

Pretium Partners
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**Vigilance and
Resilience in the
New Normal**



Pretium Year-end Rewards & HR Trends Webinar

November 4, 2020

Agenda

- Understanding the macro environment to stay vigilant
- Linking compensation with business performance to strengthen resilience
- Optimizing manpower planning and HR priorities to bounce back

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Staying Vigilant:

Understanding the Macro Environment



Accelerate growth and profitability through reward and performance strategy

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Being Vigilant and Resilient

- **Vigilance**
 - What is happening around us
 - Watch out and identify possible danger
 - Stay alert - danger and opportunity
- **Resilience**
 - Recover from difficulties
 - Bounce back
 - Cope with crisis
 - Adapt in the face of adversity



Macro Perspectives

Projected GDP Growth*	Global	Asia	Hong Kong
2020	-4.4%	-2.2%	-7.5%
2021	5.2%	6.9%	3.7%

HK Economy^	Unemployment	Private Consumption	Tourist Arrival
2020	6.4%	-7.7%	-99.7%

Median Change in Stock Price	Financial Service Firms	International	Regional	Local
Between Dec 31, 2019 and Oct 28, 2020		-39%	-19%	-23%

*Source: World Economic Outlook, October 2020, International Monetary Fund

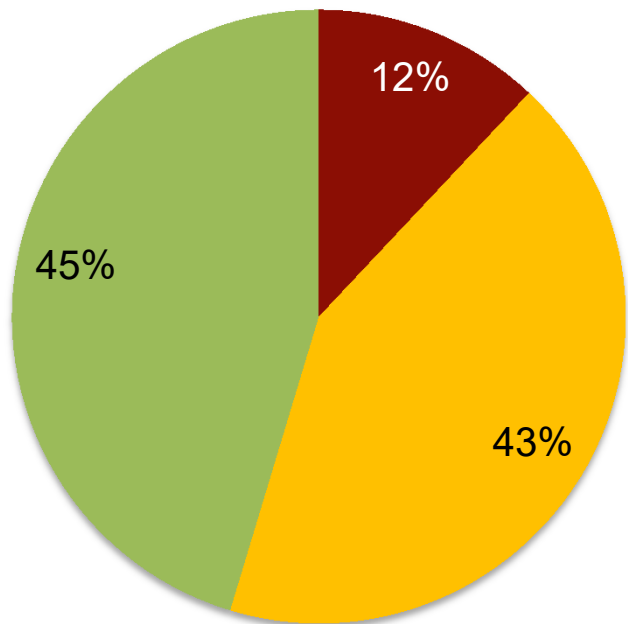
^Source: The Census and Statistics Department, HKSAR

Basic Salary Adjustment in 2020 – General Industries

- The looming economic downturn has direct consequences on salary adjustment.
- Financial services fared much better when compared to the hardest hit industries.

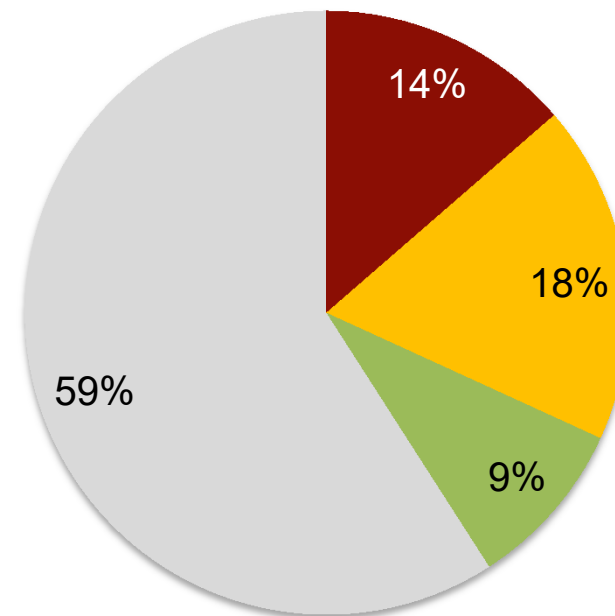
Overall Basic Salary Adjustment

■ Increase ■ Decrease ■ Unchanged



Extent of Change Compared to Original Salary Review Budget

■ Down <10% ■ Down 10%-20% ■ Down >20% ■ Unchanged



Source : Impact of COVID-19 and HR Action Survey (General Industries) , May 2020, Pretium Partners

Live Polling – HK Salary Review Budget in 2021

Question 1

What do you think is the expected salary review budget for Hong Kong in 2021?

- A) 0%
- B) 1%
- C) 2%
- D) 3%
- E) 4% or above

Please scan the QR Code with your Mobile devices to enter the live polling.
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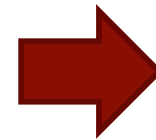
Live Polling - Real Salary Increase

Question 2

Which location do you think has the highest projected real salary increase in 2021?

