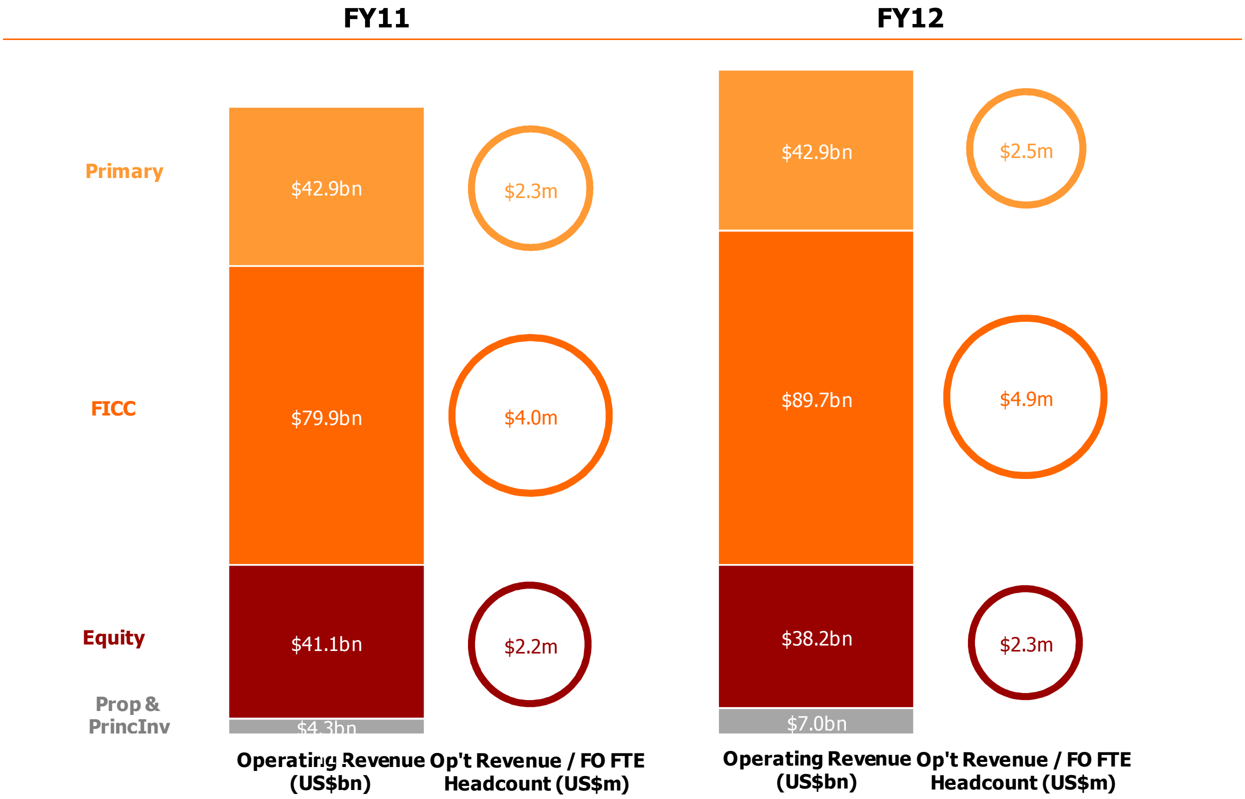
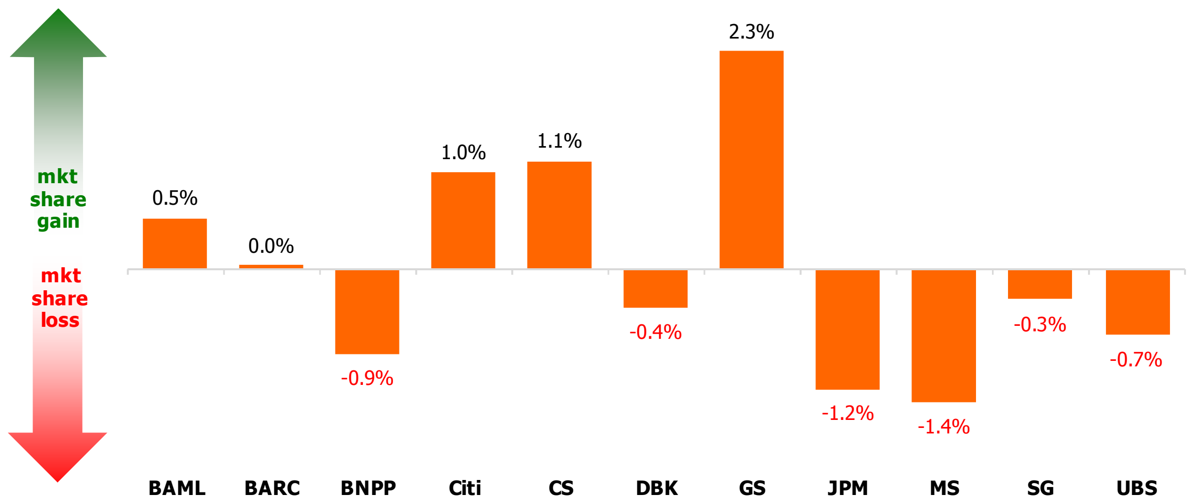
Initial View

