

LETTER FROM THE PRESIDENT

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Structural change in investment industry will break loose this coming year as competitive conditions intensify

Preliminary financial results for Canada's investment industry for the nine-months ended September 2019 confirm a steady and solid revenue and profit performance for the large and small dealers despite decline in investment banking revenue and equity underwriting fees, and a drift in domestic equity markets over most of the year that dampened active investor participation and retail revenue.

Total industry operating revenue and profit in 2019 leveled to top off at record levels, after steady upward revenue and profit momentum after the previous three years. Revenue and profit at the institutional firms dropped year-to-year 9 percent and 17 percent, with results faltering, but still not surprisingly good, given the collapse in equity financing from large cap energy companies and small mining, technology and cannabis businesses. Further, earnings at the retail dealers were roughly flat but at record levels last year as revenue gains nearly offset increases in operating costs.

This extended period of solid revenue and earnings performance for the large and small retail and institutional dealers, in the past four years, suggests a strong evidence of a competitive, robust and resilient industry, well-positioned to meet retail and corporate client demand, coping through turbulent and continued dynamic competitive markets.

However, a closer examination reveals inherent weakness among at least some small firms in their long-term competitiveness with challenges that threaten their viability. More seriously, the smaller dealers have not evolved to large and diversified business scale to participate in competitive and dynamic retail and institutional markets. The industry is in fact a composite of similar small and specialized small firms, with the exception of several mid-sized and large integrated firms.

In the past five years, small independent firms made heroic efforts to transform business models to align wealth operations focused on growing demand for holistic financial planning and services, and broadening their corporate and institutional business in public

and private markets. These individual small firms, despite limited size, are niche-focused and have taken advantage of technology to reach clients through digitalization and improve operating efficiencies to enhance competitiveness. These small firms benefited from the extended boom in retail markets from the demographic shift to financial advisory services, and resurgence in small cap markets, notably the cannabis phenomenon.

On balance, for the last five years, the investment industry has consolidated within a permanent pool of nearly 150 small and mid-sized dealers, with more than one-third of the operating dealers with less than \$5 million in annual revenue and individual size in the range of \$5-10 million in capital. These dealers include a balanced group of 90 retail dealers (self-clearing and introducer dealers) and 60 domestic and foreign institutional independent firms. Moreover, many of these small dealers displayed a wide dispersion of revenue and earnings among the smaller and mid-sized dealers, with a consistent steady number of 30-50 dealers struggled chronic marginal profits over the past five years.

Along the periphery of these 150 firms are about 10-12 well-capitalized integrated and full-service dealers that dominant the retail and institutional markets. These integrated dealers were active executing numerous acquisitions of successful leading brand, mid-sized dealers, in the early years just after the 2008 financial crisis, with the last major transaction with 'Three Macs' acquisition by Raymond James Canada. Over the subsequent post-financial crisis these integrated firms significant invested capital to improve operating efficiencies and revamped retail and institutional business models to orient to meet evolving client demands. These firms put competitive pressures on the small dealers in the same markets.

What is striking is the resilience of the many small and mid-sized dealers competing in difficult and demanding business conditions, and the persistent tendency to retain small business operations. For the past five years these many small and mid-sized dealers



SUMMARY

Rounding out 2019: after 3 years of upward momentum, total industry operating revenue and profit have now leveled.

A boom in retail markets has benefited small dealers, but they're now facing long term challenges – evolution is necessary in order to stay competitive.

Smaller dealers are facing obstacles to building scale, including minimal capital or access to capital to finance acquisitions or on-board advisors from existing firms.

have focused efforts to improve competitive operations to meet evolving client demands, adapt technology to improve client reach and compensate with advantages of scale, improve operating efficiencies, and cut ongoing costs.

Scale is vital to success of individual franchises, and can be attained through business acquisitions, amalgamations, asset purchases, etc. among the individual dealers. Business scale is critical for retail firms to expand cost-effective client services, and for institutional firms to broader securities distribution to compete for equity offerings.

