

# Business Deep Dive

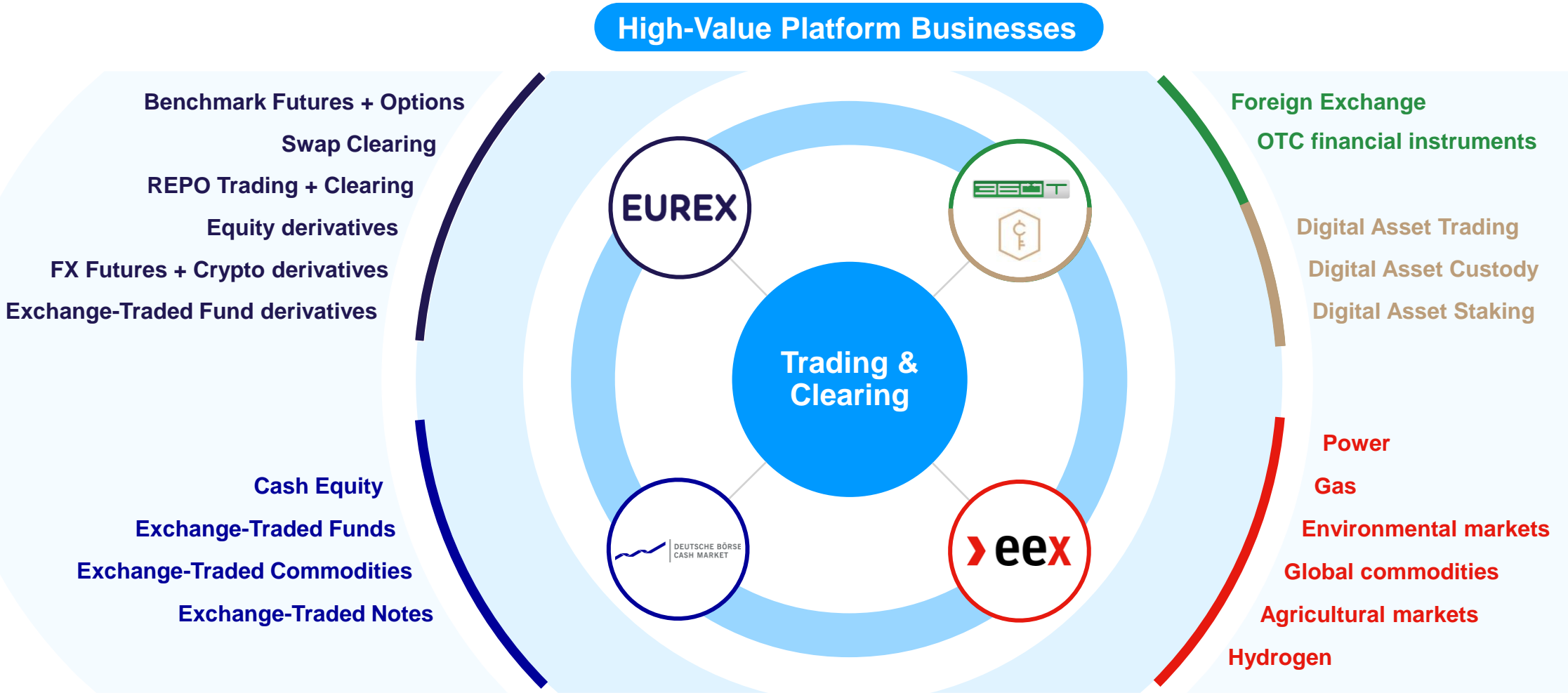
## Trading & Clearing – Fixed income

26 November 2024



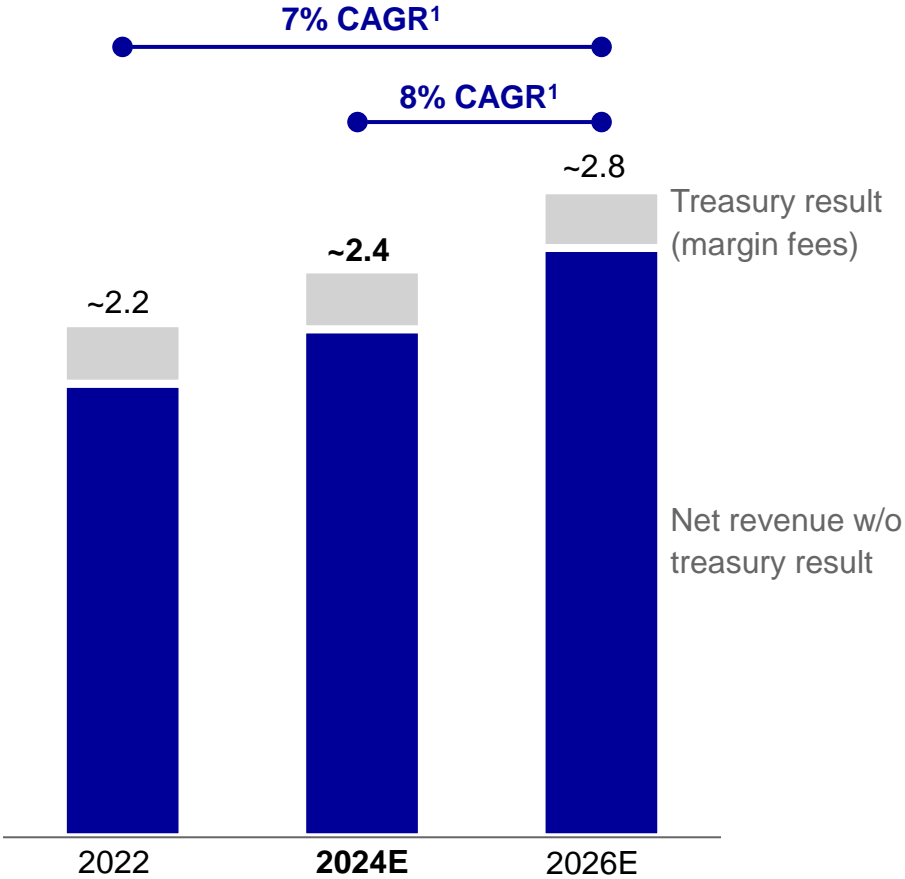
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# Trading & Clearing: A high-value, multi-asset class setup



