

# COMPENSATION SURVEY 2011

Banking Infrastructure - Hong Kong

# OVERVIEW

## Summary

Financial services professionals in Hong Kong have in many respects continued to prosper despite the turmoil in other global financial markets. This is reflected by a relatively high level of average pay growth at 15% and relative to other centres, optimistic bonus sentiments uncovered in this year's report. However it is clear that continuing market uncertainty across the globe is impacting overall compensation expectations in the region as indicated by the majority of employees remaining uncertain about their bonus prospects for 2011. As in many other markets, this uncertainty may well mean no bonus for a large number of banking infrastructure employees.

Perhaps unsurprisingly, moving employer continues to prove a lucrative option with those changing jobs receiving an average 25% increase in pay and those awarded promotions receiving a 20% increase.

We could also be witnessing a changing approach toward compensation packages. The report reveals that the majority of staff are more motivated by increases in fixed rather than variable pay. Equally this may simply reflect that individuals are seeking a greater degree of certainty during uncertain times.

In contrast to some other markets, private medical insurance was the most highly valued benefit offered by employers along with a growing appetite for more flexible working arrangements.

This year's report also identified an emerging trend amongst those polled to consider relocating to other financial centres. This is particularly surprising given that Hong Kong has arguably been a beneficiary of employee mobility in recent years.

## Approach

The survey was conducted between 21 September and 5 October 2011. Requests to participate in the survey were sent via email to approximately 7,000 candidates and clients of Astbury Marsden across a range of financial services providers. The audience surveyed were predominately "infrastructure" focussed performing a range of roles across, the back, middle and front office.

Respondents were presented with slightly different surveys based on answers to their current employment status.

A total of 562 people participated in the survey.

The following report is based on the data derived from responses to the survey.

The survey sought to gain an insight into the following questions:

- To what extent has base pay changed during 2011?
- How have promotion and changing employers affected base pay?
- What are the expectations around bonuses this year?
- How does this sentiment compare against the 2010 bonus round?
- Which benefits are considered important by employees and which are most highly valued by job seekers?
- What are salary increase expectations for 2012?
- What are reactions likely to be if individuals are dissatisfied with their bonus?

The following charts detail the makeup of the audience responding to the survey.