However, the small dealers are not solely at fault. A major reason has been difficulty in attracting external capital, reflecting the mixed and poor financial results of these firms. Moreover, most independent firms have little capital or access to external sources to finance acquisition, and also to on-board investment advisors from existing firms to build retail scale. The overall return on equity for the retail independents as a whole averaged an uncompetitive 10 percent, compared to 5 percent for the institutional firms. The small core group of the large full-service and national firms, the integrated firms, have outperformed by a wide margin, with nearly double the return of smaller dealers, with an average return on equity of about 15 percent. The outlook for operating returns is not particularly positive.

It is important to single out the extensive efforts of the Ontario government and securities regulators to reduce the regulatory burden and improve the efficiency of regulation. These efforts will lower compliance costs without jeopardizing investor protection and will strengthen financial results for the smaller dealers enabling them to improve their access to capital to improve their operations, by investing in technology, for example.

Independent small retail dealers will persevere in domestic competitive wealth markets, providing an extended shelf of financial products and services to holistically meet the life-cycle needs of their clients. But limited capacity for business scale for small firms will constrain financial product and service offerings for wealth markets and limit scope for competitive fee cuts, while capital constraints will hinder their ability to adapt new technology to improve client interface and enhance operational efficiencies, to compete for retail investors.

The ongoing competitive tempo will continue to tighten operating margins of the many small retail firms, notably the 30-50 operations of marginal retail firms. Three looming negative factors will weigh on operating decisions to seek partners and shut operations - less optimism of continued favorable investor and market conditions; a steady widespread effort among the integrated firms to aggressively strengthen efficiencies and streamline wealth platforms and adopt expensive, innovative digitalization and technology, to capture client base; and perception or actual continued competitive reductions to dealer fees, notably fee-based advisory accounts, by integrated firms compensating earnings from client cash holdings.

The smaller retail firms will likely integrate quickly, as acquisition tempo picks up to preserve inherent enterprise value in fast-moving dynamic markets. Moreover, acquisitions can occur quickly because the introducer firms have limited internal and legacy operating systems to complicate their integration. The reality of tougher conditions will also encourage joint ventures, even with limited capital, to integrate existing operations for small firms.

In the past two years, the resurgence in small business markets from the cannabis business and mining companies has improved the revenue and profit performance of the small institutional firms. However, the fundamental factors interfering performance have not been yet addressed – limited firm scale to build-out diversified investment banking infrastructure in research and coverage, and broaden distribution capability, and insufficient progress to lower the regulatory costs to small business and dealers for capital-raising in public markets. If difficult conditions in small business markets continue this year, the earnings of the 40 domestic institutional independent firms will stay at lower levels, and marginal institutional dealers may look for restructuring opportunities through amalgamations or shut operations.

The next year could result widespread restructuring of the small dealers within the industry. The momentum in the investment industry to improve the efficiencies and effectiveness of business models, particularly in the innovating and competitive wealth business, will constrain resources and capital for the many small and mid-sized firms, and force these dealers to seek partners and joint ventures, and closure of operations -- a first wave of firm acquisitions and closures following the few years from the 2008 financial crisis. As a result, the investment industry will transform to consolidate to larger independent dealers to meet more effectively for demands for retail and institutional clients. The outcome will be a more vigorous and competitive industry.

