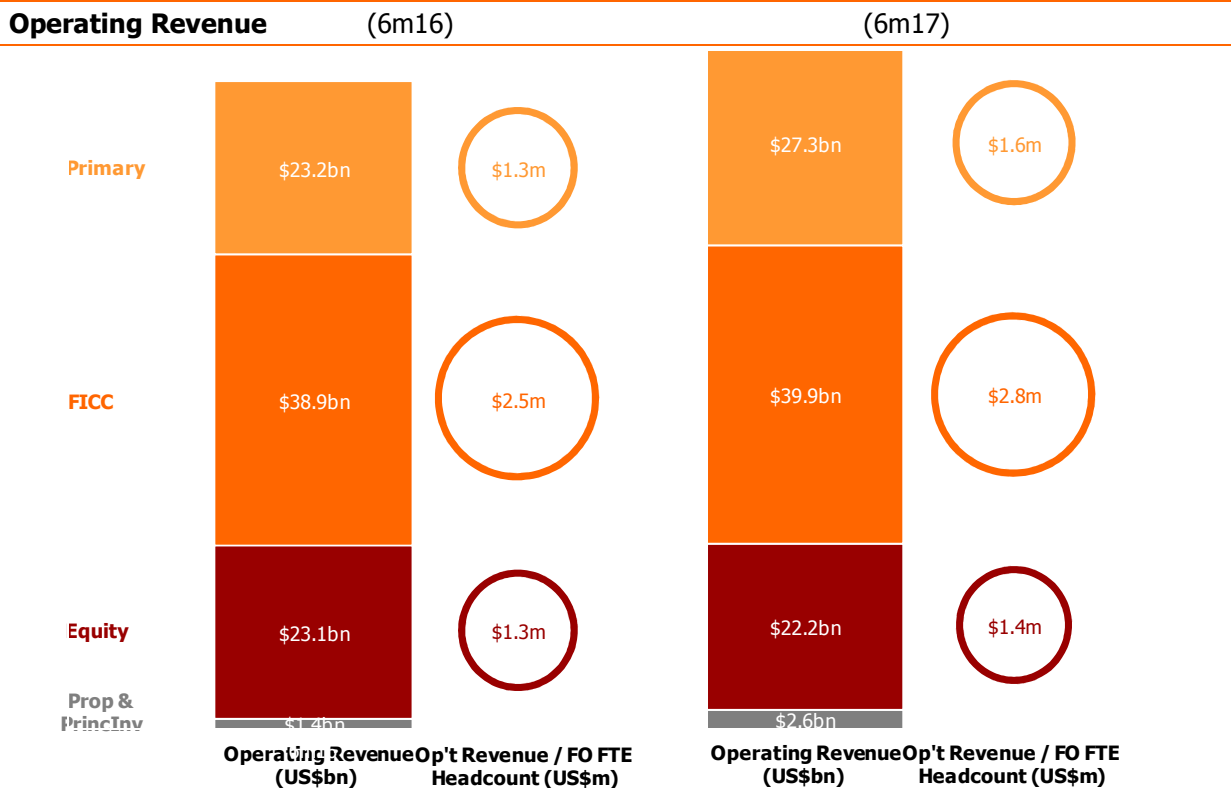


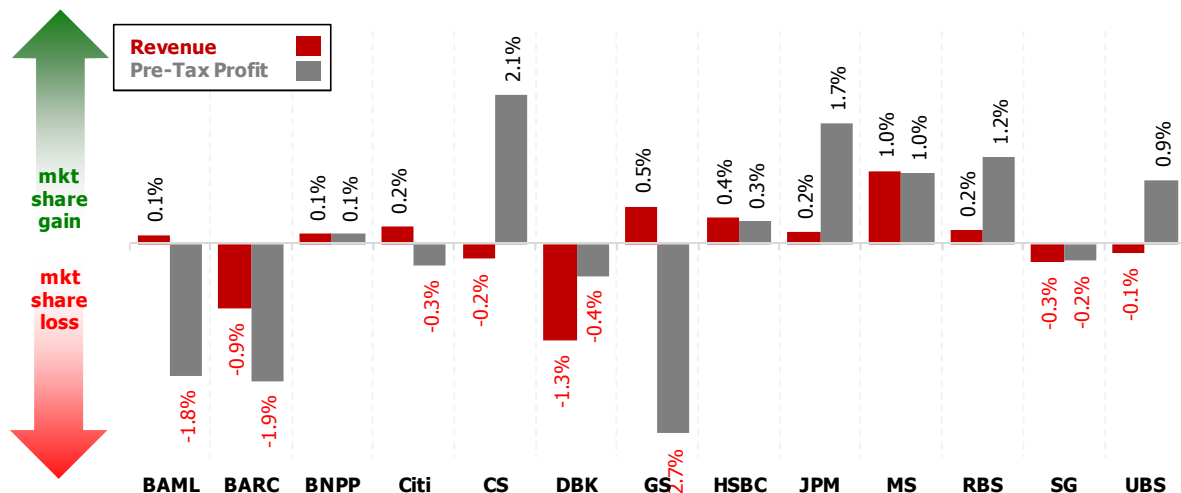
Results Review 2Q17 / 6m17

Capital Markets: Overview

- Capital markets' unit of banks in this report recorded \$92bn operating revenue in 6m17, +6% y/y. Primary activities did well, and FICC advanced slightly; but Equities dipped. US banks did better than their European counterparts - especially in FICC - and top competitors extended their lead. There was a significant slowdown in 2Q17: \$44bn revenue was down 10% q/q and 6% y/y.
- Banks kept tight reign over costs, however. In 6m17, profit jumped to \$27bn (3/4 of that by US banks), +14% y/y, on strong primary and FICC results. A 4% y/y decline in Equities' profits tracked the drop in revenue. Banks achieved a slight increase in per-head productivity in 2Q17.
- The European Commission's idea of sovereign bond-backed paper addresses an important issue: European banks generally favour bonds issued by their own governments, which increases the risk that concerns over national finances infect that country's banking system. The EC's proposal of bundling national governments' paper into a single instrument is pointless, however, unless it is jointly guaranteed by the eurozone governments. Could this be a mere opening for further steps?



