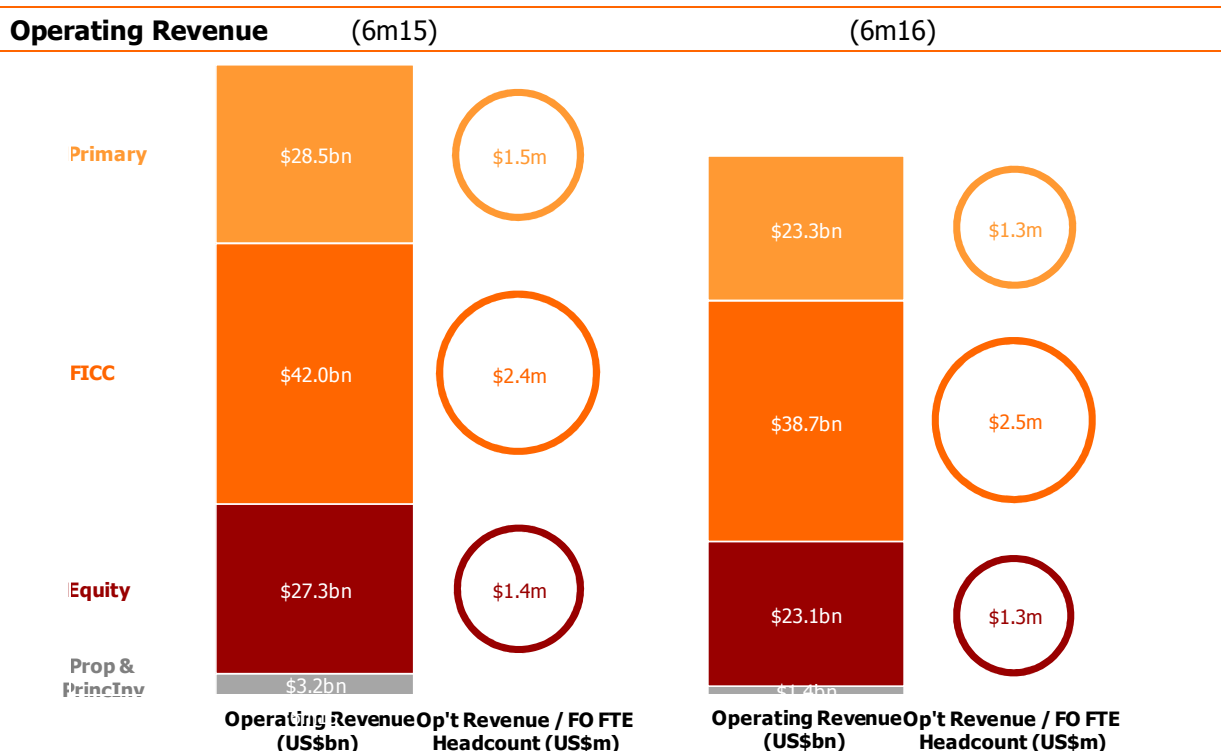
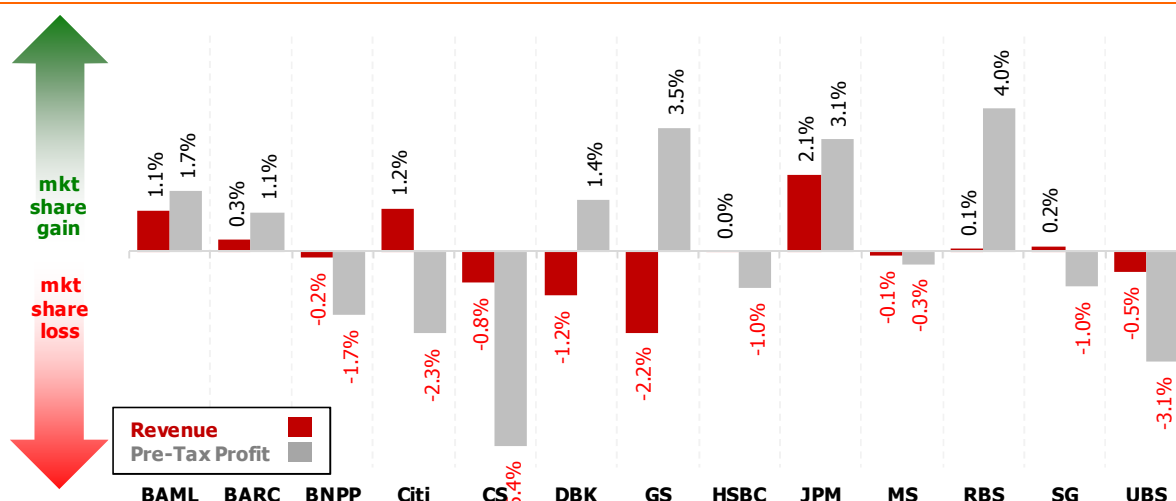


