Annual Financial Statements for the period ended December 31, 2011 and Management Report

Eurex Clearing Aktiengesellschaft
Frankfurt am Main

This is an English translation of the German text, which is the sole authoritative version.

Balance sheet as at 31 December 2011
of Eurex Clearing AG, Frankfurt/Main

Assets	31/12/2011		31/12/2010	
	€	€	€ thousand	€ thousand
Liquid funds				
Balances with				
central banks	4,197,299,237.69	4,197,299,237.69	128,673	128,673
of which with the Bundesbank				
€4.197.299.237,69				
(previous year:				
€128.673 thousand)				
Receivables from credit institutions				
Payable on demand	6,652,609,763.22		5,186,339	
other receivables	3,327,520,620.54	9,980,130,383.76	934,879	6,121,218
Receivables from customers		286,362.00		1
Assets held in trust		64,335,242.72		62,724
Intangible assets		7,947.00		12
Property, plant and equipment		31,885.00		3
Other assets		12,726,178.71		5,798
Deferred expenses		170,335.67		92
Total assets		14,254,987,572.55		6,318,521

Shareholders' equity and liabilities	31/12/2011			31/12/2010		
	€	€	€	€ thousand	€ thousand	€ thousand
Liabilities to						
credit institutions						
Payable on demand		12,608,598,223.96	12,608,598,223.96		5,120,325	5,120,325
Liabilities to customers						
Other liabilities						
Payable on demand		1,442,743,264.16	1,442,743,264.16		1,009,844	1,009,844
Liabilities held in trust			64,335,242.72			62,724
Other liabilities			13,191,173.61			7,141
Provisions						
Provisions for pensions						
and similar obligations		1,674,737.50			554	
Other provisions		10,821,360.47	12,496,097.97		4,957	5,511
Shareholders' equity						
Subscribed capital		25,000,000.00			25,000	
Capital reserves		80,312,845.52			80,313	
Retained earnings						
Legal reserves	1,704,516.74			1,307		
Other retained earnings	6,606,207.87	8,310,724.61		6,356	7,663	
Unappropriated surplus		0.00	113,623,570.13		0	112,976
Total shareholders' equity and liabilities			14,254,987,572.55			6,318,521

Income statement
of Eurex Clearing AG, Frankfurt/Main
for the period from 1 January to 31 December 2011

	2011			2010		
	€	€	€	€ thousand	€ thousand	€ thousand
Interest income from						
loan and money market business		47,655,231.44			14,586	
Interest expense		-32,120,129.97	15,535,101.47		-5,112	9,474
Commission expense			-2,213,169.52			-1,898
Other operating income			69,397,112.83			64,675
thereof from currency translation €14.124.265,93						
(previous year: €31.300 thousand)						
General administrative expenses						
Personnel expenses						
Wages and salaries	-8,173,888.16			-5,337		
Social security and expenses						
for pensions and other employee benefits	-2,026,337.93	-10,200,226.09		-493	-5,830	
thereof for pensions €-1.190.892,23						
(previous year: €-42 thousand)						
Other administrative expenses		-56,492,746.76	-66,692,972.85		-31,816	-37,646
Depreciation and amortization of						
fixed and intangible assets			-6,176.56			-2,151
Other operating expenses			-15,122,530.00			-31,351
thereof from currency translation €-13.755.862,83						
(previous year €-30.375 thousand)						
Net operating income			**897,365.37**			**1,103**
Extraordinary expense			0.00			-55
Extraordinary earnings			**0.00**			**-55**
Taxes on income			0.00			-1
Profit transferred under profit transfer agreement			-249,811.88			-325
Net income for the year			**647,553.49**			**722**
Allocations to retained earnings						
to legal reserves		-397,741.62			-398	
to other retained earnings		-249,811.87	-647,553.49		-324	-722
Unappropriated surplus			**0.00**			**0**

Notes to the financial statements for 2011 fiscal year

Accounting policies

The annual report of Eurex Clearing AG (hereinafter referred to as “Eurex Clearing”) for the 2011 fiscal year was prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), the Aktiengesetz (AktG, German Stock Corporation Act) and the accounting regulations for credit institutions and financial service providers.

Assets and liabilities denominated in foreign currency have been translated in accordance with section 340 of the HGB in conjunction with section 256a of the HGB at 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 HGB sections 253 (1) sentence 1 and 252 (1) no. 4 clause 2 were not applied.

Expenses and income 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 340 (h) of the HGB.

Purchased intangible assets are carried at cost and amortised using the straight-line method or reduced by the lower of fair value. Property, plant and equipment are carried at cost. According to section 6 (2a) of the German Income Tax Act (EstG), low-value fixed assets having acquisition costs ranging from €150 to €1,000 are recognised in a compound item and amortised over a period of five years, using the straight-line method.

Receivables and other assets are always carried at their nominal amount. All discernible risks are impaired individually, whilst latent risks are impaired on a portfolio basis.

Provisions for pensions and other obligations have been stated along with the projected benefit obligation on the basis of actuarial tables using the “2005 G” mortality tables (generation tables) developed by Prof Dr Klaus Heubeck, modified by statistical information gathered by the German Federal Statistical Office from 2006 to 2008.

Actuarial assumptions		
	31.12.2011	31.12.2010
	%	%
Discount rate	5.13	5.15
Salary growth	3.50	3.50
Pension growth	2.00	1.75
Fluctuation rate (up to age 50, thereafter 0.0 percent)	2.00	2.00

Calculations for the projected benefit obligation arising from the employee-financed Deferred Compensation Programme were made on the basis of an interest rate of 5.13 percent (previous year: 5.15 percent) along with actuarial tables using the “2005 G” mortality tables (generation tables) developed by Prof Dr Klaus Heubeck, modified by statistical information gathered by the German Federal Statistical Office from 2006 to 2008.

As per section 246 (2) of the HGB, the amount of pension benefits to be paid as at the balance sheet date was offset against the fair value of the asset, which is protected from the claims of creditors and is intended exclusively to meet the liabilities arising from pension obligations or other similar long-term obligations to employees (plan assets). The accumulated acquisition costs of this asset are €2,001 thousand (previous year: €1,797 thousand).

The total asset, which corresponds to a 1.2 percent share in a special fund as defined by sections 2 and 3 of the German Investment Act (InvG), had a fair value at the balance sheet date of €1,795 thousand (previous year: €1,660 thousand), which is equivalent to the current value as defined by section 36 of the InvG. A separate asset in the amount of €204 thousand (previous year: €357 thousand) was also added. This asset is protected from the claims of all creditors and is thus not repayable on demand.

The other provisions have been formed in consideration of all known risks and unknown liabilities as at the balance sheet date and were estimated at the amount which is required to be paid according to a reasonable commercial assessment. The basis for determining provisions for the Stock Bonus Plan is the price of Deutsche Börse AG shares at the reporting date. The provisions for anniversary payments and early retirement were estimated using actuarial principles at the amount to be paid, and for early retirees at present value. The projected unit credit method was applied as the basis of this assessment. During the period under review, the interest rate of 5.13 percent (previous year: 5.15 percent) published by the Bundesbank (German Central Bank) was adopted. The “2005 G” mortality tables created by Prof Dr Klaus Heubeck (with the modifications already mentioned) were the basis of these projections.
As at the balance sheet date, there were temporary differences in the personnel-related provisions between the carrying amounts according to commercial law and their taxable values. The application of deferred tax assets in accordance with section 274 (1) sentence 1 of the HGB was not used.

In accordance with section 253 (1) sentence 2 of the HGB, these liabilities are treated with their respective payment amounts as deferred items.

If the collateral in the form of margin payments that clearing members are required to provide to Eurex Clearing 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”. The calculation of margin payments is only made after the post-trading period. In accordance with standard practice, the margin payments to be deposited as collateral are only booked after the margins have been collected.

Notes to the balance sheet

Assets in foreign currency

As at the balance sheet date, assets in foreign currency amounted to €3,022,231 thousand (previous year: €881,322 thousand).

