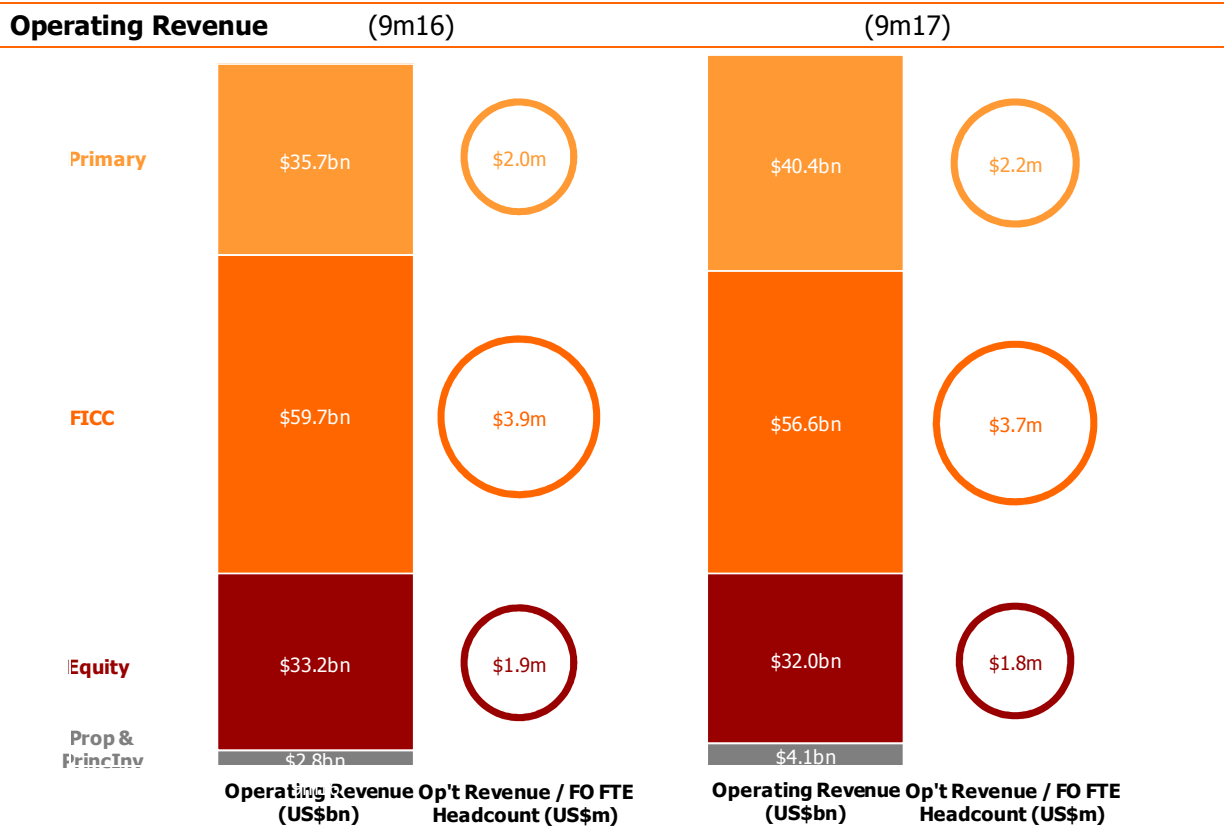


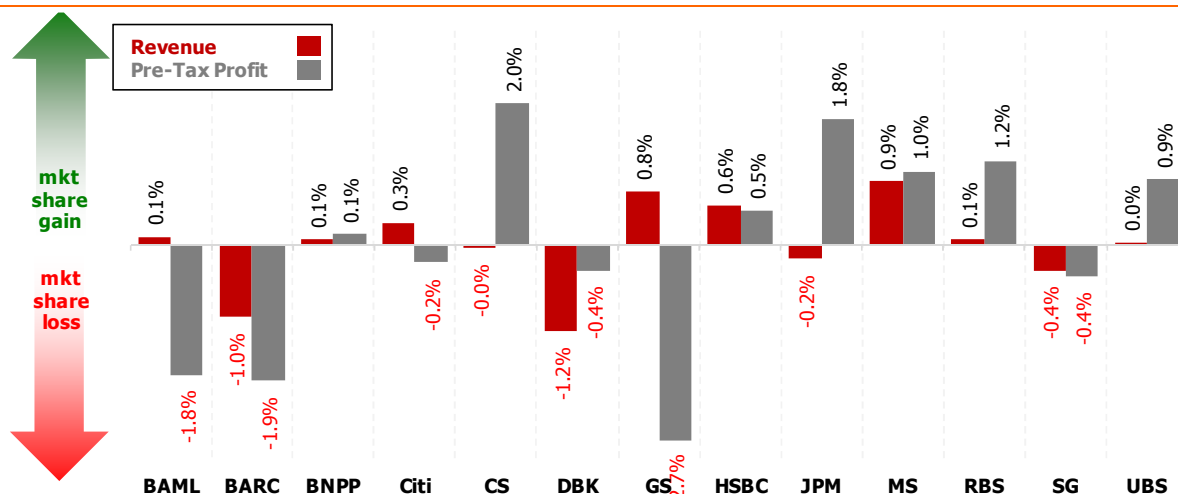
Results Review 3Q17 / 9m17

Capital Markets: Overview

- The 13 capital markets banks featured in this note reported 3Q17 revenue of \$41bn, 8% below 3Q16. In 9m17, revenue totalled \$133bn, unchanged from the prior-year period. Banks' pre-reporting guidance on 15-20% y/y decline in sales and trading revenue was spot-on; but strong issuance and advisory softened the blow somewhat...
- ... as did banks' careful control of costs, which fell exactly in line with revenue, in 3Q17 and year-to-date. FICC bore the brunt of costs reduction in 3Q17, although the overall headcount remained almost unchanged vs prior year; equities costs were slightly lower, and the cost base of primary issuance and advisory units was unchanged vs 3Q16.
- As a result, banks' year-to-date pre-tax profits rose by 13% y/y. European banks' overall profit dynamics matched that of US banks, largely on increased profitability in issuance and advisory; US banks, however, outperformed Europeans in both FICC and Equities.