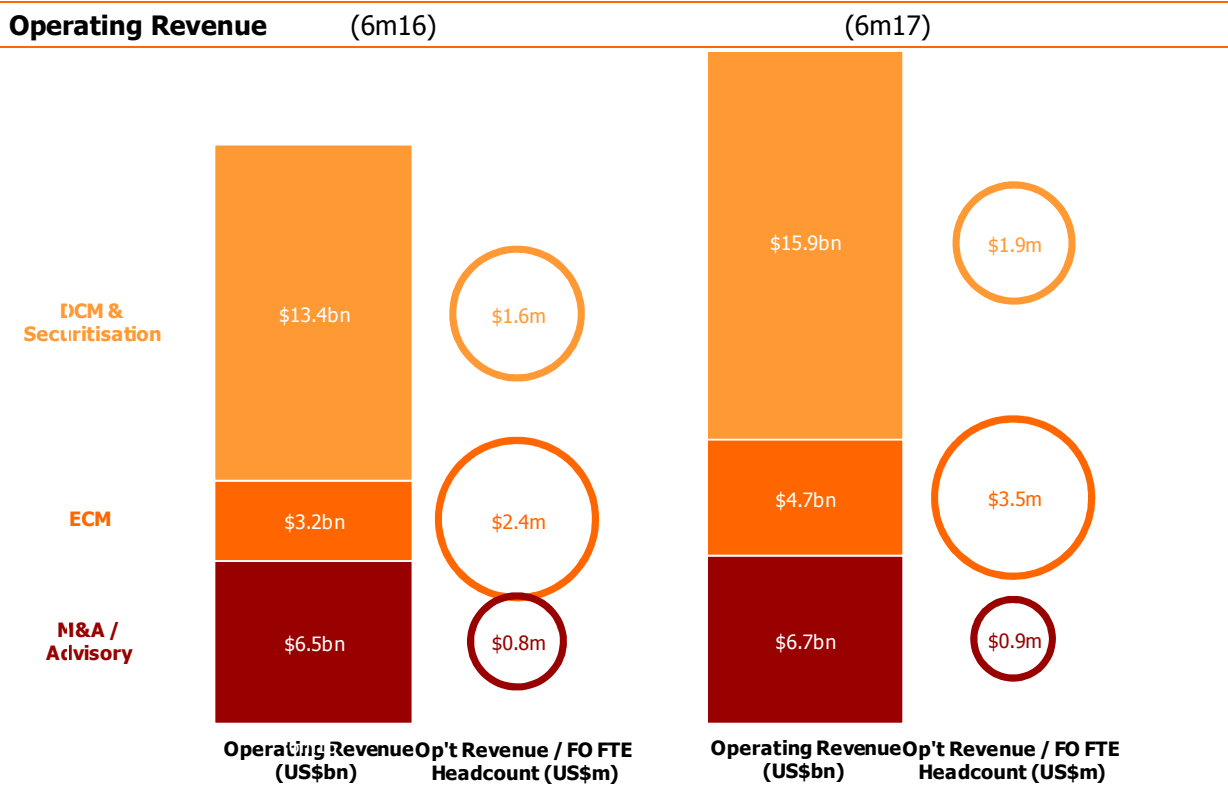
% change share of peer group operating revenue and pre-tax profit (6m17 / 6m16)



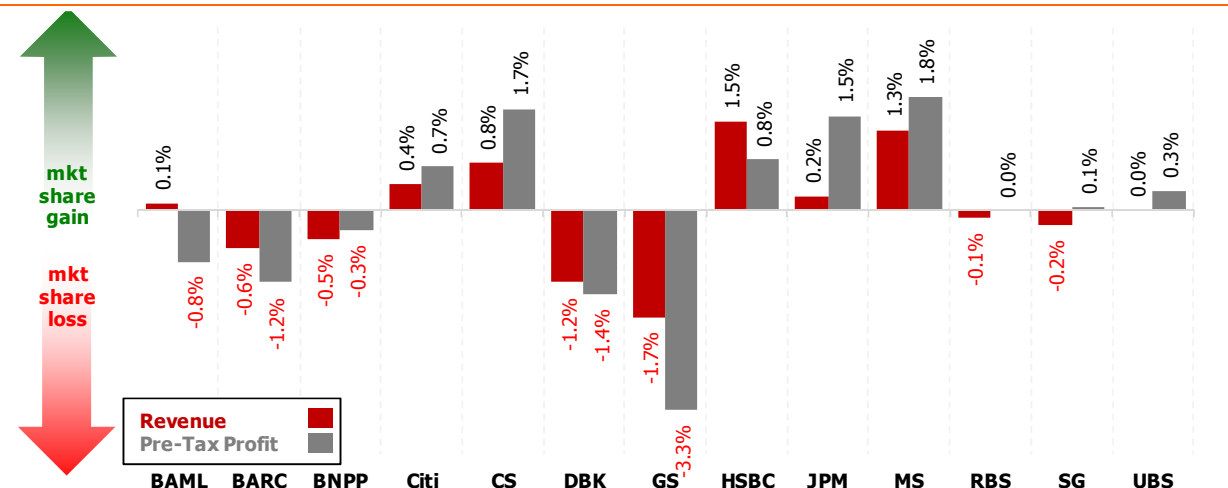
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments..

Capital Markets (cont.): Primary issuance & Advisory

- DCM fees were up 5% y/y in 2Q17, at \$8.3bn. HY and EM bonds jumped in 6m17; US HG declined from the record 1Q17. Loan volumes fell 15% in 2Q17, but fees grew, albeit modestly. Due to the interplay between IFRS 9 and Basel Committee's FRTB, portions of syndicated loans that were not offloaded to investors could be forced into banks' trading books i.e. valued through P&L and subjected to market risk capital charges. This seems odd: the underwriter cannot know in advance how much of the loan it will be able to place with investors.
- In 2Q17, ECM extended the strong run seen in 1Q17; banks in this report earned \$2.3bn, 28% ahead of 2Q16; and \$4.7bn in 6m17, 50% higher than in the prior-year period. Among the large sectors, financials, technology and healthcare led the way in APOs; and in IPOs, the US and APAC ex-Australia fees surged by 70% in 6m17/6m16.
- M&A/Advisory fees were \$6.7bn in 6m17 and \$3.3bn in 2Q17, 3% and 6% ahead of 2016. A surge in cross-border acquisitions of European targets by the US acquirers accounted for c.40% of 6m17 M&A volume - the highest since the 2007 Crisis - and offset a 50% fall in China's outbound M&A. Mid-market (deal size \$1-5bn) drove the growth, with all other segments suffering sharp drops.