Receivables from credit institutions

Receivables from credit institutions are mainly in the form of reverse repo investments of €5,736,225 thousand (previous year: €4,926,589 thousand), of which €2,408,705 thousand (previous year: €3,991,810 thousand) are payable on demand, and €3,327,520 thousand (previous year: €934,779 thousand) have a maturity of up to three months. Balances at foreign central banks in the amount of €2,980,687 thousand (previous year: €855,974 thousand) are payable on demand, as well as overnight money amounting to €1,110,000 thousand (previous year: €262,538 thousand).

Receivables from clients

Receivables from clients comprise sales tax on issued invoices and are payable on demand.

Assets held in trust

This item concerns receivables from stock exchange participants arising from amounts relating to remuneration collected for DBAG and SIX on a fiduciary basis. As at the balance sheet date, these receivables amounted to €64,335 thousand (previous year: €62,724 thousand), of which €42,272 thousand (previous year: €48,272 thousand) were towards credit institutions and €20,063 thousand (previous year: €14,452 thousand) were towards clients.

Fixed assets

The performance of fixed assets is described in detail in the appendix.

Other assets

As at the balance sheet date, receivables from affiliated companies amounting to €12,713 thousand (previous year: €5,641 thousand) – including €8,214 thousand (previous year: €16 thousand) from Eurex Frankfurt AG, €4,090 thousand (previous year: €4,625 thousand) from DBAG and €409 thousand (previous year: €1,000 thousand) from Eurex Zürich AG arising from management services – accounted for the majority of the other assets.

Liabilities in foreign currency

As at the balance sheet date, liabilities in foreign currency amounted to €3,011,155 thousand (previous year: €871,428 thousand).

Liabilities towards credit institutions

Liabilities towards credit institutions amounting to €12,608,596 thousand (previous year: €5,120,325 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €12,415,589 thousand (previous year: €5,050,394 thousand) and the associated interest in the amount of €1,469 thousand (previous year: €461 thousand).

Liabilities towards clients

Liabilities towards clients amounting to €1,442,743 thousand (previous year: €1,009,844 thousand) are payable on demand and comprise margins paid by clearing members amounting to €1,442,437 thousand (previous year: €1,009,671 thousand) and the associated interest in the amount of €306 thousand (previous year: €173 thousand).

Liabilities held in trust

This item concerns liabilities associated with the collection of remuneration on a fiduciary basis which has not yet been transferred to DBAG and SIX.

Other liabilities

Other liabilities mainly comprise liabilities towards affiliated companies in the amount of €6,344 thousand (previous year: €4,211 thousand), liabilities towards suppliers amounting to €6,388 thousand (previous year: €2,175 thousand) and not yet transferred income and church tax amounting to €452 thousand (previous year: €415 thousand).

Provisions for pensions and other employee benefits

Pension liabilities on the basis of HGB section 246 (2) 2	
	€ thousand
Amount to be paid of pension obligations	3,470
Fair value of plan assets	(1,795)
Provisions for pensions and other employee benefits	1,675
Clearing of profit and loss	
	€ thousand
Expenses arising from pension obligations	87
Net expense stated under personnel expenses	87
Interest expense arising from pension obligations	142
Amortisation of cover assets	69
Income from cover assets	(21)
Net expense stated under financial result	190

Other provisions

Composition of other provisions amounting to €10,821 thousand:

	€ thousand
Outstanding invoices	5,409
Compensation payments	2,905
Provisions made as part of the restructuring programme	854
Other personnel provisions	627
Variable remuneration	571
Flexible working time credit balance	346
Other provisions	109
	10,821

Equity

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

The Company’s capital reserves and retained earnings performed as follows:

	€ thousand	€ thousand	€ thousand
Capital reserves			
Carried forward to 1 January 2011	80,313		
Balance as at 31 December 2011			80,313
Retained earnings			
Legal reserves			
Carried forward to 1 January 2011	1,307		
Addition		398	
Balance as at 31 December 2011			1,705
Other retained earnings			
Carried forward to 1 January 2011	6,356		
Addition from 2011 net income		250	
Balance as at 31 December 2011			6,606
			88,624

Disclosures about the income statement

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

Other operating income

Other operating income amounting to €69,397 thousand (previous year: €64,675 thousand) comprises revenue from currency valuation in the amount of €14,124 thousand (previous year: €31,300 thousand). In addition, this item includes income from management services for DBAG and SIX amounting to €38,085 thousand (previous year: €21,488 thousand) and CCP management for DBAG in the amount of €11,657 thousand (previous year: €11,657 thousand).

General administration expenses

This item comprises other management expenses amounting to €56,493 thousand (previous year: €31,816 thousand), and personnel expenses amounting to €10,200 thousand (previous year: €5,830 thousand). The increase in other management expenses is largely attributable to higher demand for external consulting services. The rise in personnel expenses is largely attributable to increased employee capacity.

Alongside external consulting costs amounting to €21,025 thousand (previous year: €4,591 thousand), other management expenses include costs for IT services provided by Deutsche Börse AG in the amount of €8,701 thousand (previous year: Deutsche Börse Systems AG, €8,565 thousand) and costs for agency agreement services provided by DBAG in the amount of €14,565 thousand (previous year: €11,717 thousand). In addition to agency agreements (€12,837 thousand; previous year: €10,225 thousand), the expenses for agency agreement services provided by DBAG include costs for price information and securities services amounting to €1,728 thousand (previous year: €1,492 thousand). This item also includes expenses arising from non-deductible input tax (€8,570 thousand; previous year: €5,285 thousand) and expenses for agency agreement services provided by Clearstream Banking AG (€378 thousand; previous year: €502 thousand).

Other operating expenses

Other operating expenses amounting to €15,122 thousand (previous year: €31,351 thousand) mainly comprise expenses relating to currency valuation in the amount of €13,756 thousand (previous year: €30,375 thousand).

Transfer of profit

Based on the profit transfer agreement with Eurex Frankfurt AG, the amount of €250 thousand (previous year: €325 thousand) was transferred.

Auditor’s fee

In accordance with section 285 (17) of the HGB, disclosures about the auditor’s fee are contained in the notes to the consolidated financial statements of Deutsche Börse AG.

Other financial obligations

Other financial obligations relate to lease, maintenance and other agreements arising from internal obligations. In the 2012 financial year, approximately €28,017 thousand (previous year: €18,790 thousand) will be required. Obligations exist towards Deutsche Börse AG relating to the operation of systems and networks in the amount of €9,007 thousand (previous year: €8,565 thousand) and for agency agreement services amounting to €14,248 thousand (previous year: €10,225 thousand). As before, obligations exist relating to agency agreement services towards Eurex Repo AG in the amount of €2,814 thousand, towards Clearstream Banking AG (€1,436 thousand), towards Eurex Bonds GmbH (€410 thousand) and towards Clearstream Banking S.A. (€102 thousand).
The agreements may be terminated annually.

Financial liabilities totalling approximately €3,792 thousand (previous year: €1,198 thousand) are anticipated from licence agreements for the next three financial years.

Other disclosures

Supervisory Board

Members of the Supervisory Board:

Prof. Dr. oec. HSG Peter Gomez *Chairman*	Chairman of the Supervisory Board of Eurex Frankfurt AG, Frankfurt/Main, Chairman of the Board of Directors of Eurex Zürich AG, Zurich, and SIX Group AG, Zurich, Professor of business economics at the University of St. Gallen
Prof. Dr. Reto Francioni *Deputy Chairman*	Chairman of the Executive Board, Deutsche Börse AG, Frankfurt/Main
Dr. Hugo Bänziger	Member of the Executive Board, Deutsche Bank AG, London
Walter Jürg Baumann	Managing Director, Credit Suisse AG, Zurich
Matthias Frisch	CEO, UBS Investment Bank Switzerland, Zurich
Dr. Michael Kuhn	Member of the Executive Board, Chief Information Officer, Deutsche Börse AG, Frankfurt/Main
Erik Tim Müller	Head of Investor Relations & Treasury, Deutsche Börse AG, Frankfurt/Main
Dr. Roger Müller	Managing Director, Legal Affairs, Deutsche Börse AG, Frankfurt/Main
Gregor Pottmeyer	Member of the Executive Board, Chief Financial Officer, Deutsche Börse AG, Frankfurt/Main
Dr. Martin Reck	Managing Director, Group Strategy, Deutsche Börse AG, Frankfurt/Main
Dr. Urs Rüegsegger	Chairman of the Group Executive Board, SIX Group AG, Zurich
Jacques de Saussure	Managing Partner, Pictet & Cie, Banquiers, Geneva

As in the previous year, the members of the Supervisory Board did not receive any remuneration.

