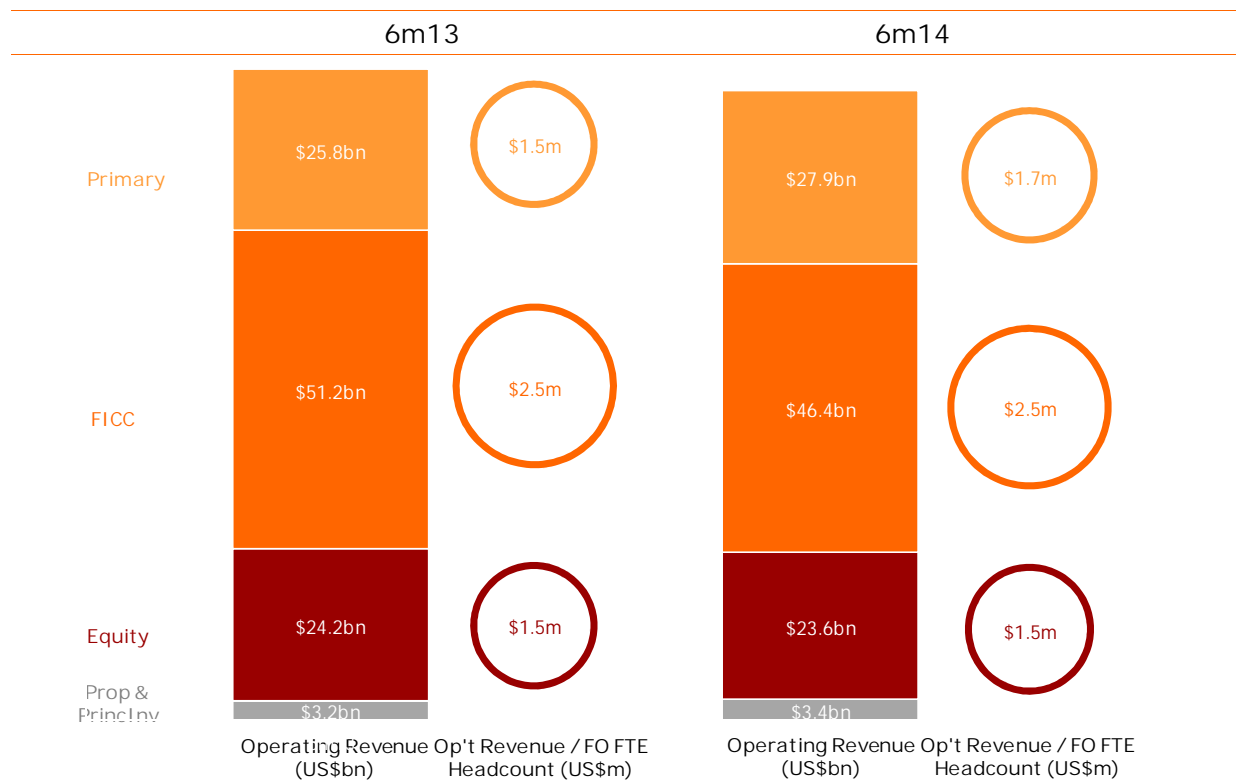
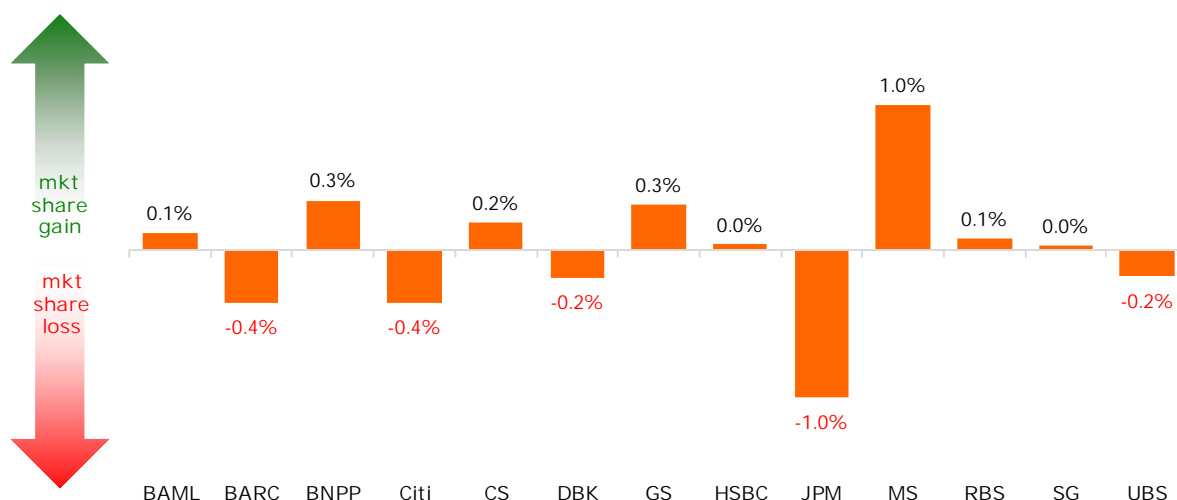


