



WHITE PAPER

Capital Markets & Investment Banking Update H1 2025

Peak uncertainty: High volatility in Global Markets bolsters overall CIB revenues

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By Christian Schmid, Ingmar Broemstrup, Roy Choudhury, Julian Hein, Quirin Stockinger, Amrit Shahani, Youssef Intabli, Rishi Baveja & Sandeep Bahra

CIB H1 2025 Update

Overall summary trends

H1 2025 summary

- The CIB revenue pool continued to grow steadily in H1 2025, in keeping with the trend of the last five years. Interest rates have normalized and some developed economies announced rate cuts. Normalization of rates has led to the compression of net interest margins (NIM), impacting revenues in corporate lending and in broader net interest income (NII) business lines.
- Global Markets was the outperforming segment as high market volatility in H1 has benefited CIBs with strong intermediation businesses in FICC and Equities. However, this volatility negatively impacted Origination and Advisory fees in Investment Banking.
- The overall **corporate and investment banking (CIB) revenue pool was up 5% year-on-year (YoY)**. Origination and Advisory (O&A) revenues remained flat (+0.5%) YoY at \$53 billion. Equities revenues increased 21% YoY to \$52 billion. Fixed income, currencies and commodities (FICC) revenues grew 9% YoY to \$116 billion. Corporate banking revenues grew by 1% YoY to \$225 billion.

H2 2025 outlook

Key strategic considerations for H2 2025 and beyond include the following:

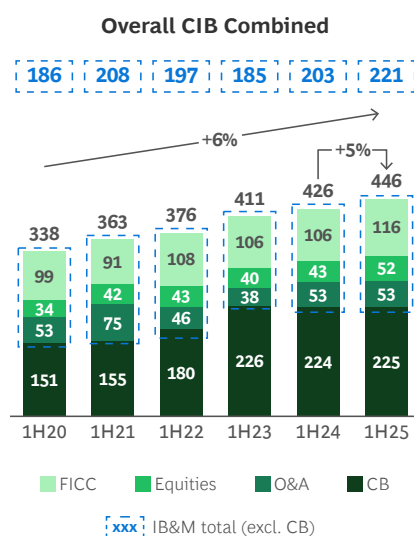
- Gen(AI) adoption and rollout** – CIBs have invested heavily in AI, and are transitioning from use case exploration to production rollouts with ROI. A move from chatbots to agentic and workflow-native AI models is also emerging, but more attention is being directed toward capex and ROI considerations.
- Non-Bank Financial Institutions (NBFIs) continue to expand footprint** – NBFIs are continuing to invade the space of bank revenue pools. Private Credit, particularly direct lenders, are increasingly competing on pricing, with spreads on new agreements converging with spreads in leveraged loan markets.
- Internationalization of CIB growth strategies** – CIBs anticipate mixed growth outlooks, with US firms moving toward international non-US markets, and international peers rationalizing their geographical footprint to concentrate on 'right-to-win' areas in the US market and their respective home markets.

EXHIBIT 1

Overall CIB revenue pool has increased 5% YoY (IB&M up 9% YoY)

