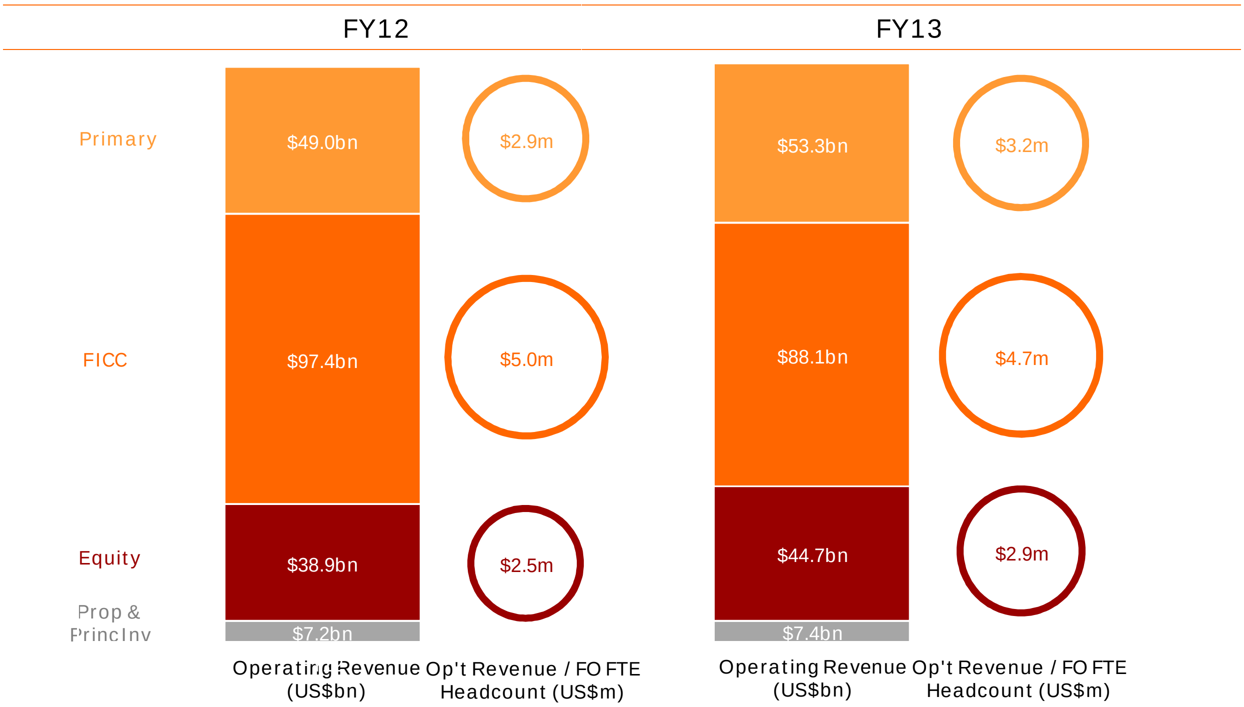
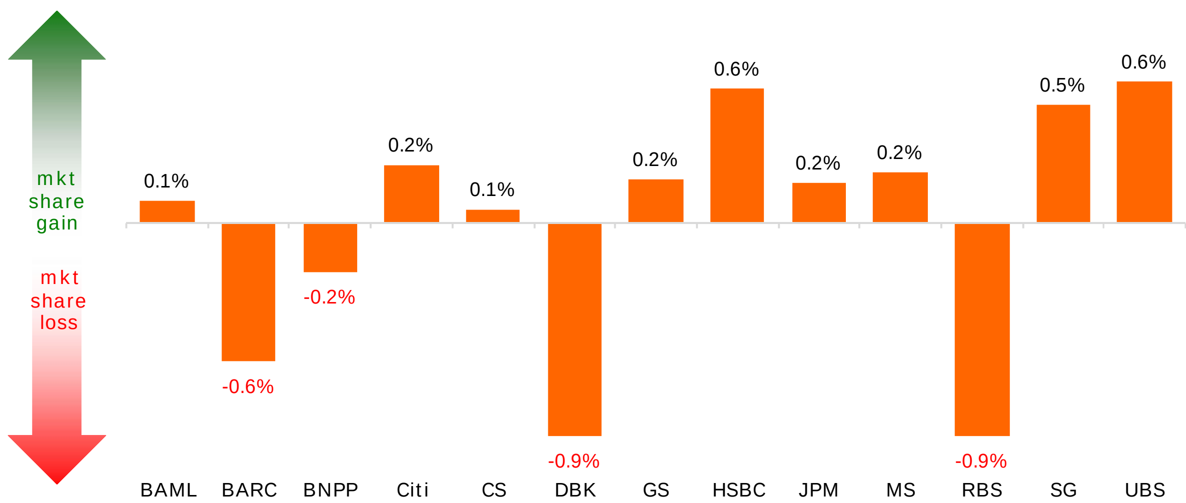
Capital Markets: Results Review 4Q13 / FY13