# Trading & Clearing Horizon 2026 – continued strong organic growth momentum

## Net revenue | €bn



## Developments in the context of Horizon 2026

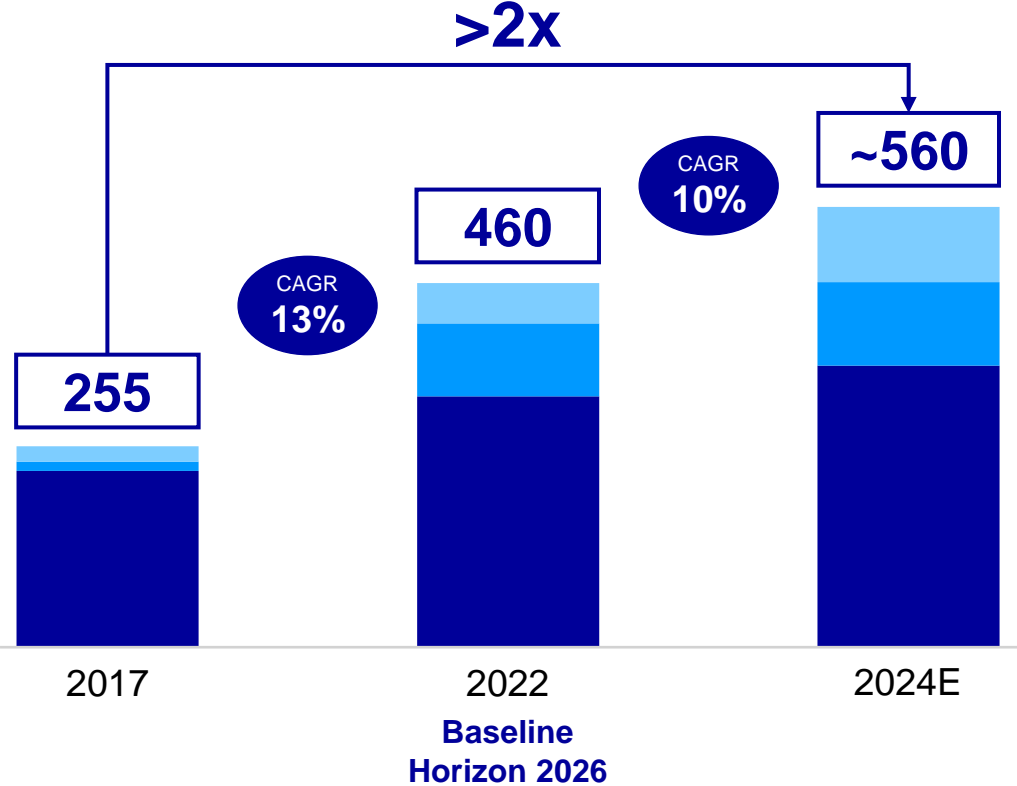
- Financial Derivatives**
  - **Fixed Income Roadmap** as **key strategic growth lever** across Euro futures, OTC clearing and Repo
  - **Continued** strong fixed income derivatives **growth** and further upside potential in equity volatility
- Commodities**
  - **Strong growth** driven by **Power Spot and Derivatives**
  - **Continue to scale** to manifest position as **globally leading** power exchange group
- Cash Equities**
  - **Strong position in ETF segment**
  - **Cyclicality expected** to drive trading activity after slow volumes in 2023 / 2024
- FX & Digital Assets**
  - **New clients and regions** (US / APAC) boosting FX results
  - Growth and **institutionalization of crypto market** drives business in Digital Assets

**Trading & Clearing Horizon 2026 commitment on track**

1) CAGR: Organic w/o treasury result

# Eurex' fixed income business has a trajectory of strong growth and diversification into new revenue pools

Net revenue  
€m



2017-24  
Growth

FIETD

- **Recovery** of European fixed income derivatives markets following increasing **net EU government debt levels, rates increase** and **uncertainty** around **future rates levels**
- Share of **Italian and French** government bond derivatives increased to **20% of Exchange Traded Derivatives (ETD) fixed income (FI) complex** in 2024

1.6x

OTC IRD

- **Partnership Program** as key enabler to build **comparable liquidity picture** to incumbent and make Eurex value proposition available – **tripling number of end clients**
- Growth driven by significant market share gains: **Outstanding** notional from **€2tr** end of 2017 to **€35tr** in Oct 2024; **initial margin** from **€3bn** to **€39bn**

