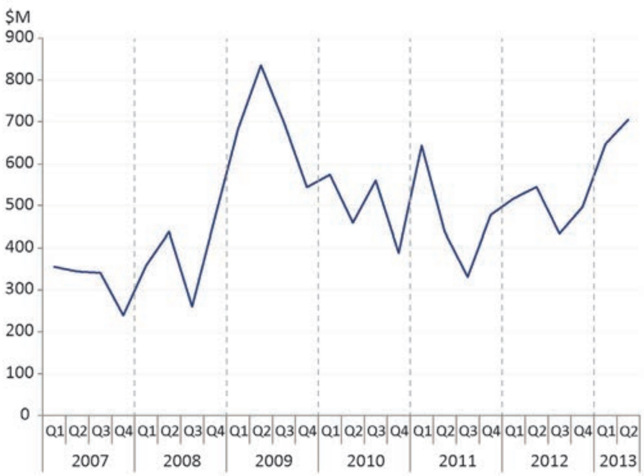
Letter from the President

Debt Capital Markets: A Bright Light in a Gloomy Cycle

Vol. 65

Since the 2008 financial crash, the consistent bright light in the gloomy journey taken by the securities industry has been the debt capital markets business, composed of trading and underwriting in debt and derivatives securities. Recessionary conditions and an insipid economic recovery triggered a collapse in bond yields and spreads, creating attractive conditions for the portfolio positioning of debt securities and for borrowing mid- and long-dated funds.

Fixed Income Trading and Underwriting Revenue
Industry

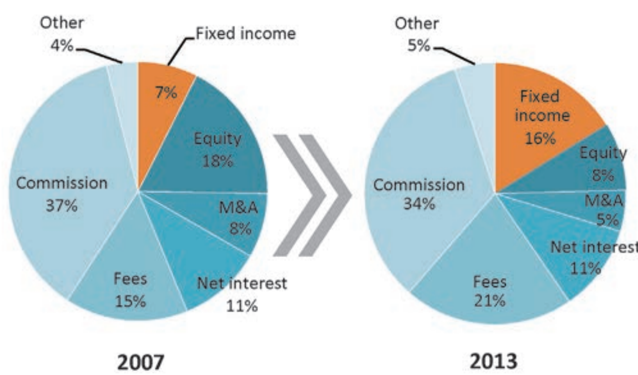


Source: IIAC

Industry revenue for fixed income trading and underwriting more than doubled in 2008-09 to total $2.8 billion, and slid back somewhat in the subsequent three years, as the financial crisis unfolded, and recessionary conditions and anemic growth took hold. Interest rates and spreads fell sharply through 2009 and remained at depressed levels until recently. The gains in revenue and profit from the fixed income business can be traced, first, to trading activity such as market-making activities and securities positioning on their balance sheet to benefit from rising bond prices and widening spreads between long and short-dated maturities (carry trade business) and, second, to debt financing and underwriting as governments and large corporations moved into debt markets to take advantage of attractive borrowing rates.

These debt capital markets revenues accounted for a record 17% of total industry revenue in 2009, and averaged about 12% of industry revenue in the latest three years. The eight large integrated firms accounted for just over three-quarters of these revenues, totalling some $2.2 billion, with these revenues up two-and-a-half times in 2008-09, and representing 20% of total integrated firm revenue. The scale of the business at the integrated firms is illustrated by the fact these revenues were as large as the *total* revenue earned by the boutique firm sector in the same period.

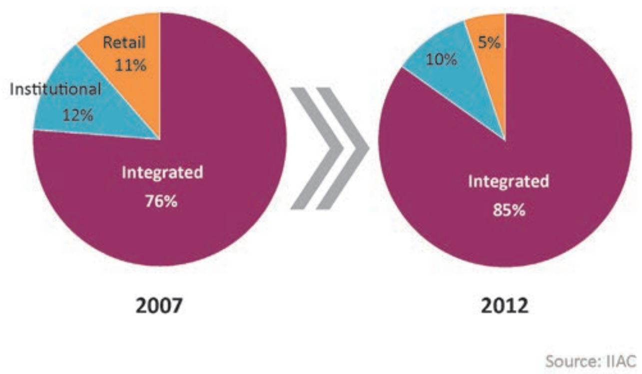
Operating Revenue Breakdown
Industry



Source: IIAC

The remainder of debt capital markets revenue was earned by several smaller Quebec-based firms that had been expanding their fixed income businesses well before the financial crisis in 2008, and the Canadian affiliates of several large global investment banks. These affiliates took particular advantage of expanding cross-border financings and trading activity, notably in non-Canadian-dollar securities.

