

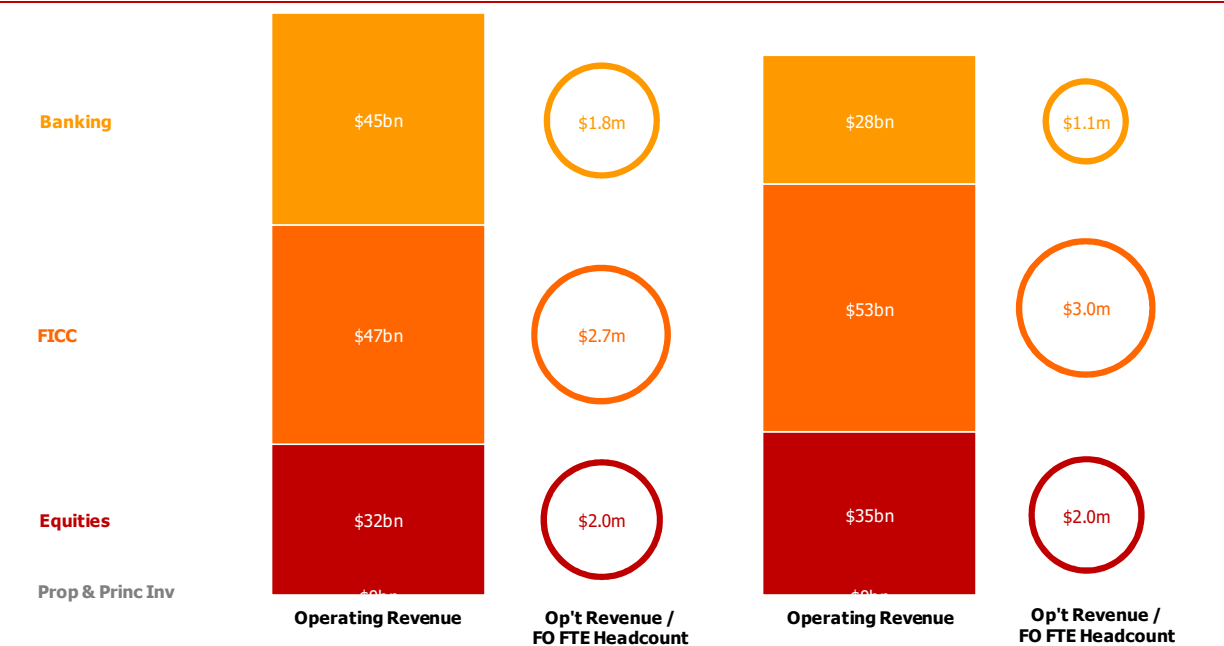
## Results Review 2Q22 / 6m22

### Capital Markets: Overview

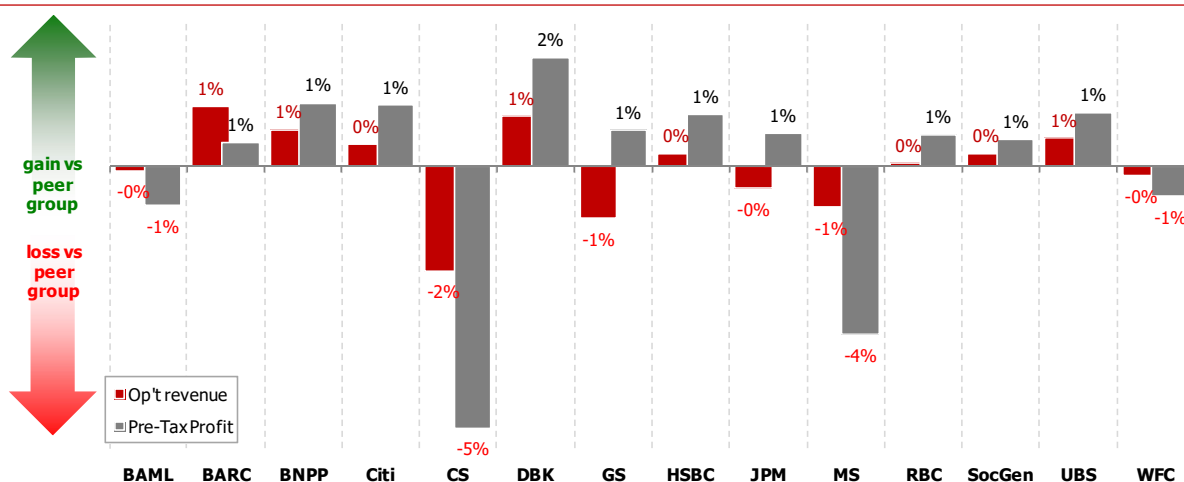
- In 1H22, banks in this report generated operating revenue of \$116bn, 7% below 1H21 as a sharp drop in underwriting fees and spread products was only partially offset by strong macro products and equity derivatives. After a tight 1Q22, banks were unable to reduce costs to match a decline in revenue; as a result, pre-tax profit dropped to \$45bn, 14% down y/y.
- In an ominous sign for banks, US senators are reportedly pushing banks to hand over trading data on their activities in Russian debt in an effort to find out whether they or their clients are profiting from the war. There has been little development so far, but banks confirmed that they are helping clients manage and/or close their trading positions. Extensive regulatory review and litigation – possibly years from now - seems likely.
- In the EU, ECB released a major report on its 'desk-mapping' initiative, which is meant to ensure that banks operating in the EU have full control over their balance sheets within the EU. The report found that, of 264 desks assessed, 70% still implement a back-to-back booking model with the UK, 20% are organised as split desks; and that 21% warrant 'targeted supervisory action'. In anticipation of ECB's announcing binding decisions for material risk desks by the end of 2022, banks are hiring.