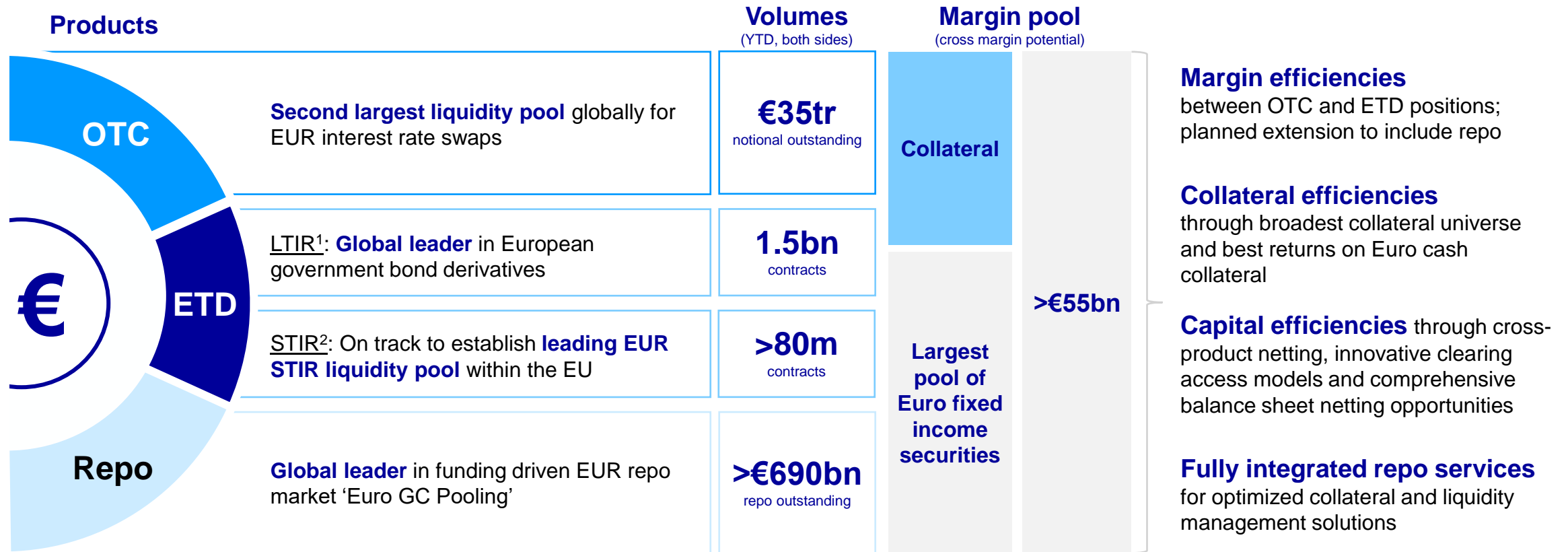
9x

Repo

- **Recovery of Euro GC Pooling** – interbank funding business
- **Market share gains** in securities driven repo business in **Italy, Spain and French** government bonds driving **market share 50% up** to 15%
- Strong growth of **D2C repo** with **largest EU pension funds**

5x

# Home of the Euro Yield Curve – a unique value proposition



▶ **“Home of the Euro Yield Curve” delivers superior value proposition with a unique set of collateral, margining & capital efficiencies – establishing Eurex as the global cross product market leader**

1) Long-term interest rate; 2) Short-term interest rate

# Strong value proposition flanked by partnership approach

## Overview of Eurex' Fixed Income Partnership Programs

- 1 | Active Partnership Programs for **OTC IRD**, **Repo** and **STIR**, further extension to Credit planned
- 2 | Focus on market driven solutions offering long-term **revenue sharing** and **governance rights**
- 3 | Eurex' Partnership Programs focus to build **deep liquidity pools** and **lowest execution costs**
- 4 | Supports Eurex' approach to **unlock previously untapped efficiencies along the Euro Yield Curve**
- 5 | Setup to align market **participants' interests** with **political ambitions: Higher efficiencies in an EU based environment**