Yours sincerely,



Ian C. W. Russell, FCSI
President & CEO, IIAC
January 2020

Industry

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	164	165	163	-0.6%	0.6%		161	166	163	168	-3.0%	1.8%	-3.0%
Number of employees	43,236	43,103	41,877	0.3%	3.2%		42,296	40,865	40,130	39,936	3.5%	1.8%	0.5%
Revenue													
Commissions	1,304	1,368	1,377	-4.7%	-5.3%	-6.3%	5,764	5,697	5,715	5,838	1.2%	-0.3%	-2.1%
<i>Mutual fund only commissions</i>	580	599	600	-3.1%	-3.2%	-4.7%	2,410	2,541	2,567	2,840	-5.2%	-1.0%	-9.6%
Investment banking	665	884	866	-24.8%	-23.1%	-17.9%	3,455	3,610	3,744	3,246	-4.3%	-3.6%	15.3%
<i>New issues equity</i>	219	308	312	-28.8%	-29.8%	-32.8%	1,387	1,681	1,994	1,578	-17.4%	-15.7%	26.4%
<i>New issues debt</i>	218	248	212	-11.9%	2.9%	-2.8%	812	928	783	814	-12.5%	18.5%	-3.8%
<i>Corporate advisory fees</i>	228	329	341	-30.7%	-33.3%	-10.8%	1,255	1,002	967	855	25.3%	3.6%	13.2%
Fixed income trading	470	609	430	-22.7%	9.3%	52.5%	1,298	1,021	1,439	1,466	27.1%	-29.0%	-1.8%
Equity trading	-547	-334	-156	-63.7%	-250.3%	-504.7%	2,369	-331	129	8	nm	nm	nm
Net interest	567	509	542	11.2%	4.6%	6.9%	2,222	1,500	1,070	864	48.1%	40.2%	23.9%
Fees	2,287	2,249	2,082	1.7%	9.8%	10.0%	8,285	7,240	5,998	5,343	14.4%	20.7%	12.3%
Other	311	338	359	-7.8%	-13.2%	-7.9%	1,545	1,110	1,356	980	39.2%	-18.2%	38.4%
Operating revenue	5,618	6,003	5,757	-6.4%	-2.4%	0.5%	22,909	21,156	20,275	17,754	8.3%	4.3%	14.2%
Operating expenses¹	2,292	2,378	2,265	-3.6%	1.2%	3.4%	9,185	8,588	8,405	8,086	7.0%	2.2%	3.9%
Operating profit²	1,712	1,982	1,899	-13.6%	-9.8%	-3.8%	7,319	6,479	6,335	4,228	13.0%	2.3%	49.8%
Net profit (loss)	953	1,157	1,121	-17.6%	-15.0%	-4.7%	4,165	3,710	3,504	2,063	12.3%	5.9%	69.8%
Shareholders' equity	29,688	28,804	27,943	3.1%	6.2%	6.8%	28,329	25,514	23,117	28,373	11.0%	10.4%	-18.5%
Regulatory capital	40,993	40,206	39,562	2.0%	3.6%	3.5%	39,667	37,281	39,009	44,951	6.4%	-4.4%	-13.2%
Client cash holdings	60,301	57,913	57,470	4.1%	4.9%	1.2%	62,225	62,026	59,944	50,677	0.3%	3.5%	18.3%
Client debt margin outstanding	27,089	27,237	30,519	-0.5%	-11.2%	-9.0%	28,865	26,267	23,740	21,173	9.9%	10.6%	12.1%
Productivity³ (\$ thousands)	520	557	550	-6.7%	-5.5%	-2.3%	547	518	505	445	5.7%	2.5%	13.6%
Annual return³ (%)	12.8	16.1	16	-20.1%	-20.0%	-11.4%	15.2	15	15	7.3	4.7%	-4.1%	108.5%

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.

