Clearing AG continues to anticipate – based in particular on economic development worldwide, the economic growth in the euro zone and an emerging tendency among central banks to turn away from low interest rate policies, above all on the part of the Fed – that the cyclical growth drivers in the financial market business are intact and will have a positive impact over the long term.

In addition to cyclical drivers, Eurex Clearing AG 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 AG plans to use the measures listed below to participate in these developments:

- Establishment of a partnership programm of Eurex Clearing to create a liquid alternative for the settlement of interest rate swaps in EU27

- Enhancements to the connectivity model for buyside customers to promote the services provided by Eurex Clearing in the new customer segment.

- Enhancement of the clearing product offering through the introduction of clearing services for OTC FX derivatives.

- Extension of the availability of trading and clearing systems during Asian markets' business hours in order to enable these customers to use Eurex products for trading and processing.

- Enhancements to clearing services provided to the securities lending market in the area of collateral provision.

In addition, Eurex Clearing AG also expects there to be fundamentally positive stimuli on operating activities during the 2018 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. The partnership programme created by Eurex Clearing offers the opportunity for significant growth in the clearing of OTC interest rate derivatives.

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

Eurex Clearing has established a Group-wide risk management system that defines functions and responsibilities which is binding for all Group employees. ECAG is involves in DBAG Group-wide risk management.

The risk management system ensures that all management committees (the Executive Board of Eurex Clearing and committees of the Supervisory Board) of Eurex Clearing are able to promptly monitor the risk profile of the entire Company as well as specific material risks. The aim is to ensure the timely identification of developments that could threaten Eurex Clearing's interests and then to take appropriate countermeasures.

Eurex Clearing takes great care to mitigate risk and ensures that appropriate measures are taken to avoid, reduce and transfer – or intentionally take on – risk. The aim is to make use of suitable safeguards and control measures such as guidelines and procedures, the segregation of functions, the principle of dual control, limit restrictions and also business continuity management to reduce the probability, frequency and level of potential losses from the corresponding risk cases for Eurex Clearing. In addition, potential operational losses are limited further via an insurance portfolio.

The decentralised departments identify risks and report them in a timely manner to the Chief Risk Officer or to the Enterprise Risk Management department.

Eurex Clearing uses a standardised approach – value at risk (VaR) – for measuring and reporting all risks. The aim of this concept is to create a comprehensive overview of general risk tolerance and to facilitate the prioritisation of risk measures.

Eurex Clearing calculates risk-bearing capacity as its main risk management tool. The Group determines the economic capital that it requires for this (required economic capital, EC) with the help of VaR. It calculates its EC at a confidence level of 99.98 per cent in order to be able to have sufficient financial cover for even extreme events in the next twelve months. Eurex Clearing uses the equity on its balance sheet as the risk cover potential capacity for its economic capital. For control purposes, Eurex Clearing regularly calculates the ratio of EC to risk cover potential as an indicator.

Independent audits by Internal Auditing ensure that the risk control and risk management functions are appropriate. The results of these audits also feed into the risk management system.

The results of the VaR calculation are entered into a reporting system which enables the management of risks. Reporting includes not only the quantification of risks but also qualitative information. Topics relevant to risk are comprehensively elucidated, and their influence on the risk profile of Eurex Clearing and possible countermeasures are described. The reporting of risks to the Executive Board and of Eurex Clearing is carried out quarterly and on an ad hoc basis as required. The Supervisory Board and Executive Board of Eurex Clearing receives quarterly reports. In addition reports are made to the Risk Committee and Audit Risk Committee of Eurex Clearing.

Risk profile

Because of the contractual situation with Eurex Frankfurt AG, business risks originating in the clearing business are not incorporated in the risk-bearing capacity concept.

Operational risk

Operational risks constitute material risks for Eurex Clearing. Operational risks contribute approximately 54 per cent to the overall risk and comprise potential losses from inadequate or faulty systems and internal processes, from human or technical failure as well as from legal and business practice risks. Equally other operational risks, personal risks are also quantitatively quantified.