- In turbulent markets, the Top 11 capital markets players featured in this report actually increased their FY12 revenue by 5%, from $168bn in FY11 to $178bn in FY12. A strong FICC sales and trading performance was largely offset by flat primary fees and weaker equity sales and trading.
- Major layoffs were announced in 2H12 and early 2013, however. During 2012, 'our' Top 11 peers reduced their front office full-time equivalent headcounts by 10%. The greatest reduction was in 2012 equities sales and trading (-12% y/y), followed by origination & advisory and FICC. Equities revenue per head remains low, however, so we expect further decline in staffing levels during 1H13.
- Goldman Sachs saw the greatest gains in market share after weaker performance in 2011. While both J.P.Morgan and Morgan Stanley saw similar declines in market share, J.P.Morgan's was from a position of strength while Morgan Stanley's is of more concern.



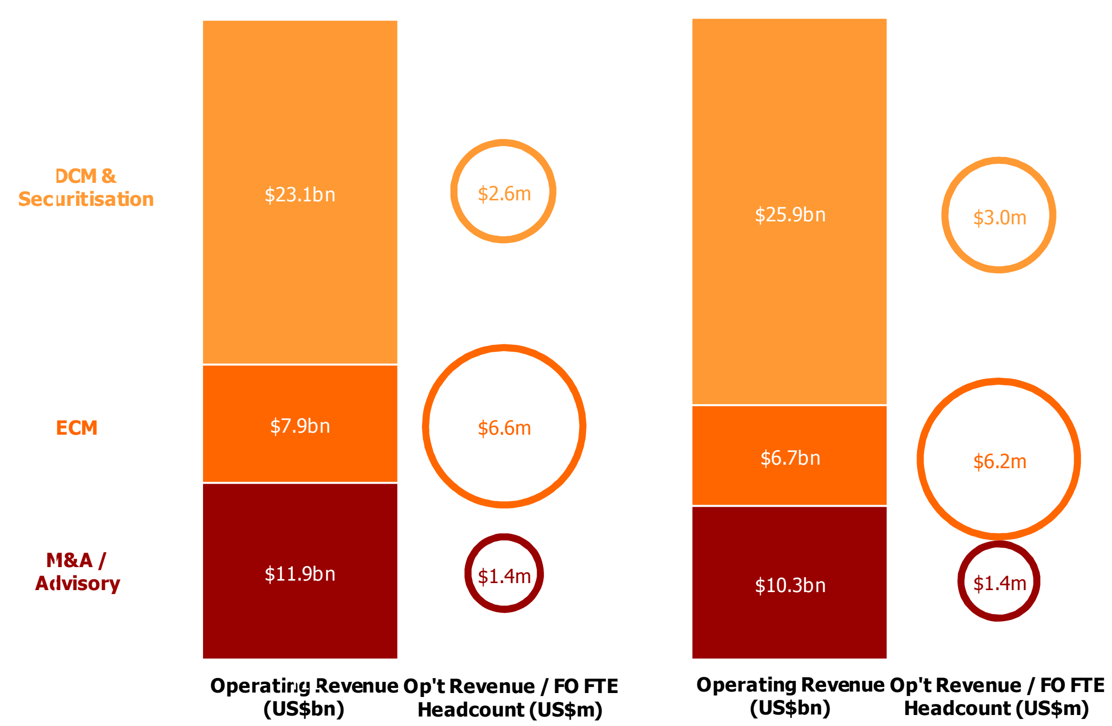
% change share of peer group operating revenue (FY12 / FY11)