### Revenue & productivity (6m21)

### (6m22)



### % change share of peer group operating revenue and pre-tax profit (6m22 / 6m21)



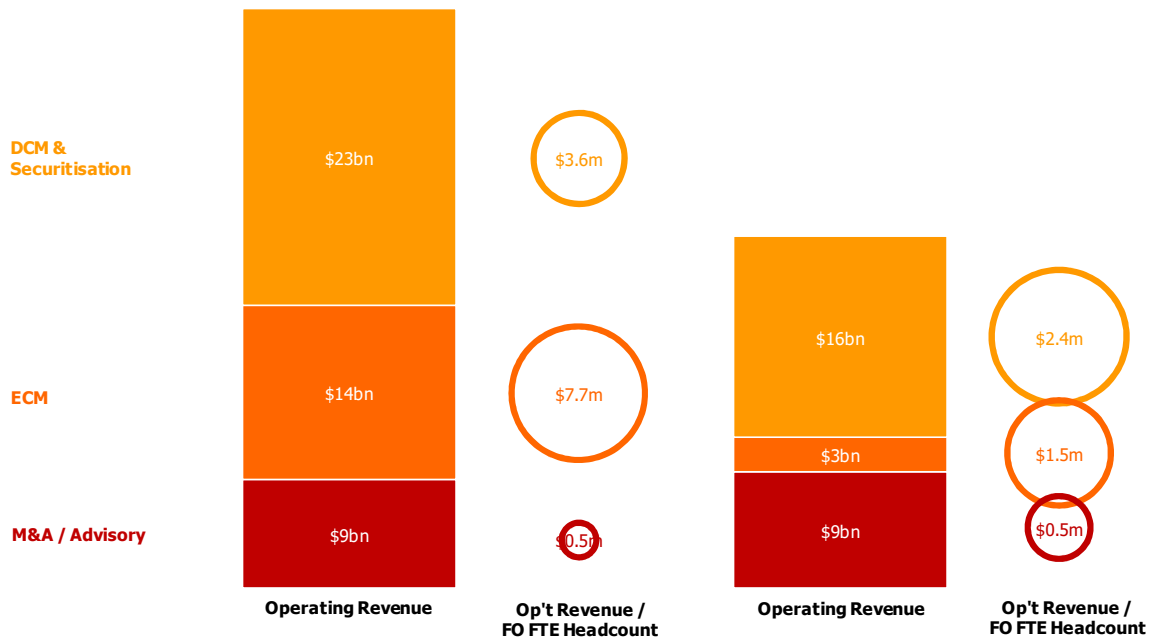
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

### Capital Markets (cont.): Banking

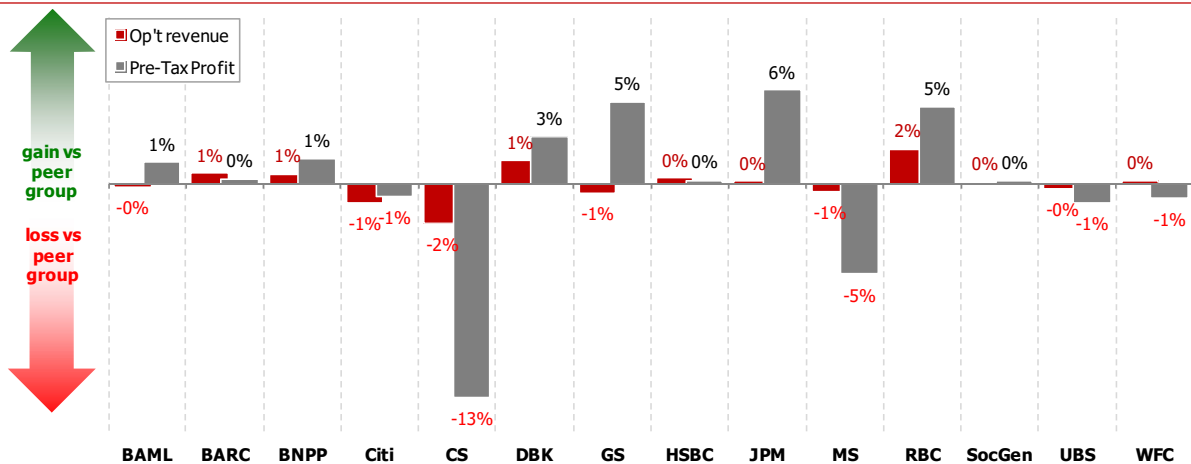
- In DCM, fears of inflation and recession drove investors out of European and the US high yield credit at a rate not seen in more than 20 years, leading, in turn, to postponement or cancellation of deals; according to Bloomberg, from May to June, the number of such offerings tripled. Most banks in this report booked significant mark-to-market losses in leveraged finance. High grade held up comparably well, and APAC local currency bonds jumped 20%+ y/y.
- ECM volumes and fees plunged in 2Q22. In London, IPOs on LSE raised less than £600m in 1H22: 94% down y/y, the worst 1H since 2009; similarly, in the USA, companies have raised less than \$5bn in 1H22, barely 6% of 1H21 and 10% of the 5-year average. The IPO freeze is extending into block trades. Barring an (unexpected) economic recovery, 2H22 is not looking much better, either. Looking for volumes, banks are hiring in the Middle East – mostly in Saudi Arabia and UAE. SPAC leaders have paused their activity. In Europe, FT reported that only 13 of the 66 SPACs which went public in 1H22 have identified merger targets, and only eight of those have closed. In APAC, Singapore and Hong Kong’s efforts to encourage SPAC deals have not, so far, yielded much.
- M&A/Advisory did comparably well: the activity slowed down slightly in 2Q22, but 1H22 aggregate fees and profits were 7% ahead of 1H21. The outlook for M&A financing is uncertain, especially in Europe. So far, banks have provided the financing, but economic uncertainty and central banks’ tightening is making deal financing costlier and more difficult to access. In July, US volumes were down almost 40% y/y.

