

CIB Results Review 2Q24 / 6m24

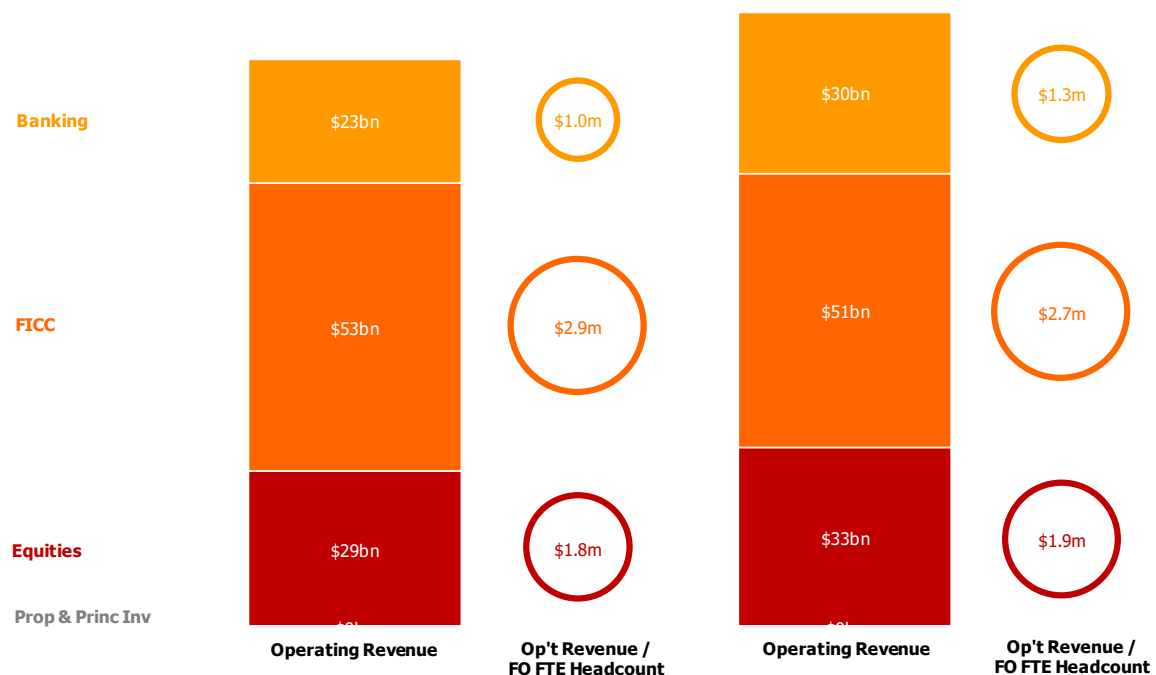
Capital Markets: Overview

UBS reports late, on August 14th. The bank's 1H24 performance shown here is based on Tricumen's early estimates.

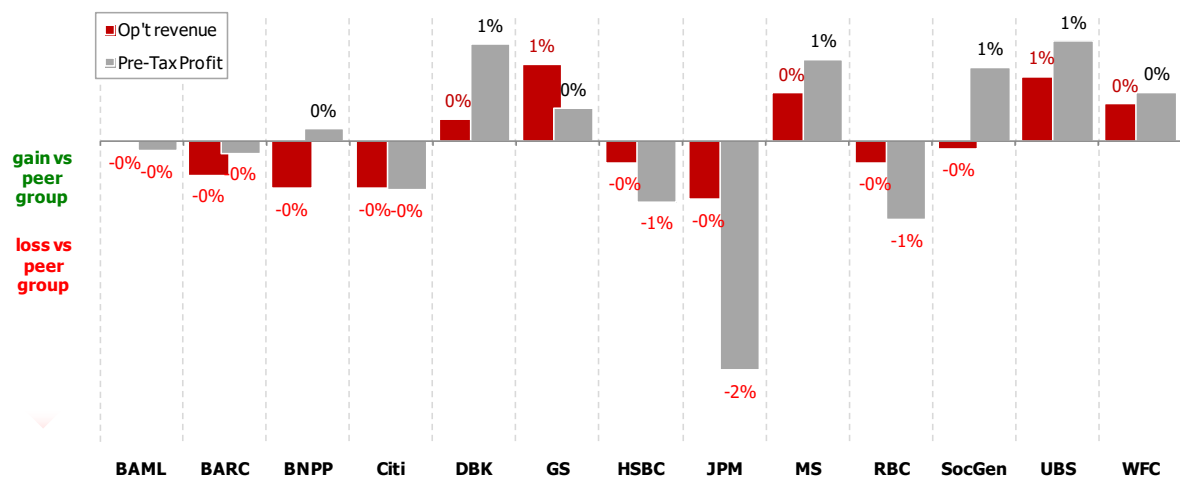
- Banks' 1H24 operating revenue totalled \$114bn - 8% up y/y - largely thanks to a strong 2Q24. In contrast to 1Q24, EMEA banks outpaced their US peers in Banking and Equities (especially Prime Services and Derivatives); and were only slightly behind in FICC, mostly due to underperformance in FX and Credit. EMEA banks also controlled their costs better, and grew their profits by 20% y/y.
- After testing waters in recent years, several US banks are making a concerted push into private credit: per Bloomberg, by mid-June, asset management units of just three banks announced plans to plough more than \$50bn – raised from investors and internally - into this market. Direct lenders are still well ahead: in late July, Ares Management closed its latest direct lending fund, focused on mid-sized US corporates, with \$34bn of capital.