Executive Board

Members of the Executive Board:

Andreas Preuß *Chairman*	Chief Executive Officer
Jürg Spillmann *Deputy Chairman*	Head of Information Technology
Dr. Thomas Book	Head of Clearing/CCP
Gary Katz	Head of International Securities Exchange
Michael Peters	Head of Sales & Marketing
Peter Reitz	Head of Business Development, responsible for development of products and services in the energy market

In 2011, the total compensation of members of the Executive Board amounted to €104 thousand (previous year: 25 thousand).

Mandates of members of the Supervisory Board and committees

In accordance with section 340a (4) sentence 1 of the HGB, a list of mandates of members of the Supervisory Board and committees is presented below:

Gary Katz

- § Direct Edge Holdings LLC, member of the Board of Directors
- § ETC Acquisition Corporation, member of the Board of Directors
- § International Securities Exchange Holdings, Inc., member of the Board of Directors
- § International Securities Exchange LLC, member of the Board of Directors
- § Longitude, LLC, member of the Board of Directors
- § The Options Clearing Corporation, member of the Board of Directors

Michael Peters

- § Phineo AG, member of the Supervisory Board
- § U.S. Exchange Holdings, Inc., member of the Board of Directors

Andreas Preuss

- Bombay Stock Exchange Limited (BSE), member of the Board of Directors
- International Securities Exchange LLC, member of the Board of Directors
- International Securities Exchange Holdings, Inc., member of the Board of Directors

Peter Reitz

- European Commodity Clearing AG, member of the Supervisory Board (until 1 August 2011)
- European Energy Exchange AG, member of the Supervisory Board (until 1 August 2011)
- European Power Derivatives GmbH, member of the Supervisory Board
- U.S. Exchange Holdings, Inc., member of the Board of Directors

Jürg Spillmann

- European Commodity Clearing AG, member of the Supervisory Board (until 13 October 2011)
- European Energy Exchange AG, member of the Supervisory Board (until 1 August 2011)
- Finnovation SA, member of the Supervisory Board (as of 14 July 2011)
- International Securities Exchange Holdings, Inc., member of the Board of Directors

Employees

During the year under review, the average number of employees was 72.3 (previous year: 146.3). As at 31 December 2011, the number of employees at Eurex Clearing (excluding the Executive Board) was 82 (previous year: 144). The fall in the number of employees was mainly due to the termination of “void” agreements.

Of the 82 employees, 2 (previous year: 2) were part-time staff, 2 (previous year: 1) had a temporary employment contract, and 7 (previous year: 1) were away on maternity leave or in receipt of the German parental allowance. There was an average of 67.8 full-time equivalent (FTE) employees during the year (previous year: 34.4). The increase in employee capacity was primarily attributable to the adoption of employees from an affiliated company.

Intercompany agreements

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

Group structure

Eurex Clearing is a wholly-owned subsidiary of Eurex Frankfurt AG, via which it is a wholly-owned subsidiary of Eurex Zürich AG. On the basis of section 290 (2) no. 2 of the HGB, Eurex Zürich AG is a subsidiary of DBAG and is affiliated with the latter and its subsidiaries.
Eurex Clearing is incorporated into the consolidated accounts of DBAG, which may be viewed at the business premises of our Company. The consolidated accounts of Deutsche Börse AG are prepared on the basis of the relevant IFRS standards and published in the electronic German Federal Gazette.

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

Frankfurt/Main, 29 February 2012

Eurex Clearing Aktiengesellschaft

Andreas Preuß	Jürg Spillmann	Dr. Thomas Book
Gary Katz	Michael Peters	Peter Reitz

Eurex Clearing AG, Frankfurt/Main

Statement of changes in non-current assets as at 31 December 2011

	Costs					Depreciation and amortization						Carrying amounts	
	Balance as at 01/01/2011	Additions 2011	Disposals 2011	Reclassification 2011	Balance as at 31/12/2011	Balance as at 01/01/2011	Depreciation 2011	Write-ups 2011	Disposals 2011	Reclassification 2011	Balance as at 31/12/2011	31/12/2011	31/12/2010
	€	€	€	€	€	€	€	€	€	€	€	€	€
Intangible Assets													
Software	16,590,156.99	0.00	0.00	0.00	16,590,156.99	16,578,264.99	3,945.00	0.00	0.00	0.00	16,582,209.99	7,947.00	11,892.00
	16,590,156.99	0.00	0.00	0.00	16,590,156.99	16,578,264.99	3,945.00	0.00	0.00	0.00	16,582,209.99	7,947.00	11,892.00
Property, plant and equipment													
Operating and business equipment	34,783.55	31,081.56	0.00	0.00	65,865.11	31,748.55	2,231.56	0.00	0.00	0.00	33,980.11	31,885.00	3,035.00
	34,783.55	31,081.56	0.00	0.00	65,865.11	31,748.55	2,231.56	0.00	0.00	0.00	33,980.11	31,885.00	3,035.00
	16,624,940.54	31,081.56	0.00	0.00	16,656,022.10	16,610,013.54	6,176.56	0.00	0.00	0.00	16,616,190.10	39,832.00	14,927.00

Management report for the 2011 financial year

Business and operating environment

General situation of the Company

The Executive Board of Eurex Clearing Aktiengesellschaft (hereinafter referred to as: Eurex Clearing) considers business developments in 2011 to have been more challenging than in the previous year. To a large extent, the 2011 financial year was characterised by uncertainty in the public finances within the eurozone and the related volatility on the financial markets. This resulted in a greater need for many market participants to hedge their positions. Eurex Clearing was again successful in addressing the minimisation of default risks in 2011 with its portfolio of services in risk management as a central counterparty for connected markets and trading participants. Triggered by the sovereign debt of Greece and a number of other European nations, the bailout package collectively funded by the EU and the depreciation of the euro against the US dollar, there was a significant increase in volatility on the markets, especially in the third quarter, resulting in higher trading volumes and thus in the volume of securities and derivatives cleared. In total the number of transactions processed by Eurex Clearing rose by almost 8 percent compared with the previous year. Eurex Clearing thus remains the market leader in Europe in terms of cleared contract volumes.

Eurex Clearing acts as the central counterparty (CCP) for transactions on Eurex Deutschland and Eurex Zürich (Eurex exchanges) as well as for transactions involving domestic and foreign securities kept in collective safe custody on the Frankfurter Wertpapier Börse (Frankfurt Stock Exchange). The Company also performs the same function for selected Irish securities that are traded on the Irish Stock Exchange. Furthermore, Eurex Clearing as the central counterparty enters into transactions that are settled via the European Energy Exchange (EEX) under a separate clearing link agreement with European Commodity Clearing (ECC). In addition, Eurex Clearing is the central counterparty for transactions that are processed via the trading platforms of Eurex Repo GmbH and Eurex Bonds GmbH, as well as for transactions involving credit derivatives settled OTC (over-the-counter, i.e. off-exchange).

The crisis in the financial market focussed the attention of the regulatory authorities on OTC derivatives and not only led to a fundamental debate about the role of the banks but also to a re-evaluation of the market structure for the trading of shares and derivatives. Regulators and governments have recognised that – at a volume of over 80 percent of the total market – OTC trading of derivatives was a major contributor to the difficulties of a number of market participants due to a lack of transparency and risk provisioning; only around one-third of this volume is currently cleared via central counterparties. As a result, market and counterparty risks are in many cases inadequately collateralised at present. The central clearing of OTC derivatives, on the other hand, almost eliminates counterparty risk and thus reduces systemic risk for the market as a whole. At the same time it increases transparency in previously poorly regulated and not particularly transparent market segments.

In order to achieve improved transparency in OTC derivatives markets and to contribute to greater market stability and integrity, in September 2009 the heads of state and government of the G20 agreed the following in Pittsburgh:

All standardised OTC derivatives should be traded on stock exchanges or electronic trading platforms and processed via a central counterparty by the end of 2012 at the latest. OTC derivative contracts should be reported to trade repositories. Higher capital requirements should apply to contracts that are not cleared centrally.