Capital Markets: Results Review 2Q16 / 6m16

- The 1H16 operating revenue reported by banks in this report totalled \$86bn, 14% below 1H15. The 2Q16 revenue reached \$31bn, 12% down from a prior-year period. In US dollar terms, issuance and advisory fees dropped 28% vs 2Q15 and equities by 20%, while FICC was essentially flat, with several banks reporting a surge in revenue spurred by Brexit. US banks increased their share of the peer group's pre-tax profit.
- European Banking Authority's (EBA) stress test, published in July, managed to satisfy almost no-one: some deemed it too benign, others unrealistic. Both arguments make sense: EBA's test did not include sovereign defaults, mitigating actions by banks, Brexit, or an extended period of low-interest rate environment. Also, the EBA's test focuses on prudential regulatory measures which, in our view, do not reflect true market risks - and those, if the US regulators have their way, could feature in Basel 4, along with stronger capital rules for bank leverage.
- Our early view of the potential impact of Brexit on several banks is shown on bank pages.
- *This issue features reorganised definitions for several FICC products.*



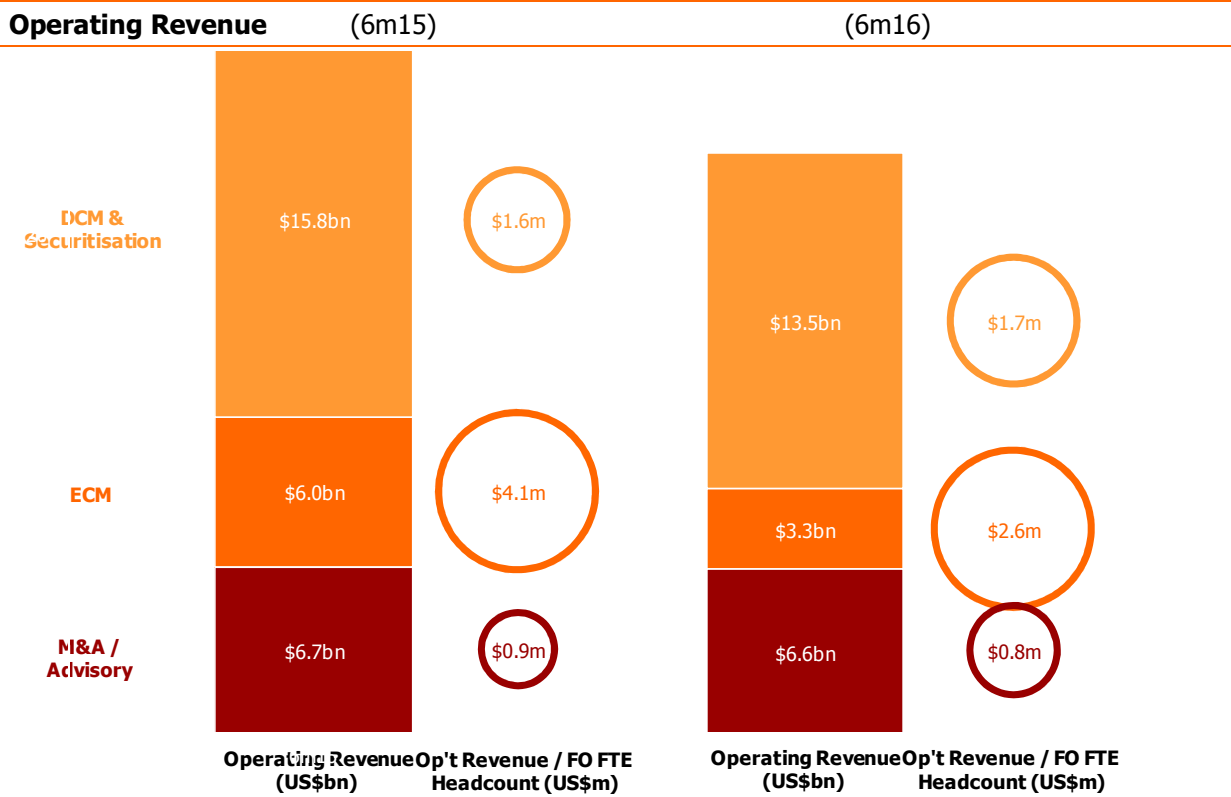
% change share of peer group operating revenue and pre-tax profit (6m16 / 6m15)



