WHITE PAPER

Capital Markets & Investment Banking Update 2024/2025

Bridging Today and Tomorrow
Capturing Immediate Wins While Shaping the Future CIB

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CIB FY 2024/2025 Update

Overall trends from 2024 going into 2025

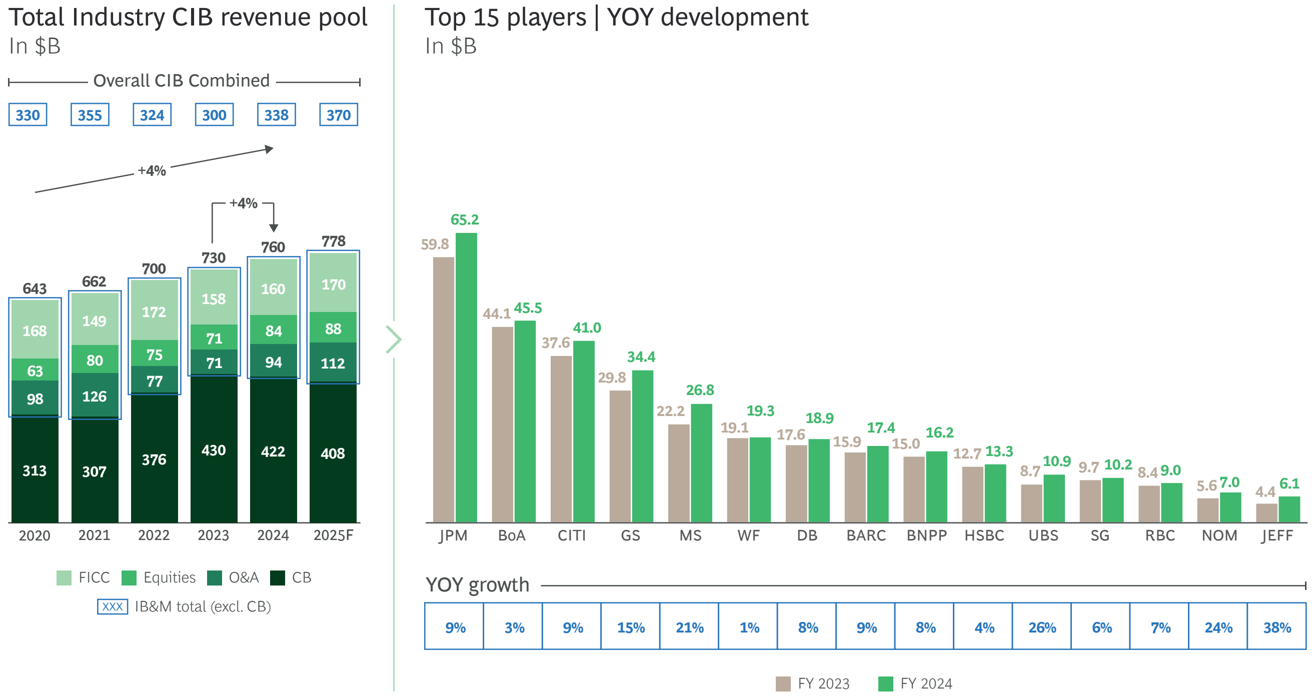
The year 2024 was characterized by uneven growth. Certain key trends apparent during the year are still relevant for 2025:

- The overall **corporate and investment banking (CIB) revenue pool is up 4% year-on-year (YoY).** Origination and advisory (O&A) revenues grew 32% YoY to $94 billion. Equities revenues increased 18% YoY to $84 billion. Fixed income, currencies and commodities (FICC) revenues grew 1% YoY to $160 billion. Corporate banking revenues declined by 2% YoY to $422 billion. CIB revenue pools are expected to continue to grow in 2025 driven by increases in O&A activity once the market has stabilized, growth in FICC, and positive near-term outlook for Equities.
- **Origination & advisory (O&A) activity re-emerged** with increases across all sub-products. We expect this momentum to continue throughout 2025, however deal activity increases are yet to materialize in Q1 2025.
- **Banks aim to close valuation gaps** by improving return on tangible equity (RoTE). As highlighted in our FY 2023 report, they focus on efficiency, sub-scale rationalization, and client segmentation. Many have set new cost targets and RoTE goals.
- **Non-bank financial institutions (NBFIs) continued to expand their footprint.** This expansion was evident in various areas, such as the increasing role of non-bank liquidity providers (NBLPs) in intermediation, capturing their highest share to date of the global markets revenue pool (~26%). Private credit managers continued to increase their share of debt (now occupying >11%[1] of total debt globally).
- **CIBs must balance near-term priorities with long-term shifts** like AI, electronification, and asset tokenization, which are reshaping the industry and market infrastructure.