- A) China
- B) Hong Kong
- C) Singapore
- D) South Korea
- E) United Kingdom

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Inflation and Average Salary Increase Budget

Countries / Locations	2020 Actual Inflation Rate*	2020 Actual Salary Increase	2020 Actual Real Salary Increase	2021 Projected Inflation Rate	2021 Projected Salary Increase ^	2021 Projected Real Salary Increase
China	2.9%	5.5%	2.6%	2.7%	5.0%	2.3%
Hong Kong	0.3%	3.4%	3.1%	2.4%	3.2%	0.8%
Singapore	-0.4%	3.2%	3.6%	0.3%	3.3%	3.0%
South Korean	0.5%	3.3%	2.8%	0.9%	4.2%	3.3%
United States	1.5%	2.8%	1.3%	2.8%	2.8%	0.0%
United Kingdom	0.8%	3.0%	2.2%	1.2%	2.3%	1.1%

*Source: World Economic Outlook, October 2020, International Monetary Fund

^Source: Pretium Year-end Rewards and Human Resource Trends Survey - 2020

Fixed Pay Increase in Front Office and Back Office

Levels	Front Office		Back Office	
	YoY Increase in 2020	YoY Increase in 2021	YoY Increase in 2020	YoY Increase in 2021
Managing Director / Executive Director	2.2%	1.5%	4.4%	2.0%
Director / Vice President	4.1%	2.5%	1.9%	2.3%
Associate / Analyst	5.6%	4.0%	3.8%	4.3%
Assistant	3.8%	3.0%	1.9%	3.3%

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Strengthening Resilience:

Linking Compensation with Business Performance



Accelerate growth and profitability through reward and performance strategy

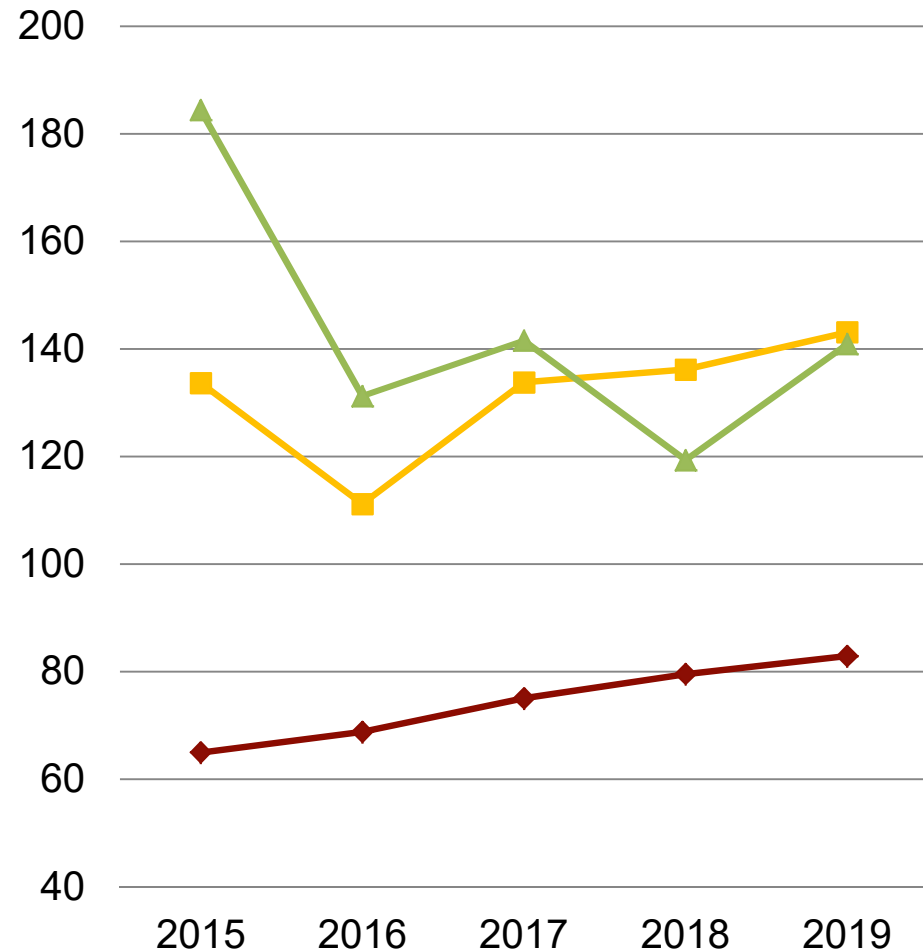
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Global Business Performance in the Last 5 Years

