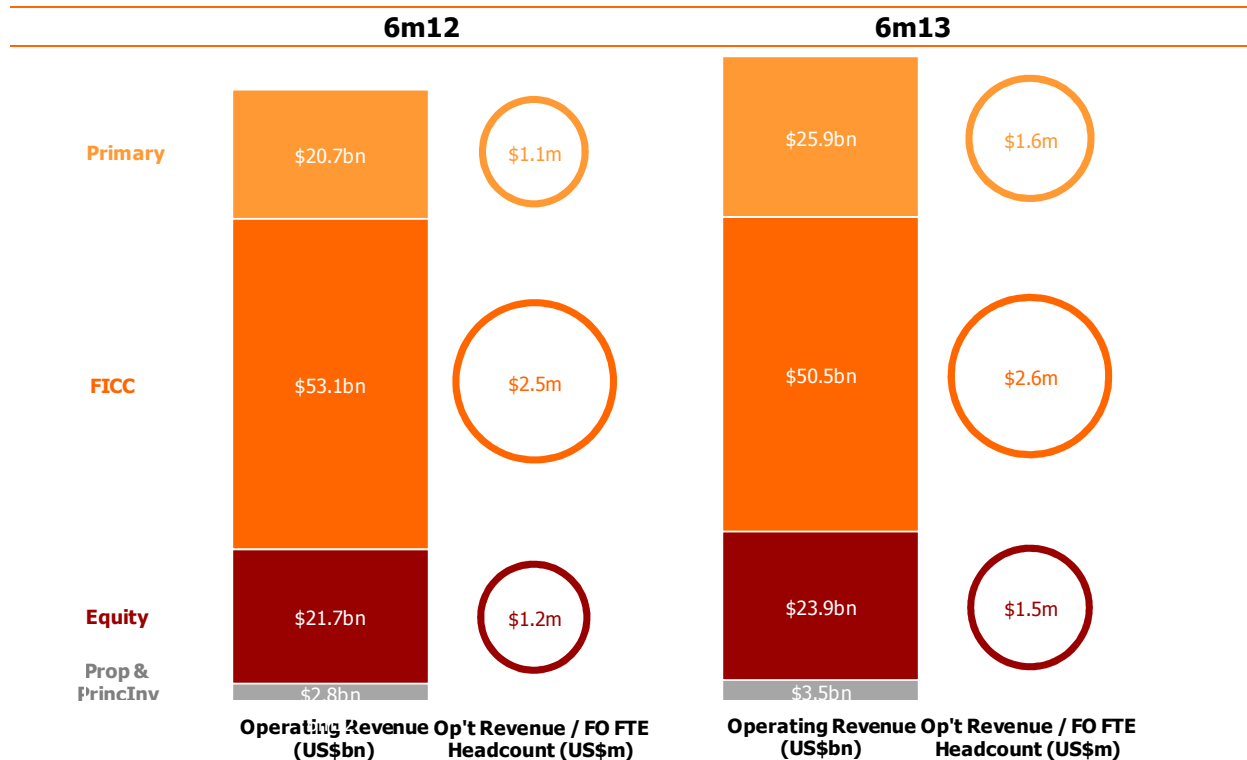
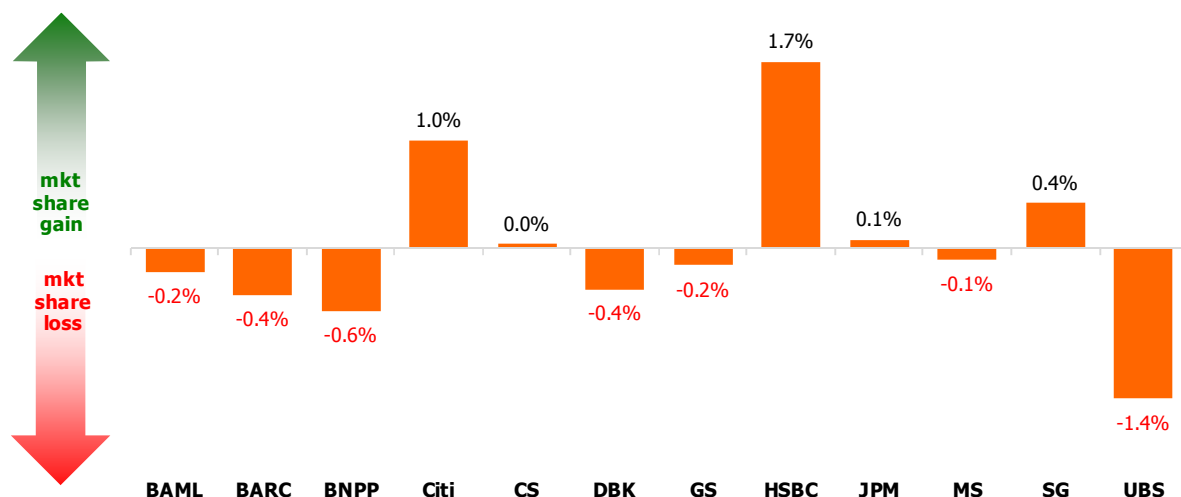