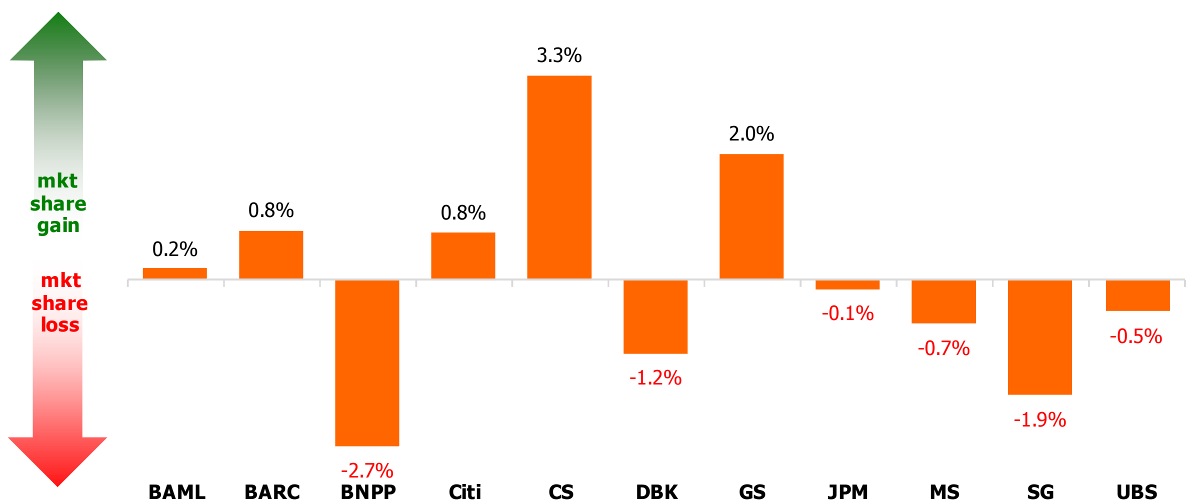
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Primary issuance & Advisory

- In DCM, bonds (high yield in particular) had a very strong 2012, but this was offset by weaker loan fees, especially in EMEA.
- Securitisation revenue surged, with several players investing in this area - most notably, Credit Suisse.
- ECM fees fell 15% y/y in 2012, leading to 11% front office staff reductions. The biggest movers in revenue rankings were UBS (+2% peer group revenue share, to 8%) and Bank of America Merrill Lynch (-2%, to 15%). We expect further redundancies in 2013 in EMEA and APAC.
- M&A, especially in the US, had a strong start in 2013. The contributing factors – low interest rates, corporates' high cash reserves, banks' willingness to finance deals, Eurozone stabilising – suggest this rally may last; but then, none of these are new. On balance, we expect further layoffs, although probably not beyond those already announced.