USD'000 Per Capita Revenue

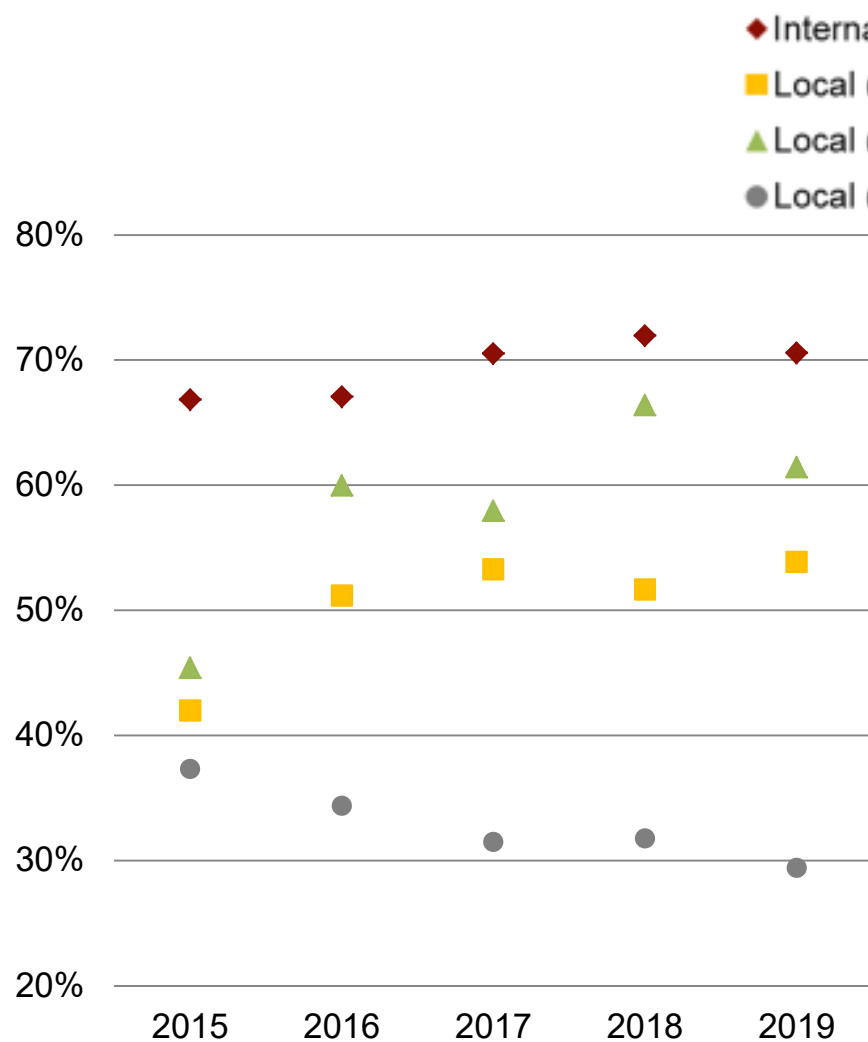


USD'000 Per Capita Profit before Tax

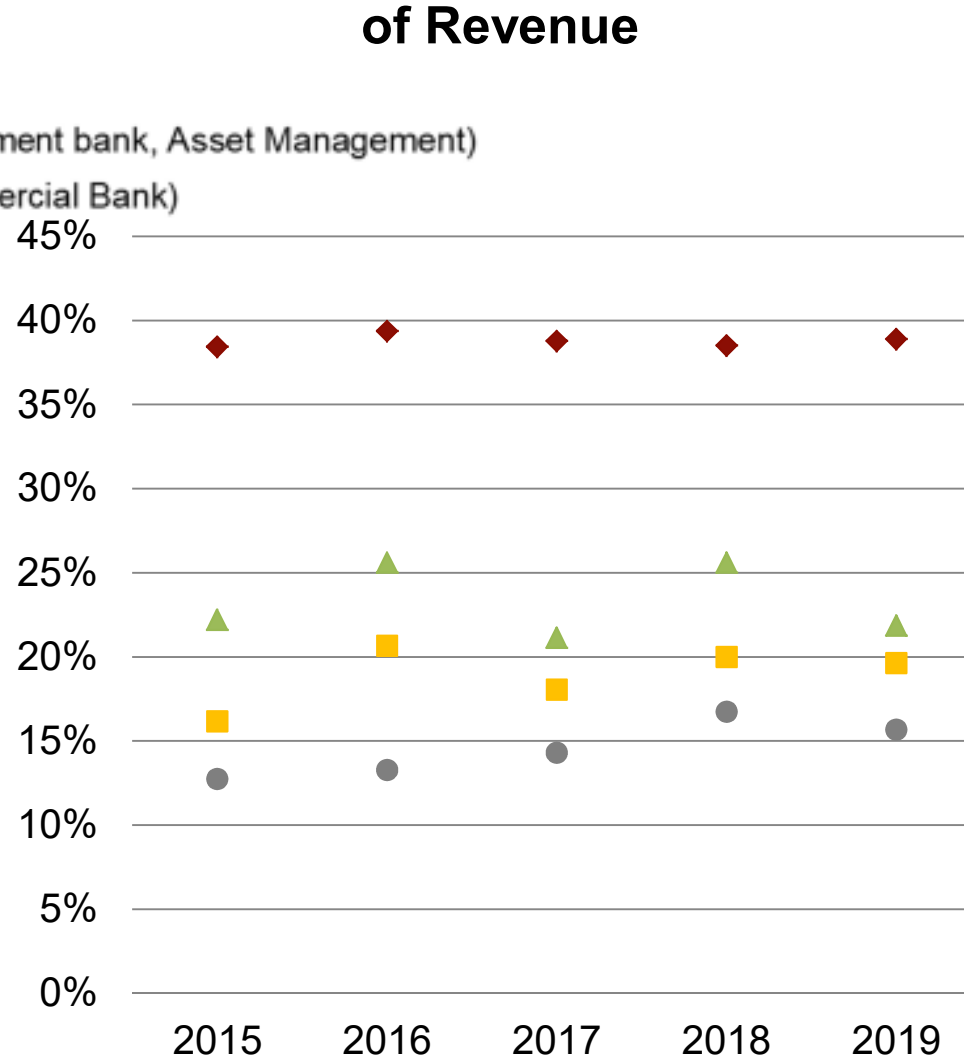


Compensation & Benefits Expenses as a Percentage of Revenue






Expense to Income Ratio








C&B Expenses as Percentage of Revenue



Macro View: Nine-Month Global Business Performance

Firmwide		-19%
Investment Banking		11%
Equities		16%
Fixed Income, Currency and Commodities		39%
Asset Management		4%

Alternative Investment		-35% (DE)
Real Estate		10%
Wealth Management		3%
Corporate Banking		-11%
Retail Banking		-14%

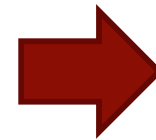
Live Polling – Projected Bonus Pool Movement for 2020 FY

Question 3

What do you think is the firmwide projected bonus pool movement for 2020?

- A) Better than last year (10% to 20%)
- B) Par with last year (+/-<10%)
- C) Worse than last year (10% to 20%)
- D) Significantly worse than last year (>20%)

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Performance & Bonus Expectations in Asia - 2020

Division	Anticipated Business Performance	Bonus Expectation
Firm-wide	-	-
Investment Banking	-- / -	-
Equities	- / =	-
Fixed Income	-- / -	-- / -
Asset Management	= / +	=

Legend

"++" Significantly better than last year (>20%)

"+" Better than last year (10% to 20%)

"=" Par with last year (+/-<10%)

"-" Worse than last year (10% to 20%)

"--" Significantly worse than last year (>20%)

Performance & Bonus Expectations in Asia - 2020 (Cont'd)

Division	Anticipated Business Performance	Bonus Expectation
Wealth Management	- / =	-
Alternative Investment	- - / -	- - / -
Real Estate	- / =	- / =
Corporate Banking	- / =	-
Corporate Functions	N/A	-

Legend

"++" Significantly better than last year (>20%)

"+" Better than last year (10% to 20%)

