



**TERRY DUFFY** Executive Chairman

## DEAR SHAREHOLDERS:

*Despite a very challenging environment, 2011 was another productive year for CME Group. We performed well despite the Eurozone crisis, political turmoil in the Middle East and northern Africa, the Fed's zero interest rate policy, and the wave of Dodd-Frank rulemaking. Total company revenues in 2011 grew to \$3.3 billion while volume increased to 3.4 billion contracts traded.*

We generated more than \$1.3 billion of cash from operations. Reflecting this strength, and consistent with the principles guiding our capital structure, we raised the regular first-quarter dividend 59 percent, to \$2.23 per share – increasing our payout target from 35 percent to 50 percent of prior year's cash earnings.

We are committed to returning excess cash to shareholders in an efficient way. As part of this initiative, the company established a plan to pay an additional dividend annually in the first quarter of each year to supplement the regular quarterly dividends. The amount will be determined based on excess cash available at year end, which in 2012 was \$3.00 per share.

Also to benefit shareholders, I worked diligently with state lawmakers in Springfield, Ill., to remedy the company's tax situation. Illinois responded to the unfair

treatment of CME Group by amending the tax code to tax us at a rate that more closely reflects the amount of business being done in Illinois. This in turn will reduce the company's income tax expense by \$50 - \$70 million annually once fully implemented in 2013.

Reflecting the rising global demand for commodities, we reached record volumes in our agricultural, energy and metals markets during 2011. We also posted records for clearing over-the-counter interest rate swaps and credit default swaps as we worked with clients to prepare for mandatory clearing.

Given the importance of Asia, we hired an experienced executive, Julien Le Noble, to lead our efforts there. With China destined to become the largest economy in the world in five years, we expanded our Singapore office and began working with mainland futures commissions merchants on educational initiatives that showcase the value of our risk management products. We also continued to enhance our partnerships with exchanges worldwide including BM&FBOVESPA, Bursa Malaysia and the Mexican Derivatives Exchange.

A defining event in 2011 was the failure of MF Global. We responded to the failure by vigorously acting to protect our customers. We successfully transferred

→ We navigated our company successfully through challenges both domestic and international, achieving solid results that enable us to work diligently to benefit our customers and shareholders and preserve the integrity of our markets – our primary concerns as we move ahead.

all of the more than 30,000 customer accounts and \$2.4 billion in customer funds held securely at CME Group to new clearing firms, so that our customers could continue to trade. Within two weeks of the bankruptcy, we also provided a guarantee to the MF Global trustee, helping him return 72 cents on the dollar for a total of \$4 billion to customers.

Further, we committed to establishing the Family Farmer and Rancher Protection Fund. For qualifying participants, this fund will provide up to \$25,000 to individual farmers and ranchers and \$100,000 to co-ops that hedge their risk in CME Group futures markets. This is in case a future insolvency of a clearing member or market participant were to cause customer losses based on a shortfall in segregated funds. We feel that this new protection will give family farmers and ranchers more security as they continue to use our products for their hedging needs.

CME Group continues to work with the Commodity Futures Trading Commission (CFTC) and other industry experts and market participants to develop solutions to further shore up customer protections at the firm level. It is important to bear in mind that this is the first time that our customers suffered because their segregated funds had been

unavailable. Efforts to enhance customer protections must be cost-effective and in the best interest of clients.

U.S. regulators are on track to finalize major rules ahead of other G-20 nations. The rules adopted under the Dodd-Frank Act will impact how we and our customers do business. Key among these was the CFTC's final ruling on position limits. We worked closely with legislative and regulatory leaders to reduce disparity in limits for cash-settled and physically-settled contracts in the final rule, which will help to put all futures exchanges on equal regulatory footing.

In Europe, we are building our resources to manage the multiple regulatory reforms moving on different timelines that present both challenges and opportunities for expanding our presence in the European Union. As a company, we will continue to be an active voice in the United States and abroad to stress the importance of international coordination of new regulations that foster competition and innovation in our global industry.

I would like to recognize the important contribution of Craig Donohue, our Chief Executive Officer, who has decided to step down when his contract expires at the end of the year. He has served our company well for the past 23 years –

eight of which were as CEO – and we appreciate all he has done to grow our firm into the world leading position it occupies today. We are pleased that our President, Phupinder Gill, will succeed Craig as CEO, bringing his deep experience in all aspects of our business to further advance the successful execution of our global growth strategy.

All of our efforts, whether they are domestic or international, always have one mission: to ensure the credibility of our markets and deliver benefits to our customers and shareholders.

