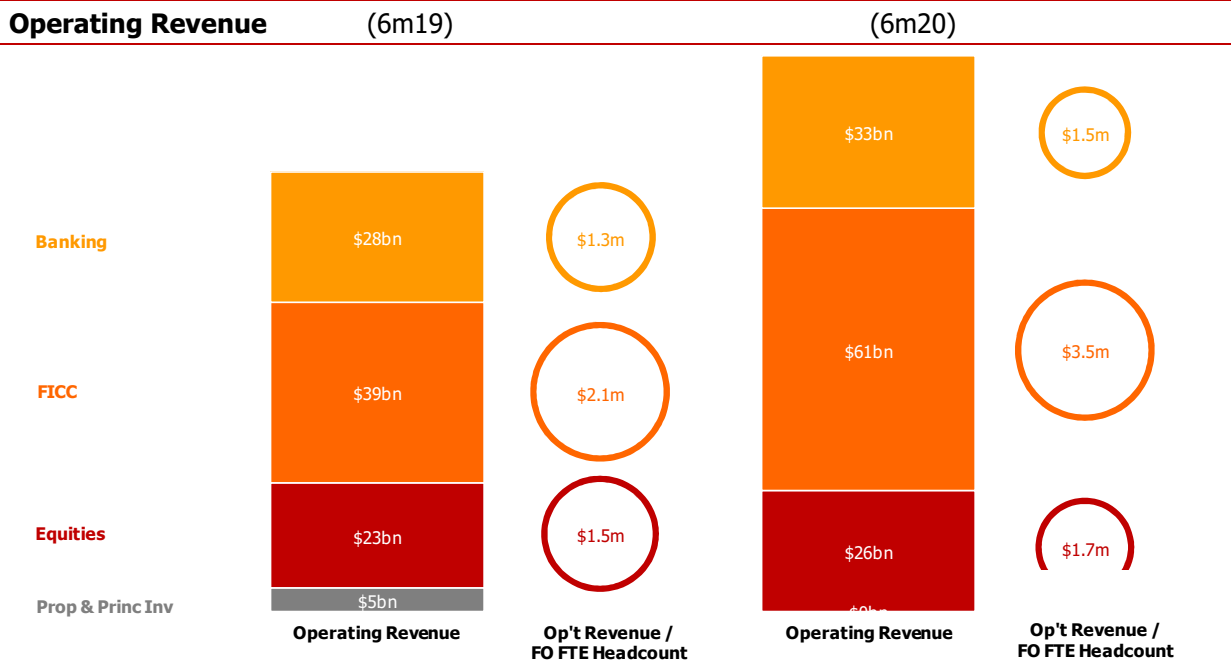


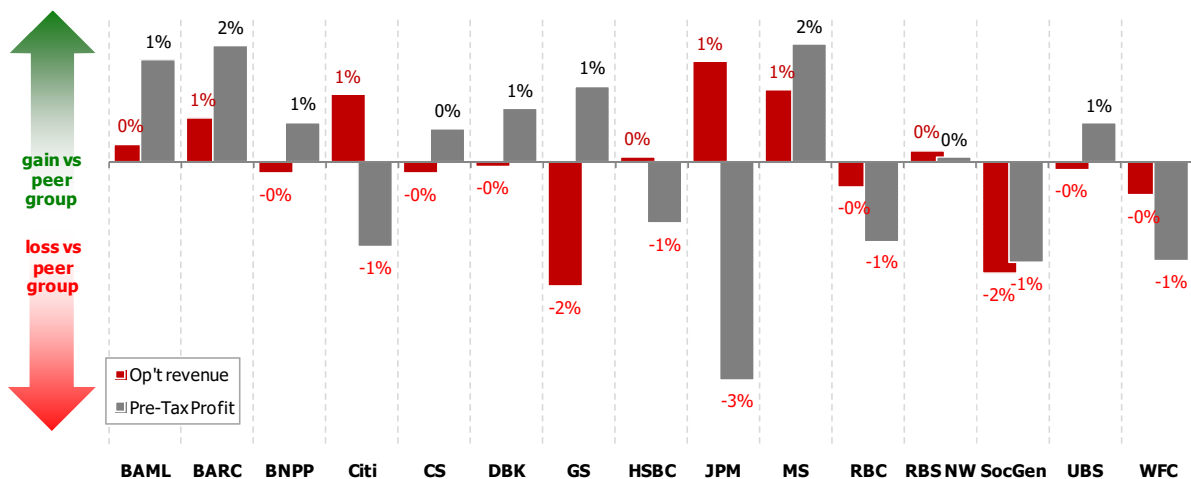
Results Review 2Q20 / 6m20

Capital Markets: Overview

- Accelerating extraordinary gains seen in 1Q20, the 15 banks in this report surged capital markets revenue by 35% y/y in 2Q20 to \$66bn, with FICC contributing the lion's share of gains. Costs were tightly controlled, however, leading to a 57% jump in overall pre-tax profits (EMEA banks almost doubled their aggregate profit).
Banks which commented on the matter suggested that 2H20 revenue will be about half of 1H20, with the drop more pronounced in FICC than equities.
- The halt in job cuts proved temporary. By early summer, several banks – most prominently, HSBC, Credit Suisse and Deutsche Bank – all resumed their restructuring/resizing initiatives. The full impact will be revealed in 3Q20.
- Throughout 2Q20, markets were driven by macro concerns: economic outlook and stimulus, primarily from The Fed; for example, in mid-June, S&P 500 jumped along with credit markets, in direct response to Fed's announcement that it will start buying individual corporate bonds. Such convergence, in turn, made hedging more difficult.