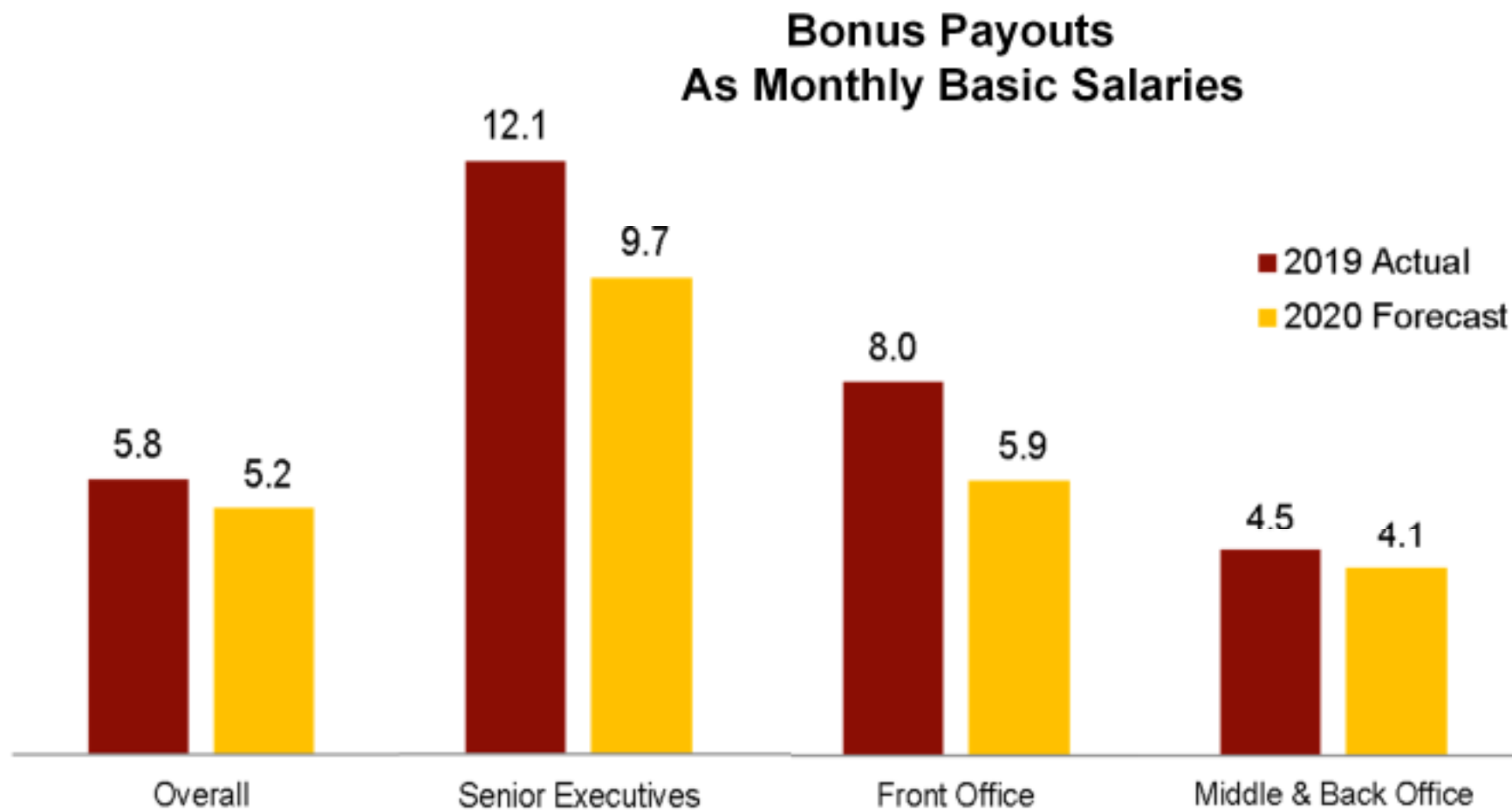
"=" Par with last year (+/-<10%)

"-" Worse than last year (10% to 20%)

"--" Significantly worse than last year (>20%)

Actual and Projected Annual Bonus Quantum

- Due to impact of economic and political uncertainties, the projected bonus will be down, except for better performing departments like Asset Management.



Source: Pretium Year-end Rewards and Human Resource Trends Survey - 2020

What Happen to Performance Targets for Incentive Plan?

- What if KPIs have become unrealistic due to COVID-19?
 - Widen performance and payout ranges
 - Adjust or eliminate the threshold
 - Review KPIs and increase weighting on non-financial but quantifiable KPIs
 - Adjust the typical performance and payout curve
 - Use relative KPIs
 - Adjusting the incentive mix.
 - Set bi-annual targets and split the targets into “first half” and “second half”
- Extensive use of discretionary judgement rather than formulas in adjusting incentives