In order to achieve this objective, European, US and other supervisory authorities from around the world launched numerous consultations in 2011, to which Eurex Clearing made contributions. The proposal published by the European Commission in September 2010 of a European Market Infrastructure Regulation (EMIR) of the European Parliament and the European Council concerning OTC derivatives, central counterparties and trade repositories is still to be voted on by the European Parliament and the European Council.

In addition, in 2011 Eurex Clearing prepared contributions to numerous consultations of European, US and global supervisory authorities.

On 10 August 2011 the functionality that had already technically been made available in 2010 for the protection of client assets (Client Asset Protection) was made available to customers within the framework of the Individual Clearing Model. With its Client Asset Protection solution, Eurex Clearing meets the demand for the segregation of customer assets as well as their timely transferability in the case of a default by a clearing participant. The first non-clearing member (NCM) was admitted under the Individual Clearing Model in September 2011. In addition, the process of examining segregation solutions and of their enforceability in various European jurisdictions was commenced.

The fourth quarter of 2011 saw the successful liquidation of clearing participant MF Global UK Limited (MF Global) by Eurex Clearing. MF Global, based in Great Britain, had been under the Special Administration Regime confirmed by the UK Financial Services Authority (FSA) since 31 October 2011. In line with the clearing conditions, Eurex Clearing therefore terminated the clearing agreement with MF Global on 1 November 2011. Once the agreement had been cancelled, Eurex Clearing closed out all the relevant positions via the market; the risks were covered at all times by the collateral that MF Global had deposited with Eurex Clearing. There was no need to draw on the guarantee fund at any time. MF Global was licensed as a clearing participant for the Eurex Exchange, Eurex Repo, European Energy Exchange, Xetra and Irish Stock Exchange markets.

On 29 November 2011, technical simulation for the testing of workflow processes and risk processing commenced as part of adding interest rate swaps to Eurex Clearing's EurexOTC Clear Services product range. With this service, Eurex Clearing is meeting future regulatory requirements on market participants in relation to risk management and security as well as transparency in OTC derivatives trading, and is opening up a new business area. The new service was developed in close consultation with market participants and will be made available to customers after the conclusion of the simulation phase.

In relation to derivatives clearing, in 2011 the introduction of the new Eurex Release 14.0 was the focus of Eurex Clearing's activities. The new release was introduced on 7 November 2011 with the following new and expanded functionalities relating to clearing:

- Adjustment of the process for the release or deposit of cash collateral: using this function, clearing members can apply intra-day via the Eurex@X-tract Clearing GUI for the release of deposited cash collateral or the deposit of cash collateral, instead of arranging this by fax as had previously been the custom.

- Extension of the Advanced Risk Protection service to Eurex OTC trade entries: the Advanced Risk Protection functionality enables not only clearing participants but also connected trading participants to have more control over their trading and operational risks. This is being achieved by the establishment of pre-trade limits on the basis of aggregated risk metrics such as the total margin requirement. For OTC trade entries, a risk amount is calculated in the product currency for the OTC transaction entered, based on the current margin parameters, the current market price of the underlying and the contract size entered and is checked against the set risk amount.

- Extension of the Give-Up functionality to enable non-clearing members to transfer transactions from the proprietary trading accounts P1 and P2 to the customer account of another participant by means of the Give-Up functionality.

The most important new products launched on the Eurex Exchanges in 2011 for which Eurex Clearing provides clearing and collateralisation were as follows:

- British single stock dividend futures
- Share options based on Irish underlyings
- Euribor mid-curve options
- Single stock futures based on Polish underlyings
- Options on the DJ UBS Commodity Index
- IPD UK property sector futures
- Futures and options on the MSCI Russia
- Mid-term BTP future on Italian government bonds

In the area of cash market clearing, the first step in 2011 saw the introduction of the CCP release 6.0 enhancements on 23 May 2011.

The focus was on the migration of floor trading on the Frankfurt Stock Exchange from XONTRO Frankfurt to Xetra Frankfurt Specialist. Thus, since May 2011 Eurex Clearing has also been clearing transactions from the Xetra Frankfurt Specialist market segment. In addition, with effect from 1 July 2011 Eurex Clearing introduced netting extensions into the settlement model via Trade Date Netting for Xetra Frankfurt Specialist and Cross Trading Location Netting between the Xetra and Xetra Frankfurt Specialist systems. Furthermore, Eurex Clearing included netting extensions with various netting options for the Xetra International Market segment that can currently be used for Xetra International Market UK & Ireland.

On 21 November 2011, CCP Release 7.0 was successfully introduced with new and expanded functionalities:

- Technical provision of CCP services for the securities lending market: this release put in place the first technical prerequisites for the central counterparty service for the Eurex Clearing Securities Lending market. The new service will cover European lending markets for equities, exchange-traded funds (ETFs) and fixed-income securities and will be incrementally introduced in close consultation with market participants.

- Introduction of a separate, secure file transfer protocol (FTP) service for the transmission of reports: this new, innovative method of transmitting reports, named the Common Report Engine, enables the central dispatch of all Eurex Clearing CCP reports. Thanks to the provision of the report on a secure FTP server, clearing participants can obtain their report from a single data source, regardless of their existing connection to Eurex Clearing. This means that they can use their own preferred hardware platforms and respective systems more independently.

- Change to the procedure for the provision of collateral to Eurex Clearing via Clearstream's Xemac® security management system: the changes introduced on 21 November 2011 relate to the Eurex Clearing standard collateral pools as well as the continued use of GC Pooling® collateral for Eurex Clearing's margining. Thus a simplified procedure for the management of margin requirements was introduced. Furthermore, the continued use of received GC Pooling® securities was extended to include GC Pooling® Equity Basket and GC Pooling® ECB EXTended Basket.

- In addition, technical preparations were made for a possible extension of the trading hours of Euro GC Pooling® Overnight products from 16:00 to 17:15.

In 2011 the most important new product launches on the connected cash markets for which Eurex Clearing ensures clearing and collateralisation were as follows:

- Expansion of the product range in the area of physically deliverable products (deliveries arising from options on selected Irish shares as well as from futures and options on selected exchange-traded commodities). Eurex Clearing is now offering its clearing service for both new products for physical delivery with home market settlement in Euroclear UK & Ireland (EUI).

The GC Pooling segment of Eurex Repo GmbH, which is continuing to grow, was strengthened from 14 March 2011 onwards by the introduction of an additional GC Pooling® basket backed by the top 50 German shares.

As at the reporting date of 31 December 2011, the clearing services were being used by 149 clearing participants from the European Union as well as Switzerland who were involved in transacting products on markets connected to Eurex Clearing.

Overview of business development in the year under review

In the 2011 financial year, Eurex Clearing achieved solid results. Market activities increased again in comparison with 2010.

The trading and clearing volume in derivatives rose by 8 percent – from 1,896.9 million contracts traded in the previous year to 2,043.4 million traded contracts in 2011. The value of the underlyings was €107.4 trillion.

The most heavily traded products in 2011 were once again equity index derivatives, with 958.8 million traded contracts, which corresponds to an increase of 19 percent in comparison with the previous year. Derivatives on the future on the Euro STOXX 50 Index were the most successful individual products with 408.9 million futures contracts (+ 12 percent compared with 2010) and 369.2 million options contracts (+ 26 percent compared with 2010).

Equity derivatives fell by 12 percent (450.5 million contracts compared with 511.8 million contracts from the previous year). The most heavily traded products within equity products were equity options on German underlyings, with 156.5 million contracts, from 178.6 million contracts in 2010. Single stock futures fell by 14 percent to 174.3 million contracts.

The trading and clearing volume of interest rate derivatives rose to 630.4 million contracts in 2011, compared with 574.8 million contracts in the previous year, corresponding to an increase of 10 percent.

The clearing volume in the cash market rose by 31 percent in 2011 and amounted to 126.3 million transactions (single counting Xetra/trading floor) as against 96.4 million in the previous year.

