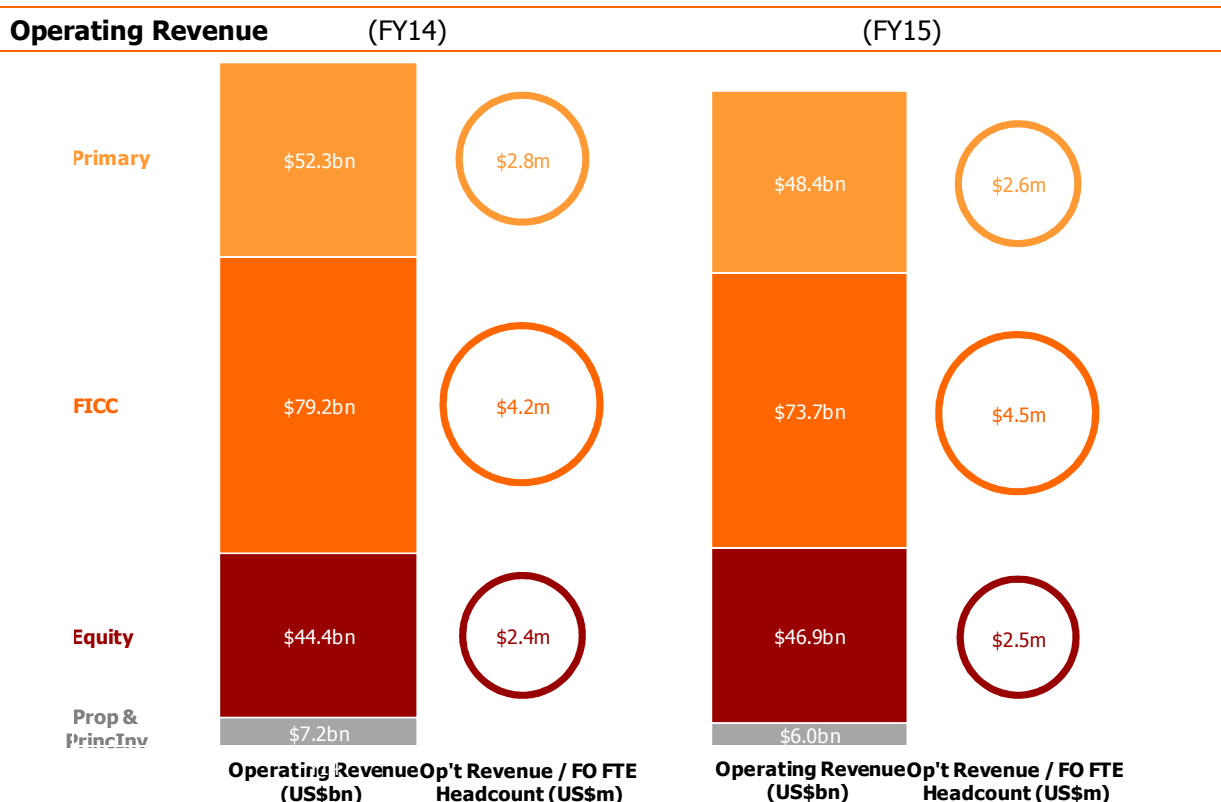
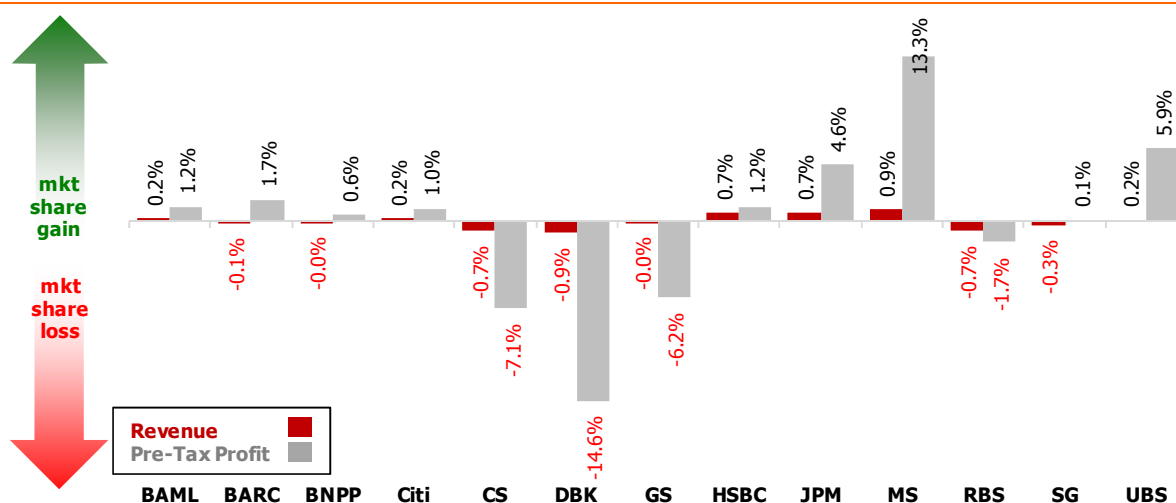