Capital Markets: Results Review 2Q13 / 6m13

- The capital markets 6m13 revenue for Top 12 investment banks reached \$104bn, 5% above 6m12; the 2Q13 revenue totalled \$48bn, an impressive 22% up versus 2Q12. Revenue grew in most major products, but this was partly offset by a sharp fall in FICC rates. Prop and principal investment revenue also advanced 6m13/6m12; but we note that Credit Suisse and J.P.Morgan are set to sell their private equity units and prop is being 'managed down' across the peer group.
- As expected, banks trimmed the headcount in 2Q13. A surge in primary and equities revenue-per-headcount productivity seen in 6m13/6m12 period was largely due to revenue growth, rather than reductions in staffing levels; by contrast, productivity gain seen in FICC was in spite of a strong decline in rates revenue, which indicates the scale of headcount reductions to date.
- Citi and HSBC increased their share of peer group revenue, driven by FICC. UBS lost ground overall; excluding FICC, however, the bank outperformed, especially in primary (see overleaf).
- In July-13, US regulators implemented a new framework that will provide no exemption to CVA charge for derivatives counterparty risk. This, we expect, would give a competitive advantage to European banks pitching corporate derivatives.



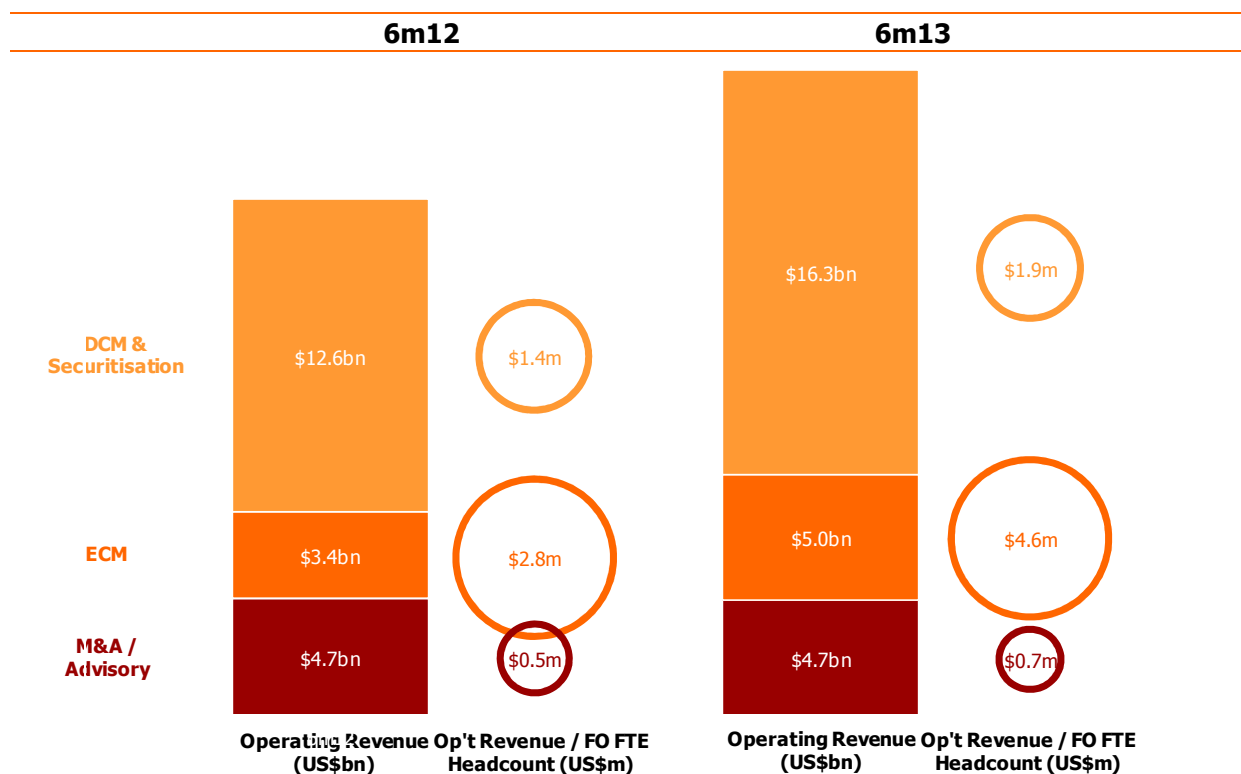
% change share of peer group operating revenue (6m13 / 6m12)



