

A Year Like No Other

Banking Performance & Pay Trends

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McLagan is a part of Aon Hewitt, a business unit of Aon plc.



2020 Banking Performance & Reward: The Short Story

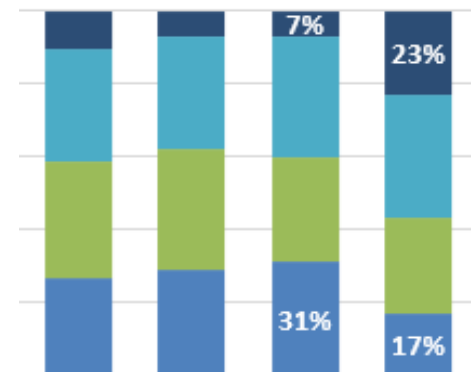
Reminder of 2019 Year-End

- Profits flat YOY
- Strong Q4
- Front office pay ~flattish in aggregate

2020 Performance

- Headwinds – economy, low interest rates
- Provisions drop bank profits 50% YTD
- CECL Accounting changes + COVID outlook = perfect storm
- Markets outperform
- FI, Equities and Investment Banking revenues up
- Early discussions re: YE looked to 2008 crisis for lessons learned

Global Banking Industry Revenue Breakdown
\$1.6 Trillion revenues



2017 2018 2019 1H 2020

■ Profits
■ Non C&B
■ C&B
■ Loan Loss Provisions

2020 Banking Performance & Reward: Front of Mind

Front of Mind

- **Competitive Market** – very different performance trends across industry type
- **Credit Losses** – operating earnings vs accounting earnings
- **Funding** – the always talked about “S-curve”;
- **Headcount** – employee friendly policy to date

Year-End Pay

- **Moral Dilemma** – its’ just not right to pay up in this environment
- **External perception tempers pay** – Executives take the biggest hit
- **Front Office Markets and Banking Staff paid up**
- **Infrastructure pay flat to down** - Tech better up at some firms / hot jobs
- **New vehicles / LTI structures** may emerge
- **Individual differentiation** – paying key roles and top performers

2020 Banking Performance & Reward: Europe

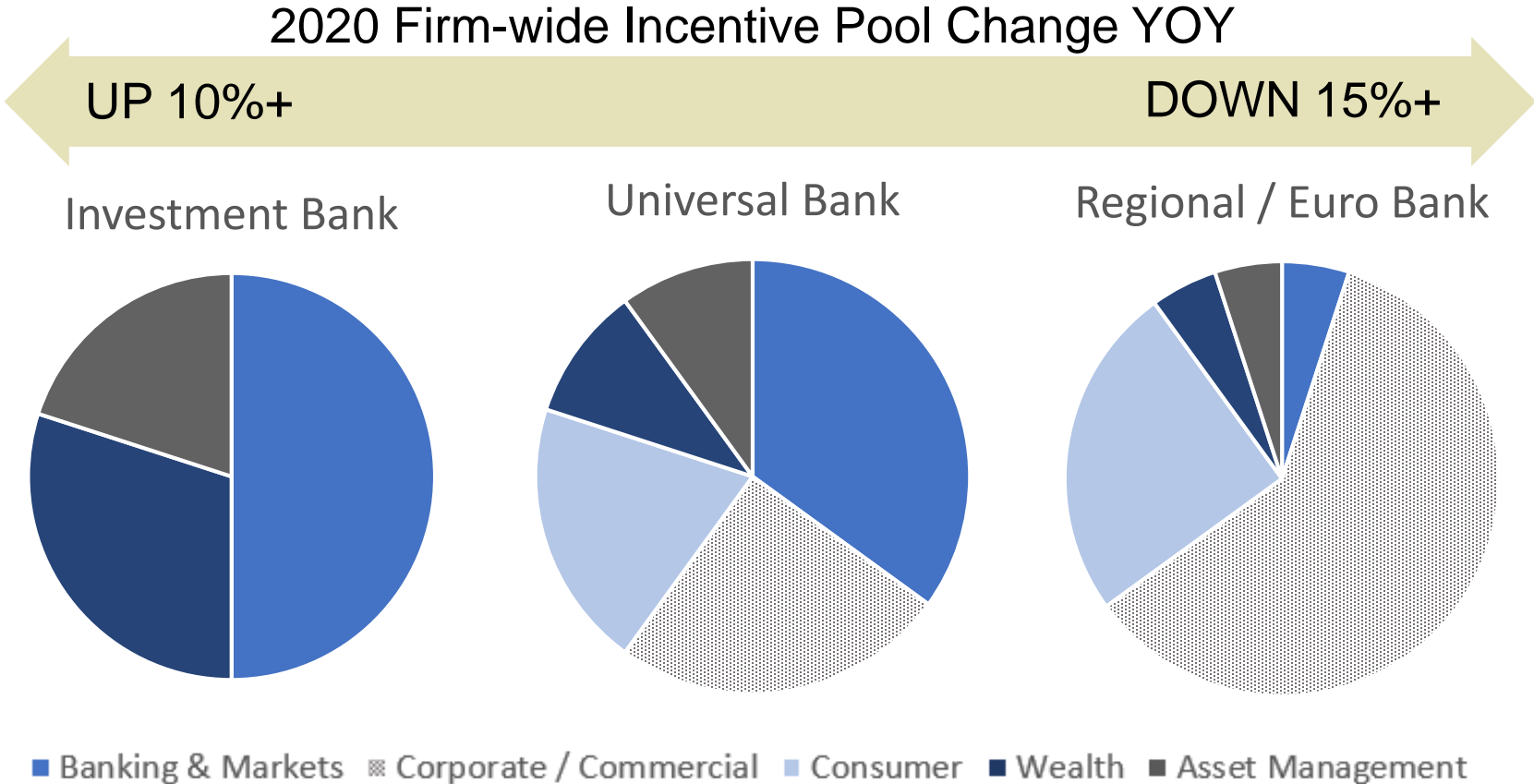
Performance

- **UK/European banks vs. US/Global Banks** – wide variations
- **Business mix** – will have a strong impact on bottom line
- **Economy** – Depressed eurozone economy
- **Capital** – Legacy debt and capital buffers
- **Brexit** – No-deal Brexit looming

Year-End Pay









- **Bonus Pools** – overall pools expected to be down
- **Differentiation** – top performing businesses and individuals
- **Allocation** – Executives expected to take the biggest hit
- **Balance will be key** – cross-subsidisation
- **LTI/Deferrals** - considerations ongoing for potential changes
- **Salary** – Modest increases expected

Firm-wide Incentive Pool Change will Depend of Business Mix











2020 Early View on Year-End Pay – Global Banks

- These trends are reflective of the largest global banks. Note these are based on early conversations and subject to change following full Q3 results release.

Division	Median Total Compensation Change (Same Store)	
Investment Banking		Flat to Up 10%
Fixed Income		Up 10 – 20%
Equities		Up 5 – 15%
Research		Up 5 – 10%
Corporate / Commercial Bkg		Down 5 – 10%
Transaction Banking		Flat to Down 3%
Infrastructure		Flat to Down 5%
Technology		Up 3% to Down 3%

2020 Early View on Year-End Pay – European Banks

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