As we explore throughout this paper, **key considerations for 2025** include the following:

- **Deep sponsor coverage** is likely to create winners. Banks must therefore deepen coverage as these clients become increasingly influential across business lines.
- **Strategic partnerships** with both private credit managers and NBLPs will become increasingly important. CIBs must choose **where to compete** and **where to partner**.
- **Defining AI strategy** is critical to success. Its impact is felt across all business lines and some (such as O&A) are set for transformative disruption in the coming years.

Exhibit 1 - Overall CIB revenue pool has increased 4% YOY (IB&M 13%)



Source: Company Reports, BCG Expand data, BCG analysis.

1. BCG Expand Research.

Origination and Advisory

IB divisions with regional concentration in the US market performed best in 2024. In 2025, we expect more activity among sponsors due to LP[2] pressures and pent-up corporate M&A pipelines coming to fruition, supporting continued growth.

In 2024, the **O&A revenue pool grew 32% YOY** from **$71 billion** to **$94 billion**, marking the first full-year return to growth after two consecutive years of decline. The US market led the growth, with the top five US banks growing 33% YOY, benefiting from the home-market advantages of a strong underlying domestic economy and the largest CIB market shares in the region. The top five banks in the European Union (EU) grew at 29% YOY. The nominal revenue pool size for the top five US banks is 2.5 times larger than the equivalent top five EU peer banks.

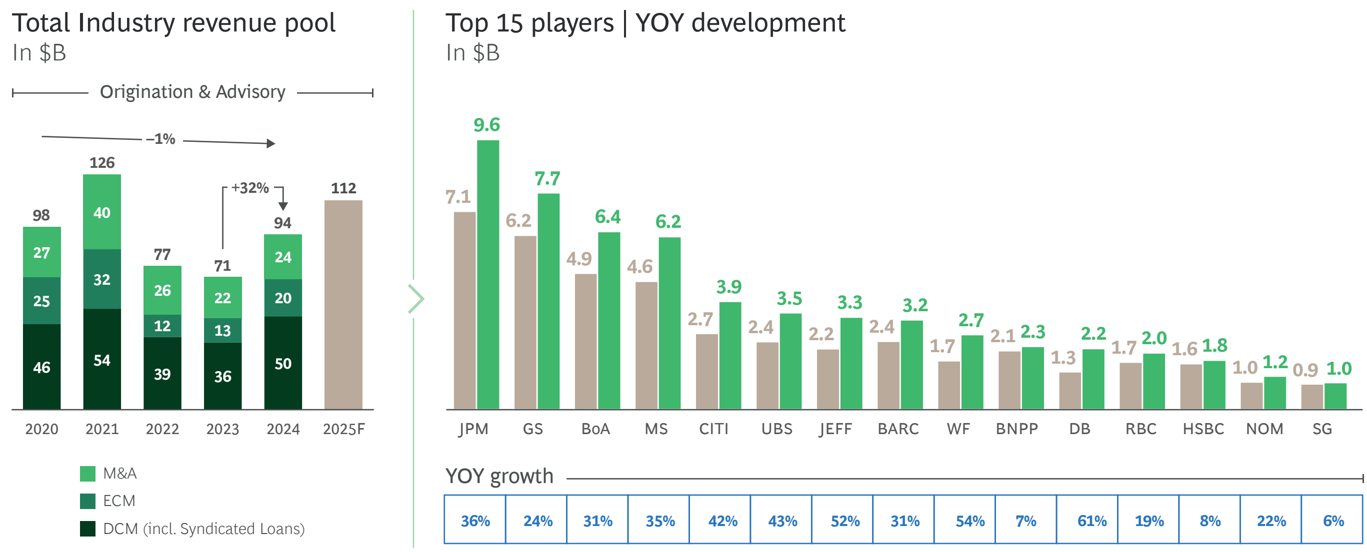
Mergers and acquisitions (M&A) returned to growth in 2024, with a revenue pool increase of 9% YOY from $22 billion to $24 billion. Dealmaking sentiment was low in 2024 at ~85% of the ten-year average, but with momentum picking up over the year.[3] The year ended in the same way it began, with much anticipation but still hampered by headwinds from previous years, such as high interest rates, regulatory scrutiny, and buyers' skepticism on valuations.

The **equity capital markets (ECM)** revenue pool grew 54% YOY in 2024, from $13 billion to $20 billion, driven by a continued multi-year trend of convertible and follow-on offerings. The US captured the majority of global fee pools. Chinese ECM fell significantly due to ongoing challenges in its domestic real estate sector and an overall mixed economic growth picture, dampening equity investor appetite.

Rising scale and increasing liquidity in private markets are diminishing the benefits of corporates going public, creating a structural shift in initial public offering (IPO) markets. However, global assets under management (AUM) from private equity capital raising was ~20% lower YOY in 2024, down from ~$800 billion to ~$630 billion.[4] From 2025, fees from public ECM, namely from IPOs, may be boosted by sponsors exiting private capital investments to realize returns.