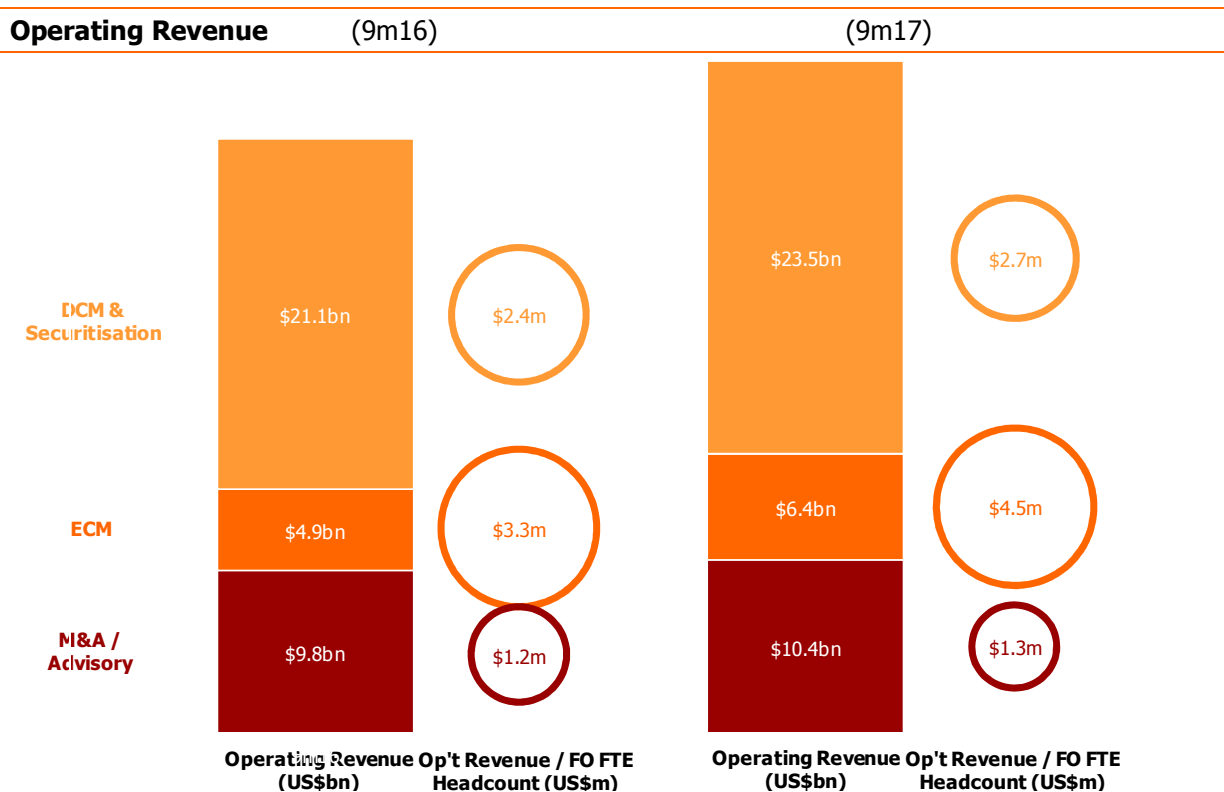
% change share of peer group operating revenue and pre-tax profit (9m17 / 9m16)



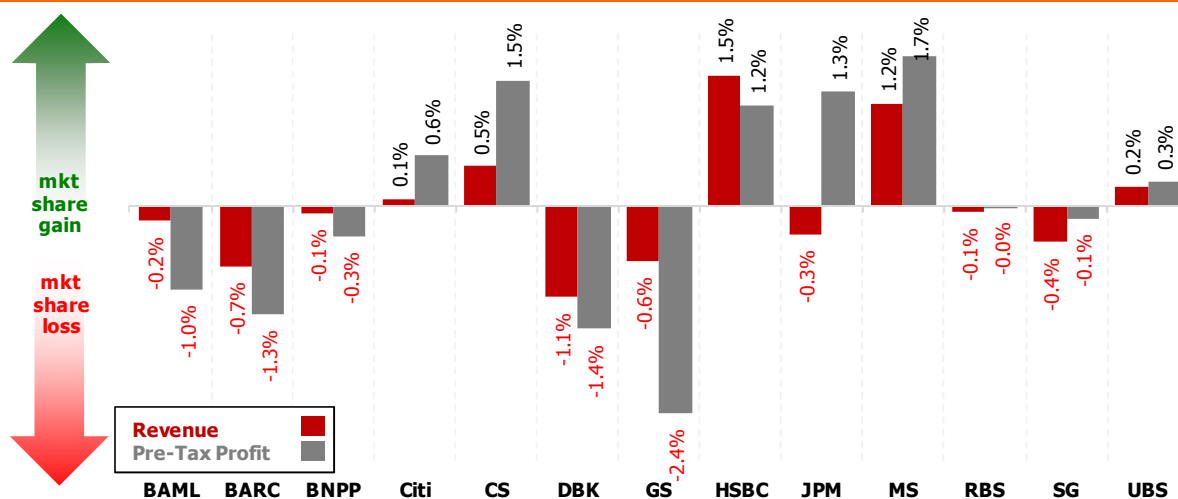
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments..

Capital Markets (cont.): Primary issuance & Advisory

- In DCM, bond fees declined relative to 2Q17, making the 9m17 a lacklustre period overall. High-yield bonds, however, surged vs 9m16, especially in the US. There are dangers on the horizon, especially in Europe. Driven by central banks' distorting influence, benchmark HY bond yields fell below 2% in Nov-17 (down from 5%+ in early 2016, when ECB started buying corporate bonds) and the proportion of lowest-rated issues surged in 3Q17. Securitisation fees collected by the banks in this reported surged in 9m17 y/y, despite a notable slowdown in 3Q17.
- The ECM market remained strong in 3Q17 - banks in this report grew fees by 6% y/y - supported by a boom in IPOs (global volumes up 50% y/y vs 9m16) - and healthy APO market, especially in telcos and media. EMEA and Japan posted the strongest growth in overall ECM fees.
- Despite a slight decline in fees in 3Q17, M&A/Advisory remained strong: 'our' banks' fees grew by 13% y/y, with the US banks accounting for the lion's share of this growth. The European M&A activity surged in 9m17 - the region is headed for the second-most active year ever - picking up the slack from the (relative) weakness in the US, where margins are under severe pressure.