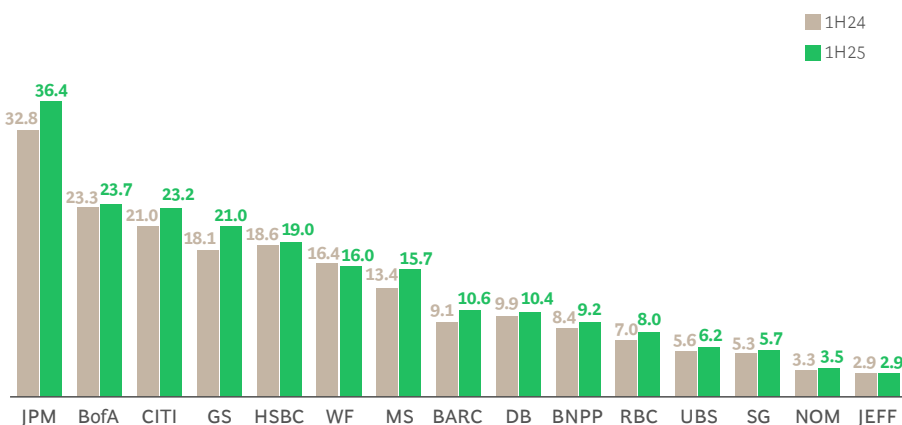
Total Industry CIB revenue pool

In \$B



Top 15 players | Y-o-Y development

In \$B



Y-o-Y growth

11% 2% 11% 16% +2% -2% 17% 16% 6% 9% 14% 11% 7% 7% -3%

Sources: Company reports, BCG Expand data, BCG analysis.

Origination and Advisory

CIBs with strong sponsor franchises and those which participated in mega M&A deal mandates both outperformed in H1

In H1 2025, the **O&A revenue pool remained flat (+0.5%) YoY** at **\$53 billion**, driven mainly by a surge in M&A megadeals and resilient issuance volumes in Debt Capital Markets (DCM), but offset by declines in Equity Capital Markets (ECM).

The **mergers and acquisitions (M&A)** revenue pool **grew 9% YoY** from **\$13.4 billion** to **\$14.6 billion**, boosted by a surge in large mega-cap M&A deals (a deal size of more than \$10 billion) in H1 2025. The market shifted toward fewer, but larger and more impactful deals. BCG's M&A Sentiment Index®¹ rose from 62 in June to 72 in July, reflecting a pivot from hesitation to action among executives. This strategic urgency has been fueled by the rapid pace of AI innovation and the need to acquire new capabilities. Global TMT M&A IB fees are up 50%² YoY, supported by ample dry powder from financial sponsors and strong corporate cash reserves, which continue to drive deal momentum despite global uncertainty.

Equity Capital Markets (ECM) revenues **declined 4% YoY**, from **\$9.2 billion** to **\$8.8 billion**, due to increased secondary market volatility. Follow-on issuance was most affected, with fees down 12% YoY³ as issuance windows narrowed. IPO fees remained stable (down 1% YoY),⁴ supported by rising Special Purpose Acquisition Company (SPAC) activity in the US. Recent SEC reforms to SPAC rules have weeded out low-quality sponsors, thus boosting investor trust and reigniting institutional participation. IB fees from Convertibles increased 26% YoY,⁵ maintaining their popularity among corporates looking to optimize their interest expense and retain flexibility in their capital structures.

Debt Capital Markets (DCM), including syndicated loans, declined by **2% YoY** from **\$30.5 billion** to **\$29.9 billion**. Primary Investment-grade credit markets remained resilient. Corporate issuance continued as normal, led by maturity-driven refinancing events, despite increased market volatility in H1. These gains were offset by increased loan loss provisions and higher markdowns in leveraged finance and syndicated lending businesses. Moreover, direct lending spreads have reduced, reflecting increased competition from Private Credit funds as they target borrowers typically serviced by CIBs.

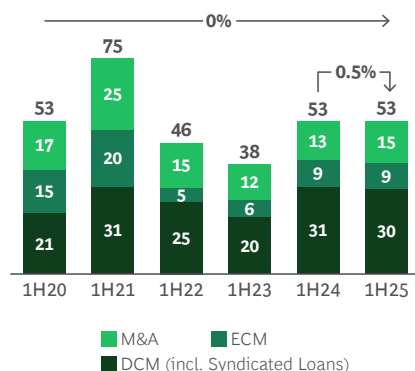
EXHIBIT 2

Origination & Advisory revenue pool remained flat YoY (+0.5%)