The trading volume on the Eurex Repo market also rose in 2011. The average volume outstanding in the euro market in 2011 increased by 30 percent to €148.5 billion compared with €114.5 billion in the previous year. The average share of the GC Pooling market in the total volume remained constant at 80 percent in 2011.

A total of €117.2 billion was traded on Eurex Bonds, as against €101.6 billion in 2010 (single counting). This corresponds to a rise of 15 percent.

Employees

In the 2011 financial year, the number of Eurex Clearing employees fell compared with the previous year and as at the reporting date of 31 December 2011 was 82 employees (144 staff in the previous year). The decrease in the number of employees was mainly attributable to the termination of so-called zero contracts.

On average, 72.3 employees worked for Eurex Clearing during the 2011 financial year (previous year: 146.3 employees).

In the course of the 2011 financial year, two employees left Eurex Clearing (as against 2 employees in the previous year). The staff turnover rate was therefore 2.8% (previous year: 1.4%).

Eurex Clearing employs all staff at the Eschborn office.

The age structure for Eurex employees as at 31 December 2011 was as follows:

Age bracket	Number of employees	Percent
< 30 years	16	19.5%
30 - 39 years	35	42.7%
40 - 49 years	27	32.9%
50 > years	4	4.9%
Total	82	100.0%

The length of service as at 31 December 2011 was as follows:

Service in Deutsche Börse Group	Number of employees	Percent
< 5 years	45	54.9%
5 - 15 years	29	35.4%
15 > years	8	9.8%
Total	82	100.0%

As at 31 December 2011, 64.6% (previous year: 62.5%) of Eurex Clearing's employees were graduates. This figure is calculated on the basis of the number of employees holding a degree from a university, university of applied sciences, or dual university combining professional studies with practical training, and employees who have completed studies abroad, compared with the total number of Eurex Clearing employees.

The number of training days at Eurex Clearing amounted to an average of 2.9 days (previous year: 1.5 days) per employee.

Results of operations, financial position and net assets

Eurex Clearing's (regulatory) equity base is geared towards possible peak demand under stress conditions and additionally provides for coverage of operational risk according to internal models that surpass the computational requirements of the Basic Indicator Approach. In view of this, the banking supervisory authority worked towards ensuring that Eurex Clearing raised the basis for calculation of the regulatory capital requirement by an appropriate clearing share of the fees received for the account of the operating companies. This results in an increase in the regulatory capital requirement of around €61 million to €70 million and a marked fall in the solvency ratio.

The capital requirements for credit risk fluctuate over the course of the year, on the one hand due to the high volatility of total assets, which in turn are dependent on fluctuation in member cash deposits, and on the other hand due to the possibility of concluding collateralised cash investments against top-rated fixed-income securities or making uncollateralised cash investments with government agencies with a zero weighting. Due to the increase in capital requirements effected by the regulators for operational risks, there has additionally been a distinct one-off effect.

The solvency ratio (overall ratio according to the German Solvency Regulation – SolvV) has thus fallen from around 70% at the beginning of the year to 12.5% at the end of the year. Compliance with the minimum level (8%) was not at risk at any time.

The regulatory ratio under the Liquidity Regulation is relatively stable and fluctuates between 1.56 and 1.80 on the basis of end-of-month values. This demonstrates the Company's good liquidity situation.

Net interest income amounted to €15.535 million in 2011 (previous year: €9.474 million). Included in this are interest income in the amount of €47.655 million (previous year: €14.586 million) as well as interest expense in the amount of €32.120 million (previous year: €5.112 million). In particular, the higher average member cash deposits of clearing members contributed to this positive trend.

The company does not generate any commission income from third parties. In 2011 it received under agency agreements for the respective Eurex operating companies Deutsche Börse AG and SIX Swiss Exchange AG commission income of €846.542 million (previous year: €779.215 million) and passed this on in its entirety to the respective companies. Commission expenses in the amount of €2.213 million (previous year: €1.898 million) predominantly entailed bank charges.

Eurex Clearing's other operating income in 2011 amounted to €69.397 million (previous year: €64.675 million) and comprised income from foreign currency valuation in the amount of €14.124 million (previous year: €31.3 million). In addition, this item largely comprises income from CCP management services for DBAG and SIX (€38.085 million, previous year: €21.448 million) as well as income from CCP management for DBAG (€11.657 million, previous year: €11.657 million).

General administrative expenses amounted to €66.693 million (previous year: €37.646 million) and in the main relate to costs of external consultants of €21.025 million (previous year: €4.591 million), expenses for agency agreement services provided by DBAG in the amount of €12.837 million (previous year: €10.225 million) and personnel expenses in the amount of €10.2 million (previous year: €5.83 million). In addition to the IT services charged between Deutsche Börse AG and the Eurex operating companies in the amount of €8.701 million, (previous year: Deutsche Börse Systems AG €8.565 million) the non-deductible input taxes of €8.57 million (previous year €5.285 million) are also included.

The net profit of the Company (after tax and before profit transfer to the parent company) amounted to €897 thousand (previous year: €1.048 million), of which €398 thousand (previous year: €398 thousand) was allocated to the statutory reserve in accordance with section 300 of the German Companies Act (AktG). After allocation of €250 thousand (previous year: €325 thousand) to other retained earnings, which corresponds to the Company's contribution to the clearing fund under the existing profit transfer agreement, €250 thousand (previous year: €325 thousand was transferred to Eurex Frankfurt AG.

The cash reserve in the amount of €4,197,299 thousand (previous year: €128,673 thousand) and receivables from credit institutions in the amount of €9,980,130 thousand (previous year: €6,121,218 thousand) comprise in the main the investment of the cash collateral deposited by clearing members in the amount of €13,858,026 thousand (previous year: €6,060,066 thousand).

Total assets after the deduction of margins and liabilities held in trust amounted to €332,627 thousand (previous year: €195,731 thousand). The resulting equity ratio is 34.2% (previous year: 57.7%).

The Company has a good liquidity position; firstly thanks to the short-term investment of its equity and secondly due to the existing management agreements and the regular payment flows associated with them. On the reporting date the claims arising from management agreements are reflected in the receivables from affiliated companies item. Several credit lines with various banks are available for refinancing purposes. If a loss is incurred, this is compensated by the parent company via the profit transfer agreement.

The financial situation of the Company is assessed as being in order.

Risk report

Eurex Clearing is integrated into the Group-wide risk management system of Deutsche Börse AG (DBAG). Deutsche Börse Group has a Group-wide risk management system, which defines roles, processes and responsibilities and is binding on all employees in the Group.

The risk management system ensures that all management committees within Deutsche Börse Group are able to control the risk profile of the entire Group or of single legal entities, including Eurex Clearing, as well as specific material risks in a timely manner. The aim is to identify developments that could threaten the Group’s or Eurex Clearing's interests in a timely manner and to be able to take appropriate countermeasures promptly.

Eurex Clearing's risk strategy is based on its business strategy and sets limits specifying the maximum levels of risk to be accepted for operational and financial risks. This is done by laying down requirements for risk management, risk control and risk limitation. The Company pays particular attention to risk mitigation and ensures that appropriate measures are taken to avoid, reduce and transfer, or intentionally accept, risk. The goal is to reduce the frequency and also the amount of potential losses arising from situations involving risk for Eurex Clearing by means of appropriate safety and control measures, for example guidelines and procedures, separation of functions, the principle of dual control, limits, but also via business continuity management. Furthermore, potential operational losses are further limited via an insurance portfolio.

The Executive Board of Eurex Clearing is responsible for risk management of the Company. The decentralised departments identify risks and report these promptly to Group Risk Management (GRM), a central function with Group-wide powers. Group Risk Management evaluates all existing and new risks. Furthermore, GRM reports regularly and, if necessary, on an ad hoc basis to the Executive Board and the Supervisory Board of Eurex Clearing. The implementation of risk control is the responsibility of the relevant decentralised departments. They also inform their respective management about developments in risk indicators and continuously improve the quality of risk management processes.

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

Eurex Clearing distinguishes between operational, financial and project risks.

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.

VaR quantifies existing and new risks. It outlines the upper limit of the accumulated losses that could arise for Eurex Clearing if certain independent loss events materialise within a specified period and with a certain probability.