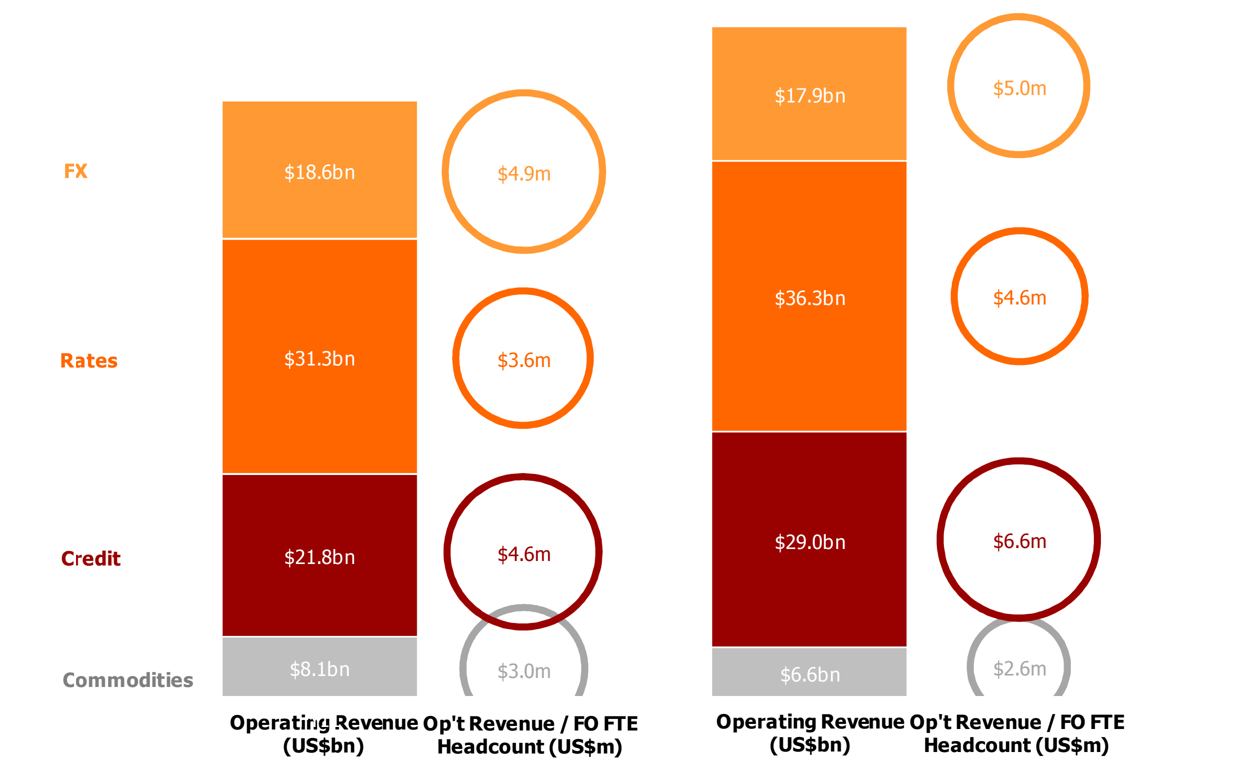
% change share of peer group operating revenue (FY12 / FY11)