Total Industry revenue pool

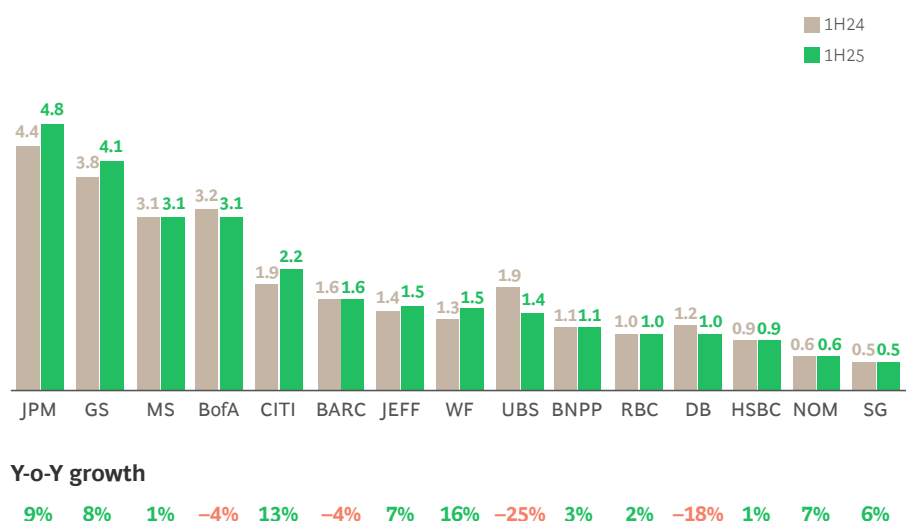
In \$B

Origination & Advisory



Top 15 players | Y-o-Y development

In \$B



Sources: Company reports, BCG Expand data, BCG analysis.

1. [BCG M&A Sentiment Index website](#).
2. LSEG Deals Intelligence Data (as of July 2025).
3. LSEG Deals Intelligence Data (as of July 2025).
4. LSEG Deals Intelligence Data (as of July 2025).
5. LSEG Deals Intelligence Data (as of July 2025).

Equities

H1 volatility was a major driver for equities revenues, which enjoyed the highest growth across all CIB products

In H1 2025, the **Equities** revenue pool grew **21% YoY** from **\$43 billion** to **\$52 billion**, marking a decade high. The growth was driven by elevated market volatility and strong client repositioning. Revenues in Q1 surged ~30%. In Q2, they increased ~17% YoY, with momentum weakening after Liberation Day as volatility fell. Overall performance was supported by broad gains across equity products led by Equity Derivatives and healthy client activity, with some regional and product-level divergence in Q2.

Cash Equities revenues grew **14% YoY** from **\$8.4 billion** to **\$9.6 billion**, fueled by increased trading volumes and a spike in block trading. Americas and Asia had the strongest growth in Q1, driven by volatility around tariffs. Meanwhile, a notable rotation from US to EMEA occurred in Q2, with heightened block trade activity seen in the region.

Equity Derivatives (EQD) delivered the strongest performance across products, growing **30% YoY** from **\$14.8 billion** to **\$19.2 billion**, primarily driven by Flow EQD strategies such as dispersion⁶ and desks long on flow trading books. Volumes peaked in Q1 and around Liberation Day, with banks' performance varying across regions due to different positioning and risk appetites. Structured EQD was very strong in Q1 but slowed in Q2, particularly in the Americas and EMEA. Retail activity rebounded and displayed notable strength. Quantitative Investment Strategies (QIS) remain a constant growth story, attracting increased investment and interest from a wider group of market participants, especially Hedge Funds. Corporate equity derivatives were not as strong in comparison due to an absence of large trades and a relatively slow comeback in ECM/M&A.

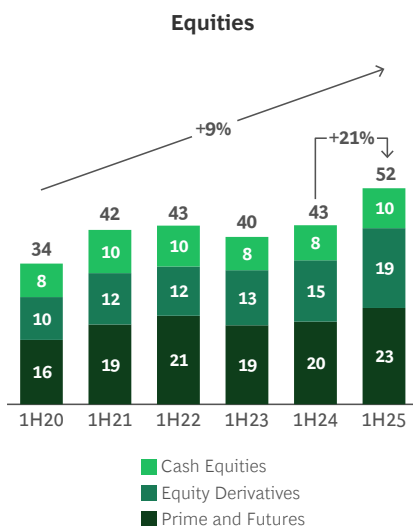
Prime Services and Futures grew **17% YoY** from **\$19.9 billion** to **\$23.2 billion**, with momentum led by synthetics and Delta-1 products. Growth was boosted by strong Asset Management and Hedge Fund activity, as well as by a favorable trading environment in Q1 and a rebound in EMEA in Q2. Client balances remained high, supporting robust Cash Prime Brokerage (PB) revenues. Banks are rethinking their Prime strategy and client mix, as evolving client needs shift toward gaining exposure via Synthetics rather than just Cash PB, and through execution on low latency platforms. At the same time, clients are diversifying, increasingly engaging with emerging PBs.