Debt capital markets (DCM) including syndicated loans represented a bright spot in 2024. The market boasted the largest revenue pool, growing 39% YOY from $36 billion to $50 billion. The majority of DCM activity resulted from corporates refinancing ahead of upcoming maturities, opting to issue bonds within ~18 months of maturity dates, and well ahead of US elections to avoid secondary market volatility. Stable interest rates and a dovish pivot among central banks in H2 2024 were tailwinds for debt financing. See our DCM spotlight on page 5 in our H1 2024 report for more information.

Exhibit 2 - Origination & Advisory pool has increased 32% YOY



Source: Company Reports, BCG Expand data, BCG Analysis.

2. Limited Partners (LP) are end investors in a private equity fund, contributing capital and paying management fees.
3. According to BCG's proprietary M&A sentiment index®, sentiment score was 75 as of Jan 24 and 84 as of Dec 2024.
4. Prequin Data as of Jan 2025 (Global private equity aggregated capital raised).

Equities

H2 2024 saw a major uptick in the equities market driven by continued increases in Equity Derivatives (EQD) across flow and structured products. Despite the general rise, results among top banks varied based on how well they monetized growth in Asia and Delta One.[5]

Equities revenue pools reached record highs of $84 billion in 2024, up 18% YOY due to strong performance across all products, particularly EQD and Prime Services, followed by a recovery in cash equities after a very weak 2023.

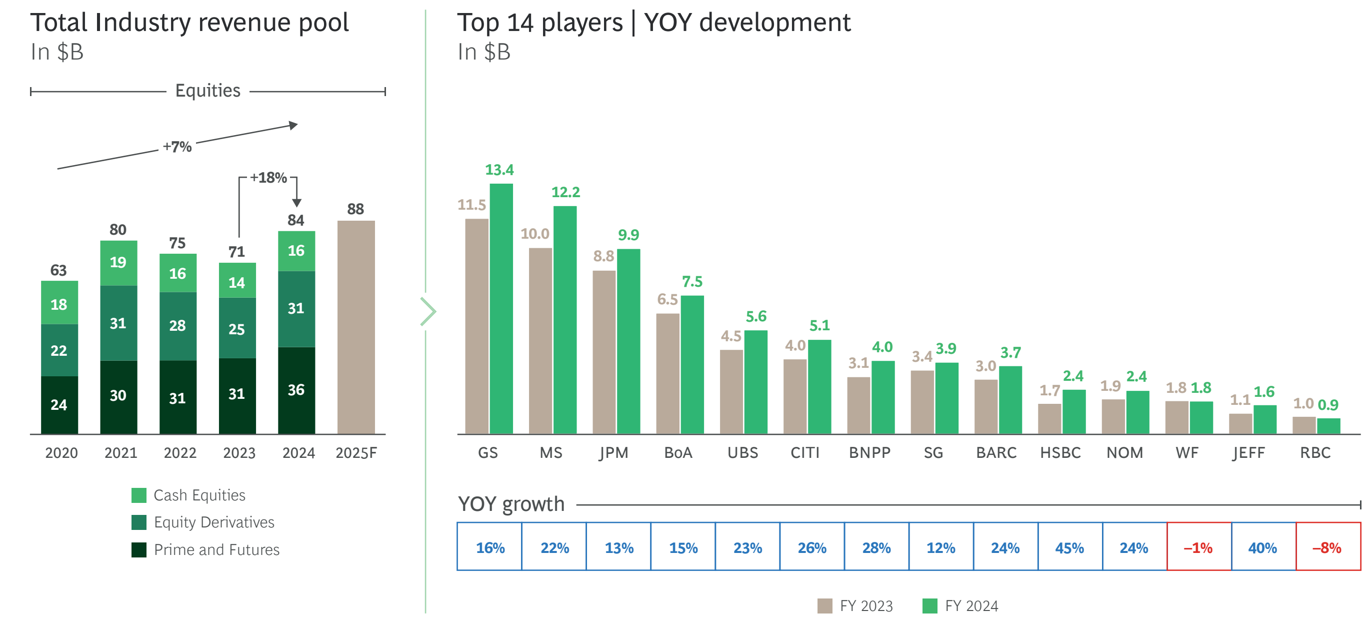
Cash equities boasted a strong performance, rising 14% YOY from $14 billion to $16 billion, fueled by rising trading volumes across regions, heightened block activity, and a rebound in ECM issuance. Margin pressures continued to affect those banks without significant scale.