## Analysis of Responses

Fig 1.1 Spread of responses by sector and function

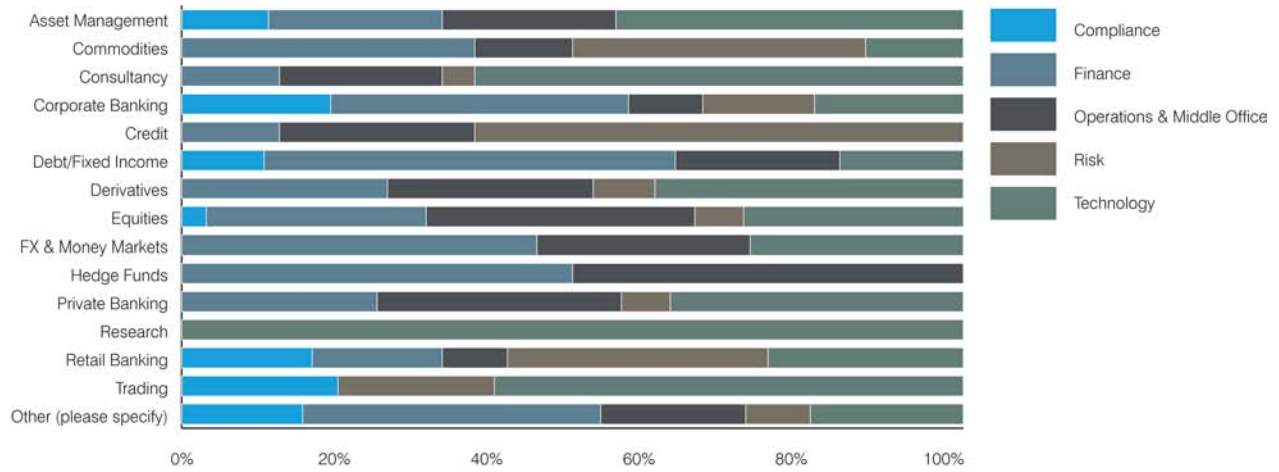


Fig 1.2 Responses by position

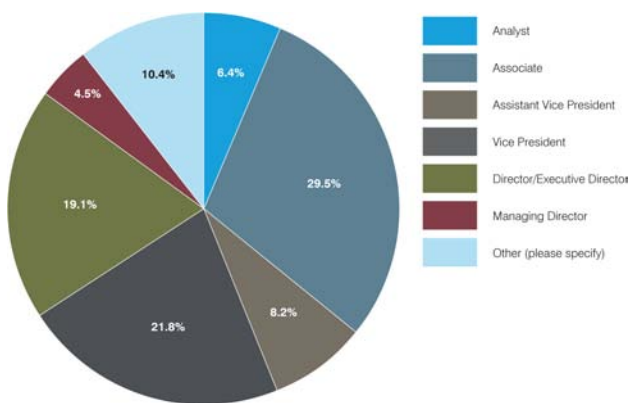


Fig 1.3 Responses by function

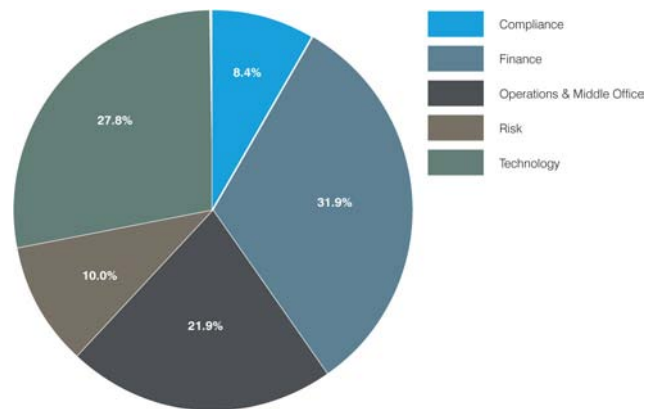
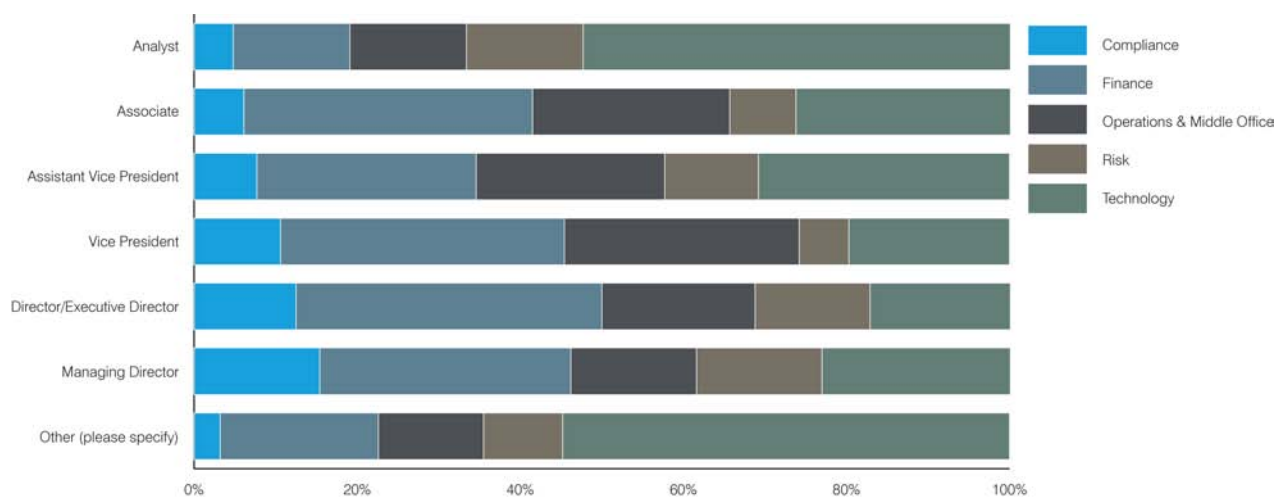