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Bouncing Back

Optimizing Manpower Planning and HR Priorities

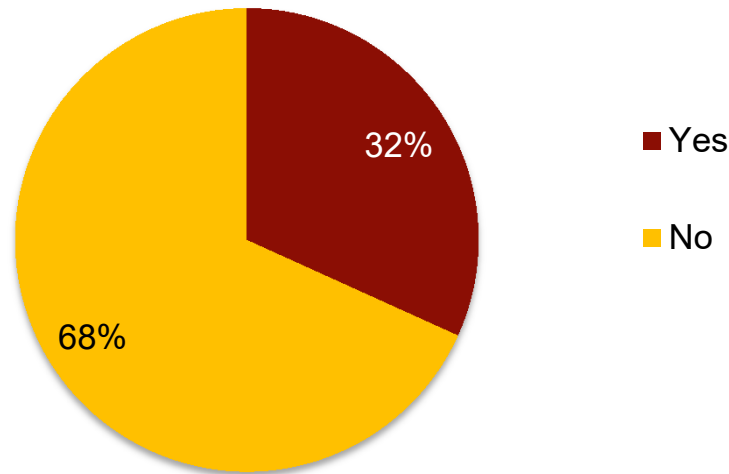


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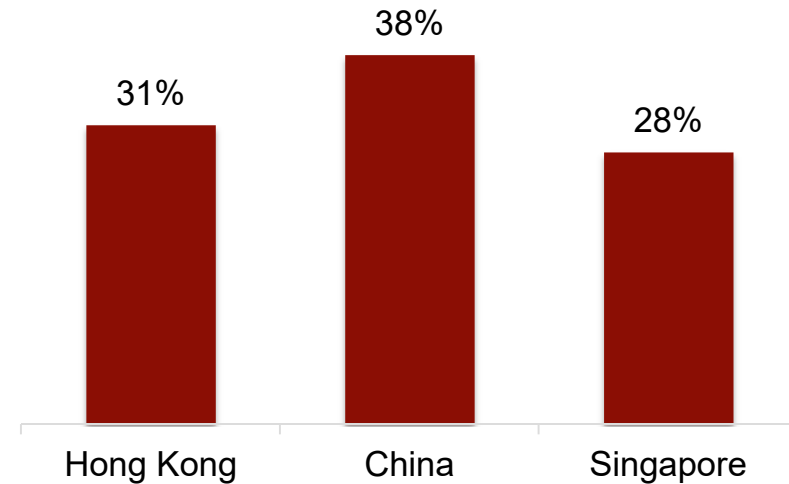
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Downsizing / Layoff in 2020 – General Industries

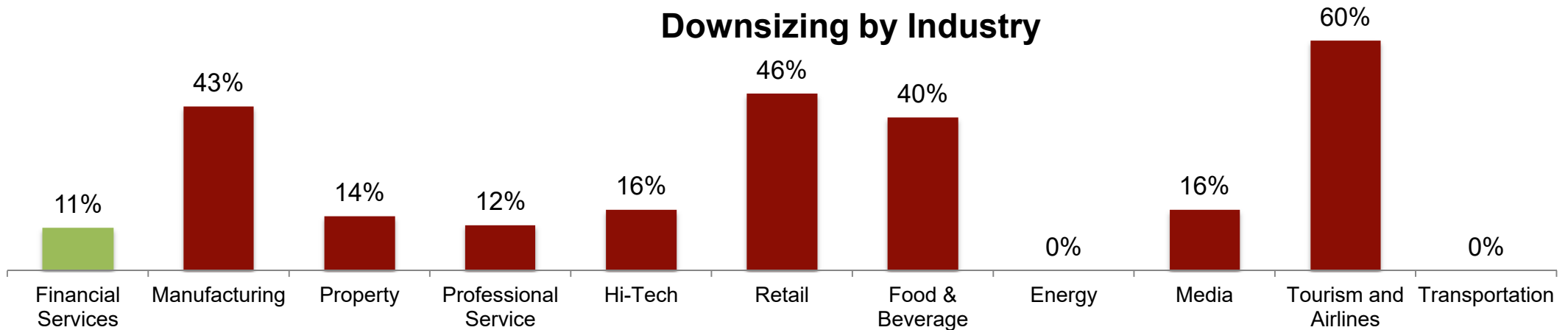
Have Companies Planned Downsizing or Layoff?



