Financial statements as at 31 December 2016 and management report

TRANSLATION – AUDITOR'S REPORT

EUREX Clearing Aktiengesellschaft
Frankfurt am Main, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

Balance Statement as at 31 December 2016
of Eurex Clearing AG, Frankfurt/Main

Assets	31.12.2016		31.12.2015	
	€	€	T€	T€
Liquid funds				
Balances with				
central banks	14,910,843,309.41	14,910,843,309.41	14,380,343	14,380,343
of which with the Bundesbank				
14,910,843,309.41 €				
(previous year:				
14,380,343 T€)				
Receivables from credit institutions				
Payable on demand	10,375,358,261.76		12,416,077	
other receivables	255,217,531.90	10,630,575,793.66	0	12,416,077
Receivables from customers		35,013,273.80		1,339
Bonds and other fixed-interest securities		9,648,265.05		5,029
Investments in subsidiaries		75,000.00		75
Assets held in trust		83,923,542.71		75,327
Property, plant and equipment		32,965.00		24
Other assets		43,952,244.26		22,040
Deferred expenses		702,444.37		1,446
Total assets		25,714,766,838.26		26,901,700

Shareholders' equity and liabilities	31.12.2016			31.12.2015		
	€	€	€	T€	T€	T€
Liabilities to						
credit institutions						
Payable on demand		23,344,872,512.61	23,344,872,512.61		24,178,986	24,178,986
Liabilities to customers						
Other liabilities						
Payable on demand		1,879,063,603.73	1,879,063,603.73		2,287,425	2,287,425
thereof: to affiliated companies 25,600,000.00 €						
(previous year: 29,200 T€)						
Liabilities held in trust			83,923,542.71			75,327
Other liabilities			24,873,647.51			14,909
Provisions						
Provisions for pensions						
and similar obligations		905,456.45			1,688	
Other provisions		16,314,651.56	17,220,108.01		28,552	30,240
Shareholders' equity						
Subscribed capital		25,000,000.00			25,000	
Capital reserves		330,312,845.52			280,313	
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	364,813,423.69		0	314,813
Total shareholders' equity and liabilities			25,714,766,838.26			26,901,700
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 2016

	2016				2015			
	€	€	€	€	T€	T€	T€	T€
Interest income from								
loan and money market business								
Loan and money market business with positive interest rates	597,868.41				705			
Loan and money market business with negative interest rates	155,624,908.03	156,222,776.44			163,006	163,711		
fixed-interest securities and debt register claims								
Fixed-interest securities and debt register claims with positive interest rates		-18,417.70				1	0	
Clearing item in accordance with section 246 (2) HGB		33,090.69	156,237,449.43					
Interest expense								
Interest expense from business with positive interest rates	-1,719,087.89				-3,548			
Interest expense from business with negative interest rates	-133,018,386.39	-134,737,474.28			-141,685	-145,233		
Clearing item in accordance with section 246 (2) HGB		0.00	-134,737,474.28	21,499,975.15		-1,992	-147,225	16,486
Commission expense				-4,512,755.67				-3,224
Other operating income				90,208,513.14				87,305
thereof from currency translation 1,133,761.40 € (previous year 1,496 T€)								
General administrative expenses								
Personnel expenses								
Wages and salaries		-23,009,726.85				-22,812		
Social security and expenses								
for pensions and other employee benefits		-3,182,104.19	-26,191,831.04			-4,441	-27,252	
thereof for pensions -872,284.72 €								
(previous year -2,302 T€)								
Other administrative expenses			-78,098,926.74	-104,290,757.78			-71,769	-99,022
Depreciation and amortization of fixed and intangible assets				-6,637.40				-7
Other operating expenses				-649,759.09				-438
thereof from accumulation -80,083.93 € (previous year -74 T€)								
Income from write-ups to claims and certain securities								
and reversal of provisions for lending business				-39,797.39				-3
Net operating income				**2,208,780.96**				**1,097**
Profit transferred under profit transfer agreement				-2,208,780.96				-1,097
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 2016

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 (section 264 (1a) of the Handelsgesetzbuch (HGB, German Commercial Code)).

The annual report of Eurex Clearing for the financial year 2016 was prepared in accordance with the provisions of the HGB, 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 at the balance sheet 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.

Purchased intangible assets are carried at cost and amortised using the straight-line method or valued at the lower fair value. 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. For movable assets, the tax simplification rules regarding the depreciation start date are applied in their valid form on the respective date of acquisition. Low-value fixed assets with acquisition costs up to €410 were written off directly 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) of the EStG to create a compound item.

Receivables and other assets are always carried at their nominal amount. All discernible risks are impaired on an item-by-item basis, 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 Prof Klaus Heubeck and fully adjusted in 2011.

Actuarial assumptions		
	31 Dec. 2016	31 Dec.
	%	%
Discount rate with the 10-year average	4.01	-
Discount rate with the 7-year average	3.24	3.89
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 4.01 per cent (previous year: 3.89 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 €10,372 thousand (previous year: €10,438 thousand).