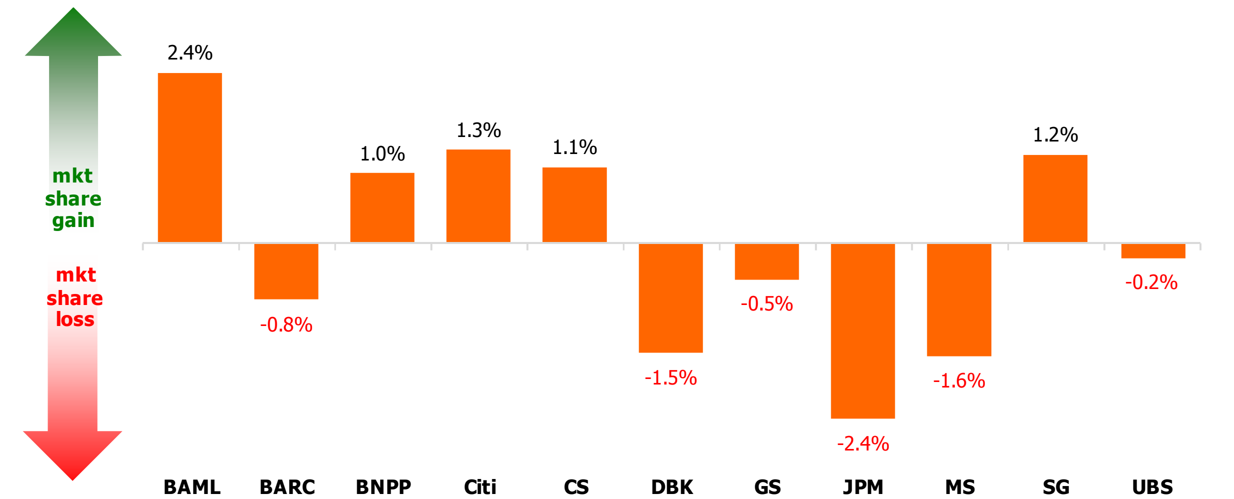
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

FICC

- In FX, a decline in developed FX revenues – caused by margin constriction and reduced volumes - was largely offset by strong emerging markets and captive business revenue. The net FY12/FY11 decline was only 4%, to $18bn, with revenue/headcount flat.
- Rates client revenue jumped, primarily driven by a strong short-end (repo and STIR), active MBS trading and a resilient muni business. There were some layoffs, but also selective hiring.
- In Credit, client revenue peaked in 1Q12, then fluctuated during the rest of 2012. The absence of losses from 2011 and inventory gains at some banks flattered the headline FY12/FY11 revenue growth.
- Lacklustre markets limited the revenue opportunity in commodities. Base metals offered some growth, but this was more than negated by the reduced activity in the US energy markets, sluggish corporate hedging demand, and regulatory outlook. Most peers are repositioning.



% change share of peer group operating revenue: FICC total (FY12 / FY11)

