

Press embargo ends: 15 May 2014, 10.00 a.m. CET

Annual General Meeting

Deutsche Börse Aktiengesellschaft

15 May 2014

Reto Francioni

Chief Executive Officer

Deutsche Börse Aktiengesellschaft, Frankfurt/Main

Ladies and Gentlemen,  
dear shareholders,

Welcome to this year's Annual General Meeting of Deutsche Börse Aktiengesellschaft. I would also like to wish a warm welcome to those of you who are joining us online today, as well as to the representatives of the media.

Today, I will be presenting you with the most important current trends driving our company, which of course is *your* company. The main focus is on financial year 2013, but I will also outline the key trends from the first quarter of this year. I will address these trends in the context of the macroeconomic environment and the situation facing exchange organisations worldwide. And I will explain the strategy we are pursuing, where and how we have made further progress, where we have recorded a number of major successes and where there is still work to be done.

Our strategy is not an end in itself. In the first instance, it serves *your* interests, Ladies and Gentlemen, as the owners of this company. And not least our strategy supports the interests of the economy and the society of which we as a company are a part. However, our strategy also serves the interests of our employees.

It's quite simple: we want to be successful, because success is good for everybody. And we want sustainability. We are committed to these goals – perhaps *more than ever before*, not least because of the recent financial crisis.

Let us now turn to the key data for assessing our business position:

- Firstly: our trading volumes suffered again in 2013 from the market uncertainty. At the same time, we took anticyclical counter-measures. In other words: despite the globally weak exchange trading volumes, we invested in future growth. This is already paying off, and we have been able to further improve our international competitive position. This needed courage, and that is something we had and continue to have.
- Secondly: we were and are part of the solution for a stable financial sector. We are also committed to serving the real economy and society. This commitment is part of our business model. That's why it also pays off for you, as our shareholders. It pays off as long as we are not short-termist in our thinking, because, on balance, the re-regulation of the markets we are currently experiencing will strengthen our position. For the long term.
- Thirdly: we are making a contribution not only in Germany and in Europe. We are also making it worldwide, and increasingly in Asia. We are making continuous, encouraging progress with our Asia strategy. Progress that keeps growing and growing. We achieved a new milestone in March with our strategic alliance with the Bank of China, one of the largest banks in the People's Republic of China. Securing Frankfurt as one of the few centres for renminbi trading outside China seamlessly rounds off this success. It is also very much in the interests of Frankfurt and Germany as financial centres, and of continental Europe as an economic powerhouse.

Check against delivery.

Above all, I would like to thank you, our shareholders, for the successes of the past year. Thank you for the confidence in our strategy that you demonstrate through your investment. My thanks go also to all of Deutsche Börse's employees. Their unique knowledge and exceptional commitment are a critical factor in the success of our company.

We would also like to pay respect to our customers. And for everybody who takes part in the debate in society at large about financial issues, something that was kick-started again by the financial crisis. We don't just *participate* in this debate – we actively *encourage* it.

## 1. Agenda

Before I start my review of the last financial year, I would just like to explain two items on today's agenda:

Firstly: in addition to the standard resolutions that recur at regular intervals, this year we are proposing that you authorise us to issue convertible and warrant-linked bonds and to create contingent capital.

Around two-thirds of companies in DAX already have this sort of authorisation today. In the first instance, it involves creating an option. That is because there are no plans at the present time to make use of the authorisation that we are asking you to resolve. It would extend the opportunities available for financing our company if we need to raise cash funds or additional capital. By issuing convertible bonds and/or warrant-linked bonds, our company could, if necessary, take advantage of attractive financing options, depending on the market situation.

Secondly, this year's agenda contains a proposal to amend section 20 of the Articles of Association so that, in future, the Annual General Meeting can resolve non-cash distributions instead of or in addition to cash distributions. At present, our company's Articles of Association only allow cash distributions to be made to the shareholders. The proposed amendment to the Articles of Association would give shareholders attending the Annual General Meeting greater flexibility, and it is a common authorisation in the articles of association of DAX companies.