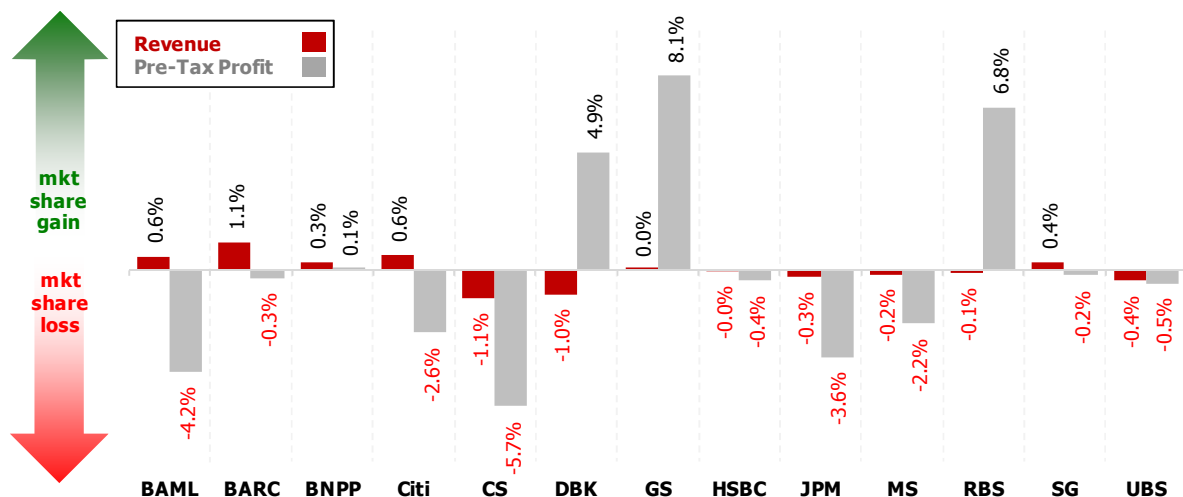
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments..

Primary issuance & Advisory

- DCM bond and (especially) loan issuance fees were both weak in 2Q16. Barclays and HSBC grew bond fees and Citi recorded a jump in loan fees; overall, though, the market was flat in bonds and suffered a 25% decline in loans.
- In securitisation, agency trading saw strong flows, but other parts of the MBS market declined versus 2Q15. Issuance was also sharply down across both agency CMO and private-label products. In July, BIS said a 'modest' reduction in capital requirements should be allowed for bonds made up of lower-risk assets; the minimum risk weights could be cut from 15% to 10%.
- ECM fees almost halved versus both 2Q15 and 1H15. In 1H16, EMEA, AMER and APAC all saw 45%+ declines in both volumes and fees, with broad weakness across sectors, including financials, healthcare, industrials and real estate.
- M&A/Advisory weakened slightly in 2Q16. Banks were, however, able to increase fee margins in all main regions, mitigating the sharp decline in volumes. Healthcare, financials and industrials registered steepest falls 1H16/1H15.