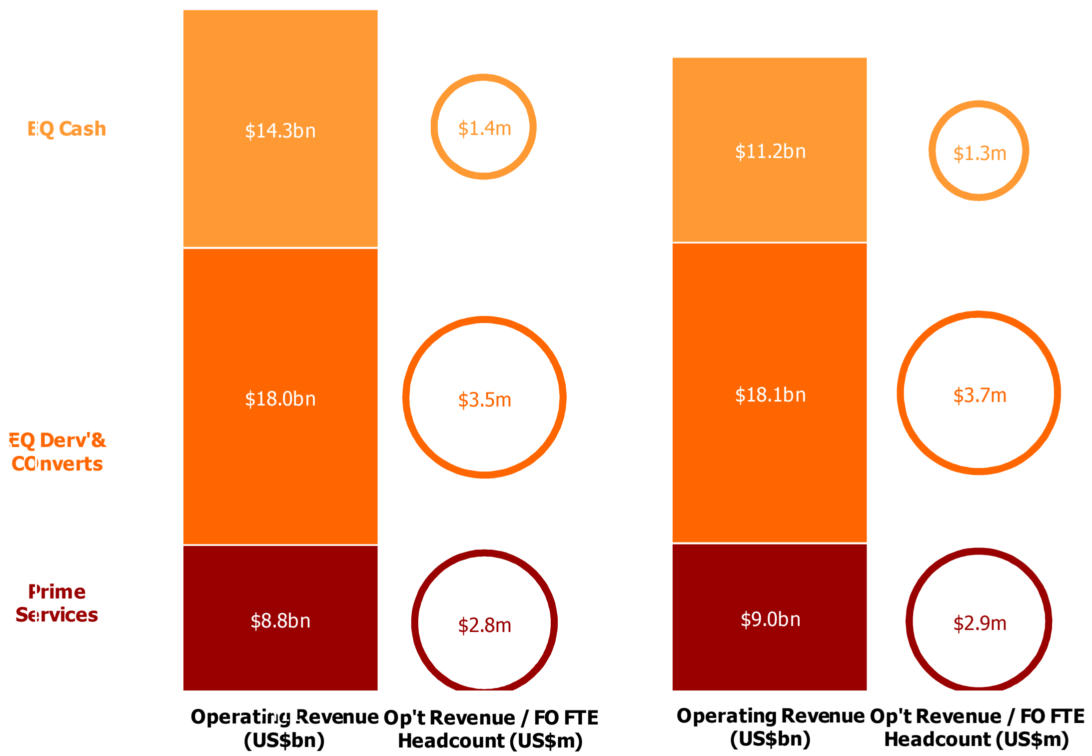


Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

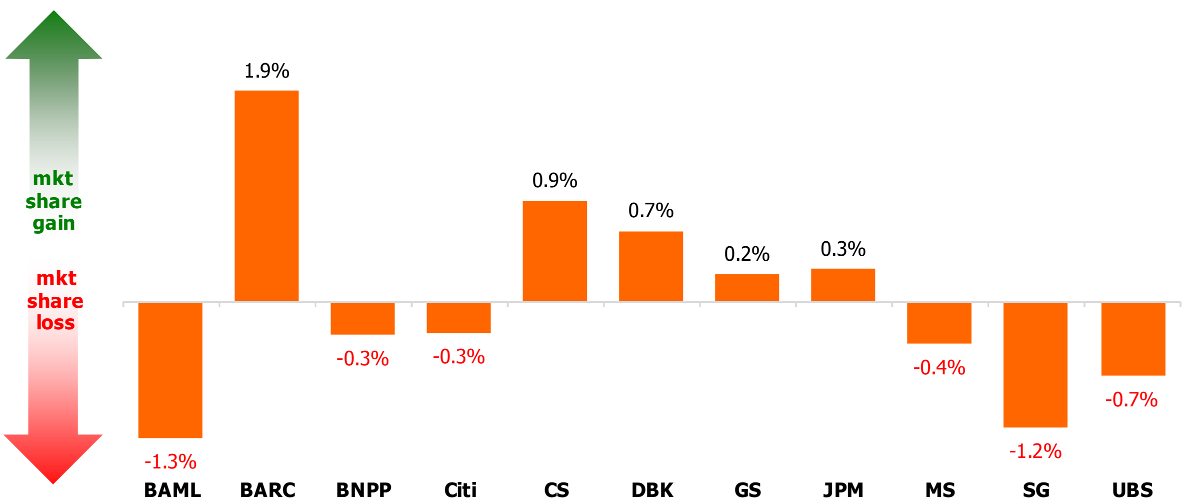
Equities

- Cash equities revenues dropped 22% in FY12 versus FY11, depressed by the continued margin erosion and a fall in trading volumes. The extent of layoffs was less drastic – at end-2012, the front-office full-time headcount was down 18% y/y - but we expect it will continue in 1H13.
- Equity derivatives had a mixed 2012 overall as individual banks focused on specific revenue opportunities. The top-tier peers - Barclays, Credit Suisse, Goldman Sachs, JP Morgan – extended their revenue lead over the competition.
- Prime services held up well in 1H12, but then weakened in 2H12 as a result of worsening conditions in the securities lending arena. (On a related note, the regulatory pressure increased projected costs, for prime brokers *and* their clients). So far, there were no major layoffs – front office headcount for 'our' Top 11 banks fell only 4% in 2012 - and major prime brokers continue to invest in 'total solutions'.