Integrated Firms

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	10	10	10	0.0%	0.0%		10	10	10	10	0.0%	0.0%	0.0%
Number of employees	26,432	26,524	25,914	-0.3%	2.0%		26,191	25,391	25,886	25,590	3.2%	-1.9%	1.2%
Revenue													
Commissions	860	910	915	-5.5%	-6.0%	-5.6%	3,803	3,810	3,871	4,019	-0.2%	-1.6%	-3.7%
<i>Mutual fund only commissions</i>	400	417	418	-4.0%	-4.3%	-5.5%	1,685	1,858	1,928	2,145	-9.4%	-3.6%	-10.1%
Investment banking	493	619	595	-20.4%	-17.2%	-16.9%	2,390	2,606	2,722	2,291	-8.3%	-4.3%	18.8%
<i>New issues equity</i>	149	221	211	-32.6%	-29.3%	-28.6%	895	1,202	1,448	1,158	-25.5%	-17.0%	25.0%
<i>New issues debt</i>	180	197	168	-8.5%	7.1%	-2.3%	652	760	634	652	-14.3%	19.9%	-2.8%
<i>Corporate advisory fees</i>	164	201	216	-18.5%	-24.3%	-15.5%	843	644	640	481	31.0%	0.6%	33.1%
Fixed income trading	410	507	369	-19.0%	11.1%	49.4%	1,027	732	1,162	1,168	40.4%	-37.0%	-0.6%
Equity trading	-605	-323	-109	87.2%	452.9%	-665.9%	2,202	-676	-183	-69	425.5%	-269.7%	-164.5%
Net interest	484	421	458	14.8%	5.6%	6.6%	1,871	1,311	954	746	42.7%	37.4%	27.9%
Fees	1,807	1,769	1,621	2.2%	11.5%	11.3%	6,462	5,638	4,691	4,226	14.6%	20.2%	11.0%
Other	147	183	227	-19.5%	-35.1%	-15.9%	948	690	967	565	37.5%	-28.7%	71.1%
Operating revenue	4,207	4,445	4,250	-5.4%	-1.0%	1.4%	16,795	15,663	15,188	13,041	7.2%	3.1%	16.5%
Operating expenses¹	1,587	1,654	1,563	-4.0%	1.5%	3.6%	6,383	5,920	5,808	5,561	7.8%	1.9%	4.4%
Operating profit²	1,464	1,633	1,559	-10.4%	-6.1%	-1.9%	5,898	5,322	5,241	3,327	10.8%	1.6%	57.5%
Net profit (loss)	871	1,001	988	-12.9%	-11.8%	-2.2%	3,587	3,302	3,099	1,752	8.6%	6.6%	76.9%
Shareholders' equity	23,598	22,732	22,531	3.8%	4.7%	5.6%	22,708	19,987	17,973	23,420	13.6%	11.2%	-23.3%
Regulatory capital	31,666	30,878	31,070	2.6%	1.9%	2.1%	30,939	28,733	30,896	37,167	7.7%	-7.0%	-16.9%
Client cash holdings	51,329	49,175	48,536	4.4%	5.8%	2.0%	52,809	52,117	51,281	43,294	1.3%	1.6%	18.4%
Productivity³ (\$ thousands)	637	670	656	-5.0%	-3.0%	-0.7%	647	617	587	510	4.9%	5.1%	15.1%
Annual return³ (%)	14.8	17.6	18	-16.1%	-15.8%	-7.2%	16.4	17	17	7.5	-0.9%	-4.2%	130.5%

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 Firms

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	62	62	62	0.0%	0.0%		60	65	66	68	-7.7%	-1.5%	-2.9%
Number of employees	2,286	2,275	2,299	0.5%	-0.6%		2,281	2,333	2,384	2,701	-2.2%	-2.1%	-11.7%
Revenue													
Commissions	95	102	106	-6.7%	-10.6%	-17.5%	504	542	598	579	-7.1%	-9.3%	3.3%
Investment banking	117	189	209	-38.1%	-44.1%	-21.7%	759	720	804	755	5.4%	-10.4%	6.5%
<i>New issues equity</i>	33	44	64	-24.4%	-48.2%	-51.0%	289	300	408	315	-3.4%	-26.6%	29.5%
<i>New issues debt</i>	24	33	29	-27.7%	-19.9%	-8.9%	103	105	88	99	-2.0%	18.9%	-11.2%
<i>Corporate advisory fees</i>	60	112	116	-46.5%	-48.0%	-2.5%	367	316	307	341	16.2%	2.9%	-9.9%
Fixed income trading	63	64	37	-1.5%	70.1%	119.8%	188	174	159	237	7.6%	9.7%	-33.0%
<i>Equity trading</i>	56	-9	-51	nm	-211.5%	82.0%	157	310	288	69	-49.3%	7.6%	317.2%
Net interest	-6	5	3	-214.8%	-285.3%	-0.8%	31	-12	-20	-19	357.6%	39.7%	-3.3%
Fees	37	50	30	-26.1%	25.7%	1.5%	177	229	260	216	-22.9%	-11.9%	20.2%
Other	62	65	61	-4.9%	0.8%	-10.1%	261	179	176	222	45.8%	1.8%	-20.7%
Operating revenue	376	487	481	-22.7%	-21.8%	-8.7%	1,955	1,897	2,265	2,059	3.0%	-16.2%	10.0%
Operating expenses¹	251	262	260	-4.4%	-3.6%	1.0%	1,028	1,068	1,135	1,103	-3.7%	-5.9%	2.9%
Operating profit	104	195	185	-46.6%	-43.8%	-17.3%	781	656	957	775	19.1%	-31.5%	23.5%
Net profit (loss)	12	83	61	-85.1%	-79.7%	-31.7%	276	170	286	208	61.8%	-40.5%	37.5%
Shareholders' equity	3,808	3,835	3,644	-0.7%	4.5%	3.4%	3,791	3,861	3,825	3,779	-1.8%	0.9%	1.2%
Regulatory capital	6,367	6,411	6,205	-0.7%	2.6%	1.6%	6,356	6,378	6,310	6,160	-0.3%	1.1%	2.4%
Client cash holdings	1,841	1,937	2,019	-5.0%	-8.8%	-18.1%	1,937	2,528	2,512	2,483	-23.4%	0.7%	1.2%
Productivity² (\$ thousands)	658	856	837	-23.1%	-21.3%	-7.7%	848	813	950	762	4.3%	-14.4%	24.6%
Annual return³ (%)	1.3	8.6	7	-85.0%	-80.6%	-34.2%	7.4	4	7	5.5	68.5%	-37.0%	27.2%

