Securities Finance H1 2022 review

S&P Global
Market Intelligence

Greetings and welcome to the H1 2022 securities lending market review. The first thing you've likely noticed in this issue is our new name and new look. In April, IHS Markit merged with S&P Global, in a much-anticipated marriage of two complementary powerhouse global brands. Although we're now part of the new S&P Global Market Intelligence division, what hasn't changed is our continued commitment to providing you, our customers, with the same cutting-edge solutions, thought leadership and service you've come to expect.

After a year of record-breaking revenues in 2021, H1 2022 also hit new highs by generating $6.1bn in securities finance revenues, an increase of 12% YoY. All regions and asset classes except for ADRs showed revenue growth, with ETPs and corporate bonds topping the charts at 48% and 97% YoY respectively.

There were a variety of drivers behind the strong performance, most notably increased fees and balances, a buoyant US equity specials market and sustained demand for ETP and corporate bond borrowing. All asset classes benefited from the increase in revenues throughout the six-month period apart from ADRs which continued their decline in fees, utilization and on loan balances.

Our securities finance team has been hard at work to deliver you great content and solutions to address your needs. I would like to mention several highlights that demonstrate our commitment to bringing innovative, relevant, and timely solutions to our customers:

Repo Data & Analytics (RDA)

At the end of Q2 we launched RDA, a first-of-its-kind analytics platform that provides market color, detailed price discovery, and liquidity metrics across markets, tenors, and haircuts for the global repo markets. With over $2 trillion in repo volumes across more than 20,000 instruments, we are very excited to launch this innovative platform to help our customers make more informed decisions on their global repo activities.

Client Onboarding Accelerator Tool (COAT)

To address inefficiencies in the client onboarding process, especially related to agent lender disclosure (ALD), we are launching the Client Onboarding Accelerator Tool (COAT) in Q3. This online platform leverages an existing S&P Global product, Counterparty Manager, to automate securities lending document exchange and maintenance, prioritize account approvals based on portfolio attributes, and improve timelines to achieve mutual approval between borrowers and lenders.

ETF Collateral Lists

To meet the increasing demand for diversified collateral types, our ETF Collateral List screens suitable equity and fixed income ETFs based on custom eligibility requirements. In Q3 we will integrate this functionality into the SF platform to improve workflow efficiency.

Thought leadership forums

In April we hosted our first in person event in more than three years. Attended by over 100 customers and prospects in London, our team was delighted to present an afternoon of lively discussions and debate on today's most topical subjects. Our next hosted event will take place in New York on 22nd September. It's shaping up to be another great afternoon of thought-provoking conversations and I hope to see you there.

Industry Excellence Awards recognition

I am pleased to announce that our team was shortlisted in five categories in SFT's inaugural Industry Excellence Awards. At the ceremony in June, we captured four awards in total, as the best data provider in EMEA, APAC, and global regions, and as the best regulatory provider with our SFTR solution. Our thanks to the judging panel for such esteemed industry recognition.

Finally, as we look ahead to the remainder of 2022 and beyond, I want to thank you, our valued customers, for your continued trust in us. We remain very grateful for the opportunity to be your securities finance solutions partner. As always, your feedback is very welcomed, so please reach out to me with your thoughts.

Kind regards,

Paul R. Wilson

Managing director and global head of
Securities Finance, S&P Global Market Intelligence

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Securities Finance H1 2022 Snapshot

Securities finance revenue $6.1bn in H1 2022, best half-year performance since 2008

- H1 revenue increased 12% YoY
- ETP special balance hit 4-year high
- Corporate bond revenues continue to set blistering pace
- US Equity special balances hit 4-year high

Global securities finance revenues reached $6.1bn in the first half of 2022, an increase of 12% YoY. Utilization and lendable assets saw marginal increases, while average loan balances continue to surge, increasing 11% YoY. Average fees showed mixed results but were led by Asian Equity specials in South Korea and Taiwan, in addition to corporate bonds pairing rising balances with growing fees. US equity special balances rebounded strongly from a poor H2 2021, posting a 4-year quarterly high. ETP average special balances crossed the $2bn mark for the first time in 4 years, driving a strong first half of the year, resulting in revenues increasing 48% YoY. Corporate bond earnings climbed the most YoY, rising 97% whilst ADR revenues faltered, declining 67% YoY.

Global Securities Finance Snapshot - H1 2022

Asset Class	H1 Revenue ($M)	Rev YoY %Chg	Avg Balances ($B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Lendable ($B)	Lendable YoY Chg	Avg Utilization	Util YoY %Chg
All Securities	$6,104	12%	$2,917	11%	0.42%	0%	$33,207	5%	6.8%	2%
All Equity	$4,756	7%	$1,308	12%	0.73%	-4%	$24,367	8%	3.8%	6%
Americas Equity	$2,224	9%	$669	14%	0.67%	-5%	$17,285	11%	2.9%	3%
Asia Equity	$1,039	20%	$220	6%	0.96%	14%	$2,569	-3%	5.0%	18%
EMEA Equity	$851	9%	$265	14%	0.62%	-6%	$3,643	8%	5.8%	21%
ADR	$122	-67%	$30	-41%	0.82%	-45%	$270	-36%	8.4%	-4%
ETP	$453	48%	$118	34%	0.78%	11%	$472	10%	12.5%	-2%
Government Bond	$874	12%	$1,296	7%	0.14%	5%	$4,139	4%	25.8%	-6%
Corporate Bond	$437	97%	$285	30%	0.31%	51%	$4,375	-6%	5.6%	32%

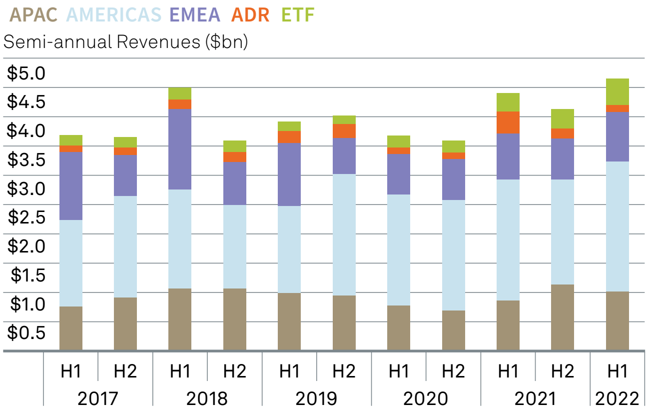
Note: Includes only transactions with positive fees

Americas equity finance revenues came in at $2.2bn for H1 2022, a 9% YoY increase. Special balances rebounded powerfully, crossing $18bn on average as Q2 set a 4-year quarterly high. Both US and Canadian Equity balances rebounded, posting revenue gains of 8% and 5%, respectively. The increases were driven by growing balances (14% and 23% YoY) that offset the declines seen in average fee spreads. Lucid Group Inc (LCID) was a top performer in H1 2022, generating $150mn in revenues and ranking as one of the highest revenue generators over the past several years.

Equity finance revenues in Europe rebounded strongly during the first half of 2022, increasing 9% YoY. This growth was supported by a recovery in specials and an increase of 14% in average balances which outweighed a decline of 6% in fee spreads. Lendable assets continued their rise, with an increase of 8% YoY and much like balances, utilization rose an impressive 21%. While two key markets in the region, France, and UK, saw revenues decrease 15% and 10% respectively, several markets prospered in the first half of 2022. Norwegian equities led the charge as revenues surged 60% over the previous year, while Swedish, Swiss and Italian equities saw their revenues grow in excess of 30% which was largely driven by a combination of significant increases in average balances and fee spreads. German equity revenues grew by a modest 16% over the period, driven by two of the top three earners in European equities Varta AG and Mercedes Benz Group Ag.

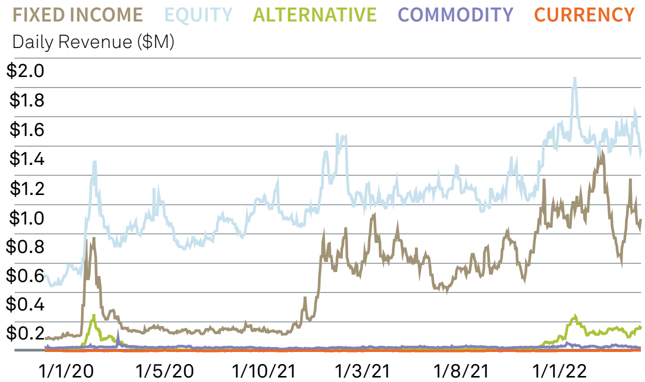
While APAC equities did not match the performance of H2 2021, the region returned over $1bn in revenue representing a 20% YoY increase. This was driven in large part by the fee spreads jumping 14%. Special balances retreated compared with H2 2021 levels but maintained their strong recovery following the lifting of short sale bans. South Korea and Taiwan delivered the highest YoY returns, with returns close to doubling compared to the prior year. Australia was the only market to exceed returns compared to H2 2021 as fee spreads jumped 68%. Australia's top earner, Bhp Group Ltd claimed the 4th place out of all Asian equities, generating $12.65mn in revenues while three Korean names, Krafton Inc, LG Energy Solution Ltd and Kakaobank Corp grasped the top 3 spots.