#### Revenue & productivity (6m21)

#### (6m22)



#### % change share of peer group operating revenue and pre-tax profit (6m22 / 6m21)



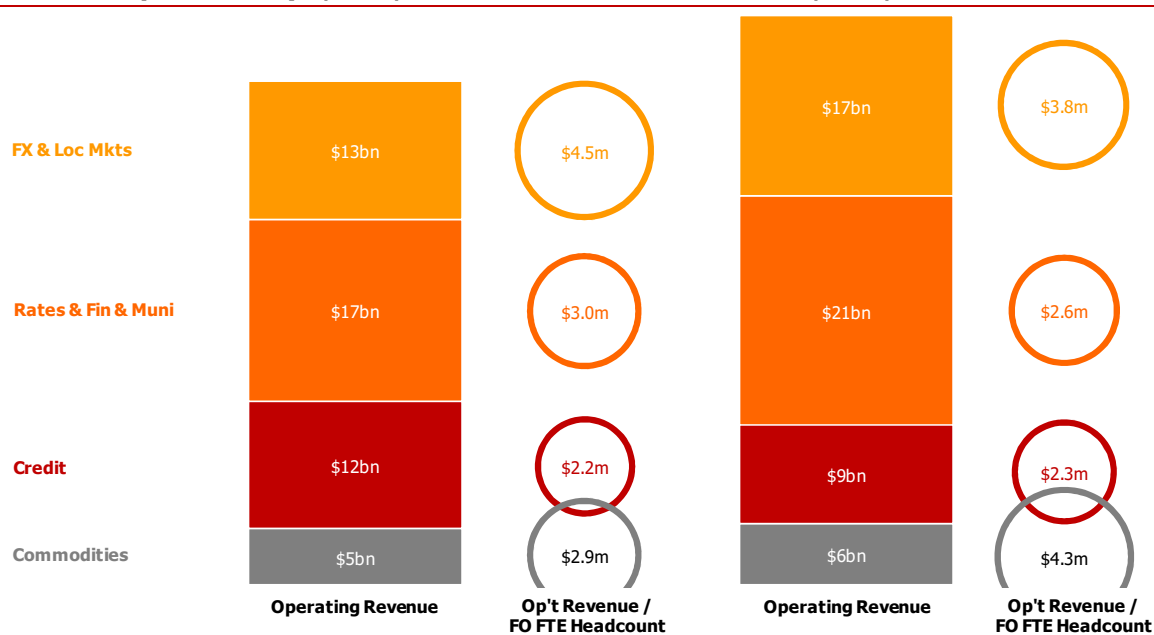
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### Capital Markets (cont.): FICC

