

# Coalition IB Index – 1Q20

## May 2020

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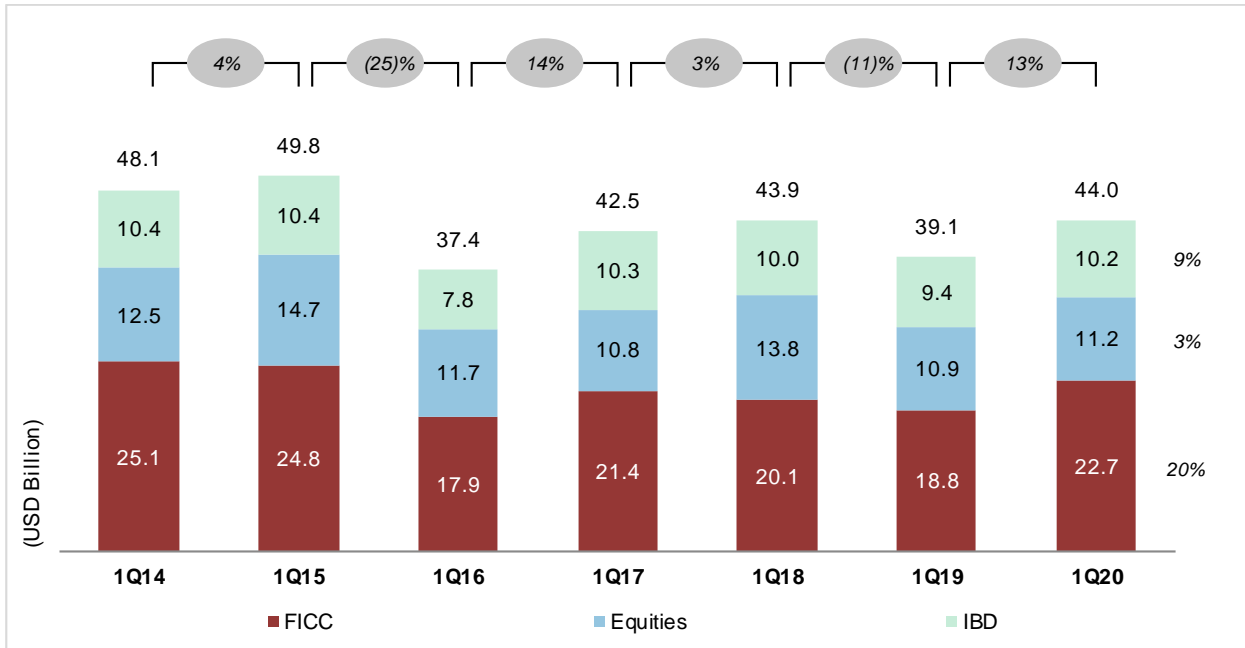
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# Executive Summary

Investment Bank revenues reached a five year high in 1Q20, with all three businesses growing year on year. FICC led the gains, primarily driven by Macro products. Within Equities, Derivatives and Cash businesses improved. Growth in IBD was due to strong ECM and DCM revenues.

**Figure 1. Revenues by Business**



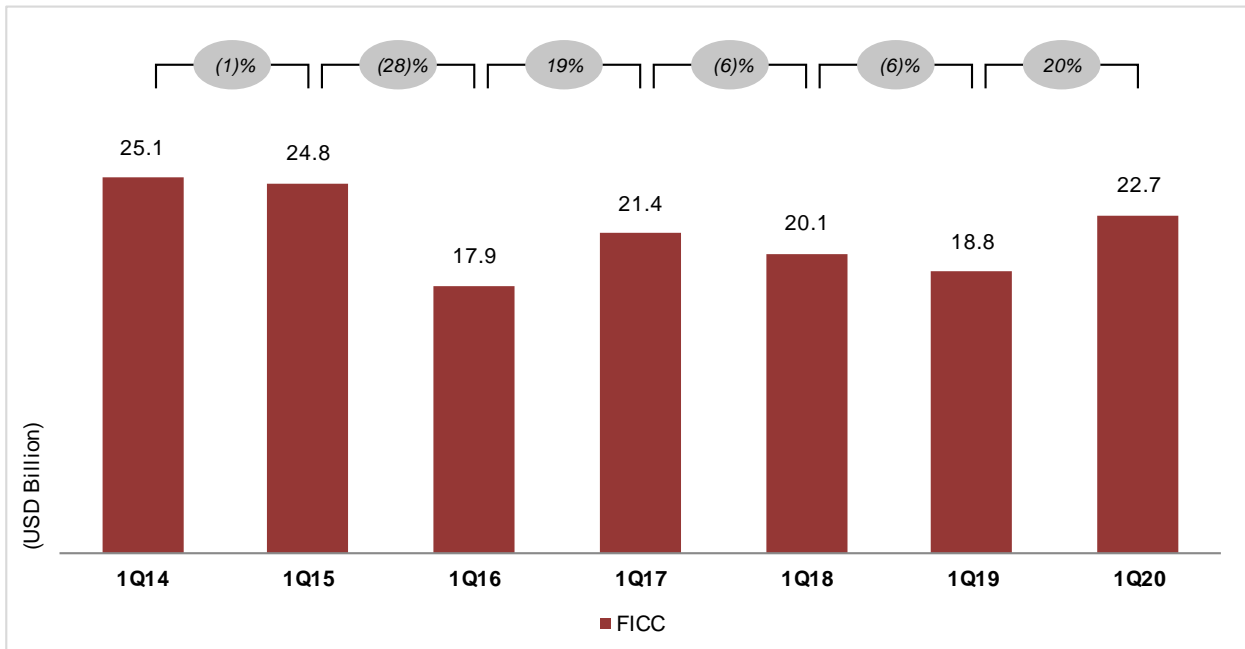
Note: Numbers may not add up due to rounding. Percentages are based on unrounded numbers