Revenue & productivity (6m23)

(6m24)



% change share of peer group operating revenue and pre-tax profit (6m24 / 6m23)



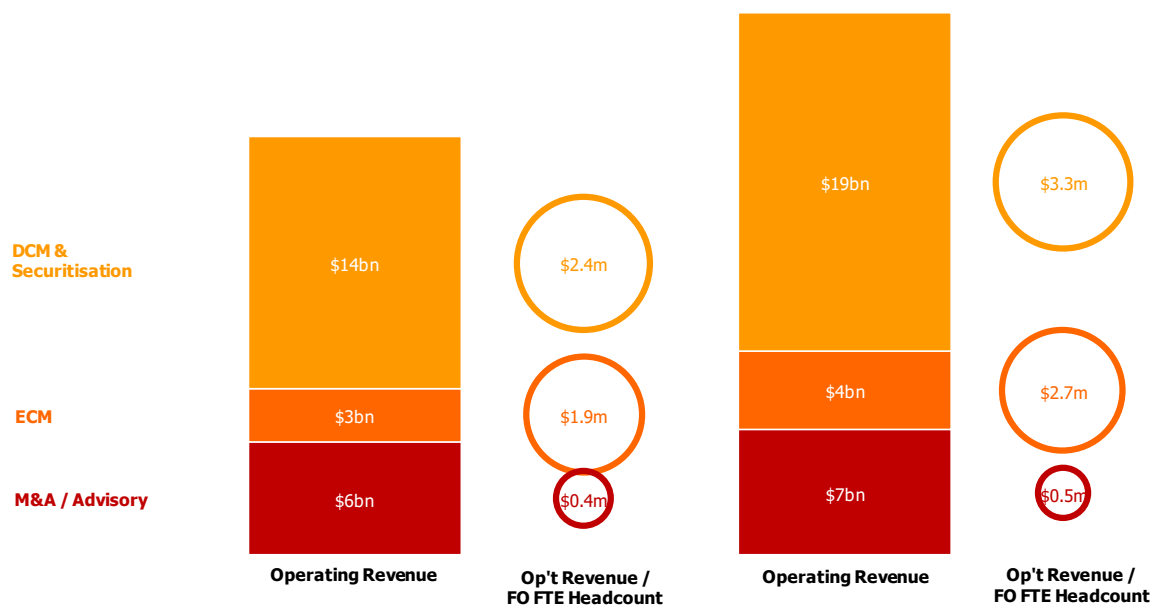
Notes: (1) Tricumen product definitions throughout. (2) Revenue is post-writedowns, excludes DVA/equivalent and one-offs. (3) Headcount: Front office full-time equivalent, adjusted for seniority. (4) Pre-tax profit excludes Prop & Principal Investments.