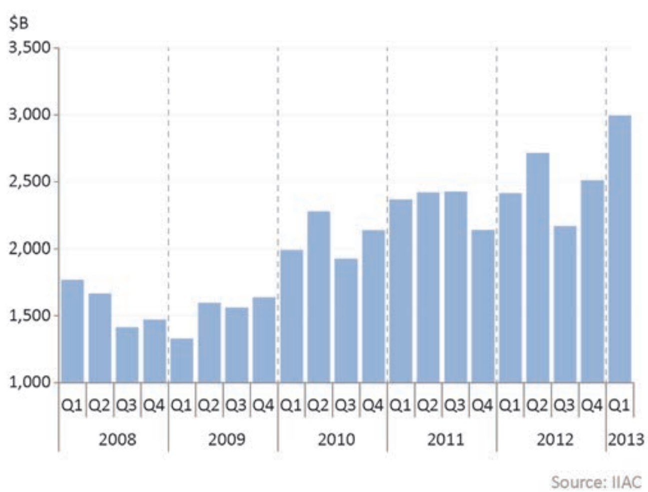
Market Share of Debt Markets Business
Integrated Firms Dominate



It should be noted that reviving investor interest in fixed income markets also benefited the retail boutiques, given the higher returns generated on debt securities than equities. These firms for the most part are not engaged in active market-making, nor in debt financing, but they are active in distributing debt securities to their retail clients in response to investor demand.

The opportunities for higher portfolio returns from greater holdings of debt securities (even if yields were lower given the pessimistic and deteriorating outlook for equity returns), the growing need for debt securities to meet increased cash flow for retirement portfolios, and the premium placed on safe investments like government bonds, boosted investor participation in debt markets, just at the time investors were pulling back aggressively from volatile and uncertain equity markets. The fixed income markets offered a promising outlet for the wealth management businesses of large and small firms alike.

Growth in Bond Trading



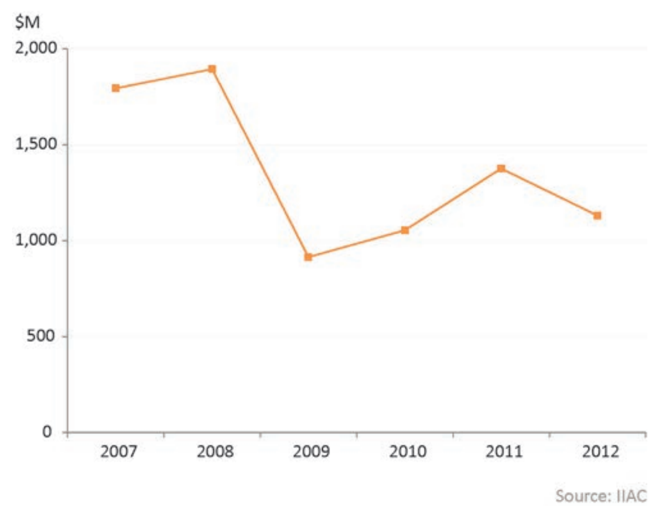
Debt markets take centre stage for industry firms

Bond trading with individual and institutional investors rose sharply in the post-2008 financial crash as investors shifted to proportionately higher-yielding debt products, mainly corporate and mortgage bonds, to take advantage of both yield and rising bond prices across the maturity curve, to improve portfolio returns as the investment outlook for equities soured. This participation was reflected in expanded trading volumes in the latest five-year period, moving to record levels.