Capital Markets: Results Review 4Q15/FY15

- Capital markets revenue for the banks in this report reached \$175bn in FY15, 4% below FY14; 4Q15 accounted for \$33bn, down 7% y/y. Equity and M&A/Advisory revenue advanced, but ECM, DCM and FICC all dropped sharply.
- The FY15 pre-tax profit was essentially unchanged versus FY14 as a drop in primary profitability - caused by a drop in revenue, rather than an increase in costs - was offset by higher profits in FICC and particularly equities. Most of the banks in this report sharply reduced their FY15 bonus pool - and not just in areas that suffered a drop in revenue - and a few even postponed the announcement of bonuses.
- Basel Committee on Banking Supervision released the revised set of trading book rules. The new rules - set to apply from January 2019 - aim to standardise the calculation of market risk by stipulating asset-type allocations into the trading and banking books. This may increase trading book capital charges by up to 40% *and* - perhaps more seriously - limit the banks' ability to hedge.



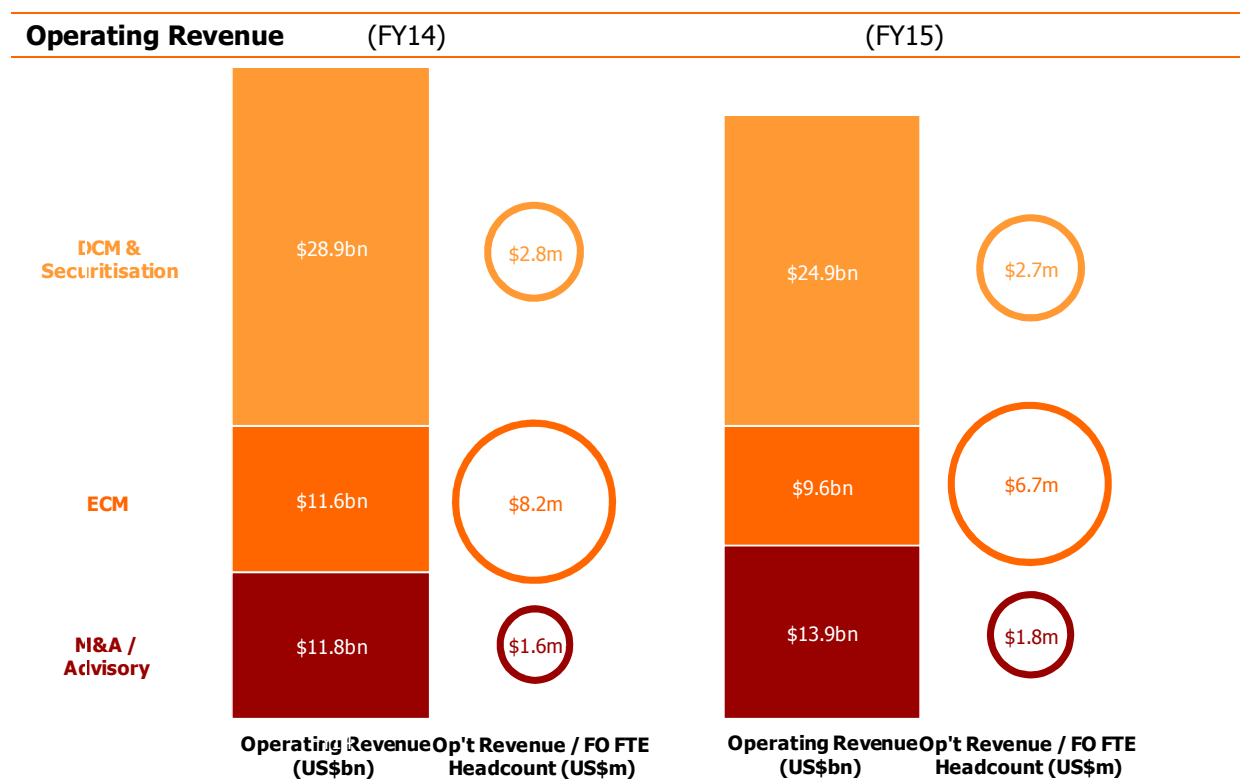
% change share of peer group operating revenue and pre-tax profit (FY15 / FY14)