Capital Markets (cont.): Banking

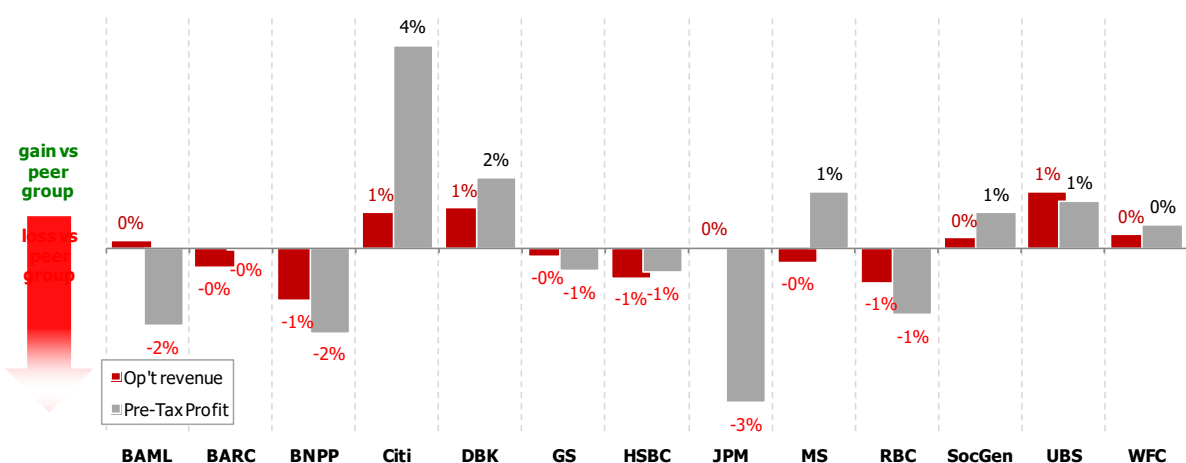
- In DCM, US high yield and leveraged volumes, supported by tight(er) spreads and strong CLO issuance, surpassed the FY23 total and look set to beat the FY21 record. However, CLOs are under pressure: investors' demand is outstripping the leveraged loan issuance volumes, which are still depressed by the lingering weakness in global M&A markets.
The ECB may relax leveraged loan reserve rules; the decision is expected in September.
- Extending strong gains seen in 1Q24, ABS issuance surged as banks bundled securities ahead of Basel 3 'endgame'. In the EU, regulators are looking at ways to revive the ABS market: measures under consideration include ways to make it easier (and/or cheaper) for banks to raise funding, and reduction of investment limitations on insurers.
- Extending gains seen in 1Q24, US and EMEA ECM surged 40% and 55% y/y in 1H24, respectively; APAC (excluding Australia) remains weak, with China-domiciled IPOs 80% below 1H23. Globally, IPO proceeds touched multi-year lows; but in the USA, proceeds more than doubled vs 1H23 and SPACs are showing (modest) signs of recovery. Banks timed their hiring in the Middle East well: in Saudi Arabia, a dozen companies are waiting to float on the stock exchange and more than 50 have applied for IPOs.
- M&A/Advisory fees surged in 1H24, driven by mega-deals in the US and, to a smaller degree, EMEA; APAC dropped 25%, to a decade-low. Private equity-backed volumes jumped 35% y/y. Most banks in this note forecast an improvement in strategic volumes and associated financing.

Revenue & productivity (6m23)

(6m24)



% change share of peer group operating revenue and pre-tax profit (6m24 / 6m23)



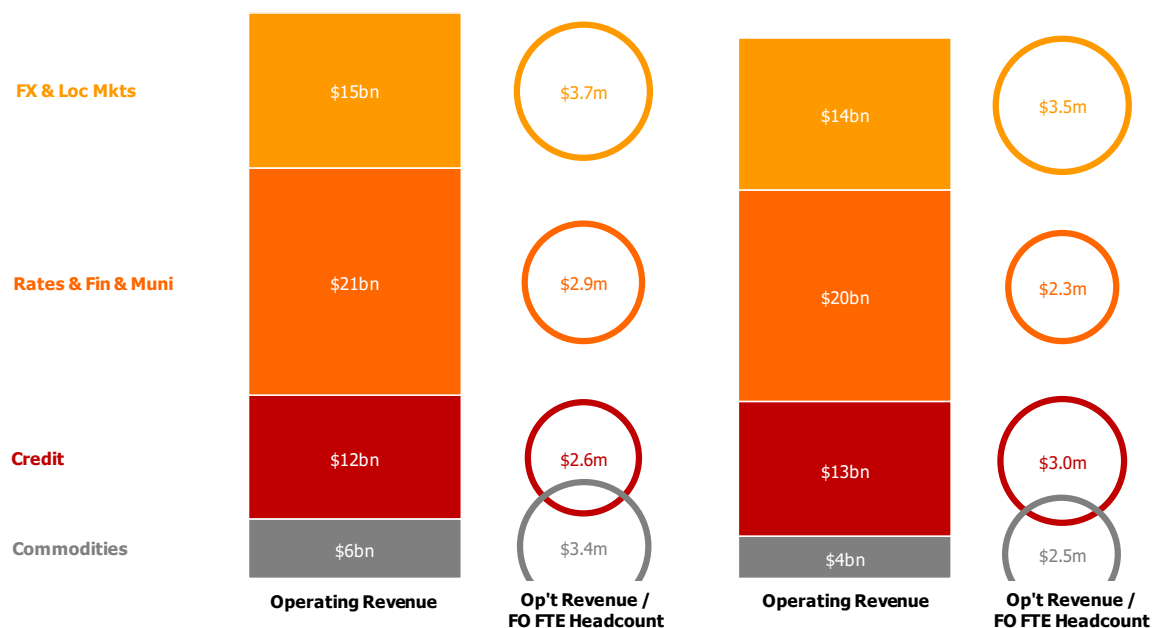
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Capital Markets (cont.): FICC