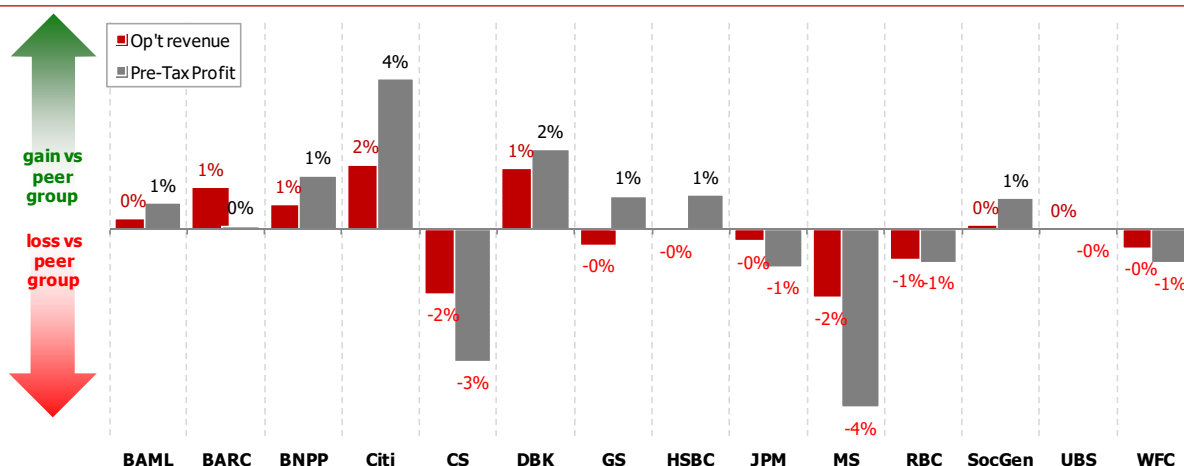
- **FX** extended 1Q22 gains due to volatility and higher institutional activity. Options and e-trading outperformed. OTC FX clearing reached \$1tn in May, with nearly all cleared activity in NDFs. In crypto, there are increasing signs that cryptocurrencies have entered a prolonged reversal.
- **Rates** were the other standout: aggregate revenue was up 28% y/y. After a steady decline until May, muni funds staged a modest comeback in June. Inflation revenue surged in 2Q22. Some banks are hiring in rates, expecting opportunities from volatility (which reached even German bonds) and higher yields. Govies are suffering from a liquidity draught created by central banks' ending QEs and surging interest rates. Hedging costs in euro markets jumped in the summer. MarkitSERV's recent analysis showed deglobalisation of rates markets: UK-based investors are unable to trade on EU venues, while EU-based clients cannot trade on UK venues. In Mar-22, UK trading venues were again #1 for in-venue execution of GBP swaps, followed by SEFs.
- The cost of hedging European **credit** surged in early 2Q22 to levels above those seen in the early days of the war, prompting investors to dump the underlying securities. More broadly, emerging markets debt (and equities) have also been hit hard. Despite a slowdown at the outbreak of the war in Ukraine, sales of synthetic CDO jumped in 1H22; FY22 volume could be 3x above FY21.
- **Commodities**, as ever, produced winners and losers among the four leaders. The war in Ukraine has caused a sharp spike in margin rates across derivatives – especially in energy and wheat – prompting clients to find new sources of financing to meet brokers' collateral requirements.

#### Revenue & productivity (6m21)

(6m22)



#### % change share of peer group operating revenue and pre-tax profit: (6m22 / 6m21)



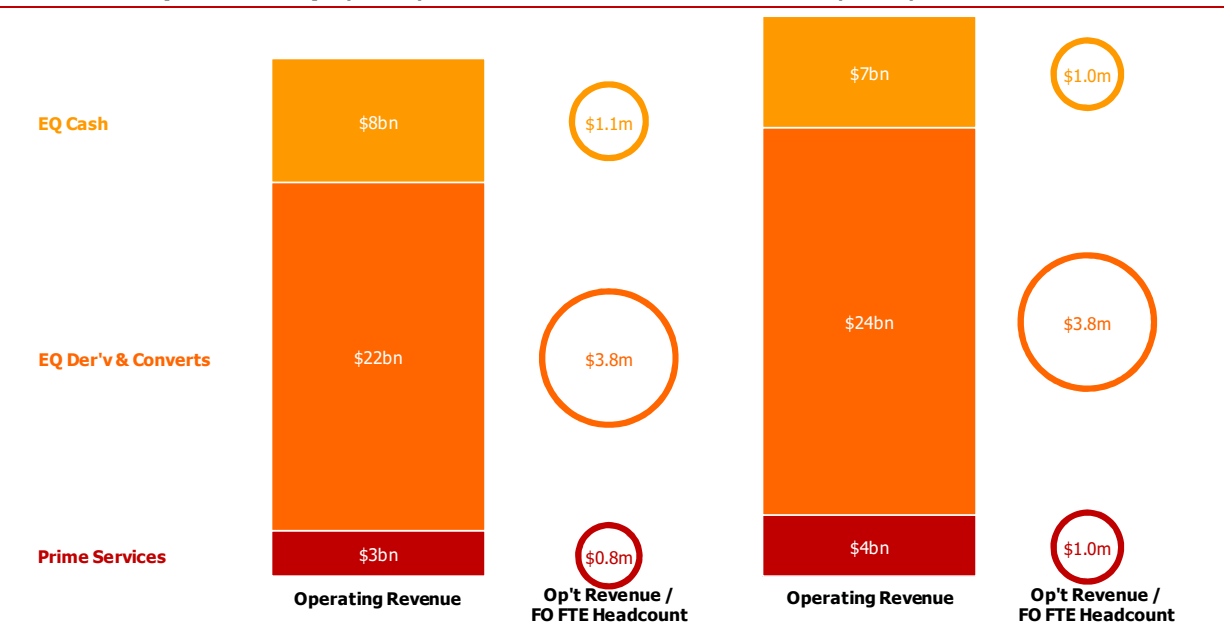
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### Capital Markets (cont.): Equities