Availability

Operational risks for Eurex Clearing include, in particular, any threat to the availability of the system infrastructure deployed and processing errors in manual processing operations. This availability risk is specifically addressed by means of comprehensive activities in the field of business continuity management (BCM). The BCM system encompasses all of the processes which ensure that business continues as normal if a crisis occurs and therefore substantially reduces availability risk. These include precautions in relation to all key resources (systems, premises, employees, suppliers/service providers), such as the redundant design of all critical IT systems and the technical infrastructure, as well as emergency workspaces for employees in core functions at all important operational centres. These precautionary BCM measures are regularly reviewed.
However, if system failures or other operational errors do occur, this may result in loss of income, claims for damages and additional costs for rectifying the problem.

Defective Processing

Risks may also arise if a service for customers is performed inadequately and this leads to complaints or litigation.

Legal risks and business practice

Losses can also result from ongoing legal proceedings. These may occur if Eurex Clearing breaches laws or requirements, enters into inadequate contractual agreements, or fails to observe case law to a sufficient degree. Legal risks also include losses due to fraud and labour law issues. This could entail, for example, losses resulting from insufficient anti-money laundering controls or breaches of competition law or of banking secrecy. Violations of regulatory provisions also present operational risks.

Stress tests

In the course of validating the risk analysis, Eurex Clearing performs stress test calculations for operational risk. These stress tests simulate the occurrence of extreme operational losses or an accumulation of major operational losses in one year. Since Eurex Clearing has not incurred any major operational losses to date, potential risk scenarios are defined for this purpose. These risk scenarios describe possible operational loss events and their probability as well as the potential amount of loss, which is estimated by internal experts. For the purposes of the stress test, extreme loss situations are simulated on the basis of these risk scenarios and compared with the part of the risk-bearing capacity which is intended for stress tests.

In addition to these stress tests, which analyse the impact of predefined stress scenarios on risk-bearing capacity, Eurex Clearing also performs what are known as inverse stress tests. An inverse stress test is a tool used to determine operational loss scenarios that would have to occur in order to exceed the total risk-bearing capacity.

Extreme events such as the failure of Eurex Clearing's clearing system for up to one week during a period of very high market volatility could threaten the survival of Eurex Clearing. Such extreme risks are referred to as tail risks, and their probability of occurrence is estimated to be significantly less than 1 per cent.

No significant operational losses were incurred during the year under review.

Financial risks

Eurex Clearing divides financial risks into credit, market and liquidity risks. Financial risk represents around 46 per cent of the overall risk.

Credit risk

The credit risk faced by Eurex Clearing is broken down into credit risks from the clearing business and credit risks that may arise from cash investments. Credit risk describes the danger that a counterparty might not meet its contractual obligations, or not meet them in full. Eurex Clearing often has short-term claims against contract partners totalling several billion euros overall as part of its clearing business, but these are usually secured by collateral deposited by the market participants.

Credit risks from the clearing business

In accordance with its general terms and conditions of business, Eurex Clearing conducts transactions only with its clearing members. Clearing mainly relates to defined securities, rights, derivatives and emission allowances that are traded on specific stock exchanges. Eurex Clearing also offers this service for certain OTC products such as interest rate swaps and forward rate agreements. It serves as an intermediary between the parties to the transaction (central counterparty) in order to reduce its customers' credit risk by offsetting receivables. Clearing members deposit collateral with Eurex Clearing, thus reducing their mutual default risk.

In its calculations of economic capital, the Company already analyses the impact of extreme scenarios on risk-bearing capacity. In addition, Eurex Clearing calculates credit risk stress tests in order to analyse the impact of further extreme scenarios, such as default by the largest counterparty group. The values determined in the stress tests are compared with limits defined as part of the risk-bearing capacity. In addition to traditional stress tests, which analyse the impact of predefined stress scenarios on risk-bearing capacity, the Company performs inverse stress tests. This tool can be used to calculate how many clearing members would have to default for the losses to no longer be able to be absorbed by the lines of defence available.

The results of the stress tests and inverse stress tests may lead to further analyses and to the implementation of measures to reduce risk. Risks identified in the course of stress tests carried out during the 2017 financial year were analysed further, and corresponding risk-reduction measures initiated.

In addition, Eurex Clearing determines credit risk concentrations by performing VaR analyses to detect any risk clusters relating to individual counterparties. Due to its business model, Eurex Clearing focuses almost exclusively on financial sector customers.

Given the size and volatility of its customers' liabilities, Eurex Clearing has developed a collateral management system that meets the highest standards, which is described in detail in the following section.