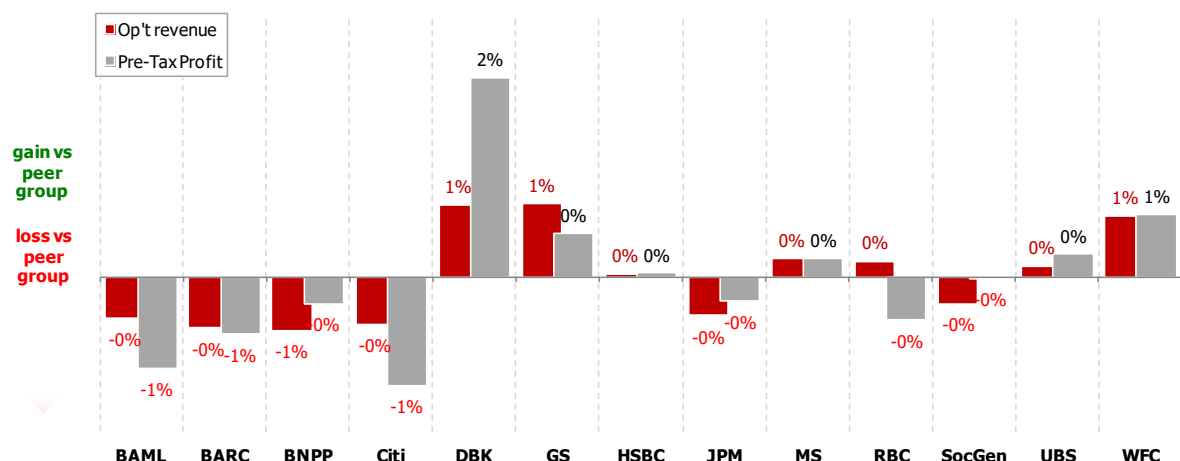
- Macro revenue remained weak as main central banks dampened hopes for multiple actions; despite a (very brief) spike in June, which was partly driven by elections in Europe, FX volatility continued trending down toward multi-year lows. In Rates, high volumes were offset by reduced margins and banks' positioning for central banks' decisions. Spot FX was one bright spot - for banks with advanced technology in place, at least - but margins shrank further. Late in the quarter, muni sales broke multi-year records.
- Credit revenue was driven by a surge in volume, especially in the US electronic high grade and, to a lesser extent, high yield. European volumes also jumped, though not to the same degree.
- In exceptionally calm energy and metals markets (agri products were livelier), the aggregate commodities revenue declined against both 2Q23 and 1Q24. Small(er) players in this report made strong gains vs 2Q23, but that was not nearly enough to offset sharp drop from their larger peers. The 3Q24 started on a positive note, however: volatility in energy markets perked up in July and may persist into seasonally more volatile September.

Revenue & productivity (6m23)

(6m24)



% change share of peer group operating revenue and pre-tax profit: (6m24 / 6m23)



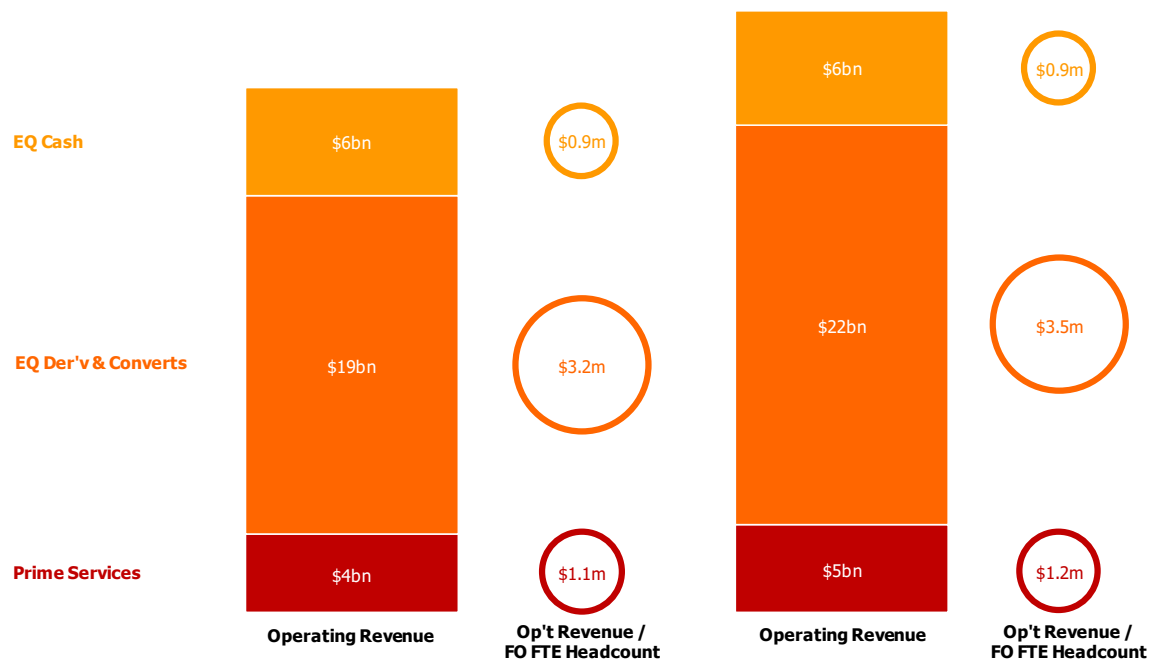
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Capital Markets (cont.): Equities