Fig 1.4 Responses by position and function



# BASIC PAY

## Highlights

- Average basic pay across the infrastructure group polled was \$74,136 a month.
- The average rate of growth in pay across the respondents was 14.7% in the year with approximately 49% reporting an increase in pay.
- Looking further into the general make up of base pay increases:
  - 33% of respondents received a promotion which brought with it an average base pay increase of 18.6% (Fig 2.1)
  - 29% changed employers in the preceding 12 months, receiving an average increase of 21.2% (Fig 2.2)
  - A surprising 11% changed employers and received a promotion. These progressive moves proved the most lucrative, receiving increases of 25.3%
  - Those not receiving a promotion or changing roles received an average increase in basic pay of 9.5% (Fig 2.3)
  - 1% of respondents saw their base pay decrease in the year by an average of 16.2%.
- Compliance professionals received the largest average increases in basic pay during the year having received an average 21.6% increase. (Fig 2.4)
- The highest average salary in infrastructure functions was also found in Risk, reaching \$84,596 a month followed by Finance with \$75,244. (Fig 2.4)

Fig 2.1 Promotions

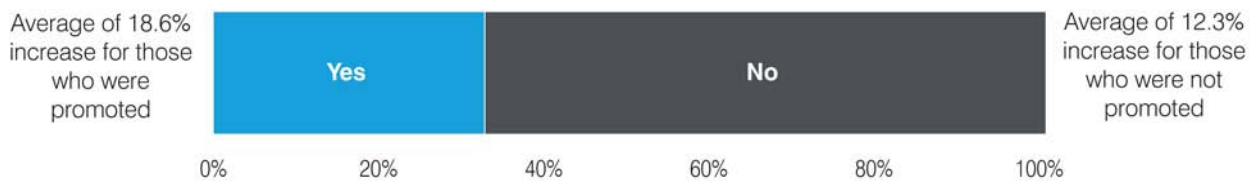


Fig 2.2 Movers

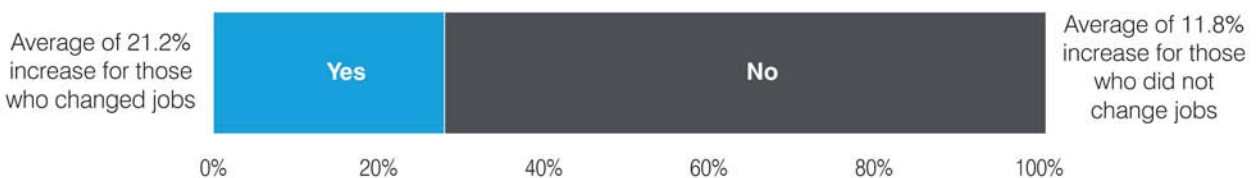


Fig 2.3 Impact of promotion and moving on pay

ROLE	% INCREASE IN BASIC PAY		
	CHANGED JOBS	PROMOTED	NO CHANGE
Analyst	30.0%	0.0%	4.0%
Associate	21.3%	20.7%	9.1%
Assistant Vice President	23.5%	18.8%	11.0%
Vice President	20.7%	23.1%	7.0%
Director/Executive Director	16.3%	9.3%	8.9%
Managing Director	24.7%	14.8%	9.0%
Other (Please specify)	20.0%	16.7%	25.4%
<b>AVERAGE</b>	<b>21.2%</b>	<b>18.6%</b>	<b>9.5%</b>

