Annual financial statements as at 31 December 2018 and management report

TRANSLATION – AUDITOR'S REPORT

EUREX Clearing Aktiengesellschaft
Frankfurt am Main, Germany

KPMG AG Wirtschaftsprüfungsgesellschaft

Balance Statement as at 31 December 2018
of Eurex Clearing AG, Frankfurt/Main

Assets	31.12.2018		31.12.2017	
	€	€	T€	T€
1. Liquid funds				
a) Balances with				
central banks	18,245,691,773.19	18,245,691,773.19	19,251,801	19,251,801
of which with the Bundesbank				
18,245,691,773.19				
(previous year:				
19,251,801 T€)				
2. Receivables from credit institutions				
a) Payable on demand	7,666,255,719.86		7,894,576	
b) other receivables	45,201,516.98	7,711,457,236.84	1,542	7,896,118
3. Receivables from customers		7,844,071.99		13,123
4. Bonds and other fixed-interest securities				
a) Bonds and debt instruments				
of public-sector issuers	9,391,885.87	9,391,885.87	9,518	9,518
5. Investments in subsidiaries		75,000.00		75
6. Assets held in trust		107,951,305.58		77,124
7. Property, plant and equipment		11,906.00		25
8. Other assets		7,295,468.73		22,552
9. Deferred expenses		613,528.72		2,045
Total assets		26,090,332,176.92		27,272,381

Shareholders' equity and liabilities	31.12.2018			31.12.2017		
	€	€	€	T€	T€	T€
1. Liabilities to						
credit institutions						
a) Payable on demand		19,070,432,518.24	19,070,432,518.24		20,006,941	20,006,941
2. Liabilities to customers						
a) Other liabilities						
aa) Payable on demand		6,348,399,194.74	6,348,399,194.74		6,678,532	6,678,532
thereof: to affiliated companies 23,101,000.00 €						
(previous year: 25,902 T€)						
3. Liabilities held in trust			107,951,305.58			77,124
4. Other liabilities			20,348,172.30			22,806
5. Provisions						
a) Provisions for pensions						
and similar obligations		2,456,203.55			808	
b) Provisions for tax		3,671.00			0	
c) Other provisions		25,927,687.82	28,387,562.37		21,356	22,164
6. Shareholders' equity						
a) Subscribed capital		25,000,000.00			25,000	
b) Capital reserves		480,312,845.52			430,313	
c) Retained earnings						
ca) Legal reserves	2,500,000.00			2,500		
cb) Other retained earnings	7,000,578.17	9,500,578.17		7,001	9,501	
d) Unappropriated surplus		0.00	514,813,423.69		0	464,814
Total shareholders' equity and liabilities			26,090,332,176.92			27,272,381
Other obligations						
Irrevocable credit commitments			2,000,000.00			4,000

Income Statement
of Eurex Clearing AG, Frankfurt/Main
for the period from 1 January to 31 December 2018

	31.12.2018				31.12.2017			
	€	€	€	€	T€	T€	T€	T€
1. Interest income from								
a) loan and money market business								
aa) Loan and money market business with positive interest rates	3,490,450.28				1,129			
ab) Loan and money market business with negative interest rates	169,561,675.90	173,052,126.18			173,898	175,027		
b) fixed-interest securities and debt register claims								
ba) Fixed-interest securities and debt register claims with positive interest rates		0.00	173,052,126.18			-22	175,005	
2. Interest expense								
a) Interest expense from business with positive interest rates	-1,491,930.83				-1,722			
b) Interest expense from business with negative interest rates	-131,179,540.95				-147,968	-149,690		
c) Clearing item in accordance with section 246 (2) HGB	-2,518,623.76		-135,190,095.54	37,862,030.64		-19	-149,709	25,296
3. Commission expense				-6,097,104.81				-5,374
4. Other operating income				77,935,349.78				85,524
thereof from currency translation 3,278,895.33 € (previous year 1,747 T€)								
5. General administrative expenses								
a) Personnel expenses								
aa) Wages and salaries		-30,425,435.70				-27,211		
ab) Social security and expenses								
for pensions and other employee benefits		-5,667,994.06	-36,093,429.76			-3,823	-31,034	
thereof for pensions -2,712,156.28 €								
(previous year -1,069 T€)								
b) Other administrative expenses			-60,422,993.20	-96,516,422.96			-62,837	-93,871
6. Depreciation and amortization of fixed and intangible assets				-8,129.71				-8
7. Other operating expenses				-5,078,889.93				-9,989
thereof from currency translation 4,087,288.13 € (previous year 5,038 T€)								
thereof from accumulation -59,074.21 € (previous year -68 T€)								
8. Income from write-ups to claims and certain securities and reversal of provisions for lending business				18,495.84				0
9. Net operating income				**8,115,328.85**				**1,589**
10. Income tax expense				25,852.00				
11. Profit transferred under profit transfer agreement				-8,141,180.85				-1,589
12. Net income for the year				**0.00**				**0**
13. Unappropriated surplus				**0.00**				**0**

Notes to the financial statements for financial year 2018

Accounting policies

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

The annual report of Eurex Clearing for the financial year 2018 was prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), the Aktiengesetz (AktG, German Stock Corporation Act) and the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV, German Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers).

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

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

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

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

Purchased goodwill is capitalised upon acquisition and amortised.

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

Low-value fixed assets with acquisition costs of up to €800 were written off directly in financial year 2018 in accordance with section 6 (2) of the Einkommensteuergesetz (EStG, German Income Tax Act). In this respect, no use was made of the option granted by section 6 (2a) EStG to create a compound item.

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

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

Actuarial assumptions		
	31.12.2018	31.12.2017
	%	%
10-year average discount rate	3.21	3.68
7-year average discount rate	2.32	2.80
Salary growth	3.50	3.50
Pension growth	2.00	2.00
Staff turnover rate (up to age 50, thereafter 0.00%)	2.00	2.00

Calculations for the projected benefit obligations arising from the employee-financed deferred compensation plan were made on the basis of the interest rate issued by Deutsche Bundesbank (the German central bank) of 3.21 per cent (previous year: 3.68 per cent) along with actuarial tables using “2018 G” mortality tables developed by Dr Klaus Heubeck.

In accordance with section 246 (2) of the HGB, the settlement amount of pension liabilities as at the reporting date was offset against the fair value of those assets that are protected from all creditors and exclusively serve the purpose of meeting liabilities arising from pension obligations or comparable long-term commitments to employees (“plan assets”). The accumulated acquisition costs of these assets are €14,621 thousand (previous year: €11,865 thousand).

The total assets that were offset, which correspond to a 5.1 per cent share in a special fund as defined by section 1 (10) of the Kapitalanlagegesetzbuch (KAGB, German Capital Investment Code), had a fair value as at the reporting date of €15,715 thousand (previous year: €13,665 thousand), which is equivalent to the market value as defined by section 278 in conjunction with section 168 of the KAGB. In addition, the amount of €2,776 thousand (previous year: €1,521 thousand) was added to the special fund in the year under review and an amount of €19 thousand (previous year: €28 thousand) was transferred. These assets are protected from all creditor claims and are not repayable on demand.