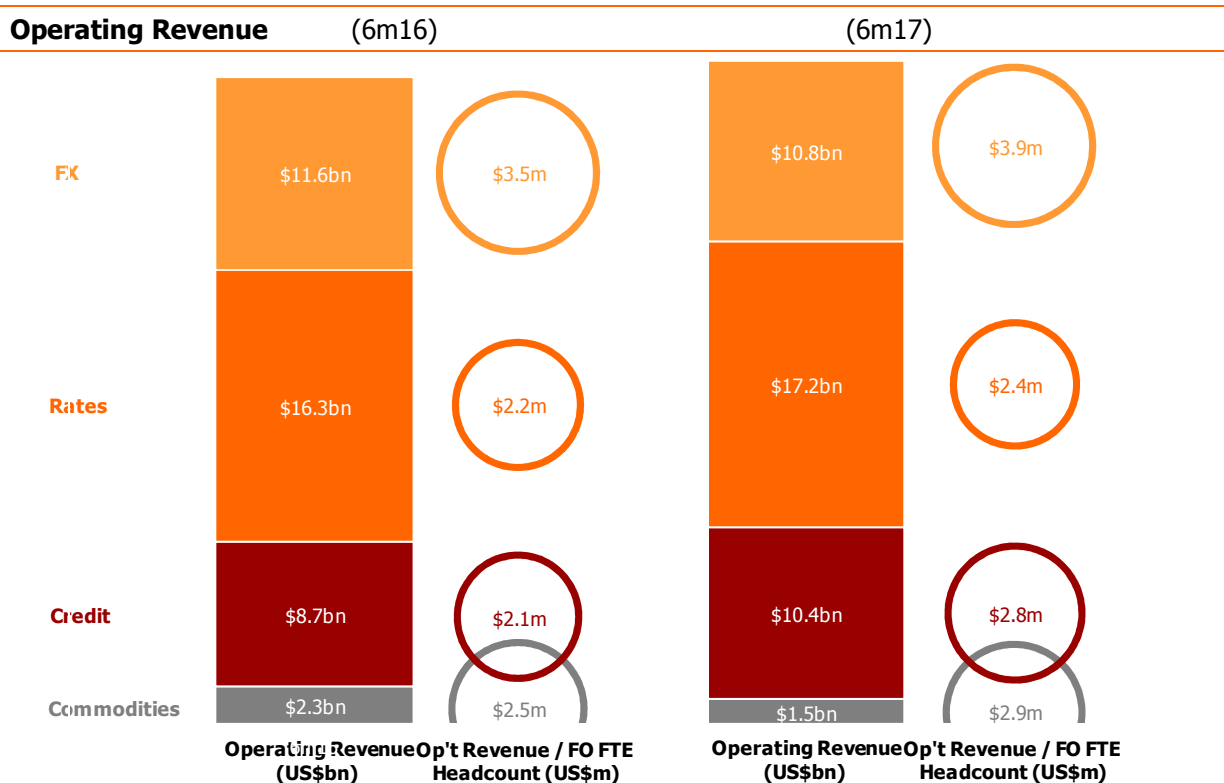
% change share of peer group operating revenue and pre-tax profit (6m17 / 6m16)



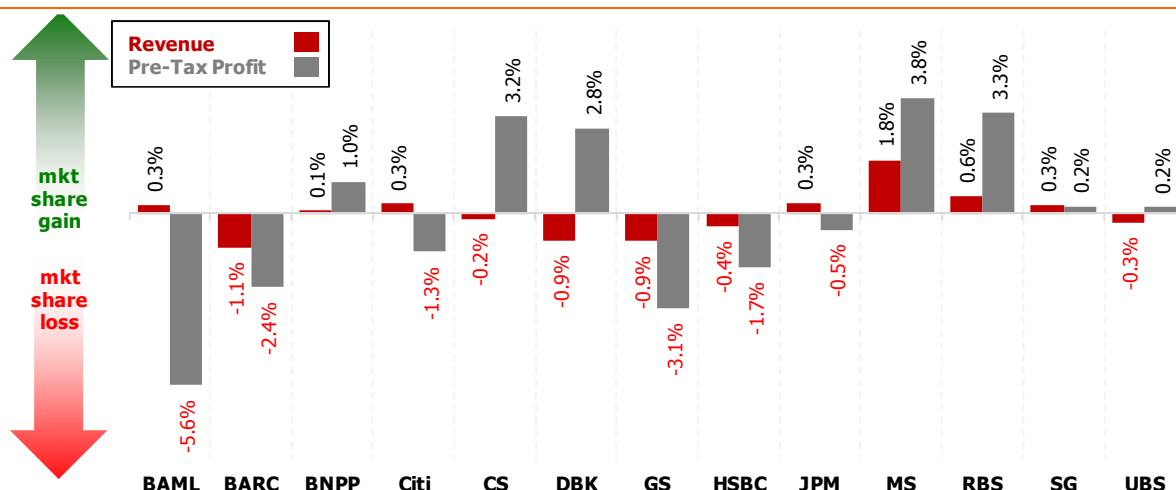
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Capital Markets (cont.): FICC

- G10 FX revenue weakened from the very strong 2Q16. Local macro markets, however, were more resilient, supported by the relatively weak US dollar, specific geopolitical events and pockets of liquidity. Rates saw a healthy revenue growth in 6m17, but this was due to the strong 1Q17 (\$9.8bn, +36% y/y). In 2Q17, banks in this report generated \$7.4bn of revenue, down 19% y/y on low volatility and business activity in most products.
- Credit outperformed macro. APAC contributed strongly, partly due to the strength - for some banks - distressed paper. There has been a surge in issuance of 'bespoke tranches' of CDS in 1H17; main clients are yield-hungry hedge funds, and key facilitators are Citi, BNP Paribas and J.P.Morgan.
- Commodities revenues plunged again, largely due to Goldman Sachs' weak performance in 6m17.
- More details are emerging on the pricing of fixed income research in the run-up to the introduction of MiFID II. Credit Agricole and Nomura are quoting <\$140k per annum for premium credit and macro research; by contrast, J.P.Morgan (which also prices its equity research keenly) is reportedly offering the 'basic' package for \$50k p.a., and Deutsche Bank EUR30k for five users and contact with analysts (down from EUR60k). The wide range suggests that these are merely opening bids.