This more active retail distribution of new and traded securities was welcomed by the wealth management businesses across the industry, not just because of the pullback from equity securities and shift to increased cash holdings, but also because net interest income – the earnings spread on cash holdings and margin accounts with the dealers – had been squeezed by the sharp fall in interest rates in 2009, taking net revenues from $1.9 billion (10% of overall revenue) to half that amount. This collapse in a core revenue component hit integrated and retail firms hard as these revenues go straight to the bottom line. Net interest income has subsequently made a modest recovery as interest rates have inched upwards in this period.

The incipient rise in bond yields will inevitably lead to losses on existing bond funds and ETFs. However, these losses are unlikely to encourage much selling, nor discourage fixed income investing generally, as returns on debt securities are attractive relative to overall equity returns from dividends and earnings growth.

Net Interest Revenue
Squeezed by Low Interest Rates

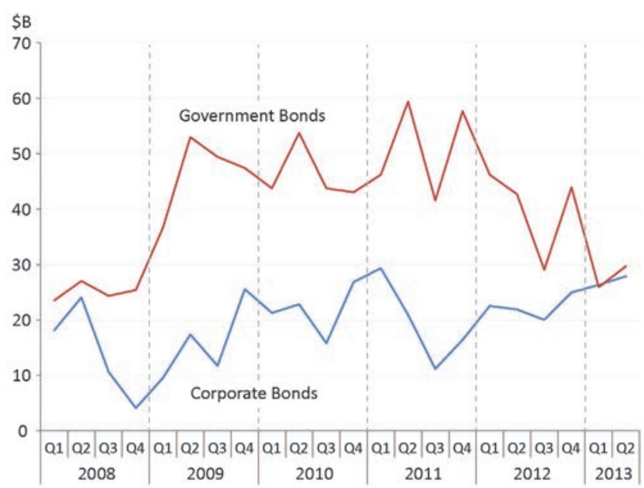


The fall in interest rates did more than attract bond investors to the markets. Lower rates attracted large corporate borrowers to fund working capital, new investment and acquisitions, and strengthen balance sheets. The issuance of government and corporate debt rose dramatically through 2009, nearly double the pre-crash levels. New offerings of government and corporate debt securities averaged about $60 billion a quarter. Financial institutions were particularly active borrowers in longer dated corporate bonds, supplementing common and preferred equity offerings to bolster balance sheets in the wake of the financial crash and anticipated higher capital requirements and reduced leverage.

Increasing diversification of the domestic fixed income markets

In tandem with the steady expansion of financing and trading activity in the Canadian debt markets in 2009-13, the market matured in terms of greater diversification of the dealer participants and the broadening array of fixed income products. Several of the smaller dealers, notably those with retail clients, ramped up their fixed income operations in this period to compete in the debt trading and distribution business with the top five bank-owned dealers and to provide a range of yield products to their retail and institutional clientele. The rapid expansion of the fixed income trading and financing businesses, particularly among the three largest Quebec-based dealers that achieved a 16% trading market share by 2012 according to Greenwich Associates, contributed important liquidity, product depth and competition to the Canadian marketplace.

Domestic Bond Issuance



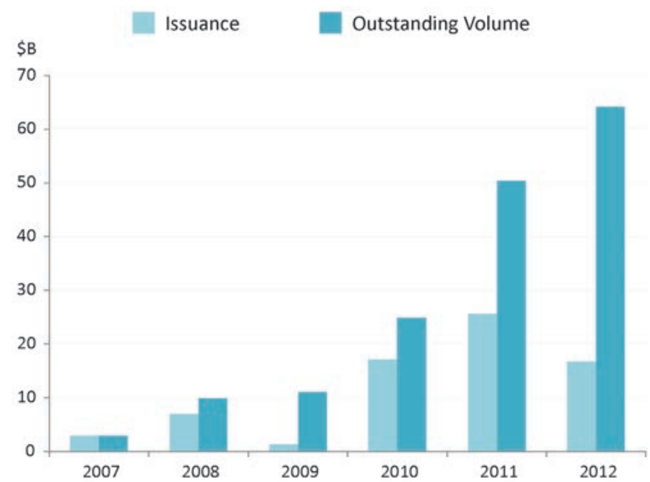
Source: IIAC

It also became evident the global investment banks seized on the developing financing and investment opportunities in the Canadian market. These included foreign affiliates building out their domestic platform to offer market-making and financing, as well as foreign firms targeting Canadian clients from offshore dealing platforms. It is noteworthy that some of the large U.S. global banks pulled back their institutional operations even prior to the 2005-07 boom period in Canadian markets to concentrate on U.S., European and Asian operations. The resilience of Canadian institutions and markets to the 2008 financial crisis, and the investment needs of the large pension funds drew the attention of these global U.S. players.