## Highlights

40

registered participants

11

member countries



Current TOP partners represented in Eurex governance

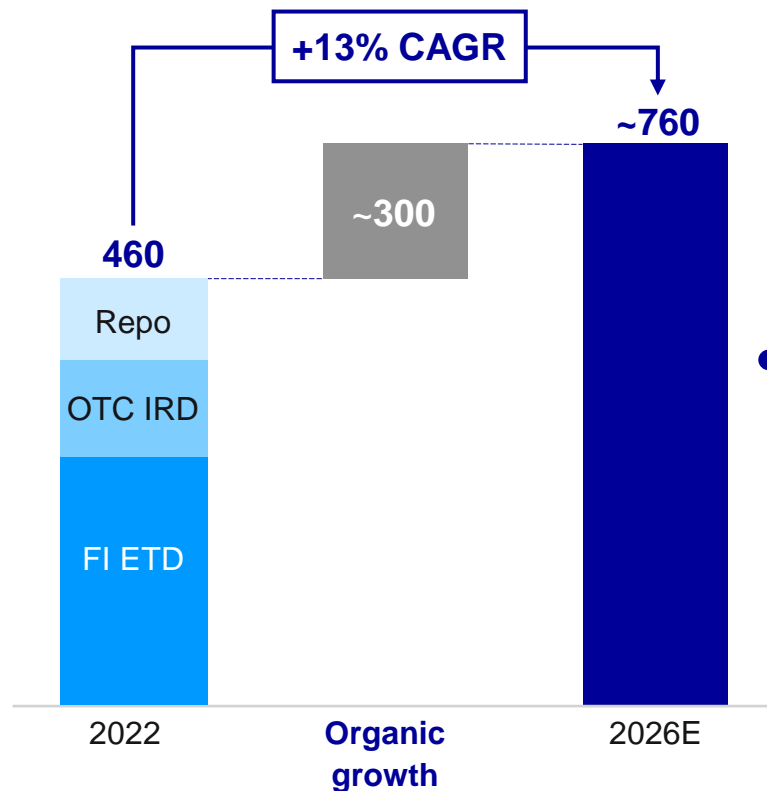
>115

€m total revenue shared

Since 2018

# Eurex is on track to contribute an ambitious €300m Fixed Income Roadmap to DBAG's Horizon 2026

## Net revenue €m

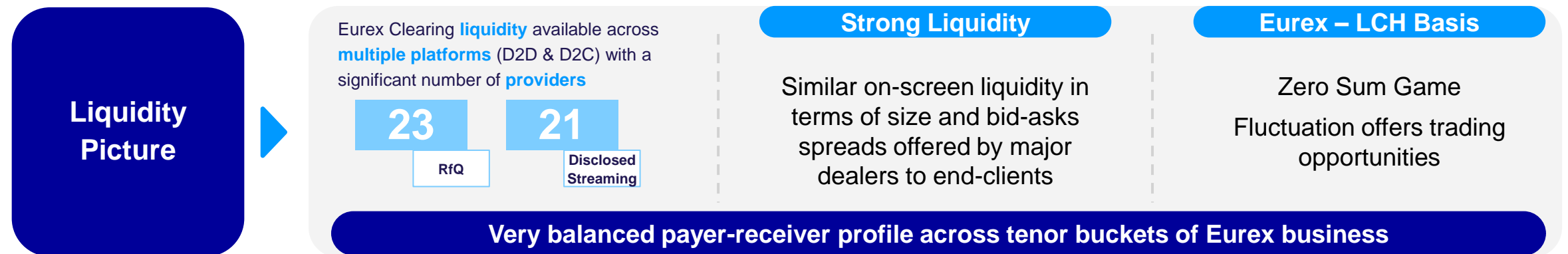
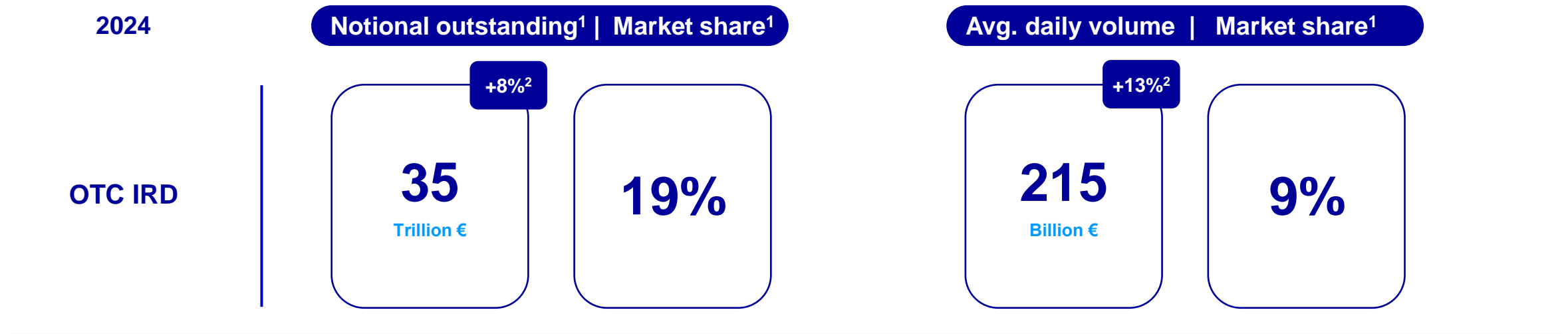


## Top organic growth levers

- |                       |   |   |   |   |  |   |    |   |   |   |
|-----------------------|---|---|---|---|--|---|----|---|---|---|
| OTC Clearing          | ▶ | <ul style="list-style-type: none"> <li>▪ Underlying rates market growth</li> <li>▪ Dynamics in dealer-to-client business</li> </ul>   | <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">A</span> |   |  |   |    |   |   |   |
| Repo Business         | ▶ | <ul style="list-style-type: none"> <li>▪ Buy-side demand for cleared repo</li> <li>▪ Market share gains and GC Pooling recovery</li> </ul>  | <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">B</span> |   |  |   |    |   |   |   |
| FI Listed Derivatives | ▶ | <ul style="list-style-type: none"> <li>▪ Positive environment for €LTIR</li> <li>▪ Opportunity in Euribor / €STR</li> </ul>   | <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">C</span> |   |  |   |    |   |   |   |
| Futurization          | ▶ | <table border="0" style="width: 100%;"> <tr> <td style="background-color: #003366; color: white; padding: 5px;">Credit</td> <td style="padding: 5px;">▶</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>▪ End-client demand for listed Credit derivatives</li> <li>▪ Cash market structure improvement</li> </ul> </td> <td style="text-align: center; vertical-align: middle;"> <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">D</span> </td> </tr> <tr> <td style="background-color: #003366; color: white; padding: 5px;">FX</td> <td style="padding: 5px;">▶</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> <li>▪ Innovative product suite and unique funding efficiencies in EUR collateral pool</li> </ul> </td> <td style="text-align: center; vertical-align: middle;"> <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">E</span> </td> </tr> </table> | Credit  | ▶ | <ul style="list-style-type: none"> <li>▪ End-client demand for listed Credit derivatives</li> <li>▪ Cash market structure improvement</li> </ul> | <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">D</span> | FX | ▶ | <ul style="list-style-type: none"> <li>▪ Innovative product suite and unique funding efficiencies in EUR collateral pool</li> </ul> | <span style="border: 1px solid #003366; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">E</span> |
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## Deep dive

# A Developing a strong liquidity profile together with partnership banks has set the grounds for significant volume growth