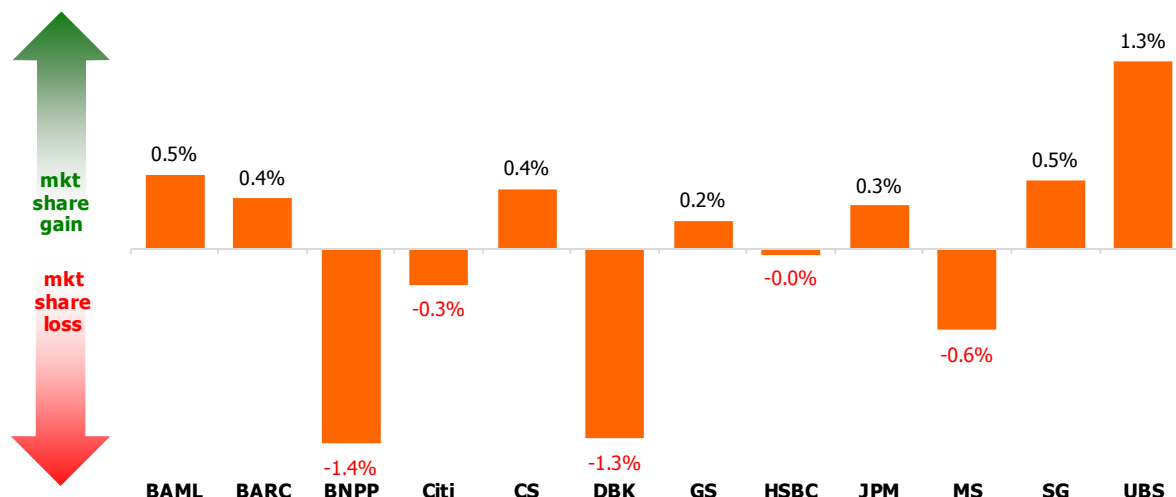
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Primary issuance & Advisory

- In DCM, high grade issuance remained on a par with 1Q13. High yield peaked in May before dwindling a month later due to concerns that Fed may move away from quantitative easing. Emerging markets fees were down sequentially but up versus 2Q13, helped by unusually strong Central and Eastern Europe.
- Syndicated lending was patchy: relative to 1Q13, volumes declined in EMEA and Latam but increased in the US. APAC grew, though mostly to the benefit of local competitors, rather than 'our' investment banks.
- Securitisation issuance declined from 1Q13, with particular weakness in Agency MBS. However, this was offset by resilient secondary trading and the US CMBS market that doubled in prior 12 months. The outlook for US CMBS and ABS is positive, but weakness may persist in other areas.
- ECM fees surged ahead of 1Q13 driven by US IPOs and convertibles, EMEA IPOs and APOs, Japan, and parts of Emerging Asia.