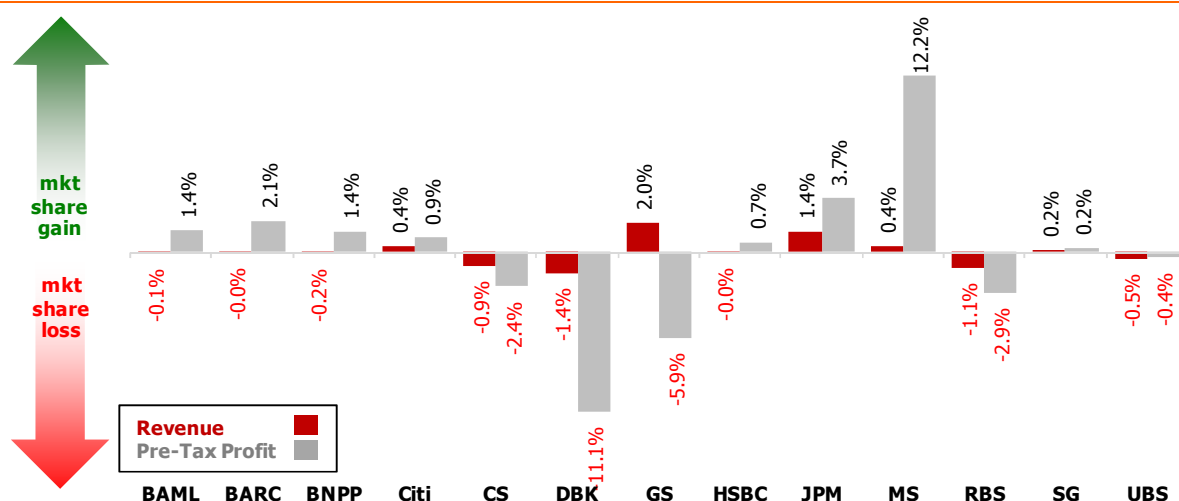
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments..

Primary issuance & Advisory

- **DCM** had a weak 4Q15, with volumes and fees in bonds and loans falling by 25-30% relative to 4Q14. On full-year basis, fees held up better in the Americas than elsewhere: down 7% y/y in bonds and 10% in loans, versus high double-digit declines in other main regions.
- **ECM** recorded another weak quarter as a 20% plunge in fees easily outstripped a much milder fall in deal volumes. EMEA and Americas dropped by 20-25% relative to FY14, with telcos and pharma being the only industries that enjoyed a significant growth in fees.
- Despite a slowdown in 4Q15, **M&A/Advisory** was one area of growth in FY15: benefiting from record volumes (\$5tr as of mid-Dec-15), banks in this report collected \$14bn in fees, 18% ahead of FY14. Americas led the way with c.15% growth in fees, much of it from mega-deals, where fees doubled from FY14. APAC was broadly unchanged, while Europe declined by 10%.