Equity Finance Revenue By Region



Source: S&P Global Market intelligence © 2022 S&P Global

Daily ETP Finance Revenues By Asset Class



Source: S&P Global Market intelligence © 2022 S&P Global

Global ETP lending revenues were $453mn for H1, continuing to set new all-time highs, representing a 48% YoY increase. March set the mark as being the top revenue generating month, crossing $85mn. There were several drivers contributing to the record-breaking numbers, but the rise of special balances set the blistering pace. ETP average special balances in Q2 crossed the $2bn mark, setting a new high across several years and a 52% increase when compared with Q2 of 2021. Fixed Income ETP lending generated $167mn in H1, representing 37% of global ETP returns. Maintaining consistency, 9 of the top 10 revenue generating assets were US ETPs as the Ishares Iboxx $ High Yield Corporate Bond Fund (HYG) held onto its top rank as the best earner for the 3rd consecutive half-year period generating $66mn in fee spread returns.

With no top earner to lead the charge, unlike prior half-year periods, Depository Receipt returns fell to $164mn representing a 60% YoY decrease. ADRs represented 74% of the total Depository Receipts revenues with $122mn generated, a 67% YoY decrease. ADR underperformance was comprehensive, as average balances decreased 41% alongside a similar decrease in fee spreads of 45%.

Corporate bond lending revenues continued their ascension in the first half of 2022, reaching $437mn, boasting a 97% YoY increase. Sparked by increasing balances (up 30% YoY) and fees (up 51% YoY), H1 2022 marks the highest lending revenue for corporate bonds since the start of the pandemic. Average loan balances reached $285bn, the highest since the 2008 financial crisis. Q2 delivered stellar returns, with May revenues reaching just under $74mn, the highest monthly revenue in several years.

Fee-based revenue for government bond lending came in at $874mn for H1, the largest in several half-year periods and up 12% YoY. Government bond borrow demand remained robust, with $1.3bn in positive-fee global balances for H1, reflecting a 7% YoY Increase improving upon 2021 H2's lofty mark. Securities finance returns from lending US Treasury securities in H1 2022 represented 52% of the positive fee-spread income. Revenues from European sovereigns were $317mn, up 27% YoY driven by a robust increase in average balances and fees of 11% and 15%, respectively. Emerging Market bond fee spread returns eclipsed $37mn posting a strong increase of 59% when compared with the previous year. The highest revenue generating bond was the UST due Feb 2024 (CUSIP 91282CEA5) which generated $10.9mn in revenue, which was better than any government issue over the past 12 months. Much like H2 2021, 7 of the top 10 revenue generating bonds are USTs.

Conclusion

2022 is off to an impressive start for Securities Finance revenues, clearing $6.1bn in fee spread returns, which is the highest for a half-year period since H1 of 2018. Whilst not quite at the pace needed to eclipse 2008 full year revenues, 2022 is well poised to deliver the strongest performance since the global financial crisis. All core asset classes supported robust returns except for ADRs which declined. Exchange traded products and corporate bonds remained the top performers for the second consecutive half-year period, delivering considerable returns. Fixed income assets were key, as the top 3 performing ETPs were bond related. Overall, increasing balances across the main asset classes were the key linchpin to a strong H1 2022.

APAC Equity

Australia makes a statement

Asian Equities continued from H2 2021's performance with another $1bn+ in revenues, buoyed by Taiwan $285mn (up 92%) and South Korea $183mn (up 115%). Both Taiwan and South Korea saw specials in the tech sectors with the top revenue generator being a South Korean based gaming developer (Krafton Inc) which listed in August 2021 at the top of its share price range.

The Taiwan exchange has dropped just shy of 19% YTD, with less favorable global demand conditions weighing on the tech and manufacturing sectors. In May, the manufacturing PMI tumbled to a near two-year low and export growth waned. Moreover, record Covid-19 cases led to greater caution among consumers and restrictions imposed on travel.

Whilst overall revenues across Asia were up 20% YOY, the increase disguised decreasing returns in both Japan (down 8.4%) and Hong Kong (down 19.5%). In relative terms, Japan's share market has performed well versus global markets and when combined with a decline in the Yen vs. USD it's likely to have attracted foreign investors and maintained local investors in the market.

Regional special loan balances continued to recover averaging $10.5bn in H1 with Q2 seeing a small improvement on Q1. The top revenue names were responsible for generating 11% of revenues across the region in H1.

Australia was another market which saw a significant YOY increase of 77% in revenues. The Aussie market was buoyed by a Q1 trade in BHP caused by the delisting of LSE shares. This resulted in an arbitrage opportunity between the two exchanges and generated $13mn in revenues.