The total assets that were offset, which correspond to a 4.2 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 at the balance sheet date of €11,066 thousand (previous year: €10,655 thousand), which is equivalent to the market value as defined by section 278 in conjunction with section 168 of the KAGB. In addition, €67 thousand was added to the special fund in the period under review (previous year: addition of €1,765 thousand). 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 balance sheet 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 provisions for anniversary payments and early retirement were measured at the amount to be paid in accordance with actuarial principles, and for early retirees measured at present value. The projected unit credit method was applied as the basis of this assessment. During the year under review, the interest rate of 3.24 per cent (previous year: 3.89 per cent) published by Deutsche Bundesbank was applied. The modified “2005 G” mortality tables developed by Prof Klaus Heubeck and fully adjusted in 2011 were used as the basis of these projections.

The interest-related financial instruments of the banking book are examined annually for excess liability. Eurex Clearing engages in maturity transformation only to a limited extent, which means that interest rate risk is accordingly low. Due to the fixed-interest surplus in assets as at the balance sheet 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 of the 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 shown as assets and liabilities on the balance sheet on the basis of the member position.

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. The other operating costs include interest rate effects from other provisions.

Notes to the balance sheet

Assets in foreign currency

As at the reporting date, assets in foreign currencies amounted to €9,994,076 thousand (previous year: €12,318,943 thousand).

Shares in affiliated companies

As at 31 December 2016, Eurex Clearing had shares in affiliated companies as follows:

Company	Domicile	Equity € thous.	2016 net profit/loss € thous.	Equity interest direct (indirect)
Eurex Clearing Security Trustee GmbH	Frankfurt/Main	75	1	100.00 %

Receivables from banks

Receivables from banks break down as follows:

	31 Dec. 2016	31 Dec.
	€ thous.	€ thous.
Payable on demand		
Balances at foreign central banks	9,897,141	11,489,708
Bank balances and receivables from the clearing business	427,350	903,486
Interest receivables from the clearing business	12,844	16,236
Fixed deposits	38,017	6,638
Other receivables from banks	6	9
	10,375,358	**12,416,077**
Term up to 1 month		
Reverse repo investments	255,218	0
	10,630,576	**12,416,077**

Receivables from customers

Receivables from customers amounting to €35,013 thousand (previous year: €1,339 thousand) are payable on demand and consist primarily of reverse repo investments amounting to €34,280 thousand (previous year: €0 thousand).

Bonds and other fixed-interest securities

The bonds held as at the balance sheet date were exchange-listed securities in the amount of €9,648 thousand (previous year: €5,029 thousand). The increase is due to the purchase of a bond in the financial year with a residual maturity to 2021.

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 balance sheet date, these receivables amounted to €83,924 thousand (previous year: €75,327 thousand), of which €60,008 thousand (previous year: €55,288 thousand) were from banks and €23,916 thousand (previous year: €20,039 thousand) were from customers.

Fixed assets

The development of fixed assets is described in the statement of changes in fixed assets.

Other assets

At the balance sheet 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 amount to €6,950 thousand. The embedded derivative financial instruments are stated separately from the host contract and are recognised under “other provisions”.

	31 Dec.	31 Dec.
	€ thous.	€ thous.
Receivables from Deutsche Börse	22,793	181
Receivables from Eurex Frankfurt	10,226	11,384
Receivables from incentive programme	6,950	6,950
Receivables from Eurex Zürich AG, Zurich, Switzerland	3,854	3,371
Receivables from Eurex Global Derivatives AG	18	0
Receivables from Clearstream Services S.A., Luxembourg, Luxembourg	18	22
Miscellaneous other assets	91	132
Receivables from Eurex Repo GmbH	2	0
	43,952	22,040

Liabilities in foreign currency

As at the balance sheet date, liabilities in foreign currency amounted to €9,958,932 thousand (previous year: €12,287,296 thousand).

Liabilities towards banks

Liabilities towards banks amounting to €23,344,872 thousand (previous year: €24,178,986) are payable on demand and mainly comprise margins paid by clearing members amounting to €22,944,731 thousand (previous year: €23,282,419 thousand), liabilities from the clearing business in the amount of €390,796 thousand (previous year: €86,226 thousand) and balances from current accounts of €12 thousand (previous year: €796 thousand).

Liabilities towards customers amounting to €1,879,064 thousand (previous year: €2,287,425 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €1,853,471 thousand (previous year: €2,257,825 thousand), as well as liabilities towards affiliated companies from cash pooling amounting to €25,600 thousand (previous year: €29,600 thousand).

Liabilities held in trust

This item concerns liabilities associated with the collection of remuneration on a fiduciary basis that has not yet been transferred to Eurex Frankfurt AG and Eurex Zürich AG and then ultimately to Deutsche Börse AG and Eurex Global Derivatives AG. Therefore, this item consists entirely of liabilities towards customers.