- Compared to prior-year periods, the Top 13 banks' capital markets revenue was flat in 4Q13 and only slightly ahead for the whole of 2013. FICC proved more resilient that many commentators expected, with cumulative decline being mostly offset by stronger primary, equities, as well as prop and principal investment revenues.
- The pace of headcount reductions continued to slow down in 4Q13. Another wave of cuts seems to be looming in 1H14, with several big banks reviewing the scope and/or the business mix of their FICC divisions, extending well beyond disposals of physical commodities units.

  In the meantime, headcount reductions contributed to gains in productivity: in FY13, revenue/FTE grew faster than revenue in primary issuance and advisory businesses and equities; and held up better in FICC.
- UBS and Goldman Sachs recorded the greatest gain in the share of peer group revenue. Both banks reversed declines seen in 9m13; GS advanced in primary activities and FICC, while UBS continues to benefit from its focus on equities. Deutsche Bank was the key underperformer; it lost a lot of ground in FICC, offsetting a small 4Q13 gain in equities market share.



% change share of peer group operating revenue (FY13 / FY12)

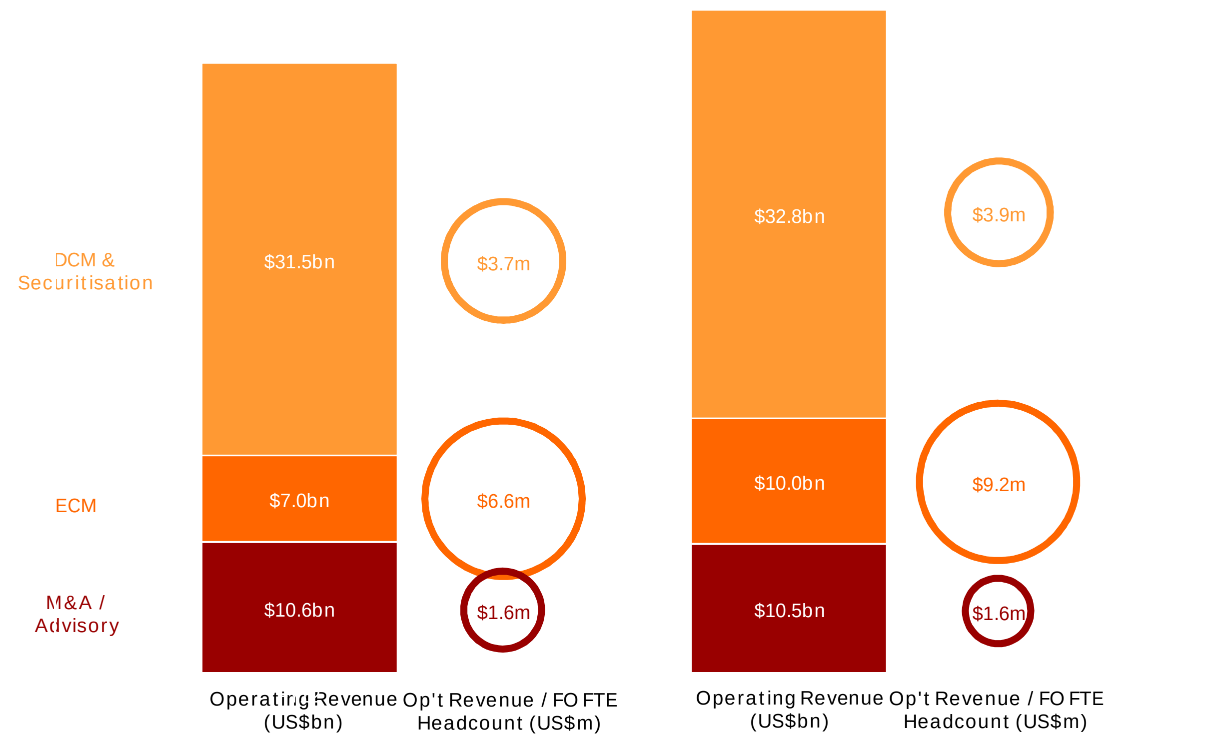


Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) The last quarter for HSBC and RBS is an estimate.

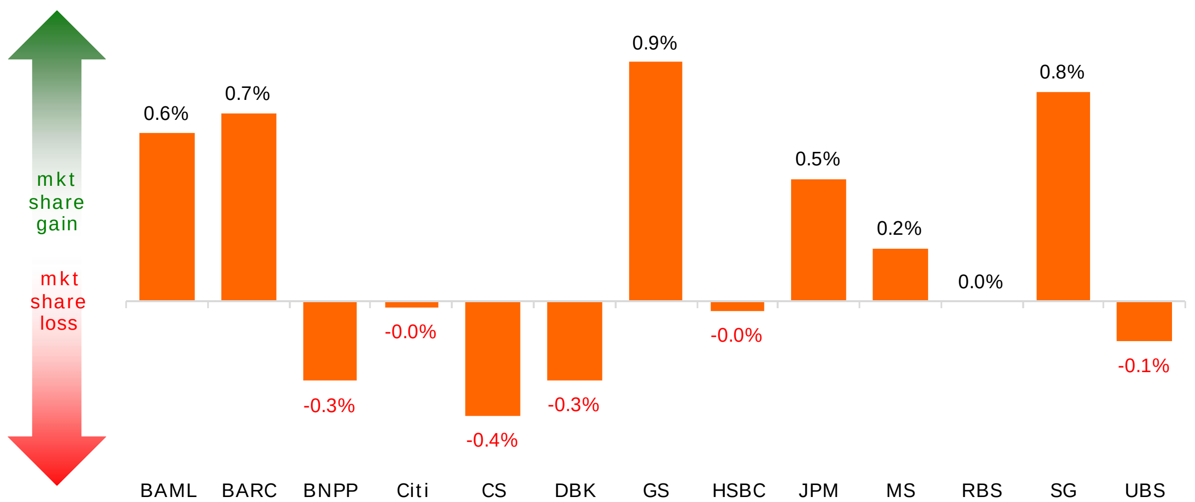
Primary issuance & Advisory

- DCM bond issuance fees declined relative to 4Q12, but there was a notable slowdown in the margin erosion seen in 3Q13 as high yield held up better than investment grade. The combined FY13 bond fee earnings of banks in this report were 14% ahead of FY12. Loan issuance volumes were in line with 3Q13 across the main products, but leveraged loan fees slipped.
- Securitisation: US ABS 4Q13 revenue grew from 3Q13, pushing the FY13 growth to 30%. In MBS origination, a solid 4Q13 helped 2013 ending in-line with 2012. MBS trading picked up from the lacklustre 3Q13, too, but not enough to offset a significant drop seen earlier in the year.
- ECM put in stellar performance: ‘our’ Top 13 banks surged their FY13 and 4Q13 fees by 44% and 69%, respectively; profit margin jumped, too, driven in particular by IPOs. In 2013, EMEA and Japan saw the highest increase in fees and volumes, but margins grew the most in Americas.
- M&A volumes and fee dynamics in FY13 were broadly aligned in EMEA and Americas, but in APAC, the leaders’ fees declined despite an increase in reported volumes. FY13 and 4Q13 were flat versus a prior-year periods.