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

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

The provisions for anniversary payments and early retirement were measured at the amount to be paid in accordance with actuarial principles, and for early retirees at present value. The projected unit credit method was applied as the basis of this assessment. The interest rate of 2.32 per cent (previous year: 2.80 per cent) published by Deutsche Bundesbank (the German central bank) was applied during the year under review. The "2018 G" mortality tables developed by Dr Klaus Heubeck were the basis of these projections.

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

Pension provision discounted using a 10-year average	€18,137 thousand
Pension provision discounted using a 7-year average	€20,974 thousand
Difference	€2,837 thousand

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

Deferred taxes are calculated in accordance with section 274 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 determined for each clearing member and shown as assets and liabilities.

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

Interest rate effects from pensions and plan assets are shown in the clearing item in accordance with section 246 (2) of the HGB as a sub-item under interest expenses (previous year: interest income). The other operating costs include interest rate effects from the addition of discounted interest for other provisions.

Notes to the balance sheet

Assets in foreign currency

Assets in foreign currencies as at the reporting date amounted to €6,362,167 thousand (previous year: €7,787,509 thousand).

Investments in affiliated companies

As at 31 December 2018, Eurex Clearing had shares in affiliated companies as follows:

Company	Domicile	Equity € thous.	2018 net profit/loss € thous.	Equity interest direct (indirect)
Eurex Clearing Security Trustee GmbH	Frankfurt/Main	79	4	100.00 %

Receivables from banks

Receivables from banks break down as follows:

	31.12.2018	31.12.2017
	€ thous.	€ thous.
Payable on demand		
Balances at foreign central banks	6,042,205	7,756,707
Bank balances and receivables from the clearing business	1,613,081	126,490
Interest receivables from the clearing business	10,964	11,373
Fixed deposits	0	0
Other receivables from banks	5	6
	7,666,255	**7,894,576**
Term up to 3 months		
Reverse repo investments	45,202	1,542
	7,711,457	**7,896,118**

Receivables from customers

Receivables from customers amounting to €7,844 thousand (previous year: €13,123 thousand) are payable on demand and consist primarily of reverse repo investments amounting to €4,461 thousand (previous year: €10,110 thousand).

Bonds and other fixed-interest securities

The bonds held as at the reporting date were exchange-listed securities in the amount of €9,392 thousand (previous year: €9,518 thousand).

Assets held in trust

This item concerns receivables from clearing members arising from turnover related to remuneration that is ultimately collected for Deutsche Börse and Eurex Global Derivatives AG, Zurich, Switzerland, on a fiduciary basis. As at the reporting date, these receivables amounted to €107,951 thousand (previous year: €77,124 thousand), of which €71,042 thousand (previous year: €60,812 thousand) were from banks and €36,909 thousand (previous year: €16,312 thousand) were from customers.

Fixed assets

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

Other assets

As at the reporting date, receivables from affiliated companies arising from management services accounted for the majority of other assets. In addition to these receivables, Eurex Clearing granted incentives to certain customers, the repayment of which was associated with specified criteria. The incentives were issued in two tranches and amounted to €6,950 thousand. The first tranche expired in 2017. Due to the fact that the criteria for the second tranche were met, an amount of €1,725 thousand was derecognised in the financial year and €1,250 thousand was repaid.

	31.12.2018	31.12.2017
	€ thous.	€ thous.
Receivables from Deutsche Börse AG	4,595	14,977
Receivables from Eurex Frankfurt	1,590	474
Receivables from incentive programme	300	2,975
Receivables from Eurex Global Derivatives AG	15	14
Receivables from Clearstream Banking AG, Frankfurt/Main	11	11
Receivables from Eurex Repo GmbH, Frankfurt/Main	2	29
Personnel-related receivables	1	27
Receivables from Eurex Zürich AG, Zurich, Switzerland	0	3,011
Receivables from Clearstream Services S.A., Luxembourg, Luxembourg	0	11
Miscellaneous other assets	781	1,023
	7,295	22,552

Liabilities in foreign currency

As at the reporting date, liabilities in foreign currency amounted to €6,340,610 thousand (previous year: €7,775,447 thousand).

Liabilities towards banks

Liabilities towards banks amounting to €19,070,433 thousand (previous year: €20,006,941 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €17,348,768 thousand (previous year: €19,902,504 thousand), liabilities from the clearing business in the amount of €1,714,888 thousand (previous year: €96,722 thousand) and balances from current accounts of €28 thousand (previous year: €3 thousand).

Liabilities towards customers amounting to €6,348,399 thousand (previous year: €6,678,532 thousand) are payable on demand and mainly comprise margins paid by clearing members amounting to €6,325,158 thousand (previous year: €6,652,480 thousand), as well as liabilities towards affiliated companies from cash pooling amounting to €23,101 thousand (previous year: €25,902 thousand).

Liabilities held in trust

This item concerns liabilities towards customers associated with the collection of remuneration on a fiduciary basis that has not yet been transferred to Eurex Frankfurt and Eurex Zürich AG, Zurich, Switzerland (until 31 March 2018), and then ultimately to Deutsche Börse AG and Eurex Global Derivatives AG.

Other liabilities

	31.12.2018	31.12.2017
	€ thous.	€ thous.
Liabilities towards Eurex Frankfurt AG	9,206	9,065
Liabilities towards Deutsche Börse AG	3,058	0
Trade payables	2,408	4,500
Liabilities towards Eurex Repo GmbH	1,818	1,074
Liabilities towards Clearstream Banking AG	1,416	3,472
Liabilities from taxes	727	2,218
Liabilities towards Clearstream Operations Prague sro, Prague, Czech Republic	495	536
Liabilities towards Deutsche Börse Systems Inc., Chicago, USA	353	0
Liabilities towards Clearstream International S.A., Luxembourg, Luxembourg	323	0
Liabilities towards Clearstream Services S.A., Luxembourg, Luxembourg	297	246
Liabilities towards Clearstream Banking Luxembourg S.A., Luxembourg, Luxembourg	45	0
Liabilities towards Eurex Clearing Security Trustee GmbH, Frankfurt/Main	4	24
Liabilities towards Eurex Global Derivatives AG	18	0
Liabilities towards Eurex Zürich AG	0	1,665
Miscellaneous other liabilities	180	6
	20,348	22,806

Provisions for pensions and similar obligations

Asset offsetting pursuant to section 246 (2) clause 2 of the HGB	
	€ thous.
Pension obligations payable	18,171
Fair value of plan assets	(15,715)
Provisions for pensions and similar obligations	**2,456**
Netting profit and loss	
	€ thous.
Expenses arising from pension obligations	687
Net expense stated under personnel expenses	**687**
Interest expense arising from pension obligations	1,824
Reversals of impairments to cover assets	706
Income from cover assets	(12)
Net expenses stated under net interest income	**2,518**

Other provisions

Other provisions, amounting to €25,928 thousand, comprise the following:

	€ thous.
Personnel provisions	12,007
of which, share-based remuneration components	5,657
of which, bonus	5,505
of which, other personnel provisions	845
Outstanding invoices	6,366
Provisions for incentive programme	3,382
Provisions recognised as part of the restructuring programme	2,836
Flexible working time credit balance	742
Provisions for claims for damages	305
Provisions for Supervisory Board remuneration	286
Other tax provisions	4
	25,928

Equity

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

Equity changed as follows:

	€ thous.	€ thous.	€ thous.	€ thous.
	Subscribed capital	Capital reserves	Retained earnings	
			Legal reserves	Other retained earnings
Carried forward as at 1 January 2018	25,000	430,313	2,500	7,000
Addition	-	50,000	-	-
Addition from 2018 net income	-	-	-	-
Balance as at 31 December 2018	25,000	480,313	2,500	7,000
Total shareholder's equity				514,813

Since the market price of the plan assets is higher than their acquisition cost, there is a block on distributions of €1,093 thousand in accordance with section 268 (8) of the HGB in conjunction with section 301 AktG (previous year: €1,800 thousand).