EXHIBIT 3

Equities revenue pool has increased 21% YoY

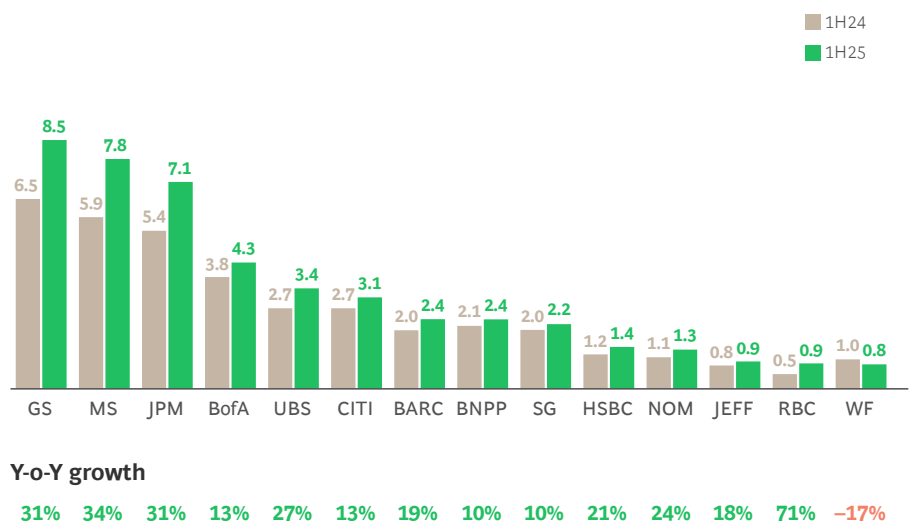
Total Industry revenue pool

In \$B



Top 14 players | Y-o-Y development

In \$B



Sources: Company reports, BCG Expand data, BCG analysis.

6. A **dispersion trade** is a volatility-based trading strategy commonly used in the equity derivatives industry. It involves taking offsetting positions in index options and single-stock options within that index.

FICC – Fixed Income, Currencies and Commodities

Increased volatility supported FICC revenue growth in CIBs, led by Rates, Foreign Exchange (FX) and Emerging Markets (EM) pools

Overall **FICC** revenues grew **9% YoY** from **\$106 billion** to **\$116 billion** as higher volatility supported intermediation activity.

Credit trading revenues declined **13% YoY** from **\$20.5 billion** to **\$17.9 billion**. Portfolio trading revenues fell significantly, while index products performed well. Corporate issuance increased by approximately 5% YoY across investment-grade (IG) and high-yield (HY) categories, although HY issuance started the year more modestly before rebounding in Q2.

G10 Rates trading revenues grew **15% YoY** from **\$20.8 billion** to **\$23.9 billion**, driven by market volatility. STRIPS saw record trading volumes, while swaps propelled the revenue pool increase.

G10 FX trading revenues grew **21% YoY** from **\$13.0 billion** to **\$15.7 billion**, due to volatility across key markets. Despite a growth in volumes of around 14%,⁷ margin increases due to wider spreads also boosted revenues. USD/YEN performed well. Trading activity was fueled by real money hedging and hedge fund tactical positioning, particularly in FX options.

EM trading desks revenues grew **22% YoY** from **\$31.5 billion** to **\$38.3 billion**, driven by demand for local currency bonds, with record inflows in Brazil and India in Q2. FX improvements resulted from wider spreads, despite relatively stable volumes.

Commodity trading revenues declined **3% YoY** from **\$6.3 billion** to **\$6.1 billion**, due to heightened volatility around policy shifts. Declines in oil, power and gas were offset by strong performances from metals, particularly gold. Gold exchange-traded funds (ETFs) saw record inflows in Q2.