Fig 2.4 Basic pay by function

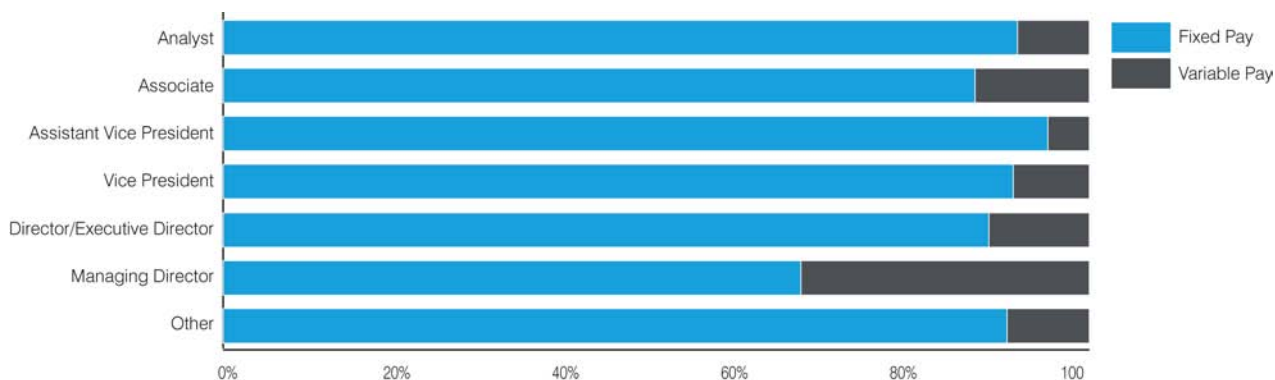
FUNCTION	AVERAGE OF CURRENT MONTHLY SALARY (\$)	INCREASE OVER 2010
Compliance	74,373	21.6%
Finance	75,244	14.7%
Operations & Middle Office	69,262	14.3%
Risk	84,596	10.2%
Technology	74,265	14.4%
<b>AVERAGE</b>	<b>74,136</b>	<b>14.7%</b>

# APPROACH TO COMPENSATION

## Majority are more motivated by fixed pay

Respondents were asked whether an increase in fixed or variable pay would be more motivating. On the whole, and perhaps unsurprisingly, the majority stated they were more motivated by increases in fixed compensation.

Motivated by fixed pay or variable pay



“Middle Managers were found to be the most motivated by increases in fixed pay”

# BONUS EXPECTATIONS

## Highlights

Bonuses remain a highly emotive issue in some markets, most noticeably in Britain where it remains the subject of media scrutiny and public inquiries. The Hong Kong public on the whole remains supportive of bankers and its banking industry. This, combined with stronger performances by Asian business units and a degree of separation from the turmoil in the Eurozone and the US markets have led to broadly higher bonus expectations amongst Hong Kong bank employees.

- 61% of respondents are anticipating a bonus. This is in stark contrast to expectations in other markets and reflects the stronger performance in Asian business units this year when compared to their European and US counterparts.
- One third of respondents remain unclear regarding the prospect of an annual bonus.
- The average bonus anticipated across all sectors and role types was just over 37% of basic pay, substantially higher than in other leading global financial centres. However this optimism is tempered by the majority of respondents expecting bonuses to be below 2010 levels.
- The greatest degree of optimism is shown to be amongst Associate, Director and Managing Director level employees (Fig 3.3).
- On a functional basis, Finance and Operations professionals have the highest expectations (41% of base pay) and Risk have the lowest (25%) (Fig 3.4).

Fig 3.1 Anticipating a bonus

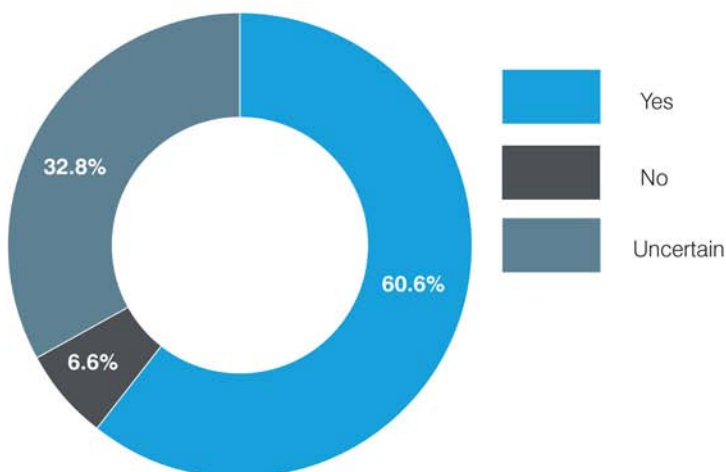


Fig 3.2 Is this more than last year?