Income statement disclosures

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

Interest expense

The clearing item shown under interest expense in accordance with section 246 (2) of the HGB comprises interest rate effects from pensions and plan assets amounting to €2,519 thousand (previous year: €19 thousand).

Other operating income

Other operating income amounting to €77,935 thousand (previous year: €85,524 thousand) consists of:

	31.12.2018	31.12.2017
	€ thous.	€ thous.
Services for Eurex Frankfurt AG	54,798	46,341
Services for Deutsche Börse AG	15,157	25,885
Income from currency valuation	3,275	1,747
Services for Eurex Zürich AG	2,329	8,175
Income from the reversal of provisions	1,919	2,834
Services for Clearstream Banking AG	10	0
Miscellaneous other operating income	447	542
	77,935	85,524

General administration expenses

The other administration expenses are broken down as follows:

	31.12.2018	31.12.2017
	€ thous.	€ thous.
Agency agreement services	22,111	30,848
provided by Deutsche Börse AG	16,619	19,288
provided by Clearstream Operations Prague sro	2,609	1,795
provided by Eurex Repo GmbH	1,444	2,006
provided by Clearstream International S.A., Luxembourg,	362	0
provided by Clearstream Banking AG	285	1,113
provided by Clearstream Luxembourg Singapore Branch, Singapore,	275	0
provided by Deutsche Börse Systems Inc., Chicago, USA	247	105
provided by CS Luxembourg	197	144
provided by Clearstream Banking S.A., Luxembourg,	55	0
provided by Eurex Global Derivatives AG	18	0
provided by Eurex Zürich AG	0	941
provided by Eurex Frankfurt AG	0	5,456
External consultancy costs	16,684	16,502
Non-deductible input tax	6,327	8,349
Marketing costs	4,962	966
Communication	4,436	956
IT costs	2,849	1,937
Cooperation costs with Nasdaq OMX	935	1,091
Other administration expenses	2,119	2,188
	60,423	62,837

Other operating expenses

The other operating expenses amounting to €5,079 thousand consist primarily of foreign currency losses in the amount of €4,087 thousand.

Transfer of profit

Based on the profit transfer agreement with Eurex Frankfurt, an amount of €8,141 thousand (previous year: €1,589 thousand) is transferred.

Auditor’s fee

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

Other information about the clearing business

As at 31 December 2018, market participants had netting-eligible gross payment obligations from open positions due to transactions traded via the central counterparty with a total value of €104.2 billion (previous year: €84.3 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 €104.2 billion takes into account gross payment obligations, i.e. the risk-oriented net view would lead to a significantly lower value.

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

The aggregate margin calls based on the executed transactions and clearing fund requirements amounted to €42,180.4 million at the reporting date (previous year: €42,267.2 million). The actual collateral deposited was as follows:

Composition of Eurex Clearing's collateral (after haircuts)		
	Collateral value as at 31.12.2018	**Collateral value as at 31.12.2017**
	€m	€m
Cash collateral (cash deposits) [1)]	23,336.2	26,095.4
Securities and book-entry securities collateral [1)]	29,286.9	25,995.5
Total	**52,623.1**	**52,090.9**

[1)] Including clearing fund

As at 31 December 2018, the volume of Eurex Clearing's clearing fund stood at €4,338.1 million (previous year: €4,178.0 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)	5.6 (0.4)	1.3 (0.2)	4.3 (0.2)
Management and agency contracts (previous year)	13.8 (13.0)	13.8 (13.0)	0 (0)
- Thereof to affiliated or associated companies (previous year)	13.8 (13.0)	13.8 (13.0)	0 (0)

Other disclosures

Supervisory Board

The members of the Supervisory Board are:

Jeffrey Tessler *Chairman (from 27 June 2018)*	Member of the Executive Board, Deutsche Börse AG, Frankfurt/Main (until 30 June 2018)
Gregor Pottmeyer *Deputy Chairman*	Member of the Executive Board, Deutsche Börse AG, Frankfurt/Main
Peter Barrowcliff	Former Managing Director, Société Général Newedge UK Financial Limited, London
Charles Bristow	Co-Head of Global Rates Trading & Head of Funding & Capital Macro Markets, JP Morgan Securities PLC, London
Jutta Anneliese Dönges (from 27 June 2018)	Member of the Executive Board of Federal Republic of Germany Finance Agency GmbH, Frankfurt/Main
Nikolaus Ralf Horst Giesbert (from 27 June 2018)	Divisional Board Member, Fixed Income, Currencies & Commodities, Trade Finance & Cash Management, Commerzbank AG, Frankfurt/Main
Wim den Hartog	Managing Director, STX Group B.V., Amsterdam
Stefan Hoops (from 27 June 2018)	Head of Global Transaction Banking, Head Global Markets Germany, Deutsche Bank AG, Frankfurt/Main
Clifford M. Lewis	Lead Independent Director, Eris Exchange, Chicago Non-Executive Chair, TradAir, Tel Aviv
Raphael Masgnaux (from 27 June 2018)	Global Head of Prime Solutions & Financing and G10 Rates BNP Paribas S.A.
Roselyne Renel	Group Chief Credit Officer, Standard Chartered Bank UK, London
Thilo Roßberg (from 27 June 2018)	Head of Fixed Income Currency & Commodity Markets Germany, Deutsche Bank AG, Frankfurt/Main

Members of the Supervisory Board who departed in 2018:

Dr Hugo Bänziger *Chairman (until 27 June 2018)*	Former Managing Partner, Lombard Odier (Europe) S.A., Geneva
Dr Susanne Clemenz (until 27 June 2018)	Co-Partner, T/S/C Fachanwälte für Arbeitsrecht, Gütersloh
Shane Ó Cuinn (until 27 June 2018)	Managing Director, Global Markets Division, Credit Suisse LLC, London
Prof. Hans-Helmut Kotz (until 27 June 2018)	Resident Fellow, Center for European Studies, Harvard University, Cambridge, MA Program Director, SAFE Policy Center, Goethe University, Frankfurt/Main

The members of the Supervisory Board received remuneration of €270 thousand in the year under review.