Downsizing by Location



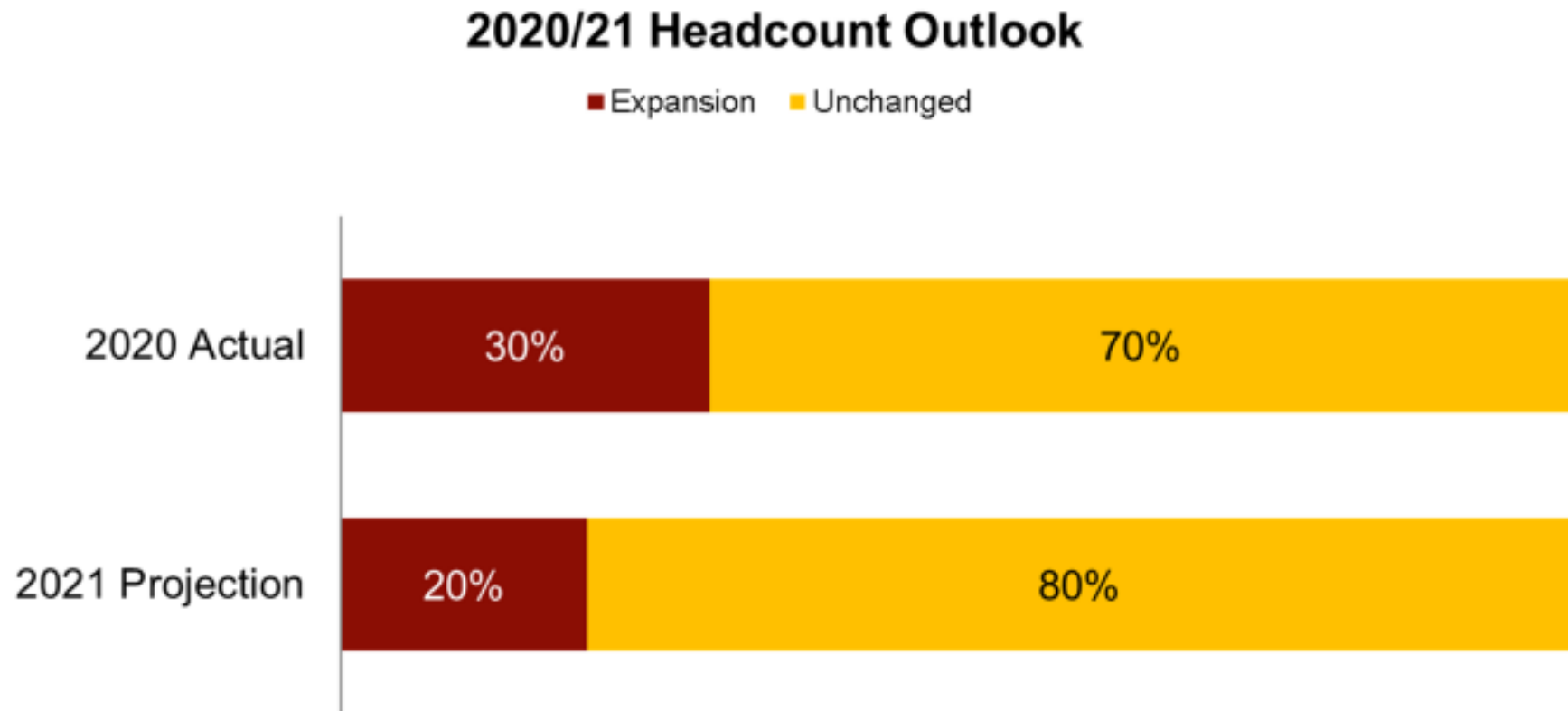
Downsizing by Industry



Source : Impact of COVID-19 and HR Action Survey (General Industries) , May 2020, Pretium Partners

2020/21 Headcount Outlook

- Headcount will be flat in 2021 unless for new businesses; no expected downsizing for financial services industry in 2021.



Staff Turnover

- Talent market is more of an employer market in 2020

	P25	P50	P75
Firm-wide	7%	9%	10%
Front Office	10%	12%	15%
Middle and Back Office	3%	5%	7%

- Top 3 departments with the highest turnover rate
 - Front office : Wealth Management, Institutional Business and Investment
 - Middle and back office: Risk Management, Finance and IT

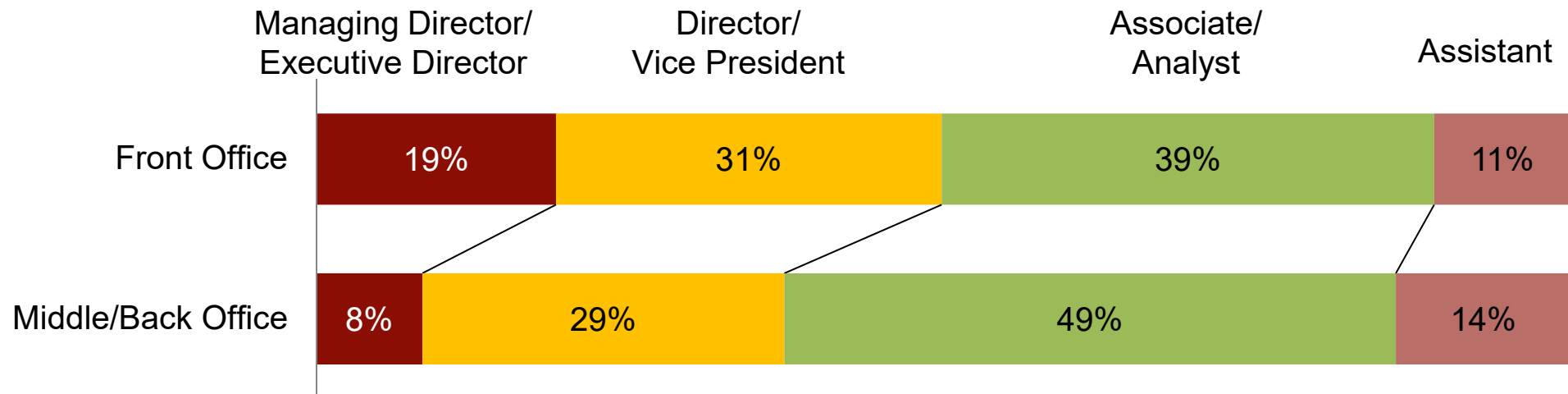
Source: Pretium Year-end Rewards and Human Resource Trends Survey - 2020

Does the Staff Mix Align with Strategies and Productivity?