% change share of peer group operating revenue and pre-tax profit: (6m17 / 6m16)



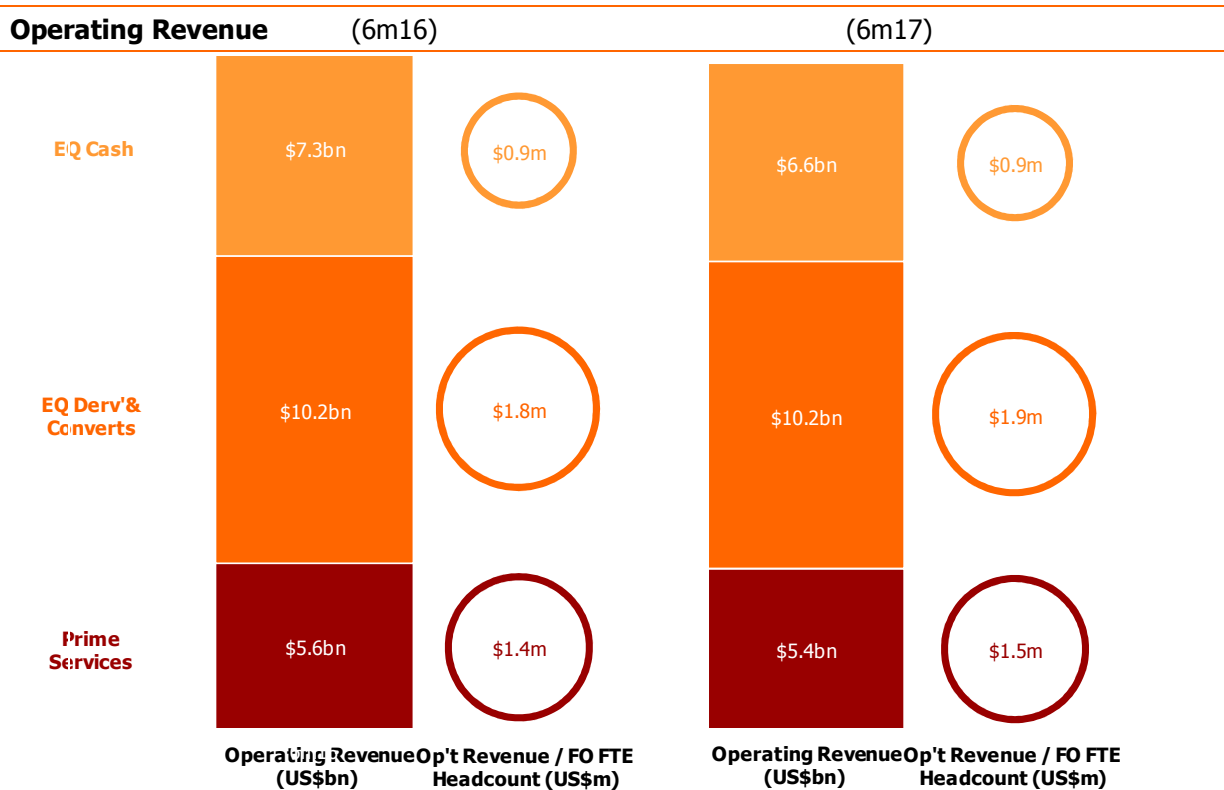
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Capital Markets (cont.): Equities

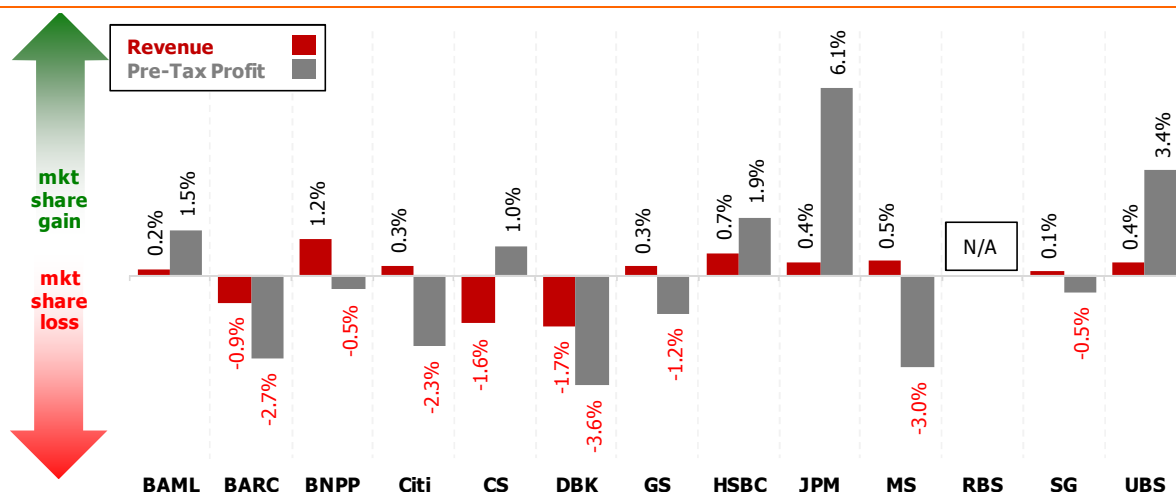
- Cash equity was impacted by sluggish client activity which negated high global valuations; 6m17 and 2Q17 dropped 10% vs prior-year periods. Europe outperformed, but only relative to sharp drops in both APAC and AMER.