This does not mean actually taking a decision to distribute non-cash assets to the shareholders of Deutsche Börse Aktiengesellschaft. In addition to a corresponding proposal by the management, such a decision would additionally require a separate resolution to be adopted at the Annual General Meeting by you, our shareholders.

Let me now move on to my review of the past financial year.

## 2. Financial year 2013 and the 2013 financial statements

### (Slide 1) Development of Group and segmental financials in 2013

Deutsche Börse Group generated net revenue of approximately €1.9 billion in 2013.

Our earnings before interest and tax, or EBIT, were around €950 million after adjustment for non-recurring factors.

The main EBIT driver is our Clearstream subsidiary, one of the world's largest central securities depositories. This division posted new records, thanks not least to innovative services that are tailored to the post-financial crisis world. Its custody volume increased in 2013 to a new record of around €12 trillion, due among other factors to Clearstream's success in winning new customers that had previously been almost impossible to reach. Clearstream's net revenue climbed to over €650 million.

The only negative development related to our net interest income from banking business, but this is driven by factors that we cannot control: central bank interest rates. The stimulating effect of historically low interest rates may be important for buoying up the economy – especially in light of deflationary trends. But of course such rates have a highly adverse effect on interest income.

However, we wouldn't be Deutsche Börse if we didn't use the low interest rates to our own advantage and to the advantage of our investors. For example, we *reduced* our cost base *without* putting an extra burden on our employees: we generated large savings last year by refinancing our bonds. This year, too, we will take the same action to cut our financing costs: this time, we expect to reduce them by around €45 million compared with 2012. Ladies and Gentlemen, you can see that we use the capital you entrust to us as efficiently and effectively as possible.

Nevertheless, our operating costs still rose to more than €970 million in total. However, this figure includes the one-time settlement payment linked to the investigations by a US supervisory authority. This payment is a non-recurring factor.

In early April, we were informed that a United States Attorney had started investigating Clearstream for alleged violations of US money laundering and sanctions rules. However, these investigations, in which Clearstream is cooperating with the US Attorney, are currently at a very early stage.

Deutsche Börse Group's two derivatives markets are Eurex and the New York-based International Securities Exchange (ISE). Net revenue there declined slightly in 2013 – by 3 per cent – to around €740 million. This was due to the persistent market uncertainty and a shifting competitive environment in the US.

By contrast, we were able to increase net revenue from trading and clearing equities and other securities in the Xetra cash market by 5 per cent to over €150 million. This is a tremendous success, especially in this fiercely contested segment of our business.

The merger of our technology and market data business has given rise to the new Market Data + Services segment. Net revenue in this segment was largely stable, at almost €370 million.

### **(Slide 2) Stable dividend of €2.10 per share proposed for 2013**

Based on these results, Deutsche Börse AG's Executive Board and Supervisory Board are proposing to maintain the dividend at €2.10 per share. With a distribution ratio of 61 per cent, we are slightly above the target range for our dividend distribution ratio. However, it was and continues to be important for us to demonstrate continuity here and to reward your loyalty to our company.

## **2. Q1/2014**

### **(Slide 3) Development of Group and segmental financials in Q1/2014**

We have taken and continue to take strong measures to counter the negative trends, and we have developed and launched a large number of new products. We have extended our position in Asia, as well as in Europe and North America. We have developed new solutions for the post-crisis world. And we have still kept a firm grip on our costs. This is beginning to pay off.

We saw a growing number of positive signals in the first quarter of this year: for example at Eurex, where net revenue rose by 5 per cent. The European Energy Exchange (EEX), where Eurex has had a controlling majority since the first quarter, is now also making a contribution to Eurex's growth. This has added another asset class to the range of markets that are strategically managed by Deutsche Börse.

Developments on the equity markets were particularly encouraging: trading volumes are on the up again, accompanied by rising net revenue at Xetra – which recorded double-digit growth of 19 per cent.

At the end of the quarter, the outstanding volume of securities held in custody at Clearstream reached the figure of €12.1 trillion. And Clearstream's net revenue climbed by 7 per cent.