Safety for both participants and the clearing house

Each clearing member must prove that it has liable capital equal at least to the amount stipulated by Eurex Clearing for the various markets. The amount of capital for which evidence must be provided depends on the risk. In order to protect Eurex Clearing against the risk of default by a clearing member before it has settled its outstanding transactions, clearing members are required to post daily collateral in the form of cash or securities (margin), plus intra-day margins if required.

Eurex Clearing permits only securities with a high credit rating to be used as collateral. Eurex Clearing continually reviews which collateral it permits and uses appropriate margins to hedge against market risk with a 99.9 per cent confidence level. It applies a further haircut to securities from issuers in high-risk countries or excludes them from being furnished as collateral altogether. Risk inputs are checked regularly and the safety margins are calculated 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 which result from intraday changes to the value of financial instruments are either settled in cash by the counterparties (variation margin) or deposited with Eurex Clearing 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 either from the buyer or the seller (current liquidating margin), depending on the relationship between the purchase price and the current value of the financial instruments. The purpose of these margins is to offset gains and losses.

In addition, Eurex Clearing protects itself against a payment default by a clearing member by obtaining additional collateral against the risk that the value of the positions contained in the account will develop negatively until the account is closed out. This additional collateral is known as the initial margin. The target confidence level here is at least 99.0 per cent and the holding period is a minimum of two days for exchange-traded transactions, and 99.5 per cent and five days for OTC transactions. Eurex Clearing regularly checks whether the margins meet the required confidence level. The initial margin is currently calculated using two methods: the risk-based margining method and the Prisma method. The new Prisma method is already available for all traded derivatives contracts. 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. The risk-based margining method is currently still used for cash market products, settlements, securities lending and repo transactions. The plan is for the Prisma method to replace risk-based margining completely in the future.

In addition to the margins for current transactions, each clearing member contributes to a clearing 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 clearing fund and Eurex Clearing’s contribution to the clearing fund. Eurex Clearing uses regular stress tests to check whether its clearing funds match the risks. 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 clearing fund of a potential default is simulated. Eurex Clearing has defined limits which, when exceeded, trigger an immediate adjustment to the scope of the clearing fund if necessary. If a clearing member does not meet its obligations to Eurex Clearing due to delinquency or default, the latter has the following lines of defence:

1. 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.
2. 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 2017, collateral amounting to €47,912.9 million had been provided for the benefit of Eurex Clearing (after haircuts).
3. After this, the relevant clearing member’s contribution to the clearing fund would be used to cover the open amount. The contributions ranged from €1 million to €399 million as at 31 December 2017.
4. Any remaining shortfall would initially be covered by Eurex Clearing’s own contribution to the clearing fund. As at 31 December 2017, the contribution of Eurex Clearing stood at €150 million.
5. Only then would the other clearing members’ contributions to the clearing fund be used proportionately. As at 31 December 2017, the volume of Eurex Clearing’s clearing fund stood at €3,193.1 million. After these contributions have been used in full, Eurex Clearing can request additional contributions from each clearing member, which can be up to twice as high as their original clearing fund contributions. In parallel with these additional contributions, Eurex Clearing also provides additional funding of up to €300 million, which can be obtained from Deutsche Börse AG via a letter of comfort. The additional contributions from the clearing members and Eurex Clearing are realised in parallel on a pro rata basis.
6. Subsequently, the portion of Eurex Clearing’s equity capital in excess of the regulatory capital requirement would be utilised.
7. Finally, Eurex Clearing’s remaining minimum equity capital under the regulatory requirements would be used.

8. In addition, Deutsche Börse AG has issued a letter of comfort in favour of Eurex Clearing, in which Deutsche Börse AG undertakes to provide Eurex Clearing with the financial resources it needs to meet its obligations, including the obligation to provide the above-mentioned additional funding of up to €300 million. The maximum amount to be made available under the letter of comfort is €600 million, including payments already made, e.g. in providing the above-mentioned additional funding of up to €300 million. Third parties are not entitled to any rights under the Letter of Comfort.

As at 31 January 2017, Eurex Clearing increased its own contribution to the clearing fund by €50 million to €150 million.

If a clearing member fails, Eurex Clearing AG carries out his proven default management process (DMP) in order to rebalance the central counterparty (CCP). Not only does this contribute to the security and integrity of the capital markets, it also protects non-defaulting clearing members from the potential negative consequences of other clearing members failures.