¹Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

²Annual revenue per employee.

³Annual return is calculated as net profit/shareholder's equity.

Retail Firms

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	92	93	91	-1.1%	1.1%		91	91	87	90	0.0%	4.6%	-3.3%
Number of employees	14,518	14,304	13,664	1.5%	6.3%		13,824	13,141	11,860	11,645	5.2%	10.8%	1.8%
Revenue													
Commissions	349	356	356	-2.0%	-1.8%	-4.0%	1,457	1,344	1,246	1,240	8.4%	7.9%	0.4%
<i>Mutual fund only commissions</i>	180	180	180	-0.3%	-0.3%	-2.8%	720	677	632	681	6.4%	7.0%	-7.2%
Investment banking	55	76	61	-27.5%	-9.6%	-16.9%	306	285	218	200	7.6%	30.5%	8.8%
<i>New issues equity</i>	37	43	37	-14.0%	-1.0%	-28.7%	203	179	138	104	13.4%	29.9%	32.1%
<i>New issues debt</i>	14	18	14	-20.7%	0.5%	2.3%	58	63	60	63	-8.1%	4.8%	-4.1%
<i>Corporate advisory fees</i>	4	15	9	-75.0%	-59.8%	14.3%	45	42	20	33	6.4%	112.1%	-40.0%
Fixed income trading	-3	38	24	-108.2%	-113.0%	-1.7%	83	115	118	60	-27.7%	-2.3%	97.3%
<i>Equity trading</i>	1	-3	4	-132.3%	-76.8%	-31.1%	11	36	24	8	-70.6%	48.9%	200.3%
Net interest	89	83	80	7.5%	11.1%	10.2%	320	201	136	137	58.8%	48.1%	-1.0%
Fees	443	429	431	3.2%	2.7%	5.8%	1,646	1,374	1,047	901	19.9%	31.2%	16.2%
Other	102	90	71	13.8%	44.8%	15.4%	335	241	213	193	39.1%	13.0%	10.4%
Operating revenue	1,035	1,070	1,027	-3.3%	0.8%	1.4%	4,153	3,490	3,002	2,740	19.0%	16.2%	9.6%
Operating expenses¹	455	462	442	-1.6%	2.9%	3.9%	1,773	1,599	1,462	1,422	10.9%	9.4%	2.8%
Operating profit	145	154	155	-6.3%	-6.4%	-4.1%	634	395	319	212	60.5%	23.9%	50.6%
Net profit (loss)	70	74	73	-5.2%	-3.7%	-11.0%	302	237	119	103	27.4%	99.2%	15.6%
Shareholders' equity	2,282	2,237	1,768	2.0%	29.1%	28.3%	1,830	1,666	1,319	1,174	9.8%	26.3%	12.4%
Regulatory capital	2,960	2,917	2,286	1.5%	29.5%	27.4%	2,371	2,170	1,802	1,623	9.3%	20.4%	11.0%
Client cash holdings	7,132	6,801	6,915	4.9%	3.1%	1.8%	7,480	7,380	6,151	4,900	1.3%	20.0%	25.5%
Productivity² (\$ thousands)	285	299	301	-4.7%	-5.1%	-3.6%	305	266	253	235	14.9%	5.0%	7.5%
Annual return³ (%)	12.3	13.2	16	-7.1%	-25.4%	-30.7%	17.2	14	9	8.8	20.9%	58.1%	2.6%

¹Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

²Annual revenue per employee.

³Annual return is calculated as net profit/shareholder's equity.