Overview

H1 Revenues
$1.04B ▲ 20%

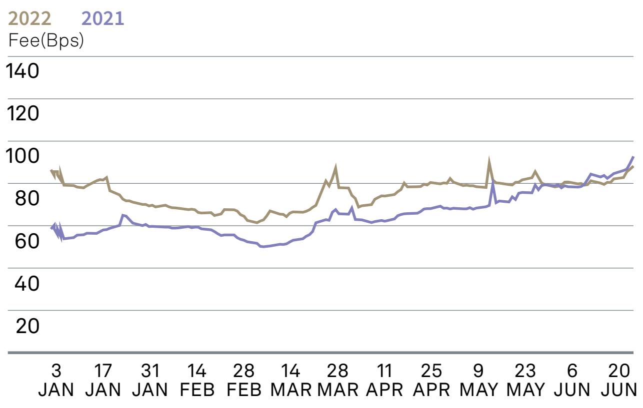
Average Balances
$220B ▲ 6%

Weighted Average Fee
0.96% ▲ 14%

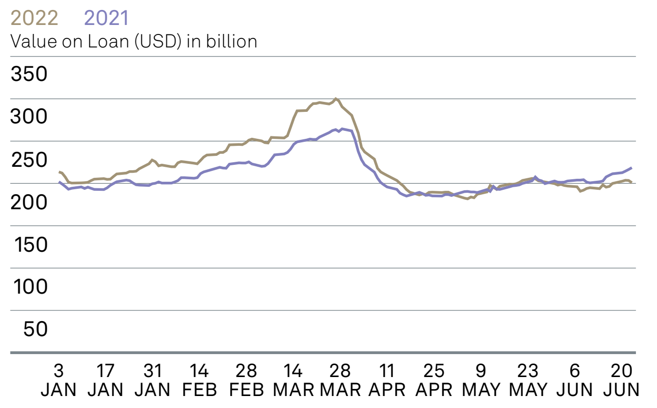
Average Lendable
$2.6T ▼ -3%

Utilization
5.0% ▲ 18%

H1 Fee Trend



H1 Balance Trend



Overview

APAC records consecutive $1Bil+ revenues for H1 2022

Taiwan tops revenue generation, whilst Japan and Hong Kong drop back

Australian equity revenues increase 77% YoY

Top 10 equity specials generate over 10% of revenues

Country Details

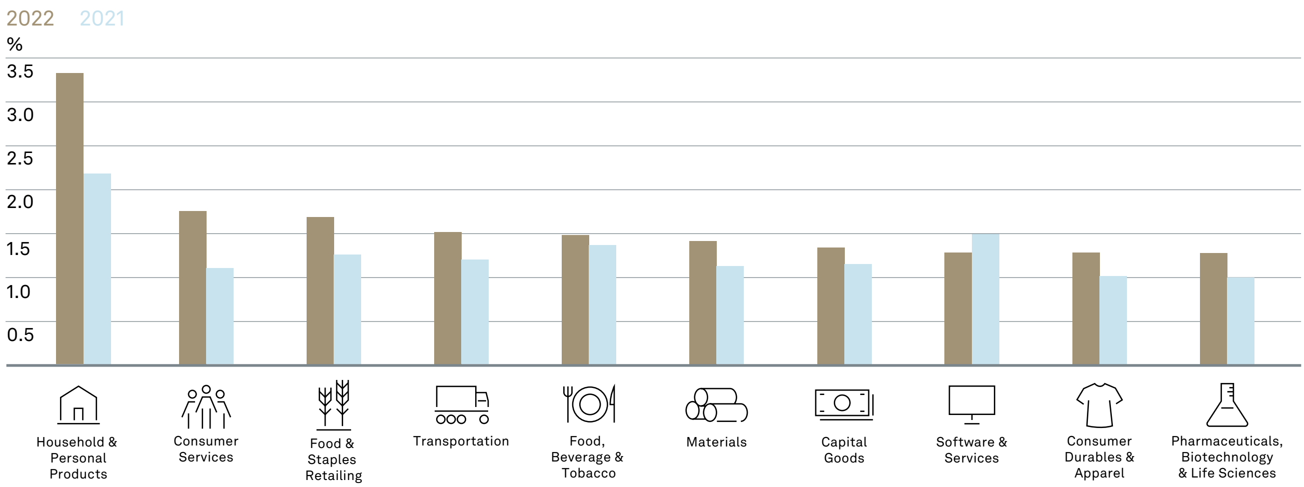
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Taiwan Equity	$285	92%	$23	34%	2.52%	47%	108	23%	10.1%	57%
Japan Equity	$252	-8%	$120	7%	0.41%	-16%	1,085	-4%	5.8%	23%
Hong Kong Equity	$192	-19%	$35	-23%	1.11%	4%	591	-14%	4.4%	-4%
South Korea Equity	$183	115%	$17	87%	2.13%	29%	175	-10%	5.5%	179%
Australia Equity	$91	77%	$20	7%	0.92%	68%	481	12%	3.5%	2%
Malaysia Equity	$12	-72%	$0	-48%	4.85%	-48%	13	1%	3.5%	-36%
Singapore Equity	$9	-38%	$2	-16%	1.05%	-25%	62	13%	2.4%	-13%
Thailand Equity	$9	17%	$1	19%	2.30%	-1%	18	1%	4.0%	37%
New Zealand Equity	$3	47%	$1	-29%	1.14%	109%	10	-10%	4.2%	-6%

Note: Includes only transactions with positive fees

Top 10 Revenue Generating Stocks

Top Earning Assets	Ticker	Sector	Country	Revenue Generated ($)
Krafton Inc	259960	Media and Entertainment	KR Equity	$16.56
Lg Energy Solution Ltd	373220	Capital Goods	KR Equity	$15.63
Kakaobank Corp	323410	Banks	KR Equity	$14.97
Bhp Group Ltd	BHP	AustralMaterials	AU Equity	$12.65
Auo Corp	2409	Technology Hardware & Equipment	TW Equity	$11.42
Novatek Microelectronics Corp	3034	Semiconductors & Semiconductor Equipment	TW Equity	$10.02
China Evergrande Group	3333	Real Estate	HK Equity	$9.40
Acer Inc	2353	Technology Hardware & Equipment	TW Equity	$9.38
China Ruyi Holdings Ltd	136	Retailing	HK Equity	$7.76
Nan Ya Printed Circuit Board Corp	8046	Technology Hardware & Equipment	TW Equity	$7.48

$ Short Loan Value as a % of Market Cap



European Equities

Revenues increase YoY

Securities finance revenues in European equities totaled $851mn which is a 9% increase YoY . Despite decreasing 15% YoY, France remained the largest contributor to these revenues. Germany, UK, Norway, and Sweden all featured in the top five markets contributing 68% of all revenues for this period in this region. Average on loan balances increased across the majority of EMEA markets during the first six months of the year. Average utilization was up across most markets over the period YoY which has supported the increase seen in the headline revenue number. Scandinavia fared very well over H1 2022 with combined revenues of $208mn (24% of all revenues). The standout markets in this region were Sweden which saw revenues of $116mn (a 34% increase in YoY), average utilization of 8.3% (28% increase YoY) and average fees of 1% (26% increase YoY) and Norway which saw similar double digit increases generating revenues of $68m (increase of 60% YoY), an average fee of 1.94% (an increase of 13% YoY), and average utilization of 8.9% (an increase of 20% YoY). Short selling interest grew in Sweden towards the end of the period due to its economy's sensitivity to cyclical firms and the relatively high valuation of the companies listed in its OMX Stockholm 30 index. The value of the country's benchmark index has hence fallen circa 20% so far this year.

As is traditionally seen in the first half of the year, seasonal activity usually dictates securities financing flows and revenues throughout the first six months of the year. French stocks took 50% of the of the places in the top 10 revenue generating stocks over the period. A handful of directional names did support revenues in the region such as Air France KLM Sa, Varta Ag and Mercedes Benz Group Ag, during H1 however. Outside of these names, specials activity remained low across the region.