Other liabilities

	31 Dec.	31 Dec.
	€ thous.	€ thous.
Liabilities towards Deutsche Börse	14,171	8,094
Trade payables	2,325	3,264
Liabilities towards Eurex Global Derivatives AG	2,005	0
Liabilities towards Eurex Frankfurt	2,340	1,515
Liabilities towards Clearstream Banking AG, Frankfurt/Main	1,678	771
Liabilities towards Eurex Repo GmbH, Frankfurt/Main	1,428	696
Liabilities from taxes	503	426
Liabilities towards Clearstream Operations Prague SRO, Prague, Czech Republic	265	0
Liabilities towards Clearstream Services S.A., Luxembourg, Luxembourg	51	69
Liabilities towards Eurex Bonds GmbH, Frankfurt/Main	44	13
Liabilities towards Eurex Clearing Security Trustee GmbH, Frankfurt am Main	37	40
Miscellaneous other liabilities	26	21
	24,874	14,909

Provisions for pensions and other employee benefits

Pension liabilities on the basis of section 246 (2) clause 2 of the HGB	
	€ thous.
Pension obligations payable	11,971
Fair value of plan assets	(11,066)
Provisions for pensions and other employee benefits	**905**
Netting profit and loss	
	€ thous.
Expenses arising from pension obligations	649
Net expense stated under personnel expenses	**649**
Interest expense arising from pension obligations	448
Reversals of impairments to cover assets	(-477)
Income from cover assets	(-3)
Net expenses stated under net interest income	**(-32)**

Other provisions

Other provisions, amounting to €16,315 thousand, comprise the following:

	€ thous.
Variable remuneration	3,924
Provisions for anticipated losses	3,397
Other personnel provisions	3,153
Outstanding invoices	2,782
Provisions recognised as part of the restructuring programme	1,845
Flexible working time credit balance	753
Provisions for Supervisory Board remuneration	288
Provisions for claims for damages	133
Miscellaneous provisions	40
	16,315

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 has a residual maturity of less than one year, and the second tranche 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 €1,513 thousand for the first tranche and €1,884 thousand for the second tranche.

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 rate). The resulting difference is as follows:

Pension provision discounted using 10-year average	€11,945 thousand
Pension provision discounted using 7-year average	€13,576 thousand
Difference	€1,631 thousand

The difference is not subject to any block on transfers in accordance with section 268 (8) of the HGB in conjunction with section 301 of the AktG

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
Brought forward as at 1 January 2016	25,000	280,313	2,500	7,000
Allocation	-	50,000	-	-
Addition	-	-	-	-
Addition from 2016 net income	-	-	-	-
Balance as at 31 December 2016	25,000	330,313	2,500	7,000
Total shareholder's equity				364,813

Since the market price of the plan assets is higher than their acquisition cost, there is, in principle, the possibility of a block on transfers/distributions of €694 thousand (previous year: €157 thousand) in accordance with section 268 (8) of the HGB in conjunction with section 301 of the AktG. But as there are sufficient freely available reserves, the Company is not subject to a block on transfers/distributions.

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. There was no impact on profit.

Other operating income

Other operating income amounting to €90,209 thousand (previous year: €87,305 thousand) consists of:

	31 Dec.	31 Dec.
	€ thous.	€ thous.
Management services for Eurex Frankfurt	45,856	72,650
Agency agreement services for Deutsche Börse	22,992	1,459
Income from the reversal of provisions	11,007	519
Management services for Eurex Zürich AG	8,705	10,950
Income from currency valuation	1,134	1,496
Miscellaneous other operating income	266	231
Interest income from pension provisions	236	0
Management services for Eurex Global Derivatives AG	13	0
	90,209	87,305

Management services with Deutsche Börse includes income relating to other periods in the amount of €14,166 thousand. This income originates from 2013 to 2015 and results from the capitalisation of TARGET2-Securities and the apportionment of costs in the amount of €3,168 thousand as well as from other charges arising from the operation of Equity CCP with the Frankfurt Stock Exchange in the amount of €10,998 thousand.

General administration expenses

The other administration expenses are broken down as follows:

	31 Dec.	31 Dec.
	€ thous.	€ thous.
Agency agreement services provided by Deutsche Börse	36,399	24,167
External consultancy costs	18,574	24,091
Non-deductible input tax	8,393	10,205
Commission expenses with Eurex Repo GmbH	2,775	3,208
Agency agreement services provided by Eurex Global Derivatives AG	2,005	0
Other IT costs	2,049	1,476
Marketing costs	1,644	1,631
Agency agreement services provided by Clearstream Banking AG	1,471	845
Cooperation costs with Nasdaq OMX	1,059	1,053
Agency agreement services provided by Clearstream Operations Prague SRO	648	0
Commission expenses with Eurex Bonds GmbH	250	270
Other administration expenses	2,832	4,823
	78,099	71,769

The agency agreement services provided by Deutsche Börse include expenses from other periods in the amount of €13,368 thousand. These expenses originate from 2013 to 2015 and result from the capitalisation of TARGET2-Securities and the apportionment of costs in the amount of €3,037 thousand as well as from other charges arising from the operation of Equity CCP with the Stock Exchange in the amount of €10,331 thousand for 2014 and 2015. The commission expenses with Eurex Repo GmbH in the amount of €2,775 thousand (previous year: €3,08 thousand) include expenses from other periods in amount of €266 thousand for 2013 to 2015.