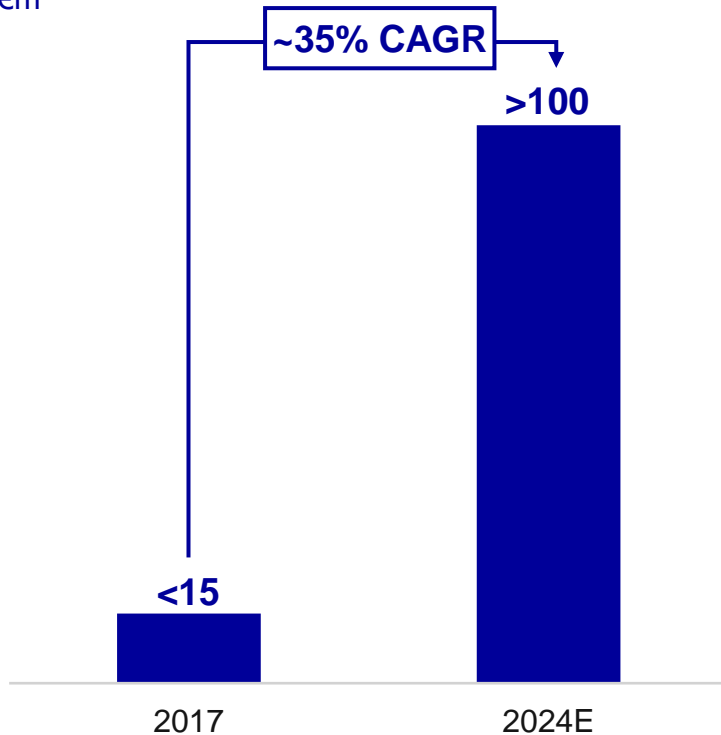


1) European Euro denominated market; 2) Growth rates comparing October for notional outstanding and YTD October for avg. daily volume



# A Based on strong liquidity profile and value proposition the EMIR active account requirement will lead to account activation

Net revenue  
€m



Growth levers

2024

Onboarded clients and CMs <sup>1</sup>	> 660	▶ 400+ expected onboardings
Activation rate – Buy-side	33%	▶ EMIR Active Account Requirement will likely drive onboardings and activation
Global share of EUR OTC IRD Markets <sup>2</sup>	>40%	▶ With >€25 trillion outstanding bigger than US\$ OTC IRD market
Estimated EUR swaps risk exposure with EU based firms	>70%	▶ Firms with EUR denominated assets or exposures are largely domiciled within the European Union

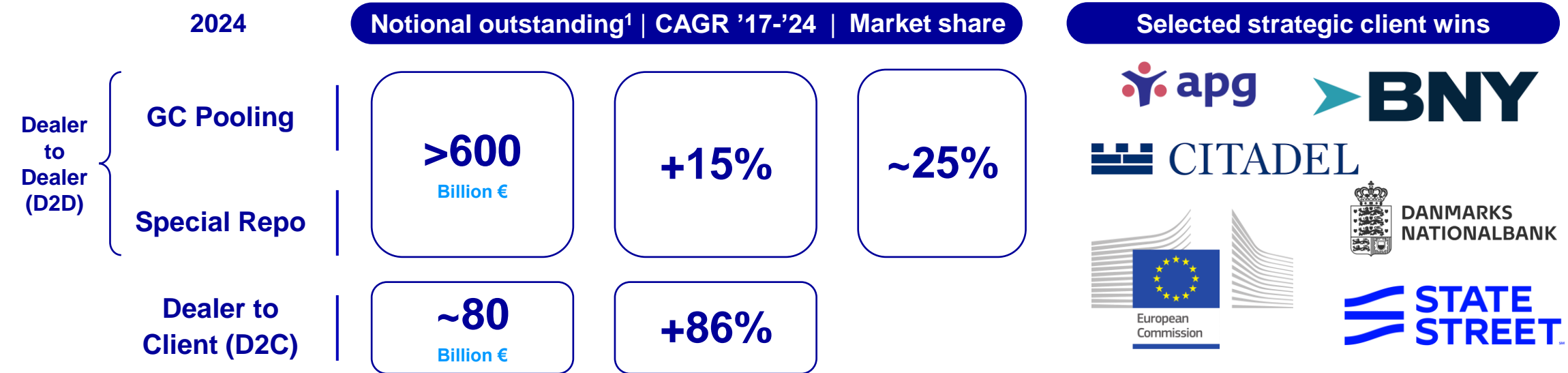


**Estimated total EUR OTC IRD clearing revenue pool: ~€350m**

1) Based on unique Legal Entity Identifier (LEI), excluding multiple memberships and clients clearing under an authorized manager

2) Based on cleared volumes of € denominated OTC IRD share vs. other major currencies USD, GBP, AUD, CAD, JPY

# Ⓑ Repo: Eurex' repo offering has seen substantial and steady growth over the last years based on a strong value proposition



### Eurex' repo USPs

**Integrated Ecosystem**

One-stop-shop for trading, clearing, collateral management and settlement of repo transactions

**Diverse client base**

Trusted by **over 160 institutions**, including central banks, agencies and buy-side firms

**Balance sheet netting**

Only provider offering **balance sheet netting** across all segments and integrating end-client business

**Crisis-Resilience**

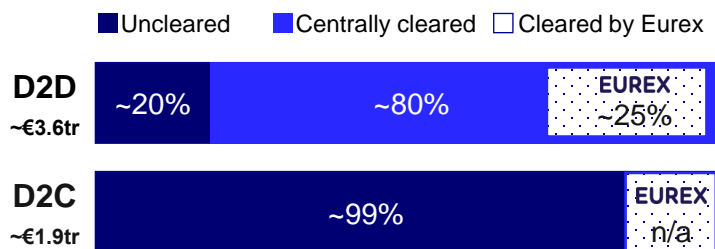
Battle proofed, **reliable source of liquidity**; demonstrated during the financial as well as the Covid 19 crisis