As its main risk management tool, Deutsche Börse Group calculates economic capital. This is used in addition to other performance indicators to determine the capital needed for business operations so that even extreme and unexpected losses can be covered. Economic capital is calculated using a VaR method for a period of one year and at a confidence level of 99.98 percent. In addition to the calculation of VaR described above, Eurex Clearing regularly performs stress test calculations and also, since 2011, inverse stress test calculations for credit and liquidity risk with which it continually reviews risk-bearing capacity.

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 monthly as well as ad hoc if necessary. The Supervisory Board of Eurex Clearing receives quarterly reports.

The relevant specific risks of Eurex Clearing are described in detail below.

Operational risks

Operational risks comprise potential losses from inadequate or faulty systems and internal processes, from human or technical failure and from damage to tangible assets as well as from legal and business practice risks. The most substantial operational risks Eurex Clearing faces relate to a malfunction or interruption in the provision of its core products. Numbering among these are in particular the clearing systems and the systems for calculating margin requirements.

(a) Availability risk

Availability risk results from the fact that operating resources such as systems, premises, employees or suppliers/service providers essential to Eurex Clearing's services offering could fail, thereby making it impossible to deliver services on time or at all. Thus, for example, malfunctions of the CCP system could lead to delays in clearing, or problems with the risk engine could lead to the incorrect calling in of collateral to be deposited on the part of the clearing participants for clearing.

Eurex Clearing endeavours to deliver its products and services as reliably as possible. Availability risk is therefore one of the most critical risk types for Eurex Clearing. It can arise, for example, from hardware and software failures, operator and security errors, or physical damage to the data centres.

For this reason, the Company attaches the greatest importance to maintaining its business operations and the need to protect them from emergencies and disasters. Eurex Clearing combats availability risk in particular through extensive business continuity management (BCM) activities. The BCM system encompasses all the processes that ensure business continues as normal if a crisis occurs and therefore substantially reduces availability risk. It covers arrangements for all key resources (systems, rooms, staff, suppliers/service providers), including the redundant design of all critical IT systems and the technical infrastructure, as well as backup workstations in each of the main operational centres for employees in critical functions. The BCM arrangements are regularly checked.

In 2011 no losses arose through the failure of operating resources; neither are any acute risks discernible.

(b) Service deficiencies

The category of service deficiencies includes risks that could materialise if a service for customers of Eurex Clearing is performed inadequately, for example due to product and process deficits, processes being performed incorrectly, or errors in manual entries. Manual work continues to be necessary, despite all the automated systems and efforts aimed at delivering straight-through processing (STP).

In the 2011 reporting year as well, sustained improvements were achieved in order to reduce risk from service deficiencies, either through reduction or better safeguarding of necessary manual intervention.

No material losses from service deficiencies were incurred in 2011.

(c) Legal and business practice risks

These risks include losses that could arise as a result of non- or inappropriate compliance with new or existing laws, losses from inadequate contract terms or from court decisions not adequately taken into account during normal business operations, as well as losses due to fraud. Business practice risks include, for example, losses resulting from money laundering, violations of competition regulations, or breaches of banking secrecy. Eurex Clearing has established a Group Compliance function to protect it against any loss or damage resulting from failure to comply with applicable laws, regulations and good corporate governance standards.

No significant losses from legal or business practice risks were incurred in the year under review.

Stress test calculation

In addition, Eurex Clearing conducts 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. The following extreme loss situations are simulated for the stress test on the basis of these risk scenarios and compared with the risk-bearing capacity for operational risk.

The stress tests for operational risk conducted in the financial year did not identify any need to increase the risk-bearing capacity for Eurex Clearing. In addition to these stress tests, which analyse the impact of predefined stress scenarios on risk-bearing capacities, Eurex Clearing has been performing so-called inverse stress tests since 2011. This instrument is used to determine operational loss scenarios that would have to occur in order to exceed the risk-bearing capacities.

Financial risks

Financial risks arise for Eurex Clearing mainly as credit risks as well as market price risks. To a small extent liquidity risks also exist. The risks from the categories of risk mentioned above are mitigated using effective control measures.

(a) Credit risk

Credit risks describe the risk that a counterparty will default and cannot meet its liabilities towards Eurex Clearing in full or at all.

Eurex Clearing does not operate a classical lending business.

Eurex Clearing, in accordance with its clearing conditions, only conducts transactions with its clearing members. Clearing relates to securities, rights, derivatives and emission allowances that are traded on Eurex Deutschland and Eurex Zürich ("Eurex exchanges"), Eurex Bonds, Eurex Repo, the Frankfurt Stock Exchange, the Irish Stock Exchange as well as the European Energy Exchange (EEX) and for which Eurex Clearing as a central counterparty enters into initiated or executed transactions. In addition, Eurex Clearing may act as the central counterparty for OTC derivatives transactions if these transactions correspond in substance to the derivatives transactions in the relevant aforementioned markets and if the clearing members decide to use the clearing system for their OTC derivatives transactions. In this context, Eurex Clearing also provides clearing services for its clearing members for transactions executed on the individual markets or OTC transactions. In some cases, this is done in cooperation with another clearing house (link clearing house) and on the basis of a special agreement (clearing link agreement).

Each clearing member must prove that it has liable capital equal to at least the amount stipulated by Eurex Clearing for its clearing activities in the various markets. The amount of the proven capital depends on the risk involved.

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, under the terms of the applicable version of the clearing conditions, to provide daily collateral in the form of cash or securities (margins) – plus additional intra-day security margins if required – in an amount stipulated by Eurex Clearing AG. Margin calculations are performed separately for clearing members' own accounts and the accounts of their customers.

The intra-day profit or loss arising from the price movement of the financial instruments is either settled between the counterparties in cash (variation margin) or deposited by the seller with Eurex Clearing as collateral due to the change in value of the position (premium margin). In the case of bonds, repo and equities 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. In addition to offsetting profits and losses, these measures are intended to protect against the risk of the cost of closing out an account over the expected liquidation period, assuming the most unfavourable price movement possible for the positions held in the account (additional margin). The method of calculating the additional margin is known as risk-based margining and is essentially a VaR approach. First of all, the maximum cost of closure is calculated for each product individually. Opposite positions with the same risk profile are then offset against each other, provided that they have been highly correlated over a significant period of time. The target confidence level for the additional margin is at least 99.0 percent. Regular checks ensure that the margins correspond to the required confidence level.

The approach taken by Eurex Clearing to hedge against risks also guarantees that bilaterally negotiated transactions entered into directly between two parties are fulfilled, particularly OTC derivatives transactions such as credit default swaps. For this so-called credit clearing, the collateral mechanisms take into consideration the specific risks of credit default swaps with specific margin components for buyers and sellers of collateral. A separate clearing licence is required for participation in credit clearing.

Eurex Clearing AG only admits selected collateral with a high credit rating to cover margin requirements. Eurex Clearing continually monitors the permitted collateral and sets safety margins to cover the market risks of the securities collateral at a confidence level of at least 99.9 percent. Eurex Clearing applies an additional haircut to issuers from the countries of Portugal, Italy, Ireland, Greece and Spain that have been classified as particularly high-risk; alternatively, they are excluded from the permissible collateral. The risk parameters used to set the safety margins are regularly reviewed and the safety margins recalculated on a daily basis for each security.

In addition to providing margins for current transactions, each clearing member must make contributions to a clearing fund depending on its individual risk. The fund provides collective protection against the financial consequences of any default by a clearing member that is not covered by the individual margins of the defaulting clearing member, its contributions to the clearing fund or the retained earnings of Eurex Clearing. Eurex Clearing has established a separate clearing fund for credit clearing. Eurex Clearing performs stress tests to establish whether its clearing funds are sufficient to cover the risk exposure. This involves subjecting all current transactions by the clearing members and their collateral to market price fluctuations at a confidence level of at least 99.9 percent. To facilitate the calculation of potential losses that exceed the individual margins of a clearing member, the impact of a potential default on the clearing fund is simulated. If the limits defined by Eurex Clearing are exceeded, it can take immediate action to adjust the volume of the clearing fund.

If a clearing member does not meet its obligations to Eurex Clearing, the latter has the following lines of defence:

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.