Market Data + Services recorded stable growth. This also makes us confident, not least because the inclusion of EEX in Eurex's revenue means that the technology business has lost income here for purely technical accounting reasons. However, this was more than offset by growth in the market data business.

These trends had a positive effect on the overall result, with Deutsche Börse's first quarter net revenue rising by 6 per cent to €514 million. This is the highest figure we have recorded since the third quarter of 2011.

Our operating costs increased slightly because of consolidation adjustments and investments. Adjusted earnings before interest and tax (EBIT) increased by 5 per cent to more than €270 million, and earnings per share were up by 9 per cent to €1.00.

### 3. Strategy 2014 to 2017

#### (Slide 4) Overview management priorities

So, where do we go from here? We will act with courage, tenacity, vision and in an entrepreneurial spirit. We responded at an early stage to our customers' new requirements with new services and new technologies. And we are continuing to advance into the high-growth Asian regions. This is not something you can do overnight. And it doesn't work without significant effort on the part of top management and each and every employee.

There are three focus areas:

- Extending our risk and collateral management services to uncollateralised and unregulated markets
- Expanding our technology leadership and related services, and
- Expanding our business towards Asia and building on our existing market share in this market

The global trend in the exchange industry is continuing in the direction of stable, reliable and profitable groups of companies that cover as many links in the value chain as possible. We have met this profile for several years now. We have established and reinforced this corporate model in recent years. We are the only European exchange organisation with a global footprint that can offer settlement and custody under the same umbrella as trading and clearing. This makes us a true global player. We are one of just a handful of businesses in the market for capital services that has managed to do this starting from a German base – in fact, we may be the only one.

We have now set our sights on the next strategic level: expanding our risk and liquidity management capabilities to those areas of the capital market that hitherto have been uncollateralised and unregulated.

In this context, it is clear for me from the outset that only regulated markets deserve to be called "markets" at all. Unregulated markets cannot offer integrity, information and fair processes that ensure free price discovery. These marketplaces do not create new products, nor do they permit reasonable decisions to be taken about how to invest scarce funds. And that is the opposite of my definition of a market economy.

Last year was a difficult one from the perspective of our exchange organisation. Because of the low interest rate policy, the interest income generated at our Clearstream subsidiary remained at an extremely low level. This situation is exacerbated by the uncertainty about regulatory changes in Europe. Some of these changes are so complex that even experts find it difficult to gain an overview of their impact. Until they have become established in the market, they will in any event cause uncertainty – and thus restraint.

The fact that we maintained our position in this difficult environment shows that our strategy is working. And this is something that the capital markets certainly acknowledge. Measured by market capitalisation, we are among the four leading exchange organisations worldwide. And we have achieved this as not only *the* leading exchange organisation in Europe, but as the only exchange organisation headquartered in Europe that plays in the global premier division. Only a few years ago, London would have been the favourite for this role. Today, it is Frankfurt and Deutsche Börse.

Last year, our market capitalisation grew by about a third, posting stronger growth than the DAX index. This reflects the acknowledgement by the capital markets that our strategic development and implementation are at a more advanced stage than many of our competitors.

As I already said, the first element of our strategy is to ensure greater safety and integrity, but also greater efficiency, for uncollateralised and unregulated markets. It is focusing on two major global projects:

- Firstly, clearing for OTC derivatives,
- And secondly, collateral and liquidity management.

#### **(Slide 5) EurexOTC Clear service offering addresses client needs in new regulatory environment**

EMIR, the European Market Infrastructure Regulation, has been in force since 2012 and is currently being implemented. The corresponding requirements will enter into force starting at the end of 2014. In advance of this, Eurex Clearing has built a central counterparty for clearing OTC derivatives. A total of more than 30 clearing participants and over 120 institutional investors registered for the offering by the end of 2013. And, with its authorisation as a clearing house under EMIR, Eurex Clearing reached a new milestone in April 2014.