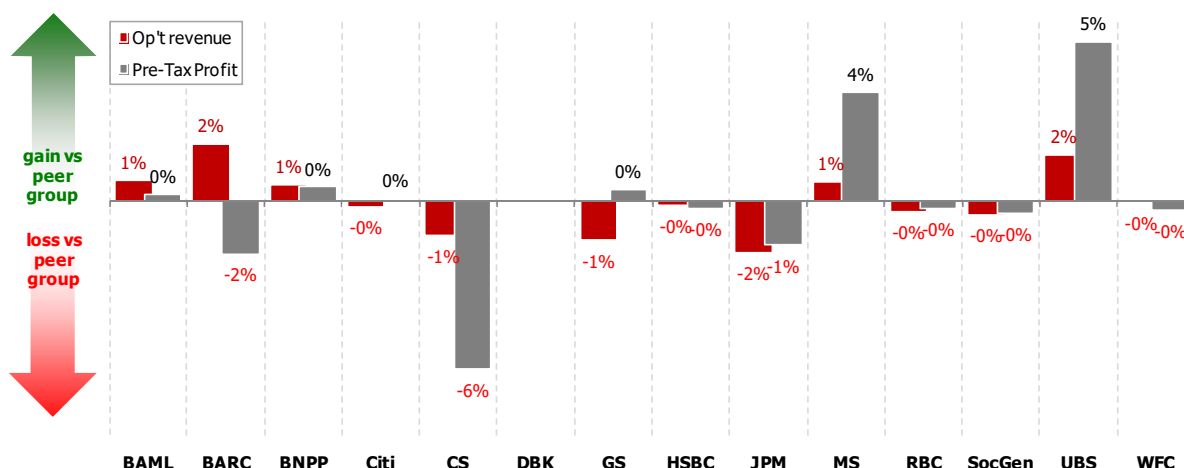
- Cash equity declined, mostly due to weak(er) institutional volume and a sharp drop in primary markets. High-touch institutional trading fell the most, due to inflation, likelihood of a recession in key markets, and geopolitical situation.
- In equity derivatives, elevated volatility and long sell-off period prompted clients to hedge risk. Flow products were the key driver of growth; structured grew as well, albeit at a slower clip. Corporate equity derivatives activity was muted.
- The growth in prime services revenue was driven by strong financing and higher client balances. This was partly offset by higher funding costs.
- In APAC, listed derivatives grew on strong volumes.

### Revenue & productivity (6m21)

### (6m22)



### % change share of peer group operating revenue and pre-tax profit (6m22 / 6m21)



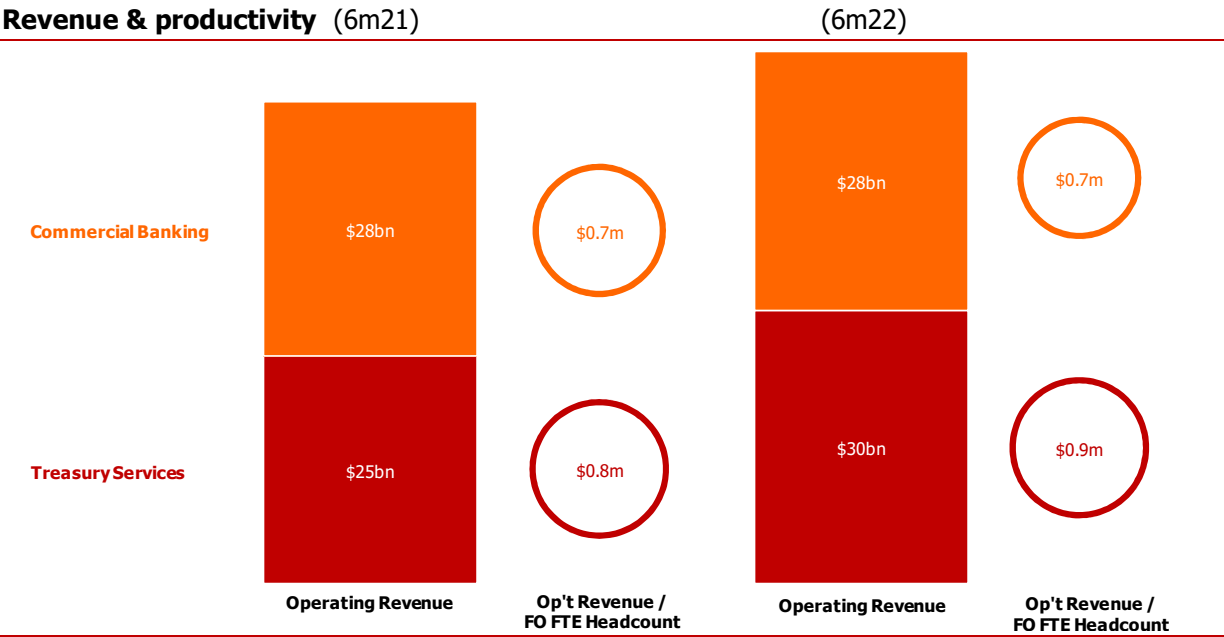
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### Commercial Banking & Treasury Services