Other operating expenses

The other operating expenses in the amount of €650 thousand (previous year: €438 thousand) are mainly as a result of expenses for Deutsche Bundesbank audits and the compensation scheme for

German banks totalling €203 thousand, and expenses for claims for damages in the amount of €133 thousand (previous year: €13 thousand).

Other operating expenses include interest rate effects from the addition of discounted interest for other provisions in the amount of €80 thousand. In the previous year the interest rate effects from pensions and plan assets were included under this item. There was no impact on profit.

Transfer of profit

Based on the profit transfer agreement with Eurex Frankfurt, an amount of €2,209 thousand (previous year: €1,097 thousand) was 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 2016, market participants had netting-eligible gross payment obligations from open positions due to transactions traded via the central counterparty with a total value of €113.8 billion (previous year: €133.5 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 €113.8 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 €41,302.9 million (after haircuts) at the reporting date (previous year: €48,171.2 million). The actual collateral deposited was as follows:

Composition of Eurex Clearing's collateral		
	Collateral value as at 31 December 2016	**Collateral value as at 31 December**
	€m	€m
Cash collateral (cash deposits) [1)]	24,798.2	25,540.2[2)]
Securities and book-entry securities collateral [1)]	29,170.1	33,929.2
Total	**53,968.3**	**59,469.4**

[1)] Including clearing fund

[2)] The collateral in cash (cash deposits) in 2015 in amount of €22,621.2 million was reported with a safety margin (haircut) of €2,919.0 million.

As at 31 December 2016, the volume of Eurex Clearing's clearing fund stood at €3,963.4 million (previous year: €4,361.8 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)	0.3 (0.3)	0.2 (0.1)	0.1 (0.2)
Management and agency contracts (previous year)	19.3 (19.0)	19.3 (19.0)	0 (0)
- Thereof to affiliated or associated companies (previous year)	19.3 (19.0)	19.3 (19.0)	0 (0)

The agreements may be terminated annually.

Other disclosures

Supervisory Board

The members of the Supervisory Board are:

Dr Hugo Bänziger *Chairman*	Managing Partner, Lombard Odier Group, Geneva
Gregor Pottmeyer *Deputy Chairman*	Member of the Executive Board, Deutsche Börse AG, Frankfurt am Main
Peter Barrowcliff	Former Managing Director, Société Général Newedge UK Financial Limited, London
Charles Bristow	Co-Head of Global Rates Trading, 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, Deep Blue Capital N.V., Amsterdam
Andrea French	Former Chief Operating Officer and Co-CEO, Rokos Capital Management LLP, London
Prof. Hans-Helmut Kotz	Resident Fellow, Center for European Studies, Harvard University, Cambridge, MA Program Director, SAFE Policy Center, Goethe University, Frankfurt am 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 am Main

Members of the Supervisory Board who departed in 2016:

Martin Klaus (until 31 March 2016) Member of the Board of Trustees, Pension Fund Credit Suisse Group

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:

Dr Thomas Book *Chairman* (until 6 March 2016)	Chief Executive Officer (CEO)
Erik Tim Müller *Chairman* (from 1 July 2016)	Treasury (until 30 June 2016) Chief Executive Officer (CEO)
Heike Eckert *Deputy Chairman* (from 22 February 2016)	Chief Operating Officer Deputy Chief Executive Officer
Matthias Graulich	Chief Client Officer (until 30 June 2016) Chief Strategy Officer (from 1 July 2016)
Thomas Laux	Chief Risk Officer
Manfred Matusza (from 1 June 2016)	Chief Technology Officer

In 2016, the total remuneration of members of the Executive Board amounted to €3,300 thousand (previous year: €2,996 thousand), Total compensation includes share-based remuneration of €578 thousand (previous year: €687 thousand). In the year under review, the corresponding shares were valued at the market price on the balance sheet date. The estimated number of shares (8,346) is based on the share price of Deutsche Börse on the balance sheet 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:

Dr Thomas Book

- Eurex Clearing Asia Pte. Ltd., Singapore, Singapore, Chairman of the Board of Directors

Heike Eckert

- European Energy Exchange AG, Leipzig, Member of the Supervisory Board

Erik Tim Müller

- Clearstream Holding AG, Member of the Supervisory Board, Frankfurt am Main (until 31 March 2016)

Employees

As at 31 December 2016, the number of employees at Eurex Clearing AG (excluding the Executive Board) was 182 (previous year: 178). During financial year 2016, the average number of employees was 180.8 (previous year: 174.8).