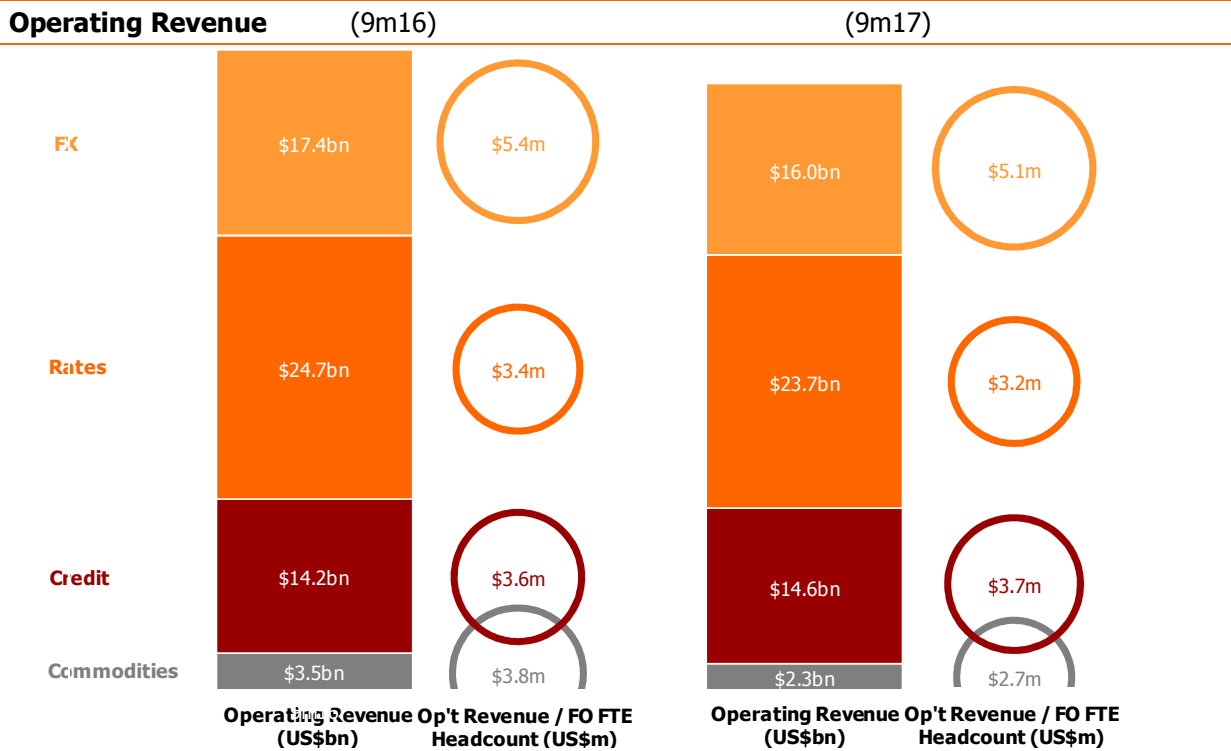
% change share of peer group operating revenue and pre-tax profit (9m17 / 9m16)



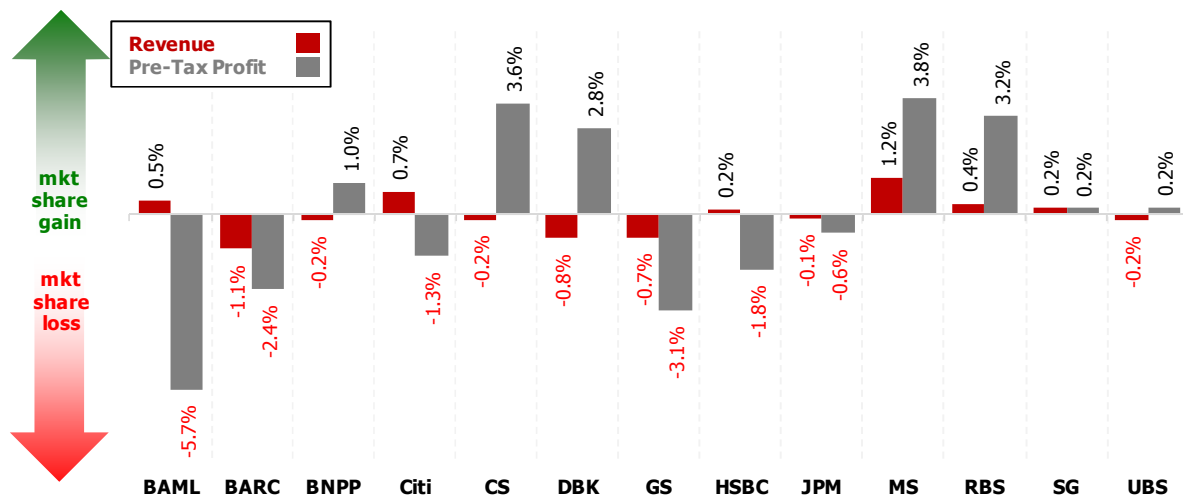
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Capital Markets (cont.): FICC

- FX suffered a sharp y/y drop in 3Q17. Among the highlights: strength in swap markets was offset by a fall in spot trading, especially USD/EUR trading volumes; and APAC markets facilitated modest growth in Singapore and Hong Kong.
- In rates, short-end trading was reasonably resilient in 3Q17, as was trading in USTs and other govies. Elsewhere, though, client demand for swaps was weak; and APAC suffered from weakness in both short-end and repo trading. Swap trading seems to be moving to centrally cleared venues.
- On 9m17 basis, credit revenues actually rose, albeit by so little that it could be explained away by the exchange rates applied; in 3Q17, almost every bank in this report highlighted weak product revenues. The demand for European corporate bond trading declined by over 10% y/y. This was offset by (relatively) strong HG and HY trading in the US. However, relative to 3Q16, margins were under pressure, continuing their decline both in the US and Europe. Emerging Asia softened relative to 3Q16. Currently, only Goldman Sachs and Citi are looking to (selectively) hire in credit.
- Unsurprisingly, commodities revenue extended the sharp downward trend in 3Q17. The 9m17 revenue totalled \$2.3bn, 35% below 9m16.