Domestic Institutional

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	36	36	36	0.0%	0.0%		34	37	41	45	-8.1%	-9.8%	-8.9%
Number of employees	1,219	1,246	1,318	-2.2%	-7.5%		1,299	1,360	1,481	1,751	-4.5%	-8.2%	-15.4%
Revenue													
Commissions	59	63	68	-5.4%	-12.8%	-18.0%	323	337	384	372	-4.2%	-12.3%	3.3%
Investment banking	44	71	100	-38.6%	-56.4%	-42.3%	409	308	412	376	32.6%	-25.2%	9.4%
<i>New issues equity</i>	18	36	47	-51.4%	-62.7%	-53.7%	233	194	245	201	20.0%	-20.7%	22.0%
<i>New issues debt</i>	5	9	7	-41.6%	-22.8%	-13.2%	28	24	24	23	15.6%	0.9%	2.7%
<i>Corporate advisory fees</i>	21	26	46	-20.0%	-54.8%	-32.1%	148	90	143	152	64.3%	-37.2%	-6.0%
Fixed income trading	3	3	4	26.4%	-5.3%	-9.5%	12	13	15	-7	-6.1%	-14.9%	320.9%
Equity trading	-14	-10	10	40.0%	-246.1%	-70.7%	-23	14	27	-17	-266.1%	-48.3%	258.3%
Net interest	-3	0	7	nm	-135.8%	-110.3%	24	7	3	17	273.8%	117.7%	-82.0%
Fees	9	10	8	-6.8%	7.5%	2.7%	38	106	154	120	-64.2%	-31.3%	28.7%
Other	18	15	11	21.8%	71.0%	33.9%	52	45	69	68	14.3%	-34.3%	0.9%
Operating revenue	118	152	209	-22.3%	-43.5%	-29.0%	837	830	1,064	929	0.8%	-22.0%	14.5%
Operating expenses¹	96	110	111	-12.5%	-13.8%	-6.8%	445	455	560	558	-2.0%	-18.8%	0.3%
Operating profit	13	24	71	-48.2%	-82.1%	-54.8%	285	239	365	223	19.5%	-34.6%	63.7%
Net profit (loss)	-20	-9	8	112.8%	-339.4%	-156.1%	62	0	99	-20	nm	-99.5%	595.3%
Shareholders' equity	642	670	751	-4.2%	-14.4%	-10.8%	727	713	822	913	1.9%	-13.2%	-9.9%
Regulatory capital	927	971	1,038	-4.6%	-10.7%	-6.6%	1,014	991	1,078	1,162	2.3%	-8.1%	-7.3%
Client cash holdings	761	794	951	-4.3%	-20.1%	-29.6%	913	1,318	1,269	1,428	-30.7%	3.8%	-11.1%
Productivity² (\$ thousands)	387	487	633	-20.6%	-38.9%	-24.9%	628	610	719	531	2.8%	-15.1%	35.5%
Annual return³ (%)	-12.4	-5.6	4	122.1%	-379.8%	-164.4%	8.3	0	12	-2.2	nm	-99.5%	647.9%

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.