Executive Board

The members of the Executive Board are:

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

In 2018, the total remuneration of members of the Executive Board amounted to €5,438.4 thousand (previous year: €4,010.8 thousand). Total remuneration includes share-based compensation of €1,911.3 thousand (previous year: €894.1 thousand). The corresponding shares were valued in the year under review at the market price on the reporting date. The estimated number of shares (6,909) is based on the share price of Deutsche Börse on the reporting date.

Appointments to supervisory boards and other supervisory committees

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

Erik Tim Müller

- Eurex Deutschland, Member of the Management Board, Frankfurt/Main

Heike Eckert

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

Matthias Graulich

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

Employees

As at 31 December 2018, the number of employees at Eurex Clearing AG (excluding the Executive Board) was 230 (previous year: 220). During financial year 2018, the average number of employees was 227.5 (previous year: 215.4).

	Male	Female	Total
Management employees	19.5	3.0	22.5
Non-management employees	125.2	79.8	205.0
Number of employees	**144.7**	**82.8**	**227.5**

Intercompany agreements

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

Group structure

Eurex Clearing is a wholly owned subsidiary of Eurex Frankfurt.

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

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

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

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

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

Both reports are published on the Eurex Clearing website (www.eurexclearing.com). The remuneration report is accessible by year on the following website: http://www.eurexclearing.com/clearing-en/about-us/corporate-overview/remuneration. The disclosure report is available on the website http://www.eurexclearing.com/clearing-de/ueber-uns/corporate-governance by year. The reports for financial year 2018 are not yet available online as at the publication date of the 2018 annual report.

Report on post-reporting date events

Due to regulatory requirements, Eurex Clearing received a payment of €100,000 thousand into capital reserves on 4 February 2019.

Frankfurt/Main, 6 March 2019

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, 2018

	Costs					Depreciation and amortization						Carrying amounts	
	Balance as at 01.01.2018	Additions 2018	Disposals 2018	Reclassification 2018	Balance as at 31.12.2018	Balance as at 01.01.2018	Depreciation 2018	Write-Ups 2018	Disposals 2018	Reclassification 2018	Balance as at 31.12.2018	31.12.2018	31.12.2017
	€	€	€	€	€	€	€	€	€	€	€	€	T€
Investments in subsidiaries													
Investments in subsidiaries	75,000.00	0.00	0.00	0.00	75,000.00	0.00	0.00	0.00	0.00	0.00	0.00	75,000.00	75
	75,000.00	0.00	0.00	0.00	75,000.00	0.00	0.00	0.00	0.00	0.00	0.00	75,000.00	75
Intangible assets													
Software	2,146,233.48	0.00	2,146,233.48	0.00	0.00	2,146,233.48	0.00	0.00	2,146,233.48	0.00	0.00	0.00	0
	2,146,233.48	0.00	2,146,233.48	0.00	0.00	2,146,233.48	0.00	0.00	2,146,233.48	0.00	0.00	0.00	0
Property, plant and equipment													
Operating and business equipment	60,303.69	1,312.71	31,544.93	0.00	30,071.47	35,177.69	8,129.71	0.00	25,141.93	0.00	18,165.47	11,906.00	25
	60,303.69	1,312.71	31,544.93	0.00	30,071.47	35,177.69	8,129.71	0.00	25,141.93	0.00	18,165.47	11,906.00	25
	2,281,537.17	1,312.71	2,177,778.41	0.00	105,071.47	2,181,411.17	8,129.71	0.00	2,171,375.41	0.00	18,165.47	86,906.00	100

Appendix to the Financial Statement 2018

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	109,704	230	8,116	25,9

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 2018

1. Basic principles and business model

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

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

On 1 February 2016, Eurex Clearing was registered with the CFTC as a derivatives clearing organisation (DCO) for clearing OTC interest rate swaps for US clearing members in accordance with the Commodity Exchange Act, and since 22 December 2018 Eurex Clearing has been able to clear customer transactions of US clearing members. As part of the Temporary Recognition Regime (TRR), Eurex Clearing will maintain its status as a recognized provider of clearing services to the Bank of England, even in the event of a no-deal brexit.

In addition, Eurex Clearing is listed on the Monetary Authority of Singapore as a Recognized Clearing House in Singapore.

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

Eurex Clearing performs the duties of a clearing house, including the operation of a clearing system for cash and unit settlement of transactions on domestic and international securities or derivatives exchanges, multi-lateral trading platforms and of OTC transactions in various financial instruments such as derivatives, equities, securities lending and repo transactions. Eurex Clearing guarantees the performance of delivery and payment obligations after transactions are concluded on Eurex Deutschland, Frankfurt/Main; the Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange), Frankfurt/Main; the Irish Stock Exchange, Dublin, Ireland; Eurex Repo GmbH, Frankfurt/Main; Eurex Zürich AG, Zürich Switzerland and of off-exchange transactions on approved trade sources. Eurex Repo was merged with Eurex Bonds in the first half of 2018, and now operates under the name Eurex Repo GmbH. Due to an agreement with the Swiss surveillance authority FINMIA Eurex Zürich AG ended the operation of future exchanges to 31 March 2018. In this agreement references to Eurex Zürich are contained only valid until this date.

Irish Stock Exchange plc (ISE or Euronext Dublin) is planning to migrate its trading and other services to the systems of Euronext Group at the weekend of 2nd/3rd February 2019 (with 1st February 2019 being the last trading day) or at latest 28 February 2019. Furthermore, it is intended to migrate the clearing services from Eurex Clearing to EuroCCP. Therefore, the clearing services for CCP eligible trades on ISE Xetra will be terminated. According to the Termination and Settlement Agreement (TSA) clearing services for CCP eligible trades on ISE Xetra will be continued until fifteen (15) working days after migration date for all transaction traded on ISE Xetra until and on the last trading day. Eurex Clearing has to continue to manage all open transactions until all those transactions are settled. This includes all standard CCP activities, as required, e.g. undertaking a buy-in or cash settlement for any failed trades.

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

As a market infrastructure operator, Eurex Clearing AG, bears responsibility for financial market stability. This is why Eurex Clearing has decided, against a background of ongoing political and regulatory uncertainty surrounding the impending withdrawal of the UK from the EU, to offer its customers a market-oriented partnership programme for the clearing of OTC interest rate derivatives. The partnership programme commenced in January 2018 and currently has 34 participants. In September 2018, Eurex Clearing announced its planned extension of the partnership programme in February 2019 to include repo transactions.

A further core task in 2018 was the enhancement of the system landscape used or provided by Eurex Clearing. This included supporting the extension of trading hours for certain Eurex exchange-traded derivatives on the clearing side, as well as migrating payment functionalities from the CCP Carmen system into the future-oriented C7 Payment Services application.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Expectations in relation to global growth for 2019 are similar to those set out for 2017 and 2018. However, it has to be said that the risks of a downturn have increased, partly because of upheavals in worldwide trade and heightened political uncertainty. In developed economies, growth seems to have peaked as output gaps have been largely closed. These economies are expected to show continued growth, albeit at a slightly lower level. The outlook for growth rates in emerging markets is also slightly lower than in 2018, but differs from one region to another. In China, growth rates will continue to normalise to a sustainable level, while a significant upswing is anticipated in India.