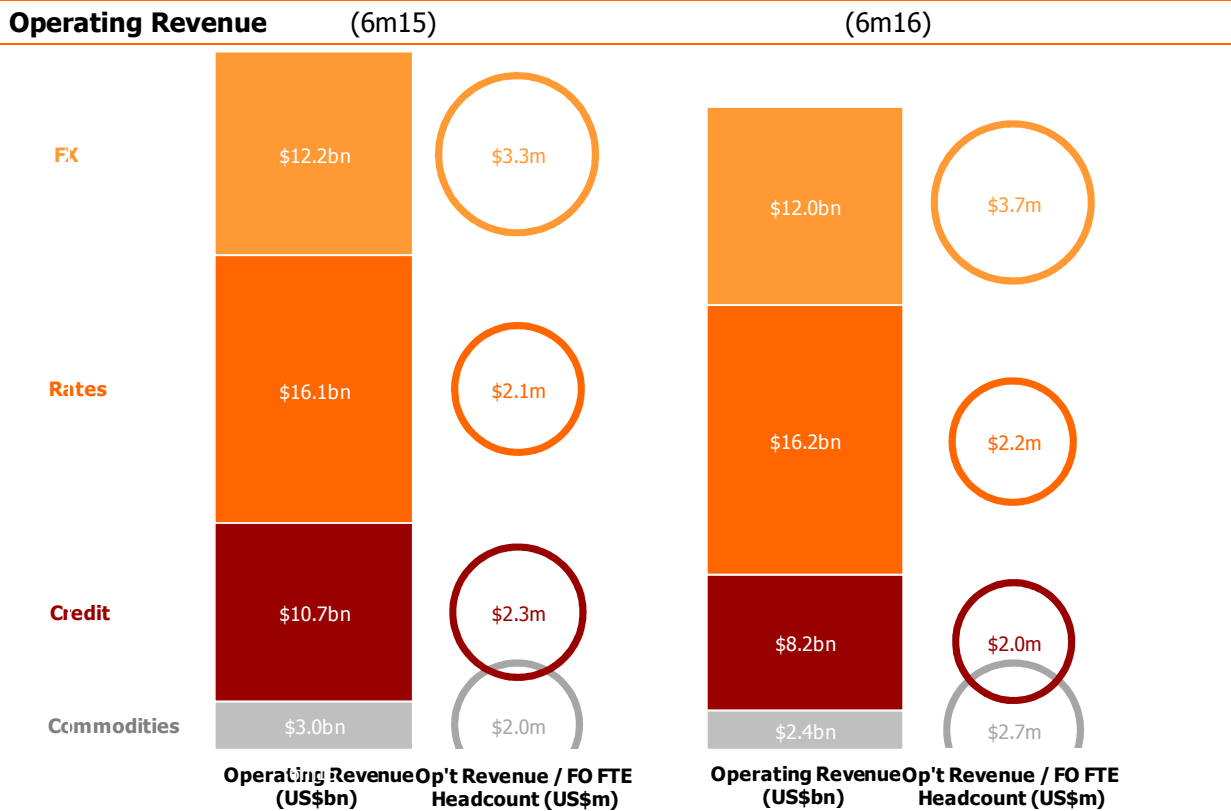
% change share of peer group operating revenue and pre-tax profit (6m16 / 6m15)



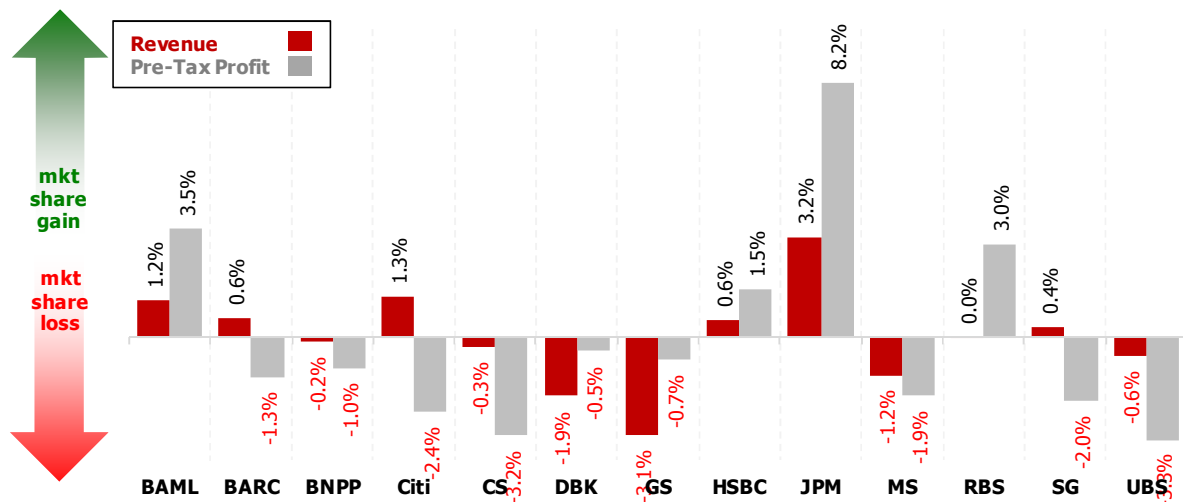
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