## Capital Markets: Results Review 2Q14 / 6m14

- The capital markets 6m14 revenue for the Top 13 investment banks totalled \$101bn, 3% below the prior year period. FICC weakened 9% during this period to \$46bn, and equities revenue declined slightly too; but this was partially offset by strong issuance and advisory fees, and a modest advance in proprietary trading & principal revenues.
- Banks continued trimming their headcounts but – contrary to expectations of many - there were no wide-ranging layoffs in 2014. Revenue/head productivity rose in all areas of issuance & advisory, and particularly ECM; but declined in FX, rates, commodities and equity derivatives.
- The cost structure is shifting away from comp & benefits and towards non-comp, and IT in particular: several banks in this report have announced major investment programmes in specific areas of business (see Company section).
- Barclays and RBS have published interim results in a new format. This report contains our initial analysis of their new 2013 and year-to-date 2014 revenues, and we will also review prior years in due course.



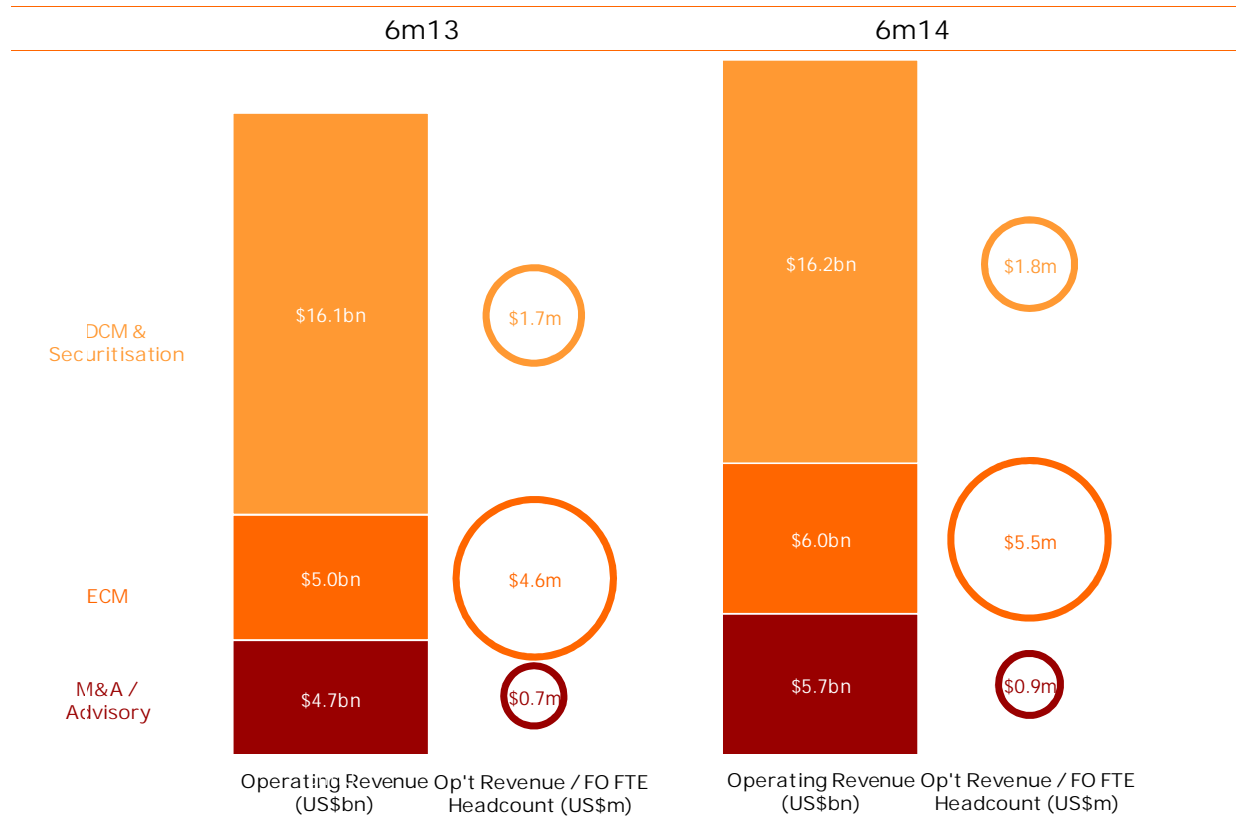
% change share of peer group operating revenue (6m14 / 6m13)