Equity derivatives (EQD) increased 26% YOY, from $25 billion to $31 billion. Flow derivatives benefited from heightened trading activity and strong positioning gains in US during the volatility spikes in August and elections in Q4, bolstered in particular by single stock flow and exotics. Structured issuance was notably higher, with strong demand for exposure to 'Magnificent Seven' stocks boosting volumes in the US. In H2, growth was spurred by Asian clients buying US stocks and a strong resurgence in retail and wealth management captive demand. Quantitative investment strategies (QIS[6]) enjoyed substantial growth throughout the year. Equity derivatives have continued to perform well in Q1 2025.

Prime and futures increased 15% YOY from $31 billion to $36 billion, driven by strong growth in the US and Asia that was especially apparent in Q4 due to a surge in Delta One trading in Asia that benefited banks with a strong Asia presence. With equity markets reaching all-time highs and valuations climbing, balances peaked, leading to a surge in core prime revenues. The first quarter of 2025 saw continued strength in Delta One products, and prime balances are expected to continue to grow in 2025, albeit at a slower rate.

Regional results varied, with a sharper uptick in H1 2024 driven by the Americas, whereas performance in H2 2024 was driven by a major rebound in Asia and robust momentum in US. As the US equity revenue pool accounts for ~50% of the global total, this market remains a key priority for non-US banks seeking to scale up and build their equities franchise.

Exhibit 3 - Equities revenue pool has increased 18% YOY



Source: Company Reports, BCG Expand data, BCG Analysis.

5. A Delta One product is a derivative with a linear and symmetrical payoff profile to the underlying asset (typically stocks), i.e., with a delta equal to one.
6. QIS are essentially systematic strategies that aim to provide clients with exposure to common investment themes such as market beta, risk premia, alpha, or hedging type strategies, typically leveraging indices and cross-asset baskets.

FICC – Fixed Income, Currencies and Commodities

A more stable rates environment led to an improvement in spread products and a normalization in rates revenues. Emerging markets (EM) performed well throughout most of H2, but investors changed country allocations toward the end of the year.

FICC revenue pools rose by ~1% YOY from $158 billion to $160 billion, held back by declines in macro products amid a more stable rates environment. This fall was offset by growth in spread products.

Credit increased 19% YOY from $26 billion to $31 billion. Both G10 and EM saw improved trading revenues across both structured and flow products. High-yield credit outperformed investment-grade credit. Municipals revenues increased YOY as strong growth in issuance reached record levels (up 33%[7] vs. 2023). Demand for taxable municipal bonds and financing grew the overall pool, although expectations for 2025 are even higher.

G10 rates revenues declined by 15% YOY from $40 billion to $34 billion due to declines in flow, though structured products held up. H2 performance improved with US election-driven volatility, despite margin compression.[8] The Americas outperformed Europe, where banks faced challenges. In Q1 2025, US markets, especially STRIPS[9], saw strong pension fund demand, while Eurozone government bonds underperformed, with declines compared to Q1 2024.

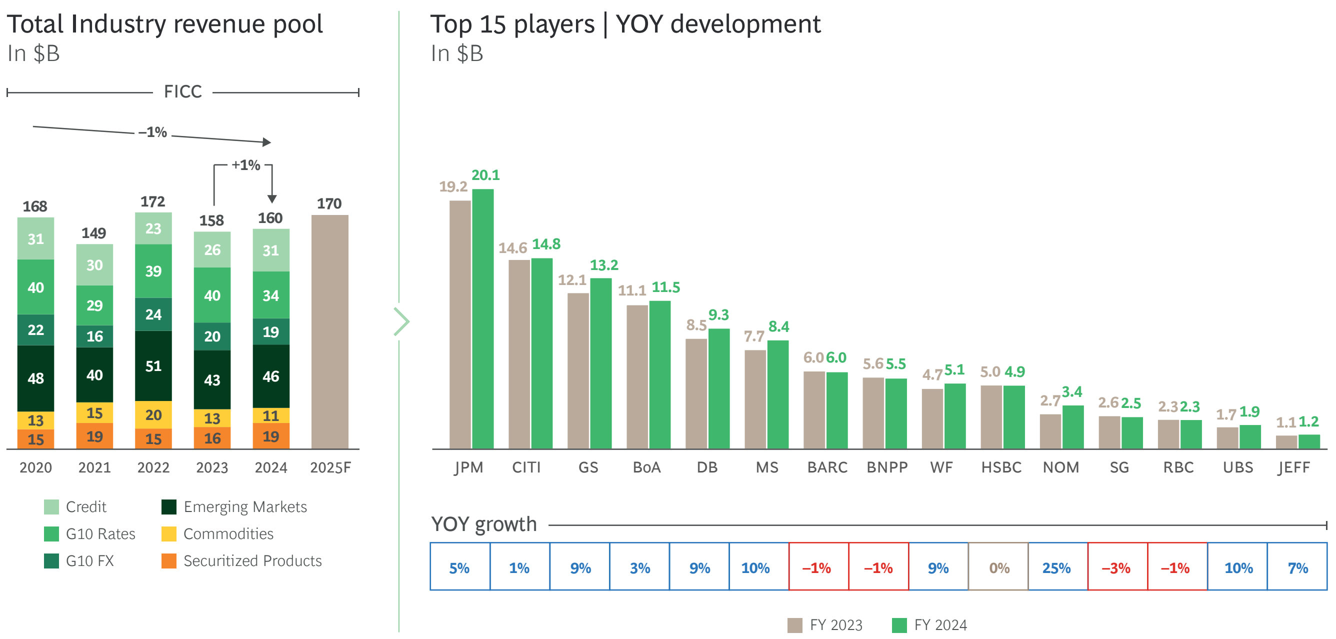
G10 FX declined by 5%[10] YOY from $20 billion to $19 billion. The second half of the year marked an improvement from H1. But despite increases in activity from both corporate and institutional clients, margin compression offset any volume-driven gains.