FY12	FY13



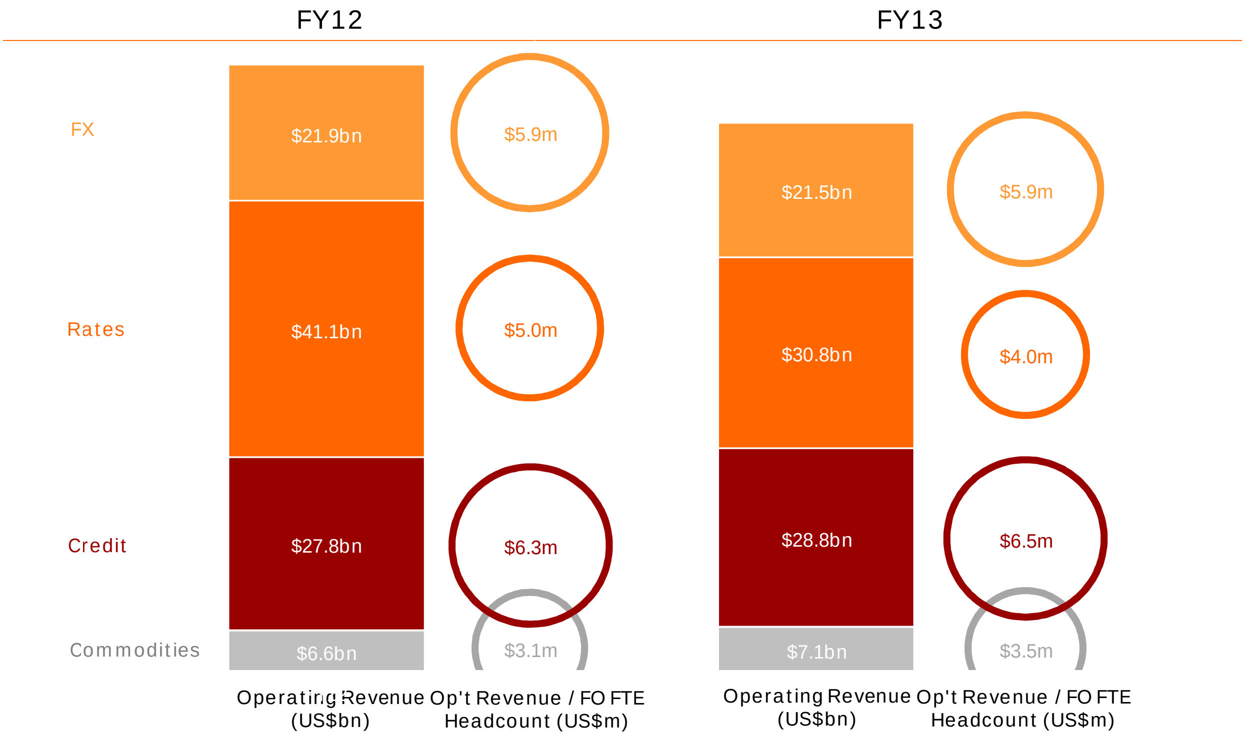
% change share of peer group operating revenue (FY13 / FY12)