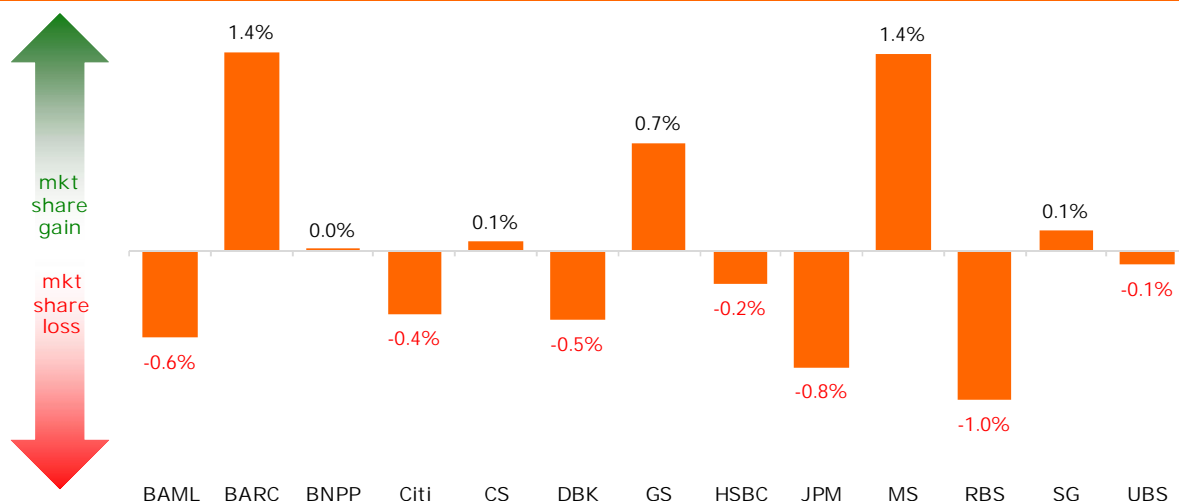
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

### Primary issuance & Advisory

- In 1H14, DCM global volumes and fees were flat versus 1H13. Europe was the standout: fees and volumes advanced in bonds and loans. In the Americas, loan fees were spurred by demand from US primary dealers and investors seeking yield. HY bond returns lagged HG returns in 2Q14 in APAC; analysts blamed this on China's economic slowdown and signs of overleveraging.
- Securitisation: signs of revival across the board. MBS origination and trading volumes were flat q/q but stronger y/y; in the US, banks are trying to securitise HELOCs. ABS issuance is growing; in June-14, ECB said it may buy 'simple and transparent' ABS, to support the Euro economy. In June, DBK launched a \$480m CMBS issue backed by loans to Italian property (Company section).
- In 1H14, ECM fees surged, especially in Europe, followed by MEA and APAC ex-Japan; Americas and Japan also grew fees, though more modestly. Top players grew their share of the fee pool.
- The fee growth in M&A in 1H14 outpaced the growth in volumes in all regions except Japan, where both declined slightly; financials, healthcare and tech sectors were the outperformers.