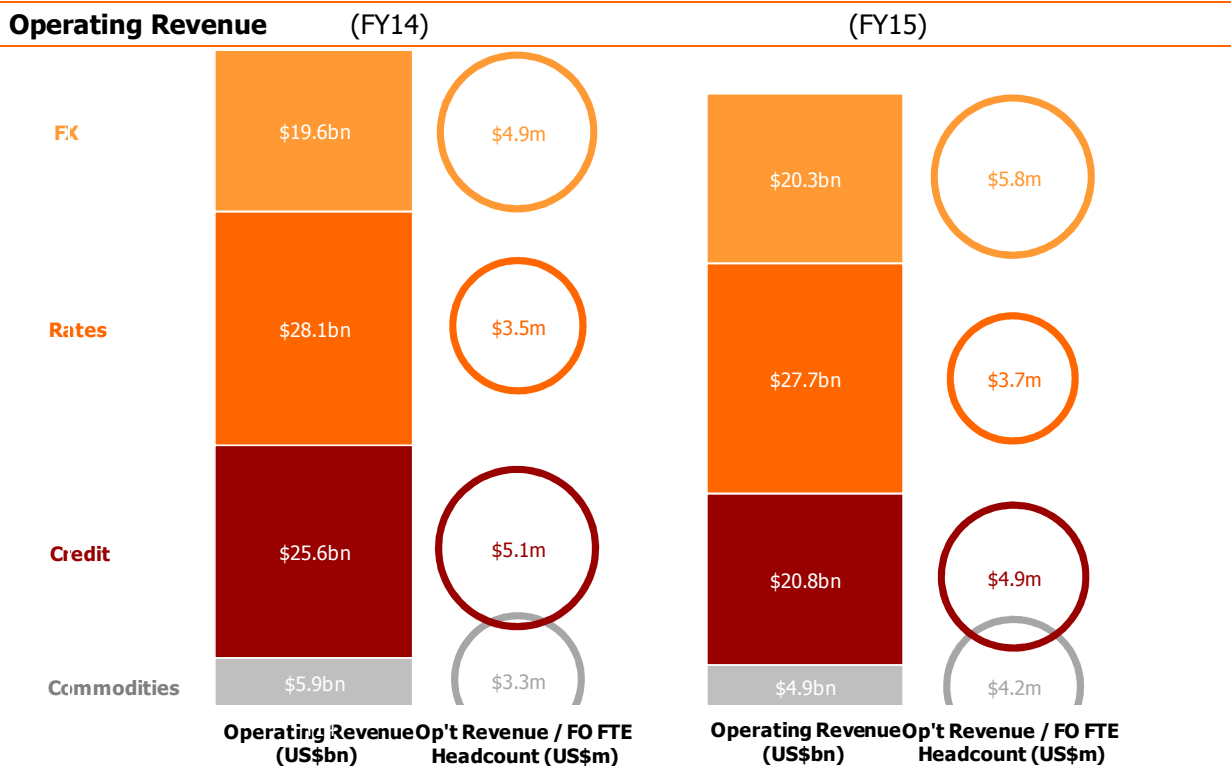
% change share of peer group operating revenue and pre-tax profit (FY15 / FY14)



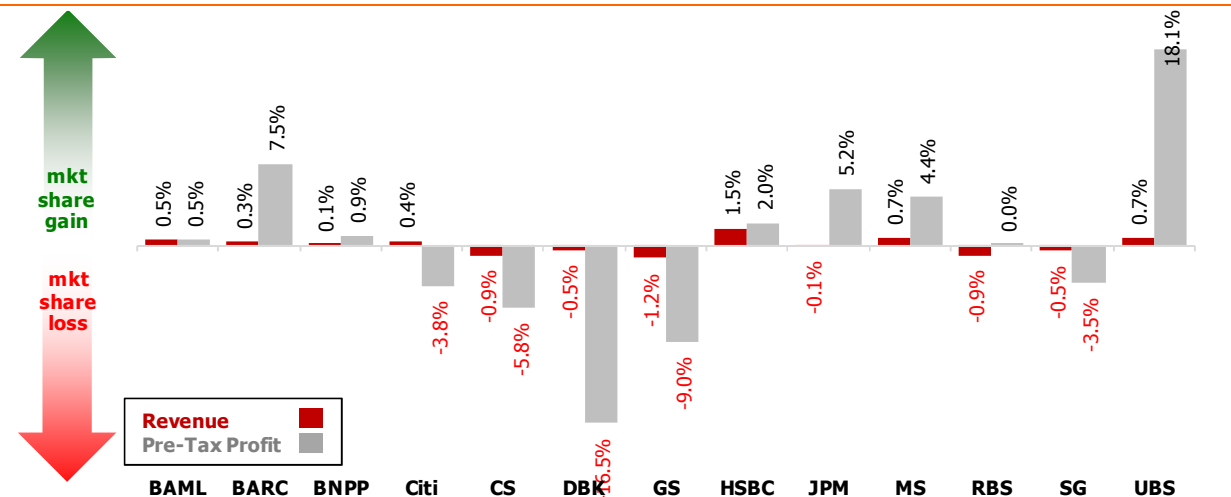
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