FICC

- The overall revenue from FX declined slightly from 2Q15. Client flow opportunity weakened in spot (including eFX spot), options, USD/EUR, and LatAm. Russia and APAC were exceptions, with very strong y/y growth.
- Weakness in the European rates markets was to some extent balanced by steady US markets. The US muni markets bounced back to 2015 levels after a disappointing 1Q16.
- In credit, US high yield trading volumes were very strong in 2Q16 - with levels almost double those of a year ago - and US high grade volumes were also up. The European credit markets, however, were significantly down despite improved margins. The 1H16 dropped sharply from 1H15.



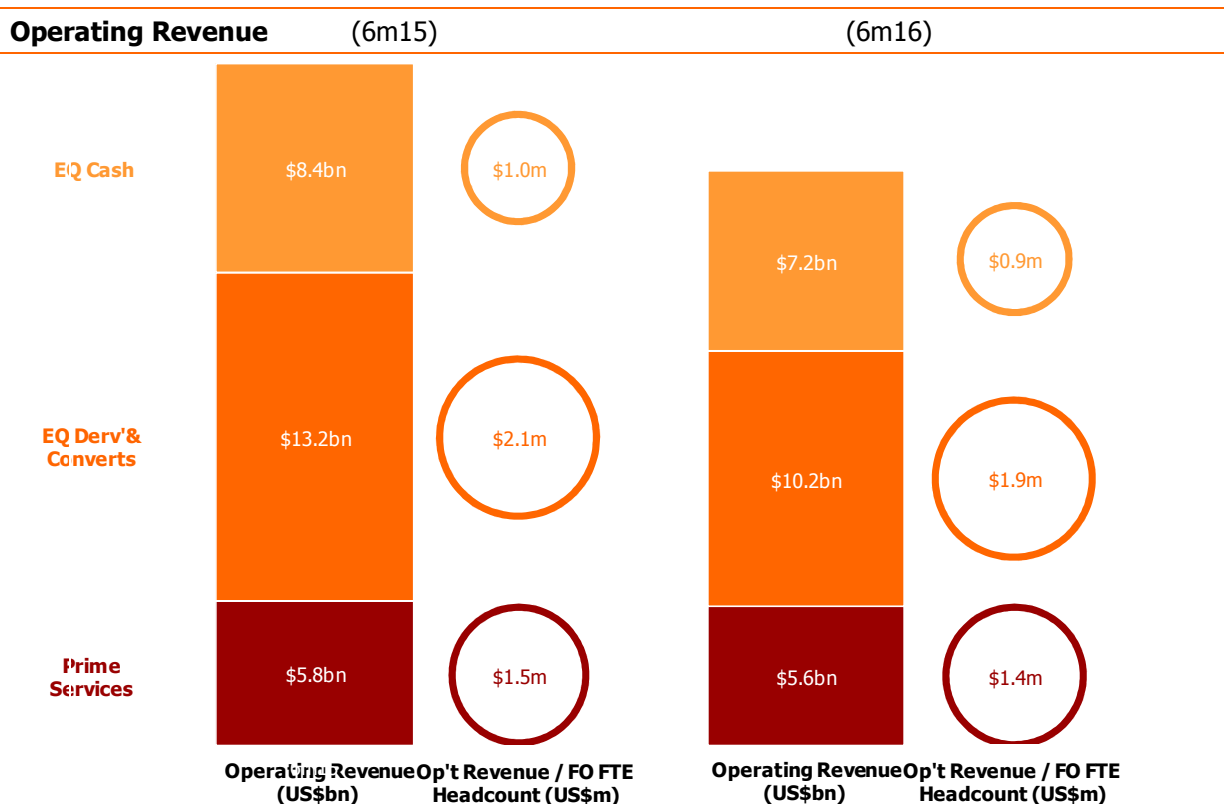
% change share of peer group operating revenue and pre-tax profit: (6m16 / 6m15)