These foreign affiliates recognized the dominant position of Canadian dealers in the Canadian-dollar debt markets, but identified a comparative advantage in offering high-yield quality non-Canadian debt products, and cost-effective transactional facilities in global swap markets, given their extensive size and reach of their global operations. These affiliates reached out to the 50 or so pension and investment funds with over $1 billion in assets to offer products such as foreign sovereign bonds, foreign corporates, infrastructure bonds and structured products. These foreign affiliates have steadily built up secondary bond trading market share in the post-crisis period 2008-12, accounting for one-quarter of the overall markets by 2012 according to Greenwich Associates.

The big five Canadian bank-owned dealers accounted for about one-half of secondary market activity, and the next tier of three Canadian dealers accounted for a further 15% share. In the past year, there has been a surprising retrenchment in market share by the foreign affiliate group. This reflects several factors: First, some of the foreign affiliate firms are not as well-capitalized as their Canadian counterparts and have pulled back their Canadian operations, reallocating scarce capital elsewhere within the global financial group; Second, the improved market share of the Canadian dealers' trading also reflects a concerted effort on the part of these firms to execute more secondary trading on electronic platforms, notably CanDeal, in response to growing institutional interest for cost-efficient electronic trading. We estimate that nearly one-half of institutional trades are executed on these platforms.

Development of Canadian Covered Bonds



Source: CMHC

Moving beyond vanilla government and corporate bonds

Heightened investor interest in fixed income securities and opportunities for corporations to borrow on more cost-effective terms have resulted in a widening array of fixed income products to match the needs of borrowers and lenders. Government bonds remain the most liquid and reliable securities in the domestic marketplace, but investors have reached beyond to find new products with higher investment returns. For example, covered bonds exploded into the marketplace since their 2007 introduction, with the outstanding amount reaching over $60 billion today. Canadian financial institutions have collateralized these mortgage bonds with insured and uninsured residential mortgages. Eighty-five per cent of these bonds outstanding have been issued in U.S. dollars, with the majority sold to U.S. investors. Beginning in 2012, the collateral on covered bonds is restricted to uninsured mortgages (requiring private insurance coverage), removing the Government of Canada guarantee that had enabled these bonds to compete *pari passu* with Canada bonds among foreign investors.

The OTC interest rate and currency swap markets have also grown dramatically in recent years to improve returns for lenders and lower financing costs for issuers. Not surprisingly, these markets are cross-border in nature, with offshore investors frequently acting as counterparty in these swap transactions. The scale of this business, in terms of transactional size, market breadth and risk management oversight, has meant the bank financial groups are the only Canadian participants in these global markets. The OTC derivatives markets are a key focus of the G20 reform efforts, given the dislocations, opaqueness and massive financial losses in 2008 in these markets. Reform has focused on mandated clearing and settlement of OTC transactions through designated clearinghouses, capital requirements, and other rules and regulations. Despite five years of the reform effort, it still has a long way to go and the work undertaken across various important jurisdictions has not achieved harmonized rule-making. As a result, the global OTC derivatives market arguably is more balkanized now than before the 2008 financial crisis.

Conclusion: Increased dealer profitability, more efficient settlement systems, greater sophistication

Canada has always stood out among the developed countries for its efficient, deep and liquid fixed income markets. The forces at play in the domestic markets following the 2008 financial crisis – the sharp collapse in interest rates and spreads, the sustained weakness in share prices, and the risk averse nature of investors – have transformed the domestic debt markets. Fixed income securities have taken a larger place in investment portfolios than ever before and resulted in more active market-making.