Emerging markets macro had a strong H2 and finished the year up 7% YOY, from $43 billion to $46 billion. Brazil, India, the GCC region, North Africa, and Turkey continued their growth path, while a recovery in China was also evident.

Commodities saw revenues decline by 15% YOY, from $13 billion to $11 billion, due to weak demand for oil. Within metals, gold and precious metals out-performed existing pockets of opportunities in base medals, soft commodities and other commodities.

Securitized products performed well on the back of higher issuances and increased trading activity, with revenue pools growing 19% YOY from $16 billion to $19 billion. Agency residential mortgage-backed securities (RMBS) grew due to an increased volume of portfolio trades. Non-agency and commercial mortgage-backed securities (CMBS) recovered as narrowing spreads led to a growth in client demand.

Exhibit 4 - FICC revenue pool has increased 1% YOY



Source: Company Reports, BCG Expand data, BCG Analysis.

7. SIFMA.
8. Margin compression in this context refers to bid-ask spreads.
9. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities).
10. Expand FX Volumes Survey.

Corporate Banking

In 2024, corporate banking revenue pools slightly declined driven by net interest income margin (NIM) normalization. Banks are focused on modernizing their corporate banking architecture with GenAI, front-to-back digitalization and optimizing pricing.

The overall **corporate banking** revenue pools **declined ~2% YOY from $430 billion to $422 billion.**

Corporate lending revenue pools declined by ~2% YOY from $187 billion to $185 billion driven by net interest income margin compression on the back of declining interest rates. Loan growth also slowed down in certain regions. Nominal interest rates (NIRs) were also a drag. The loan growth outlook for 2025 remains modest.

Cash management revenue pools declined by ~2% YOY from $203 billion to $198 billion. Banks continue to develop bespoke liquidity solutions, with a focus on data. Instant payments is expected to be the key topic for 2025. New entrants into the market have opted to lead with technology and platform architecture, offering select services for targeted client segments. Entry methods have been a mix of build and buy – leveraging existing building blocks, partnering with vendors where desired, and deploying cash management or transaction banking solutions via cloud infrastructure. This approach has allowed new entrants to win over corporate treasurers from incumbent large-scale CIBs burdened with legacy infrastructure.

Trade finance revenue pools declined by ~2% YOY from $40 billion to $39 billion. Many trade finance banks are optimizing capital usage, as return on risk weighted assets (RoRWA) remains at low levels. Banks are also adapting to the regulatory changes and dynamic eco-political environment of 2024-2025.

Exhibit 5 - Corporate Banking revenue pool has decreased 2% YOY

Source: Company Reports, BCG Expand data, BCG Analysis.

NBFIs: A Disruptive Force or a Collaborative Partner?