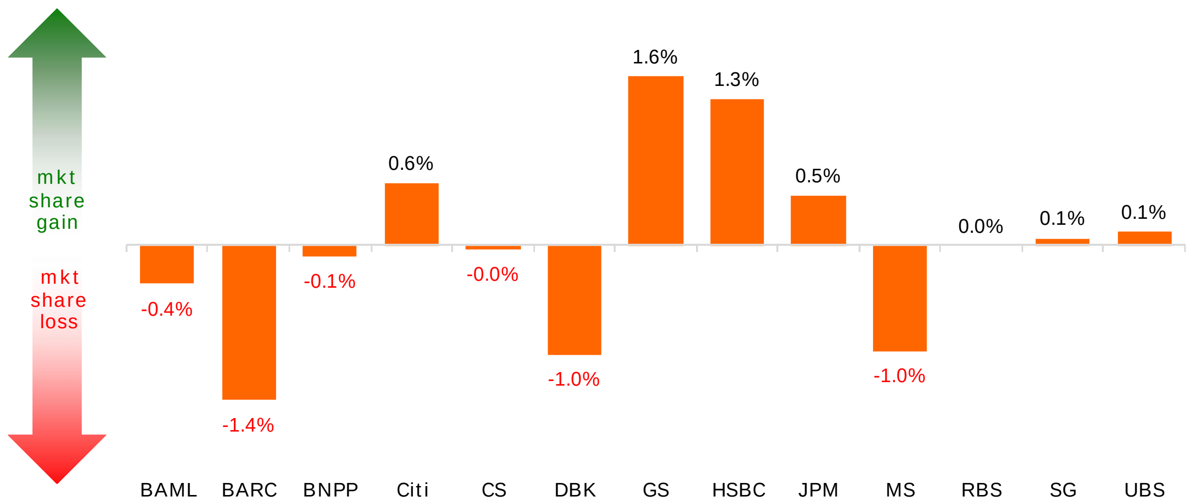
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) The last quarter for HSBC and RBS is an estimate.

FICC

- In FX, the G10 markets remained soft due to tight margins. Emerging markets revenue declined, though not as much as some predicted. LatAm revenue growth tailed off in late 2013, but APAC proved more resilient (FY13 grew 19% y/y), and CEEMEA 4Q13 revenue advanced from 3Q13.
- The implementation of SEF rules for rates derivatives (see our Sept-13 Special Note) continued to channel volumes through electronic (i.e. lower margin) platforms. A combination of ECB actions and low rates continued to blight the short end; but exotic and LatAm rates grew versus 4Q13.
- The high yield credit continued to outperform in 4Q13. CDS trading also grew; though with SEFs rules hitting CDS in Feb-14, we see striking the balance between CDS and bond marketmaking as the challenge for 2014. The CLO market jumped 50% versus FY12, a step to pre-2008 normality; European investors - unlike their US counterparts – so far do not seem troubled by 'Volcker Rule'.
- 2013 was another patchy year for commodities: for example, APAC slowed down in 4Q13, while US metals saw moderate growth. The rationalisation of commodities platforms is accelerating (as detailed in the Company section); the 'grandfathering' rules in the USA may allow Goldman Sachs and Morgan Stanley to retain a significant physical capacity.



% change share of peer group operating revenue: FICC total (FY13 / FY12)