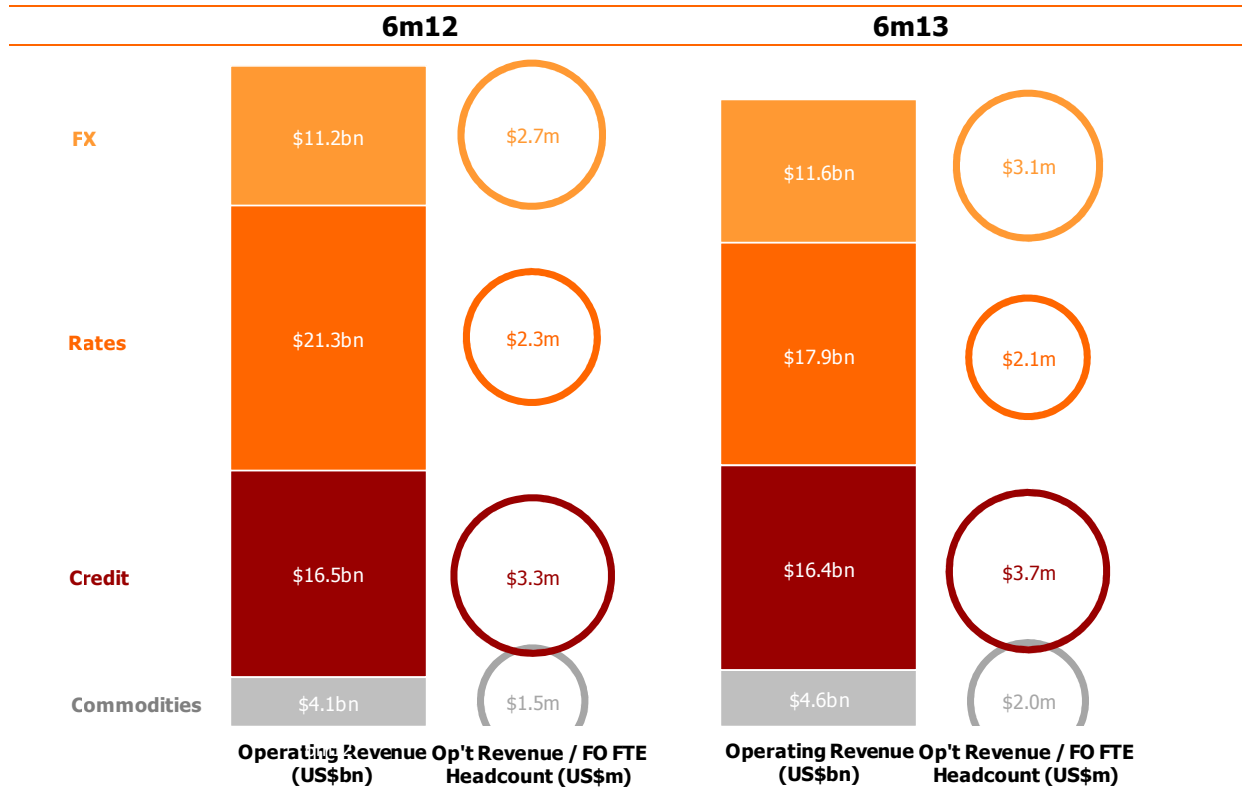
% change share of peer group operating revenue (6m13 / 6m12)