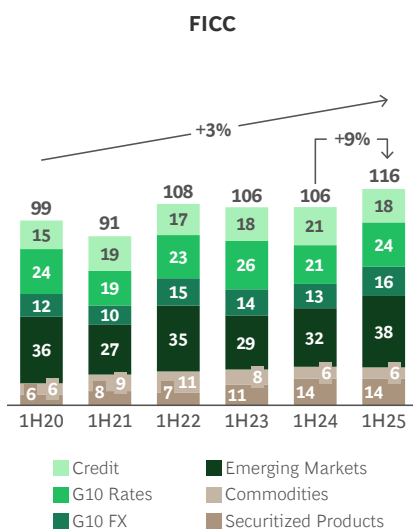
Securitized products revenues fell **1% YoY** from **\$14.3 billion** to **\$14.2 billion** due to weaker trading revenues, particularly from residential mortgage-backed securities (RMS). However, financing revenues increased due to strong performance from consumer asset-backed securities (ABS).

EXHIBIT 4

FICC revenue pool has increased 9% YoY

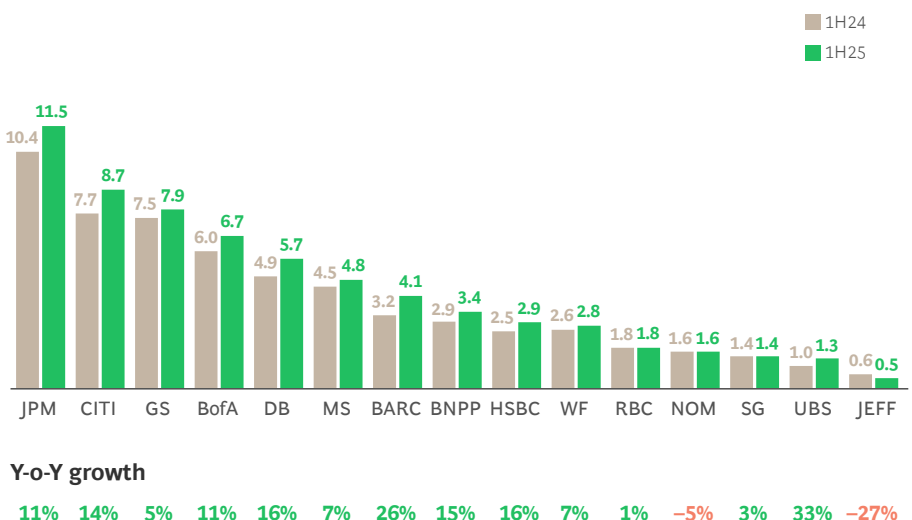
Total Industry revenue pool

In \$B



Top 15 players | Y-o-Y development

In \$B



Sources: Company reports, BCG Expand data, BCG analysis.

7. BCG Expand FX Volumes survey.

Corporate Banking

Corporate Banking revenue growth remains flat as banks lean on digitalization, GenAI, and product diversification

The overall **corporate banking** revenue pool increased **1% YoY** from **\$224 billion** to **\$225 billion**. The near-flat performance was primarily driven by the continued compression of net interest margins (NIMs). In response, banks are intensifying efforts to accelerate GenAI adoption, advance front-to-back digitalization, enhance cost efficiency, and optimize capital allocation to sustain performance in a challenging environment.

Corporate lending revenue pool declined **1% YoY** from **\$104.5 billion** to **\$103.8 billion** amid reduced credit demand. The decline reflects modest contraction or stagnation across several regions, particularly in Europe and North America, where loan demand remains muted. NIM compression continues as global interest rates decline from their 2023–2024 highs. Loan growth is uneven, with stronger momentum in Asia-Pacific and selective emerging markets. Banks are prioritizing risk-adjusted returns, using data and AI for enhanced credit scoring and pricing discipline. Operational efficiency is under the spotlight, with growing automation of loan origination, servicing, and credit risk management. Greater reliance on syndication and co-lending structures, including private credit partnerships, are emerging to manage balance sheet exposure and capital.