#### **(Slide 6) Expansion of collateral management services under Global Liquidity Hub initiatives**

Because of the new regulatory requirements and customer needs, we are also anticipating a lasting increase in demand for collateral management and liquidity management services. That is why we are systematically expanding our Global Liquidity Hub. In the medium to long term, we expect this initiative and its positive effects on Clearstream's core business to deliver significant additional net revenue.

Check against delivery.

Together with the Australian exchange organisation and the central securities depositories in Brazil, Spain and South Africa, Clearstream has established the Liquidity Alliance, which brings together central securities depositories for strategic collaboration in the field of collateral management. The Liquidity Alliance is open to further members.

Thanks to Clearstream, all countries in this alliance now offer improved collateral management. No other exchange organisation in the world can organise such an offering. That is why our unique liquidity management offering is winning a growing number of customers: in February, for example, we signed a letter of intent for this with the Norwegian central securities depository.

Additionally, Clearstream is making further preparations in 2014 for TARGET2-Securities (T2S), the European Central Bank's future central settlement platform. We expect our strong position in the T2S network to deliver an increase in business activity.

**(Slide 7) Deutsche Börse Group's Asian growth initiatives are based on successful expansion of business**

We will also further accelerate the expansion of our business in growth regions, with a particular emphasis on Asia. This is a matter in which I take an especially close interest, and one to which I devote a not inconsiderable part of my time. I am visiting Asia with increasing frequency, and I will be stepping up my visits there even further in the future. Thanks to our Asian initiative, which picked up speed last year, we have been able to very significantly expand our links in the fast-growing economies of this region. For example, the revenue contribution that our Asian business makes at Group level has more than doubled compared with 2007 and has already exceeded the €100 million mark.

The greatest success so far here is our strategic alliance with Bank of China, which we put the finishing touches to at the end of 2013. The agreement was signed at the end of March this year in the presence of the Chinese President and the German Chancellor. Bank of China is one of China's largest banks and is also important internationally, with a global presence. Together, we will work to drive forward the development of the renminbi market outside China – the so-called offshore renminbi market –, among other projects.

This is complemented by the signature at the same time of an agreement between the Bundesbank and the Chinese central bank that will make Frankfurt am Main the leading offshore centre for Renminbi trading in the euro area. This is great news for Frankfurt as a financial centre, for Germany as a financial hub and for the euro area – and not least for you as well, our shareholders.

We are also registering progress in other countries. Our partnership with South Korea's KRX exchange is proving to be very successful. Eurex is now extending this model to cooperation with TAIEX, the Taiwanese derivatives exchange. In addition, Deutsche Börse, again with Eurex in the lead, entered into a cooperation agreement with the Stock Exchange of Thailand (SET) in April.

Check against delivery.



Equally, Clearstream signed a letter of intent with the Singapore Exchange, SGX, to jointly develop a collateral management solution. This solution can then be gradually extended to other markets in the region.

Singapore will also be the focus of our continuing activities in Asia at Group level. Deutsche Börse is currently establishing a clearing house there, which we expect to deliver significant strategic development potential for us. On the one hand, it means that we are enhancing the robustness of the financial infrastructure for Asia. On the other, it will allow us to offer products across the entire Asian time zone in the longer term.

Singapore's links are simply ideal. This applies both to South Asia and to East Asia. It also has a stable political and legal framework and a well-developed capital market culture that is open to international investors.

Finally, in the area of technology, this means that market participants are benefiting from considerably better performance and a wide range of applications – without any loss of system stability. We have also joined forces with the Bombay Stock Exchange (BSE) to adapt our new derivatives trading system to the local market, where it was rolled out in November last year. The derivatives product range has now been increased further. The BSE cash market was also switched to the new system in April 2014.

As well as stability, integrity also plays a significant role in our technology and services offering: together with Eurex Repo, index provider STOXX has developed a family of indices for interest rate movements on the interbank market. As a neutral, independent exchange organisation, this means that we can offer an alternative to the traditional offerings, which have lost a lot of trust because of manipulation scandals.