FY11 **FY12**



% change share of peer group operating revenue (FY12 / FY11)



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

Product Revenue: Momentum*

4Q12/4Q11 (TRIC product definitions, post-writedowns, % change, Global Level 1 estimate)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	JPM	MS	SG	UBS	Top 25%	Bottom 25%
Total capital markets	↓	→	↓	→	↑	→	↑	↓	↓	↑	↓	60%	25%
Primary	↑	↓	↓	→	N/M	↓	↑	→	→	N/M	↓	56%	18%
DCM Bonds	↓	↓	↓	→	↓	N/M	↑	↑	↓	N/M	→	229%	89%
DCM Loans	→	↓	↓	↓	↑	↓	↑	→	↑	↓	→	112%	-10%
Securitisation	↑	→	↓	↑	N/M	↓	↑	→	↓	↓	↓	34%	-33%
ECM	↓	↓	↓	↑	→	↑	↑	→	↓	↓	→	58%	3%
M&A / Advisory	→	↑	↓	↑	↑	↓	↓	→	→	↓	↓	23%	-17%
Secondary	↓	→	→	↑	↑	↓	→	↓	↓	↑	↓	53%	17%
FX	↑	↓	↓	→	↑	↓	→	↓	↑	↓	→	14%	-17%
Rates	↓	→	N/M	↑	N/M	↓	→	→	↓	↑	↓	35%	-36%
Credit	↑	→	↓	↑	N/M	N/M	N/M	→	↑	N/M	↑	138%	8%
Commodities	↑	N/M	↓	→	→	↓	↓	↓	↓	↑	→	9%	-48%
EQ Cash	↓	↑	↓	→	↓	↑	→	↓	↓	↑	→	6%	-35%
EQ Derv & Converts	↓	↑	↓	↑	N/M	→	↓	↑	→	↓	↓	38%	-6%
Prime Services	→	↑	↓	↓	→	↓	↓	→	↑	↑	↓	15%	-11%
Prop Trading	N/M	→	↓	N/M	N/M	N/M	N/M	↑	N/M	N/M	↓	-34%	-71%
Principal Inv	N/M	↓	N/M	N/M	↑	N/M	↑	N/M	↑	N/M	N/M	0%	89%

FY12/FY11 (TRIC product definitions, post-writedowns, % change, Global Level 1 estimate)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	JPM	MS	SG	UBS	Top 25%	Bottom 25%
Total capital markets	→	→	↓	↑	↑	→	↑	↓	↓	↓	↓	14%	-3%
Primary	→	↑	↓	→	↑	↓	↑	→	↓	↓	↓	11%	-10%
DCM Bonds	↓	↓	↓	→	↓	↑	→	→	↓	↑	↑	74%	27%
DCM Loans	↑	→	↓	↓	↑	↓	↑	→	→	↓	↓	-2%	-33%
Securitisation	→	→	↓	↑	↑	↓	↑	↓	→	↑	↓	43%	-29%
ECM	↓	→	↑	→	↓	↓	→	↓	↓	↑	↑	-3%	-18%
M&A / Advisory	→	↑	↓	↑	↑	→	→	↓	↓	↓	↓	1%	-29%
Secondary	↑	→	↓	↑	↑	↓	→	↓	↓	→	↓	14%	-1%
FX	↑	↓	↑	→	↑	↓	→	↓	→	↓	↓	11%	-12%
Rates	→	↑	↑	→	↓	↓	↑	↓	↓	↑	↓	25%	2%
Credit	↑	↓	↓	↑	↑	→	→	↓	↓	N/M	↓	35%	4%
Commodities	↑	↑	→	→	↓	↓	↓	↓	↓	→	↑	37%	-28%
EQ Cash	↓	↑	→	↓	→	↑	→	↓	↓	↑	↓	-9%	-30%
EQ Derv&Conv't	↓	↑	↓	↑	↑	→	→	→	↓	↓	↓	18%	-11%
Prime Services	↓	↑	→	↓	→	↓	↓	↓	↑	↑	→	9%	-6%
Prop Trading	N/M	→	↓	N/M	N/M	N/M	N/M	N/M	↓	↑	N/M	-40%	-58%
Principal Inv	N/M	↓	N/M	→	↓	N/M	↑	N/M	→	N/M	N/M	28%	-13%

*Source: Tricumen analysis. * Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. One-off and extraordinary items, as described in the Company Section, are excluded.*

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