Overview

H1 Revenues
$851M ▲ 9%

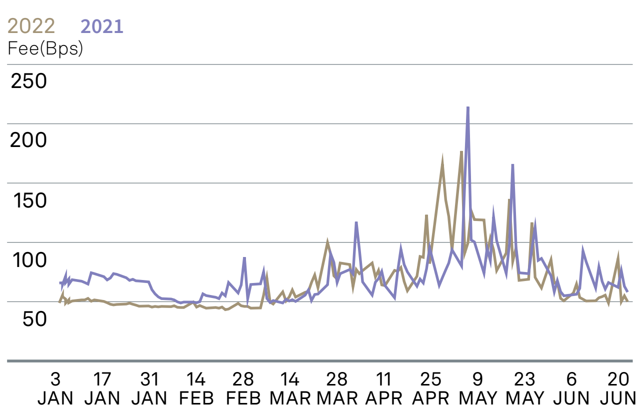
Average Value on Loan
$265B ▲ 14%

Weighted Average Fee
0.62% ▼ -6%

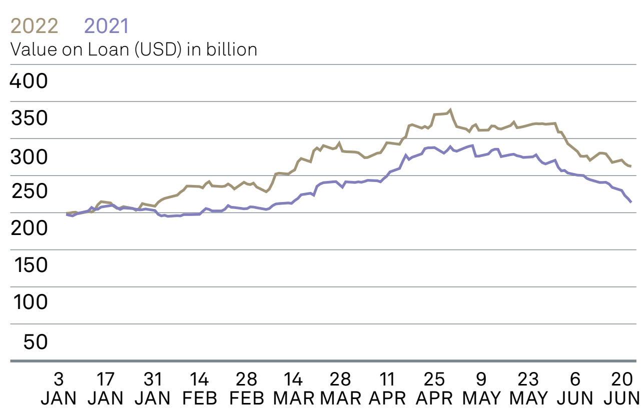
Average Lendable
$3.6T ▲ 8%

Utilization
5.8% ▲ 21%

H1 Fee Trend



H1 Balance Trend



Overview

9% increase in revenues YoY

Average on loan balances increased during H1 2022

Scandinavian stocks in demand

Directional borrows in specific names support revenues

Country Details

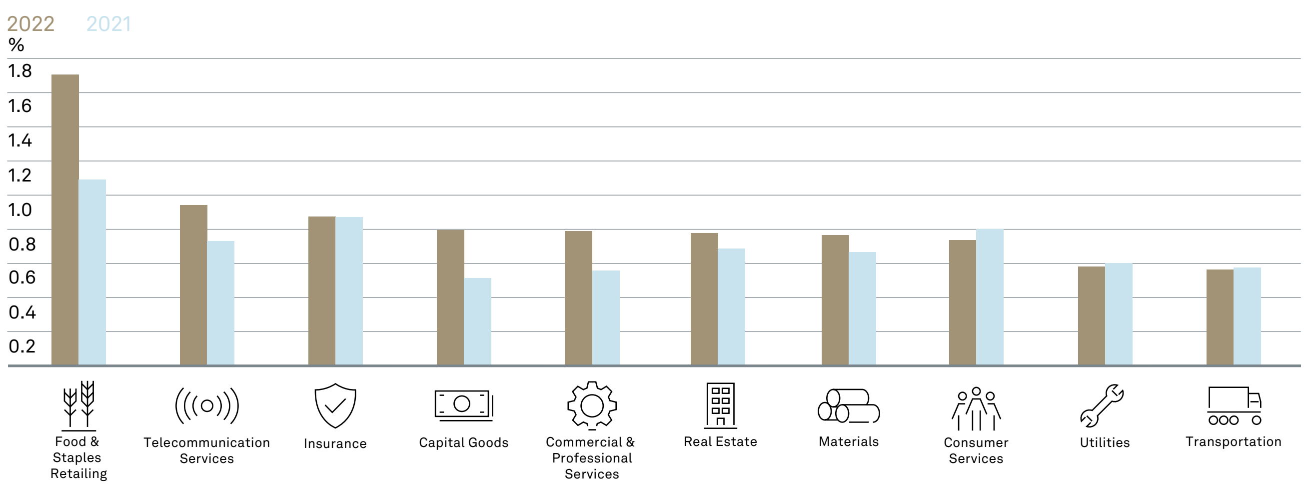
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
France Equity	$187	-15%	$63	13%	0.53%	-24%	583	13%	9.0%	21%
Germany Equity	$142	16%	$44	31%	0.62%	-16%	411	2%	9.1%	68%
Sweden Equity	$116	34%	$21	8%	1.00%	26%	199	-1%	8.3%	28%
Switzerland Equity	$94	32%	$36	1%	0.48%	28%	548	12%	5.4%	-3%
Norway Equity	$68	60%	$6	34%	1.94%	13%	54	12%	8.9%	20%
UK Equity	$62	-10%	$38	22%	0.33%	-26%	1,007	8%	2.7%	11%
Italy Equity	$57	32%	$14	29%	0.82%	1%	133	8%	8.0%	56%
Netherlands Equity	$34	-8%	$15	12%	0.37%	-17%	280	10%	4.5%	24%
Belgium Equity	$23	38%	$4	-6%	0.90%	30%	50	-6%	7.1%	26%
South Africa Equity	$21	15%	$4	2%	0.94%	7%	55	-12%	4.5%	24%
Spain Equity	$17	9%	$9	-2%	0.39%	11%	118	6%	5.8%	-4%
Finland Equity	$15	11%	$4	-2%	0.65%	12%	57	4%	5.8%	-5%
Turkey Equity	$10	-15%	$1	34%	2.60%	-39%	4	-13%	9.2%	10%
Denmark Equity	$9	2%	$5	-12%	0.36%	17%	120	-3%	3.3%	-2%
Austria Equity	$5	-49%	$1	-17%	0.69%	-41%	17	18%	6.2%	-24%
Poland Equity	$4	-12%	$1	24%	0.97%	-26%	10	7%	8.1%	29%
Greece Equity	$4	-2%	$0	8%	10.59%	-10%	3	40%	2.2%	-14%
Portugal Equity	$2	-12%	$1	55%	0.43%	-45%	13	16%	5.8%	54%

Note: Includes only transactions with positive fees

Top 10 Revenue Generating Stocks

Instrument Name	Ticker	Sector	Country	Revenue Generated ($)
Varta Ag	VAR1	Capital Goods	DE Equity	27.95
Axa Sa	CS	Insurance	FR Equity	21.30
Mercedes Benz Group Ag	MBG	Automobiles & Components	DE Equity	20.01
Air France Klm Sa	AF	Transportation	FR Equity	18.36
Stadler Rail Ag	SRAIL	Capital Goods	CH Equity	17.71
Bnp Paribas Sa	BNP	Banks	FR Equity	16.39
Dnb Bank Asa	DNB	Banks	NO Equity	15.59
Totalenergies Se	TTE	Energy	FR Equity	14.94
Sanofi Sa	SAN	Pharmaceuticals, Biotechnology & Life Sciences	FR Equity	13.22
Saipem Spa	SPM	Energy	IT Equity	10.47

$ Short Loan Value as a % of Market Cap



Americas Equities

Specials boost returns

Americas equities were the highest revenue generating asset class during the first half of 2022. $2.224bn was generated over H1 which is an increase of 9% YoY and a 23% HoH. Average balances and average utilization increased in the US, Canada, Brazil, and Mexico. Revenues in Brazil increased substantially by 316% YoY and 203% HoH to $12mn. A vast increase in utilization and a large increase in average fees was also seen in this market. In Mexico, revenues, average fees, and average utilization all increased both YoY and HoH. US equities were the largest contributor to revenues within the Americas region accounting for 92% of all revenues alone.

When looking at the economic landscape during in H1 2022 in comparison to H1 2021, the differences across the region are stark. In the US in particular, the S&P 500 suffered its worst performance over a 6-month period since the 1970's, inflation outstripped GDP growth and the FED raised the benchmark interest rate from 0.25 - 0.5 to 1.50-1.75. Over the six-month period, leverage has decreased across the hedge fund community and spreads have widened versus cash reinvestment pools. Both events subsequently increased the amount of cash collateral in use in the region from 54% to 64% over the period.

Short loan value as a percentage of market cap for the S&P 500 increased by 35% over H1 reaching 1.22% on June 30th. Average balances and utilization increased only slightly between H2 2021 and H1 2022, but the average fee increased by 24%. As a result, Q2 2022 witnessed the highest level of "specials" balances at any point within the last four years. Stocks being borrowed between 1000 and 2000bps accounted for 40% of all "specials" balances (50% increase on Q1 2022).

The top earning stocks of H1 2022 in the Americas region continued to be dominated by Lucid group (LCID) and Gamestop (GME). Many of the other names that appear in the table such as Beyond Meat, Dutch Bros Inc, Cassava Sciences and Digital World Acquisition have been well documented directional positions since the beginning of the year. IPO lock up periods for stocks such as Sweetgreen Inc also produced significant borrow fees and revenues. The top revenue generating names continued to drive the lion's share of the revenues across the region accounting for 30% of all Americas equity revenues alone.

ADRs were the worst performing asset class over the first six months of the year. Revenues, on loan balances, average fees, and average utilization all significantly decreased YoY.

Since the decision by the US regulators to delist all Chinese ADRs from the NYSE, securities finance activity in the ADR market has declined significantly. Active inventory decreased by 26% over the period and many asset owners are now choosing to hold the local CN or HK lines of these stocks rather than transacting through the ADRs. The current decline in borrowing activity in the ADR sector is expected to continue into H2 2022.

Half of the highest revenue generating ADRs over the H1 2022 were unsurprisingly Chinese / Hong Kong SAR / Taiwanese assets. As availability decreased in these names as asset owners sold down their ADR holdings, demand and average fees for those beneficial owners still holding these names increased.

Overview

H1 Revenues
$2.2B ▲ 9%

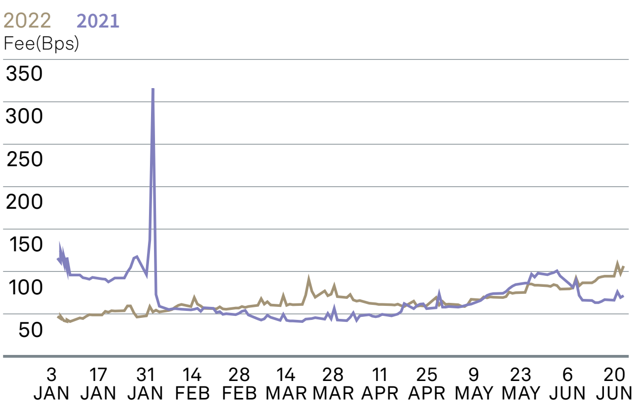
Average Value on Loan
$669B ▲ 14%

Weighted Average Fee
0.67% ▼ -5%

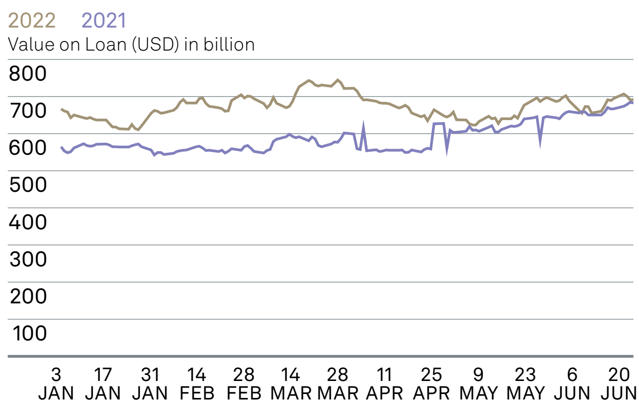
Average Lendable
$17.3T ▲ 11%

Utilization
2.9% ▲ 3%

H1 Fee Trend



H1 Balance Trend



Overview

Highest revenue generating asset class during the first half of 2022	An increase in the use of cash collateral during H1 2022	Highest level of “specials” balances at any point within the last four years	Further declines in ADR revenues