FICC

- FX markets softened in 4Q15. In spot markets, the client revenue opportunity dropped 10% y/y; swaps and options market suffered an even more pronounced drop, as did LatAm and CEEMEA. The only bright spot in 4Q15 was APAC, where the market grew by about 30% y/y.
- In rates, repo trading in 4Q15 improved in both the US and APAC, driven by interest rates; but Europe saw a sharp slowdown. Client revenue opportunity in the US declined by around 25% but European swaps were on par with FY14; and global exotics fell 12% y/y. Munis extended a decline seen in 3Q15. Primary dealers continue to desert the European markets: in 4Q15 alone, Credit Suisse, ING, Commerzbank and Deutsche Bank all cut the number of countries under coverage.
- Credit revenue endured the sharpest drop in FY15. In 4Q15, the US HG was stable, but European corporate bond trading nosedived, largely due to cuts in dealer inventory. The HY markets were in turmoil in 4Q15; in December alone, four US funds which primarily invest in HY bonds liquidated their holdings or halted withdrawals, prompting fears over the corporate bond outlook. Major banks - Barclays, Credit Suisse and, most recently, Goldman Sachs among them - created teams dedicated to making markets in bond ETFs. In the US, AuM surged 40%+ in 2015 - to 20% of the total US ETF market - but margins are a fraction of those in bond trading.



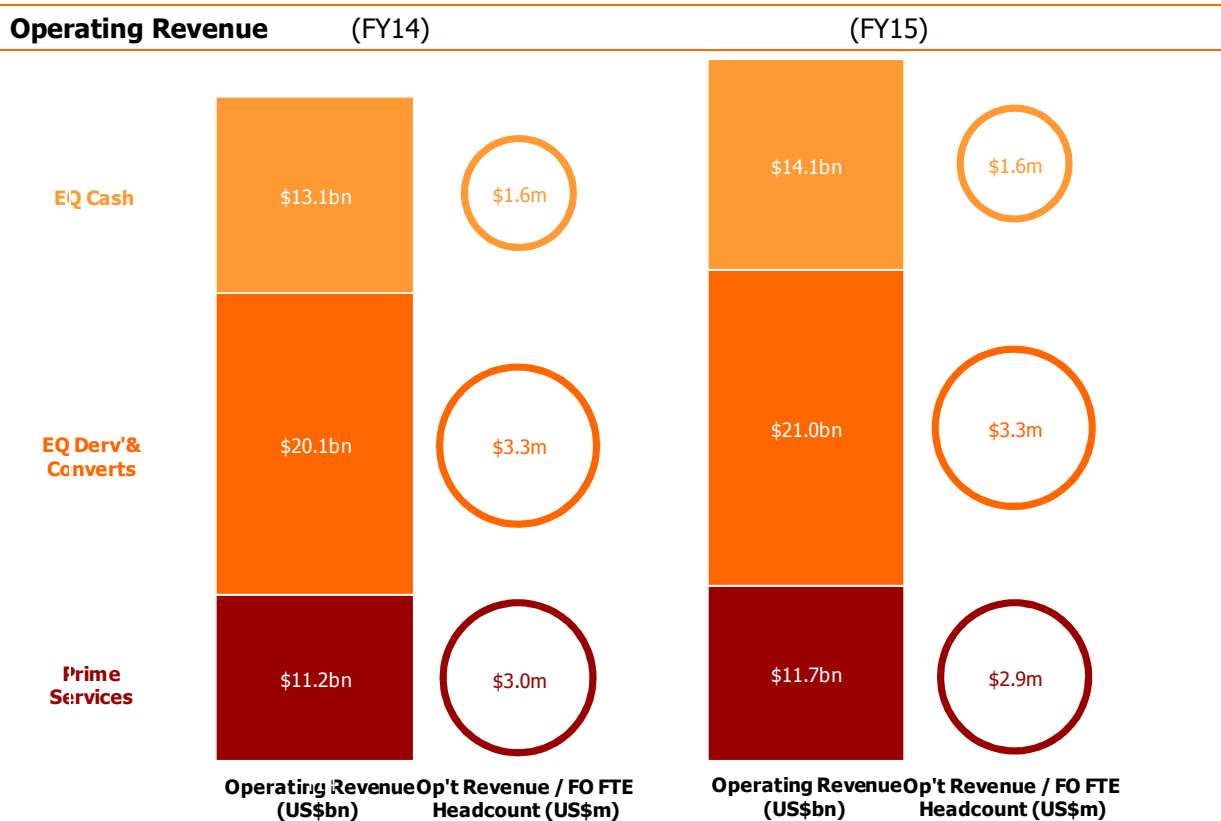
% change share of peer group operating revenue and pre-tax profit: (FY15 / FY14)