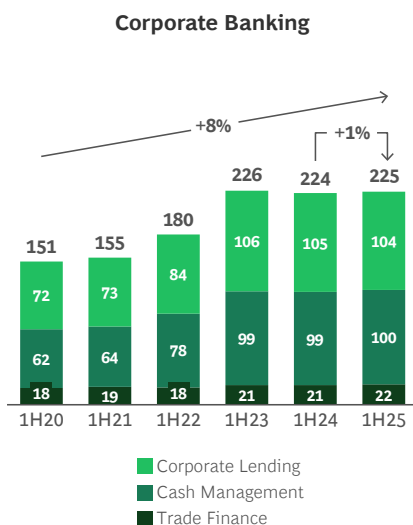
Cash management revenue pools grew **1% YoY** from **\$98.5 billion** to **\$99.8 billion**, placing it at the center of corporate banking's strategic transformation. Clients increasingly seek real-time capabilities, better cash flow visibility, and ERP–bank integration via intuitive dashboards. Euromoney® has forecast rising adoption of real-time payments, liquidity tools, investment-linked products, and blockchain solutions over the next 12 to 18 months. In response, banks are diversifying revenues by offering data and analytics services and client data-driven insights to support more advanced treasury needs with virtual accounts, liquidity pooling, and automated investment of idle cash, thus capturing fee-based revenues. The emergence of stablecoin offerings may also disrupt cash management fees.

Trade finance revenue pools grew **4% YoY** from **\$20.7 billion** to **\$21.5 billion**. Documentary-trade revenues (letters of credit, collections) are either flat or down, while open-account revenues (supply-chain finance, receivables finance, factoring) are up, driven by trade-related working-capital pressures and defense-spending cycles. In the first three months of the year, trade-related uncertainty and duties pushed companies to use custom bonds to avoid paying immediately for the duties and stock up on inventory. Receivables Finance has seen steady demand throughout this year, and this has powered robust structuring fee and spread income growth in open account trade.

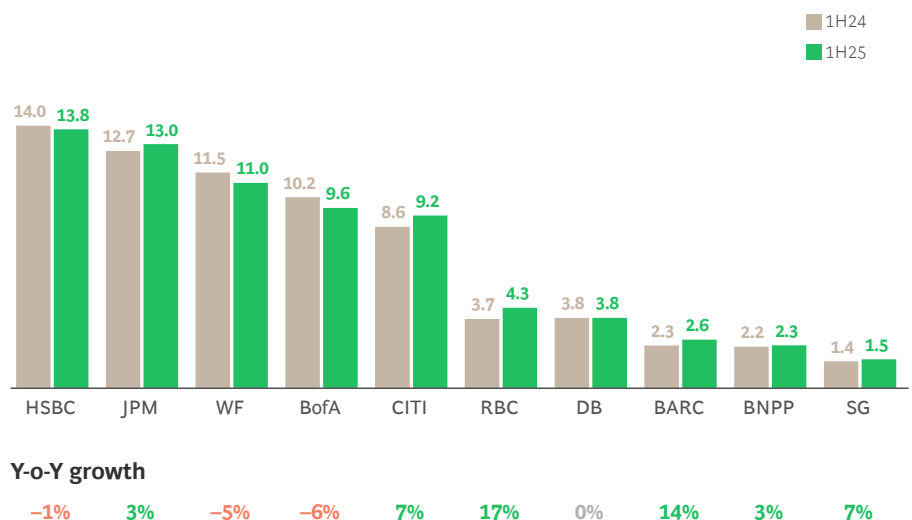
EXHIBIT 5

Corporate Banking revenue pool has increased 1% YoY

Total Industry revenue pool
In \$B



Top 10 players | Y-o-Y development
In \$B



Sources: Company reports, BCG Expand data, BCG analysis.

Note: Corporate banking revenue pool is inclusive of commercial banking division revenues.

8. <https://www.euromoney.com/reports/non-banking-financial-institutions-2025/>.