Banks and specialist equity players are jockeying to win market share in equity research with money managers. Barclays' (a joint #8 with Citi in II's 2017 All-Europe rankings) was the 'opening bid': £30k per annum for the 'bronze' (basic) package of read-only European equity research (similar to UBS' rumoured \$35-45k p.a.; UBS' II rank: #2), rising up to £350k p.a. for the 'gold' (top of the range) option - which does not include targeted analysts' work and corporate access. BAML's (II: #1) 'premium' offer is \$15-80k, depending on usage; J.P.Morgan (II #3) proposed just £10k p.a. for its basic package, while Alliance Bernstein LP, Canaccord Genuity and Autonomous are said to offer \$150k, £75k and \$50k options, respectively.

- Equity derivatives were unchanged from 2016 periods as client flow was offset by low volatility.
- Prime services revenue reached \$5.2bn in 2Q17 and \$5.4bn in 6m17 - essentially unchanged y/y for the peer group, though the majors advanced their lead.



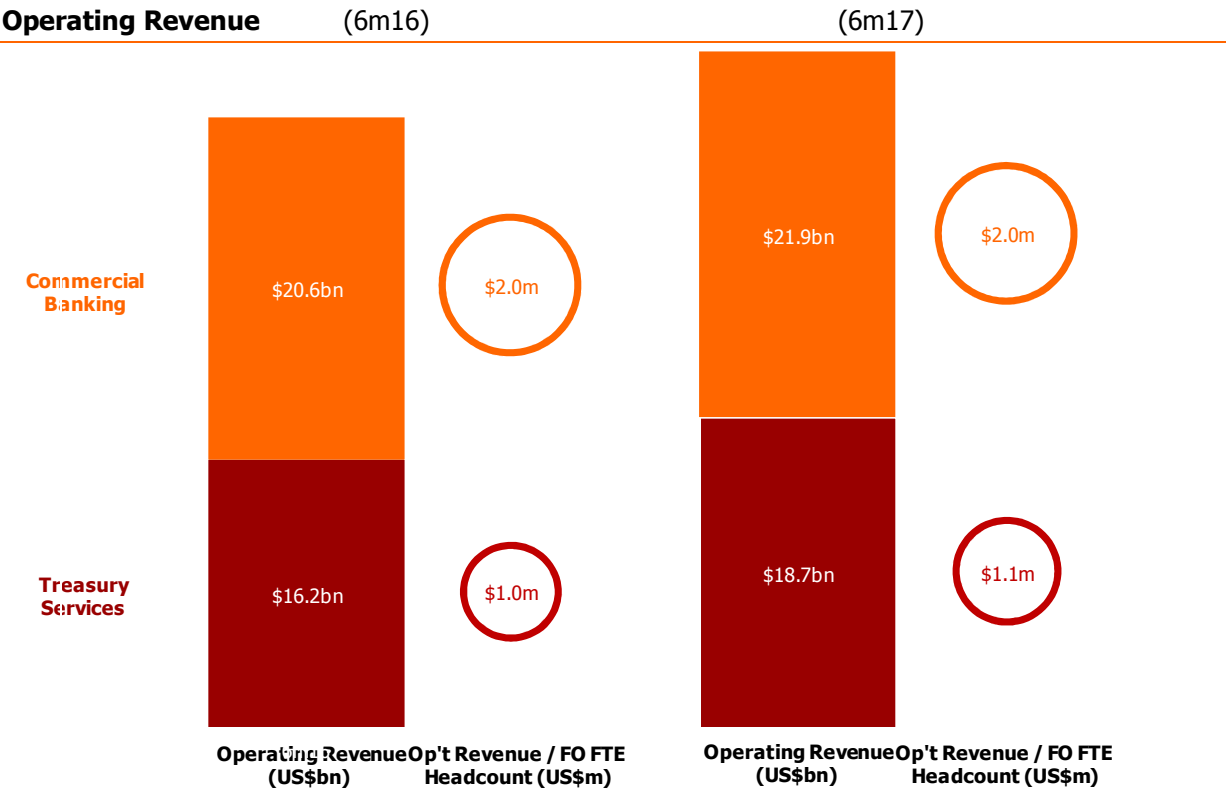
% change share of peer group operating revenue and pre-tax profit (6m17 / 6m16)



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.

Commercial/Transaction Banking

- *Due to ongoing client work, we are temporarily suspending bank-specific commentary in Commercial/Transaction Banking.*