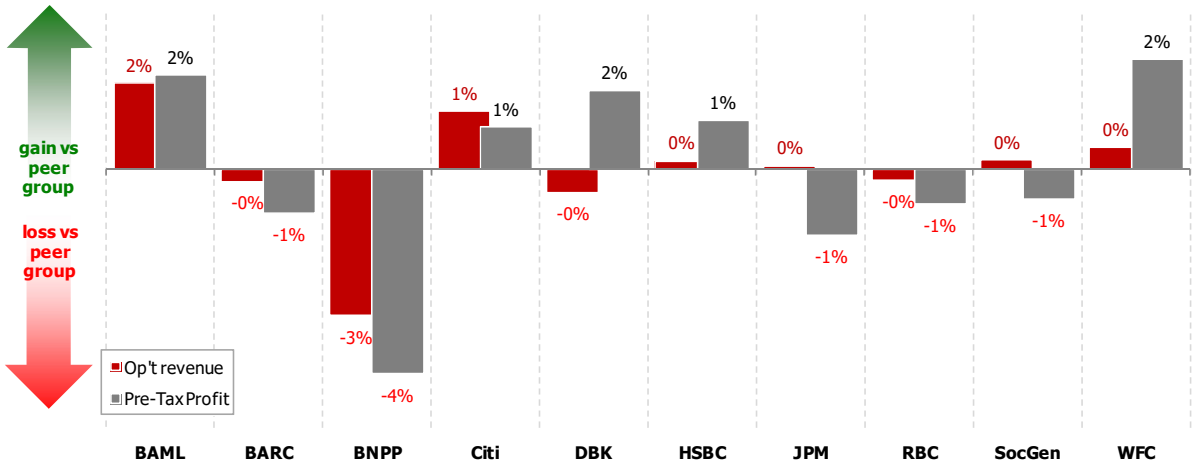
- **Lending** revenue grew on strong volumes and higher margins. Net interest income also advanced, on healthy loan and deposit growth.
- Strong revenue growth in **transaction banking** was driven by net interest income and liquidity management. In sharp contrast to widespread scaling down in 2020, commodity trade finance is booming.

Cash management enjoyed steady growth in 2Q22. Liquidity management, global import and export volumes were all up versus 2Q21 and sequentially, and payments volumes are expected to hit a record high. Partly offsetting were the increased competition and margin pressures. Trade Finance benefited from record commodity prices and rising interest rates.

- Geopolitical tensions notwithstanding, rising interest rates and high commodity prices suggest a bright outlook for trade finance and commodity financing in particular. In 2021, faced by defaults caused by the pandemic and frauds, key European lenders restricted financing of commodity transactions. Interest is on the rise again, however: commodity traders are receiving more loans. Fraud - duplicate financing, in particular - remains a concern, but yields are tempting.



**% change share of peer group operating revenue and pre-tax profit (6m22 / 6m21)**



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.

## Revenue dynamics

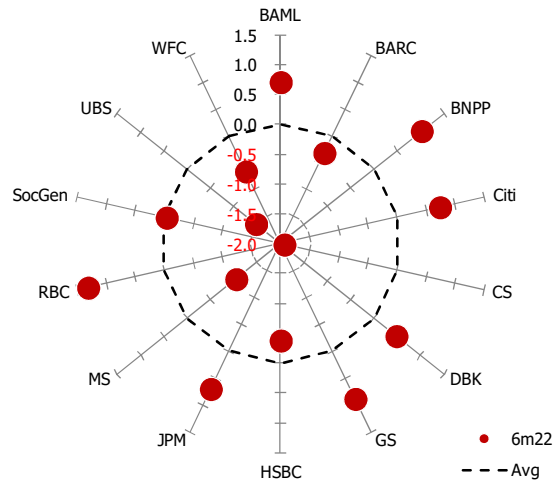
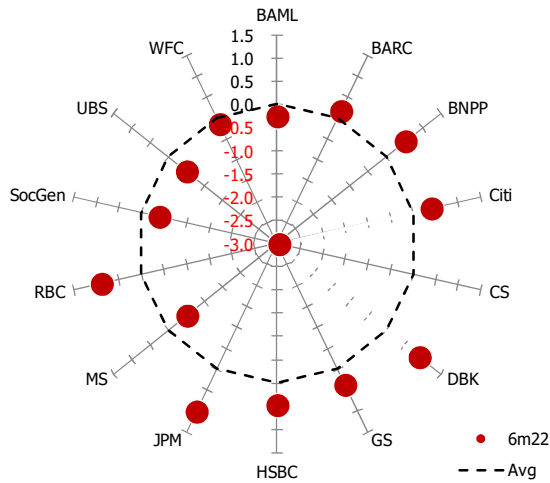
6m22/6m21 (Operating revenue, % change, US\$, Global Level 1)