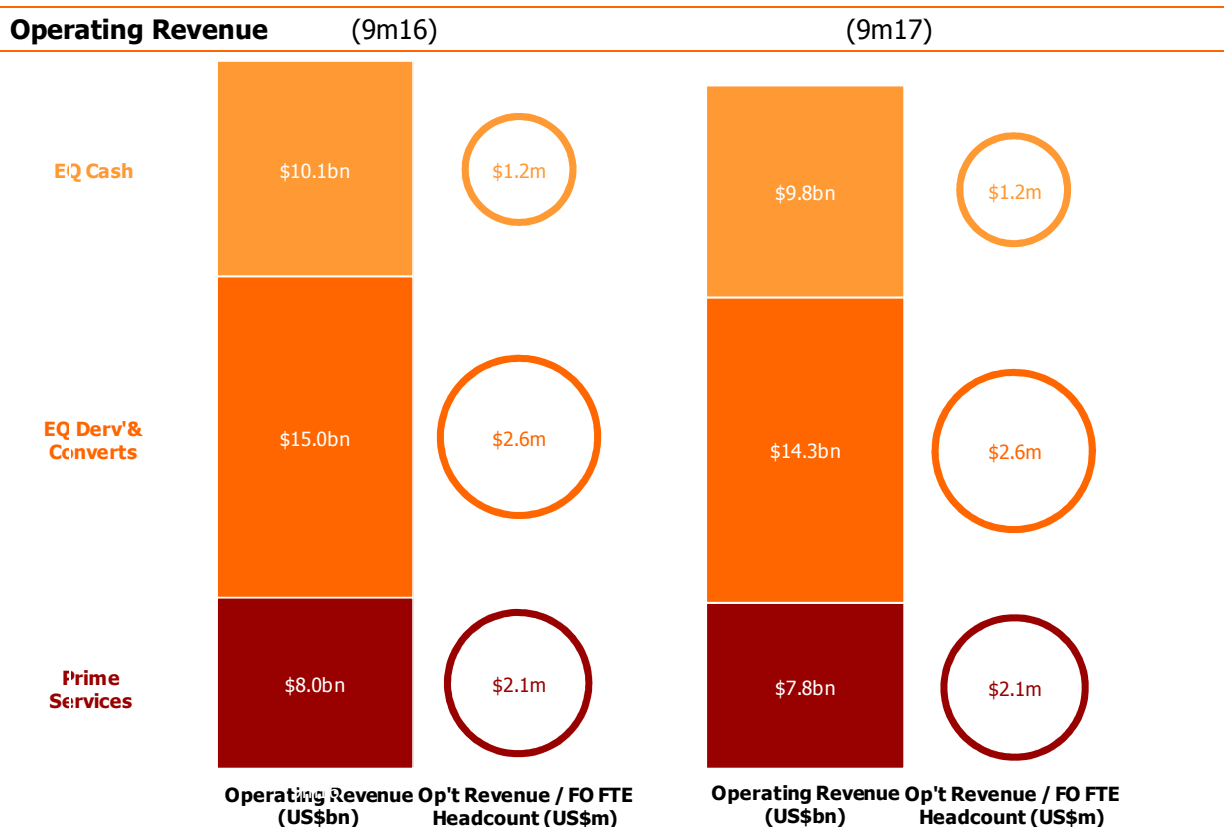
% change share of peer group operating revenue and pre-tax profit: (9m17 / 9m16)



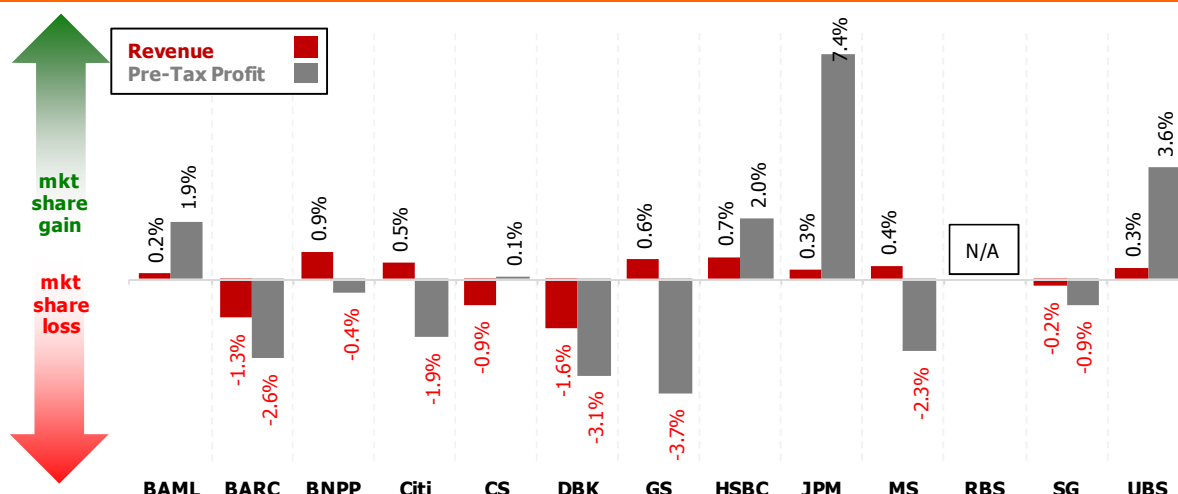
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Capital Markets (cont.): Equities

- Cash equity proved more resilient than expected in 3Q17 - but those expectations were low indeed. In the US, high touch trading was impacted harder than electronic markets. In Europe, high touch markets strengthened and the OTC market jumped relative to 3Q16.
- Equity derivatives offered a mixed picture: weak flow performance was partially offset by strong structured revenues. Delta 1 trading declined.
- In prime services, hedge fund AuM continued to grow, with end-3Q17 balances 12% ahead of the prior-year period. Securities lending activity, however, was significantly below the previous year.