Country Details

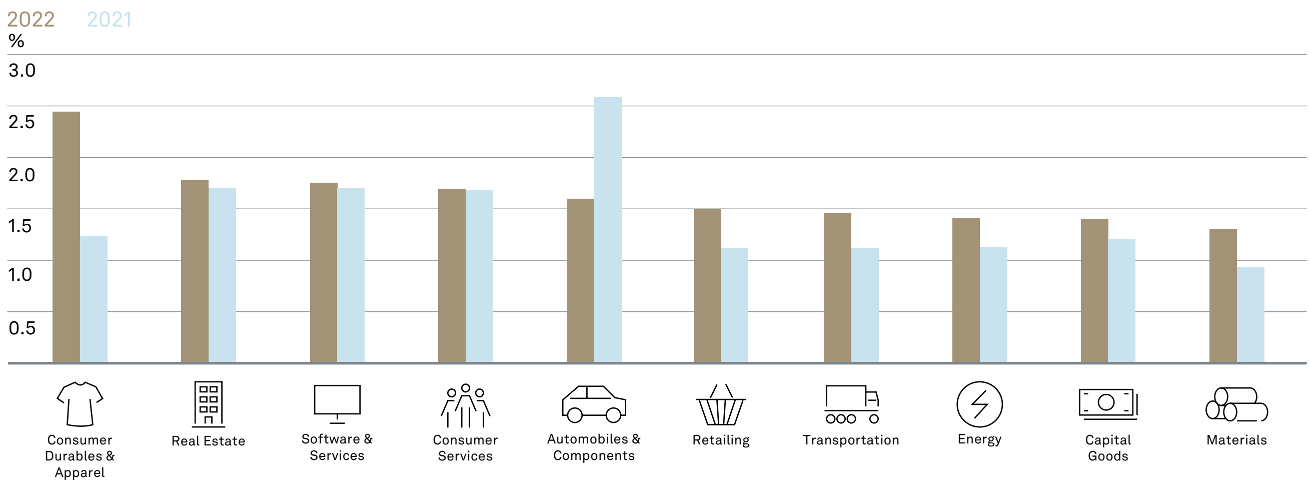
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
USA Equity	$2,044	8%	$613	14%	0.67%	-4%	16,488	11%	2.8%	2%
Canada Equity	$165	5%	$53	23%	0.62%	-16%	758	16%	5.7%	5%
ADR	$122	-67%	$30	-41%	0.82%	-45%	270	-36%	8.4%	-4%
Brazil Equity	$12.0	316%	$2	79%	1.11%	58%	2	35%	13.5%	862%
Mexico Equity	$2.1	87%	$1	44%	0.47%	32%	36	15%	2.1%	21%

Note: Includes only transactions with positive fees

Top 10 Revenue Generating Stocks

Instrument Name	Ticker	Sector	Country	Revenue Generated ($)
Lucid Group Inc	LCID	Automobiles & Components	US Equity	149.77
Gamestop Corp	GME	Retailing	US Equity	85.16
Digital World Acquisition Corp	DWAC	-	US Equity	83.89
Beyond Meat Inc	BYND	Food, Beverage & Tobacco	US Equity	64.04
Dutch Bros Inc	BROS	Consumer Services	US Equity	60.73
Cassava Sciences Inc	SAVA	Pharmaceuticals, Biotechnology & Life Sciences	US Equity	52.02
Sweetgreen Inc	SG	Consumer Services	US Equity	45.10
Blink Charging Co	BLNK	Retailing	US Equity	43.78
Upstart Holdings Inc	UPST	Diversified Financials	US Equity	40.17
Visa Inc	V	Software & Services	US Equity	37.43

$ Value on Loan as a % of Market Cap



Exchange Traded Products

Revenues continue to soar

Securities finance revenues generated by ETP's continued to produce impressive returns over the period. Revenues of $453mn were generated which is a notable increase upon the previous half yearly high of $330mn which was set in H2 2021. As an asset class, ETP revenues increased 37% when compared to the second half of 2021 and 48% when compared with the H1 of 2021. American and European listed ETP's were the standout contributors over the period. American listed ETP's dominated the revenue table contributing 86% of the revenues. European listed ETP's accounted for 11% of the combined revenues and registered a double digit increase of 11% when compared with H2 2021. Asian listed ETP's fared less well however with revenues decreasing 30% from $13mn to $10mn when compared with H2 2021.

The highest revenue generating ETP for H1 2022 remained unchanged. The Ishares Iboxx $ High Yield Corporate Bond fund continued to top the revenue table. The top three ETP's, which collectively generated 56% of all revenues, were all high yield or Investment grade corporate bond related assets. Investors moving out of credit markets, led by the FED's response to the war in Ukraine, produced pronounced shorting activity in credit related assets via the option markets. As a result, borrows for credit related ETPs, notably focusing on High yield and investment grade credit, saw strong borrow demand as they were required for delta hedging purposes. New entrants into the top 10 included the Ishares Russell 2000 ETF, Spdr S&P 500 ETF Trust and the Spdr S&P Retail ETF which is reflective of the downward movement and sentiment of the equity markets over the H1 of 2022. ETF's tracking Brazil and Chinese equity markets, both of which are difficult for non-local market participants to transact in, also featured in H1 as borrowers looked to gain exposure through their ETF equivalents.

Overview

H1 Revenues
$453M ▲ 48%

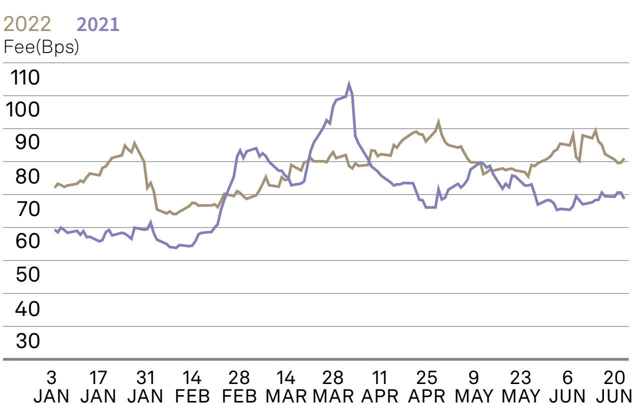
Average Value on Loan
$118B ▲ 34%

Weighted Average Fee
0.78% ▲ 11%

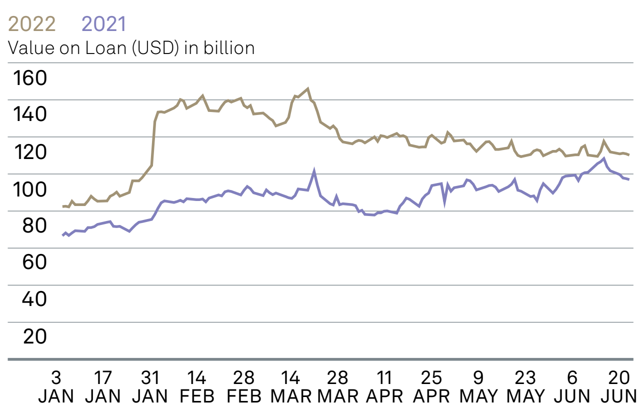
Average Lendable
$472B ▲ 10%

Utilization
12.5% ▼ -2%

H1 Fee Trend



H1 Balance Trend



Overview

Strong increases in revenues	American listed ETPs contributed 86% of all ETP revenues	Credit and High Yield ETPs were the top revenues earners	Main index equity index ETPs see an increase in demand

Country Details

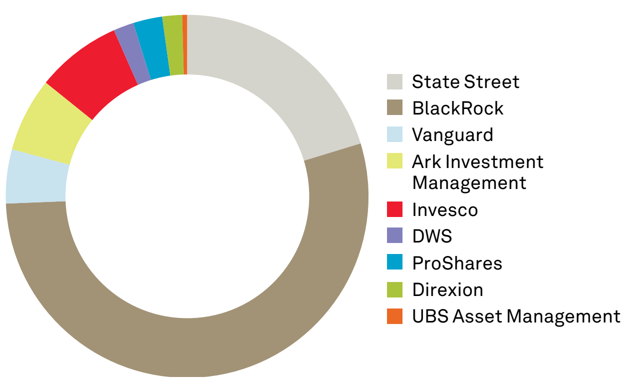
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Americas ETFs	$389	60%	108	38%	0.73%	18%	$325	14%	16.6%	-5%
European ETFs	$48	16%	7	20%	1.39%	-3%	$84	14%	5.2%	12%
Asia ETFs	$10	-23%	1	-20%	1.72%	-9%	$5	10%	10.1%	-4%