Thought leader and pioneer in digital repo developments

1) Baseline for notional outstanding volume (double counted) and market share metrics is the European Euro denominated repo market

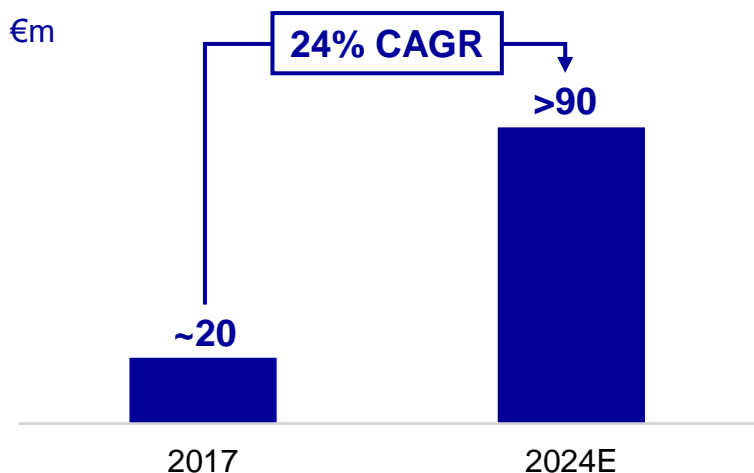
# B Repo: Further GC Pooling expansion, buy-side expansion & special repo market share gains are growth drivers in repo

Total EUR repo market in Europe: ~€5.5tr<sup>1</sup>



Net revenue

€m



Growth levers

2024

GC Pooling recovery

>€130bn term adj. daily volume

- Further recovery of interbank lending market expected
- Peak volume D2D in 2014 of €230bn

Special Repo

~15% market share<sup>1</sup>

- Unique balance sheet netting capabilities and repo portfolio margining expected to boost Eurex' volumes

Dealer to Client

~€30bn term adj. daily volume

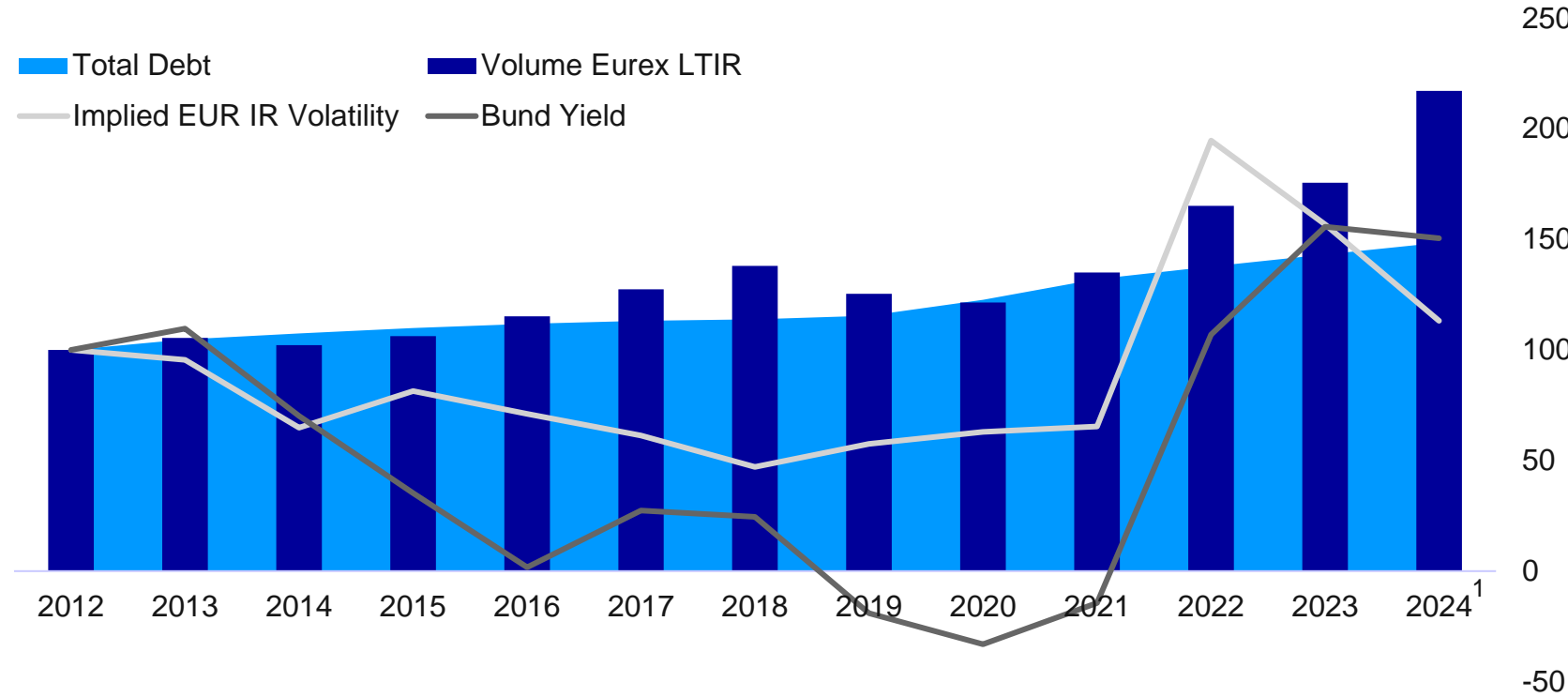
- Market leading offering for buy-side access to central clearing in Europe
- R7 to deliver next generation risk platform and unlock efficiency gains