Foreign Institutional

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	26	26	26	0.0%	0.0%		26	28	25	23	-7.1%	12.0%	8.7%
Number of employees	1,067	1,029	981	3.7%	8.8%		982	973	903	950	0.9%	7.8%	-4.9%
Revenue													
Commissions	35	39	38	-8.9%	-6.6%	-16.6%	181	205	214	207	-11.7%	-4.0%	3.4%
Investment banking	73	118	109	-37.8%	-32.8%	2.4%	351	412	392	378	-14.9%	5.1%	3.6%
<i>New issues equity</i>	16	8	17	102.8%	-7.9%	-42.1%	56	105	164	114	-46.5%	-35.7%	43.5%
<i>New issues debt</i>	18	24	23	-22.4%	-19.0%	-7.5%	75	80	64	76	-7.3%	25.6%	-15.4%
<i>Corporate advisory fees</i>	39	86	69	-54.5%	-43.4%	22.1%	220	226	164	188	-2.9%	37.9%	-12.9%
Fixed income trading	60	61	33	-2.8%	78.4%	132.6%	176	162	144	244	8.7%	12.2%	-41.0%
Equity trading	71	2	-60	nm	-217.2%	90.3%	180	296	260	86	-39.1%	13.8%	202.0%
Net interest	-4	6	-4	-163.6%	-4.1%	-210.9%	7	-19	-22	-36	135.8%	15.5%	38.9%
Fees	28	41	21	-30.8%	32.9%	1.2%	139	123	106	97	12.6%	16.3%	9.7%
Other	44	50	51	-12.8%	-13.8%	-21.1%	210	134	107	154	56.5%	25.2%	-30.3%
Operating revenue	258	335	272	-22.9%	-5.1%	7.8%	1,118	1,067	1,201	1,130	4.8%	-11.1%	6.3%
Operating expenses¹	155	153	149	1.4%	4.1%	7.1%	583	614	575	545	-4.9%	6.7%	5.5%
Operating profit	91	170	114	-46.4%	-20.1%	7.9%	496	417	591	552	18.8%	-29.4%	7.1%
Net profit (loss)	32	92	53	-64.9%	-38.5%	19.0%	214	170	187	228	25.9%	-9.2%	-18.0%
Shareholders' equity	3,165	3,165	2,893	0.0%	9.4%	7.1%	3,064	3,148	3,003	2,866	-2.7%	4.8%	4.8%
Regulatory capital	5,440	5,440	5,168	0.0%	5.3%	3.2%	5,343	5,387	5,232	4,998	-0.8%	3.0%	4.7%
Client cash holdings	1,080	1,143	1,068	-5.5%	1.1%	-7.2%	1,024	1,211	1,244	1,055	-15.4%	-2.7%	17.9%
Productivity² (\$ thousands)	969	1,303	1,111	-25.6%	-12.8%	2.2%	1,148	1,097	1,330	1,189	4.7%	-17.5%	11.8%
Annual return³ (%)	4.1	11.6	7	-64.9%	-43.8%	10.8%	7.2	5	6	8.0	33.3%	-10.1%	-24.5%

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.

Retail Full Service

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	30	31	30	-3.2%	0.0%		30	29	27	27	3.4%	7.4%	0.0%
Number of employees	6,509	6,515	6,226	-0.1%	4.5%		6,305	5,982	5,893	5,827	5.4%	1.5%	1.1%
Revenue													
Commissions	191	192	192	-0.4%	-0.7%	-3.9%	793	753	719	683	5.3%	4.8%	5.2%
<i>Mutual fund only commissions</i>	107	106	105	1.2%	2.5%	-0.4%	417	421	408	426	-1.1%	3.2%	-4.3%
Investment banking	36	56	43	-34.6%	-14.4%	-16.4%	214	204	149	150	5.2%	36.8%	-0.9%
<i>New issues equity</i>	22	27	24	-18.4%	-11.0%	-33.4%	131	111	77	65	17.4%	44.5%	17.7%
<i>New issues debt</i>	13	17	13	-22.9%	-0.3%	4.0%	53	60	57	60	-11.1%	4.5%	-4.5%
<i>Corporate advisory fees</i>	2	12	5	-86.8%	-68.3%	23.6%	31	33	15	25	-6.8%	119.6%	-40.6%
Fixed income trading	-9	31	18	-129.8%	-151.7%	-3.8%	58	90	89	44	-35.3%	0.7%	104.5%
Equity trading	-1	-5	1	-78.2%	-230.2%	-101.7%	2	21	12	2	-91.5%	74.9%	551.5%
Net interest	55	47	50	15.8%	10.1%	0.0%	199	124	78	83	60.4%	59.1%	-5.5%
Fees	227	222	236	2.5%	-3.6%	3.1%	880	734	560	497	19.9%	31.0%	12.7%
Other	49	44	27	12.4%	81.8%	43.5%	118	92	85	82	28.1%	8.7%	3.7%
Operating revenue	546	586	566	-6.9%	-3.5%	-0.2%	2,265	2,018	1,692	1,541	12.2%	19.3%	9.8%
Operating expenses¹	256	259	246	-1.2%	4.2%	4.9%	982	908	846	829	8.2%	7.3%	2.1%
Operating profit	88	106	117	-17.2%	-24.8%	-12.0%	435	327	176	105	33.0%	85.8%	68.1%
Net profit (loss)	51	60	63	-16.0%	-19.5%	-11.0%	223	174	70	31	27.9%	148.8%	124.4%
Shareholders' equity	1,485	1,457	1,056	1.9%	40.7%	42.8%	1,088	940	793	716	15.7%	18.6%	10.8%
Regulatory capital	1,928	1,902	1,331	1.4%	44.8%	42.7%	1,388	1,213	1,076	972	14.4%	12.8%	10.7%
Client cash holdings	5,327	5,087	5,103	4.7%	4.4%	2.6%	5,335	5,196	4,711	3,521	2.7%	10.3%	33.8%
Productivity² (\$ thousands)	336	360	364	-6.8%	-7.7%	-4.3%	364	337	287	264	8.0%	17.5%	8.5%
Annual return³ (%)	13.6	16.6	24	-17.6%	-42.8%	-37.7%	21.7	19	9	4.4	16.9%	105.8%	106.5%