Any potential shortfall that might be incurred in connection with such a closing or cash settlement, as well as associated costs, would be covered in the first instance by the collateral provided by the clearing member concerned. As at 31 December 2011, collateral amounting to €50,485.3 million had been provided in favour of Eurex Clearing. This collateral was offset by credit risk amounting to €42,189.5 million.

Subsequently, the relevant clearing member’s contribution to the clearing fund would be used to cover the shortfall.

Any remaining shortfall would initially be covered by the retained earnings of Eurex Clearing. The retained earnings of Eurex Clearing amounted to €6.6 million as at 31 December 2011.

After this, a proportionate claim would be made on the contributions paid into the clearing fund by all other clearing members. The clearing fund of Eurex Clearing amounted to €1,064.4 million. as at 31 December 2011. The separate clearing fund set up for credit clearing had a value of €4.0 million. Upon full utilisation, Eurex Clearing may call in additional collateral from clearing participants.

On 31 October 2011, MF Global UK Ltd., a clearing member of Eurex Clearing, was placed under the Special Administration Regime confirmed by the UK Financial Services Authority (FSA). In accordance with the clearing conditions, Eurex Clearing therefore terminated the clearing agreement with MF Global UK Ltd. on 1 November 2011. After the termination, Eurex Clearing closed out all corresponding positions via the market. The liquidation was completed on 2 November 2011. During the liquidation, any risk was at all times covered by collateral that MF Global UK Ltd. had furnished to Eurex Clearing.

Further credit risks arise from financial investments. Eurex Clearing reduces this risk by spreading such investments across a number of counterparties with exclusively good credit ratings, defining investment limits for each counterparty, and making mostly short-term investments which are collateralised if possible. Eurex Clearing specifies maximum investment limits on the basis of regular assessments of creditworthiness and ad hoc analyses as required.

In 2011, no counterparty failed in the context of Eurex Clearing's cash investments.

Stress test calculation

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 the failure of the largest counterparty. The values determined in the stress tests are compared with the limits defined as part of the risk-bearing capacities. In addition to classical stress tests, which analyse the impact of predefined stress scenarios on risk-bearing capacity, the company has been performing so-called inverse stress tests since 2011. Using this instrument the number of counterparties that would have to fail is determined so that the losses exceed the risk-bearing capacities.

The results of the stress tests and inverse stress tests may lead to further analyses and to the implementation of risk mitigation actions. The credit risk stress test calculations did not identify any material risks in the financial year.

In addition, the Group determines credit risk concentrations by performing VaR analyses to detect any risk clusters relating to individual counterparties. Because of the Group’s business model, Eurex Clearing is exclusively focused on financial sector customers. However, no significant credit risk concentrations were found for individual counterparties.

(b) Market price risk

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 slight. Open currency positions only exist on a small scale, so that currency risks are likewise not significant. Share price risks arise upon investment in a special fund that serves to cover pension and similar obligations.

(c) Liquidity risk

The liquidity risk of Eurex Clearing arises if there might not be sufficient liquidity to meet daily payment obligations – in particular the repayment of deposited cash collateral – or if increased refinancing costs could be incurred in the event of liquidity bottlenecks. The investment guidelines permit transformation of maturities only to a limited extent. Treasury monitors daily and intra-day liquidity and manages it with the aid of a limit system. Extensive credit lines are available to provide cover in extreme situations.

In the year under review, the Company had sufficient liquidity at its disposal at all times.

Stress test calculation

Stress test calculations are carried out for liquidity risk. To this end, Eurex Clearing has implemented three scenarios that are calculated quarterly. In these scenarios, both the sources and the uses of liquidity are subjected to a stress test, using historical as well as hypothetical scenarios.

In addition, Eurex Clearing implemented so-called inverse stress tests on liquidity risk in 2011. The inverse stress tests analyse which scenarios would additionally have to occur to bring about a situation of insufficient liquidity.

Based on the stress tests, Eurex Clearing has sufficient liquidity.

(d) Risk associated with regulatory parameters

Risk arising from non-compliance with regulatory parameters comprises losses that could arise if specified ratios are not met.

Eurex Clearing is a credit institution under the German Banking Act (KWG) and must fulfil the regulatory capital and liquidity requirements under the German Solvency Regulation (SolvV) or the Liquidity Regulation (LiqV) as well as the provisions relating to large loans under the Large Exposures and Million Loan Reporting Regime (GroMiKV).

The legal minimum requirements were complied with at all times during the year under review

Project risks

Project risks can arise as a result of implementing projects (launching new products, processes, or systems), which may have a material impact on one of the three other risk categories (operational, financial and business risks). These risks are assessed by Group Risk Management as described above and addressed in the early stages of major projects. None of the projects planned and implemented in 2011 caused a significant change in the overall risk profile of Eurex Clearing.

Risks connected with project implementation, such as budget risk, quality/scope risk or deadline risk, are monitored in a decentralised manner and reported. In the financial year no negative effects on the Company derived from these risks either.

Summary

In the past financial year further external risk factors have arisen for the Eurex Clearing business. However, Eurex Clearing identified new risks that arose at an early stage and took appropriate measures to counter them. In particular Eurex Clearing analysed the potential effects of various scenarios of a further intensification of the euro crisis through to the break-up of the eurozone and took adequate measures to counter possible effects. As a result of these measures, the risk profile of Eurex Clearing did not change significantly.

Outlook

Eurex Clearing evaluates its risk situation on an ongoing basis. From today’s perspective, the Executive Board sees no significant change in the risk situation and hence no threat to the continued existence of Eurex Clearing.

Further developments in the area of risk management are also planned for 2012. For example, the IT infrastructure will be strengthened by the introduction of new software for the management of operational risks. In addition to a database for collating information on internal losses, the new software features, among other elements, a module for capturing and analysing key risk indicators. In addition, in 2012 an increased number of risk appraisals of business and regulatory risks that have effects on the Company beyond the period of one year that is used to calculate economic capital will be undertaken.

Disclosure under Part 5 of the German Solvency Regulation

A detailed description on risk management can be found in the preceding risk report.

Structure of own funds

The development of Eurex Clearing's own funds is described in detail in the notes to the financial statements. The detailed structure of liable capital as at 31 December 2011 was as follows (stated in € thousand):

Paid-in capital (share capital)	25,000
Disclosed reserves	87,976
Deductible items under section 10 para. 2a sentence 2 of the German Banking Act (KWG)	12
Total amount of core capital under section 10 para. 2a KWG	112,964
Total amount of the modified available capital under section 10 para. 1d sentence 1 KWG	112,964

Adequacy of own funds

Eurex Clearing assesses the adequacy of its own funds to support the current and future activities for credit risk using the Standardised Approach to Credit Risk and for operational risk using the Basic Indicator Approach. The OECD was named as the export credit insurance agency to be used for external creditworthiness assessments in the receivables category of central governments. For the calculation of credit mitigation effects, the comprehensive method for financial collateral was chosen; to take account of financial collateral creditworthiness assessments by Fitch Ratings, Moody's Investors Service and Standard & Poor's ratings services were employed.

The capital requirements of Eurex Clearing as at 31 December 2011 break down as follows:

Credit risk as per the Standardised Approach to Credit Risk	Amount, € thousand
- Institutions	1,549
- Corporates	1
- Investment stakes	144
- Other items	3
Foreign currency risks as per the Standardised Approach	957
Operational risks as per the Basic Indicator Approach	69,940
Total capital requirement	40,370
Total amount of modified available capital under section 10 para. 1d sentence 1 KWG	112,964
Total capital ratio in %	12.45

Eurex Clearing does not operate a lending business in the classical sense. Receivables of a material size arise exclusively from the investment of cash collateral and receivables from affiliated companies. For this reason Eurex Clearing does not define "in arrears" and "non-performing" for accounting purposes.

The total amount of receivables without taking into account credit risk mitigation techniques in the amount of €14,192,440 thousand is geographically distributed – along with securities held in the amount of €1,795 thousand, to Germany (€ 10,450,583 thousand), Switzerland (€2,982,545 thousand), the rest of Europe (€ 723,718 thousand), North America (€32,665 thousand) and Asia (€1,134 thousand). The most important sectors in lending were institutions (€7,012,614 thousand), central banks (€7,177,986 thousand) and other corporates (including other items) (€45 thousand).