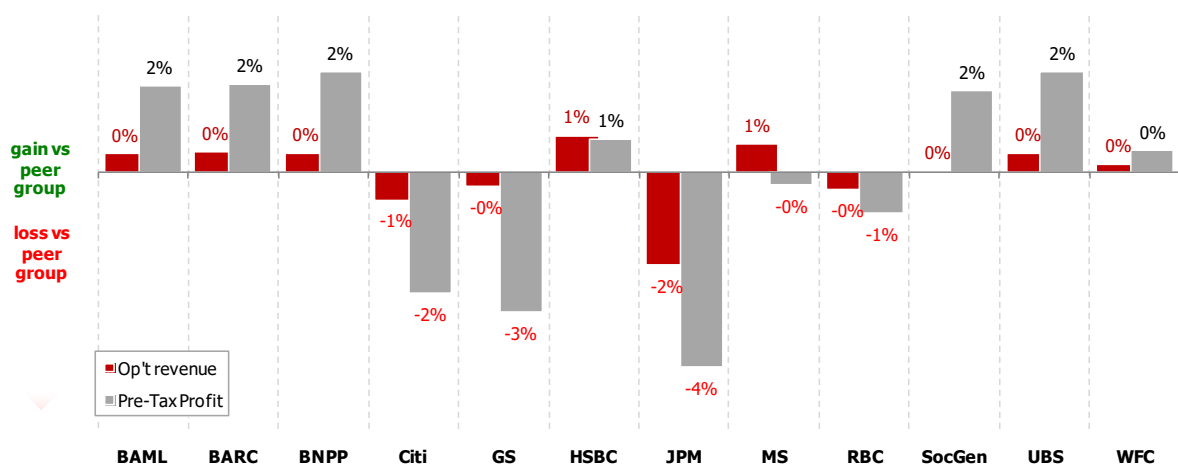
- Equity derivatives revenue benefitted from strong client flows in Europe – aided by political events during the quarter - and the recovery in APAC and AMER, as well as the strong corporate equity activity. Several banks are hiring for their trading and structuring teams.
- Prime services revenue jumped as hedge funds AuM reached the new record, supported by the political upheaval in Europe and the upcoming elections in the USA. Relative value and macro funds saw the largest inflows.

Revenue & productivity (6m23)

(6m24)



% change share of peer group operating revenue and pre-tax profit (6m24 / 6m23)



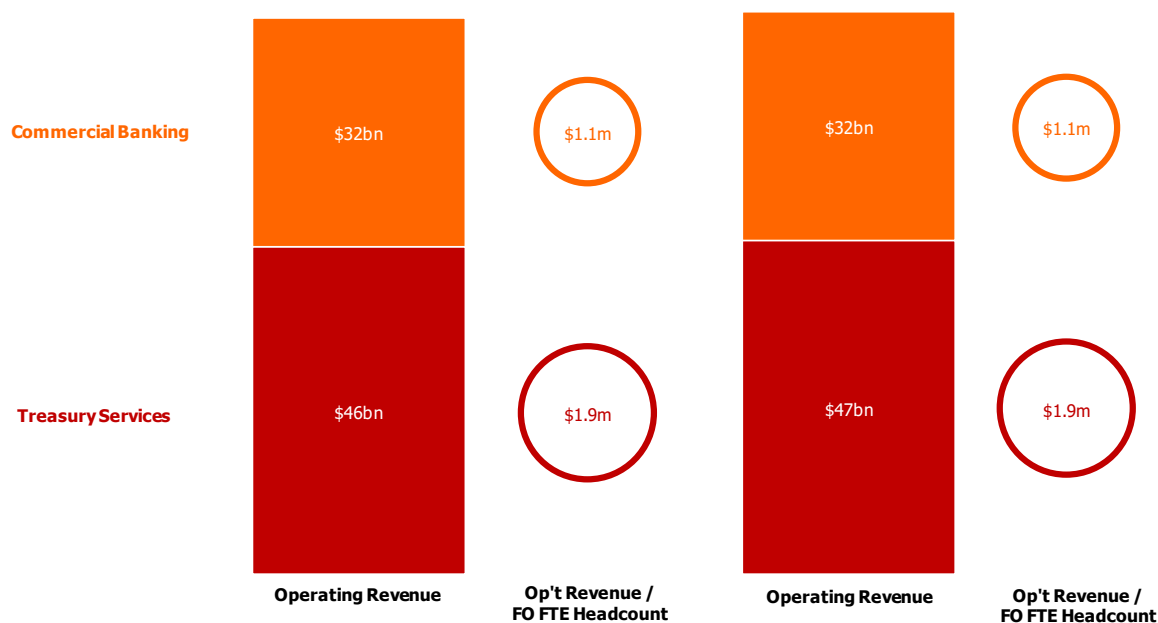
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Commercial Banking & Treasury Services