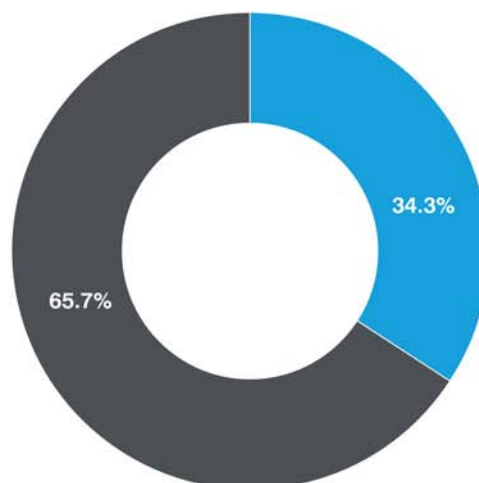


Fig 3.3 Anticipated bonus by position

ROLE	% OF BASE
Analyst	15.3%
Associate	42.4%
Assistant Vice President	27.4%
Vice President	20.5%
Director/Executive Director	39.2%
Managing Director	52.3%
Other	66.3%
<b>TOTAL</b>	<b>37.1%</b>

Fig 3.4 Anticipated bonus by function

FUNCTION	% OF BASE
Compliance	30.2%
Finance	40.8%
Operations & Middle Office	40.8%
Risk	25.0%
Technology	36.1%
<b>TOTAL</b>	<b>37.1%</b>

”In the investment banking business, you pay for performance. If the performance isn’t there, we won’t pay. And if the performance is there, we will pay,”

John McCormick, Chairman of RBS Asia Pacific speaking with Reuters (Nov 2011)

# BENEFITS

## Highlights

- Private medical cover is the most highly valued benefit (Fig 4.1). Work-life balance is also highly valued with a good holiday allowance and flexible working hours both being highly regarded.
- People working in Compliance and Risk functions value holidays more highly than people in Technology functions (Fig.4.2).
- People in Risk functions value Pensions and Life Assurance more highly than other functions.
- Operations staff almost unanimously agree that private medical insurance is the most important benefit they receive.
- Technologists value flexibility in working arrangements most highly when compared to other business functions.
- Compliance professionals valued share scheme participation more highly than their counterparts.
- Flexible working hours proved to be one of the most highly valued benefits by Analyst level employees with 92% saying it was an important factor (Fig 4.3)
- Working environment and the calibre of colleagues were also frequently cited as being of high importance to many respondents.