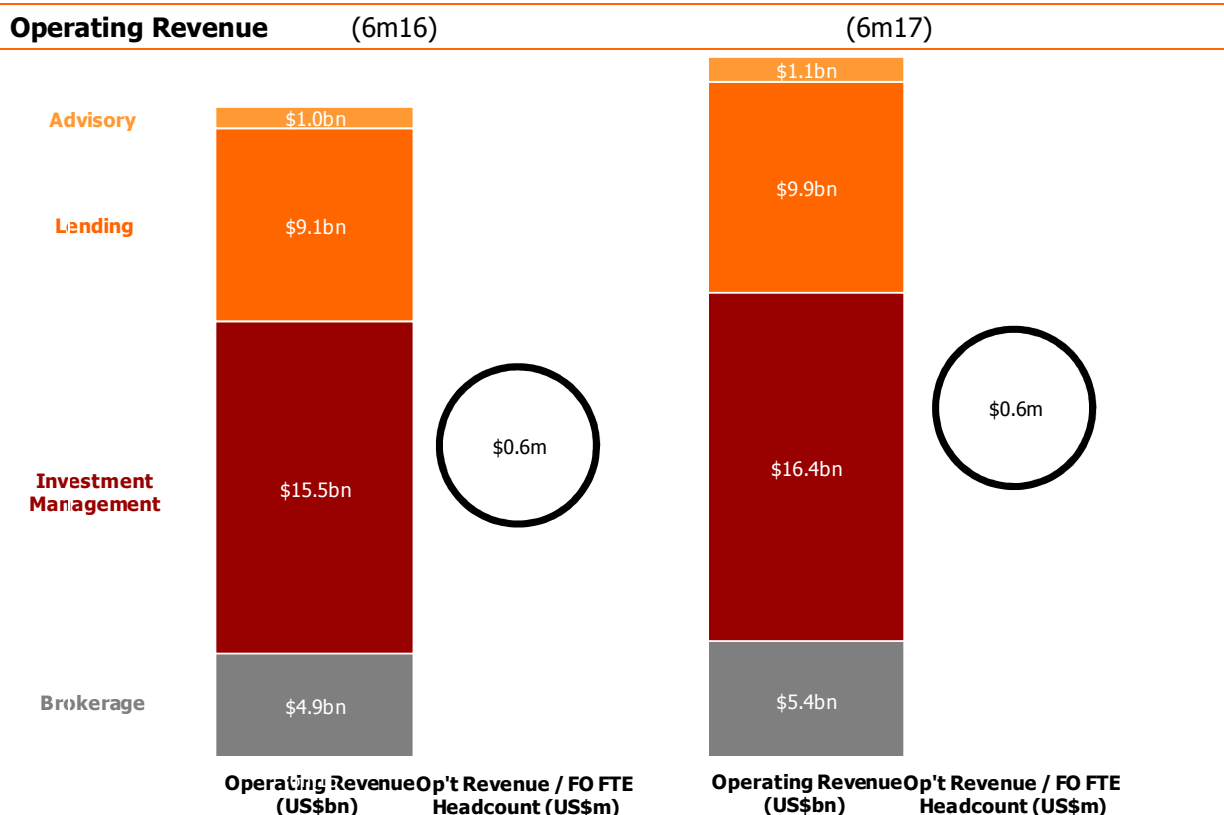


Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) In-scope: Large Cap/MNC and Mid-Cap/SMEs. (5) Peer group: Bank of America Merrill Lynch, BNP Paribas, Citi, Deutsche Bank, HSBC, J.P.Morgan.

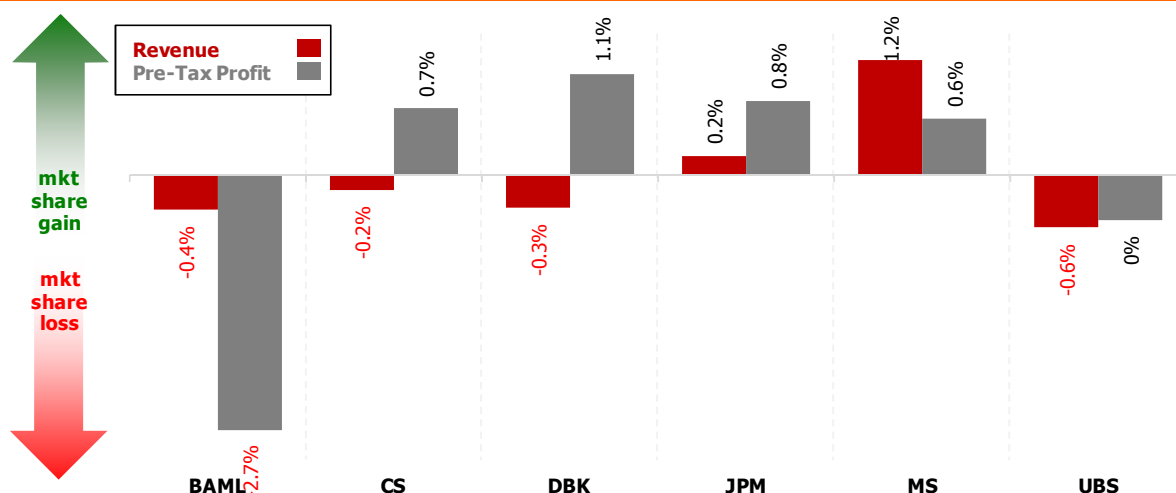
Wealth Management

- As in previous periods, lending revenue continued to benefit from the favourable rate environment. Investment management and, to a lesser extent, brokerage fees, remain the key revenue drivers.
- On the bank front, Credit Suisse in Aug-17 announced the creation of Investment Advisory & Solutions unit, led by Reto Hossli, a Credit Suisse veteran. It will cater to clients with \$50m+ of investable assets, including UHNWIs, family offices and institutions - in the Swiss Universal Bank division, which was slated for sale only months ago. We will include the UHNWIs-related revenue in the bank's wealth management revenue.

Private banks are expanding their UK operations, attracted by the surge in AuM in the country - 57% between 2013-2016, according to British Bankers Association. Deutsche Bank brought in Michael Morley, ex-CEO of Coutts, to run its expanding its UK operation: at present, it has only 10 bankers focused on UK wealth and is looking to double that number in 2017, while also hiring in Switzerland, Italy and ME. Credit Suisse, Pictet, Societe Generale and UBS (which already has 230 client advisers in the UK), among others, have announced their intention to expand their UK units.



% change share of peer group operating revenue and pre-tax profit (6m17 / 6m16)



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

6m17 / 6m16 (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	↗	↘	↗	↗	↘	↘	↗	↗	↘	↗	↗	↘	↘	+11%	+2%
Primary	↗	↘	↘	↗	↗	↘	↘	N/M	↗	↗	↗	↘	↗	+20%	+3%
DCM Bonds	↗	↘	↘	↗	↗	↘	N/M	N/M	↗	↗	↘	↗	↘	+26%	+0%
DCM Loans	↗	↘	↘	↗	↗	↘	↗	N/M	↗	↗	↘	↘	↘	+30%	+9%
Securitisation	↘	↗	↗	↗	↗	↘	↗	↘	↗	↘	↘	↗	↘	+7%	-9%
ECM	↘	↗	↘	↗	↗	↘	↘	↘	↗	↗	N/M	↘	↗	+53%	+20%
M&A / Advisory	↗	↗	↘	↗	↗	↘	↘	↗	↘	↘	N/M	↘	↗	+10%	-4%
Sales & Trading	↗	↘	↗	↗	↘	↘	↘	↗	↗	↗	↗	↘	↘	+4%	-2%
FX	↗	↘	↗	↗	↘	↗	↘	↘	↗	↗	↘	↗	↘	+1%	-16%
Rates	↘	↘	↗	↘	↘	↘	↗	↗	↗	↗	↗	↗	↘	+16%	-8%
Credit	↗	↘	↘	↗	↗	↘	↘	↗	↗	N/M	N/M	↗	↘	+27%	-0%
Commodities	↗	↘	↗	↘	↗	↘	↘	↗	↘	↘	N/M	↗	↗	-13%	-37%
EQ Cash	↗	↗	↘	↗	↘	↘	↘	↗	↘	↘	N/M	↗	↗	-4%	-11%
EQ Derv & Converts	↘	↘	↗	↘	↘	↘	↗	↗	↗	↗	N/M	↘	↗	+9%	-8%
Prime Services	↗	↘	↗	↘	↘	↘	↘	↗	↗	↘	N/M	↗	↗	+4%	-4%
Prop Trading	N/M	N/M	↗	N/M	↘	N/M	↗	N/M	↗	N/M	N/M	↘	N/M	+18%	-24%
Principal Investments	N/M	N/M	N/M	N/M	↗	↘	↗	↗	N/M	↗	N/M	N/M	N/M	-22%	-53%
Commercial / Transaction Banking	↗	N/M	↗	↗	N/M	↘	N/M	↗	↗	N/M	N/M	N/M	N/M	+6%	+2%
Commercial Banking	↘	N/M	↘	↘	N/M	↘	N/M	↗	↘	N/M	N/M	N/M	N/M	+5%	-0%
Treasury Services	↘	N/M	↘	↘	N/M	↘	N/M	↗	↘	N/M	N/M	N/M	N/M	+8%	+4%
Wealth Management	↘	N/M	N/M	N/M	↗	↗	N/M	N/M	↗	↗	N/M	N/M	↘	+10%	+6%
Advisory	↘	N/M	N/M	N/M	↘	↗	N/M	N/M	↘	↗	N/M	N/M	↗	+14%	+3%
Lending	↗	N/M	N/M	N/M	↗	↘	N/M	N/M	↗	↗	N/M	N/M	↗	+9%	+6%
Investment Management	↗	N/M	N/M	N/M	↗	↘	N/M	N/M	↗	↗	N/M	N/M	↗	+8%	+4%
Brokerage	↘	N/M	N/M	N/M	↘	↗	N/M	N/M	↘	↘	N/M	N/M	↘	+18%	+5%