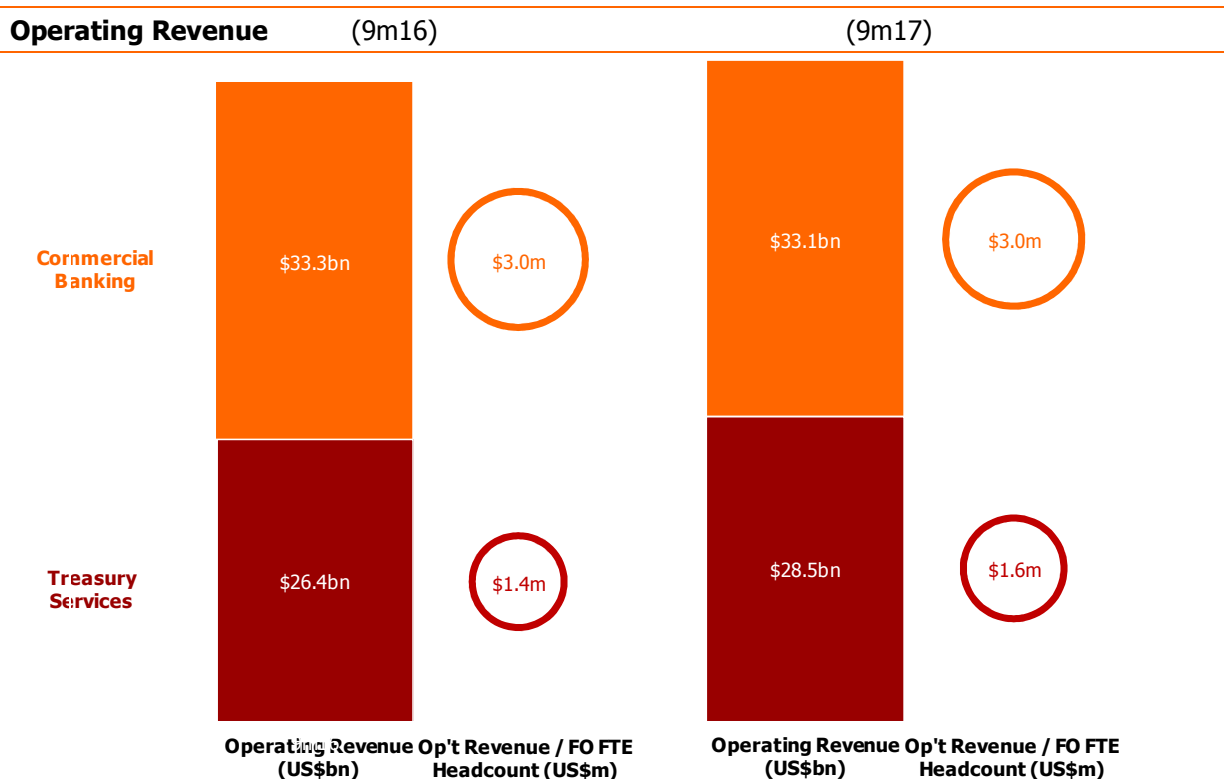
% change share of peer group operating revenue and pre-tax profit (9m17 / 9m16)



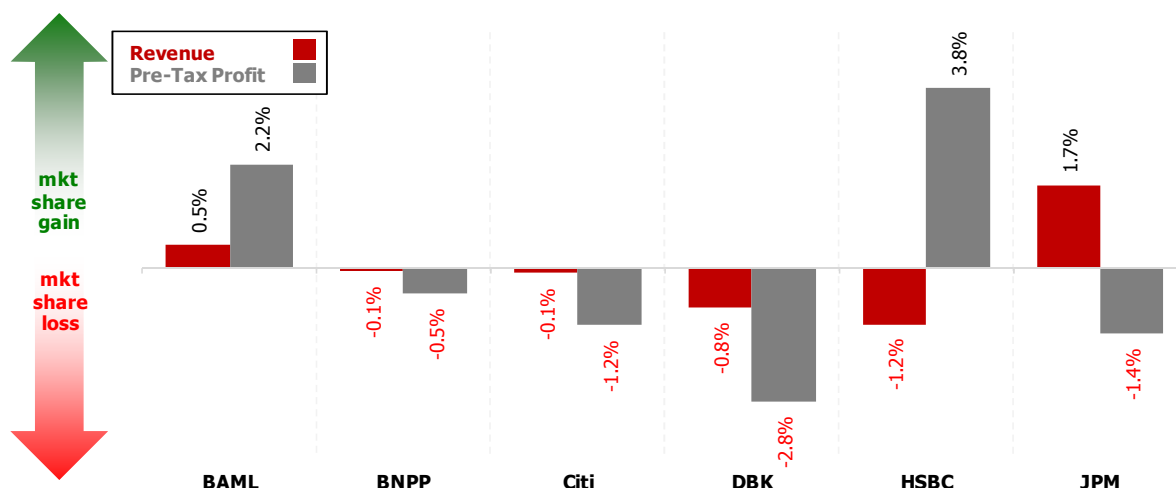
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Commercial/Transaction Banking

- In the US, after steadily growing since mid-2016, the volume of new commercial banking loans levelled out in 3Q17. Margins flattened, remaining the same as the previous quarter. In Europe, demand for commercial loans strengthened, especially in France; across the EU countries, margins varied greatly but were in aggregate below 3Q16 levels.
- In treasury services, payment volumes continued to grow year-on-year, though at a much slower pace than was the case in 1H17. Trade finance activity remained constrained, with markets falling again slightly. Regionally, Europe posted the strongest growth, followed by the Americas and then APAC.