Note: Includes only transactions with positive fees

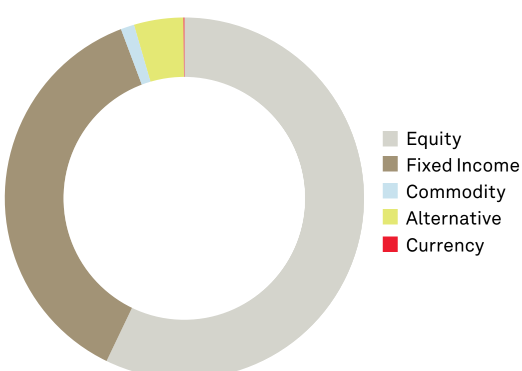
Top 10 Revenue Generating Stocks

Instrument Name	Ticker	Country	Sector	Revenue Generated ($)
Ishares Iboxx $ High Yield Corporate Bond Fund	HYG	US ETF	Fixed income	65.97
Ishares Iboxx $ Investment Grade Corporate Bond Etf	LQD	US ETF	Fixed Income	24.40
Spdr Bloomberg High Yield Bond Etf	JNK	US ETF	Fixed Income	17.71
Ark Innovation Etf	ARKK	US ETF	Equity	16.90
Ishares Russell 2000 Etf	IWM	US ETF	Equity	15.06
Invesco Senior Loan Etf	BKLN	US ETF	Equity	14.71
Spdr S&P 500 Etf Trust	SPY	US ETF	Equity	12.42
Spdr S&P Retail Etf	XRT	US ETF	Equity	11.30
Ishares Msci China A Ucits Etf Usd (Acc)	CNYA	IE ETF	Equity	7.58
Ishares Msci Brazil Etf	EWZ	US ETF	Equity	6.61

Lending Revenues by Issuer



Lending Revenues by Asset Class



Corporate Bonds

Demand > Supply

Revenues for lending corporate bonds came in at $437mn marking it as the biggest climb in YoY revenue since the post GFC peak in 2018. Even the brief spike in H2 2021 revenue did not generate a YoY increases in revenue of this size. Demand-related metrics, including average balances, fees and utilization all saw an upswing on a YoY basis. While demand increased, lendable supply saw a significant drop with $4.4T in H1 average lendable, the lowest on record since 2020. Global corporate on-loan balances started 2022 at the highest level on record steadily rising over the course of Q1, in-line with the aggressive Fed rate hikes.

Within agency lending programs, total returns for corporate bond lenders, including reinvestment, increased 56% on a YoY basis. The bulk of this growth was driven by fee-based revenue which generated over 57% of the total revenues from corporate debt for H1 2022.

USD denominated corporates continued their strong performance, with $260mn in H1 revenues, reflecting a notable step up of over 134% on a YoY basis. Euro denominated corporates generated $144mn in H1 revenues, a 101% YoY climb. The “Other” corporate bonds category, even though it generated only a fraction of the revenue compared to USD & Euro denominated bonds, did see a significant rise of 85% on a YoY basis.

H1 investment grade bond lending revenues saw an upswing of 87% YoY, similar to the 81% rise in high-yield corporate bond revenues which generated $194mn in H1. This asset class generated over 44% of the H1 corporate bond revenue, a decline of 4% YoY. Softbank Group’s non-Investment Grade (NIG) made it to the leader board of the top revenue generating bonds for H1.

Overview

H1 Revenues
$437M ▲ 97%

Average Value on Loan
$285B ▲ 30%

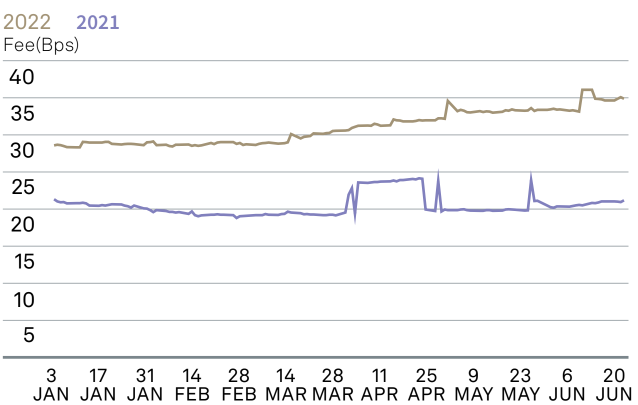
Weighted Average Fee
0.31% ▲ 51%

Average Lendable
$4.4T ▼ -6%

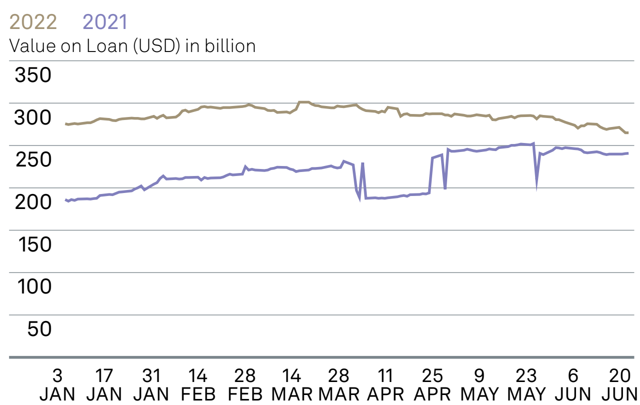
Utilization
5.6% ▲ 32%

Convertible bond lending revenues made up 7% of total corporate bond revenue in H1, up from 6% during the first half of 2021. The substantial convertible issuance seen in 2020 & 2021 opened to a slow start in 2022 due to strong market volatility and risk-off mode which isn’t likely to stabilize until the primary markets improve. Convertible bonds which saw increased borrow demand in H1 include Expedia Group Inc (which was also the top revenue generator for H1), Mitsubishi Chemical and Illumina Inc.

H1 Fee Trend



H1 Balance Trend



Overview

YoY surge in revenues driven by enhanced fee spreads	Convertible bond revenues shot up over 146% amid volatile inflationary pressure	Highest corporate bond revenue for H1 since 2018	NIG credits deliver 44% of H1 revenue

Asset Class Details

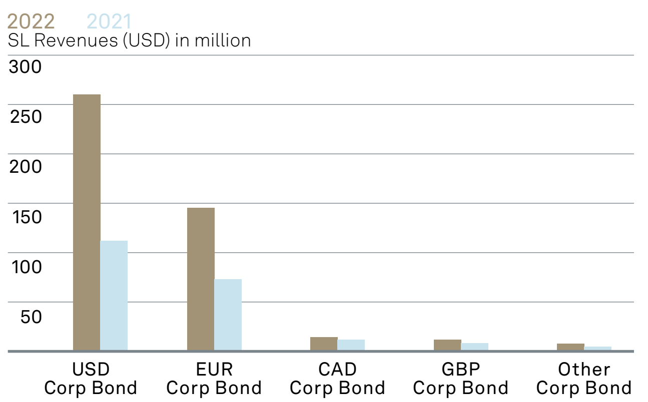
Asset Class	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Conventional Bonds	$399	93%	278	30%	0.29%	47%	$3,921	-6%	6.1%	32%
Convertible Bonds	$32	146%	6.29	27%	1.02%	95%	$53	-16%	7.3%	20%
Asset Backed Securities	$0.29	23%	0.28	15%	0.21%	8%	$394	-5%	0.1%	13%

Note: Includes only transactions with positive fees

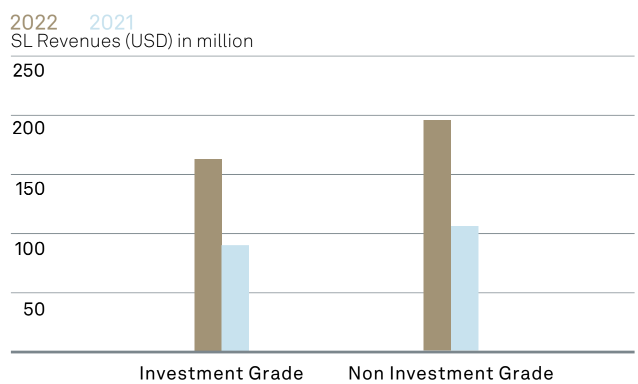
Top 10 Revenue Generating Bonds

Top Earning Assets	Cusip	Denomonation	Asset Class	Revenue Generated ($)
Expedia Group Inc (0% 15-Feb-2026)	30212PBE4	USD	I.G. Conv	3.33
American Airlines Group Inc (3.75% 01-Mar-2025)	02376RAE2	USD	Priv. Placemt	3.28
Softbank Group Corp (6.875% Undated)	J7596PAJ8	USD	N.I.G. Corp	2.95
Scih Salt Holdings Inc (6.625% 01-May-2029)	78433BAB4	USD	Priv. Placemt	2.94
Wolverine Escrow Llc (9% 15-Nov-2026)	97789LAB2	USD	Priv. Placemt	2.81
Mitsubishi Chemical Group Corp (0% 29-Mar-2024)	J44046BD1	JPY	N.I.G. Conv	2.43
Callon Petroleum Co (8% 01-Aug-2028)	13123XBD3	USD	Priv. Placemt	2.43
Illumina Inc (0% 15-Aug-2023)	452327AK5	USD	N.I.G. Conv	2.40
American Axle & Manufacturing Inc (5% 01-Oct-2029)	02406PBB5	USD	N.I.G. Corp	2.28
Unibail-Rodamco-Westfield Se (2.875% Undated)	F95094UC4	EUR	N.I.G. Corp	2.19

H1 Revenues by Denomination



H1 revenues by Ratings Category



Government Bonds

Rise in demand for Asian and Emerging Market bonds

Government bond lending delivered $874mn in H1 revenues, a 12% YoY increase, making H1 2022 the highest revenue generating half-year for government bond lending since the post-crisis peak of $900mn, delivered in the first half of 2018. Loan balances opened on a positive note in January with dips in February and May, before stabilizing in June in anticipation of multiple hikes in interest rates mandated by the Federal Reserve following concerns regarding rising inflationary pressures.