% change share of peer group operating revenue and pre-tax profit (6m20 / 6m20)



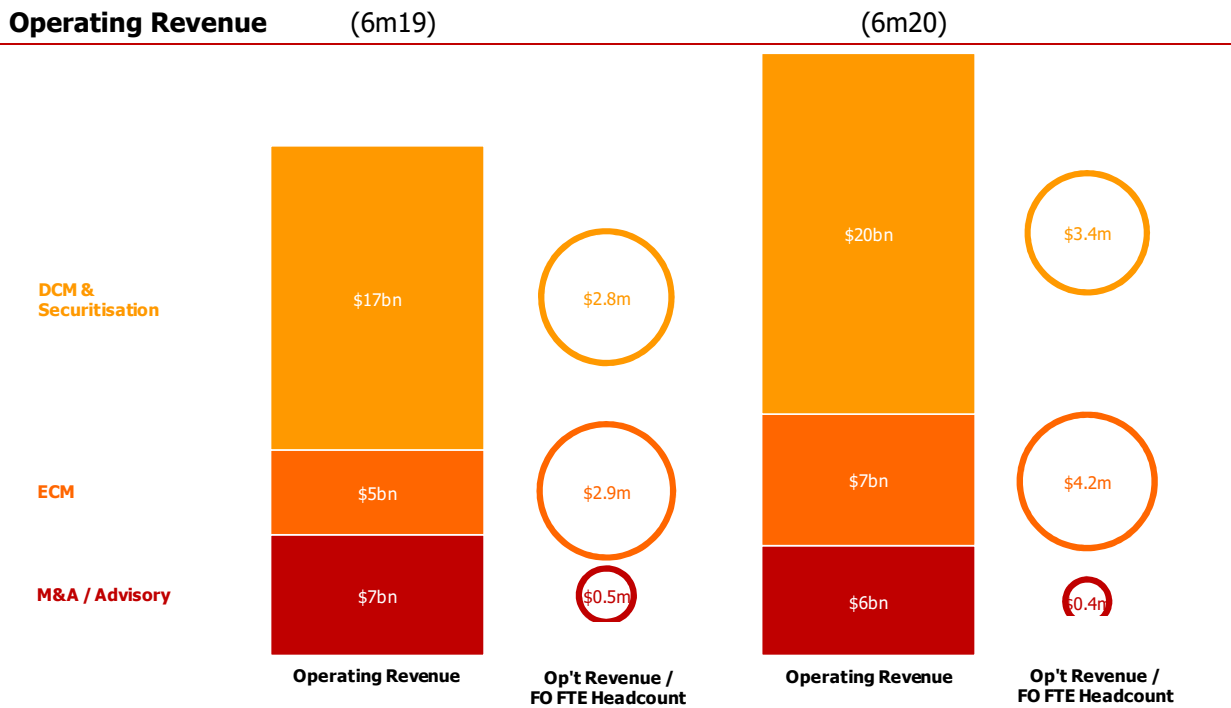
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Capital Markets (cont.): Banking

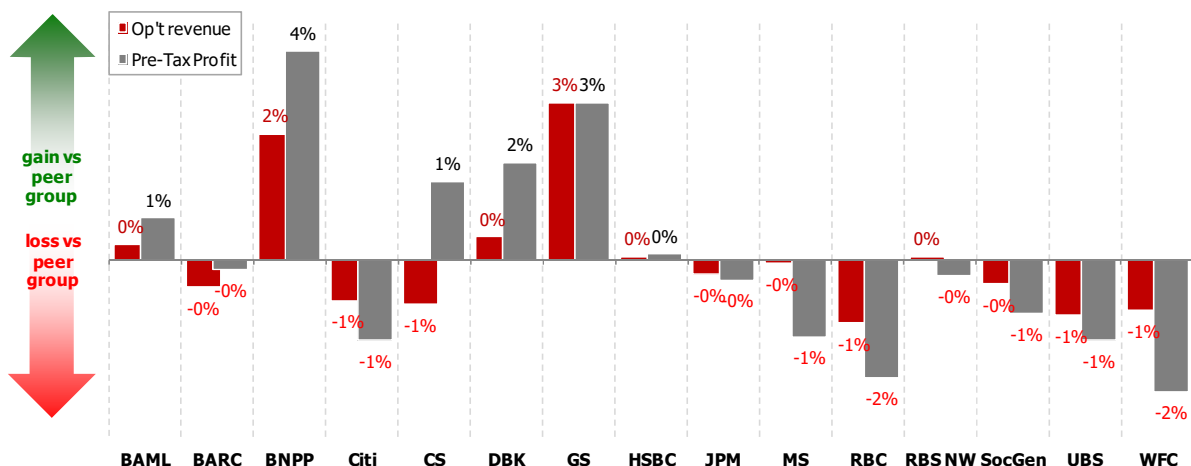
- **Bond** issuance boomed as corporates looked to fortify their balance sheets and/or took advantage of the favourable financing environment. Fees and volumes both surged c.50% vs 2Q19, with leaders – US banks and Barclays – growing their fee revenue by 50-90% y/y and lifting the 1H20 to an all-time high.

Syndicated loan volumes and fees, however, dropped 35% and 15% y/y, respectively, with acquisition-related financing being particularly weak. Compared to the USA and APAC, European markets were in rude health, supported by the reopening of leveraged loan markets for LBOs in mid-May; also, the return of investors prompted (re-)launch of syndicated deals.

- **ECM** volumes doubled vs 2Q19, with USA accounting for almost half of the global market; IPOs slumped, though, in volatile markets. In-scope banks 6m20 fees were 55% ahead of 6m19 but, anticipating a slowdown in the second half of the year, they kept lid on costs, especially comp; consequently, pre-tax profits doubled to more than \$3bn. Converts surged to the post-GFC record, with tech (including small/mid corporates), healthcare and industrials leading the way.
- **M&A/Advisory** activity slumped to a multi-year low: 2Q20 fees and volumes dropped 55% and 20%, respectively. The middle-market was hit particularly hard; we see no reason to expect an improvement in 2H20. Europe was a bright spot: banks in this report grew 1H20 fees by 4% y/y.