Estimated total mid-term trading and clearing Euro repo revenue pool: >€600m

1) Baseline for notional outstanding volume (double counted) and market share metrics is the European Euro denominated repo market

# © FI ETD: European government bond derivatives sees continuous growth trend driven by increasing government debt levels

Total European Government Debt, Eurex LTIR, Bund yield and implied IR Volatility (baseline 2012=100)



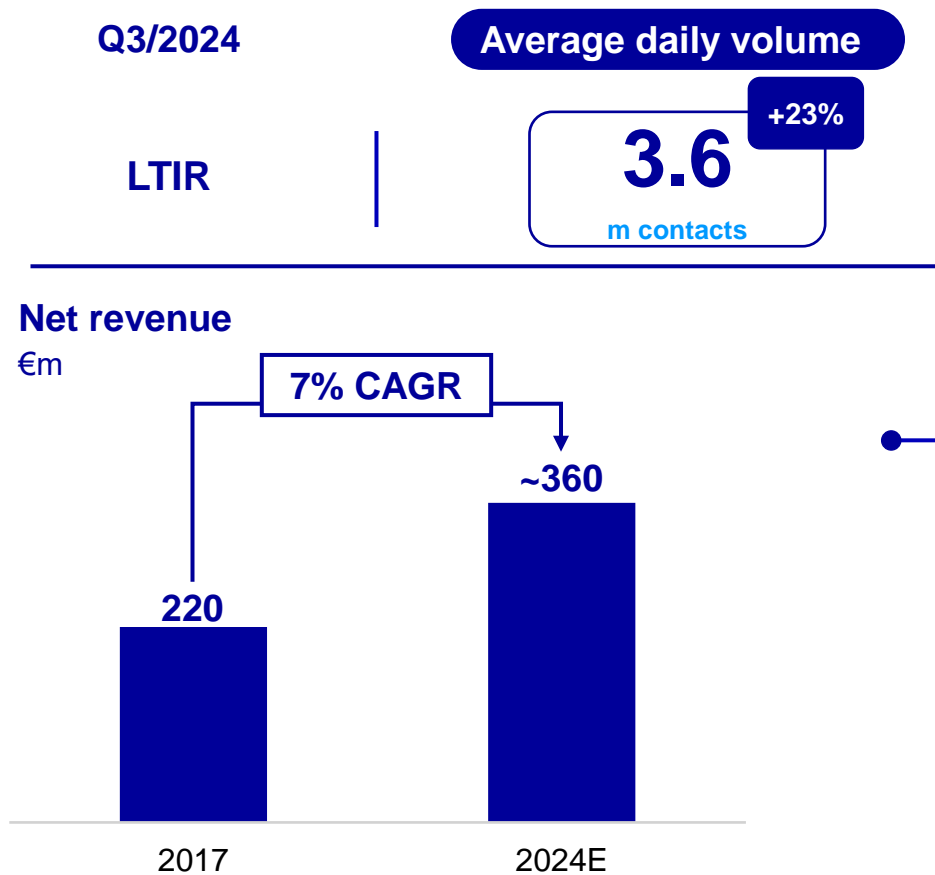
## Key Performance Indicators

- Eurex LTIR CAGR 2012-24: **+7%**
- EU Gross Debt CAGR 2012-24: **+3%**
- Share of EU Debt held by ECB: **27%**

► Positive outlook for ETD growth driven by further increasing debt levels, reduction in ECB balance sheet and rate uncertainty

1) LTIR number is annualized

# © FI ETD: Positive market environment for government bond futures and new product opportunities drive size of revenue pool



## Growth levers

### German gov bonds

**5%**

Mid-term growth expectation



Driven by positive interest rate environment and increasing government debt levels

### Peripheral gov bond futures

**~20%**

of total LTIR volume



Significant liquidity pool build-out in French and Italian government bond futures

### EU Bond Futures

- Already 5<sup>th</sup> largest EU issuer; outstanding debt of ~€560bn
- Complements and is additive to Eurex LTIR futures offering
- Supports EU bond market developments via repo and futures markets in close alignment with European Commission

# © Increasing focus of participants on efficiencies with tailwinds from political ambitions offer unique window of opportunity in STIR

Q3/2024

Average daily volume | Market share<sup>1</sup>

Open interest | Market share<sup>1</sup>

€STR

97k

contracts

54%

276k

contracts

27%

18x<sup>2</sup>

Euribor

92k

contracts

6%

117k

contracts

2%

5x<sup>2</sup>

## Growth levers

Participants

All relevant and key players are already active on Eurex

300

Exchange Members

20

Banks in Partnership Program

14

Non-bank Liquidity Providers

Convincing liquidity picture

0.4 bps average spread in €STR

Visible orderbook liquidity has improved. Spreads in ESTR Futures have significantly improved since inception.