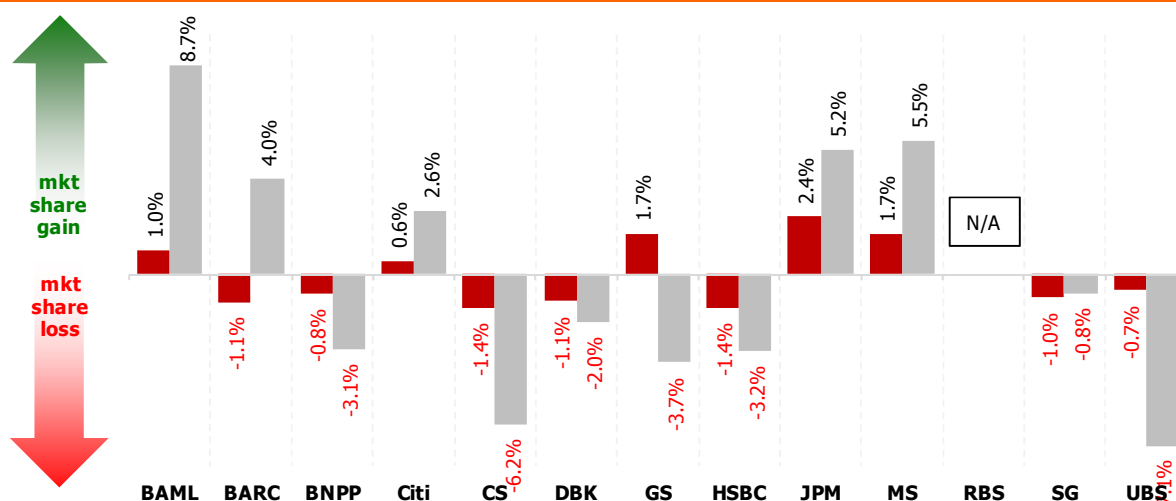
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Equities

- Cash equity markets in North America were flat compared to 2Q15 in the hi-touch segment, but electronic markets were down. In Europe, the reverse was true, with electronic markets outperforming comparably sluggish hi-touch markets. In June, dark pool volume across European venues reached \$100bn, the highest ever. In APAC ex-Japan cash equity markets stabilised versus 1Q16 but were significantly down on 2Q15, while in Japan the markets were broadly flat.
- Equity derivatives had a mixed quarter. Flow did well in EMEA and AMER, offsetting weakness in APAC, but structured products declined in all three regions.
- In prime services, securities lending volumes were down by almost 25% compared to 2Q15 although hedge fund assets under management were essentially flat.
- The 1H16 was characterised by a sharp slowdown in APAC. Cash and derivatives revenue dropped 40-50% versus 1H15, and prime services by c.20%. Consequently, banks are 'right-sizing': we estimate that banks in this report reduced their headcount by 350 staff in 1H16, equal to c.7% of total APAC regional equity headcount.



% change share of peer group operating revenue and pre-tax profit (6m16 / 6m15)



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. (4) Pre-tax profit excludes Prop & Principal Investments.