In line with the macroeconomic recovery in the developed world, the countries concerned are beginning to phase out the programmes which were put in place to strengthen their economic recovery. The US Federal Reserve Bank (Fed), for example, took significant monetary policy measures by raising its federal funds rate four times in 2018, with the latest increase from 2.25 per cent to 2.50 per cent on 20 December 2018. Further measures involving up to two increases in the federal funds rate have already been announced for 2019. In addition, the Fed is still continuing with the suspension of its bond purchase programme.

The Bank of England's monetary policy committee also raised the base interest rate by 0.25 per cent in August 2018 to now 0.75 per cent. In contrast, the Bank of Japan decided to keep to its monetary policy course in 2018.

In the euro zone too, the European Central Bank (ECB) concluded its purchases as part of the expanded asset purchase programme in December 2018 but intends to continue reinvesting maturity payouts from securities. The main refinancing interest rate and the marginal lending facility rate remained unchanged in 2018. There are currently no indications that the ECB will change its stance on monetary policy in 2019.

On 29 March 2017, the UK officially announced its intention to withdraw from the European Union. This marked the formal start of the Brexit negotiations which should be completed by the date of the UK's official departure two years later on 29 March 2019. Due to continued uncertainty in relation to the outcome of these negotiations and the growing risk that there will be no deal agreed, market participants, particularly those based in the United Kingdom, are faced with the task of adapting to an unpredictable outcome. Thus affected companies will have a very short period of time in which to implement their existing contingency plans. By the end of 2018, Eurex Clearing had already authorised the majority of its UK-based clearing members through a Group entity located in the EU27.

2.2 Business developments

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

In financial year 2018 Eurex Clearing generated a profit of €8,141 thousand before profit transfer to Eurex Frankfurt AG (previous year: €1,589 thousand).

Eurex Clearing's clearing volumes rose significantly in financial year 2018 compared with 2017 levels with respect to the number of cleared transactions due to an increase in the number of derivatives market transactions concluded and a successful start to the Eurex Clearing partnership programme. This development met the expectations from the previous year's forecast due to higher market volatility. The development of Eurex Clearing's clearing volume will now be discussed in detail. On the basis of existing agreements, this has no direct influence on the Company's net assets, financial position and results of operations.

The clearing and trading volume was 1,951.8 million contracts for futures and options, up 16 per cent on the previous year (previous year: 1,675.9 million). This is equivalent to a daily average of around 7.7 million contracts (previous year: 6.6 million).

Clearing in equity index derivatives, including derivatives on dividend indices and volatility indices, rose by 16 per cent year-on-year to 949.8 million contracts (previous year: 818.6 million). By far the most commonly traded and settled products were contracts on the EURO STOXX 50® index with 318.6 million futures (previous year: 282.1 million) and 295.5 million options (previous year: 280.8 million). The volume of equity derivatives contracts (single-stock options and futures, as well as dividend derivatives on individual securities and various ETF products) cleared in the year under review was 372.1 million (previous year: 275.0 million), an increase of 35 per cent.

The volume of interest rate derivatives cleared in the year under review increased by 8 per cent to 628.5 million contracts (previous year: 582.1 million). At the end of the 2018 financial year, over-the-counter interest rate swaps settled via EurexOTC Clear achieved an outstanding nominal volume of €7,913.9 billion (previous year: €1,930.8 billion), an increase of 310 per cent.

At Eurex Repo, the marketplace for the collateralised money market and for the General Collateral Pooling (GC Pooling) range, the average outstanding volume increased in the year under review by 2.3 per cent to €93.2 billion (previous year: €91.1 billion, single-counted for both periods). Particularly high levels of growth were achieved in GC (+ 80.4 per cent to €12.5 billion) and Repo Specials products (+ 15.8 per cent to €43.6 billion). As a result of the low interest rate environment and the ECB's bond purchase programme, many bonds which could have acted as collateral for repo transactions were taken off the market.

In cash markets, the clearing volume for transactions involving equities was 1.7 per cent above the previous year's level, at 125.5 million transactions (previous year: 123.4 million transactions). The clearing volume for bond transactions fell by 51 per cent year-on-year to 3.7 thousand transactions (previous year: 7.5 thousand transactions).

In the clearing offering for securities lending business, the average daily outstanding nominal volume was €2.0 billion in the reporting period (previous year: €3.0 billion).

2.3 Results of operations, financial position and net assets

2.3.1. Results of operations

Net interest income amounted to €37,862 thousand in 2018 (previous year: €25,296 thousand). Included in this are interest income in the amount of €173,052 thousand (previous year: €175,005 thousand) as well as interest expense of €135,190 thousand (previous year: €149,709 thousand). The Company did not generate any commission income after transfers. The commission expense of €6,097 thousand (previous year: €5,374 thousand) is primarily related to bank fees.

In 2018 other operating income at Eurex Clearing amounted to €77,935 thousand (previous year: €85,524 thousand) and largely comprises income from management services for Eurex Frankfurt AG, Eurex Zürich AG (until 31 March 2018) and Eurex Global Derivatives AG amounting to €57,128 thousand (previous year: €54,516 thousand), agency agreement services for Deutsche Börse amounting to €15,157 thousand (previous year: €25,885 thousand) as well as the reversal of provisions in the amount of €1,919 thousand (previous year: €2,834 thousand).

Administrative expenses amounted to €96,516 thousand (previous year: €93,871 thousand) and in the main relate to personnel expenses in the amount of €36,093 thousand (previous year: €31,034 thousand), external consulting costs of €16,684 thousand (previous year: €16,502 thousand), expenses for agency agreement services provided by Deutsche Börse AG amounting to €16,619 thousand (previous year: €19,288 thousand), non-deductible input tax in the amount of €6,327 thousand (previous year: €8,349 thousand), marketing costs in the amount of €4,962 thousand (previous year: €966 thousand), communication costs in the amount of €4,436 thousand (previous year: €956 thousand), IT costs in the amount of €2,849 thousand (previous year: €1,937 thousand), agency agreement services provided by Clearstream Operations Prague SRO, Prague, Czech Republic amounting to €2,609 thousand (previous year: €1,795 thousand), commission expenses with Eurex Repo GmbH amounting to €1,444 thousand (previous year: €2,006 thousand) and cooperation costs with Nasdaq OMX amounting to €935 thousand (previous year: €1,091 thousand).

The Company’s net profit (before profit transfer to the parent company) was €8,141 thousand (previous year: €1,589 thousand). As part of the existing profit transfer agreement, €8,141 thousand (previous year: €1,589 thousand) was transferred to Eurex Frankfurt AG. This increase resulted from the change in the margin to 7 per cent.

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

2.3.2. Financial position

Primarily as a result of a payment of €50,000 thousand into capital reserves on 1 June 2018, Eurex Clearing’s equity increased from €464,813 thousand to €514,813 thousand as at 31 December 2018. The next payment of €100,000 thousand into capital reserves was carried out on 4 February 2019.