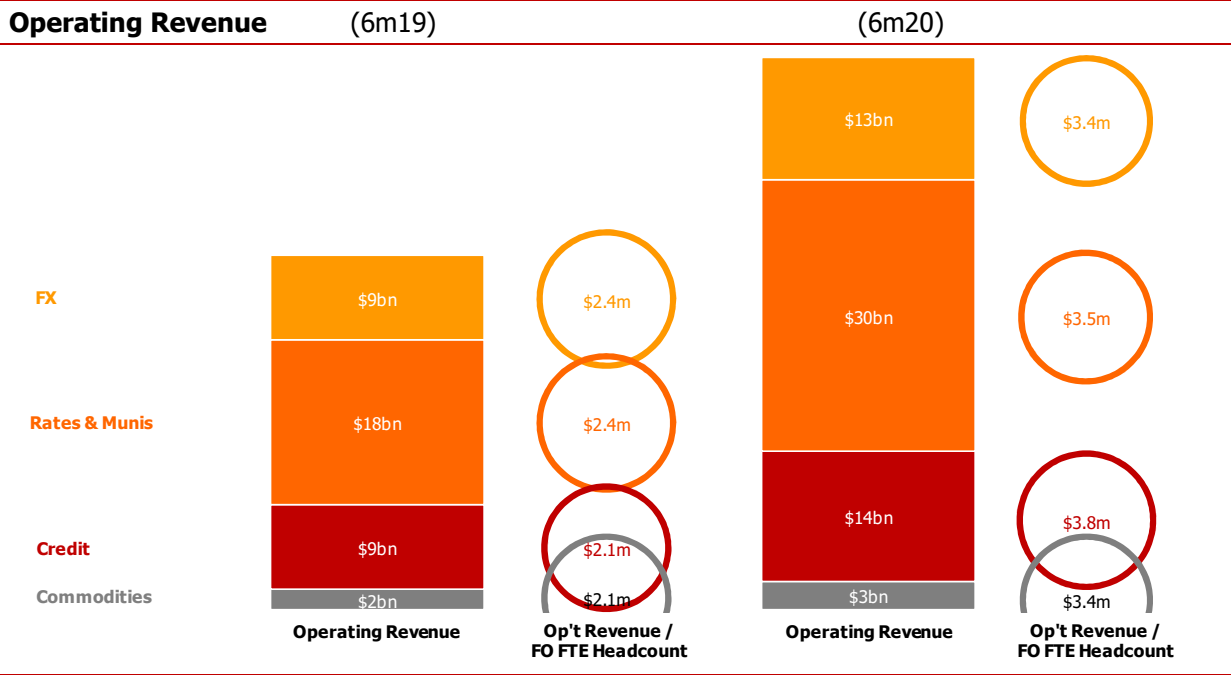
% change share of peer group operating revenue and pre-tax profit (6m20 / 6m19)



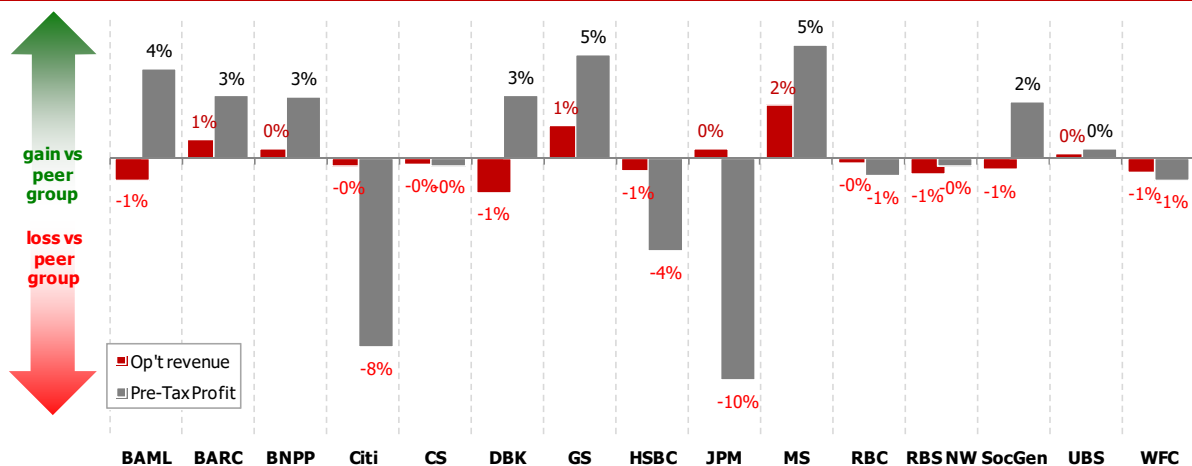
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority.

Capital Markets (cont.): FICC

- The key trends seen in 1Q20 extended into 2Q20: driven by macro products, FICC revenue for 15 banks in this report surged 82% y/y in 2Q20, lifting 1H20 total to \$60bn, 56% ahead of the prior-year period. North American banks outperformed their European peers on both revenue growth and cost-control; but both groups almost tripled their FICC pre-tax profits. Strong electronic execution capability was the key to success in 2Q20, even more than was the case in 1Q20.
- FX and rates revenue jumped more than 60% y/y in 1H20, to \$42bn, reflecting clients' continued appetite for hedging products in volatile environment. Banks and hedge funds clients also provided strong flows. Munis rallied in 2Q20 as investors returned to capitalise on dislocation caused in March sell-off, starting with high grade.
- Credit grew 53% y/y. Growth was driven by flow; but we also note a strong recovery in CLOs, which were among the hardest-hit at the outset of the pandemic. Electronic platforms – MarketAxess, TradeWeb, MTS, among them - all reported record volumes. Demand for emerging market bonds from yield-starved asset managers is on the increase as attention shifts away from safe assets; and within EM, investors are betting on CCC/CC paper. With central banks – most importantly, the Fed – supporting economies, we expect no change in 3Q20.
- Commodities revenue surged, with US leaders almost doubling gains: client flows remained strong as volatility remained at elevated levels, especially in oil, gas and metals.