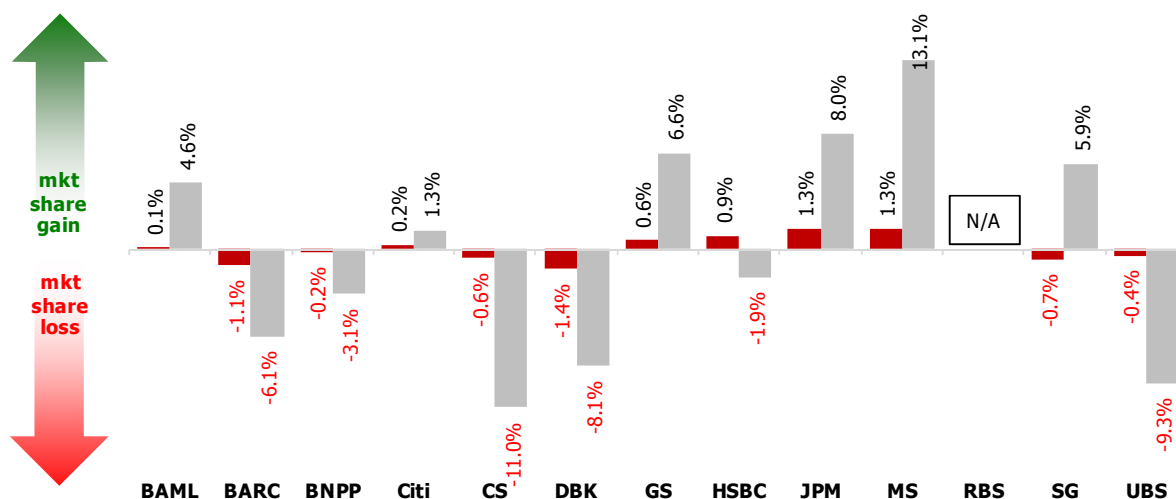
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Equities

- Banks in this report achieved a healthy 8% revenue growth in cash equity markets. Regionally, Europe outperformed, both in hi-touch and particularly electronic markets. EU plans to impose tough restrictions on dark pools (see our 2Q15 Results Review), though there are signs that this may be delayed until 2018 and exempt large-scale trades; in the meantime, European dark pools grew their trading volume by c.50% in 2015, compared to <30% for public venues. North America and APAC, by contrast, suffered a slowdown in electronic volumes in 4Q15.
- Equity derivatives revenue advanced by 4% y/y, but the rate of growth dropped significantly in 4Q15: at the end of 9m15 y/y, derivative revenues for the banks in this report were 13% ahead of 9m14. In 4Q15, flow revenues dropped by 15-20% in all three main regions; while structured issuance grew in EMEA and, to a lesser extent, APAC.
- Prime services also grew, albeit modestly, amid strong securities lending in the US up 26% y/y in 4Q15 and 38% in 2015. Hedge funds' AuM grew 3% y/y in 2015.