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**TERRENCE A. DUFFY**  
*Executive Chairman*

March 12, 2012

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## TO OUR SHAREHOLDERS:

*Through continued emphasis on innovation and the successful execution of our growth strategy, CME Group realized very positive financial results in 2011. Our 10 percent increase in average daily volume, which grew to 13.4 million contracts, was underscored by record annual average daily volumes in our foreign exchange (FX), agricultural commodity, energy and metals businesses. And despite continued macroeconomic challenges, the diversity of the business brought great stability and value. Our interest rate and energy products accounted for 22 percent and 21 percent of 2011 revenues, respectively. Equities (18 percent), market data and information services (13 percent), agricultural commodities (11 percent), FX (6 percent) and metals (5 percent) rounded out revenue contributions, with the remaining 4 percent coming from other sources.*

The progress made in executing our growth strategy is also deserving of additional detail. We made significant progress in launching new products, deepening relationships with our international strategic partners, expanding participation in our over-the-counter (OTC) clearing offerings, and solidifying our position as a leader in index services and information products, all of which have paved the way toward a successful 2012.

### GROWING THE CORE

Throughout the year, we continued to launch new products, acquire more customers and realize our goal of expanding our business through cross-selling. These efforts helped build on our already marked success in growing the core through new product offerings – since January 2010, new product launches have accounted for 63 million contracts in volume and more than 2 million contracts in open interest.

Within financial products, we had significant success growing our Eurodollar volumes and open interest further out the yield curve despite the zero interest rate policy in the United States. For example, trading volume in Eurodollar futures expiring in years 3 through 10 grew by 43 percent, and Eurodollar Mid-Curve options grew by 21 percent, driven largely by the new Blue Mid-Curve Options with 47,000 contracts in average daily volumes in 2011. Also, our new Ultra Treasury Bond futures increased by 101 percent in average daily volume to a total of 15.5 million contracts.

Our emerging markets FX products likewise experienced strong growth, with Brazilian Real futures increasing by 421 percent, Russian Ruble futures by 188 percent and Mexican Peso futures by 36 percent. We also achieved 60 per-

cent growth in our privately negotiated business in addition to a 10-fold increase in total FX product volume cleared through CME ClearPort.

In agricultural commodities, we successfully introduced a broad range of new products including weekly, calendar and inter-commodity spread options. These new products provide our customers with tailored tools to manage risk around USDA crop report releases or short-term growing season weather fluctuations at significantly reduced costs.

We also experienced growth in our energy products (average daily volume increased 7 percent) and see significant positives on the horizon. Our flagship Henry Hub Natural Gas contracts have set multiple volume and open interest records so far in 2012. Also, our benchmark waterborne WTI contracts will benefit from the June 2012 reversal of the Seaway pipeline and TransCanada's commitment to build the Cushing-to-Gulf Coast leg of its Keystone project by 2013. These two developments will allow more than one million barrels of oil per day to flow from Cushing, Okla., to the Gulf of Mexico, which should result in a narrowing of the WTI-Brent spread and strengthening of WTI correlations with other crudes.

In metals, we achieved impressive growth in our Copper futures contracts,

→ In the face of challenges, CME Group achieved strong 2011 results and demonstrated the growing success of long-term initiatives that expand our core business and advance our globalization strategy.



CRAIG DONOHUE *Chief Executive Officer*

with an average daily volume of 53,000 contracts in the fourth quarter – our highest quarterly average yet – and have seen continued growth into 2012, with February average daily volume exceeding 78,000 contracts. We further made progress with our Virtual Steel Mill complex, expanding into Iron Ore swaps and options and Steel futures. Like Copper, we expect these positive trends to continue into 2012.

#### GLOBALIZING OUR BUSINESS

Underlying our globalization strategy is our conviction to take advantage of significant growth opportunities in developing and emerging markets given macroeconomic growth trends there versus the United States and Europe. Consequently, we have taken the lead in our industry by fostering strategic partnerships and making investments to expand our global distribution network.

In 2011, we continued to expand market access through new telecommunications hubs in Seoul, Kuala Lumpur, Singapore, São Paulo and Mexico City. These hubs will provide foreign firms with direct connections that offer lower latency, greater reliability and more scalability. Demonstrating the effectiveness of these efforts and the increasingly global nature of our business, in

2011, CME Globex volume during non-U.S. hours grew by 16 percent versus 11 percent during U.S. trading hours. This resulted in record levels of non-U.S. electronic trading revenues in 2011 of approximately \$550 million.

We also made progress with our linkages with leading exchanges around the world. In the Americas, we worked with our partner BM&FBOVESPA to successfully launch the derivatives segment of a new multi-asset class electronic trading platform and recently announced an agreement to cross-list key equity index, agricultural and energy benchmark contracts. We also launched the second phase of our order routing agreement with the Mexican Derivatives Exchange.

In the Asia-Pacific region, we worked with the Korea Exchange (KRX) to grow our business in hosting KRX's benchmark KOSPI 200 futures during KRX's overnight hours and saw a 300 percent increase in volume in KOSPI 200 futures on CME Globex. We worked with our partners at Bursa Malaysia Derivatives and set an annual volume record in Crude Palm Oil futures, contributing to a 39 percent increase from 2010 in total derivatives annual daily volume. We expanded our partnership with the Osaka Securities Exchange to include joint product development and



PHUPINDER GILL President

marketing, with a view toward offering Japanese yen-denominated products to our global customer base.