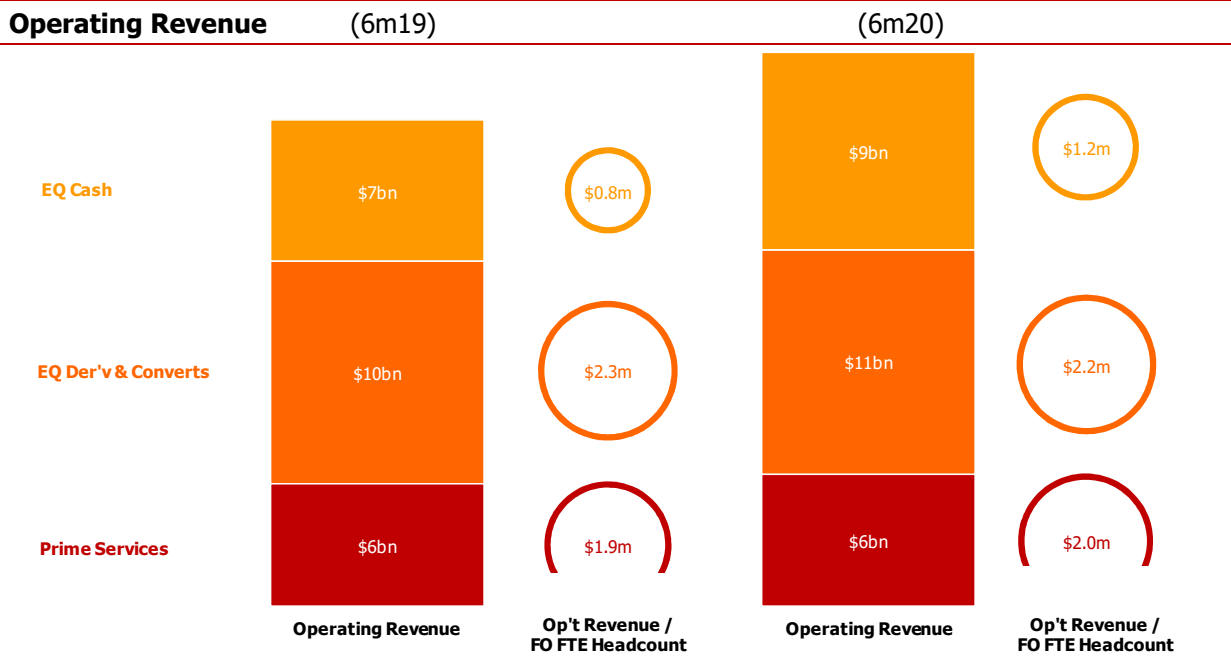
% change share of peer group operating revenue and pre-tax profit: (6m20 / 6m19)



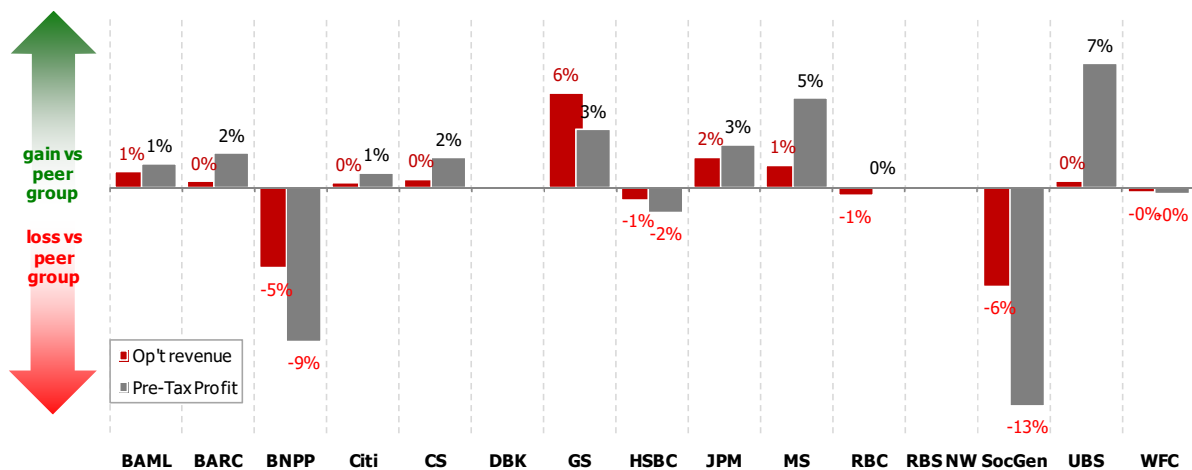
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Capital Markets (cont.): Equities

- EMEA banks dropped further behind their North American peers in Equities, too: year-to-date, NOAM banks lifted total Equities revenue by 30%, while their European counterparts suffered a 22% drop. Much of this was due to French banks’ losses in structured derivatives in 1Q20 which extended, albeit to a smaller degree, into 2Q20. That said, NOAM banks also continued investment in their franchises *and* were much more generous with comp accruals: their operating costs grew 30% y/y, while EMEA banks cut costs by 9%.
- The 1H20 surge in cash equity revenues was driven by US banks. More interestingly, analysts have come into their own during the time of crisis: several US banks (including the leaders in this note) reported near-doubling of research engagements in 2Q20. On a related note, European Commission belatedly acknowledged the damage MiFID 2 has done to coverage of small/mid caps (and bonds) and looks set to relax those rules for corporate with market cap below EUR1bn. A (modest) step in the right direction.
- After a sharp decline in 1Q20, hedge funds’ AuM recovered slightly in April and May. Year-to-date flows are still negative in key categories, though, and AuM movements are high, suggesting that new investors are replacing redemptions. This, and the rise in popularity of private markets, may present a (long-term?) challenge to the industry. In the meantime, ‘our’ banks did well, growing revenue (mainly on strong financing flows) and FTE productivity.