Stepped-up debt trading and financing have contributed critically to dealer profitability and earnings stability, offsetting weakness in the equity capital market business. Active secondary markets have also drawn in more dealers, both domestic and foreign institutional, and shifted more trading to electronic platforms and to more efficient settlement systems like the new Canadian fixed income (repo) central counterparty and netting facility. This facility was launched in February 2012 following several years of industry efforts coordinated by the IIAC.

Over the next few years we expect the Canadian affiliates of foreign global investment banks to reverse recent retrenchment in domestic debt markets as regulatory capital is built up within these financial groups, and the demand for non-Canadian-dollar investments and financings remains strong in the Canadian markets. As the debt marketplace has expanded, accompanied by a concomitant need for increased yield and portfolio return, the products and transactions in the market have broadened and become more complex and sophisticated.

Special recognition to Eon Song, Capital Markets Analyst, for analytical and technical support.

Yours sincerely,

Ian C. W. Russell, FCSI
President & CEO, IIAC
September 2013

Industry

($ millions unless otherwise noted)	Quarter-over-Quarter							Annual Year-over-Year						
	Quarters				% Change			Years				% Change		
	Q2 13	Q1 13	Q4 12	Q3 12	Q2/Q1 13	Q1 13/ Q4 12	Q4/Q3 12	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	194	192	196	198	1.0%	-2.0%	-1.0%	196	201	201	200	-2.5%	0.0%	0.5%
Number of employees	39,571	39,380	39,555	39,870	0.5%	-0.4%	-0.8%	39,555	40,427	39,917	39,894	-2.2%	1.3%	0.1%
Revenue														
Commissions	1,386	1,417	1,250	1,199	-2.1%	13.4%	4.2%	5,117	5,817	5,631	5,052	-12.0%	3.3%	11.5%
Mutual fund only commissions	611	621	550	542	-1.6%	13.0%	1.4%	2,175	2,156	1,950	1,605	0.9%	10.6%	21.5%
Investment banking	711	800	1,049	825	-11.1%	-23.8%	27.2%	3,565	3,977	4,029	3,915	-10.4%	-1.3%	2.9%
New issues equity	319	365	478	431	-12.5%	-23.7%	11.0%	1,782	2,165	2,234	2,356	-17.7%	-3.1%	-5.2%
New issues debt	229	175	235	179	30.9%	-25.6%	31.2%	816	826	809	653	-1.2%	2.1%	23.9%
Corporate advisory fees	164	260	336	215	-37.1%	-22.7%	56.4%	967	986	986	906	-1.9%	0.0%	8.8%
Fixed income trading	477	472	262	254	0.9%	80.3%	3.0%	1,176	1,064	1,173	2,109	10.5%	-9.3%	-44.4%
Equity trading	-160	175	-5	205	-191.6%	3765.6%	-102.3%	118	-1	267	459	8703.7%	-100.5%	-41.8%
Net interest	469	427	285	267	9.7%	49.9%	6.9%	1,131	1,376	1,054	914	-17.8%	30.5%	15.3%
Fees	889	865	841	793	2.8%	2.9%	6.0%	3,206	3,094	2,721	2,385	3.6%	13.7%	14.1%
Other	209	207	341	223	1.0%	-39.3%	52.5%	1,020	810	1,004	1,473	25.9%	-19.4%	-31.8%
Operating revenue	3,981	4,363	4,023	3,766	-8.8%	8.5%	6.8%	15,332	16,136	15,878	16,306	-5.0%	1.6%	-2.6%
Operating expenses[1]	1,844	1,818	1,808	1,781	1.4%	0.5%	1.5%	7,249	7,355	6,825	6,555	-1.4%	7.8%	4.1%
Operating profit	1,017	1,390	1,060	1,009	-26.8%	31.2%	5.0%	3,806	4,273	4,789	5,987	-10.9%	-10.8%	-20.0%
Net profit (loss)	347	515	598	577	-32.7%	-13.9%	3.8%	2,155	2,036	2,395	2,869	5.8%	-15.0%	-16.5%
Shareholders' equity	17,643	17,219	17,087	16,525	2.5%	0.8%	3.4%	17,087	15,269	16,988	15,225	11.9%	-10.1%	11.6%
Regulatory capital	17,689	17,270	34,343	34,008	2.4%	-49.7%	1.0%	34,343	30,383	31,647	29,559	13.0%	-4.0%	7.1%
Client cash holdings	40,658	38,594	38,684	37,891	5.3%	-0.2%	2.1%	38,684	39,304	37,952	36,816	-1.6%	3.6%	3.1%
Client debt margin outstanding	16,158	15,531	14,432	13,900	4.0%	7.6%	3.8%	14,432	13,458	13,731	11,048	7.2%	-2.0%	24.3%
Productivity[2] ($ thousands)	402	443	407	378	-9.2%	9.0%	7.7%	388	399	398	409	-2.9%	0.3%	-2.7%
Annual return[3] (%)	7.9	12.0	14.0	14.0	-4.1%	-2.0%	0.1%	12.6	13.3	14.1	18.8	-0.7%	-0.8%	-4.7%