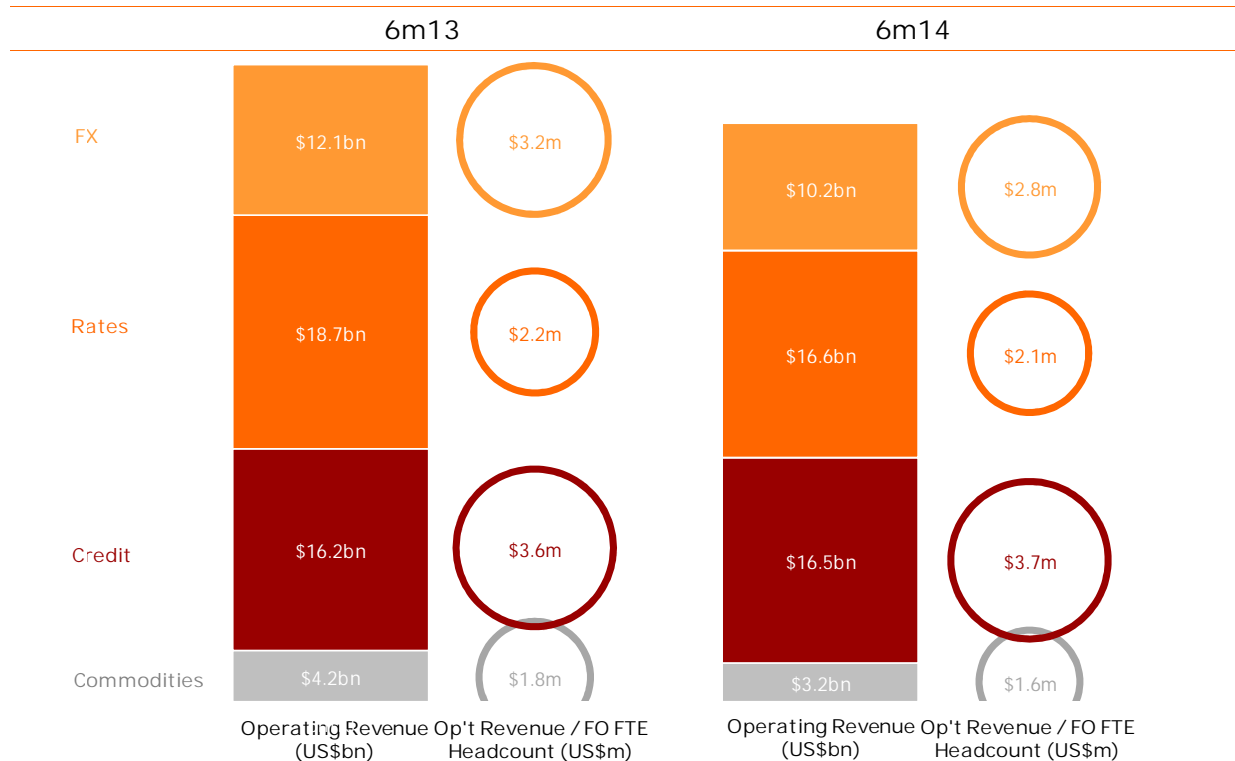
% change share of peer group operating revenue (6m14 / 6m13)