# FICC

FICC revenues reached their highest 1Q since 1Q15, driven by high client activity and volatility across all Macro products. In contrast, Spread products declined.

- G10 Rates: significant improvement in Flow products, increased demand in Structured and one-off trading opportunities in the US
- G10 FX: improvement in all sub-products
- EM Macro: recorded higher trading volumes and improvement in margins
- Spread Products: robust revenues in IG Credit were offset by declines in Distressed and Structured Credit; in addition Securitization and Munis revenues were lower for the quarter.

**Figure 2. FICC Revenues by Product**



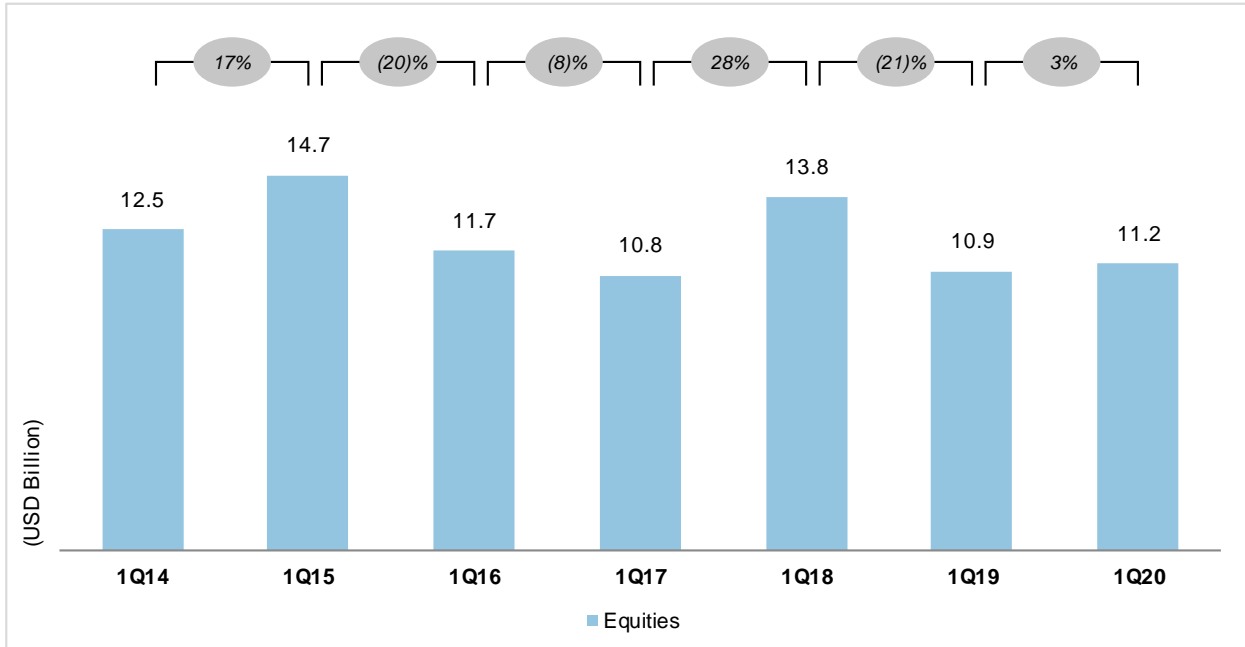
*Note: Numbers may not add up due to rounding. Percentages are based on unrounded numbers*

## Equities

Equities revenues increased due to improved performance in Equity Derivatives and Cash Equities; in turn, Prime Services had a weaker performance.