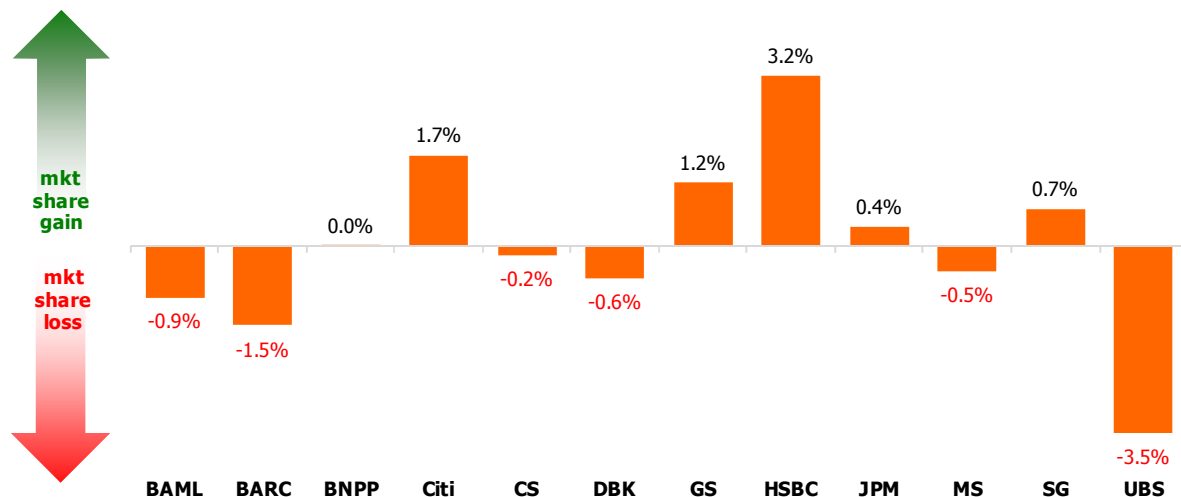
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

FICC

- FX G10 revenue rose, due to a combination of margin and volume improvements; however, client revenue remained below the 2011 peaks. LatAm volumes surged, while CEEMEA and APAC FX saw modest declines. With rates volatility expected to increase and the prospect of central banks rises, the outlook for the currency forwards market is positive.
- In rates, tight spreads and low interest rates plagued US Treasuries, Euro govies and the swap market until end-2Q13. In APAC, repo, JGBs and Australia did well; as did structured rates in some countries; e.g. in Korea, where rate products gained in popularity at the expense of the equity market. By contrast, investors in the US and Europe looked to equity-based product.
- In credit, the flow markets continued their strong growth, especially in the US HY. After a steady growth from early 2012, the US CLO market faltered; we remain optimistic regarding the outlook.
- Commodities had a strong 2Q13, driven by strong activity in European oil, palm oil, coal and metals in APAC. The outlook remains uncertain, due to regulatory action; banks are reviewing their involvement in physical commodities. More in our 2-Aug 'Whither Commodities?' note.



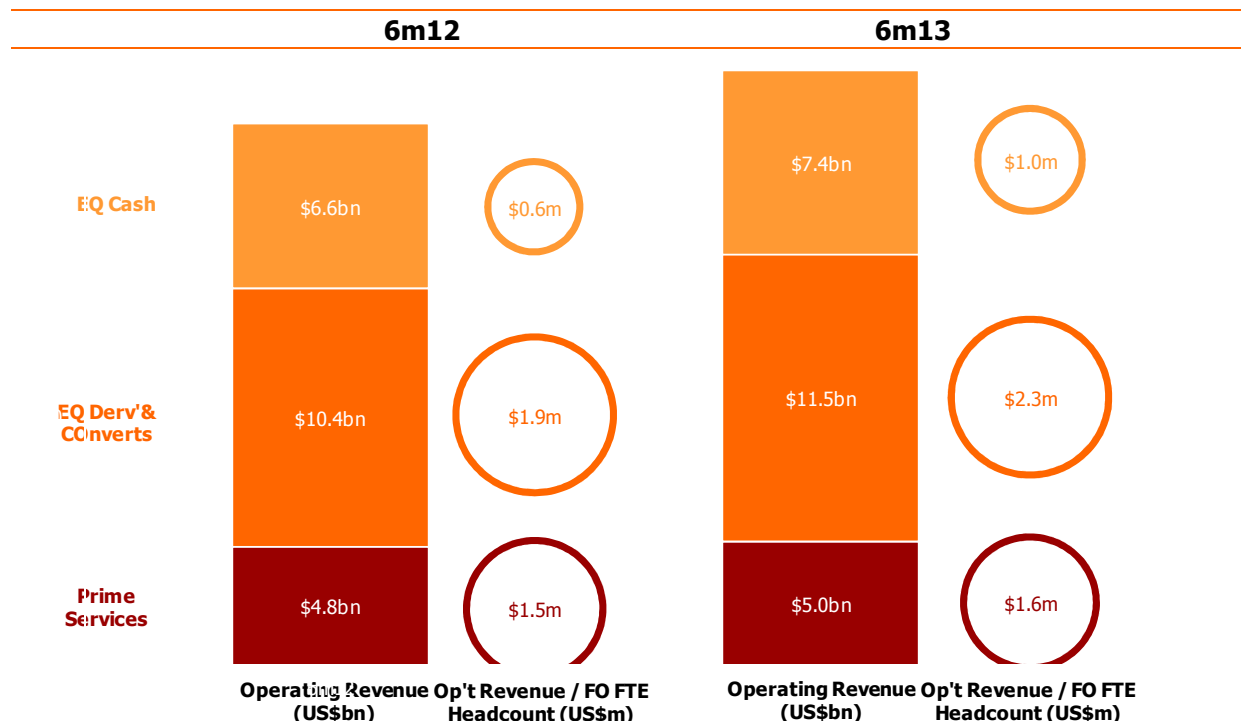
% change share of peer group operating revenue: FICC total (6m13 / 6m12)



