

AON

Aon's Market Trends Update

Prepared for City HR Forum

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Banking Performance & Reward Trends across Global Banks*

2022 Performance

- Investment Banking and Asset Management divisions fall from record 2021 performance, while lending businesses benefit.
- Top-line revenue for universal banks improved on back of higher net interest margins.
- Fixed Income trading results benefited from market volatility with revenues up ~20% year over year at the median.

2022 Compensation Outcomes

- Banking and Markets compensation down 10% at median as positive Fixed Income trends were more than offset by Investment Banking.
- Total compensation levels for Corporate Banking professionals increased 5 - 8% at the median.
- Asset Management pay declined 5 - 10% which was more favorable than independent AM firms (down 20 - 25%).
- Wealth division trends were impacted by business mix with pay increasing 5% at the median.
- Infrastructure pay benefited from higher salary budgets for the second year in a row, with total compensation increasing 5 - 6% at median.

2023 Salary budgets

- 5.8% median salary budget in the UK**.
- Many International/Challenger banks' salary budgets were close to median, but some have implemented significantly higher merit increases closer to inflation.
- Greater differentiation in allocation driven by seniority with a focus on Juniors & early careers, market positioning and in demand roles.
- European hubs saw salary budgets ~5% at median across the board.

Front of Mind HR / Reward Topics

1

Firms are exploring alternatives to cost cutting initiatives

- E.g. aligned employee benefits to employee needs.
- Listening to employees to understand what's most important to them.
- Boosting EVP also helps with attracting and retaining.

2

Wellbeing – continues to rise in importance across corporate culture, business initiatives and at the individual level

- With a focus across DE&I, ESG and Total Rewards strategies.
- But at the individual level initiatives don't always address stressors that are impacting employees.

3

Future Skills planning has become more urgent as skills gap persists

- A move to a more skills-based framework reducing the reliance on traditional grade-driven policies and approaches.

4

Regulatory/External changes – including EU Pay Transparency Directive

- Pay Transparency is coming and will likely impact the UK market – firms should start planning now.
- Bonus cap – Less likely to have major immediate impact, slow erosion of fix pay over time.
- Small Firms PRA consultation – Important for Level 3 and smaller Level 2 banks to consider and respond.
- “Edinburgh Reforms” – FCA/PRA discussion paper on Senior Managers & Certification Regime.
- Consumer Duty – 2023 implementation and potential impact on incentive arrangements.
- Proxy agenda on D&I, ESG, moderating senior executive pay levels and RemCo accountability.