	Male	Female	Total
Management employees	20.0	3.8	23.8
Non-management employees	98.5	58.5	157.0
Number of employees	**118.5**	**62.3**	**180.8**

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, during the term of the agreement, Eurex Frankfurt is required 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 our 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 our 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/pillar-iii-offenlegungsbericht by year. The reports for financial year 2016 are not yet available online as at the publication date of the 2016 annual report.

Report on post-balance sheet date events

No significant events occurred after the balance sheet date.

Frankfurt/Main, 8 February 2017

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, 2016

	Costs					Depreciation and amortization						Carrying amounts	
	Balance as at 01.01.2016	Additions 2016	Disposals 2016	Reclassification 2016	Balance as at 31.12.2016	Balance as at 01.01.2016	Depreciation 2016	Write-Ups 2016	Disposals 2016	Reclassification 2016	Balance as at 31.12.2016	31.12.2016	31.12.2015
	€	€	€	€	€	€	€	€	€	€	€	€	T€
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	50.242,69	15.539,40	5.838,40	0,00	59.943,69	26.179,69	6.637,40	0,00	5.838,40	0,00	26.978,69	32.965,00	24
	50.242,69	**15.539,40**	**5.838,40**	**0,00**	**59.943,69**	**26.179,69**	**6.637,40**	**0,00**	**5.838,40**	**0,00**	**26.978,69**	**32.965,00**	**24**
	2.271.476,17	**15.539,40**	**5.838,40**	**0,00**	**2.281.177,17**	**2.172.413,17**	**6.637,40**	**0,00**	**5.838,40**	**0,00**	**2.173.212,17**	**107.965,00**	**99**

Appendix to the Financial Statement 2016

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	107,233	182	2,211	0.5

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 2016

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 is authorised to act as the sole central counterparty (CCP) for financial market transactions under the Kreditwesengesetz (KWG, German Banking Act). 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.

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, 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.

As a service provider, Eurex Clearing does not engage in research and development activities comparable with those of manufacturing companies. Therefore, 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 2016 was preparing for and partially implementing functional enhancements of the system landscape used by Eurex Clearing. These enhancements include Eurex Clearing Prisma,

the new portfolio-based risk management method, the C7 clearing system in the area of transaction- and position management, and the new distribution-related connectivity model, ISA ("Individual Segregated Account") Direct, which enables connectivity with buyers who are active on the financial markets but with whom there is currently no direct clearing participant relationship ("Buyside").

- With Eurex Clearing Prisma, Eurex Clearing created an innovative option for achieving capital efficiency. To ease the migration from the current risk-based margining (RBM) method to Eurex Clearing Prisma (hereinafter "Prisma"), Eurex Clearing is gradually introducing the new margin method in multiple releases. With each Prisma release Eurex Clearing moves specific asset classes to the new calculation method.

- With the introduction of the C7 clearing system the former Eurex Clearing Classic System was gradually replaced. C7 provides a uniform, modern platform for current and future market requirements. It also covers all regulatory changes.

- The ISA Direct connectivity model combines elements of direct clearing membership with the usual customer clearing services.

The preparation and implementation of these functional enhancements involved expenses of €8.7 million in financial year 2016 (previous year: €15.7 million) for the C7 Clearing System, €5.3 million (previous year: €20.2 million) for Eurex Clearing Prisma and, for the first time in 2016, €2.2 million for ISA Direct. The reduction in expenses incurred for further development of the systems followed the introductions of C7 and Prisma.

2. Report on economic position

2.1. Macroeconomic and sector-specific environment

Economic trends in the industrialised nations were robust in the year under review and largely met expectations. The economic development of various up-and-coming economies and a few emerging markets continued to be hampered by structural problems as well as macroeconomic and financial uncertainties. The recovery in the global economy thus remained uneven, with global economic indicators and the available country data pointing to sustained moderate global economic growth.

Global appetite for risk was partly bolstered by measures taken by central banks in a number of large industrial countries. The Bank of England's monetary policy committee lowered benchmark rates in August and announced further quantitative easing. In September, the Bank of Japan decided to further extend its expansive monetary policy course, introducing quantitative and qualitative easing while monitoring the yield curve.
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. On 8 December 2016, the ECB Governing Council decided to extend the asset purchase programme

until at least the end of December 2017, albeit with a reduction in volume from €80 billion to €60 billion per month from April 2017.

The US Federal Reserve Bank (Fed) enacted a significant monetary countermeasure on 14 December 2016 by raising benchmark rates by 25 basis points to the new target range of 0.50 to 0.75 per cent. Further measures have been announced for 2017.

The economy held its ground in Asia's emerging markets, including China and India, and in the Central and Eastern European countries. Emerging market economies continued to benefit from increased risk appetite, with capital flows remaining stable in these countries given the general improvement in financing conditions.

The key business purpose of Eurex Clearing includes effectively protecting customer positions and the deposited collateral by reducing counterparty risk and ensuring cost-effective risk and position management for clearing members and their customers as participants in the financial and capital markets. The environment on the financial and capital markets was considerably impacted by the low interest rate policy of the central banks, consistently high activity on the equity markets, and persistently high market volatility.
Trading on the euro zone derivatives markets in financial market derivatives, such as index, interest rate and equity products, developed in line with the relatively volatile level of the primary markets.