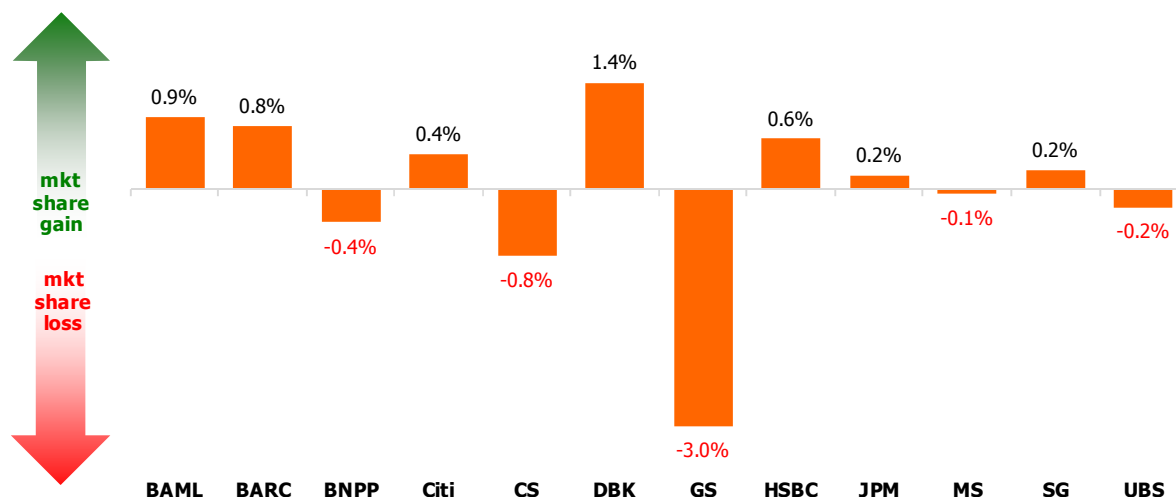
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes CVA/DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Equities

- Cash equities benefited from a surge in interest in Japanese equities. Growth was also seen in the US and European high touch markets. US electronic trading declined slightly.
- Flow and structured equity derivatives grew in the US; the popularity of reverse convertibles faded, but principal-at-risk products gained in popularity. In Japan, demand for Topix call options and volatility swaps again grew. In the UK, after the Retail Distribution Review, BNPP partnered with Sip Nordic to place products in the UK, and Barclays stopped selling full plans directly to independent financial advisers: it is evident that banks now prefer to insert a platform, another distributor, or a dedicated sales team (e.g. Sip Nordic) between them and investors. RBS withdrew from retail structured products globally.
- Prime services: hedge fund balances grew 2% in 2Q13, but securities lending revenue fell from the 1Q13 peak due to lower volumes and margins.
- The clearing business received a boost from US regional banks. Buy-side firms are also looking at their clearing arrangements, with a view to using the same provider for both OTC and listed product.