Fig 4.1 Most highly valued benefits

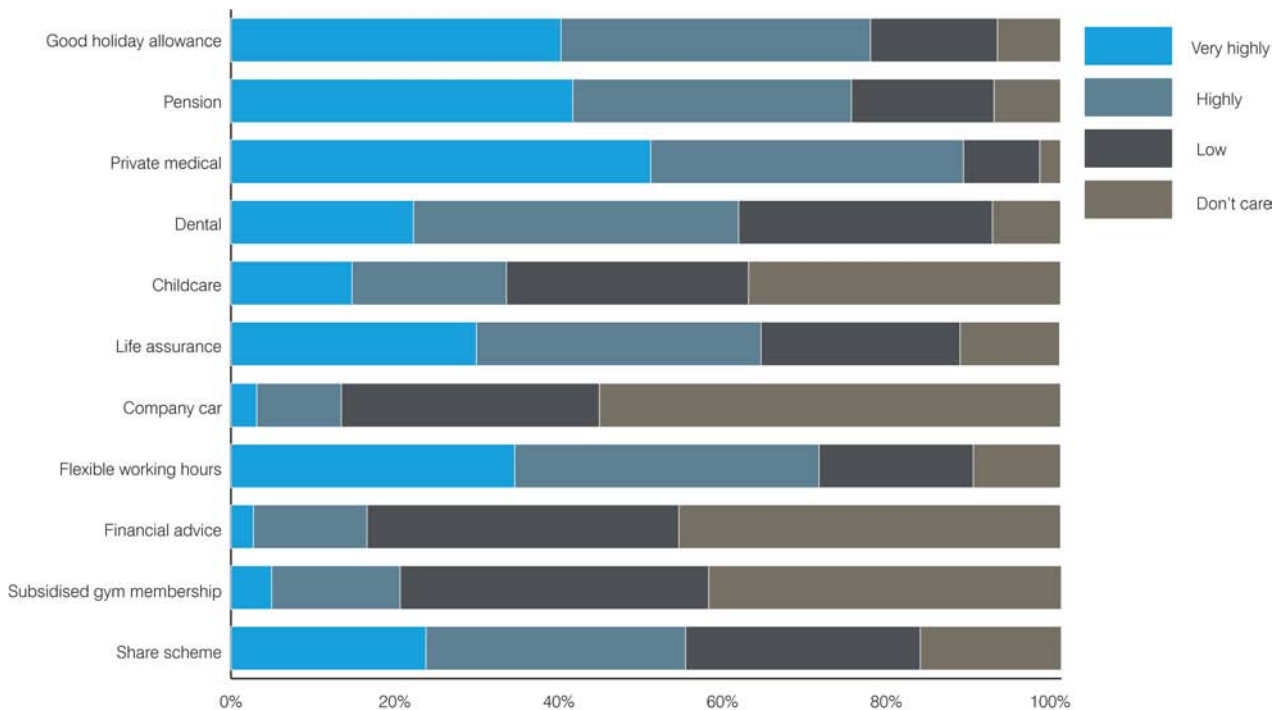


Fig 4.2 Benefit importance perception by function

	COMPLIANCE	FINANCE	OPERATIONS & MIDDLE OFFICE	RISK	SALES & TRADING	TECHNOLOGY
<b>Good holiday allowance</b>						
Important	82.4%	71.4%	78.9%	80.0%	72.0%	68.9%
Not Important	17.6%	28.6%	21.1%	20.0%	28.0%	31.1%
<b>Pension</b>						
Important	80.0%	78.1%	67.6%	95.0%	64.0%	55.6%
Not Important	20.0%	21.9%	32.4%	5.0%	36.0%	44.4%
<b>Private medical</b>						
Important	78.6%	89.6%	97.5%	90.0%	82.6%	84.8%
Not Important	21.4%	10.4%	2.5%	10.0%	17.4%	15.2%
<b>Dental</b>						
Important	46.2%	64.6%	68.6%	44.4%	54.2%	52.3%
Not Important	53.8%	35.4%	31.4%	55.6%	45.8%	47.7%
<b>Childcare</b>						
Important	0.0%	38.7%	37.5%	25.0%	26.1%	23.3%
Not Important	100.0%	61.3%	62.5%	75.0%	73.9%	76.7%
<b>Life assurance</b>						
Important	58.8%	63.5%	58.3%	72.2%	64.0%	61.0%
Not Important	41.2%	36.5%	41.7%	27.8%	36.0%	39.0%
<b>Company car</b>						
Important	7.7%	13.6%	3.3%	27.8%	12.5%	14.6%
Not Important	92.3%	86.4%	96.7%	72.2%	87.5%	85.4%
<b>Flexible working hours</b>						
Important	66.7%	69.1%	73.7%	75.0%	57.7%	80.9%
Not Important	33.3%	30.9%	26.3%	25.0%	42.3%	19.1%
<b>Financial advice</b>						
Important	0.0%	20.3%	6.7%	20.0%	4.2%	20.0%
Not Important	100.0%	79.7%	93.3%	80.0%	95.8%	80.0%
<b>Subsidised gym membership</b>						
Important	30.8%	23.3%	25.2%	46.7%	12.5%	22.0%
Not Important	69.2%	76.7%	84.8%	53.3%	87.5%	78.0%
<b>Share scheme</b>						
Important	71.4%	50.8%	50.0%	55.6%	39.1%	58.5%
Not Important	28.6%	49.2%	50.0%	44.4%	60.9%	41.5%