Revenue dynamics

6m16 / 6m15 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
Capital Markets: Total	↑	→	↓	↑	↓	↓	↓	→	↑	↓	→	→	↓	-9%	-23%
Primary	→	↑	↑	→	↓	↓	→	→	↓	↓	↓	↑	↓	-13%	-25%
DCM Bonds	↓	→	→	↓	→	↓	↑	↓	↓	↓	→	↑	↑	+1%	-22%
DCM Loans	→	→	↓	↑	↑	→	↑	↓	↓	↓	↓	→	↓	+3%	-15%
Securitisation	→	↑	→	↑	↓	↓	↑	→	↓	↓	↓	→	↓	-11%	-27%
ECM	↓	→	↑	↓	→	↓	↓	↑	→	↓	N/M	↑	↓	-30%	-47%
M&A / Advisory	→	→	↓	↓	↑	↓	↓	↓	↑	↑	N/M	→	↓	-1%	-14%
Sales & Trading	↑	→	↓	↑	↓	↓	↓	→	↑	↓	→	→	↓	-4%	-21%
FX	↓	↓	↓	→	→	↓	↓	→	↑	↑	↑	→	↓	+4%	-11%
Rates	↑	↓	→	→	↓	↓	↓	↑	↑	↓	→	→	↓	+5%	-13%
Credit	↑	↑	→	→	↓	↓	↓	↓	→	N/M	↓	↑	↓	+0%	-31%
Commodities	→	↓	↓	↑	N/M	↓	↓	→	→	↓	N/M	↑	↑	-7%	-29%
EQ Cash	→	↓	↑	↓	↓	↓	↑	↓	↑	→	N/M	→	↓	-7%	-23%
EQ Derv & Converts	→	↓	↓	↑	↓	↓	→	↓	↑	↑	N/M	↓	→	-4%	-38%
Prime Services	→	↓	→	↑	↓	↓	→	↓	↑	↓	N/M	↑	↓	+2%	-8%
Prop Trading	N/M	↓	→	N/M	↑	N/M	↓	↑	↓	N/M	N/M	N/M	N/M	-25%	-46%
Principal Investments	N/M	N/M	N/M	N/M	→	↓	↓	N/M	N/M	↑	N/M	N/M	N/M	-23%	-53%

2Q16 / 2Q15 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
Capital Markets: Total	↑	↓	→	→	↓	↓	→	↓	↑	→	↑	↓	↓	+4%	-12%
Primary	→	↑	↑	→	↓	↓	→	↓	→	↓	↓	↑	↓	-4%	-23%
DCM Bonds	→	→	↓	→	↑	↓	↓	↓	↓	↓	↑	→	↑	+15%	-5%
DCM Loans	↓	→	→	↑	↑	↑	↓	↓	→	↓	↓	→	↓	+6%	-12%
Securitisation	→	↑	→	↓	↓	↓	↑	↓	↑	→	↓	→	↓	+6%	-21%
ECM	↓	↓	↑	→	→	↓	↓	↑	→	↓	N/M	↑	↓	-27%	-45%
M&A / Advisory	↑	→	→	↓	→	↓	↓	↓	→	↑	N/M	↑	↓	+6%	-9%
Sales & Trading	↑	↓	→	→	↓	↓	→	↓	↑	→	↑	↓	↓	+7%	-13%
FX	→	↓	↓	↓	↑	↓	→	→	↑	↑	↓	↓	→	+19%	+6%
Rates	→	↓	↑	→	↓	↓	↓	↓	↑	↓	↑	↓	↓	+17%	-1%
Credit	↑	→	↓	↓	↓	↓	→	→	↑	↑	↑	↓	↑	+26%	+4%
Commodities	→	↓	↓	→	N/M	↓	↓	↓	→	↑	N/M	↑	↑	+3%	-22%
EQ Cash	↑	↓	→	→	↓	↓	↑	↓	↑	→	N/M	↓	↓	-6%	-23%
EQ Derv & Converts	↑	↓	→	↑	↓	↓	↑	N/M	→	→	N/M	↓	↓	+2%	-34%
Prime Services	→	↓	↑	→	↓	↓	↓	↓	↑	→	N/M	↑	↓	+3%	-5%
Prop Trading	N/M	↓	↓	N/M	→	N/M	↑	↓	↓	N/M	N/M	→	N/M	-3%	-64%
Principal Investments	N/M	N/M	N/M	N/M	↑	↓	→	↑	N/M	N/M	N/M	N/M	N/M	-24%	-61%

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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