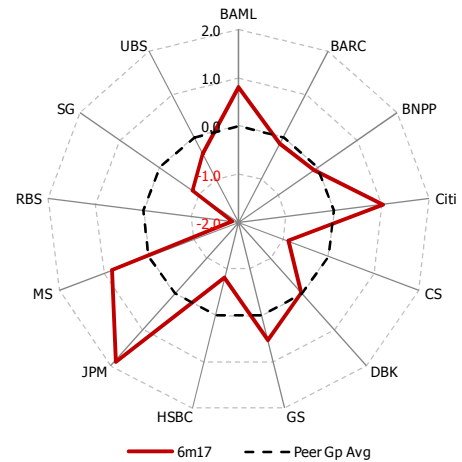
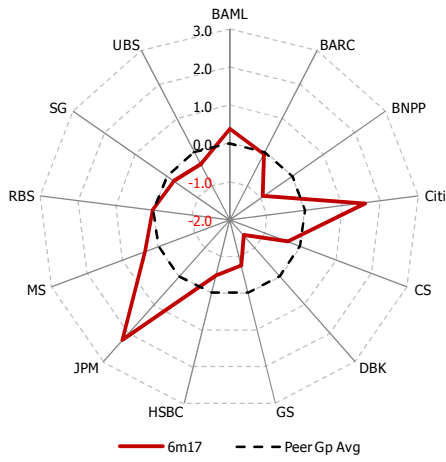
2Q17 / 2Q16 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
Capital Markets	↘	↘	↗	↗	↘	↘	↘	↗	↗	↗	↗	↘	↗	+1%	-9%
Primary	↗	↘	↘	↗	↗	↘	↘	N/M	↗	↗	↘	↘	↗	+10%	-6%
DCM Bonds	↗	↘	↘	↗	↘	↘	↗	N/M	↗	↗	↘	↗	↘	-1%	-13%
DCM Loans	↗	↘	↘	↗	↗	↘	↘	N/M	↗	↗	↘	↘	↘	+14%	-7%
Securitisation	↘	↗	↘	↗	↗	↘	↗	↗	↗	↘	↘	↗	↘	+12%	-18%
ECM	↘	↗	↗	↗	↘	↘	↘	↘	↗	↗	N/M	↘	↗	+47%	-4%
M&A / Advisory	↗	↘	↘	↗	↘	↗	↘	↗	↗	↗	N/M	↘	↘	+14%	-7%
Sales & Trading	↘	↘	↗	↗	↘	↘	↘	↘	↗	↗	↗	↗	↗	-5%	-18%
FX	↗	↘	↘	↘	↘	↘	↘	↗	↗	↗	↗	↗	↗	-5%	-16%
Rates	↘	↘	↘	↗	↘	↘	↘	↘	↗	↗	↗	↗	↗	-9%	-28%
Credit	↗	↗	↘	↗	↗	↗	↘	↘	↘	↘	↘	↗	↘	+0%	-28%
Commodities	↘	↘	↘	↘	↗	↗	↘	↗	↗	↘	N/M	↗	↗	-11%	-33%
EQ Cash	↘	↗	↗	↗	↘	↘	↗	↗	↘	↘	N/M	↘	↗	+5%	-12%
EQ Derv & Converts	↘	↘	↗	↘	↘	↘	↗	↗	↗	↗	N/M	↘	↗	+9%	-13%
Prime Services	↗	↘	↗	↗	↘	↘	↘	↗	↗	↗	N/M	↘	↘	+7%	-3%
Prop Trading	N/M	N/M	↗	N/M	N/M	↘	↘	N/M	↗	N/M	N/M	↘	N/M	+8%	-1%
Principal Investments	N/M	N/M	N/M	N/M	↗	N/M	↗	↗	N/M	↘	N/M	N/M	N/M	+145%	+45%
Commercial / Transaction Banking	↘	N/M	↘	↘	N/M	↘	N/M	↗	↘	N/M	N/M	N/M	N/M	+5%	-2%
Commercial Banking	↘	N/M	↘	↘	N/M	↘	N/M	↗	↘	N/M	N/M	N/M	N/M	+6%	-1%
Treasury Services	↘	N/M	↘	↘	N/M	↘	N/M	↗	↘	N/M	N/M	N/M	N/M	+7%	+1%
Wealth Management	↗	N/M	N/M	N/M	↗	↘	N/M	N/M	↗	↗	N/M	N/M	↗	+9%	+7%
Advisory	↘	N/M	N/M	N/M	↘	↘	N/M	N/M	↗	↘	N/M	N/M	↘	+12%	+4%
Lending	↘	N/M	N/M	N/M	↘	↘	N/M	N/M	↘	↗	N/M	N/M	↘	+10%	+8%
Investment Management	↗	N/M	N/M	N/M	↗	↘	N/M	N/M	↘	↗	N/M	N/M	↗	+8%	+3%
Brokerage	↗	N/M	N/M	N/M	↗	↗	N/M	N/M	↗	↘	N/M	N/M	↗	+14%	+2%