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.

Retail Introducing

(\$ millions unless otherwise noted)

	Quarter-over-Quarter						Annual Year-over-Year						
	Quarters			% Change			Years				% Change		
	Q3 19	Q2 19	Q3 18	Q3/Q2	Q3 19/18	YTD 2019/ YTD 2018	2018	2017	2016	2015	18/17	17/16	16/15
Number of firms	62	62	61	0.0%	1.6%		61	62	60	63	-1.6%	3.3%	-4.8%
Number of employees	8,009	7,789	7,438	2.8%	7.7%		7,519	7,159	5,967	5,818	5.0%	20.0%	2.6%
Revenue													
Commissions	159	165	164	-3.8%	-3.1%	-4.1%	664	591	527	557	12.4%	12.1%	-5.4%
<i>Mutual fund only commissions</i>	73	75	76	-2.4%	-4.1%	-6.0%	303	255	224	255	18.6%	14.0%	-12.1%
Investment banking	19	21	19	-8.7%	1.5%	-18.1%	92	81	68	50	13.7%	18.7%	35.9%
<i>New issues equity</i>	15	17	13	-7.1%	17.6%	-20.3%	73	68	60	39	6.7%	13.3%	53.6%
<i>New issues debt</i>	1	1	1	14.4%	10.8%	-15.5%	5	3	3	3	46.6%	10.2%	2.7%
<i>Corporate advisory fees</i>	2	3	4	-26.3%	-50.0%	-6.1%	14	9	5	8	52.0%	89.5%	-38.0%
Fixed income trading	6	7	6	-8.4%	5.5%	5.2%	25	26	29	16	-0.9%	-11.7%	78.2%
Equity trading	2	2	3	-5.2%	-35.9%	26.8%	9	15	12	6	-40.9%	23.0%	95.2%
Net interest	34	36	31	-3.5%	12.5%	27.9%	121	77	58	55	56.3%	33.4%	5.8%
Fees	216	208	196	3.9%	10.3%	8.9%	767	640	487	404	19.8%	31.4%	20.6%
Other	53	46	44	15.2%	21.7%	-1.0%	217	148	128	111	46.0%	15.9%	15.4%
Operating revenue	489	484	461	1.1%	6.1%	3.5%	1,889	1,472	1,309	1,199	28.3%	12.5%	9.2%
Operating expenses¹	199	203	196	-2.1%	1.4%	2.6%	791	691	617	593	14.4%	12.1%	4.0%
Operating profit	57	48	38	17.7%	50.1%	16.5%	200	68	143	107	192.7%	-52.3%	33.6%
Net profit (loss)	19	13	10	43.1%	98.6%	-11.3%	79	63	50	72	26.0%	25.8%	-30.3%
Shareholders' equity	797	780	713	2.2%	11.9%	7.8%	742	725	526	458	2.2%	37.9%	14.8%
Regulatory capital	1,032	1,015	955	1.7%	8.1%	6.4%	983	956	726	652	2.8%	31.7%	11.4%
Client cash holdings	1,805	1,714	1,812	5.3%	-0.4%	-0.6%	2,145	2,184	1,440	1,379	-1.8%	51.7%	4.4%
Productivity² (\$ thousands)	244	249	248	-1.7%	-1.5%	-2.5%	256	206	219	206	24.3%	-6.1%	6.3%
Annual return³ (%)	9.7	6.9	5	40.0%	77.5%	-17.6%	10.9	9	10	15.7	25.4%	-13.3%	-36.2%

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.