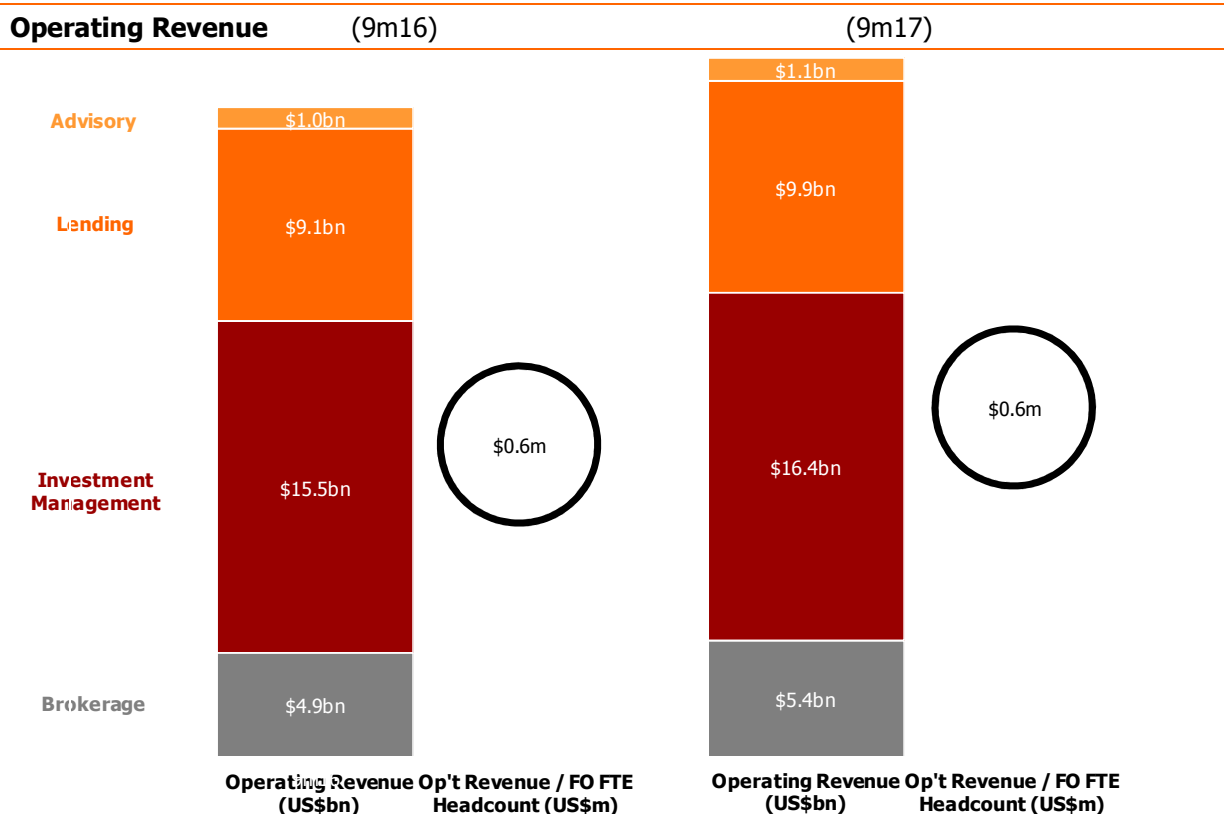
% change share of peer group operating revenue and pre-tax profit (9m17 / 9m16)



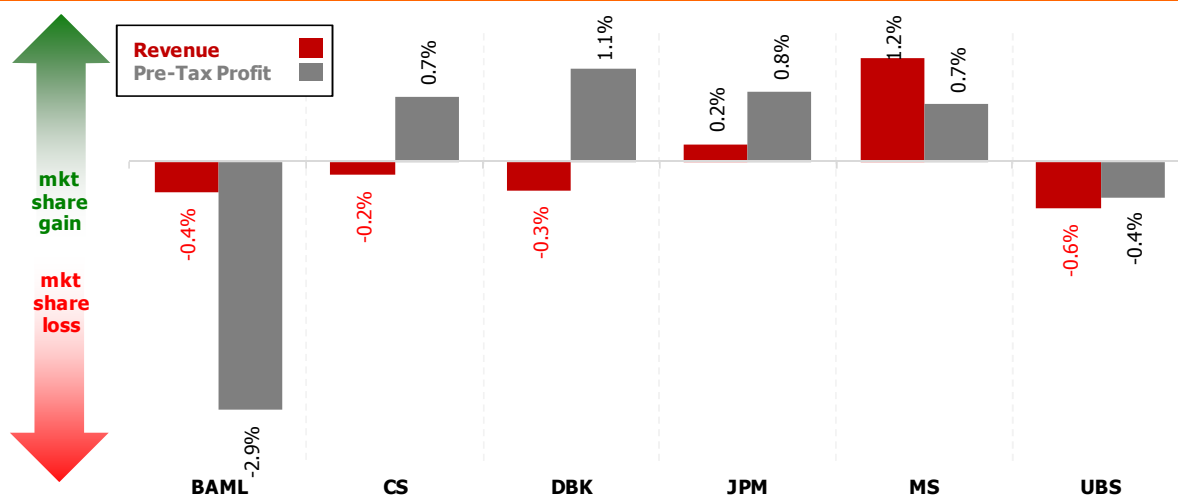
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) In-scope: Large Cap/MNC and Mid-Cap/SMEs.

Wealth Management

- The six banks in this note reported 9m17 revenue of US\$27bn, 7% ahead of the prior-year period, with all four major revenue streams advancing at a healthy clip. Despite the continued and acknowledged industry-wide pressure on margins, banks' combined 9m17 pre-tax profit jumped by 20% y/y.
- Banks' hiring in APAC continues, but there are signs of slowdown, largely as the result of increased competition for talent. Among the banks mentioned included in this report, UBS and J.P.Morgan are taking the long view. UBS (with just over 1,000 client advisors, most of whom focus on UHNWs) is finding talent outside of the private banking industry, then trains them internally; it targets c.250. Similarly, J.P.Morgan favours training and promoting internal talent; the bank's end-target is c.600 regional staff, in small steps. Credit Suisse, by contrast, visibly scaled down the extent of its regional ambition. Finally, Citi and Morgan Stanley made no change to their hiring targets, but plan to hire far less than others.