- Equity Derivatives: growth was driven by Flow products due to heightened volatility, whereas Structured Products sharply declined as some banks reported significant write downs
- Cash Equities: witnessed increased volumes across products and regions
- Prime Services: declined due to lower client balances and fewer trading opportunities in Delta 1.

**Figure 3. Equities Revenues by Product**



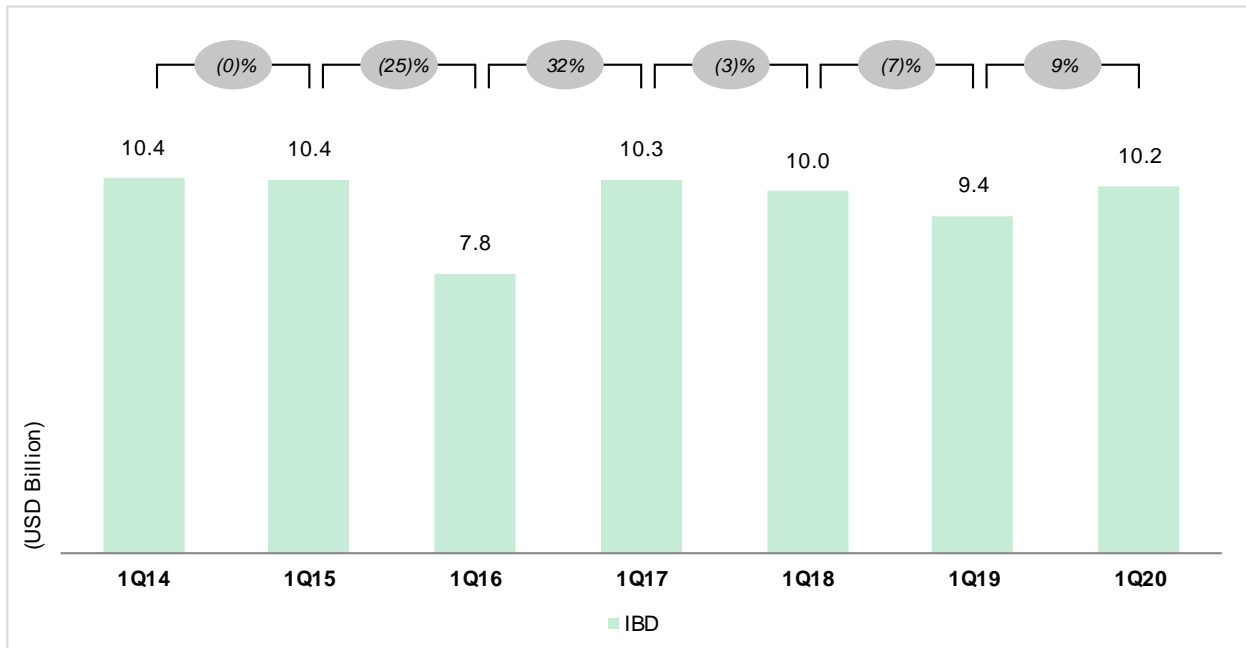
Note: Numbers may not add up due to rounding. Percentages are based on unrounded numbers

## IBD

Improved IBD revenues was driven by significant increases in ECM and DCM revenues, partially countered by underperformance in M&A.

- M&A: revenues declined across all regions due to an industry wide reduction in volumes
- ECM: significantly higher due to strong issuance activity particularly in US IPO's
- DCM: strong improvement due to higher Bond underwriting revenues.