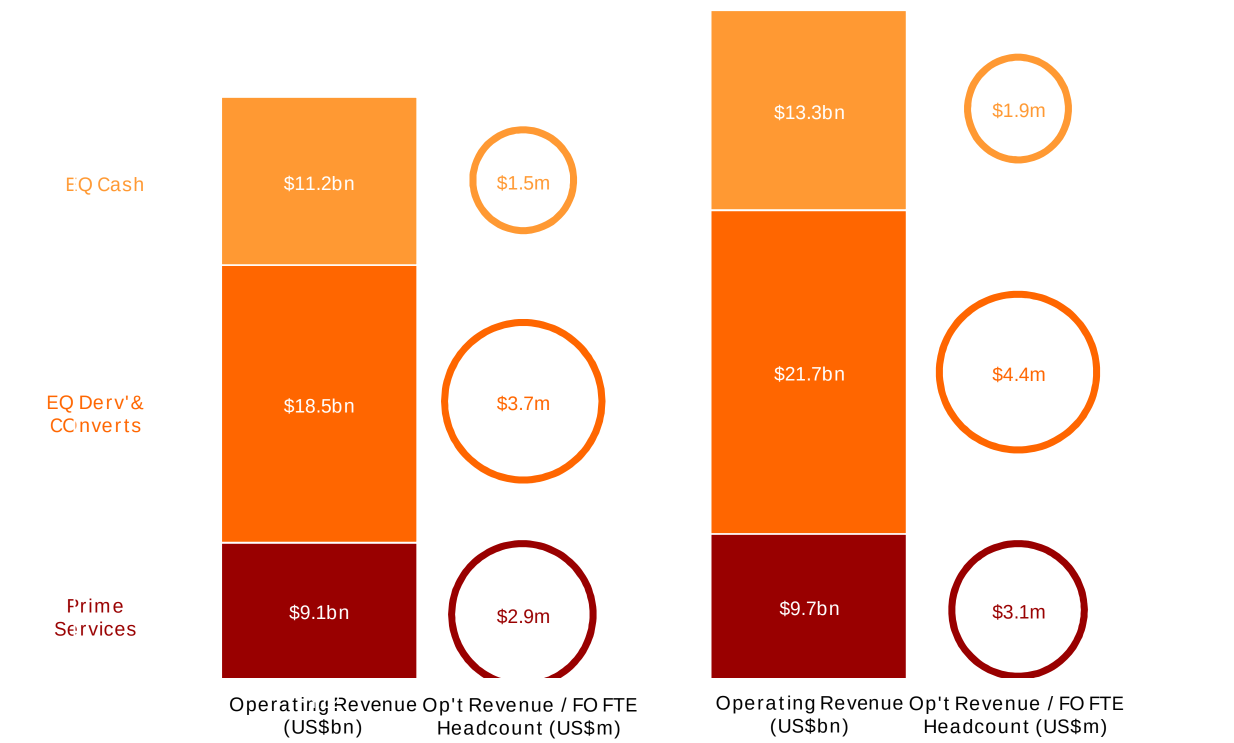


Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) The last quarter for HSBC and RBS is an estimate.