Financial Sponsors are facing increased entry and exit pressures

CIBs need to reassess their sponsor franchises and their client segment offerings

Rising interest rates in recent years reduced private equity (PE) returns, leading firms to delay exits and extend holding periods. After inflation stabilized and rates normalized in 2024, firms this year face liquidity pressures: they have to manage postponed exits, return capital to Limited Partners (LPs), and deploy aging dry powder, while less new capital was raised in 2024.

Sponsor Entry Pressures

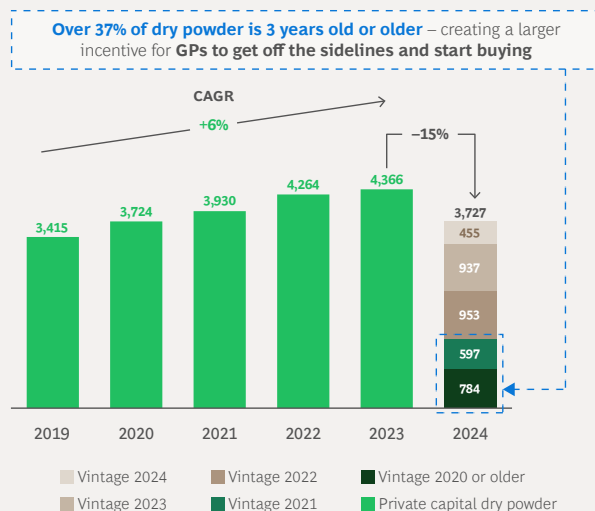
- **Aging dry powder:** 37% of global PE dry powder is now more than three years old (up from 30% in 2023), raising opportunity costs and increasing pressure to deploy capital.
- **Macroeconomic uncertainty:** Volatility in H1 2025 has complicated valuations and entry multiples, especially as sponsors in recent years have committed more equity up front due to higher rates.
- **Capital raising decreased:** 2024 fundraising fell 26% YoY to \$692 billion (from \$935 billion), driven by reduced private equity (PE) monetization and limited liquidity from LPs for reinvestment.

Sponsor Exit Pressures

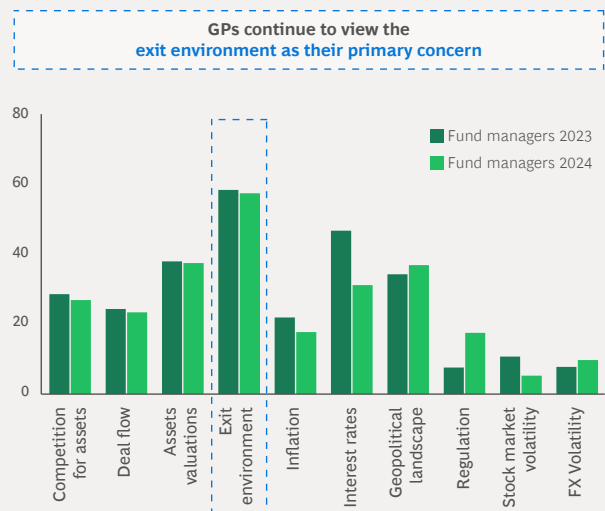
- **Record portfolio company counts:** There were approximately 30,000 PE-backed firms in 2024, up 36% from 2019 - highlighting that entry activity has outpaced exit activity in recent years.
- **Alternative liquidity solutions:** Continuation funds are growing, providing General Partners (GPs) flexibility in retaining assets and avoiding forced sales, while offering liquidity and monetization opportunities to LPs.
- **Longer holding periods:** US average holding periods rose from around five years (the average long-term 20-year trend) to 6.3 years in 2024, reflecting a tough exit market.

Sponsors are facing increased entry and exit pressures

Sponsor Entry Pressures



Sponsor Exit pressures



Implications for CIBs

CIBs have an opportunity to capture market share if they revisit their sponsor franchises and develop well-designed and differentiated sponsor coverage models, bespoke product offerings, and tailored advisory services. The key opportunities are:

- **Secondary advisory:** CIBs can support the creation of continuation vehicles (valuations, buyer processes, deal structuring, and liquidity balancing).
- **Lending solutions:** Lending to continuation vehicles may also become more prominent via Net Asset Value (NAV)-based lending or subscription lines to provide short-term liquidity while new investors are committing capital.
- **Sponsor franchise refresh:** Several Top 15 banks have already announced updated sponsor coverage models in 2025 as well as enhanced valuations services for private companies, amid increasing private and public markets convergence.