The economic and political uncertainties created by, for example, the United Kingdom's referendum on its EU membership and the US presidential election were reflected in investments in derivatives to hedge these real economy-related risks. The implementation of regulatory requirements on the part of institutional customers was one of the core issues during the period under review.

To this end, the European Commission and the US Commodity Futures Trading Commission (CFTC) came to an important agreement on transatlantic clearing, recognising the equivalence of the US regulations for central counterparties. The decision on equivalence ensured that central counterparties in the EU and US will offer the same high standards at comparable costs for participants.

2.2. Business development

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 2016 Eurex Clearing generated a profit of € 2,209 thousand (previous year: €1,097 thousand) before profit transfer to Eurex Frankfurt AG and exceeded the previous year's forecast thanks to out-of-period income.

Eurex Clearing's clearing volumes rose in financial year 2016 compared with 2015 levels with respect to the number of cleared transactions. This rise, which was due to an increase in the number of transactions concluded, meant that clearing volumes met the expectations set out in the previous year's forecast. The development of Eurex Clearing's clearing volume will now be discussed in detail. On the basis of existing agreements, this has no direct influence on the Company's net assets, financial position and results of operations.

The clearing and trading volume was 1,727.5 million contracts for futures and options, up 3 per cent on the previous year (previous year: 1,672.6 million).

Clearing in equity index derivatives increased by 7 per cent year-on-year to 894.0 million contracts (previous year: 837.7 million). By far the most commonly traded and settled products were contracts on the EURO STOXX 50® index with 374.5 million futures (previous year: 341.8 million) and 301.5 million options (previous year: 314.5 million). The volume of equity derivatives contracts (single-stock options and futures) cleared in the year under review was 291.1 million (previous year: 311.8 million), a decrease of 7 per cent.

The volume of interest rate derivatives cleared in the year under review increased by 3.4 per cent to 526.6 million contracts (previous year: 509.1 million). Over-the-counter interest rate swaps settled via EurexOTC Clear achieved a clearing volume of €907.5 billion corresponding to the nominal volume of transactions concluded (previous year: €216.6 billion).

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 26.2 per cent to €127.5 billion (previous year: €172.8 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, at 117.0 million transactions, was 0.9 per cent below the previous year's level (previous year: 118.1 million transactions). The clearing volume for bond transactions fell by 26.8 per cent year-on-year to 10.9 thousand transactions (previous year: 14.9 thousand transactions).

In the newly organised clearing offering for securities lending business, outstanding nominal volumes rose to €3.2 billion in the reporting period.

2.3. Results of operations, financial position and net assets

2.3.1. Results of operations

Net interest income amounted to €21,500 thousand in 2016 (previous year: €16,486 thousand). Included in this are interest income in the amount of €156,237 thousand (previous year:

€163,712 thousand) as well as interest expense of €134,737 thousand (previous year: €147,225 thousand). The increase in net interest income year-on-year is primarily due to the practice of charging a service fee for the cash deposits (“Cash Handling Fee”) to participants. This practice was introduced in May 2015, and a full-year effect is seen in this regard in 2016. The Company did not generate any commission income after transfers. The commission expense of €4,513 thousand (previous year: €3,224 thousand) is primarily related to bank fees.

In 2016 other operating income at Eurex Clearing amounted to €90,209 thousand (previous year: €87,305 thousand) and largely comprises income from management services for Eurex Frankfurt AG and Eurex Zürich AG amounting to €54,650 thousand (previous year: €83,600 thousand), agency agreement services with Deutsche Börse amounting to €22,992 thousand (previous year: €1,459 thousand) as well as the reversal of provisions in the amount of €11,007 thousand (previous year: €519 thousand). This item also includes income from foreign currency valuation in the amount of €1,134 thousand (previous year: €1,496 thousand).

Administrative expenses amounted to €104,515 thousand (previous year: €99,022 thousand) and mainly consist of expenses for agency agreement services provided by Deutsche Börse AG amounting to €36,399 thousand (previous year: €24,167 thousand), personnel expenses in the amount of €26,192 thousand (previous year: €27,252 thousand), external consulting costs of €18,574 thousand (previous year: €24,091 thousand), non-deductible input tax in the amount of €8,393 thousand (previous year: €10,448 thousand), agency agreement services provided by Eurex Global Derivatives AG amounting to €2,231 thousand (previous year: €0 thousand), IT costs in the amount of €2,049 thousand (previous year: €1,479 thousand), marketing costs in the amount of €1,645 thousand (previous year: €1,631 thousand) and cooperation costs with Nasdaq OMX amounting to €1,059 thousand (previous year: €1,053 thousand). Personnel expenses include costs for efficiency programmes amounting to €78 thousand (previous year: €3,173 thousand).