% change share of peer group operating revenue and pre-tax profit (9m17 / 9m16)



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

9m17 / 9m16 (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	↑	↓	↓	↓	↓	↓	↓	↑	↓	↑	↓	↓	↓	+7%	-0%
Primary	↓	↓	↓	↓	↑	↓	↓	N/M	↓	↑	↓	↓	↑	+15%	+2%
DCM Bonds	↑	↓	↓	↑	↓	↓	↓	N/M	↓	↑	↓	↓	↓	+15%	-2%
DCM Loans	↑	↓	↓	↓	↑	↓	↓	N/M	↓	N/M	↓	↓	↓	+25%	+7%
Securitisation	↓	↓	↑	↓	↑	↓	↓	↓	↓	↓	↓	↑	↓	+3%	-15%
ECM	↓	↓	↓	↑	↓	↓	↓	↓	↓	↑	N/M	↓	↑	+53%	+8%
M&A / Advisory	↑	↓	↓	↑	↓	↓	↓	↓	↓	↓	N/M	↓	↑	+9%	+1%
Sales & Trading	↓	↓	↑	↓	↓	↓	↓	↓	↓	↑	↑	↓	↓	+0%	-7%
FX	↑	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓	↑	↓	-0%	-15%
Rates	↓	↓	↑	↓	↓	↓	↑	↓	↓	↑	↓	↓	↓	+11%	-13%
Credit	↓	↓	↓	↓	↑	↓	↓	↓	↓	↑	↑	↓	↓	+30%	-5%
Commodities	↓	↓	↓	↓	↓	↓	↓	↑	↓	↓	N/M	↑	↑	-12%	-46%
EQ Cash	↓	↑	↓	↓	↓	↓	↑	↑	↓	↓	N/M	↓	↓	+2%	-7%
EQ Derv & Converts	↓	↓	↑	↓	↓	↓	↓	↑	↓	↓	N/M	↓	↑	+7%	-14%
Prime Services	↓	↓	↑	↓	↓	↓	↓	↑	↑	↓	N/M	↓	↓	+5%	-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	+48%	-4%
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	+2%	-4%
Treasury Services	↑	N/M	↑	↓	N/M	↓	N/M	↓	↑	N/M	N/M	N/M	N/M	+11%	+7%
Wealth Management	↓	N/M	N/M	N/M	↓	↓	N/M	N/M	↑	↑	N/M	N/M	↓	+8%	+5%
Advisory	↓	N/M	N/M	N/M	↑	↑	N/M	N/M	↓	↑	N/M	N/M	↑	+9%	+0%
Lending	↓	N/M	N/M	N/M	↓	↓	N/M	N/M	↑	↑	N/M	N/M	↓	+11%	+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	N/M	↑	+3%	-3%

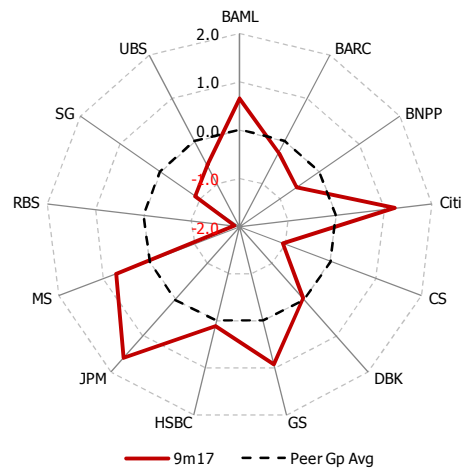
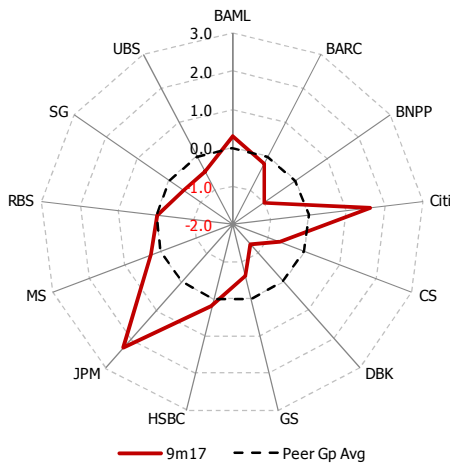
3Q17 / 3Q16 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBS	SG	UBS	Top 25%	Bottom 25%
Capital Markets	↓	↓	↓	↓	↓	↓	↑	↑	↓	↓	↓	↓	↑	-2%	-18%
Primary	↓	↓	↑	↓	↓	↓	↑	N/M	↓	↓	↓	↓	↑	+15%	-4%
DCM Bonds	↑	↓	↑	↓	↓	↓	↑	N/M	↓	↓	↓	↓	↓	+10%	-7%
DCM Loans	↓	↓	↑	↓	↓	↓	↑	N/M	↓	N/M	↓	↓	↓	+31%	+6%
Securitisation	↓	↓	↑	↓	↑	↓	↓	↑	↓	↓	↓	↓	↓	+5%	-31%
ECM	↓	↓	↓	↑	↓	↓	↓	↓	↓	↑	N/M	↓	↑	+10%	-12%
M&A / Advisory	↑	↓	↑	↓	↓	↓	↑	↓	↑	↓	N/M	↓	↓	+14%	+3%
Sales & Trading	↓	↓	↓	↑	↑	↓	↓	↑	↓	↓	↓	↓	↓	-8%	-20%
FX	↑	↓	↓	↓	↓	↓	↓	↓	↑	↑	↓	↓	↓	-8%	-18%
Rates	↓	↓	↓	↓	↓	↓	↓	↑	↓	↑	↓	↓	↓	-12%	-26%
Credit	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↑	↑	↓	-12%	-30%
Commodities	↓	↓	↓	↓	↓	↓	↓	↑	↓	↓	N/M	↑	↑	-11%	-52%
EQ Cash	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	N/M	↓	↓	+21%	-3%
EQ Derv & Converts	↓	↓	↓	↓	↓	↓	↓	↑	↓	↓	N/M	↓	↓	+5%	-20%
Prime Services	↑	↓	↓	↓	↑	↓	↓	↑	↓	↓	N/M	↓	↓	+8%	-3%
Prop Trading	N/M	N/M	↓	N/M	↓	N/M	↓	N/M	↑	N/M	N/M	↓	N/M	+4%	-12%
Principal Investments	N/M	N/M	N/M	N/M	↑	N/M	↓	↓	N/M	↓	N/M	N/M	N/M	+267%	+32%
Commercial / Transaction Banking	↑	N/M	↓	↓	N/M	↓	N/M	↓	↑	N/M	N/M	N/M	N/M	+12%	-5%
Commercial Banking	↑	N/M	↓	↓	N/M	↓	N/M	↓	↑	N/M	N/M	N/M	N/M	+7%	-8%
Treasury Services	↑	N/M	↑	↓	N/M	↓	N/M	↓	↑	N/M	N/M	N/M	N/M	+25%	-6%
Wealth Management	↑	N/M	N/M	N/M	↓	↓	N/M	N/M	↑	↑	N/M	N/M	↑	+7%	-4%
Advisory	↓	N/M	N/M	N/M	↑	↓	N/M	N/M	↓	↓	N/M	N/M	↑	+1%	-18%
Lending	↑	N/M	N/M	N/M	↓	↓	N/M	N/M	↑	↑	N/M	N/M	↑	+13%	+6%
Investment Management	↓	N/M	N/M	N/M	↑	↓	N/M	N/M	↓	↑	N/M	N/M	↑	+11%	+3%
Brokerage	↑	N/M	N/M	N/M	↓	↑	N/M	N/M	↑	↑	N/M	N/M	↑	+1%	-5%