The essence of the DMP is products that have comparable risk characteristics are assigned to jointly liquidated liquidation groups. Within a liquidation group, Eurex Clearing AG rebalances by transferring the defaulted positions to other clearing members either through auctions or through a bilateral open-ended deal.

Potential losses that result from the default of a clearing member and that exceed the resources of the defaulting clearing member are hedged through a "waterfall" of defensive lines. Eurex Clearing AG makes its own contribution even before the jointly filled default fund and all other funds that are segmented along the risk-weighted liquidation groups are used for loss.

Historically, the default management process of Eurex Clearing AG has been used four times: Gontard & MetallBank (2002), Lehman Brothers (2008), MF Global (2011) und Maple Bank (2016).

The funds deposited as collateral by the defaulting clearing member have been sufficient in each of the above-mentioned cases. Cases were sufficient to cover the losses incurred in the liquidation and to return a significant proportion of the resources to the defaulting clearing member.

To strengthen the risk management function regarding this central risk, Eurex Clearing conducts “fire drill” exercises every year in cooperation with the clearing members. As part of these exercises customer defaults are simulated. The objective of this exercise is to test management behaviour, the flow of information and decision-making processes in the event of a crisis situation, and to improve them accordingly. The default management process is tested at least once a year by the Eurex Clearing. In 2017, that process was successfully tested in an global simultaneous industry-wide exercise.

Credit risks arising from cash investments

Credit risk can also arise from cash investments. The Treasury department of Deutsche Börse AG is responsible here, and has Group-wide authority. Treasury largely makes collateralised investments with the Company's money and the funds of Eurex Clearing's customers. To date, a payment default in content of an investment has not occurred.

Eurex Clearing reduces its risk when investing its own and customers' funds by distributing investments across multiple counterparties, all with a high credit quality, by defining investment limits for each counterparty as well as by investing funds primarily in the short term and in collateralised form if possible. Investment limits are established for each counterparty on the basis of regular credit checks and using ad hoc analyses, as necessary.

Investment losses relating to currencies for which Eurex Clearing does not have access to central banks are borne on a pro rata basis by Eurex Clearing and by those clearing members who are active in the currency in which the losses have arisen. The maximum amount to be paid by each clearing member in this regard is the total amount deposited by the clearing member in cash in that currency as collateral with Eurex Clearing. The maximum amount to be paid by Eurex Clearing is €50 million.

Market price risks

Market price risks include risks of adverse developments in interest, rates or other market prices. Due to the short maturities of the cash investments and liabilities, the interest rate risk is low.

Open currency positions exist only on a small scale, so that currency risks are likewise not significant. Market price risks also arise upon investment in a special fund (Contractual Trust Arrangement - CTA) that serves to cover pensions and other employee benefits. The decision to invest a majority part of the CTA on a value retention mechanism reduces the risk of extreme losses.

As part of an incentive programme, Eurex Clearing paid a contribution to customers for which repayment is connected to the fulfilment of specific conditions, e.g. the number of connected customers and the achievement of defined volumes. The derivative embedded in this contract is recognised separately from the underlying instrument under other provisions, with a fair value of €1.4 million. The fair value is limited to €–3.5 million; this amount is reached if customers fulfil all of the conditions such that the incentive does not have to be repaid.

Liquidity risk

A liquidity risk arises if daily payment obligations cannot be fulfilled or can be fulfilled only at increased refinancing costs. Eurex Clearing has to meet stringent liquidity requirements due to its status as a central counterparty. Its investment policy is correspondingly conservative. Regular analyses ensure the appropriateness of the liquidity guidelines. Since extending its licence as a deposit and credit institution under the KWG, Eurex Clearing can use Deutsche Bundesbank's permanent facilities.

Stress test calculations are also carried out for liquidity risk. To this end, Eurex Clearing has implemented various scenarios that are calculated on a regular basis. In these scenarios, both the sources and uses of liquidity are subjected to a stress test, which uses both historical and hypothetical scenarios. Eurex Clearing also performs a daily calculation of the liquidity requirements which would result in the event of the default of its two largest customers, and maintains sufficient liquidity to meet these identified needs. In addition, Eurex Clearing has implemented inverse stress tests on liquidity risk. The inverse stress tests analyse which scenarios would also have to occur to bring about a situation of insufficient liquidity. Based on the stress tests, Eurex Clearing has sufficient liquidity.