% change share of peer group operating revenue (6m13 / 6m12)



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*
2Q13/2Q12 (TRIC product definitions, post-writedowns, % change, Global Level 1 estimate)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	SG	UBS	Top 25%	Bottom25%
Total capital markets	↓	↓	↓	→	→	↓	↓	↑	→	↑	↑	↓	+34%	+12%
Primary	→	↑	↓	↓	→	↓	↓	↑	→	↓	↓	↑	+42%	+21%
DCM Bonds	↓	↓	↓	↓	→	→	↓	↑	→	↓	↑	↑	+155%	+33%
DCM Loans	↑	↓	↓	↓	↑	↓	→	↑	→	→	↓	↓	+39%	-10%
Securitisation	↑	N/M	↓	↑	→	↓	↓	↑	→	↓	↓	N/M	+29%	-21%
ECM	→	↓	N/M	→	↑	↑	↓	↓	→	↓	↑	↓	+87%	+29%
M&A / Advisory	↓	→	↑	↓	↓	↓	↓	→	↓	→	↑	↑	+29%	-14%
Secondary	↓	↓	↓	↑	→	↓	→	N/M	→	↑	↑	↓	+24%	+10%
FX	↓	↓	↓	→	↓	→	↓	↑	↑	↑	→	↓	+22%	-2%
Rates	↓	↓	↑	→	↓	→	↓	N/M	↑	→	↑	↓	+18%	-27%
Credit	→	↓	↓	→	↑	↓	↑	↓	→	↓	↓	↓	+28%	-10%
Commodities	↓	↓	↓	→	→	→	N/M	↑	↓	↑	↓	↑	+89%	-9%
EQ Cash	↓	→	↓	↑	↑	→	↓	N/M	↓	↑	↓	→	+52%	+14%
EQ Derv & Converts	→	↓	↓	→	↓	↑	↓	↑	↓	↑	→	↓	+71%	+19%
Prime Services	↑	↑	↓	→	↓	→	↓	↓	→	↑	↓	↓	+11%	+3%
Prop Trading	N/M	↑	↓	N/M	→	N/M	↓	N/M	↓	N/M	↑	N/M	-11%	-42%
Principal Inv	N/M	↑	N/M	↓	↓	N/M	→	↑	N/M	↓	N/M	N/M	+90%	-27%

6m13/6m12 (TRIC product definitions, post-writedowns, % change, Global Level 1 estimate)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	SG	UBS	Top 25%	Bottom 25%
Total capital markets	↓	↓	↓	↑	→	↓	→	↑	→	↓	↑	↓	+9%	+1%
Primary	→	↑	↓	↓	→	↓	↓	↓	→	↓	↑	↑	+31%	+20%
DCM Bonds	→	↓	↓	↓	↓	↑	→	↑	↓	↓	↑	→	+57%	+13%
DCM Loans	→	↓	↓	↓	↑	↓	↑	↑	↓	→	↓	→	+60%	+3%
Securitisation	↑	↑	↓	→	→	↓	↓	↓	↑	↓	N/M	N/M	+57%	-8%
ECM	↓	↓	→	→	↑	↑	→	↓	↓	↓	↓	↑	+54%	+31%
M&A / Advisory	→	↑	↑	↑	↓	↓	→	↓	↓	→	↓	↓	+8%	-19%
Secondary	↓	↓	↓	↑	↓	→	↓	↑	→	→	↑	↓	+2%	-6%
FX	↓	↓	→	↑	↓	→	↓	↑	→	↑	↓	↓	+6%	-4%
Rates	→	↓	↑	↑	↓	↓	↓	↑	→	↓	→	↓	-2%	-40%
Credit	↓	↓	↓	→	↑	↓	→	↑	→	↑	N/M	↓	+38%	-14%
Commodities	↓	↓	↓	→	↑	↓	↑	↑	↓	→	↓	→	+36%	-10%
EQ Cash	↓	↑	↓	→	→	↑	↓	↑	↓	↓	↓	→	+23%	+9%
EQ Derv&Conv't	↑	→	↓	→	↓	↑	↓	↑	↓	↓	→	↓	+24%	-1%
Prime Services	↑	↑	↓	↓	↓	→	↓	↓	→	↑	→	↓	+7%	-0%
Prop Trading	N/M	↑	→	N/M	↑	N/M	↓	N/M	↓	N/M	↓	N/M	-38%	-54%
Principal Inv	N/M	N/M	N/M	N/M	↓	↑	→	↓	N/M	N/M	N/M	N/M	+70%	+8%

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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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 coverage. 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.

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