

Financial Performance and Compensation Trends

Willis Towers Watson

October 2020



Financial Services Trends

Geo-Political Uncertainty

- US Presidential election
- Global trade tensions
- Brexit uncertainty

Macro-Economic Environment

- Unprecedented government stimulus
- Near-zero or negative interest rates
- Aligning executive compensation with general workforce

Financial Performance

- Strong capital markets performance
- Retail and Commercial Banking struggling
- Increasing credit loss provisions

Continued focus on Diversity & Inclusion

- Recruitment focus on “under-privileged population”
- Increased emphasis on pay equity
- Diversity and inclusion on boards

COVID-19

- Hiring restrictions
- Initial reluctance to initiate layoffs
- Recognition of front-line employees (key workers)
- Investors and regulators expecting bonus restraint

COVID-19: Impact and Consequences

Compensation & Benefits

- Executive pay restraint - salary cuts and waivers, cancelled annual bonuses, postponed LTI payouts
- Bonus pools and merit budgets under pressure
- Increased flexibility around sick pay
- One-off payments to key workers
- Extended overtime payments

Regulatory Pressure

- Firms to avoid dividend pay-outs and share buy-backs to preserve capital
- Pressure to exercise constraint with bonuses, in particular cash bonuses

Return to Work

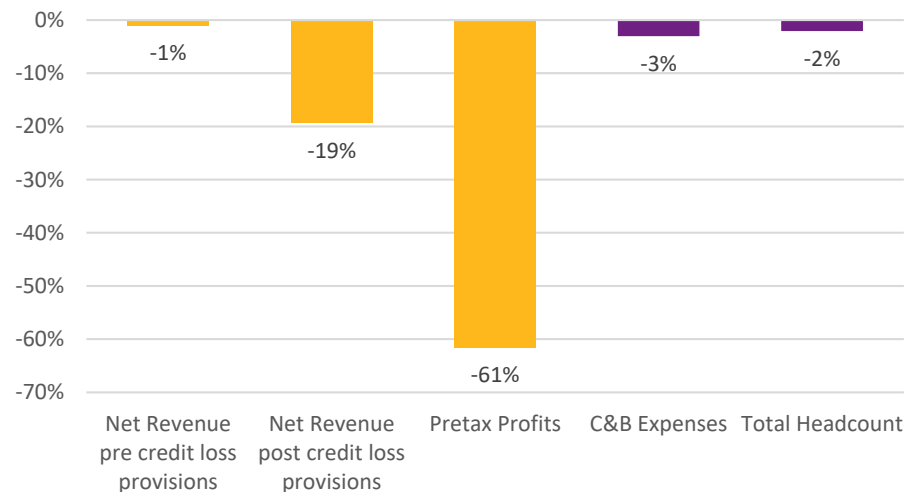
- Banks are postponing plans to return employees to UK offices
- Return to office voluntary and focused on staff in revenue areas and certain control
- Post-pandemic firms generally expect more flexible working from home policies
- Purpose of the office will be to promote collaboration and innovation

2020 6M Financial Performance Recap

Firm Wide Results

- Financial performance for 6M 2020 reflects a challenging environment as a result of the pandemic
- Net Revenue has decreased at the majority of firms however, Net Revenue taken pre-credit loss provisions remains relatively flat year-on-year
- Increase in credit loss provisions reflects the impact of COVID-19 on bank's expected loan losses
- Profitability weakened significantly at all but three firms in the comparator group with five firms reporting a pretax loss
- Headcounts and Compensation & Benefits expenses have decreased slightly year-on-year at most firms with per capita Compensation & Benefits therefore flat or declining slightly

Financial Performance 6M 2020 vs 6M 2019



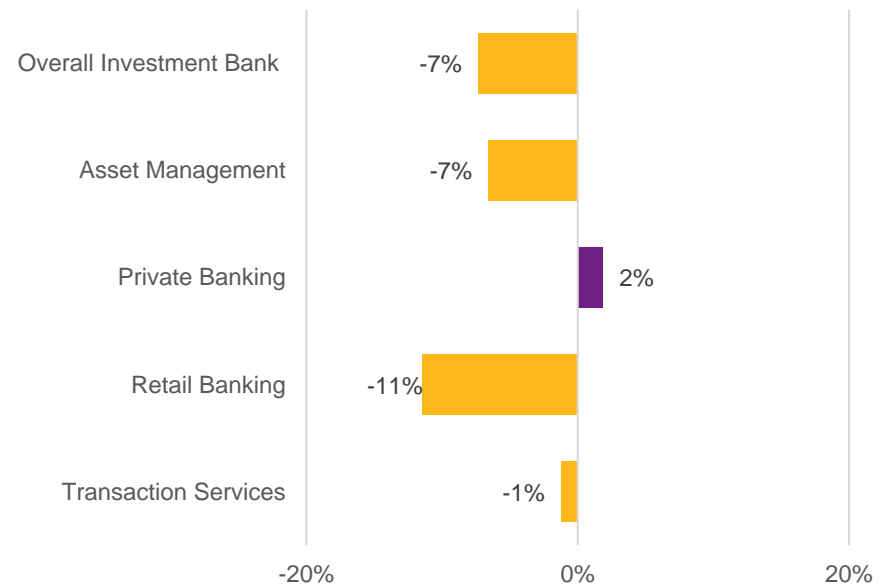
Comparator Group Includes: Barclays, BBVA, BNP Paribas, Commerzbank, Crédit Agricole, Credit Suisse, Deutsche Bank, HSBC, ING, Lloyds Banking Group, Natixis, NatWest (formerly RBS), Société Générale, UBS