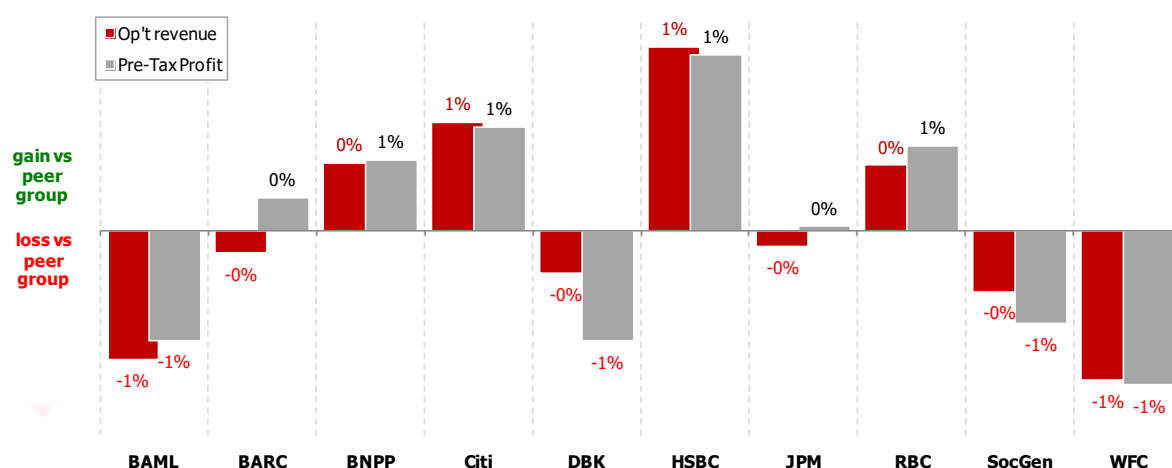
- Strong fee income – especially at banks able to extract collaboration revenue with capital markets – offset a decline in net interest income. The demand for new loans remained soft across corporates, and deposit growth was muted. Several banks reported that the revolver utilisation remains below pre-Covid levels.
- Transaction banking revenue rose, driven by higher payments volumes in Europe and, to a lesser degree, APAC. Deposit margins shrank, particularly at US banks. European banks outpaced their US peers in 1H24 revenue and profit growth.

Revenue & productivity (6m23)

(6m24)



% change share of peer group operating revenue and pre-tax profit (6m24 / 6m23)



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

6m24/6m23 (Operating revenue, % change, US\$)

	BAML	BARC	BNPP	Citi	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 & Muni	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Credit	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Commodities	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Equities	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
EQ Cash	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
EQ Der'v & Conv't	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Prime Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Prop & PI	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Comm Bank / Treasury Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Comm Bank	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Treasury Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓

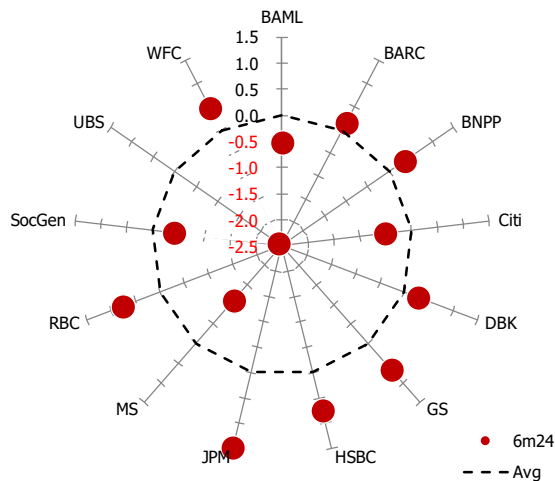
2Q24/2Q23 (Operating revenue, % change, US\$)

	BAML	BARC	BNPP	Citi	DBK	GS	HSBC	JPM	MS	RBC	SocGen	UBS	WFC
Capital Markets	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↑
Banking	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓
DCM Bonds	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
DCM Loans	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Securitisation	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
ECM	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
M&A / Advis	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Markets	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
FICC	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
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Rates & Fin & Muni	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Credit	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Commodities	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Equities	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
EQ Cash	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
EQ Der'v & Conv't	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Prime Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Prop & PI	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Comm Bank / Treasury Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Comm Bank	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Treasury Services	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓

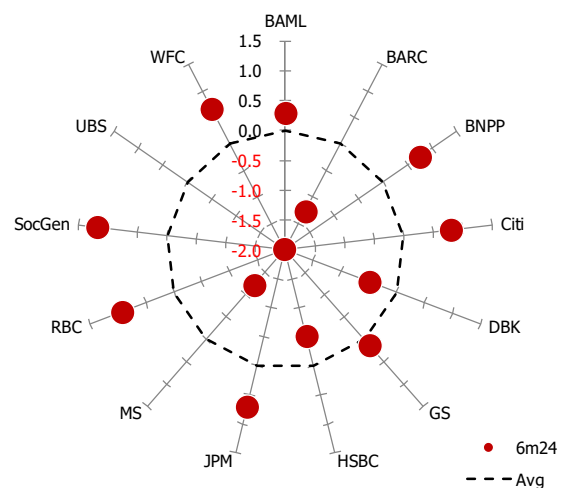
Source: Tricumen. Notes: (1) Tricumen product definitions throughout. (2) Arrows show % change in revenue vs peers. Up-/down-arrows: top-/bottom-quartile. (3) Operating revenue is post-writedowns, excludes DVA/equivalent and one-offs. (4) Commercial/Transaction Banking includes Large Cap/MNC and Mid-Cap/SMEs. (5) outliers are excluded.

Pre-tax profit margin (US\$)