Integrated

($ millions unless otherwise noted)	Quarter-over-Quarter							Annual Year-over-Year						
	Quarters				% Change			Years				% Change		
	Q2 13	Q1 13	Q4 12	Q3 12	Q2/Q1 13	Q1 13/ Q4 12	Q4/Q3 12	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	11	11	11	11	0.0%	0.0%	0.0%	11	11	11	11	0.0%	0.0%	0.0%
Number of employees	25,169	24,990	25,146	25,450	0.7%	-0.6%	-1.2%	25,146	25,595	24,955	25,131	-1.8%	2.6%	-0.7%
Revenue														
Commissions	971	991	877	852	-2.0%	13.0%	3.0%	3,597	3,921	3,767	3,384	-8.3%	4.1%	11.3%
Mutual fund only commissions	468	474	431	429	-1.1%	9.8%	0.4%	1,711	1,654	1,471	1,226	3.5%	12.4%	20.0%
Investment banking	521	595	729	616	-12.5%	-18.3%	18.3%	2,596	2,726	2,566	2,598	-4.8%	6.2%	-1.2%
New issues equity	231	282	332	340	-17.9%	-15.2%	-2.4%	1,325	1,390	1,311	1,587	-4.7%	6.0%	-17.4%
New issues debt	190	136	184	149	39.8%	-26.2%	23.8%	659	699	682	546	-5.7%	2.5%	24.9%
Corporate advisory fees	99	178	212	127	-44.0%	-16.3%	67.6%	612	637	573	465	-4.0%	11.2%	23.2%
Fixed income trading	389	347	261	191	12.4%	32.9%	36.5%	1,031	800	960	1,690	29.0%	-16.7%	-43.2%
Equity trading	-140	137	7	146	-202.2%	1877.0%	-95.3%	166	25	38	332	556.3%	-33.5%	-88.6%
Net interest	374	334	236	222	12.1%	41.6%	6.3%	942	1,165	906	790	-19.2%	28.6%	14.7%
Fees	679	649	629	600	4.6%	3.2%	5.0%	2,400	2,189	1,994	1,764	9.6%	9.8%	13.0%
Other	127	138	229	151	-7.6%	-39.9%	52.2%	618	456	415	1,233	35.4%	9.9%	-66.3%
Operating revenue	2,922	3,190	2,967	2,777	-8.4%	7.5%	6.9%	11,350	11,283	10,645	11,792	0.6%	6.0%	-9.7%
Operating expenses[1]	1,221	1,215	1,171	1,201	0.5%	3.7%	-2.4%	4,817	4,818	4,497	4,300	0.0%	7.1%	4.6%
Operating profit	832	1,078	920	832	-22.8%	17.2%	10.6%	3,219	3,212	3,127	4,782	0.2%	2.7%	-34.6%
Net profit (loss)	322	507	555	590	-36.4%	-8.7%	-5.9%	1,978	1,801	1,610	2,422	9.8%	11.9%	-33.5%
Shareholders' equity	12,823	12,377	11,902	11,356	3.6%	4.0%	4.8%	11,902	10,475	11,585	10,029	13.6%	-9.6%	15.5%
Regulatory capital	12,826	12,392	24,989	24,640	3.5%	-50.4%	1.4%	24,989	22,155	22,882	21,372	12.8%	-3.2%	7.1%
Client cash holdings	34,599	32,384	33,018	32,255	6.8%	-1.9%	2.4%	33,018	33,088	31,677	31,451	-0.2%	4.5%	0.7%
Productivity[2] ($ thousands)	464	511	472	436	-9.0%	8.2%	8.2%	451	441	427	469	2.4%	3.3%	-9.1%
Annual return[3] (%)	10.1	16.4	18.7	20.8	-6.3%	-2.3%	-2.1%	16.6	17.2	13.9	24.1	-0.6%	3.3%	-10.3%