Our reputation as an independent provider is also helping to drive our success in Asia: in April, for example, Deutsche Börse and the Shanghai Stock Exchange (SSE) agreed a partnership in the area of market data. This will allow us to offer Chinese customers local support, as well as rapid, reliable access to our most important data products.

We will continue to drive forward the Group-wide development of our business speedily and vigorously during the remainder of this year. And that is why we will increase our spending on growth initiatives again by around €30 million in 2014.

Ultimately, almost all of these new offerings are anticipating the re-regulation of the markets, delivering answers and future-proof solutions. Overall, we think that this re-regulation is useful. However, it should neither impose unnecessary obstacles on the real economy nor burden savers with unnecessary costs. It is only warranted for as long as it enhances integrity in the markets and society. And by integrity, I mean a clear balance between risk and responsibility that is readily understood by everybody. We, too, are contributing to this.

Permit me to make one more comment on this topic: it is often claimed that the American way of regulating the capital markets is superior to what we have in Europe. And that this applies in particular to the German regulatory regime because far too much attention is paid to security here. The regulation of high-frequency trading, which has recently hit the headlines again in the US, seems to me to be a good example that the opposite holds true.

Here in Germany, the law regulating high-frequency trading unites sensitivity to the market with investor protection. Deutsche Börse combined computerised trading with a range of security functions a long time ago. We have equipped our trading systems with mechanisms that restore trading to calmer waters if it is hit by irrational fluctuations. In addition, the European market structure is different from the US one. It is considerably less fragmented and is organised differently. I can only hope that European policymakers will ensure that these differences are adequately reflected in future regulatory requirements. And my preference would be for this German law to be a model across Europe.

#### **(Slide 8) Efficiency measures introduced in 2013 fully on track**

Over the past years, we have reduced our operating costs on an adjusted basis. This distinguishes us from all other exchange organisations. And we do this because, as managers, we are committed to applying forward-looking, conservative policies to the way we handle the funds that you, our shareholders, have entrusted to us.

In 2013, we achieved 30 per cent of the total projected savings under our new efficiency programme, as planned. Another 30 per cent will follow in 2014, and the full savings of €70 million a year will kick in starting in 2016. This will ensure that our regular operating costs will remain stable and that we can therefore free up more funds for investing in growth.

#### **(Slide 9) Substantial incremental revenue from structural and cyclical drivers expected**

These investments in growth, Ladies and Gentlemen, will substantially increase our revenue already in the medium term. By 2017, we think that an increase in the order of 20 to 40 per cent is possible: from €1.9 billion at present to between €2.3 and €2.7 billion.

According to our estimates, new products will contribute around €50 million to this increase. The strategic focuses I have already addressed – from OTC clearing through to our Asian initiative – will generate additional revenue of €300 to €375 million in total. Finally, we are projecting additional revenue in the order of €200 to €400 million from an improvement in the economic environment. For example, our interest rate derivatives and our net interest income in particular would profit considerably from a change in the central banks' monetary policy.

Unless our political environment suddenly deteriorates, we could ensure in this way that Europe takes a position in the international competitive arena that allows it to exert a globally relevant influence, especially in the area of regulation.

Check against delivery.

**(Slide 10) Our strategy is focused on becoming the preeminent global provider for integrated risk, collateral and liquidity management**

Ladies and Gentlemen, let me sum up by saying that, at Deutsche Börse, we are in the process of elevating our business model to a new, higher level. In doing so, we are not disowning our traditional strengths in trading, clearing and custody. On the contrary: we are building on them to broaden the horizon of our business. We are starting with what we can do best: organising a marketplace that is well-managed, fair and guided by integrity – from trading through to securities custody.

Nor are we disowning our European heritage. In addition to our headquarters here in the Frankfurt/Rhine-Main region, our largest locations are in Luxembourg and Prague. It is from here that we are spreading to the world's growth regions, in particular to Asia. And that allows us to create bridges from which both continents can benefit. We are not relocating our business: we are expanding our opportunities. And at the same time creating more opportunities for our customers. Ultimately, of course, we are also creating more potential for your investment in our company, Ladies and Gentlemen. Thank you for your attention.