Fig 4.3 Importance of benefits by position

	WHAT TYPE OF POSITION DO YOU HOLD IN YOUR COMPANY?					
	ANALYST	ASSOCIATE	AVP	VICE PRESIDENT	DIRECTOR/ EXECUTIVE DIRECTOR	MANAGING DIRECTOR
<b>Good holiday allowance</b>						
Important	83.3%	71.0%	67.9%	82.0%	75.0%	71.4%
Not Important	16.7%	29.0%	32.1%	18.0%	25.0%	28.6%
<b>Pension</b>						
Important	75.0%	66.7%	67.9%	81.3%	85.0%	60.0%
Not Important	25.0%	33.3%	32.1%	18.8%	15.0%	40.0%
<b>Private medical</b>						
Important	76.9%	87.1%	94.4%	88.0%	87.8%	92.9%
Not Important	23.1%	12.9%	5.6%	12.0%	12.2%	7.1%
<b>Dental</b>						
Important	36.4%	48.3%	70.4%	60.9%	52.6%	50.0%
Not Important	63.6%	51.7%	29.6%	39.1%	47.4%	50.0%
<b>Childcare</b>						
Important	27.3%	37.9%	46.2%	37.8%	11.8%	8.3%
Not Important	72.7%	62.1%	53.8%	62.2%	88.2%	91.7%
<b>Life assurance</b>						
Important	58.3%	59.3%	71.7%	61.7%	65.0%	50.0%
Not Important	41.7%	40.7%	28.3%	38.3%	35.0%	50.0%
<b>Company car</b>						
Important	27.3%	8.0%	16.0%	4.7%	16.7%	16.7%
Not Important	72.7%	92.0%	84.0%	95.3%	83.3%	83.3%
<b>Flexible working hours</b>						
Important	92.3%	74.2%	73.7%	70.6%	70.0%	50.0%
Not Important	7.7%	25.8%	26.3%	29.4%	30.0%	50.0%
<b>Financial advice</b>						
Important	27.3%	30.8%	18.0%	9.5%	5.9%	0.0%
Not Important	72.7%	69.2%	82.0%	90.5%	94.1%	100.0%
<b>Subsidised gym membership</b>						
Important	45.5%	30.8%	25.5%	13.6%	25.7%	8.3%
Not Important	54.5%	69.2%	74.5%	86.4%	74.3%	91.7%
<b>Share scheme</b>						
Important	54.5%	50.0%	57.1%	47.9%	54.3%	61.5%
Not Important	45.5%	50.0%	42.9%	52.1%	45.7%	38.5%

# EXPECTATIONS

## Outlook for 2012

- The current uncertainty in markets is also reflected in vagueness about the prospects for pay increases in 2012 with almost half of those surveyed being unsure about expecting any increase in basic pay. That said, those expecting an increase anticipate an average rise of 9%.
- Junior Operations professionals are the most optimistic about receiving an increase and are anticipating rises above 15% on 2011 base pay.
- As a total group, Operations staff are expecting the largest rises of all functions while Compliance have the lowest expectations.
- Managing Directors across the board have the lowest expectations regarding future increases in basic pay
- 35% of respondents would consider changing employers in the event that bonus expectations are not met. This is broadly similar to other global centres and is perhaps a reflection of subdued market sentiment.
- Interestingly 20% of those polled would consider relocating to another financial centre in response to poor bonus rounds.
- Perhaps in response to a slowing jobs market, this is broadly similar to the number of individuals who would opt for seeking other internal opportunities rather than new opportunities.