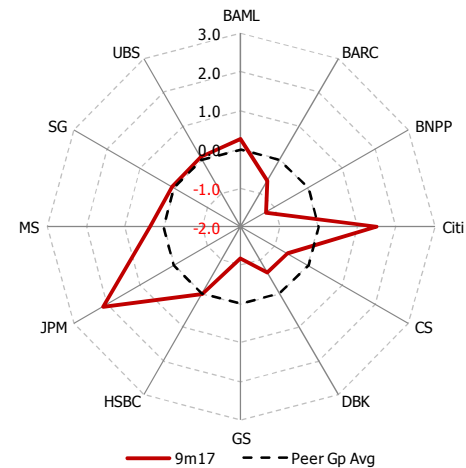
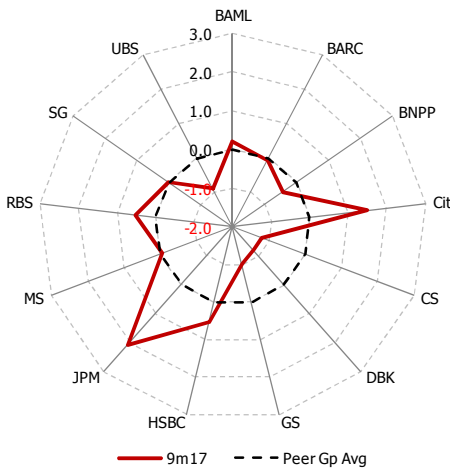
Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Revenue is post-writedowns, excludes DVA/equivalent and one-offs, as described in the Company Section. (4) In-scope: Large Cap/MNC and Mid-Cap/SMEs.

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

Capital Markets **Banking**



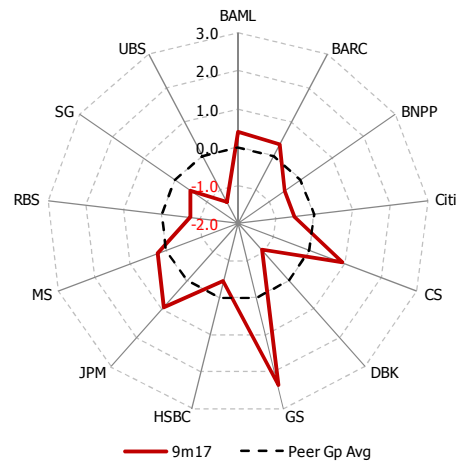
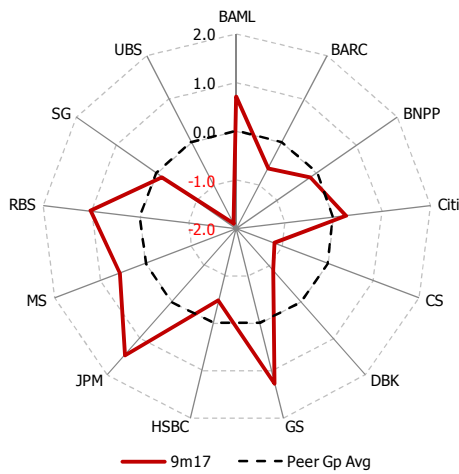
FICC **Equities**



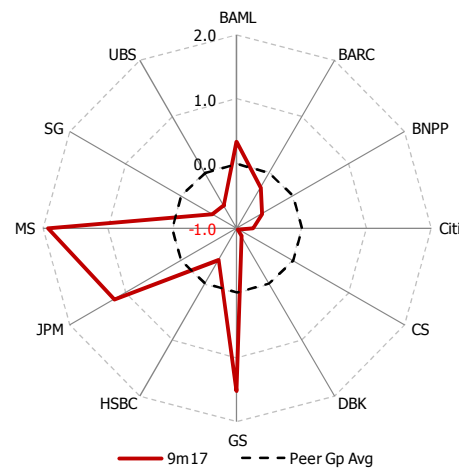
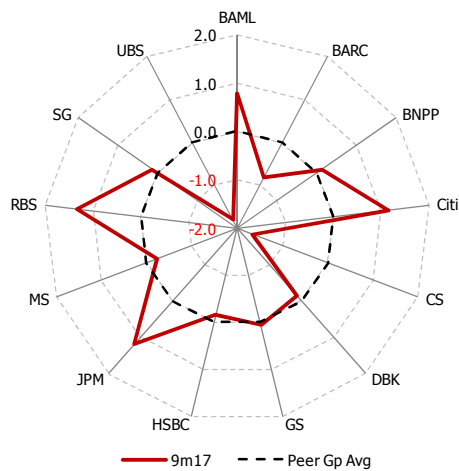
Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) Operating expenses exclude one-off non-operational items, insurance-related benefits & claims, and credit expense/recovery/NPL provisions. Capital expenditure is included as accrued. Litigation expense is 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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