By far the majority of credit receivables, at €14,190,600 thousand, had a contract term of up to one month. Due to this short term Eurex Clearing is not subject to any risk from interest rate changes.

Eurex Clearing does not maintain any derivative credit risk items and no netting agreements of any type exist.

Foreign currency risks

Foreign currency risks arise for Eurex Clearing exclusively from open, short-term foreign currency positions in the amount of €957 thousand.

Credit risk mitigation techniques

Eurex Clearing employed credit risk mitigation techniques only in the "institutions" exposure class for outstanding receivables with a credit rating of 1. The total of the relevant outstanding exposure values in the amount of € 7,012,614 thousand is reduced after the application of credit risk mitigation techniques to an amount of €96,792 thousand, resulting in a share of the exposure values secured by financial collateral of the "institutions" Standardised Approach exposure class in the amount of €6,915,822 thousand.

The exposure values of Eurex Clearing arise in the main from the investment of cash collateral deposited by clearing participants. The cash investment by Eurex Clearing is largely collateralised and takes the form of genuine securities repurchase agreements with a term of up to one month. In the case of bonds received as collateral, a collateral premium dependent on the term is demanded. The listed securities accepted by Eurex Clearing as repo securities have a credit rating of at least AA- and are as a rule government or federal state bonds. The investment guidelines of Eurex Clearing prevent a concentration of risk within the investment instruments employed.

Branches

The company does not maintain any branch offices.

Report on events after the balance sheet date

On 15 February 2011, following approval by their respective supervisory committees, Deutsche Börse AG and NYSE Euronext announced that they had signed an agreement on a merger of the companies. A substantial majority of the shareholders of both NYSE Euronext and Deutsche Börse AG accepted the exchange offer from Alpha Beta Netherlands Holding N.V. (holding company). During the year under review, the planned merger was approved by various regulators and supervisory authorities, but was ultimately prohibited by the European Commission on 1 February 2012. Following the formal issuance of this decision, the holding company then announced the termination of the exchange offer.

Report on expected developments

The report on expected developments describes the anticipated business performance for Eurex Clearing in the 2012 and 2013 financial years. It contains statements and information about future events. 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. These assumptions and expectations are in turn subject to known and unknown risks and uncertainties. Numerous factors have an influence on the Company’s success, business strategy and results. Many of these factors are outside the Company's control. Should one of these risks or uncertainties materialise or any of the underlying assumptions prove to be incorrect, the actual performance of the Company may differ positively or negatively from the expectations and assumptions contained in the forward-looking statements and information in this report on expected developments.

The current uncertainty – predominantly in relation to the eurozone, the single currency and the economic viability and creditworthiness of its member states – may in the course of 2012 endanger the improvement in the macroeconomic environment that has been seen over the past two years. Yet even against the backdrop of recessionary scenarios, because of the interrelationships between the economic environment and the need for market participants to hedge against risks on the derivatives markets, the general trend in clearing volumes in 2012 can be assessed as being neutral. In the interplay between global economic developments and geopolitical risks, uncertainties remain as far as the expected business trend is concerned. In summary, the general economic conditions and growth drivers for 2012 are considered to be unstable.

At the same time, with its business model Eurex Clearing is operating in a highly competitive environment which in the future will be subject to structural changes in general regulatory conditions in both Europe and the US. In Europe, this specifically relates to measures planned by the European Commission to introduce a European Market Infrastructure Regulation (EMIR) to regulate the financial market and a revision to the Markets in Financial Instruments Directive (MIFID 2/MIFIR). Further regulatory measures comprise the revision of recommendations on the part of the supranational organisations Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO) for central counterparties as well as the Capital Requirements Directive (CRD IV) guideline relating to capital requirements. These regulatory measures have the following key points on the agenda that relate directly to Eurex Clearing: the implementation of greater interoperability between different stock exchanges and clearing houses, greater price transparency and the obligation for transactions conducted on an over-the-counter basis to be settled using a central counterparty in order to protect against counterparty risk. It is also to be expected that the operational and capital requirements on central counterparties will be raised further. The definition of the new requirements will be continually monitored by the management of Eurex Clearing and the effects will be analysed in order to ensure compliance with the new provisions.

Clearing by central counterparties is a stabilising element that in combination with effective risk management reduces systemic risks and improves transparency and operational efficiency. For 2012 and 2013, expansions in the area of clearing are planned in order to complement the existing market infrastructure. In 2010 Eurex Clearing introduced measures to implement the expansion of the product range to include interest rate swaps and equity swaps in 2012. In this respect, Eurex Clearing is currently involved in the approval process with the US supervisory authority Commodity Futures Trading Commission (CFTC) with a view to obtaining derivatives clearing organisation (DCO) status. As a result, Eurex Clearing will in future be able to offer the clearing of interest rate swaps in the United States as well. In relation to products, the market introduction of clearing services for securities lending as well as an expansion of the GC Pooling product are also planned in 2012.

To take account of regulatory requirements and to further increase the attractiveness of Eurex Clearing services, Eurex Clearing intends to introduce a new portfolio-based risk management system in 2012 and 2013. This system will increase capital efficiency from the customer's perspective across the spectrum of exchange-traded and OTC products via Eurex Clearing.

Based on the introduction of the Individual Clearing Model in August 2011, which offers improved protection to customer collateral in the event of the clearing participant's insolvency, Eurex Clearing intends to introduce further models for the protection of customer collateral in 2012 and 2013, for example the Omnibus Net Model as an addition for registered end customers in order to address the varying needs of different market participants.

As a whole, the measures are part of a comprehensive expansion of Eurex Clearing's services in anticipation of planned regulatory reforms. These reforms aim to have central counterparties play a greater role in the clearing and risk management of exchange-based and over-the-counter (OTC) derivatives trading.

Furthermore, the continuous extension 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.

To date it has not been possible to introduce the planned transatlantic trading and clearing link between Eurex Clearing, the ISE and the Options Clearing Corporation (OCC) in the continued absence of authorisation from the Securities and Exchange Commission (SEC), the US supervisory authority. For 2012 as well, it is not possible to forecast whether and when this supervisory approval will be issued. However, should this option be created, Eurex trading participants would profit from access to the ISE options market via their existing Eurex infrastructure and Eurex Clearing could expect additional clearing volumes.

Finally, plans for legislation in respect of the tax treatment of securities transactions on a national and EU level as part of the planned introduction of a financial transaction tax may pose risks to Eurex’s profitability. Following the introduction of a financial transaction tax, Eurex might expect the number of transactions to fall and income to be lower on account of higher trading costs per transaction for participants and the possible transfer of trading activities out of the area in which the tax would apply. However, as the legislation process has not yet been completed and it is still unclear whether the measure will be introduced, the indirect consequences for Eurex cannot be quantified at present. Eurex will continue to contribute to the discussion at all levels.

In summary, Eurex Clearing anticipates sales volumes in 2012 to be similar to those of 2011. The planned operating spending for 2012 is expected to be similar to the level of operating expenses for 2011. Eurex Clearing therefore expects – also on the basis of the management contract – earnings to be at least stable in 2012 at the level of 2011, before investments, depreciation and amortisation and loss absorptions. Eurex Clearing's assessment of the interest rate outlook for 2012 is that it will be stable at the level of 2011. The longer-range forecast for business development beyond 2012 not only depends on further developments in basic regulatory conditions, but also on the macroeconomic environment.

On the whole, despite possible risks for the stability of the financial markets and the expectation that competition will intensify further, the Company anticipates a structurally positive trend to which Eurex Clearing will actively contribute via its own business model and which will also be reflected in Eurex Clearing's business performance.

Frankfurt/Main, 29 February 2012

Eurex Clearing Aktiengesellschaft

Andreas Preuß	**Jürg Spillmann**	**Dr. Thomas Book**
Gary Katz	**Michael Peters**	**Peter Reitz**

KPMG

Auditor´s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Eurex Clearing Aktiengesellschaft, Frankfurt/Main, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. 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 conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and 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. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company´s position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 9, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signature	Signature
Braun	Beier
German Qualified Auditor	German Qualified Auditor