Summary

Eurex Clearing's risks were covered by a sufficient amount of capital at all times during the year under review, and the allocated limits for overall risk appetite were observed.

As at 31 December 2017, the required economic capital of Eurex Clearing amounted to €332 million, compared to €250 million in the previous year. This increase is primarily due to the higher contribution made by Eurex Clearing to the clearing fund. As a result of this increased contribution, the credit risk faced by Eurex Clearing from the clearing business rose to the same degree. The available capital for covering risk rose over the same period to €465 million (previous year: €365 million).

The Executive Board of Eurex Clearing is confident that the risk management system is effective.

Frankfurt/Main, 21 February 2018

Eurex Clearing Aktiengesellschaft

Erik Tim Müller

Heike Eckert

Matthias Graulich

Thomas Laux

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, Frankfurt am Main – which comprise the balance sheet as of 31 December 2017 and the statement of profit and loss for the financial year from 1 January to 31 December 3017 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 2017.

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 of 31 December 2017 and of its results of operations for the financial year from 1 January to 31 December 2017 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, the management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to section 322(3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the annual financial statements and the management report.

Basis for our opinion

We conducted our audit of the annual financial statements and management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter referred to as the 'EU Audit Regulation') and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Our responsibilities under those regulations and guidelines are further described in the 'Auditor's responsibilities for the audit of the financial statements and management report' section of our report. We are independent of the company in accordance with the requirements of European law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, we hereby declare pursuant to Article 10(2) (f) of the EU Audit Regulation that we did not provide any of the prohibited non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements and management report.

Key audit matters in the audit of the 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 2017. 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 2017 financial year.

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 operational management agreements with Eurex Frankfurt AG as operator of the stock exchange of Eurex Germany and with Eurex Zürich AG as administrator and operator of the public law stock exchange of Eurex Zurich. 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 and Eurex Zurich 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 assessed 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.

OUR CONCLUSION

The process used to collect 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 disclosure in the management report, section 2.2, Business performance.

FINANCIAL STATEMENT RISK

Eurex Clearing collects trading and clearing fees for derivatives in its own name and for the account of Eurex Frankfurt AG and Eurex Zürich AG on the basis of existing operational management agreements and transfers this income accordingly. For Deutsche Börse AG, Eurex Clearing collects the clearing fees for transactions concluded on the Frankfurt Stock Exchange. In return, Eurex Frankfurt, Eurex Zürich and Deutsche Börse AG assume 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 2017 financial year to EUR 79.8 million (previous year: EUR 77.6).

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 CONCLUSIONS

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

Responsibilities of the management and the supervisory board for the annual financial statements and the management report

The management is responsible for the preparation of the financial statements that comply with the legal requirements of German commercial law applicable to financial institutions, and that the financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. 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 financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the 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 a suitable view of the Company's position, as well as, in all material respects, is consistent with the financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the financial statements and 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, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [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 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 financial statements, and of the arrangements and measures 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 the Company’s internal control.
- 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 our auditor’s report to the related disclosures in the financial statements and in the management report or, if such disclosures are inadequate, to modify our opinion. 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 represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- Evaluate consistency of the management report with the financial statements, its legal compliance and presentation of the Company's position.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we here verify 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 issue a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly 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 requirements regarding independence and communicate with them on 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

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors by the annual general meeting on 6 April 2017. We were engaged by the Supervisory Board on 7 April 2017. 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 referred to in Article 11 of the EU Audit Regulation (audit report).

In addition to the audit of the annual financial statements and management report, we provided the following services to the company or its subsidiaries, which are not disclosed in the annual financial statements or the management report:

- Tax advisory services in relation to the preparation of corporate tax returns and advance tax returns on the basis of matters already implemented.
- Audit of the processing of audit findings in the form of a Reasonable Assurance Engagement (ISAE 3000 revised).

Statutory auditor responsible for the engagement

The auditor responsible for the engagement is Andreas Dielehner.

Frankfurt am Main, 23 February 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dielehner Wirtschaftsprüfer [German Public Auditor]	Dr. Niemeyer Wirtschaftsprüfer [German Public Auditor]