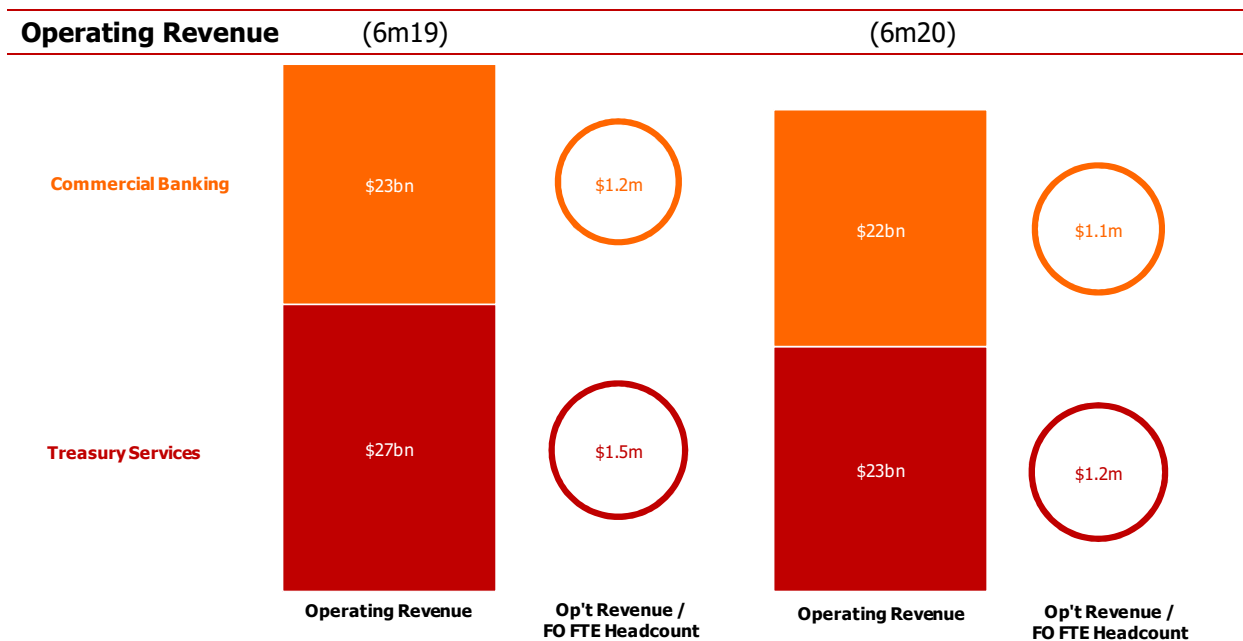
% change share of peer group operating revenue and pre-tax profit (6m20 / 6m19)



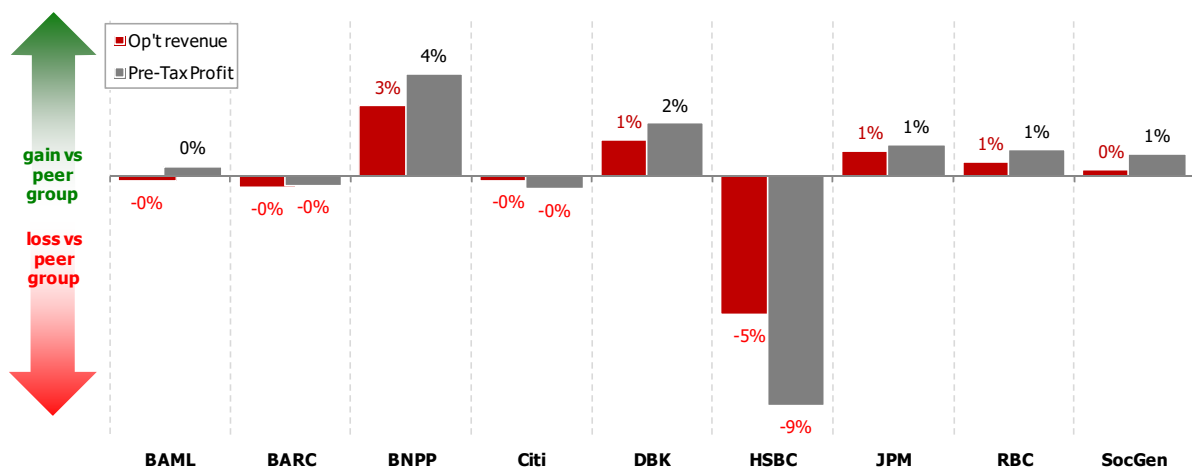
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Commercial Banking & Treasury Services

- Due to ongoing client work, we are temporarily suspending commentary.



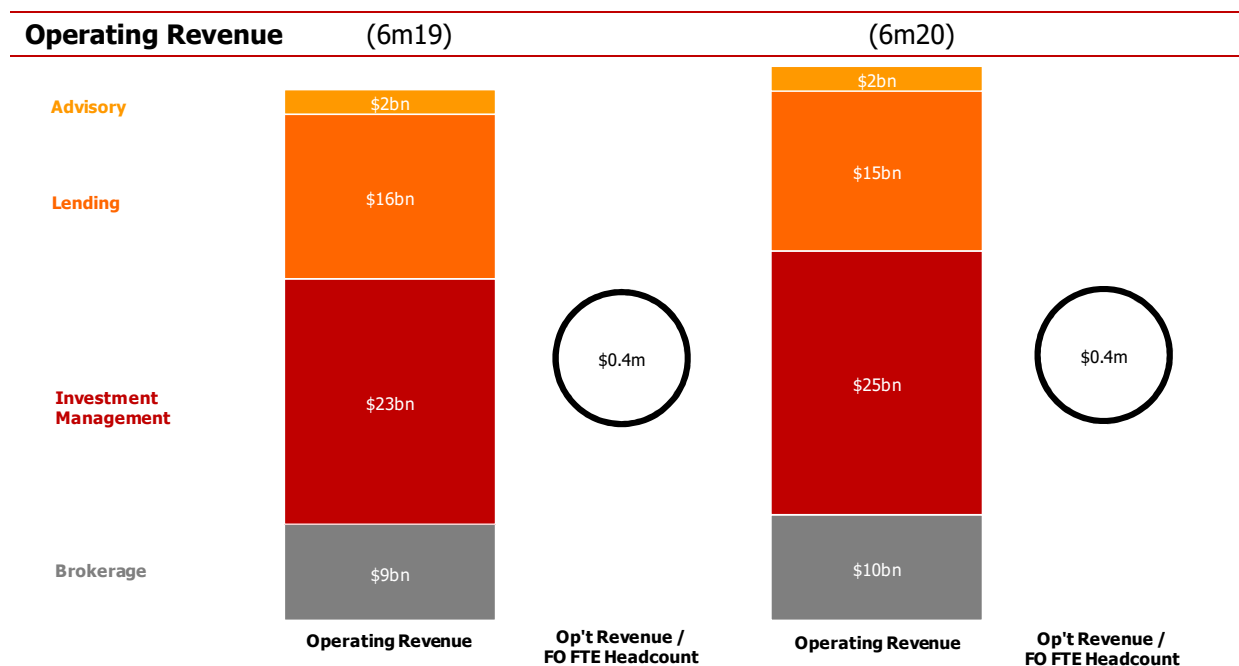
% change share of peer group operating revenue and pre-tax profit (6m20 / 6m19)