Moreover, our partners at the National Stock Exchange of India successfully launched S&P 500 futures and options, as well as DJIA futures, denominated in rupee. In turn, we listed on CME Globex U.S. dollar denominated futures contracts on the S&P CNX Nifty Index (the Nifty 50), India's leading benchmark for large companies. Through all of these efforts, we have opened access to our markets and created a pathway for CME Group customers to trade key benchmarks of our partners.

Finally, we worked hard in restructuring the Dubai Mercantile Exchange (DME). With our plan to double our ownership stake in DME to 50 percent, we will continue to promote DME's Oman Sour Crude contract as the benchmark oil contract for the East of Suez markets.

#### EXPANDING OTC CAPABILITIES

In the aftermath of the financial crisis, the relative safety and soundness of central counter-party clearing for OTC instruments has become increasingly important. As a result, we have worked closely with our customers and clearing firms to provide a comprehensive multi-asset class clearing solution that offers op-

erational ease and the capital efficiency that comes with using a single clearing house. To capitalize on this, we have expanded the range of products that can be cleared through CME ClearPort, launched interest rate and credit default swap clearing solutions, and launched CME Clearing Europe.

Specific to CME ClearPort, which generated 2011 revenues of \$297 million, we expanded our clearing offerings in FX, agricultural commodities and metals contracts. We also have taken an early lead in OTC clearing in interest rate and credit default swaps in the dealer-to-customer segment. With more than 1,300 customer accounts with open positions, we have cleared more than \$366 billion of interest rate swaps and \$50 billion of credit default swaps transactions since inception in 2010 through March 2012. Also, in May 2012, we will begin offering portfolio margining of our Eurodollar and Treasury futures and cleared OTC interest rate swap positions for house accounts, which will provide significant capital efficiencies of up to 85 percent to our customers.

We also have seen positive momentum in CME Clearing Europe – our first clearing house outside of the United States. With our initial launch of 150 OTC products in May 2011, we cleared nearly

→ Our ability to offer customers clearing solutions across multiple asset classes both on exchange and over-the-counter is one of our key strengths as world markets become broader based and more sophisticated.

10,000 contracts by year end. This momentum has continued, with 2012 year-to-date volumes of more than 14,000 contracts. Our next steps include broadening the range of energy and agricultural commodity products we offer, and adding OTC financial derivatives.

#### BEING A LEADER IN INDEX SERVICES AND INFORMATION PRODUCTS

In 2010, we expanded our index services business through the formation of CME Group Index Services with Dow Jones. This business contributed \$91 million in revenue in 2011 and grew at more than 20 percent year-over-year. In November 2011, we announced our agreement to combine portions of this business with McGraw-Hill's Standard & Poor's Indices. Pending regulatory approvals, the transaction will give CME Group a 24 percent ownership interest in the combined business. It will further strengthen our position in index services and index products, and allow us to continue to be innovative with product development and co-branding across asset classes.

#### FOCUSING ON CUSTOMERS

Contributing to our success has been our focus on providing customers with innovative technology offerings and continued human capital support. In 2011,

we completed the development of our co-location services, which went live in January 2012. With more than 100 firms expected to be housed in the co-location facility, we expect it to generate \$40 - \$45 million in new revenues in 2012. We also anticipate starting the next phase of the build in the second half of 2012, which will allow us to expand capacity and, in time, reach our goal of more than \$100 million in annual revenues.

We also have continued to develop our technology offerings to fit customers' OTC needs. In 2011, we acquired complete ownership of ConfirmHub, LLC. With this, we are now offering our customers ConfirmHub technology to provide straight-through processing in OTC markets using a single connection and a standard format. This valuable service provides brokers with electronic trade affirmation and confirmation services, as well as the ability to send trade confirmations directly into trading and risk systems, increasing accuracy and efficiency.

Finally, to provide customers with the most effective service, we restructured our global client development and sales organization. These efforts will better enable us to expand international sales efforts in Asia and Europe, service new and existing customers across multiple asset classes and client segments, and

offer customers enhanced educational resources on our products and services.

Looking ahead, we believe CME Group is strategically positioned to maximize results no matter how the macroeconomic scenario plays out. Moreover, our plan to deliver significant free cash flow growth over the long term will continue to be our focus through the recently announced transition in our Office of the Chief Executive Officer. We have the people, products, services and processes needed to help customers manage the changing risks they face in an increasingly interconnected world, and we look forward to our continued success.

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**CRAIG S. DONOHUE**  
Chief Executive Officer



**PHUPINDER S. GILL**  
President

March 12, 2012

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