The Company’s net profit (before profit transfer to the parent company) was €2,209 thousand (previous year: €1,097 thousand). As part of the existing profit transfer agreement, €2,209 thousand (previous year: €1,097 thousand) was transferred to Eurex Frankfurt AG. This rise was primarily attributable to other operating income and expenses from previous years.

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 0.3% (previous year: 0.2%).

2.3.2. Financial position

Eurex Clearing’s equity increased from €314,813 thousand to €364,813 thousand as at 31 December 2016 due to a payment of €50,000 thousand into capital reserves on 14 June 2016.

Funds paid in as collateral by clearing participants of €24,798,203 thousand (previous year: €25,540,243 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

€9,648 thousand (previous year: €5,029 thousand) in bonds issued by the German federal states of Berlin and Hesse, 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 2016, these amounted to €24,807,985 thousand (previous year: €25,870,051 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, granted by various credit institutions, are available for refinancing purposes. The approved euro credit lines were drawn on regularly during financial year 2016. As at 31 December 2016 these lines were not utilised.

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 2016 Eurex Clearing exclusively used intraday loans for secured borrowing. As at 31 December 2016 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 2016.

As from 1 January 2016, 70 per cent of the liquidity coverage ratio introduced by the Capital Requirements Regulation (EU) no. 575/2013 had to be adhered to. Effective as of 30 September 2016, a revised version of the Liquidity Coverage Ratio Delegated Regulation (LCRDR) came into effect with Implementing Regulation (EU) 2015/61. The required ratio for 2016 of 70 per cent (LCRDR) remained unchanged. As from 1 January 2017, the requirement is 80 per cent of the capital coverage ratio. As at 31 December 2016 Eurex Clearing had a liquidity coverage ratio (LCRDR) of 101 per cent.

The regulatory figure in accordance with the Liquiditätsverordnung (LiqV, German Liquidity Regulation) remains stable and fluctuates between 2.41 and 2.89 based on month-end values. This measurement helps document the Company’s liquidity situation.

2.3.3. Net assets

The cash reserve in the amount of €14,910,843 thousand (previous year: €14,380,343 thousand) and receivables from credit institutions in the amount of €10,633,650 thousand (previous year: €12,416,077 thousand) mainly comprise the investment of the cash collateral deposited by clearing participants in the amount of €24,798,203 thousand (previous year: €25,540,243 thousand).

On 14 June 2016, €50,000 thousand was deposited in the capital reserves. In 2016 the equity amounted in €364,813 thousand (previous year: € 314,813 thousand).

Total assets after the deduction of margins and liabilities held in trust amounted to €835,715 thousand (previous year: €1,286,112 thousand), resulting in an equity ratio of 43.7 per cent (previous year: 24.5 per cent).

Overall, the Company's results of operations, financial position and net asset situation are in good order. Eurex Clearing was always able to meet its payment obligations in financial year 2016.

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, 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 2017 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 identified various factors in 2016 business trends that significantly impacted investments in the financial markets and which could persist in the coming financial year.

- Developments since the financial crisis of 2008 and the uncertainties that affected the euro zone regarding the economic viability and creditworthiness of individual member states have largely been overcome by trading institutions and market participants. The anticipation is, therefore, that trading activity will normalise.

- The expectation that key interest rates would remain low in 2016 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 developed positively in comparison with the relatively low level of the previous periods.
- Derivatives on European government bonds from France, Italy and Spain, which were introduced in the context of interest rate divergence between various European countries, are particularly well suited to enable market participants to broaden their risk hedging.
- Various regulatory measures have created a need for adaptation on the part of trading participants. In this case, liquidity is linked to higher capital requirements as a result of the implementation of the Capital Requirements Regulation/Directive (CRR/CRD IV). But further legislative measures in Europe and the US on mandatory notification (reporting obligation) and binding collateralisation of over-the-counter (OTC) transactions also increased operating expenses (EMIR, Dodd-Frank Act).
- In the years after 2012, the volatility measured with respect to the price trends in the underlyings for derivatives market products was very low. The measurable rise in market volatility over the course of the last two financial years increases the need for trading participants to hedge future market/price risks on the financial markets. This led to higher numbers of transactions in derivatives market contracts from the range of European and global index derivatives.

In summary: Eurex Clearing expects that if the economic situation in the euro zone continues to recover and organic growth initiatives have positive effects, clearing volumes will increase in 2017 as compared to financial year 2016. Eurex Clearing also sees the commission income trend before transfers as being positive with low double-digit growth. For 2017 the general administrative costs before transfers are projected to be slightly higher than the costs for 2016. Eurex Clearing forecasts that the sustained low level of interest rates will result in comparable year-on-year interest income and, as a result, a neutral effect on the operating result. 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 also anticipates the Company will realise a stable net profit for 2017 (before profit transfer to the parent company) at the same level as in 2016. With regard to subsequent business performance beyond 2017, 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 2017, are manifold and not easily predictable. Key challenges in 2017 and beyond will continue to be the introduction and effects of regulatory measures relating to market participants' capital and risk management activities.