Fig 6.1 Expectations of an increase

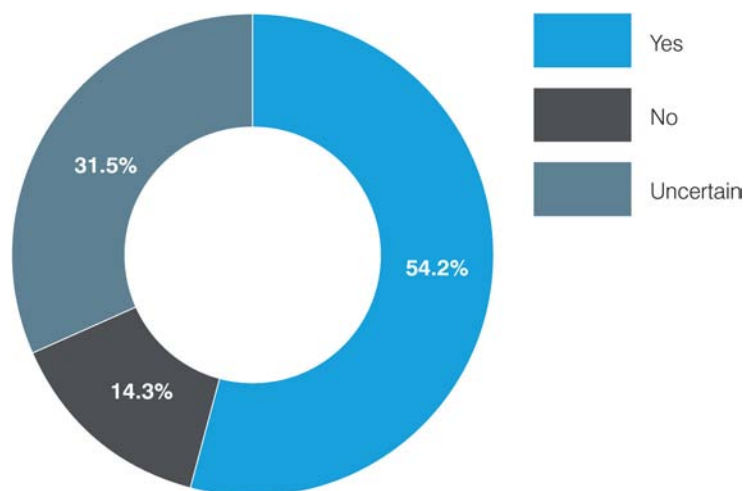
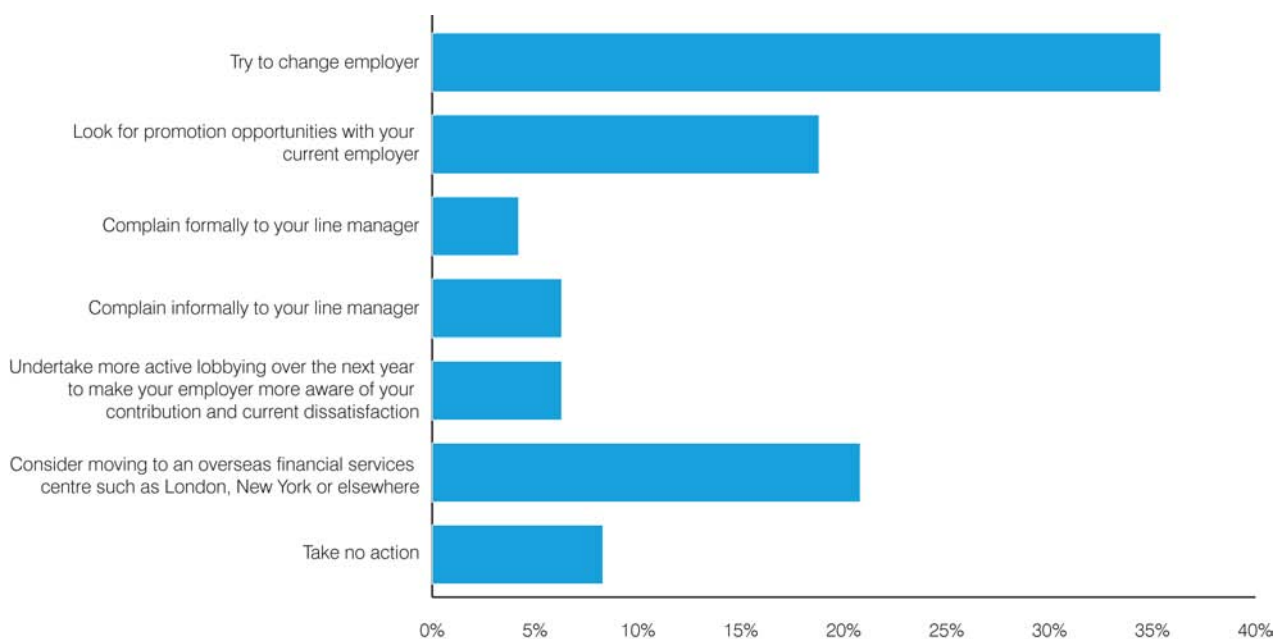


Fig 6.2 Expecting base salary to increase over the next 12 months

	ANALYST	ASSOCIATE	ASSISTANT VICE PRESIDENT	VICE PRESIDENT	DIRECTOR/ EXECUTIVE DIRECTOR	MANAGING DIRECTOR	OTHER	TOTAL
Compliance	8.0%	5.5%	7.5%	9.0%	11.7%	5.0%	-	8.0%
Finance	6.5%	10.5%	12.5%	8.4%	5.4%	7.5%	6.3%	8.7%
Operations & Middle Office	15.0%	9.8%	1.0%	11.1%	10.0%	-	5.3%	9.7%
Risk	8.3%	5.0%	15.0%	5.3%	13.3%	4.0%	15.0%	8.5%
Technology	1.0%	7.6%	10.6%	6.4%	6.4%	4.0%	14.4%	8.4%
<b>TOTAL</b>	<b>7.8%</b>	<b>8.8%</b>	<b>10.3%</b>	<b>8.5%</b>	<b>8.1%</b>	<b>5.6%</b>	<b>10.5%</b>	<b>8.7%</b>

Fig 6.3 Action if disappointed by bonus and overall pay package



Astbury Marsden  
life working

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Annual Compensation Survey 2011