Staff Ratio



Staff Mix by Levels



Source: Pretium Year-end Rewards & HR Trends Survey - 2020

Live Polling – What is the Biggest HR Challenge?

Question 4

What do you think is the biggest HR Challenge in 2021?

- A) Promote agility and alignment
- B) Increase employee engagement
- C) Increase productivity
- D) Manage performance
- E) Optimize the workforce

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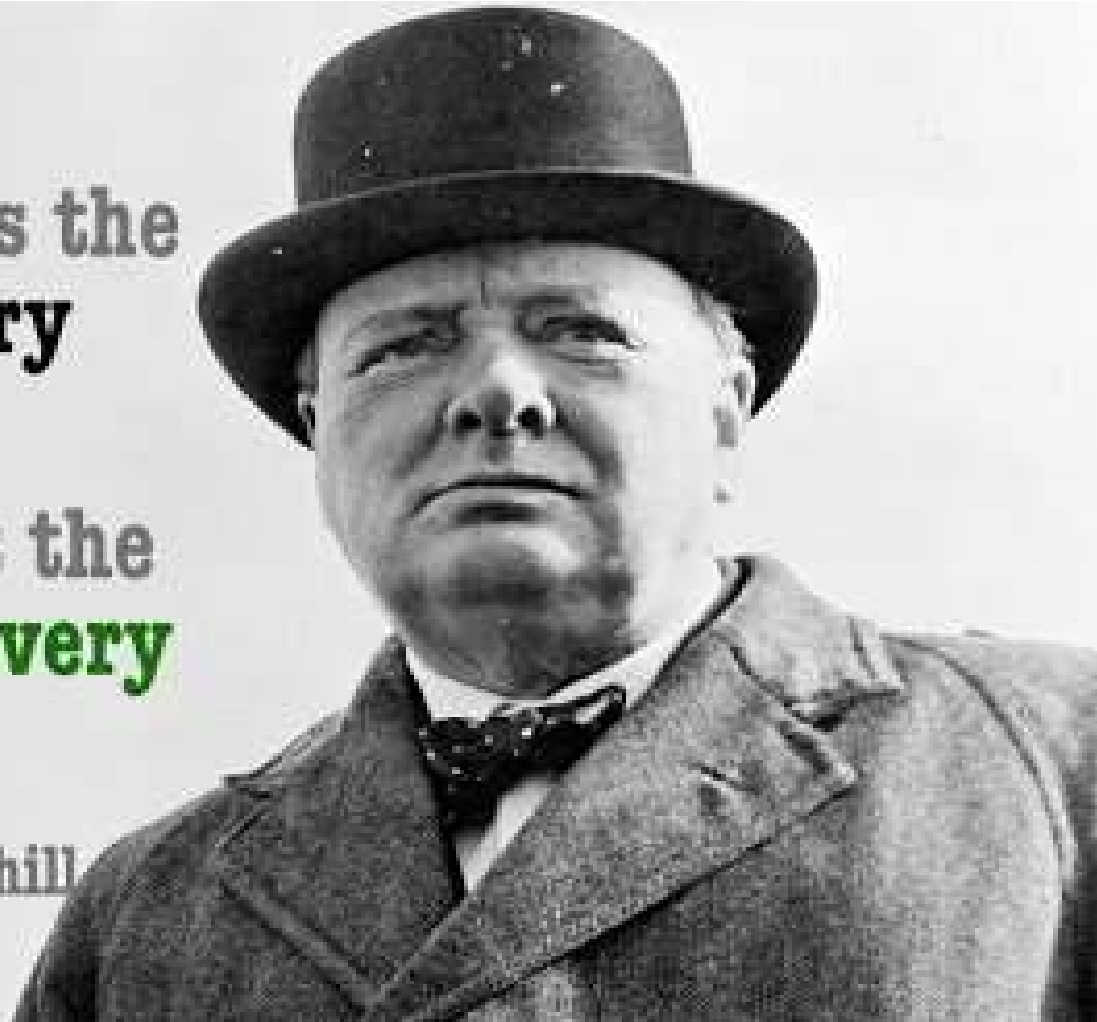
Top HR Challenges and Priorities

- **Productivity and employee engagement**
 - Remote working, out of sight, out of mind
 - Input and output equation
- **Uncertainty and crisis management**
 - Uncertain future
 - Clarity in strategies and alignment
- **Optimization**
 - Workforce
 - System and processes

Final Thoughts...

**“A pessimist sees the difficulty in every opportunity;
an **optimist** sees the opportunity in every difficulty.”**

~ Winston Churchill



Feedback Form

Please spare a few minutes to complete the feedback form to help us improve in the future.

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Thank You!