	BAML	BARC	BNPP	Citi	CS	DBK	GS	HSBC	JPM	MS	RBC	SocGen	UBS	WFC
Capital Markets	↗	↕	↕	↗	↘	↕	↗	↕	↗	↗	↗	↕	↕	↗
Banking	↘	↘	↘	↘	↘	↗	↘	↗	↘	↘	↕	↘	↘	↘
DCM Bonds	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↕	↘	↘	↘
DCM Loans	↘	↗	↗	↘	↘	↘	↘	↕	↘	↘	↗	↘	↘	↘
Securitisation	↘	↕	↕	↗	↘	↕	↕	↗	↕	↕	↗	↗	↘	↘
ECM	↘	↘	↘	↘	↘	↘	↘	↗	↘	↘	↕	↗	↘	↘
M&A / Advis	↘	↘	↘	↘	↗	↗	↘	↘	↘	↘	↕	↘	↘	↕
Markets	↗	↕	↕	↕	↘	↕	↗	↗	↗	↗	↗	↗	↕	↗
FICC	↕	↕	↕	↕	↘	↕	↗	↗	↗	↗	↗	↕	↕	↗
FX & Loc Mkts	↕	↕	↕	↗	↘	↕	↗	↗	↗	↗	↗	↕	↘	↗
Rates & Fin & Mur	↕	↕	↕	↗	↘	↕	↗	↗	↗	↗	↗	↕	↘	↗
Credit	↕	↕	↕	↗	↘	↘	↕	↘	↕	↗	↗	↕	↘	↘
Commodities	↘	↘	↘	↕	↘	↘	↘	↗	↘	↘	↕	↘	↘	↘
Equities	↗	↕	↕	↕	↘	↘	↗	↗	↗	↗	↗	↗	↕	↗
EQ Cash	↕	↗	↕	↕	↘	↘	↗	↕	↕	↕	↗	↕	↕	↕
EQ Der'v & Conv't	↗	↕	↘	↘	↘	↘	↘	↘	↘	↗	↘	↘	↘	↗
Prime Services	↕	↕	↕	↕	↘	↕	↕	↕	↕	↕	↕	↕	↕	↕
Prop & PI	↕	↕	↕	↕	↘	↘	↗	↘	↕	↕	↕	↕	↕	↕
Comm Bank / Treas Serv	↕	↘	↘	↕	↘	↘	↕	↗	↗	↗	↗	↗	↕	↗
Comm Bank	↕	↘	↗	↕	↘	↕	↕	↕	↗	↗	↕	↕	↕	↕
Treas Serv	↗	↗	↘	↗	↘	↘	↗	↗	↗	↗	↗	↕	↕	↗

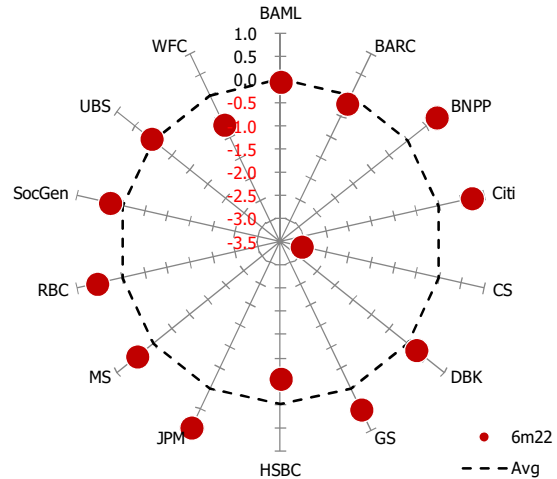
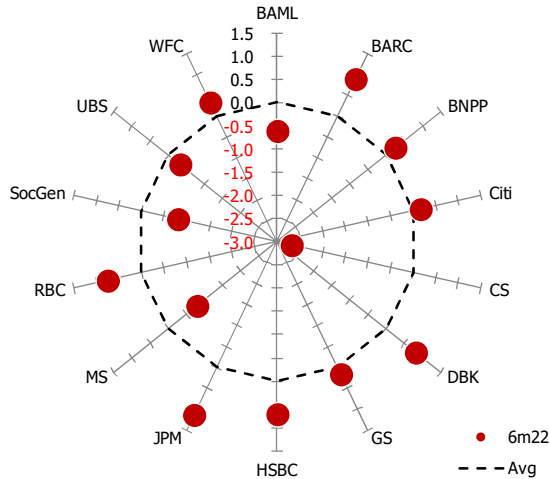
Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Operating revenue is post-writedowns, excludes DVA/equivalent and one-offs. (4) Commercial/Transaction Banking includes Large Cap/MNC and Mid-Cap/SMEs.