Looking at the agency lending data, we saw total returns for government bond lenders, including reinvestment in H1, decrease 3% YoY, due to the 2% and 4% drop-off in fee-based revenue and reinvestment revenue, respectively. Fee spreads generated the bulk of revenues from government debt, contributing to over 55% of the H1 revenue from government bonds.

Returns for lending US debt came in at $446mn in H1, a 2% YoY decline. This drop was a result of narrowing fee spreads, with demand-related metrics such as loan balances and utilization experiencing YoY decreases. Borrow demand for 10Y notes cooled off after a particularly intense run during 2021, this trend reversal in borrow demand for US Treasury notes was brought on by the multiple hikes in interest rates to curb inflation, which resulted in narrowing yield spreads between 10Y and 2Y/5Y notes. With the Russia-Ukraine crisis further exacerbating the inflationary drag on economies around the globe, the impact on the fixed income asset class heading into the rest of the year is expected to increase.

European government bond lending revenues came in at $317mn for H1, an up-swing of 27% on a YoY basis. The increase was driven by an 11% rise in on-loan balances, with fees increasing by 15%. German government bonds delivered $85mn in H1 revenue, an increase of 48% YoY resulting from a 17% rise in loan balances and a 27% uplift in average fees. UK government bonds delivered $83mn in H1 revenue, an increase of 36% YoY resulting from a 5% increase in loan balances along with a 31% rise in average fees.

Asian and Emerging Market debt posted significant increases in fee-based returns YoY (115% and 59%), sparked by surging borrow demand with Asian government debt balances increasing 50% YoY. Worth mentioning, Asian debt saw lendable increase the most YoY across the major asset classes, up 25% YoY.

Overview

H1 Revenues
$874M ▲ 12%

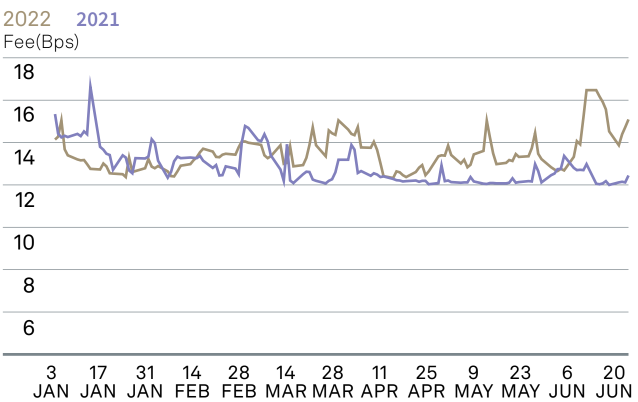
Average Value on Loan
$1.3B ▲ 7%

Weighted Average Fee
0.14% ▲ 5%

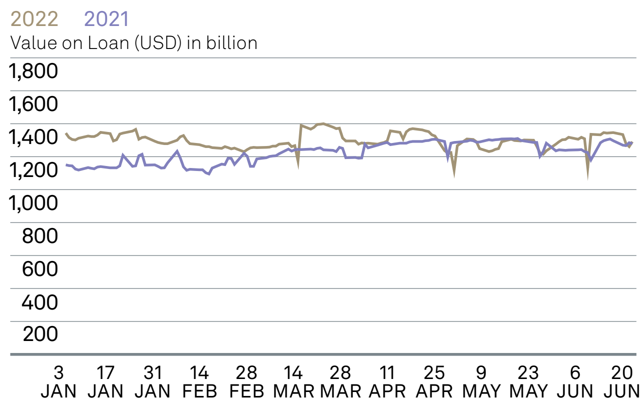
Average Lendable
$4.1T ▲ 4%

Utilization
25.8% ▼ -6%

H1 Fee Trend



H1 Balance Trend



Overview

European government bond finance revenue growth driven by Germany & UK	US Treasury 2Y leads top revenue generator table	Emerging market bonds benefitted from the hike in interest rates in developed markets	Asian bonds saw a significant climb in revenue

Regional Details

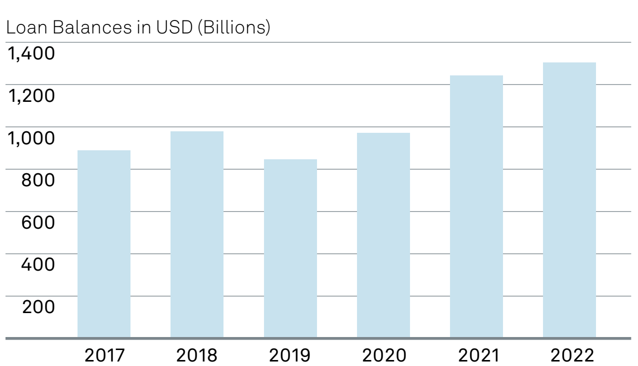
Country	H1 Revenue (USD M)	YoY Change	Average Value on Loan (USD Bn)	YoY Change	Weighted Fees	YoY Change	Average Lendable (USD Bn)	YoY Change	Average Utilization	YoY Change
Americas	$516	2%	$822	2%	0.13%	-1%	$2,861	8%	25.5%	-10%
Europe	$317	27%	$426	11%	0.15%	15%	$1,145	-7%	27.7%	2%
Asia	$40.9	115%	$48	50%	0.17%	2%	$134	24%	14.2%	16%
Emerging Market Bonds	$37.4	59%	$27	35%	0.28%	18%	$311	-7%	7.8%	37%

Note: Includes only transactions with positive fees

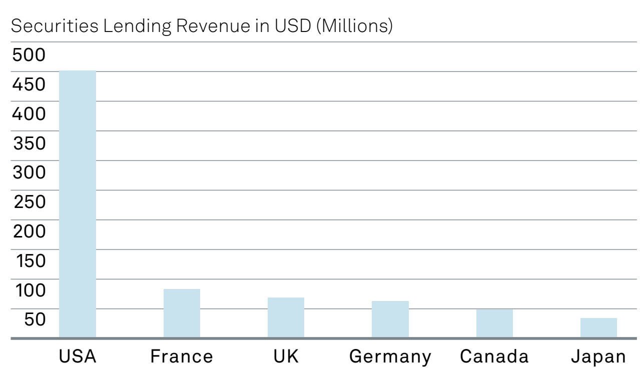
Top 10 Revenue Generating Bonds

Instrument Name	Cusip	Denomination	Country	Revenue Generated ($)
United States Treasury (1.5% 29-Feb-2024)	91282CEA5	USD	USA	10.90
United States Treasury (2.5% 31-May-2024)	91282CER8	USD	USA	5.31
United States Treasury (1.125% 15-Feb-2031)	91282CBL4	USD	USA	5.24
Japan (Government) (0.8% 20-Jun-2023)	J2615QKT1	JPY	Japan	4.30
United States Treasury (0.875% 31-Jan-2024)	91282CDV0	USD	USA	4.08
United Kingdom Of Great Britain And Northern Ireland (Government) (1% 22-Apr-2024)	G4527HDX6	GBP	UK	4.04
Germany, Federal Republic Of (Government) (0.5% 15-Feb-2025)	D206584S2	EUR	Germany	3.79
United States Treasury (1.875% 15-Feb-2032)	91282CDY4	USD	USA	3.68
United States Treasury (0.75% 31-Jan-2028)	91282CBJ9	USD	USA	3.49
United States Treasury (1.25% 15-Aug-2031)	91282CCS8	USD	USA	3.46