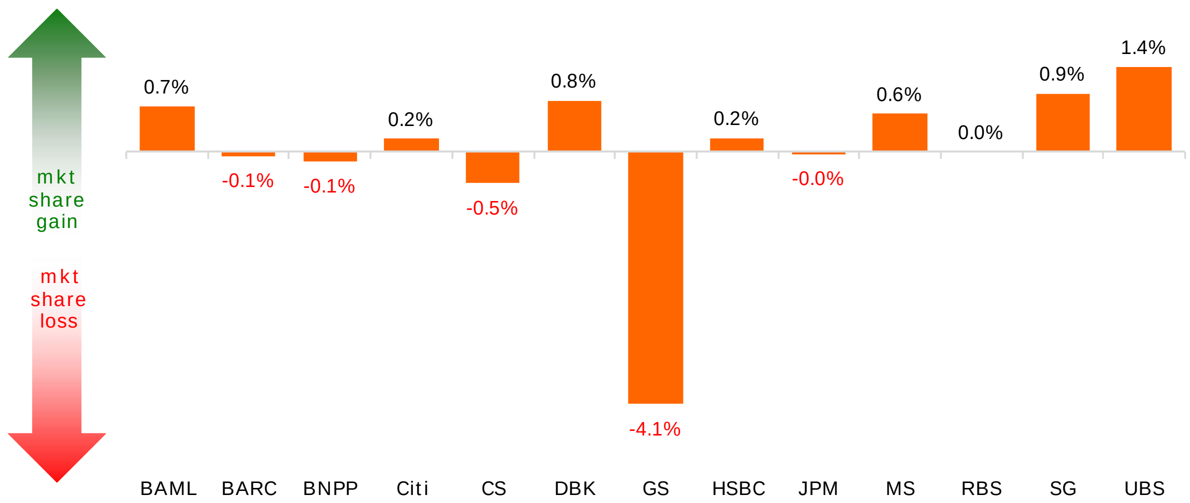
Equities

- High touch cash equities revenue grew moderately in 4Q13, mostly due to Europe; electronic business was more buoyant, with strong sequential growth. In 2013, Japan outperformed overall, with volumes peaking in 2Q13, but APAC ex-Japan also surged 40% versus FY12.
- Equity derivatives index options trading in 4Q13 grew relative to 4Q12 in both EMEA and AMER - in contrast to the single stock business. Structured products boomed in 4Q13 in the US, with volumes c.70% ahead year-on-year; business was stronger in other regions too, but with notable variations between individual product segments and countries.

  The importance of a balanced equity derivatives business - where client diversity reduces the need for hedging - continues to increase. We expect that structured equities producers without such diversity will continue to struggle with increasing hedging costs in 1H14.
- Prime services revenues were mixed: some banks were better able to take advantage of increased client balances and financing needs. The leaders edged ahead in 4Q13.



% change share of peer group operating revenue (FY13 / FY12)



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) The last quarter for HSBC and RBS is an estimate.

Rankings

FY13 (Operating revenue, US$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS
Capital Markets: Total	3						1		2				
Primary	3						2		1				
DCM Bonds						1	2		3				
DCM Loans	3		2						1				
Securitisation					1				3		2		
ECM	3						1		2				
M&A / Advisory							1		2	3			
Secondary				3			2		1				
FX				2				1	3				
Rates	3			2					1				
Credit				1			2		3				
Commodities							1		3	2			
EQ Cash	3						1			2			
EQ Derv & Converts		2							1			3	
Prime Services							3			1			2
Prop Trading			2				1		3				
Principal Investments							1	3		2			

Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs, as described in the Company Section. (4) The last quarter for HSBC and RBS is an estimate.

Dynamics

FY13/FY12 (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	↓	↓	↓	→	↓	↓	→	↑	→	→	↓	↑	↑	+3%	-4%
Primary	→	↑	↓	→	↓	↓	↑	↓	→	→	↓	↑	↓	+15%	+5%
DCM Bonds	→	↓	→	↓	→	↑	→	↑	↓	↓	↓	↑	↓	+19%	+1%
DCM Loans	→	↓	↓	↓	↑	↓	→	↑	→	↑	↓	→	↓	+25%	-5%
Securitisation	↑	↑	↓	→	↓	↓	↓	→	↑	→	↓	N/M	↓	+11%	-30%
ECM	↓	↓	↓	↑	→	→	↑	↓	→	↓	N/M	↓	↑	+49%	+6%
M&A / Advisory	→	↑	↑	↑	↓	↓	→	↓	↓	↓	N/M	→	↓	+9%	-12%
Secondary	→	↓	↓	→	→	↓	↓	↑	→	↓	↓	↑	↑	+0%	-8%
FX	→	↓	→	→	↓	↓	↓	↑	↑	↓	↑	→	↓	+0%	-7%
Rates	→	↓	↑	→	↓	↓	→	↑	↑	↓	↓	→	↓	-19%	-31%
Credit	↓	↓	↓	→	→	↓	→	↑	↓	↑	↓	↑	N/M	+23%	-9%
Commodities	→	↓	↓	↑	→	↓	↑	→	↓	↑	N/M	↓	↓	+7%	-16%
EQ Cash	↑	↓	↓	↓	↑	↑	↓	↓	→	→	N/M	↓	→	+23%	+12%
EQ Derv & Converts	→	↓	↓	→	↓	→	↓	→	↓	↑	↓	↑	↑	+40%	+9%
Prime Services	↑	↑	↓	→	↓	↑	↓	↓	↓	→	N/M	↓	→	+14%	+3%
Prop Trading	N/M	↓	→	N/M	N/M	N/M	↓	↑	↓	N/M	N/M	↑	N/M	-4%	-39%
Principal Investments	N/M	↓	N/M	↓	→	↓	→	↑	N/M	↑	N/M	N/M	N/M	+115%	-46%

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) The last quarter for HSBC and RBS is an estimate.