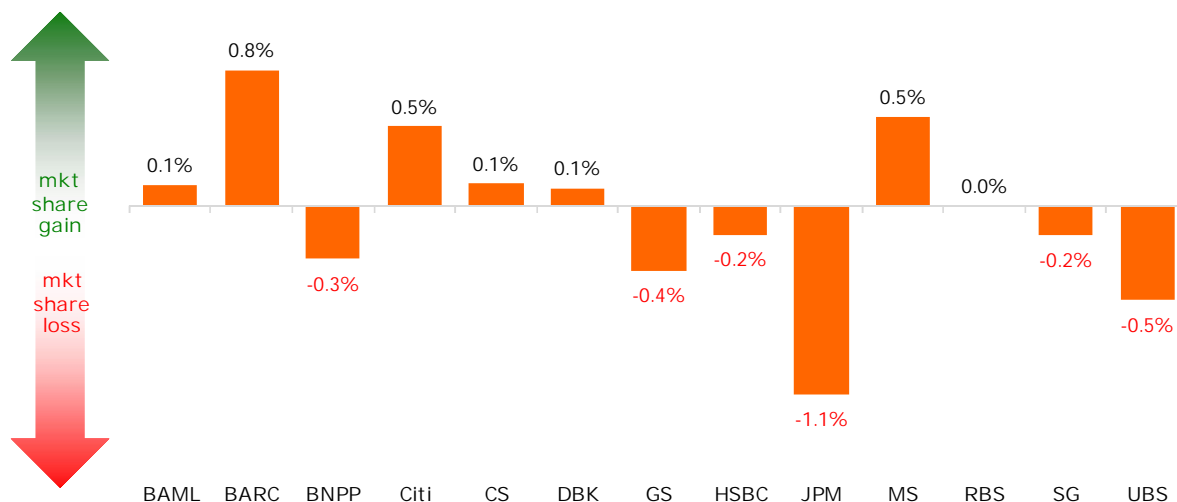
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

### FICC

- FX weakened, except in APAC, which saw improved margins and an increase in local volatility. Ongoing FX investigations and the switch to electronic platforms continues to erode margins.
- In Rates, a range of factors (see our June 'A Perfect Storm' note) depressed the client revenue 'wallet' n 2Q14 – particularly in swaps – in the US. LatAm, however, grew. Elsewhere, the short-end outside the US benefited from improved short term rates and margins, especially in European and Singaporean Repo.
- Credit did well in 2Q14, supported, in June, by ECB President's remarks on fighting low inflation. In the US, there was continued margin erosion in HG due to low volatility; HY was strong, though, especially in April and June. Some banks are hiring for their NYC desks. Europe Credit had a healthy 2Q14, on resilient volumes and higher margins. CLO issuance is booming, spurred on by investors seeking yield. According to MS, \$14bn of CLOs were raised in the US in June, a post-'Crunch' high; JPM and Wells Fargo upped their FY14 issuance forecast to \$90-100bn.
- In Commodities, US revenue opportunity weakened, due to oil; APAC grew, in energy and metals.



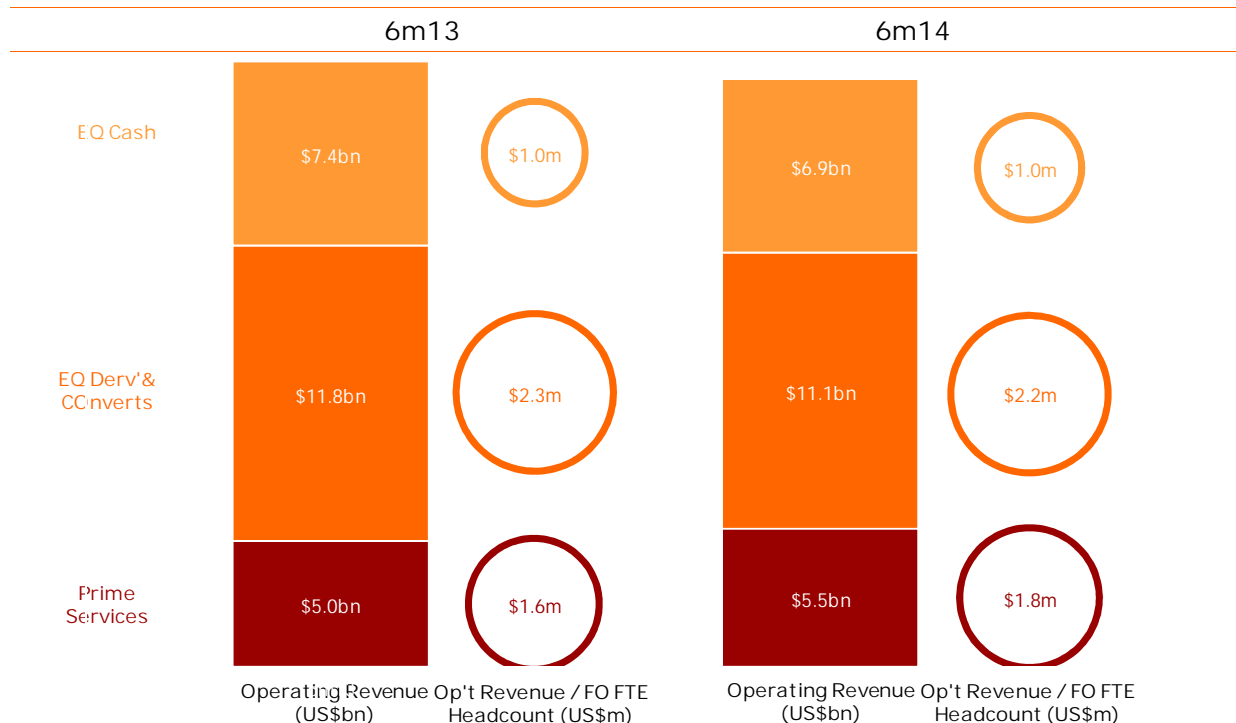
% change share of peer group operating revenue: (6m14 / 6m13)