Sources: Prequin, Pitchbook, BCG analysis.

Market outlook and strategic implications for CIBs

BCG and Expand forecast that CIB revenue pools will continue the path of steady growth in 2025. Rotation from NII to fee-based revenues will be critical for CIBs, as major developed economies (except the US) are beginning to announce rate cuts, while the peak levels of macro-uncertainty experienced in Q2 2025 have now passed.

Origination and Advisory – The anticipated lower volatility in secondary markets, heightened sponsor entry and exit pressures, and a stable interest rate environment, are all creating the prerequisite conditions for increased M&A dealmaking and capital-raising activity. The rate of technological innovation in AI is forcing boardrooms to act with strategic urgency. Indeed, AI may increasingly emerge as a driving force behind many Investment Banking deals in the foreseeable future.

Global Markets – H2 2025 is expected to remain volatile, albeit less so than after the disruptions earlier in the year. There is a consensus among analysts that there will be rate cuts and a rotation among buy-side participants toward high-quality assets, with some investment rotation internationally into European and emerging markets. CIBs which are most capable of participating in large episodic trades and carry higher Value at Risk (VaR) typically achieve outsized returns in periods of considerable market volatility.

Corporate Banking – As interest rates stabilize, NIM and the reduction in NII may divert focus to other business lines to achieve growth. Cash management and transaction banking is fast emerging as a priority growth engine, alongside digital transformation and AI adoption that enhance Client Relationship Management (CRM) efficiencies. The impact of stablecoins will create opportunities for corporate banks in cross-border payments, treasury, and cash management and custody.

The **core CIB strategic imperative as we enter H2 2025 and 2026** will be to position the franchise for growth in a volatile, fragmented, and technologically accelerating market. CIB executives should run a dual-track strategy:

- **Near term** – Monetize volatility, execute on strong deal pipelines in a bid to participate on mega M&A deals, and double down on sponsors
- **Long term** – Build a globally diversified, digitally-enabled, and AI-integrated CIB franchise that can thrive in more structurally complex capital markets

About the Authors

Christian Schmid is a Managing Director and Senior Partner. He is the global lead for the Commercial, Corporate and Investment Banking (CCIB) Practice at BCG. You can reach him at Schmid.Christian@bcg.com.

Ingmar Broemstrup is a Managing Director and Senior Partner. He is the regional lead for the Financial Institutions Practice in North America and the global lead for the Capital Markets and Investment Banking (CIB) Practice at BCG. You can reach him at Broemstrup.Ingmar@bcg.com.

Roy Choudhury is a Managing Director and Senior Partner. He leads the regional Commercial, Corporate and Investment Banking (CCIB) Practice in North America at BCG. You can reach him at Choudhury.Roy@bcg.com.

Julian Hein is a Managing Director and Partner. He is the global co-lead for the Capital Markets and Investment Banking (CIB) Practice at BCG. You can reach him at Hein.Julian@bcg.com.

Quirin Stockinger is a Principal in the Capital Markets and Investment Banking (CIB) Practice at BCG. You can reach him at Stockinger.Quirin@bcg.com.

Amrit Shahani is a Managing Director at BCG Expand. You can reach him at Amrit.Shahani@expandresearch.com.

Youssef Intabli is a Senior Director at BCG Expand. You can reach him at Youssef.Intabli@expandresearch.com.

Rishi Baveja is a Senior Principal at BCG Expand. You can reach him at Rishi.Baveja@expandresearch.com.

Sandeep Bahra is a Manager in the Capital Markets and Investment Banking (CIB) Practice at BCG. You can reach him at Bahra.Sandeep@bcg.com.

For Further Contact

If you would like to discuss this report, please contact the authors.

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Dipankar Deb is a Project Leader at BCG Expand. You can reach him at Dipankar.Deb@expandresearch.com.



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