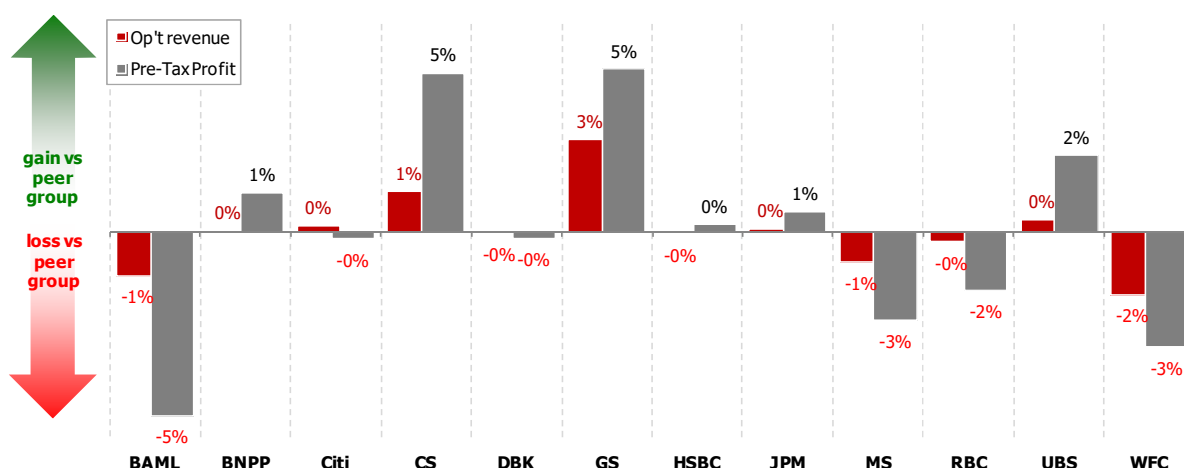
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) In-scope: Large Cap/MNC and Mid-Cap/SMEs.

Wealth Management

- Year-to-date revenue totalled \$52bn, 4% ahead of 6m19. Defying gloomy predictions, the firms in this report maintained their overall profit margins: 29% in aggregate in 6m20, unchanged from the prior-year period (though slightly down from 31% in 1Q20). However, this was mostly due to strong cost control - particularly by EMEA firms - and high business volumes; productivity was unchanged as revenue growth was offset by hiring.
- Significant headwinds remain. The ultra-low interest rate environment was exacerbated in 2Q20 by the fallout from Covid-19, which drove deposit levels up and lending down. Loan/deposit levels are stabilising, but with little chance of V-shaped economic recovery – especially in key Western markets – we doubt interest rates will rise anytime soon. Added to this, the decline in fees and trading margins is structural: it is driven by firms targeting same market segments (mega mandates and UHNWIs), broad move to zero trading commissions and clients’ (rather reasonable) demand for performance- and service-based fees over AuM-based ones.



% change share of peer group operating revenue and pre-tax profit (6m20 / 6m19)



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

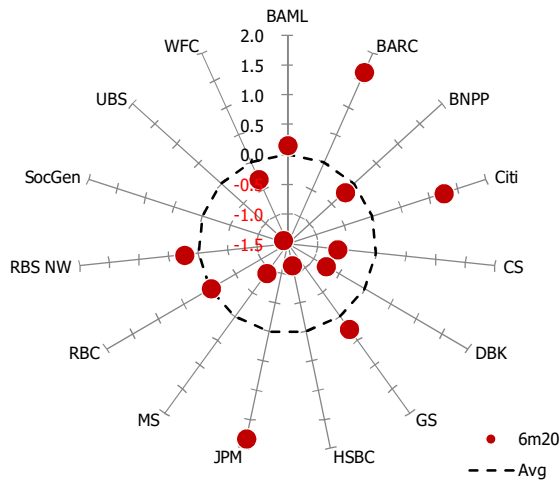
6m20/6m19 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBC	RBS NW	SocGen	UBS	WFC
Capital Markets	↑	↑	↔	↑	↔	↔	↔	↑	↑	↑	↔	↑	↓	↔	↔
Banking	↔	↔	↑	↔	↓	↔	↔	↔	↔	↔	↓	↔	↓	↓	↔
DCM Bonds	↔	↔	↔	↔	↔	↑	↔	↔	↔	↔	↓	↔	↓	↓	↔
DCM Loans	↓	↔	↑	↓	↓	↓	↑	↓	↓	↔	↓	↔	↓	↓	↓
Securitisation	↔	↑	↔	↔	↔	↔	↑	↓	↓	↔	↓	↔	↓	↓	↓
ECM	↔	↔	↓	↔	↔	↑	↔	↔	↔	↔	↓	↔	↓	↔	↔
M&A / Advis	↔	↓	↑	↔	↔	↓	↓	↔	↓	↓	↓	↔	↓	↓	↓
Markets	↑	↑	↔	↑	↑	↔	↔	↑	↑	↑	↓	↑	↓	↑	↔
FICC	↔	↔	↔	↔	↔	↓	↔	↔	↔	↑	↔	↓	↓	↔	↓
FX	↓	↓	↓	↓	↑	↓	↔	↓	↓	↑	↔	↓	↓	↔	↓
Rates & Munis	↔	↔	↔	↔	↓	↔	↔	↔	↔	↑	↔	↓	↔	↔	↔
Credit	↔	↑	↔	↓	↔	↔	↑	↔	↑	↑	↔	↓	↔	↔	↔
Commodities	↔	↔	↔	↔	↔	↔	↑	↔	↑	↔	↓	↔	↓	↑	↑
Equities	↔	↔	↓	↔	↔	↔	↑	↓	↑	↔	↔	↔	↓	↔	↔
EQ Cash	↔	↔	↔	↔	↔	↔	↑	↓	↔	↔	↔	↔	↓	↔	↓
EQ Der'v & Conv't	↔	↔	↓	↔	↑	↔	↑	↔	↔	↔	↔	↔	↓	↔	↔
Prime Services	↔	↓	↔	↓	↓	↔	↑	↓	↓	↔	↓	↔	↓	↔	↓
Prop & PI	↔	↔	↑	↓	↓	↔	↔	↓	↓	↔	↔	↔	↔	↔	↔
Comm Bank / Treas Serv	↔	↓	↑	↔	↔	↑	↔	↓	↔	↔	↔	↔	↔	↔	↔
Comm Bank	↔	↓	↔	↔	↔	↑	↔	↓	↔	↔	↔	↔	↔	↔	↔
Treas Serv	↔	↑	↑	↔	↔	↑	↔	↓	↑	↔	↑	↔	↑	↔	↔
Wealth Management	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓
Advisory	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓
Lending	↔	↔	↑	↑	↑	↑	↓	↔	↑	↔	↑	↔	↑	↑	↔
Investment Management	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓
Brokerage	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓

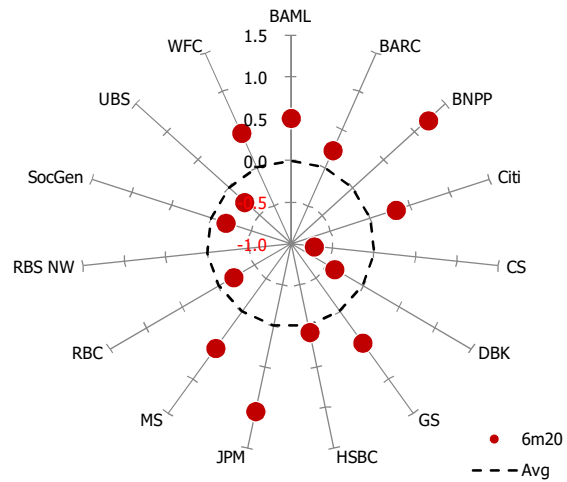
Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Operating revenue is post-writedowns, excludes DVA/equivalent and one-offs. (4) Commercial/Transaction Banking includes Large Cap/MNC and Mid-Cap/SMEs.

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

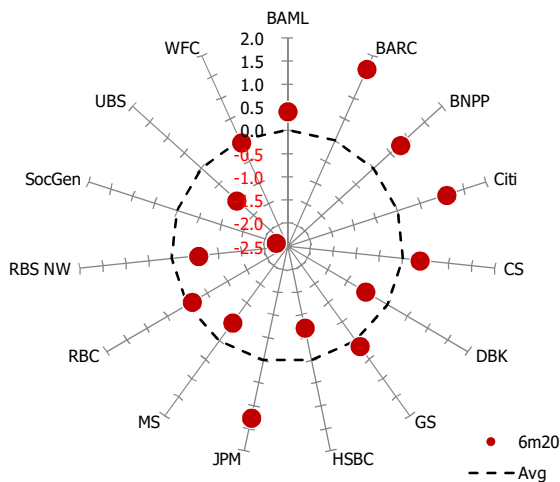
Capital Markets



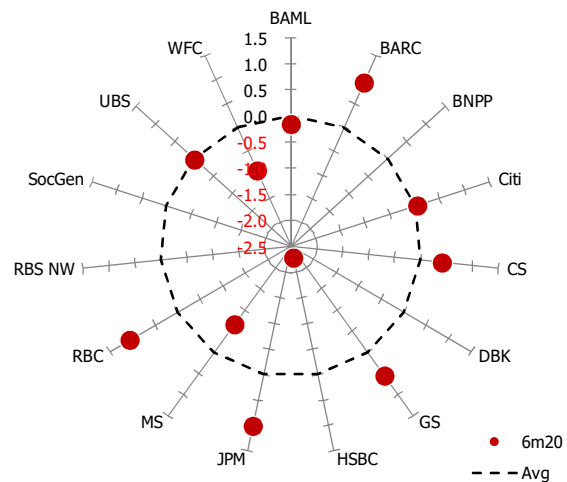
Banking



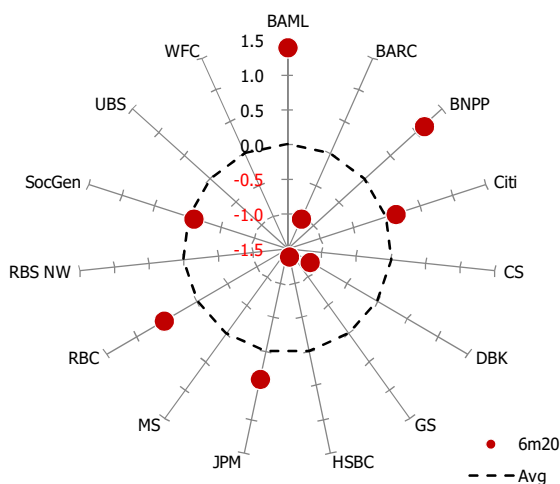
FICC



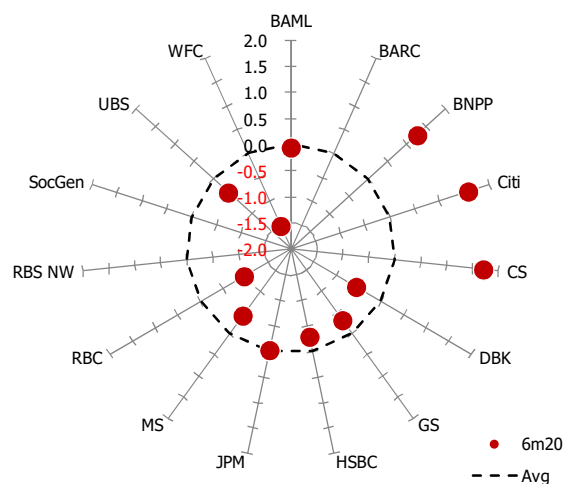
Equities



Commercial Banking / Treasury Services



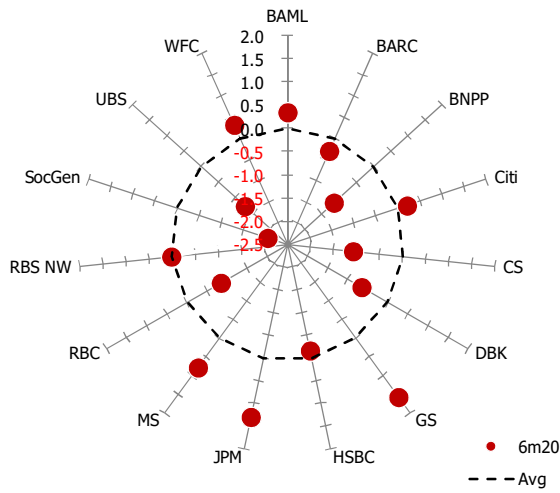
Wealth Management



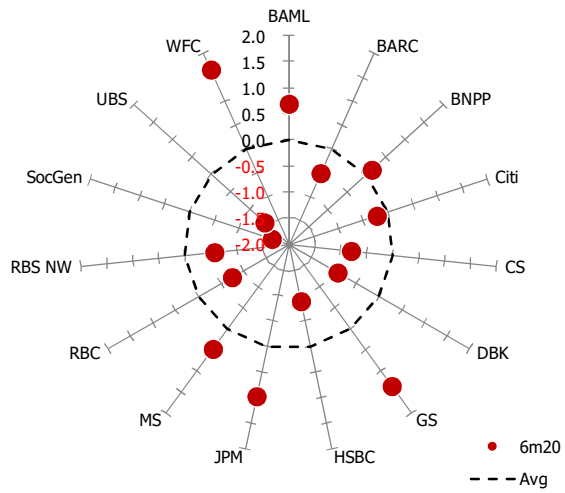
Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) Operating expenses exclude one-off non-operational items, insurance-related benefits & claims, and credit expense/recovery/NPL provisions. Capital expenditure is included as accrued. Litigation expense is allocated to front-line units. (3) positive