**Figure 4. IBD Revenues by Product**

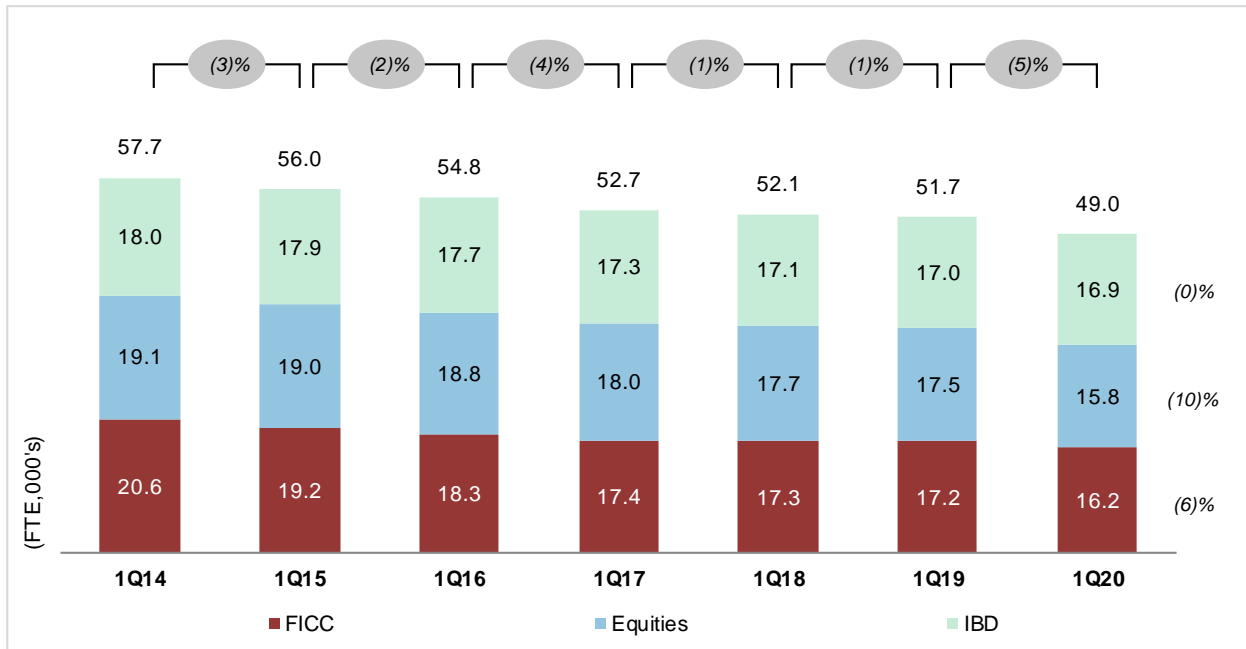


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## Headcount

Headcount optimisation accelerated with the highest decline in 6 years. Reduction in FICC Headcount was observed in Macro products, mostly in G10 Rates and Commodities. Equities saw a decline across all functions and products, with significant contraction in Institutional Cash Equities. IBD headcount declined due to headcount cuts in ECM.

**Figure 5. Front Office Producer Headcount by Business**

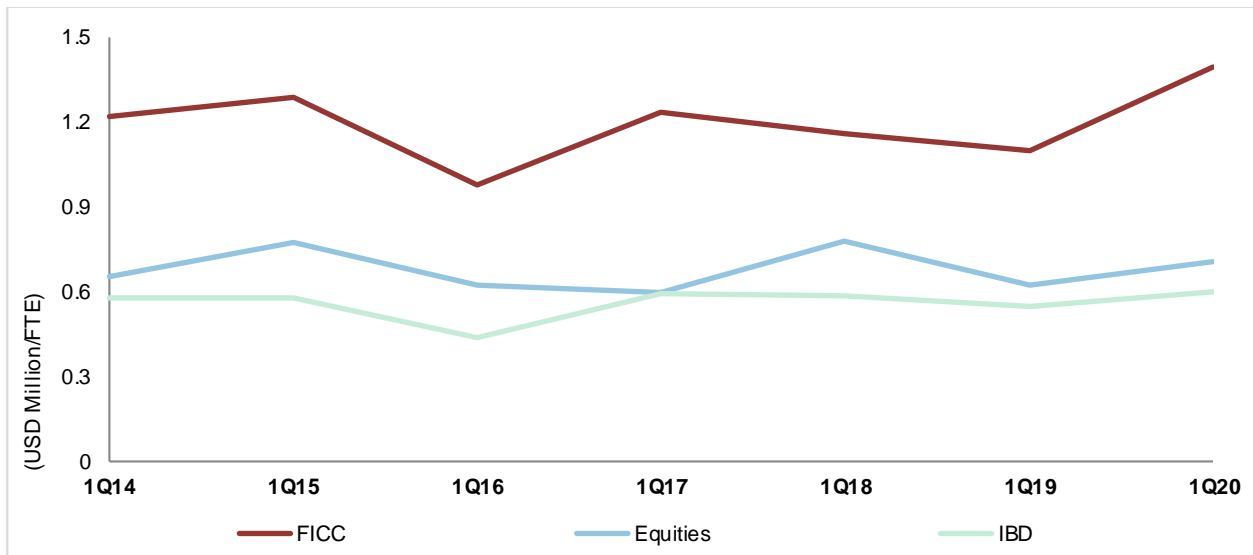


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# Productivity

Productivity improved significantly across all Businesses, with both increased revenues and headcount reductions.