**Pre-tax profit margin (US\$)**

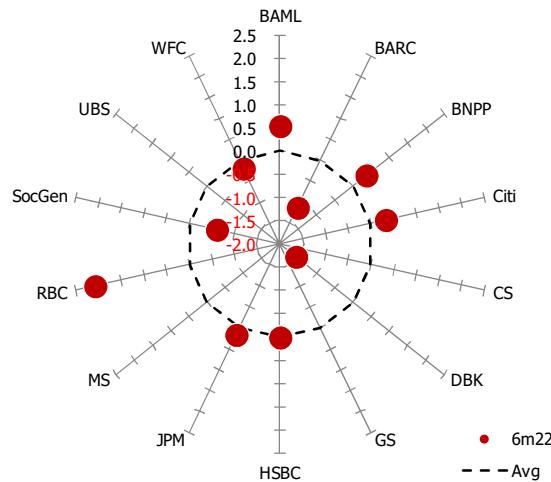
**Capital Markets** **Banking**



**FICC** **Equities**



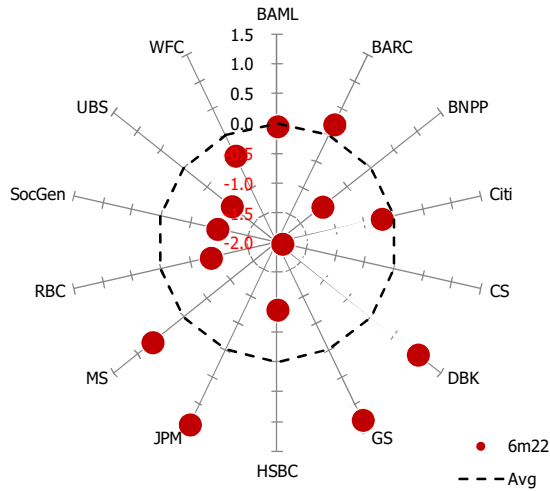
**Commercial Banking / Treasury Services**



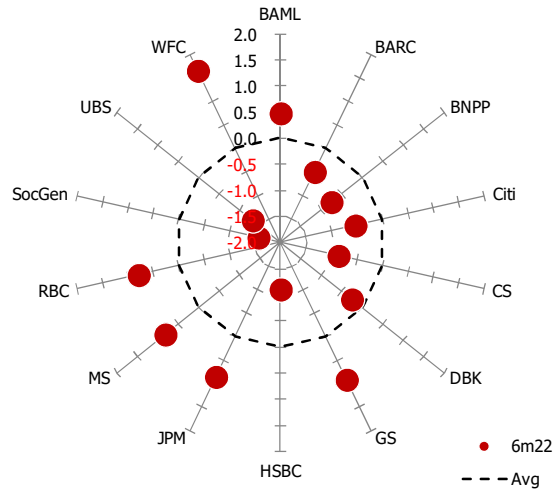
Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) Operating expenses exclude one-off non-operational items, insurance-related benefits & claims, and credit expense/recovery/NPL provisions. Capital expenditure is included as accrued. Litigation expense is allocated to front-line units. (3) positive values = outperformance; negative values = underperformance, relative to the peer group featured in this report; (4) missing values = N/M; no Tricumen coverage; or a bank is not a significant competitor.; (5) outliers are excluded.

Operating Revenue / Front Office FTE (US\$)

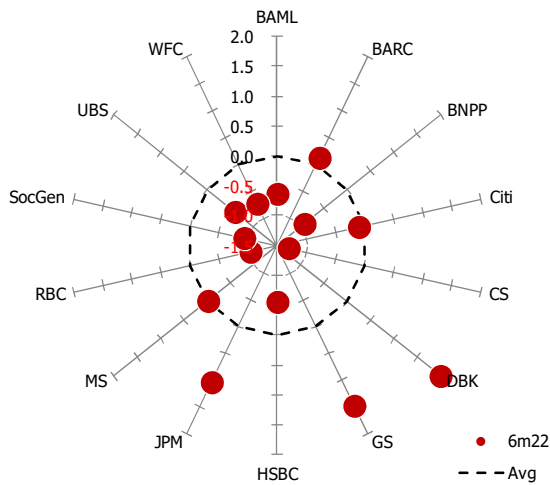
Capital Markets



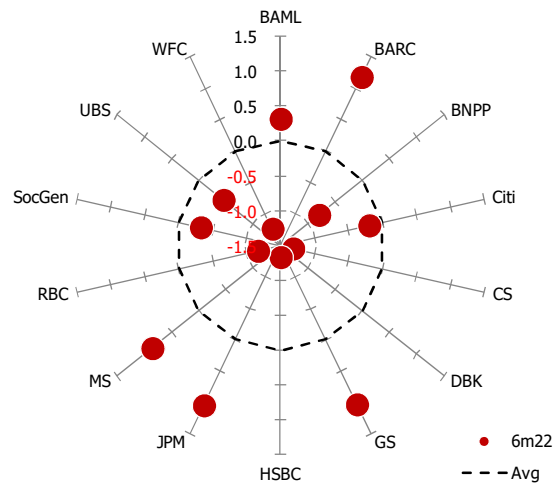
Banking



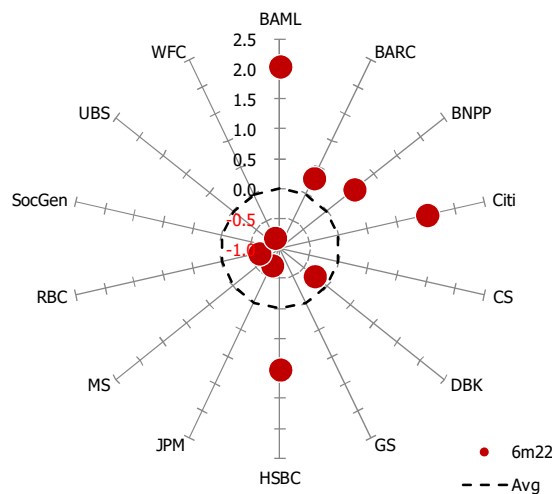
FICC



Equities



Commercial Banking / Treasury Services



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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 financial markets-focused research network of its peer group.

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