Examining a selection of risks and opportunities for CIB franchises

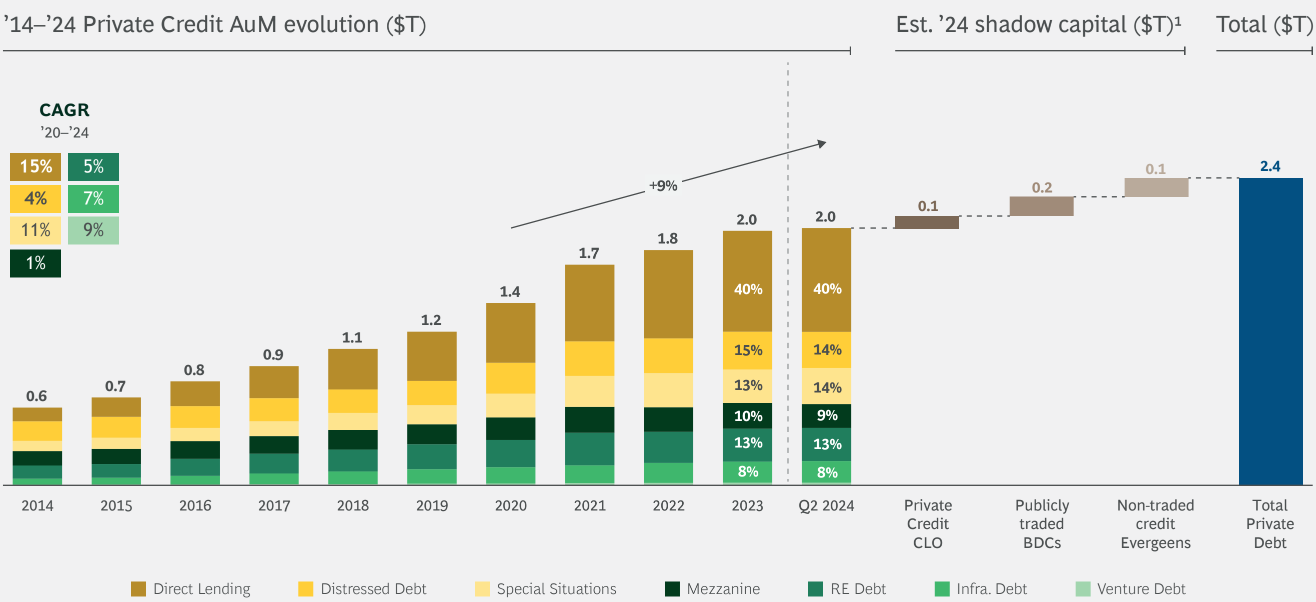
Non-bank financial institutions (NBFIs) are no longer peripheral players. They have become an entrenched force across lending, intermediation, and liquidity provision. Banks must astutely capitalize on those high-value areas where they retain a strategic edge, while also identifying opportunities to forge partnerships that create new revenue streams. Below we discuss both private credit fund managers and non-bank liquidity providers (NBLPs).

Private Credit

Private credit AuM continue to climb. Total private credit AuM are predicted to surpass US$3 trillion[1] by the end of 2028. Over the past two decades, non-banks have often overtaken traditional banks as the largest source of corporate loans (particularly in the mid-market segment). This development presents opportunities in the form of **new revenue streams**, but also leads to **competitive pressures** as non-banks increasingly serve corporate borrowers and broaden the categories of lending in which they operate, thereby increasing the value migration away from CIBs.

Private Credit is no longer a peripheral segment of the lending market

Direct lending occupies largest share but all strategies have grown meaningfully



Source: Preqin; Refinitv BDC Collateral; Pitchbook; Goldman Sachs Equity Research.

Note: AuM data as of Jan 2025 (each annual year AUM is as of Dec. YYYY). AuM data released by Preqin lags by 2 quarters (June 2024 is latest view).

[1]BDC total assets proxied using Q2 2024 NAV. CLO data reflects private credit CLO issuance outstanding as of Q2 2024. Credit Evergreen NAV as of October 2024 and include interval funds and credit sleeves of composite evergreen vehicles.

As demonstrated above, direct lending continues to take up the largest share of AuM. However, other strategies are enjoying considerable growth. There is pressure on revenue pools previously dominated by corporate and investment banks, particularly in asset finance and specialty lending. Yet banks have gained opportunities by offering net asset value (NAV) financing, warehouse facilities, structuring, and secondary-market services.

Funds increasingly target unitranche and sub-investment-grade deals, where banks have underwriting challenges. Partnerships between banks and private credit players are becoming increasingly common, as banks can increase balance sheet velocity while capturing fee-based income. However, it remains unclear whether the long-term revenue upside from these partnerships will outweigh the impact of relinquishing more direct, near-term lending opportunities.

Several partnerships between private credit managers and banks have been announced, but they remain largely untested, casting doubt on which models will prove successful. Meanwhile, some banks have started deploying their own balance sheets to compete directly in this space, or establishing dedicated units to capitalize on the opportunity. The first quarter of 2025 also saw some refinancing activity in public markets, reflecting changes in the interest rate environment. However, this development has not yet proven sufficiently substantial to indicate a broader trend. Moreover, regulatory scrutiny is increasing, with both the Federal Reserve (Fed) and the Financial Conduct Authority (FCA) signaling that the growing interplay between banks and private credit may warrant closer oversight.[2,3]

1. Moody's, BCG Expand estimates.
2. https://www.fca.org.uk/publications/multi-firm-reviews/private-market-valuation-practices.
3. Bank Lending to Private Equity and Private Credit Funds: Insights from Regulatory Data (John D. Levin and Antoine Malfroy-Camine).