Funds paid in as collateral by clearing participants after haircut of €23,336,219 thousand (previous year: €26,095,412 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 €9,392 thousand (previous year: €9,518 thousand) in bonds, Eurex Clearing engages in maturity transformation to only a very limited extent. Furthermore, Eurex Clearing has uncollateralised balances at central banks that are payable on demand. As at 31 December 2018, these amounted to €24,287,896 thousand (previous year: €27,008,508 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, Frankfurt/Main, Eurex Zürich AG, Zug, Switzerland (until 31 March 2018), and Eurex Global Derivatives AG, Zug, Switzerland. In addition, Eurex Frankfurt AG would compensate a loss incurred by Eurex Clearing due to the profit transfer agreement.

Approved credit lines amounting to €1,170 million and CHF 200 million in total, granted by various credit institutions, are available for refinancing purposes. The approved euro credit lines were drawn on regularly during financial year 2018. As at 31 December 2018, these lines had not been drawn down.

Additionally, since the expansion of its authorisation in August 2013, Eurex Clearing has had the option of short-term refinancing with Deutsche Bundesbank (the German central bank) using intraday or overnight credit lines. In financial year 2018 Eurex Clearing exclusively used intraday loans for secured borrowing. As at 31 December 2018 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 2018.

As from 1 January 2018, the Company was required to adhere to 100 per cent of the liquidity coverage ratio introduced by the Capital Requirements Regulation (EU) no. 575/2013 and the revised version of the Liquidity Coverage Ratio Delegated Regulation (LCRDR), which came into effect on 30 September 2016 with Implementing Regulation (EU) 2015/61. As at 31 December 2018 Eurex Clearing AG had a liquidity coverage ratio (LCRDR) of 102 per cent.

2.3.3. Net assets

The cash reserve in the amount of €18,245,692 thousand (previous year: €19,251,801 thousand) and receivables from credit institutions in the amount of €7,711,457 thousand (previous year: €7,896,118 thousand) mainly comprise the investment of the cash collateral deposited by clearing participants in the amount of €23,673,926 thousand (previous year: €26,554,984 thousand).

On 15 June 2018, €50,000 thousand was deposited in the capital reserves. In the financial year, equity amounted to €514,813 thousand (previous year: €464,813 thousand).

Total assets after the deduction of margins and liabilities held in trust amounted to €844,977 thousand (previous year: €640,272 thousand), resulting in an equity ratio of 60.9 per cent (previous year: 72.6 per cent).

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

2.4 Financial and non-financial performance indicators

2.4.1. Financial performance indicators

In light of the fact that Eurex Clearing primarily operates its clearing business in its own name but for the account of Eurex Frankfurt AG, the net profit of the Company (before profit transfer to the parent company) is considered to be a key management parameter. Net profit is largely dependent on the size of the profit surcharge; since this is determined on the basis of a percentage of the costs to be reimbursed under IFRS, an increase in the costs for operating the clearing house has a positive effect on net profit. The changes in operating costs in accordance with IFRS and the administrative costs in accordance with the Handelsgesetzbuch (HGB, German Commercial Code) are managed as part of quarterly target/actual and actual/actual comparisons.

2.4.2. Non-financial performance indicators

Due to its profit transfer to the parent company, Eurex Clearing does not generate any commission income from its activity as a clearing house. The growth in its clearing and trading volumes – particularly on the Eurex exchanges – are 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 2019 and beyond. It contains statements and information on events in the future. These forward-looking statements and information are based on the Company's expectations and assumptions at the time of publication of this report on expected developments.

Eurex Clearing AG identified various factors in 2018 that significantly impacted investments in the financial markets and which could persist in the coming financial year.

- The fact that key interest rates remained low in 2018 and the European Central Bank's accommodative monetary policy had the overall effect of lowering investments in European government bonds as well as in repo transactions and European government bond derivatives, as measured by the demand for hedging in the real economy. Despite this, demand for derivatives market products on German government bonds trended positively in comparison with the relatively low level of the previous periods. Eurex Clearing AG expects business volume in the repo and securities lending sector to experience a recovery in the coming financial year due to the ECB concluding its expanded asset purchase programme in December 2018 and ongoing volatility.
- Customers of Eurex Clearing are faced with considerable uncertainty as regards the political and regulatory environment, especially in clearing business. Various public and private institutions are tackling the issue of how to ensure market stability following the withdrawal of the United Kingdom from the EU. The Eurex Clearing partnership programme has created choices and generated competition, increased price transparency and reduced concentration risks. Thanks to this initiative, which has been well received by market participants, Eurex Clearing anticipates continued growth in OTC business in the 2019 financial year.
- Various regulatory measures are creating a need (both now and in the future) for adaptation on the part of participants. As a result of the implementation of the Capital Requirements Regulation/Directive (CRR/CRD IV) liquidity is linked to higher capital requirements. As with the further progress of the clearing obligation for OTC derivatives, this is having a major impact on structural relationships in the clearing environment. However, other legislative measures such as the reorganisation of EMIR in Europe (EMIR 2.2) and the review of many measures under the Dodd-Frank Act in the US will have a significant impact on business operations in 2019.

In summary: Eurex Clearing expects that if the economic situation in the euro zone continues to improve and organic growth initiatives have positive effects, clearing volumes will increase in 2019 as compared to financial year 2018. Eurex Clearing also sees the commission income trend before transfers as being positive with low double-digit growth. For 2019 the general administrative costs before transfers are projected to be slightly higher than the costs for 2018. 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 the development of this market as part of its own business model and to reflect this expected positive trend in its own business operations.

Based on the profit transfer agreement, Eurex Clearing anticipates the Company will realise a net profit for 2019 (before profit transfer to the parent company) which is slightly higher than that of 2018. With regard to subsequent business performance beyond 2019, ongoing developments in the general regulatory conditions, growing uncertainty on the financial markets and associated changes in 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 2019, are manifold. Key challenges in 2019 and beyond will continue to be the amendment and effects of regulatory measures relating to market participants' capital and risk management activities, as well as political uncertainties which will increase the risks faced by market participants.

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

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

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

- Expansion of the Eurex Clearing partnership programme to create a liquid, EU27-based alternative for the settlement of repo transactions and currency derivatives

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

In addition, Eurex Clearing AG also expects there to be fundamentally positive stimuli on operating activities during the 2019 forecast period and beyond as a result of many other measures to expand the clearing network, strengthen the customer base in terms of quantity and geographical reach, and increase the number of clearing products and product classes.

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

3.3 Risk report

Risk management system and methods

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

The risk management system ensures that all management bodies (Executive Board, Supervisory Board and committees) of Eurex Clearing are promptly informed about the risk profile of the entire Company as well as specific material risks. The objective is the timely identification of developments and risks that are not consistent with the approved business and risk strategy of Eurex Clearing so that suitable countermeasures can be taken.

The risk strategy is based on the business strategy and sets the maximum assumable risk limit for operational and financial risks. It does so by stipulating the conditions for risk management, control and limitation. 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 to reduce the frequency and level of potential losses from the corresponding risk cases for Eurex Clearing. The measures used include guidelines and procedures, segregation of duties, the principle of dual control and business continuity management. 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 the value at risk approach (VaR) for quantifying all material risks. It calculates its required economic capital (hereinafter referred to as REC) at a confidence level of 99.98 per cent and over a time window of 12 months. The risk coverage potential that exists in parallel with the capital requirement consists mainly of the reported equity. For risk control purposes, Eurex Clearing regularly calculates the ratio of REC to risk coverage potential, or “utilisation of available risk-bearing capacity”, as an indicator.