[1] Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.
[2] Annual revenue per employee.
[3] Annual return is calculated as net profit/shareholder's equity.

Institutional

	Quarter-over-Quarter							Annual Year-over-Year						
	Quarters				% Change			Years				% Change		
($ millions unless otherwise noted)	Q2 13	Q1 13	Q4 12	Q3 12	Q2/Q1 13	Q1 13/ Q4 12	Q4/Q3 12	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	82	81	79	80	1.2%	2.5%	-1.3%	79	78	74	72	1.3%	5.4%	2.8%
Number of employees	3,027	3,075	3,115	3,180	-1.6%	-1.3%	-2.0%	3,115	3,108	2,793	2,801	0.2%	11.3%	-0.3%
Revenue														
Commissions	141	142	131	120	-0.9%	8.5%	9.3%	558	693	655	623	-19.4%	5.7%	5.1%
Investment banking	143	156	266	167	-8.1%	-41.4%	59.5%	756	912	1,082	1,052	-17.1%	-15.7%	2.9%
New issues equity	63	54	112	63	15.3%	-51.4%	78.4%	315	523	634	568	-39.8%	-17.5%	11.6%
New issues debt	22	28	34	21	-20.7%	-17.8%	64.6%	103	60	58	51	71.6%	3.7%	13.7%
Corporate advisory fees	59	74	121	84	-20.5%	-38.8%	44.1%	338	329	390	433	2.6%	-15.6%	-9.9%
Fixed income trading	76	101	-13	49	-24.8%	884.9%	-126.0%	93	179	122	249	-48.1%	46.7%	-51.0%
Equity trading	-20	38	-14	50	-151.3%	364.6%	-128.8%	-61	-44	145	46	-38.8%	-130.1%	215.2%
Net interest	60	59	18	15	1.9%	225.0%	24.9%	63	49	35	33	29.5%	39.0%	6.1%
Fees	45	57	50	41	-22.1%	15.5%	21.9%	190	174	104	77	9.4%	67.4%	35.1%
Other	36	25	72	46	40.4%	-65.0%	58.1%	263	173	453	101	52.2%	-61.8%	348.5%
Operating revenue	480	578	510	487	-16.9%	13.4%	4.7%	1,863	2,136	2,596	2,182	-12.8%	-17.7%	19.0%
Operating expenses[1]	284	273	300	269	4.0%	-8.9%	11.6%	1,133	1,056	899	923	7.3%	17.4%	-2.6%
Operating profit	160	252	139	166	-36.3%	81.2%	-16.3%	605	839	1,440	1,025	-27.8%	-41.7%	40.5%
Net profit (loss)	30	3	69	0	760.2%	-95.0%	n/a	276	213	752	444	29.6%	-71.7%	69.4%
Shareholders' equity	3,865	3,910	3,982	3,927	-1.2%	-1.8%	1.4%	3,982	3,632	4,108	3,972	9.6%	-11.6%	3.4%
Regulatory capital	3,908	3,953	7,735	7,707	-1.1%	-48.9%	0.4%	7,735	6,617	7,068	6,607	16.9%	-6.4%	7.0%
Client cash holdings	1,727	2,005	1,756	1,699	-13.9%	14.2%	3.4%	1,756	1,296	1,306	859	35.5%	-0.7%	52.0%
Productivity[2] ($ thousands)	635	752	655	613	-15.6%	14.9%	6.9%	598	687	929	779	-13.0%	-26.1%	19.3%
Annual return[3] (%)	3.1	0.4	6.9	0.0	2.7%	-6.6%	7.0%	6.9	5.9	18.3	11.2	1.1%	-12.4%	7.1%