Figure 6. Productivity by Business



Note: Productivity is measured as Revenues divided by Front Office Revenue Producers

## Appendix: Methodology

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**Coalition Index tracks the performance of the 12 largest Investment Banks globally. The Index comprises:**

- 2013 to 2020: BofA, BARC, BNPP, CITI, CS, DB, GS, HSBC, JPM, MS, SG, UBS
- The Index is refreshed for 1H and FY

**Results:**

- Numbers may not add up due to rounding.
- Percentages are based on unrounded numbers.

**Sources:**

- Public domain information including financial disclosures, investor presentations, media articles
- Independent research
- On-going validation by an extensive network of market participants

**Methodology:**

- Performance is benchmarked against CRISIL Coalition's Standard Product Taxonomy
- Adjustments are made to publicly reported performance. Examples:
  - Exclusions: write-downs, non-core, ring-fenced Proprietary Trading, Principal Investments/ Private Equities and products that are reported in non-Investment Bank divisions (even if they appear in the Standard Product Taxonomy)
  - Accounting adjustments: brokerage costs and gains/losses on own debt
  - Business structure adjustments: removal of non-Investment Bank businesses (e.g. Retail Foreign Exchange, Corporate Lending)
  - Legacy business adjustment: where reported within the Investment Bank, revenues from legacy portfolios and the relevant portion of internal joint ventures, are included in the respective products (e.g. Securitisation, FX)
  - Exclusions: one off regulatory fines/legal settlement costs, amortisation of intangible assets and impairment of goodwill.
- Coalition Headcount is defined as revenue generating front office headcount. Headcount is provided on a full-time-equivalent (FTE) basis.
  - Inclusions: Equities and FICC include headcounts in Sales, Trading and Research functions; IBD includes headcounts in Advisory, Coverage, ECM and DCM functions.
  - Exclusions: Front Office Administrative Staff, Temporary staff; Contractors and Supporting Functions (e.g. Middle Office and Back Office); Rotating Graduate/Trainees.
- Coalition Productivity is measured as revenues divided by revenue generating front office headcount.



**Coalition Standard Taxonomy:**

<b>Investment Bank</b>	
<b>Fixed Income, Currencies &amp; Commodities (FICC)</b>	
Credit	Investment Grade; Loan Trading; High Yield and Distressed; Exotic & Structured; Emerging Market Credit
G10 Rates	Government Bonds; Swaps; Vanilla Options; Short Term Interest Rates/Money Markets; Repurchase Agreements; Exotic & Structured, Municipal Finance (Primary & Secondary)
G10 FX	Spot; Forwards; Options
Commodities	Power & Gas; Oil; Metals; Coal; Agriculture, Commodity Investor Product
EM Macro	Rates; Foreign Exchange
Securitisation (Primary & Secondary)	Asset Backed Securities; Commercial Mortgage Securities; Residential Mortgage Backed Securities, ABS CDO
<b>Equities</b>	
Cash Equities	Direct Market Access; Program Trading; Shares & Block Trades
Equity Derivatives	Convertibles (Secondary); Flow Derivatives; Strategic Equity Transactions; Fund Derivatives; Warrants, Variable Annuity, Index & Single Stock Exotics; Hybrids, Custom Indices
Prime Services	Synthetic Financing/Delta 1; Equities Prime Brokerage; Fixed Income & Foreign Exchange Prime Brokerage
Futures & Options	Equities; Fixed Income
<b>IBD</b>	
Mergers & Acquisitions	
Equity Capital Markets	Initial Public Offerings; Convertibles (Primary)
Debt Capital Markets	Bonds; Loans

## About CRISIL Coalition

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CRISIL Coalition is a leading Analytics and Business Intelligence provider to the global financial services industry. We provide objective research and analysis to support strategic and tactical decision-making in four areas:

- Competitor Analytics: Benchmarking performance of revenues and headcount to assess competitive positioning and opportunities
- Financial Resources Analytics: Analyzing Costs, RWA, Exposure and Returns to understand efficiency and resources requirements
- Client Analytics: Sizing individual client wallets across Institutions and Corporates to assess opportunities
- Country Analytics: Quantifying market size and characteristics to assess positioning by country

Coalition is a business division of CRISIL, a global, agile and innovative analytics company driven by its mission of making markets function better.

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CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

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