Margin & capital efficiencies

Up to 89% saving on cross margining benefits

- Comprehensive cross-product margin efficiencies
- Direct offsets with existing LTIR Eurex futures business

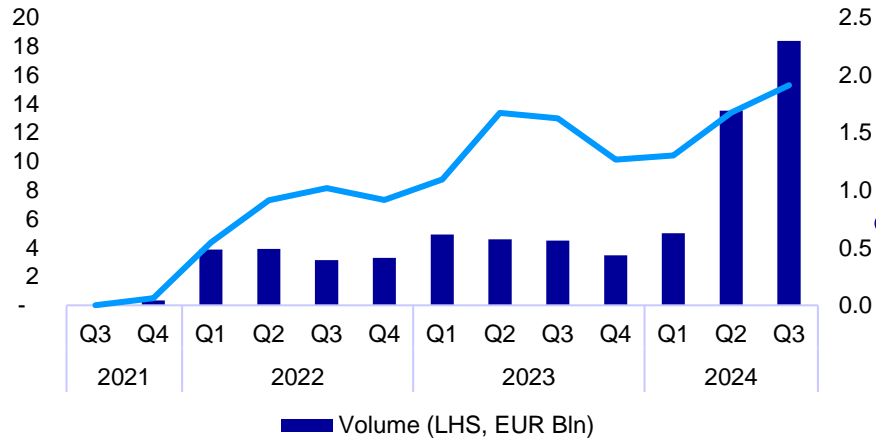
Regulatory tailwind

EMIR 3.0

AARs provide additional incentive for market participants to diversify STIR exposures

Estimated total trading and clearing € FI ETD STIR revenue pool: ~€200m

# ④ Futurization in credit builds further traction and offers significant mid-term revenue opportunity

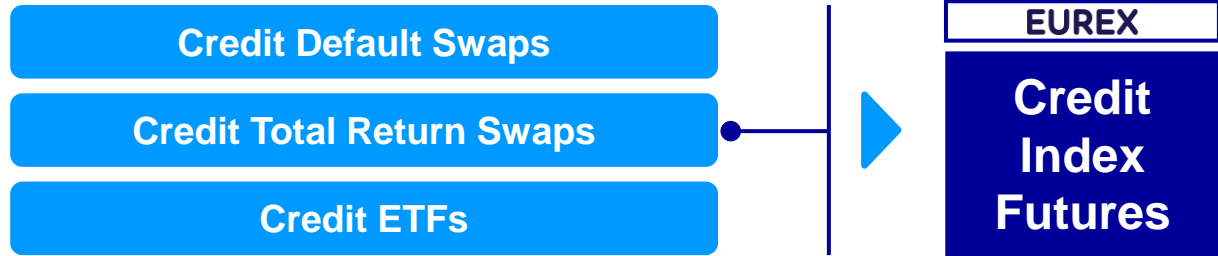


## Progress

- Excellent liquidity picture compared to competing peers – 13 on-book and 7 off-book LPs
- >40 buy-side firms already actively trading
- Available via most clearing brokers active on Eurex

## Advantages over competing products

- ✓ Easy to use “just another future”
- ✓ Better tracking error versus iTraxx / CDS Indices
- ✓ Superior margin efficiency versus OTC alternatives
- ✓ Global Offering in EUR, USD, GBP and Emerging markets



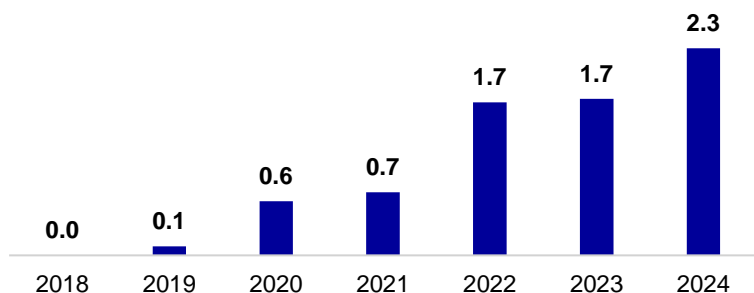
## Broader market is supporting and driving the futurization in credit markets

▶ Estimated global mid-term trading and clearing total revenue pool for: >€250m

# E Futurization in FX creates efficiencies for buy-side and sell-side participants through innovative product suite and unique funding efficiencies in € collateral pool

## Eurex FX volumes 2018–24 YTD

Per annum, in million contracts



### Highlights

**90bn**

Total FX volume  
in 2024 YTD

**9bn**

Open interest

### Roll Highlights<sup>1</sup>

**14bn**

Traded volumes

**2bn**

Largest trade  
during the roll

### Key Advantages

- ✓ Competitive pricing / attractive fees
- ✓ Broad product suite: FX Futures, FX Options, Rolling Spot Futures
- ✓ Strong position in € crosses with superior spreads
- ✓ Capital optimization in counterparty risk / CCP model, efficient funding through € collateral pool

### Outlook

- Completion G10 currency pairs
- Activation of substantial buy- and sell-side demand
- Enhanced distribution capabilities (RfQ platforms, EMS)
- Planned enablement of CLS Main-cycle settlement
- Regulatory tailwind (SA-CR & UMR 6)

**Estimated total mid-term trading and clearing FX Futures revenue pool: >€100m**

1) September roll



# Summary key messages and outlook

- Eurex has built a unique, convincing and sustainable **value proposition** centering around the "**Home of the Euro Yield Curve**"
- Key drivers for further **adoption of Eurex value proposition** are the increasing focus on margin and capital efficiencies driven by **higher funding costs** and **capital / balance sheet scarcity** as well as pressure on **buy-side for higher returns**
- Furthermore, **regulatory and political aspirations** to build-out European capital and savings union and regain strategic autonomy will provide **tailwinds for adoption**
- Eurex has taken a leading role **driving innovation** in key growth themes like **dealer-to-client repo** and **fixed income futurization** providing for a **strategic advantage over key competitors**
- Focus on **capital and market efficiencies** in combination with **regulatory tailwind** provide a **unique opportunity** to further grow the **fixed income, currency and repo business**

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