The results of the VaR calculation are reported on a regular basis and are used in the context of risk control. In addition to the quantification of risks, reports also include qualitative information on the risk profile in the form of risk indicators or analyses of realised losses. Occurrences relevant to risk are comprehensively explained, and possible countermeasures are described. A comprehensive quarterly risk report is submitted to the Executive Board of Eurex Clearing, supplemented by risk reporting every month and on an ad hoc basis as required. The Supervisory Board, the Risk Committee and the Audit and Risk Committee also receive quarterly risk reports.

Independent audits by Internal Auditing ensure that the risk control and risk management functions are appropriate.

Risk profile

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

Operational risk

As at 31 December 2018, under the control-relevant liquidation approach, operational risks contribute approximately 57 per cent to the overall risk. They comprise potential losses from inadequate or faulty systems and internal processes, from human error or technical failure, and from legal and business risks.

Operational risks for Eurex Clearing include, in particular, any threat to the availability of the system infrastructure deployed and processing errors. 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 is thus intended to reduce 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.

Litigation 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 risk also includes losses due to fraud and labour law issues. This could entail, for example, losses resulting from insufficient anti-money laundering controls or breaches of competition law or of banking secrecy.

Eurex Clearing regularly conducts stress tests for operational risk. In these tests, the occurrence of extreme operational losses or an accumulation of major operational losses in a single year is simulated, and then compared with the available risk-bearing capacity. Eurex Clearing also performs inverse stress tests. This tool is used to identify scenarios whose simultaneous occurrence would result in the available risk-bearing capacity being exceeded.

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

Financial risk represents around 43 per cent of the overall economic risk quantified on the basis of the VaR concept. Eurex Clearing divides financial risks into credit, market and liquidity risks. Liquidity risks are not quantified as part of the process of calculating economic capital.

Credit risk

The credit risk faced by Eurex Clearing is broken down into credit risks from the clearing business and credit risks that may arise from cash investments. Credit risk describes the danger that a counterparty might not meet its contractual obligations, or not meet them in full.

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 thresholds defined as a proportion of the risk-bearing capacity. In addition to traditional stress tests, inverse stress tests are also performed.

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

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, pre-emptive rights, derivatives and emission allowances that are traded on specific market places. Eurex Clearing also offers this service for OTC products such as interest rate swaps and forward rate agreements. Risk positions from the clearing business are quantified using margining models. Clearing participants are required to deposit eligible collateral for the corresponding margin obligations.

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. To mitigate Eurex Clearing's risk that clearing members in the respective markets might default before settling open transactions, members are obliged to deposit collateral in the form of cash or securities (margins) on a daily basis and, if required, to meet additional intraday margin calls.

Eurex Clearing permits only securities with a high credit rating to be used as collateral. Eurex Clearing continually reviews which collateral it permits and uses appropriate margins to hedge against market risk with a 99.9 per cent confidence level. It applies a further haircut to securities from issuers in high-risk countries or excludes them from being furnished as collateral altogether. Risk inputs are checked regularly and the safety margins are calculated daily for each security. In addition, a minimum safety margin applies to all securities.

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

In addition, Eurex Clearing protects itself against a payment default by a clearing member by obtaining additional collateral against the risk that the value of the positions contained in the account will develop negatively until the account is closed out. This additional collateral is known as the initial margin. The target confidence level here is at least 99.0 per cent and the holding period is a minimum of two days for exchange-traded transactions, and 99.5 per cent and five days for OTC transactions. Eurex Clearing regularly checks whether the margins meet the required confidence level. The initial margin is currently calculated using two methods: the risk-based margining method and the Prisma method. The latter is already available for all derivative contracts traded. It takes the clearing member's entire portfolio - as well as historical and stress scenarios - into account when calculating 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 default fund, with the contributions based on its individual risk profile. This fund is jointly liable for the financial consequences of a default by a clearing member to the extent that this cannot be covered by the member's individual margin, its own contributions to the default fund and Eurex Clearing's contribution to the clearing fund. Eurex Clearing uses regular stress tests to check whether its default fund matches the risks. This involves subjecting all current transactions to market price fluctuations at a confidence level of at least 99.9 per cent. In order to be able to determine potential losses in excess of a clearing member's individual margins, the impact on the default fund of a potential default is simulated. Eurex Clearing has defined limits which, when exceeded, trigger an immediate adjustment to the scope of the default fund if necessary. The following lines of defence are available for the case that a clearing member is unable to meet its obligations to Eurex Clearing due to a delay in performance or a default:

1. First, the relevant clearing member's outstanding positions and transactions can be netted and/or closed from a risk perspective by entering into appropriate back-to-back transactions, or they can be settled in cash.
2. Any potential shortfall that might be incurred in connection with such a closing or cash settlement, as well as the associated costs, would be covered in the first instance by the

collateral provided by the clearing member concerned. As at 31 December 2018, collateral amounting to €52,623.1 million had been provided for the benefit of Eurex Clearing (after haircuts).

3. After this, the relevant clearing member's contribution to the default fund would be used to cover the open amount. The contributions ranged from €1 million to €414 million as at 31 December 2018.
4. Any remaining shortfall would initially be covered by Eurex Clearing's own contribution to the default fund. As at 31 December 2018, the contribution of Eurex Clearing stood at €150 million.
5. Only then would the other clearing members' contributions to the default fund be used proportionately. As at 31 December 2018, the volume of Eurex Clearing's default fund stood at €4,076.4 million (after haircuts). 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 default fund contributions. In parallel with these additional contributions, Eurex Clearing also provides additional funding of up to €300 million, which can be obtained from Deutsche Börse AG via a letter of comfort. The additional contributions from the clearing members and Eurex Clearing are realised together, on a pro-rata basis.
6. Subsequently, the portion of Eurex Clearing's equity capital in excess of the regulatory capital requirement would be utilised.
7. Finally, Eurex Clearing's remaining minimum equity capital under the regulatory requirements would be used.
8. In addition, Deutsche Börse AG has issued a letter of comfort in favour of Eurex Clearing, in which Deutsche Börse AG undertakes to provide Eurex Clearing with the financial resources it needs to meet its obligations, including the obligation to provide the above-mentioned additional funding of up to €300 million. The maximum amount to be made available under the letter of comfort is €600 million, including payments already made, e.g. in providing the above-mentioned additional funding of up to €300 million. Third parties are not entitled to any rights under the letter of comfort.

If a clearing member defaults, Eurex Clearing AG will execute its tried-and-tested Default Management Process (DMP) in order to balance their own buying and selling obligations. Not only does this contribute to the security and integrity of the capital markets, it also protects non-defaulting clearing members from the potential negative consequences that may result from a participant defaulting.

At its core, the DMP ensures that products with similar risk characteristics are assigned to liquidation groups that have been closed out collectively. Within a liquidation group, Eurex Clearing AG rebalances itself by transferring the defaulted positions to other clearing members either by means of an auction process or through a bilateral private sale.