Non-Bank Liquidity Providers (NBLPs')

Non-bank liquidity providers (NBLPs) continue to disrupt the trading ecosystem, capturing a record ~26% share of the Global Markets revenue pool. These entities—ranging from proprietary trading firms to specialized market makers—are reshaping execution strategies and introducing tighter spreads across asset classes. Structural shifts in markets toward platforms have favored tech-focused liquidity providers that have a superior capability and appetite in relation to risk recycling. The continued electronification of markets is likely to lead to further margin compression, as well as increased value migration.

Sizable increases in e-trading across equity derivatives and commodities

2024 Revenue Pools ($B)		Revenue Pools YOY (%)	E-Trading Volume YOY (%)	State of electronification
Equities	84	18%	Higher YOY	
Cash Equities	16	14%	18% Higher YOY	●●●●
EQ Derivatives	31	26%	31% Higher YOY	●●
Prime Services	16	15%	n/a Higher YOY	n/a
FICC	160	2%	Higher YOY	
Credit	31	15%	–6% Lower YOY	●●●
G10 Rates	34	–15%	14% Higher YOY	●●
G10 FX	19	3%	17% Higher YOY	●●●●
Commodities	11	–15%	32% Higher YOY	●●
Emerging Markets	46	7%	5% Higher YOY	●●
Securitized Products	19	21%	n/a	n/a

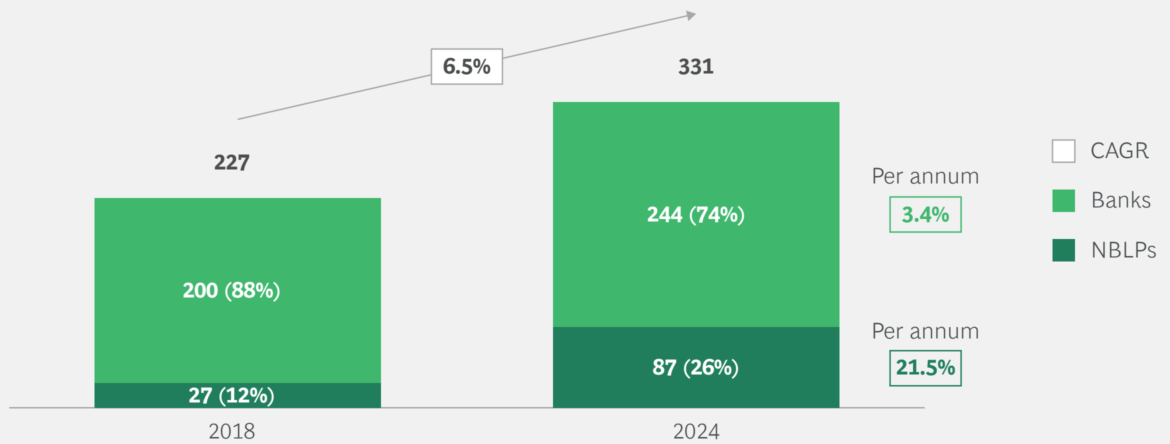
Lower YOY Higher YOY ● Nascent ●●●● Mature [>70%]

Source: BCG Expand data, BCG Analysis.

Despite variations in electronification maturity across asset classes, the overall trend remains clear. NBLPs continue to expand their intermediation footprint. Therefore, in response to potential margin compression and increased competition, banks must determine which areas they want to protect, and how best to operate over the short and long term. Opportunities may not always directly affect revenue pools. Banks already leverage NBLPs for risk recycling, facilitating improved internal risk management while still servicing their client franchise effectively. Moreover, deeper partnerships can allow banks to reduce their own cost base (for example by utilizing best-in-class technology), as well as to serve clients in certain asset classes where they may not have traditionally boasted leading capabilities.

NBLPs share of Global Markets revenue pools is growing

Global Markets – Revenue Pool incl. NBLPs ($B)



Source: BCG Expand data, BCG Analysis.