Rankings

4Q13 (Operating revenue, US$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS
Capital Markets: Total	3						1		2				
Primary	3						2		1				
DCM Bonds						1	2			3			
DCM Loans	2								1			3	
Securitisation					1				3		2		
ECM	3						1		2				
M&A / Advisory							1		3	2			
Secondary				3			2		1				
FX				3				1	2				
Rates	3			2					1				
Credit	3			2			1						
Commodities		3					1		2				
EQ Cash	3						1			2			
EQ Derv & Converts		3							2			1	
Prime Services					3					1			2
Prop Trading			2				1		3				
Principal Investments		3					1			2			

Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs, as described in the Company Section. (4) The last quarter for HSBC and RBS is an estimate.

Dynamics

4Q13/4Q12 (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	↑	↓	→	↓	→	↓	↑	↑	↓	→	↓	↓	→	+12%	-1%
Primary	→	→	↓	→	↓	↓	↑	→	↓	↑	↓	↑	↓	+7%	-3%
DCM Bonds	↓	↓	→	↓	→	↑	↓	↑	↓	→	→	↑	↓	+7%	-20%
DCM Loans	→	↓	↓	↓	→	↓	↓	↑	→	↑	→	↑	↓	-5%	-26%
Securitisation	↑	↑	↓	↓	→	↓	→	↑	↓	→	↓	→	N/M	+2%	-15%
ECM	↑	↓	↓	→	→	→	↑	↓	↓	↑	N/M	↓	↓	+73%	+24%
M&A / Advisory	→	↓	↑	↑	↓	↓	→	↓	↓	↓	N/M	↑	→	+21%	-3%
Secondary	↑	↓	→	↓	→	↓	↓	↑	→	→	↓	↓	↑	+13%	-3%
FX	↑	↓	↑	↓	↓	↓	→	→	↑	↓	→	→	↓	+3%	-15%
Rates	↑	→	→	↓	↓	→	↑	↓	→	↓	↓	↓	↓	-5%	-52%
Credit	↑	↓	→	↑	→	↓	↑	→	→	↓	→	↓	↓	+19%	-20%
Commodities	→	→	↓	↑	N/M	↓	↑	↓	→	↑	N/M	↓	↓	+13%	-26%
EQ Cash	↑	↓	↓	↓	↑	→	→	↓	↑	→	N/M	↓	↓	+42%	+13%
EQ Derv & Converts	→	↓	↑	→	↓	→	↓	↓	↓	↑	↓	↑	N/M	+27%	-1%
Prime Services	→	↑	↓	→	↓	↑	↓	↓	↓	→	N/M	↓	↑	+13%	+1%
Prop Trading	N/M	↓	↑	N/M	N/M	N/M	→	N/M	→	N/M	N/M	↓	N/M	+9%	-44%
Principal Investments	N/M	→	N/M	↑	↓	N/M	→	N/M	N/M	↓	N/M	N/M	N/M	+171%	+20%

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) The last quarter for HSBC and RBS is an estimate.

About Tricumen

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.

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.

Notes & Caveats

Tricumen Limited has used all reasonable care in writing, editing and presenting the information found in this report. All reasonable effort has been made to ensure the information supplied is accurate and not misleading. For the purposes of cross- market comparison, all numerical data is normalised in accordance to Tricumen Limited's proprietary product classification. Fully-researched dataset may contain margin of error of +/-10%; for modelled datasets, this margin may be wider.

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