Potential losses that may result from the default of a clearing member and that exceed the resources of the defaulting clearing member are hedged through above described "waterfall" of lines of defence, which are segmented along the risk-weighted liquidation groups.

To date, the Default Management Process at Eurex Clearing AG has been triggered four times: Gontard & MetallBank (2002), Lehman Brothers (2008), MF Global (2011) and Maple Bank (2016).

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

To strengthen the risk management function regarding this central risk, Eurex Clearing conducts “fire drill” exercises every year in cooperation with the clearing members. As part of these exercises customer defaults are simulated. The objective of this exercise is to test management behaviour, the flow of information, the cooperation with clearing members and their behaviour in the auction and decision-making processes in the event of a crisis situation, and to improve them accordingly. Eurex Clearing simulates the Default Management Process at least once a year, and this was the case in 2018 too. The process was successfully tested in a global exercise, conducted simultaneously with other central counterparties.

Credit risks arising from cash investments

Credit risk can also arise from cash investments. Treasury largely makes collateralised investments with the Company’s money and the funds of Eurex Clearing’s customers. To date, no payment default has occurred in the context of cash investments.

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

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

Market price risks

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

Open currency positions exist only on a small scale, so that currency risks are likewise not significant. Market price risks also arise upon investment in a special fund (Contractual Trust Arrangement, CTA) that serves to cover pensions and other employee benefits. The Company reduced its risk of extreme losses by deciding to invest a predominant proportion of the CTA on the basis of a value preservation mechanism.

In January 2018, the incentive programme of Eurex Clearing expired. This resulted in the use of the provisions for negative market values from embedded derivatives amounting to €1.4 million.

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 and comply with a conservative investment policy due to its status as a central counterparty. A regular review process ensures the appropriateness of the liquidity guidelines. Since extending its licence as a deposit credit institution under the KWG, Eurex Clearing can use Deutsche Bundesbank's permanent facilities.

In order to analyse the liquidity risk of Eurex Clearing and to ensure that sufficient liquid financial resources are maintained at all times, regular stress test calculations are carried out. To this end, Eurex Clearing has implemented various scenarios that take into consideration sources of liquidity risk both within the Company itself and throughout the entire market. In accordance with regulatory requirements, Eurex Clearing 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. Eurex Clearing has also implemented inverse stress tests that evaluate what events could threaten the Company's survival. 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 financial year. As at 31 December 2018, the required economic capital of Eurex Clearing amounted to €365 million. This represents an increase compared with the previous year (€332 million), particularly as a result of a greater internally-defined capital requirement for operational risks.

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

Frankfurt/Main, 6 March 2019

Eurex Clearing Aktiengesellschaft

Erik Tim Müller

Heike Eckert

Matthias Graulich

Thomas Laux

Manfred Matusza

Independent Auditor's Report

To EUREX Clearing Aktiengesellschaft, Frankfurt am Main

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

Opinions

We have audited the financial statements of Eurex Clearing Aktiengesellschaft, Frankfurt am Main – which comprise the balance sheet as at 31 December 2018 and the statement of profit and loss for the financial year from 1 January to 31 December 2018 as well as the notes to the financial statements, including the accounting policies presented therein. We have also audited the management report of Eurex Clearing for the financial year from 1 January to 31 December 2018.

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

- the accompanying financial statements comply, in all material respects, with the legal requirements of German commercial law applicable to financial institutions and give a true and fair view of the net assets and financial position of the company as at 31 December 2018 and of its results of operations for the financial year from 1 January to 31 December 2018 in accordance with German principles of proper accounting, and
- the accompanying management report as a whole provides a suitable view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for our opinion

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we hereby declare pursuant to Article 10(2) (f) of the EU Audit Regulation that we did not provide any of the prohibited non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Collection of commission income

For the collection of commission income in its own name for third-party account and its transfer by Eurex Clearing, please refer to section 2.2, Business performance, in the management report for the 2018 financial year.

THE FINANCIAL STATEMENT RISK

Eurex Clearing undertakes the collection in particular of transaction fees and also the clearing of the related exchange-traded derivative transactions on the basis of separate business procurement contracts with Eurex Frankfurt AG as operator of the Eurex futures market in Germany and, up to 31 March 2018, with Eurex Zürich AG as operator of the Eurex futures market in Switzerland. For Deutsche Börse AG, Eurex Clearing undertakes the clearing of transactions concluded on the Frankfurt Stock Exchange. Clearing is the settlement, in money or shares, of the transactions in various financial instruments, such as stocks, bonds and derivatives. Furthermore, Eurex Clearing collects the fees charged to participants by Eurex Germany and Eurex Zurich (up to 31 March 2018) for access to the clearing house, transaction fees and the fees for the transactions concluded within the framework of the Eurex OTC functionality. All fees are collected in its own name and for third-party account and transferred within the group.

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

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

OUR AUDIT APPROACH

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

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

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

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

Furthermore, we conducted substantive analytical audit procedures to examine the development of the various types of commission income in comparison with the previous year from materiality and risk perspectives.

OUR CONCLUSION

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

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

For the other operating income from the reimbursement of the net expenses for the management of operations, please refer to the disclosures in the notes in the section on disclosures and explanatory notes on the statement of profit and loss. For the existing internal group contracts concerning the transfer of commission income, please refer to the disclosures in the section 2.2, Business performance, of the management report for the 2018 financial year.

THE FINANCIAL STATEMENT RISK

Eurex Clearing collected trading and clearing fees for derivatives in its own name and for the account of Eurex Frankfurt AG and Eurex Zürich AG (up to 31 March 2018) on the basis of existing business procurement contracts and transferred this income accordingly. Furthermore, Eurex Clearing AG collects clearing fees for transactions concluded on the Frankfurt Stock Exchange for Deutsche Börse AG. In return, Eurex Frankfurt AG, Eurex Zürich AG (up to 31 March 2018) and Deutsche Börse AG assumed the expenses for the operation of the clearing house, less a profit surcharge.

The other operating income from the reimbursement of expenses amounted in the 2018 financial year to EUR 72.3 million (previous year: EUR 79.8 million).

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

OUR AUDIT APPROACH

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

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

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

OUR CONCLUSIONS

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

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

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

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

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

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

Auditor's responsibilities for the audit of the annual financial statements and of the management report

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

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

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

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

– Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the company's position it provides.

- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditors by the annual general meeting on 27 June 2018. We were engaged by the supervisory board on 27 June 2018. Eurex Clearing has been a financial institution subject to the CRR since August 2013, and we have been the auditor of Eurex Clearing without interruption since that time.

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

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

- Business audit of the covered deposits of Eurex Clearing as at 31 December 2016 in the form of a limited assurance engagement
- Business audit of the planned changes to the assignment of the operational deposits for the purposes of calculating the liquidity coverage ratio in the form of a limited assurance engagement

- Audit of the IFRS single-entity financial statements of Eurex Clearing as at 31 December 2017

Responsible public auditor

The public auditor responsible for the engagement is Klaus-Ulrich Pfeiffer.

Frankfurt am Main, 7 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

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