Market Outlook and Strategic Implications for CIBs

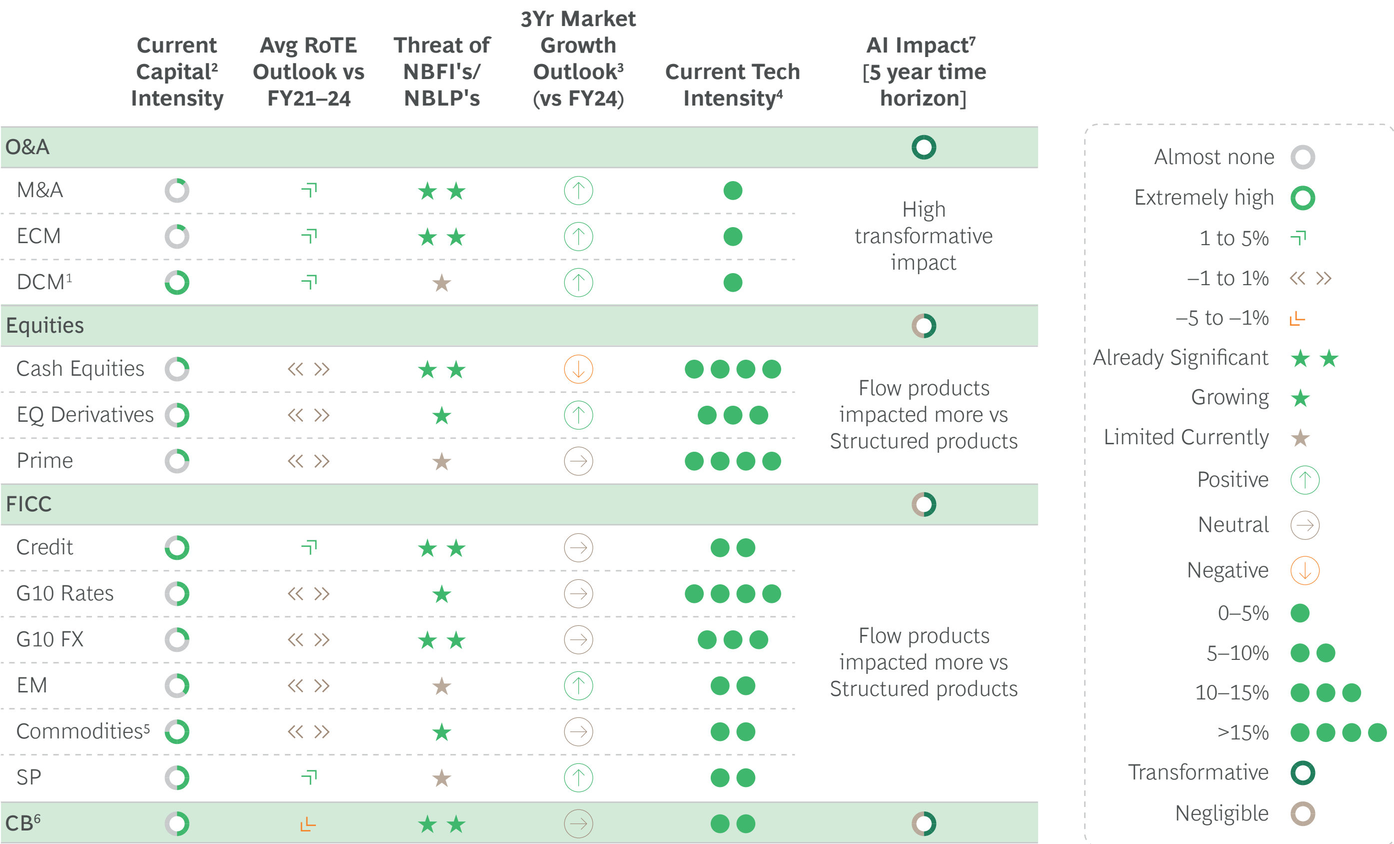
BCG and Expand forecast CIB revenue pools to continue growing in 2025.

We forecast a continued increase in 2025 in O&A revenues with tailwinds such as stronger M&A pipelines, sponsor-backed exits supporting ECM and continued refinancing activity supporting DCM. The market has grown since 2023 and O&A deal volumes[11] are running ~40% below the five-year average as a % of US GDP. But note, the high optimism at the start of the year has now softened for O&A. Forecasts, budgets and business plans for the year are being revised as we write this report.

The near-term outlook for FICC and equities remains positive, with differences in performance between products resulting from cyclicality and market conditions. Equities revenue pools are forecast to grow ~10% as increased volatility may support intermediation activity driven by a tense global eco-political environment. FICC revenue pools are expected to grow ~5%.

The general outlook for the coming years is also boosted by a more positive economic and regulatory backdrop. At the same time, we predict significant AI-driven transformation over the next five years, particularly in areas like O&A (see Exhibit 6), with many CIBs already rolling out tangible initiatives. Executives must therefore balance both near-term revenue opportunities with potential future structural changes in the business. We believe that this is the first of many such balancing acts to come.

Exhibit 6 - Outlook



Source: BCG Expand data, BCG Analysis.

[1]Includes relationship lending, typically consisting of corporate revolver facilities granted to clients.

[2]Capital intensity is based on % of RWA only (i.e. LBS not factored in) and is considered as capital required relative to revenue generated.

[3]Outlook based on sentiment from industry interviews/discussion.

[4]Tech intensity is defined as % of CIB tech spend allocated to each product line.

[5]Commodities currently limited to specialist players (e.g. large producers with trading houses, however they are well positioned) but expanding.

[6]For corporate banking, NBFI risk only considers lending.

[7]AI Impact is based on executive interviews, internal experience, expert interviews and BCG Expand analysis.

11. Deal volumes defined as total aggregated deal amount in USD.

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