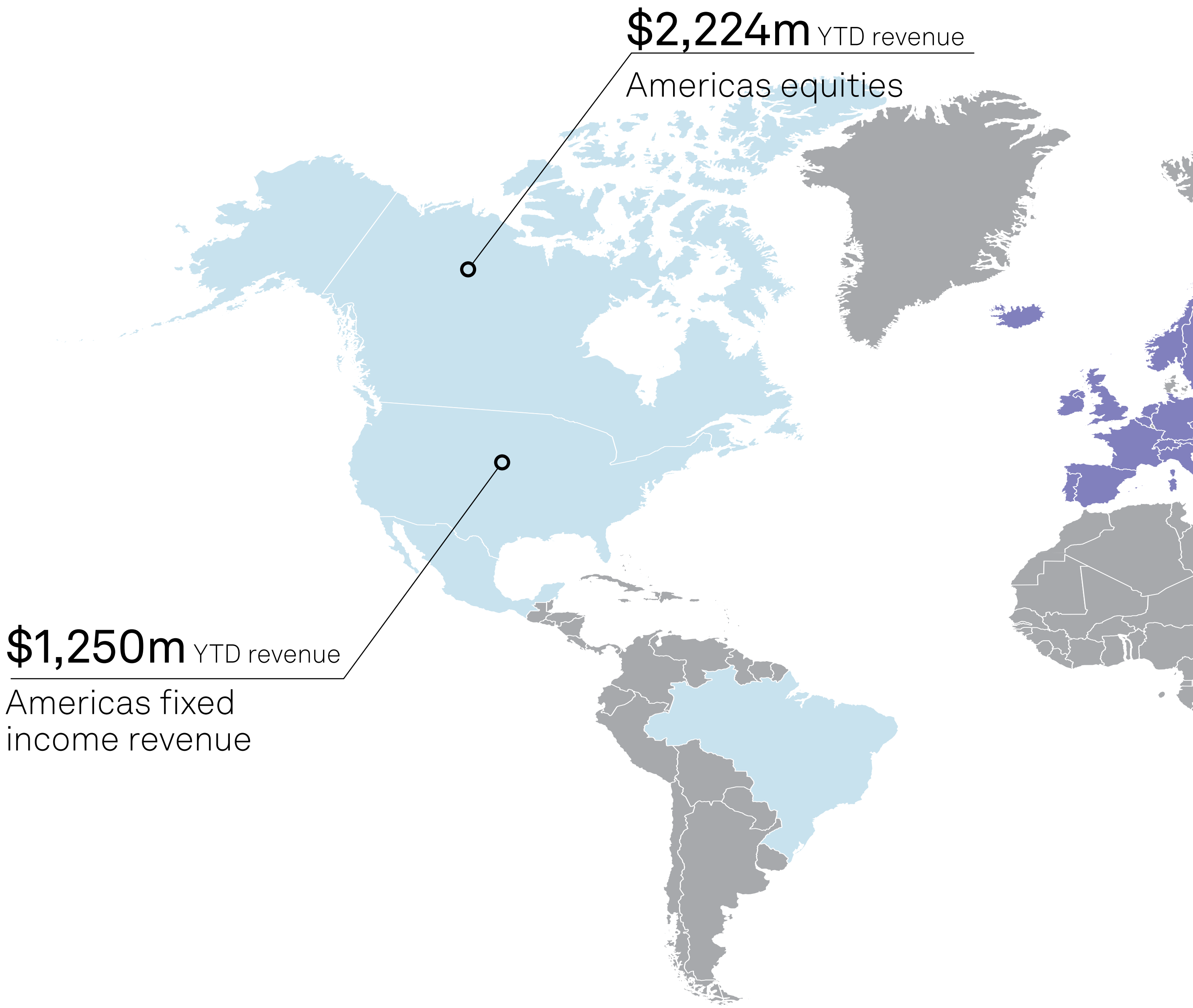
Government Bond Balance Trend



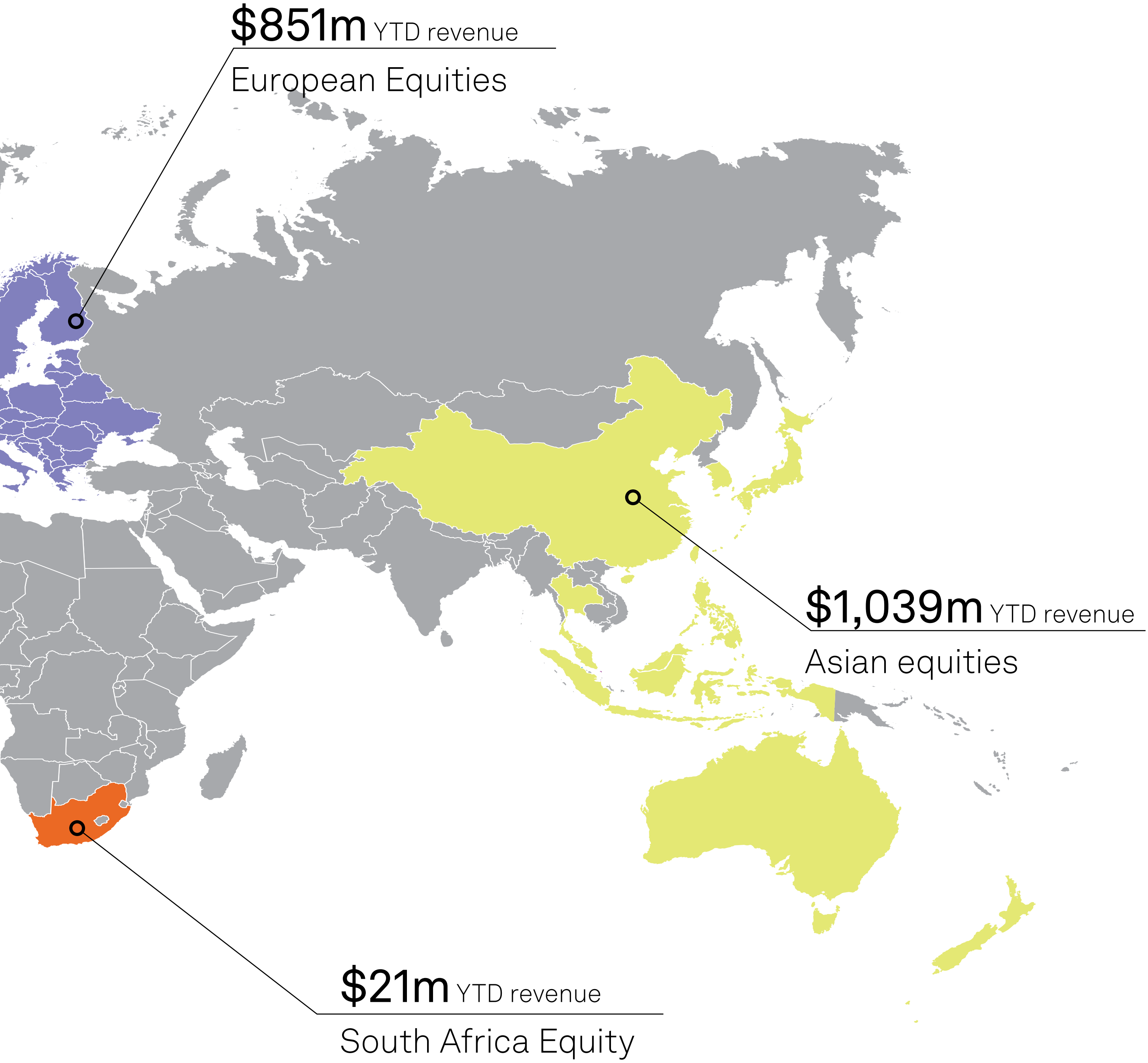
H1 Revenues by Issuer



Global snapshot



Asset Class	Lendable Assets ($T)	Loan Balance ($T)	% Non-Cash	Utilisation (%)	SL Fee (Bps)
All Securities	$33.2	$2.9	67%	6.8%	42
Government Bonds	$4.1	$1.3	84%	25.8%	14
Corporate Bonds	$4.4	$0.3	49%	5.6%	31
Equities	$24.4	$1.3	55%	3.8%	73
Depository Receipts	$0.3	$0.0	38%	8.2%	102
Exchange Traded Funds	$0.5	$0.1	30%	12.5%	78


$851m YTD revenue
European Equities
$1,039m YTD revenue
Asian equities
$21m YTD revenue
South Africa Equity

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