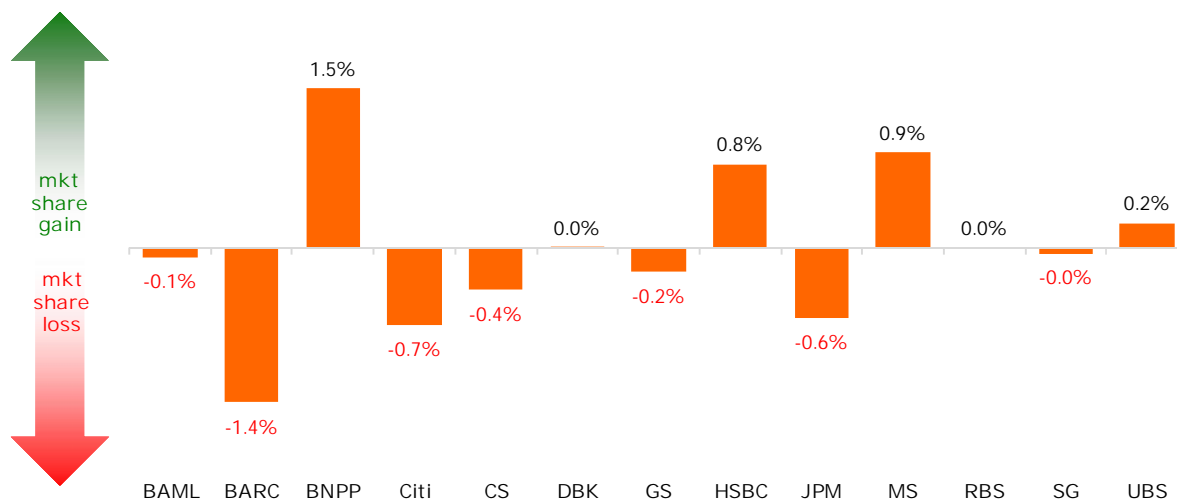
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

## Equities

- In Cash Equities, strong high-touch volumes offset much of the decline from (the very strong) 1Q14, in both the US and Europe.
- In Equity Derivatives, flow product revenue declined sharply; in the US, however, banks benefitted from a moderate year-on-year increase in institutional demand. Structured equity derivatives revenue recorded a steady – if modest – growth in all regions.
- Prime services recorded a modest year-on-year growth, driven by higher hedge fund volumes which partially offset a decline in US securities lending volume in June.