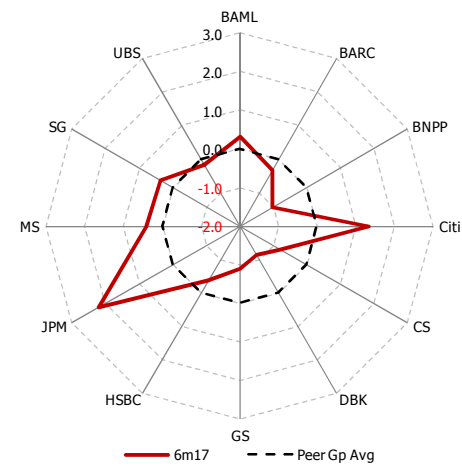
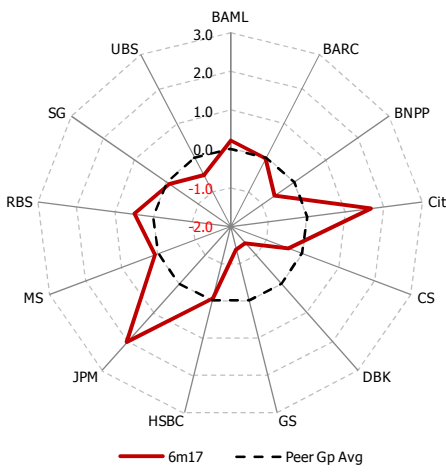
Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Revenue is post-writedowns, excludes DVA/equivalent and one-offs, as described in the Company Section. (4) In-scope: Large Cap/MNC and Mid-Cap/SMEs.

Operating cost / income (US\$, Global Level 1)

Capital Markets **Banking**



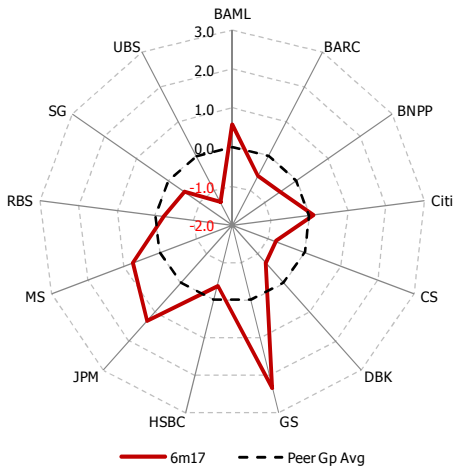
FICC **Equities**



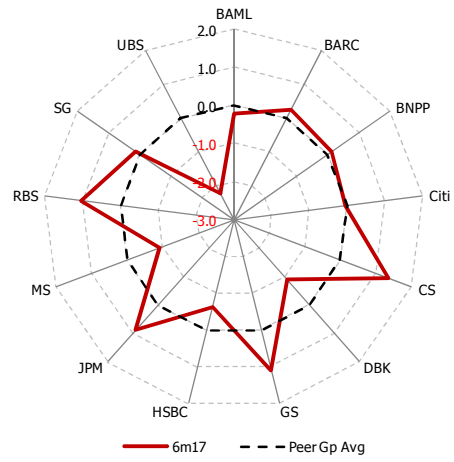
Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) Operating expenses exclude one-off non-operational items, insurance-related benefits & claims, and credit expense/recovery/NPL provisions. Capital expenditure is included as accrued. Litigation expense is allocated to front-line units. (3) positive values indicate outperformance; missing fields indicate that data is not meaningful, or available; (4) outliers are excluded. (5) RBS does not compete in Equities markets.

Operating revenue / FO headcount (FTE, US\$, Global Level 1)

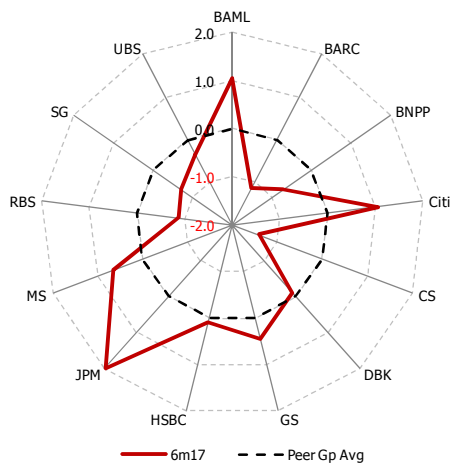
Capital Markets



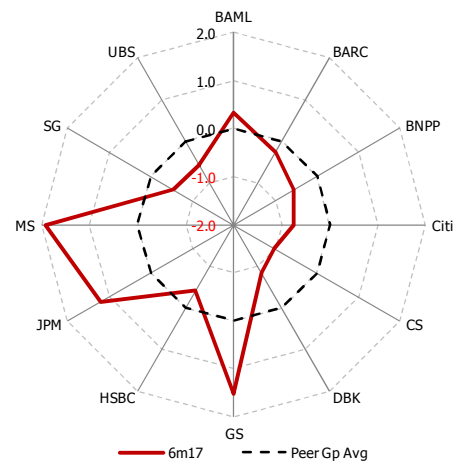
Banking



FICC



Equities



Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) positive values indicate outperformance; missing fields indicate that data is not meaningful, or available; (3) outliers are excluded. (4) RBS does not compete in Equities markets.

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Tricumen was founded in 2008. It quickly became a strong provider of diversified market intelligence across the capital markets and has since expanded into transaction and corporate banking as well as asset and wealth management. Tricumen's data has been used by many of the world's leading investment banks as well as strategy consulting firms, investment managers and 'blue chip' corporations.

Situated near Cambridge in the UK, Tricumen is almost exclusively staffed with senior individuals with an extensive track record of either working for or analysing banks; and boasts what we believe is the largest capital markets-focused research network of its peer group.

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