values = outperformance; negative values = underperformance, relative to the peer group featured in this report; (4) missing values = not included in ongoing coverage or a bank is not a significant competitor in this market; (4) outliers are excluded.

Operating Revenue / Front Office FTE (US\$, Global Level 1)

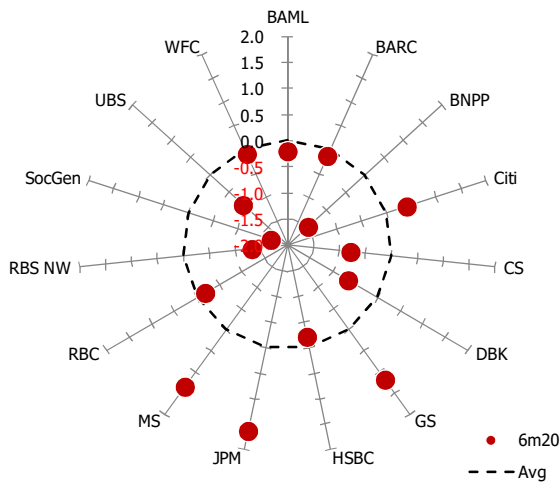
Capital Markets



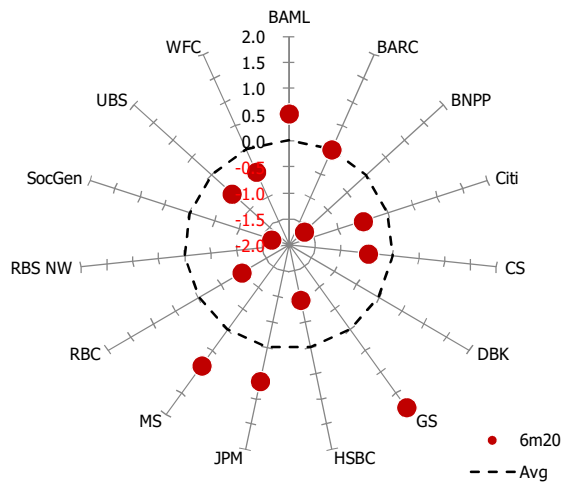
Banking



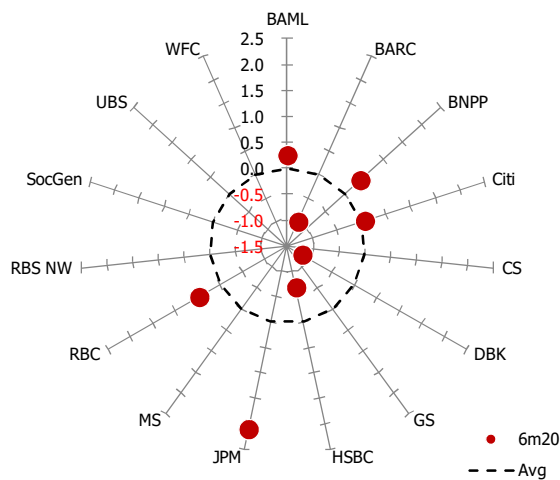
FICC



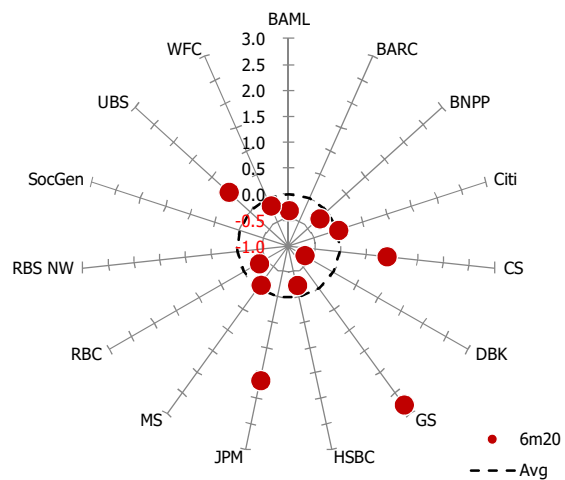
Equities



Commercial Banking / Treasury Services



Wealth Management



Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) positive values = outperformance; negative values = underperformance, relative to the peer group featured in this report; (3) missing values = not included in ongoing coverage or a bank is not a significant competitor in this market; (4) outliers are excluded.

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