% change share of peer group operating revenue (6m14 / 6m13)



Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

## Revenue dynamics

2014/2013 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
<b>Capital Markets: Total</b>	→	↓	↑	↓	→	↓	→	↓	↓	↑	↓	→	↑	+4%	-3%
<b>Primary</b>	↓	↑	↓	→	→	→	↓	↓	↓	↑	↓	→	↑	+31%	+5%
DCM Bonds	↓	↑	→	→	→	↓	↓	↓	↓	→	↓	↑	↑	+28%	-9%
DCM Loans	↓	→	→	↑	↓	↓	↑	↑	↓	→	↓	→	↓	+18%	-11%
Securitisation	→	N/M	↓	↓	→	↑	↓	↑	↓	→	↓	↓	↑	+36%	+12%
ECM	→	↑	↓	↓	↓	↓	↓	→	↓	→	N/M	↑	↑	+53%	+37%
M&A / Advisory	↓	↑	↓	↓	↓	→	↓	↓	↑	↑	N/M	↓	→	+20%	-2%
<b>Secondary</b>	↑	↓	↑	↓	→	↓	→	↓	↓	→	→	↑	↓	-3%	-11%
FX	↑	↑	↑	→	↓	→	→	↓	→	↓	↓	↓	↓	-7%	-23%
Rates	→	↓	→	↓	↓	→	↓	↑	↓	↑	↑	→	↓	+19%	-11%
Credit	↓	N/M	↓	→	↑	↓	→	N/M	↓	↓	↑	↑	N/M	+23%	-6%
Commodities	↑	→	↑	↑	↓	↓	↓	→	↓	↓	N/M	→	↓	-6%	-53%
EQ Cash	↓	↓	↑	↓	↓	↓	→	↑	→	→	N/M	↑	↓	-0%	-14%
EQ Derv & Converts	↓	↓	↑	→	↓	→	↑	↑	→	↓	N/M	↓	↓	-7%	-19%
Prime Services	↓	→	↑	↓	→	↓	↓	→	↓	↑	N/M	↓	↑	+10%	+2%
Prop Trading	N/M	↓	↑	→	↑	N/M	→	↓	↓	N/M	N/M	↓	N/M	+9%	-12%
<b>Principal Investments</b>	N/M	N/M	N/M	N/M	↓	↓	→	↑	N/M	→	N/M	N/M	N/M	+57%	+3%

6m14/6m13 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
<b>Capital Markets: Total</b>	→	↓	↑	↓	↑	↓	→	→	↓	↑	→	↓	↓	-1%	-6%
<b>Primary</b>	↓	↑	→	↓	→	↓	→	↓	↓	↑	↓	↑	→	+15%	+2%
DCM Bonds	↓	↑	↓	→	→	→	↓	↓	↓	→	↓	↑	↑	+15%	-12%
DCM Loans	↓	↓	→	→	↓	↓	↑	↑	↓	↑	→	→	↓	+6%	-11%
Securitisation	→	↑	→	↓	↓	↓	→	↑	↓	→	↓	↓	↑	+27%	+1%
ECM	↓	↑	↓	↓	→	↓	→	→	↓	↑	N/M	↑	↓	+31%	+21%
M&A / Advisory	↓	→	↑	↓	↓	→	↓	↑	↑	→	N/M	↓	↓	+37%	+13%
<b>Secondary</b>	→	↓	↑	↓	→	→	↓	↓	↓	↑	↑	→	↓	-4%	-9%
FX	↑	↑	↑	→	↓	→	↓	↓	↓	→	↓	→	↓	-9%	-21%
Rates	→	↓	↓	↓	↓	→	→	↑	↓	↑	↑	→	↓	-0%	-30%
Credit	→	N/M	→	↓	↑	↓	→	N/M	↓	→	↓	↑	N/M	+10%	-5%
Commodities	→	↓	→	↑	↓	↓	↓	↑	↑	↓	N/M	→	↓	-7%	-35%
EQ Cash	↓	↓	↑	↓	↓	↓	↓	→	↑	→	N/M	↑	→	+5%	-9%
EQ Derv & Converts	→	↓	↑	↑	↓	→	↓	↑	↓	↓	N/M	→	↓	-4%	-11%
Prime Services	↓	→	↓	↓	↑	→	↓	↓	↓	↑	N/M	→	↑	+11%	+4%
Prop Trading	N/M	↓	↑	↓	↑	N/M	→	↓	↓	N/M	N/M	→	N/M	+10%	-18%
<b>Principal Investments</b>	N/M	N/M	N/M	N/M	→	↓	→	↑	N/M	↓	N/M	N/M	N/M	+13%	-11%

Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Revenue is post-writedowns, excludes DVA/equivalent and one-offs, as described in the Company Section.

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