% change share of peer group operating revenue and pre-tax profit (FY15 / FY14)



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

FY15 / FY14 (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	→	↓	↓	→	↓	↓	→	↑	↑	↑	↓	↓	→	-1%	-11%
Primary	→	→	↓	→	↓	↓	↑	↓	↑	→	↓	↑	↓	-3%	-15%
DCM Bonds	→	↑	→	→	↓	↓	↓	↓	↑	→	↓	↑	↓	-0%	-20%
DCM Loans	↓	↑	→	↑	↓	↓	→	↑	↓	↓	↓	→	→	+7%	-24%
Securitisation	↓	→	↓	↑	→	↓	→	↓	↑	↓	N/M	↑	↓	-10%	-20%
ECM	↓	↓	→	↓	↓	↓	→	↓	↑	→	N/M	↑	↑	-11%	-27%
M&A / Advisory	↑	↓	↓	→	→	↓	↑	↓	↑	→	N/M	↓	↓	+21%	-2%
Secondary	→	↓	→	→	↓	↓	↓	↑	→	↑	↓	↓	↑	+0%	-11%
FX	↑	↓	↑	↓	↓	↓	→	→	→	→	↓	↓	↑	+13%	-4%
Rates	→	→	↓	→	↑	↓	↓	↑	→	↑	→	↓	↓	+6%	-9%
Credit	→	↑	→	→	↓	↓	↓	↑	↓	→	↓	↓	↑	-5%	-27%
Commodities	↓	↓	→	↑	↓	↓	↓	→	→	↑	N/M	↓	↑	-4%	-34%
EQ Cash	→	↓	↓	→	↓	↓	↑	↓	↑	↑	N/M	→	↓	+13%	-1%
EQ Derv & Converts	→	↓	↓	→	↓	↓	→	↑	↑	↑	N/M	↓	→	+15%	-9%
Prime Services	↓	↓	↓	→	↓	↓	↑	↓	→	→	N/M	↑	↑	+7%	+2%
Prop Trading	N/M	↓	→	↓	↑	N/M	→	↑	↓	N/M	N/M	↓	N/M	-4%	-42%
Principal Investments	N/M	N/M	N/M	N/M	↓	→	→	↓	N/M	↑	N/M	N/M	N/M	+4%	-46%

4Q15 / 4Q14 (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%	-19%
Primary	↓	→	↓	↑	↓	↓	↑	↑	↓	→	↓	→	→	+0%	-22%
DCM Bonds	↓	↑	↓	↑	→	↓	→	↑	↓	↓	↓	→	→	-3%	-36%
DCM Loans	↓	↑	→	↑	↓	↓	→	↓	↓	→	↓	↑	→	+1%	-33%
Securitisation	↓	↓	↓	↑	↓	↑	→	↓	→	→	N/M	↑	↓	-13%	-30%
ECM	↓	→	→	→	↓	↓	↓	↓	↑	↑	N/M	↑	↓	-8%	-31%
M&A / Advisory	→	↓	↑	→	↑	↓	↑	↓	↑	→	N/M	↓	↓	+21%	-5%
Secondary	↑	↓	→	→	↓	↓	↓	↑	→	↑	→	↓	↓	+2%	-13%
FX	→	↓	→	→	↑	↓	↓	↑	↓	↓	↓	→	↑	+5%	-7%
Rates	→	→	↓	→	↑	↓	↑	N/M	↓	↓	↑	↓	↓	+17%	+2%
Credit	↑	↑	→	↓	↓	↓	→	N/M	→	↓	N/M	↓	↑	+6%	-15%
Commodities	↑	↓	↓	↑	N/M	↓	↓	↓	→	→	N/M	→	↑	-1%	-33%
EQ Cash	→	→	↓	↑	↓	↓	↓	↓	→	↑	N/M	↑	↓	+5%	-8%
EQ Derv & Converts	→	↓	↑	↑	↓	↓	→	N/M	→	↑	N/M	↓	↓	+5%	-46%
Prime Services	↓	↓	↓	↑	↓	↓	↑	→	↓	→	N/M	→	↑	+8%	-8%
Prop Trading	N/M	↓	↑	→	↑	N/M	↓	↓	↓	N/M	N/M	→	N/M	+0%	-19%
Principal Investments	N/M	N/M	N/M	N/M	↓	N/M	↓	→	N/M	↑	N/M	N/M	N/M	+1%	-14%

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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