Retail

	Quarter-over-Quarter							Annual Year-over-Year						
	Quarters				% Change			Years				% Change		
($ millions unless otherwise noted)	Q2 13	Q1 13	Q4 12	Q3 12	Q2/Q1 13	Q1 13/ Q4 12	Q4/Q3 12	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	101	100	106	107	1.0%	-5.7%	-0.9%	106	112	116	117	-5.4%	-3.4%	-0.9%
Number of employees	11,375	11,315	11,294	11,240	0.5%	0.2%	0.5%	11,294	11,724	12,169	11,962	-3.7%	-3.7%	1.7%
Revenue														
Commissions	275	284	242	227	-3.2%	17.5%	6.4%	961	1,203	1,208	1,045	-20.1%	-0.4%	15.6%
Mutual fund only commissions	141	145	122	115	-3.1%	19.4%	6.2%	471	506	478	375	-6.9%	5.8%	27.5%
Investment banking	47	48	55	42	-2.8%	-11.4%	30.0%	212	338	381	265	-37.2%	-11.2%	43.8%
New issues equity	25	29	34	28	-12.0%	-16.3%	23.9%	142	253	289	201	-43.8%	-12.6%	43.8%
New issues debt	16	11	17	10	51.4%	-35.2%	73.9%	53	67	69	56	-20.0%	-3.4%	23.2%
Corporate advisory fees	5	9	4	5	-39.2%	145.2%	-24.0%	17	19	23	8	-10.6%	-16.9%	187.5%
Fixed income trading	12	25	14	14	-54.4%	79.5%	0.6%	52	86	91	169	-39.9%	-5.8%	-46.2%
Equity trading	-1	0	3	8	-513.0%	-89.1%	-66.9%	13	17	84	81	-25.0%	-79.8%	3.7%
Net interest	35	35	31	31	0.3%	11.3%	2.6%	126	162	113	91	-22.0%	43.1%	24.2%
Fees	166	159	162	153	4.4%	-1.9%	6.0%	616	731	623	544	-15.7%	17.3%	14.5%
Other	46	44	39	27	5.2%	12.1%	44.3%	139	180	137	138	-23.0%	31.7%	-0.7%
Operating revenue	579	595	545	502	-2.8%	9.2%	8.7%	2,119	2,717	2,637	2,322	-22.0%	3.0%	13.6%
Operating expenses[1]	339	330	337	311	2.7%	-1.9%	8.1%	1,300	1,482	1,428	1,332	-12.3%	3.8%	7.2%
Operating profit	25	61	1	12	-58.6%	5406.6%	-90.6%	-18	221	222	180	-108.2%	-0.2%	23.3%
Net profit (loss)	-5	5	-26	-13	-213.1%	118.7%	-101.9%	-99	22	33	3	-559.6%	-34.7%	1000.0%
Shareholders' equity	956	931	1,202	1,241	2.6%	-22.5%	-3.1%	1,202	1,162	1,295	1,224	3.5%	-10.3%	5.8%
Regulatory capital	955	925	1,619	1,661	3.3%	-42.9%	-2.5%	1,619	1,610	1,697	1,580	0.5%	-5.1%	7.4%
Client cash holdings	4,332	4,204	3,910	3,937	3.0%	7.5%	-0.7%	3,910	4,920	4,820	4,506	-20.5%	2.1%	7.0%
Productivity[2] ($ thousands)	204	211	193	179	-3.3%	9.0%	8.1%	188	232	217	194	-19.0%	6.9%	11.6%
Annual return[3] (%)	-2.3	2.1	-8.6	-4.1	-4.4%	10.7%	-4.5%	-8.2	1.9	2.5	0.2	-10.1%	-0.7%	2.3%

[1] Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.
[2] Annual revenue per employee.
[3] Annual return is calculated as net profit/shareholder's equity.