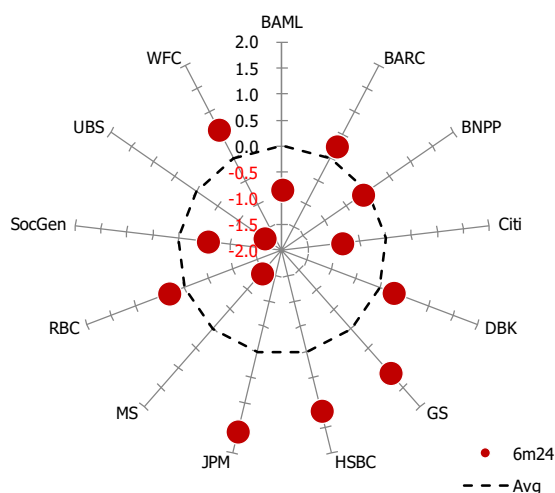
Capital Markets



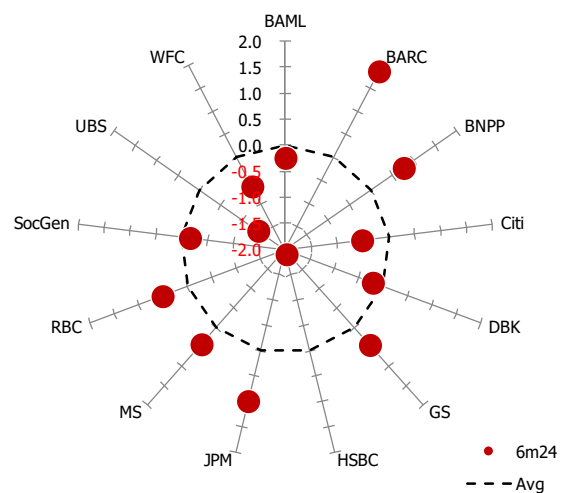
Banking



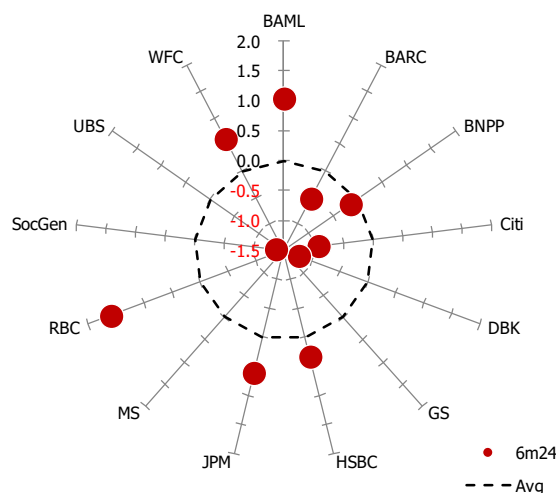
FICC



Equities



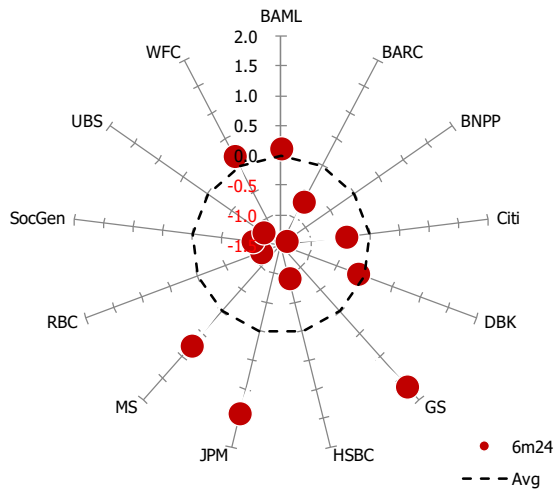
Commercial Banking / Treasury Services



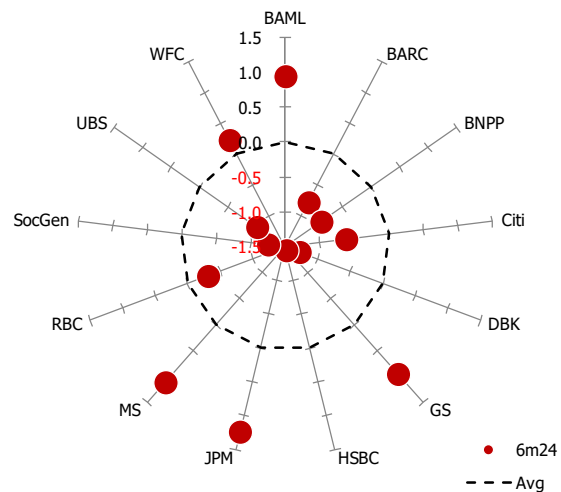
Source: Tricumen. Notes: (1) TRIC product definitions, standard deviation, product Level 1; (2) Operating expenses exclude one-off non-operational items, insurance-related benefits & claims, and credit expense/recovery/NPL provisions. Capital expenditure is included as accrued. Litigation expense is 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 the bank is not a significant competitor; (5) outliers are excluded.

Operating Revenue / Front Office FTE (US\$)

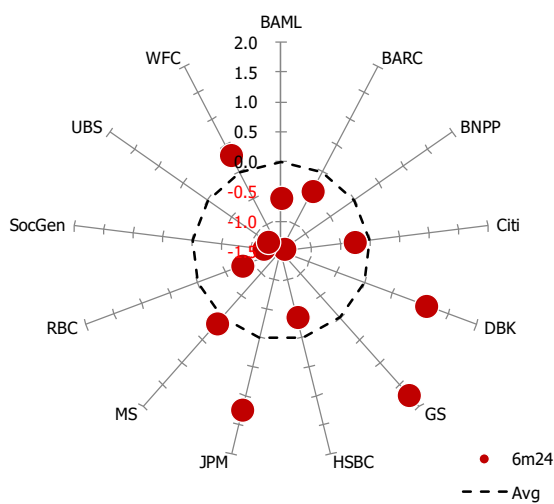
Capital Markets



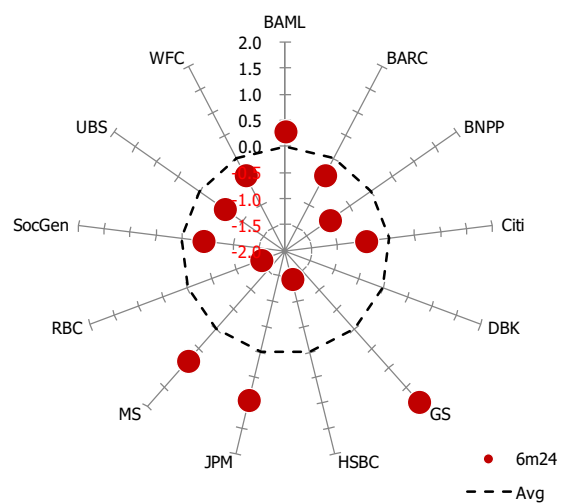
Banking



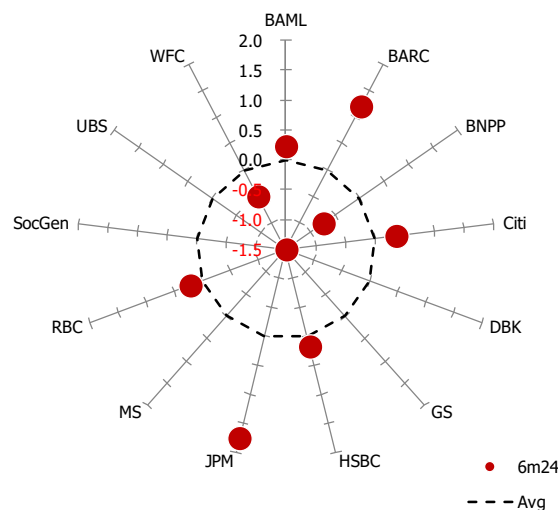
FICC



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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