Financial Performance – European Banks 6M 2020 Results

By Business Segment

- Investment Bank Revenues¹ are up against last year:
 - Fixed-Income and to less extent Equities revenues benefitted from significant revenue gains due to high client activity and market volatility
 - Investment Banking performance also up slightly due to increased activity
 - Corporate and Commercial Banking under pressure with credit loss provisions
- Asset Management revenues are down year-on-year with performance driven by only a few key industries (e.g. technology)
- Private Banking Revenues up slightly and Retail Banking down due to increased credit loss provisions
- Transaction Services Revenues are stable

Financial Performance 6M 2020 vs 6M 2019
Median Revenue Trend by Business Segment



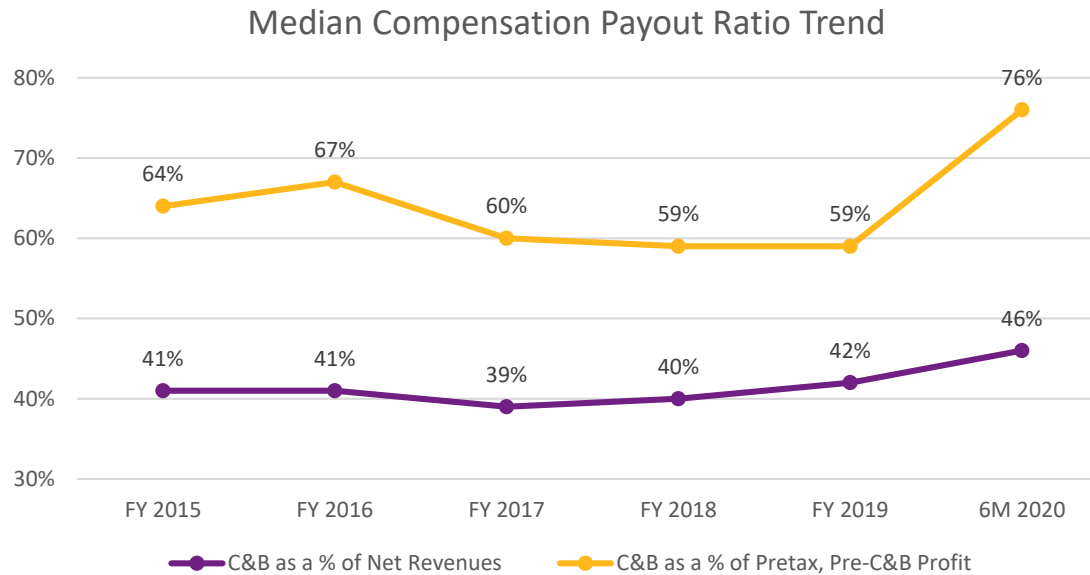
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(1) All segment and division revenues are taken post credit loss provisions

Compensation Payout Ratios Trends

Firm Wide Results






- Increase in Compensation & Benefits as a percentage of Net Revenue and pre-tax Income reflects impact of the pandemic on profitability rather than increases in actual compensation spend
- Compensation & Benefits as a percentage of Net Revenue pre-Credit Loss Provisions remains flat



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Early Perspectives on 2020 Year-End Pay Trends

- Below represents our expectations on changes in total compensation given performance year-to-date, second-half expectations and preliminary conversations with firms

Segment/Division	Median Incentives Trend	Comments
Investment Bank		<ul style="list-style-type: none"> Early indications of incentive pool projections vary by firm and depends on group bonus pools at some firms. Business mix as well as impact of credit loss impairment are driving the disparity coupled with the need to cross-fund lower performing businesses
Asset Management		<ul style="list-style-type: none"> Increased market volatility and movements to lower-revenue products puts pressure on revenues
Private Banking		<ul style="list-style-type: none"> Revenue and pre-tax profits are expected to be slightly down in 2020
Retail Banking		<ul style="list-style-type: none"> Significant increases in loan loss provisions are driving sharp declines in pre-tax profit in 2020
Corporate Functions		<ul style="list-style-type: none"> Incentive compensation pool likely to move in line with declining overall firm performance

Trends presented on a Global basis

Business Segment Trends exclude Group Centre/Corporate Staff from overall trend