Yet even when taking into account these influencing factors, Eurex Clearing continues to anticipate – based in particular on economic development worldwide, economic stabilisation 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 structural growth drivers in the financial market business are intact and will have a positive impact over the long term. Eurex Clearing plans to use the measures listed below to participate in these developments:

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

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

- 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.

- Enhancement of the Eurex Clearing system landscape with both Eurex Clearing Prisma and the C7 clearing infrastructure.

In addition, Eurex Clearing also expects there to be fundamentally positive stimuli on operating activities during the 2017 forecast period and beyond as a result of other measures to expand the clearing network, strengthen the customer base in terms of quantity and geographical reach, and increase the number of clearing products and product classes.

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

3.3. Risk report

Risk management system and methods

Eurex Clearing is integrated into the Group-wide risk management system of Deutsche Börse AG. Deutsche Börse Group has established a Group-wide risk management system that defines functions, processes and responsibilities and which is binding for all Group employees.

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-bearing capacity for its economic capital. For control purposes, Eurex Clearing regularly calculates the ratio of EC to risk-bearing capacity, or "utilisation of risk-bearing capacity", 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 of Eurex Clearing is carried out quarterly and on an ad hoc basis as required. The Supervisory Board of Eurex Clearing receives quarterly reports. In addition reports are made to the 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 risks

Operational risks constitute material risks for Eurex Clearing. Operational risks contribute approximately 60 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. Personnel risks are not quantified directly, but influence the quantification process indirectly via the operational risk categories.

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.

Service deficiencies

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. They further include losses as a result of insufficient controls to prevent money laundering, breaches of competition law regulations 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 40 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 risk that a counterparty might fail to meet its contractual obligations in full or in part. 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 credit 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. The risks identified in the stress test calculations in financial year 2016 were further analysed and corresponding measures were implemented to reduce risk.

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. The 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.

The margins are calculated separately for clearing member accounts and customer 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 called 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 depending 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 of a potential default on the clearing fund 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 outstanding positions and transactions of the clearing member concerned 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. If a shortfall remains or costs are incurred in connection with such a closing or cash settlement, the collateral provided by the clearing member concerned is initially used to cover the amounts. As at 31 December 2016, collateral amounting to €49,431.6 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 range from €1 million to €432 million as at 31 December 2016.
4. Any remaining shortfall would initially be covered by Eurex Clearing's own contribution to the clearing fund. As at 31 December 2016, the contribution of Eurex Clearing stood at €100 million.
5. Only after this would the other clearing members' contributions to the clearing fund be used proportionately. As at 31 December 2016, the volume of Eurex Clearing's clearing fund stood at €3,002.66 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 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. No rights are granted to third parties from 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.

In the event of a counterparty default the Default Management Process (DMP) is triggered. Its purpose is to liquidate the positions of the defaulting participant. The member's positions are divided into liquidation groups, based on criteria such as joint saleability or their joint pricing, in order to treat similar positions in a similar manner. In the case of payment default, each of these recovery groups is transferred to other participants via an auction. When the DMP is initiated, the clearing fund is also segmented according to the recovery groups based on the margin requirements. When positions are liquidated because a clearing member has defaulted, initially only that specific segment of the clearing fund is used to bear the losses. If the specific segments of the clearing fund in which that customer is active are depleted, the contribution of Eurex Clearing to the clearing fund is used. At the same time, a committee of market experts (Default Management Committee) meets to advise and support Eurex Clearing.

Eurex Clearing has faced four defaults of clearing members to date: Gontard & MetallBank (2002), Lehman Brothers (2008), MF Global (2011) and Maple Bank (2016). In all four cases, the clearing members not in default were fully protected because the liquidation costs were settled without resorting to either Eurex Clearing's own capital or that of the clearing fund. A substantial portion of the defaulters' margin remained unused and was returned to them.

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 on the part of a counterparty 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 can arise in relation to cash investments through interest rate and currency fluctuations. 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 that serves to cover pensions and other employee benefits.

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 €3.4 million. The fair value is limited to €–7.0 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.

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.

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 risk appetite were observed.

As at 31 December 2016, the required economic capital of Eurex Clearing amounted to €250 million, compared to €195 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 €365 million (previous year: €315 million).

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

Frankfurt/Main, 8 February 2017

Eurex Clearing Aktiengesellschaft

Erik Tim Müller Heike Eckert Matthias Graulich

Thomas Laux Manfred Matusza

Auditor's Report

We have audited the financial statements, comprising the balance sheet, the profit and loss account and the notes to the financial statements, together with the bookkeeping system and the management report of Eurex Clearing Aktiengesellschaft, Frankfurt am Main, for the financial year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the financial statements and management report in accordance with German commercial law are the responsibility of the company's executive board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We have conducted our audit of the financial statements in accordance with Article 317 of the German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors [Institut der Wirtschaftsprüfer]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the executive board as well as evaluating the overall presentation of the financial statements and of the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements and give a true and fair view of the financial position, cash flow and results of operations of the company in accordance with the German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the statutory requirements, provides as a whole a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 23 February 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

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