

Whispers 2011

Global Outlook

As 2011 draws to a close, concerns of “recruitment freezes” and lower bonus payouts continue to linger. We are witnessing a significant shift of growth and talent to “Emerging Markets”.

In the next decade financial institutions are likely to face:

1. Increased Regulation

Continuing regulatory changes will be costly for financial institutions leading to redefining traditional business models

2. Squeeze on Capital and Funding

Growing demand for credit and increasing investment in infrastructure, will put a strain on the supply of capital and funding – increasing cost of operations

3. Widening gap in returns between emerging markets and sluggish markets

Bottom line contribution through Asian presence fuelled growth between 2007 and 2010 for global banks. In most developed markets contribution either dipped or at best, marked time

4. Consumer behavior

The sector faces several concurrent changes in consumer behavior, including a shift from borrowing to saving, and an inexorable migration to online channels



Global Trends

- Selective strategic hiring continues – The best time to build key lines of business
- Replacement hiring levels at historical low of 30% - more bang for the buck
- Bonuses down 30-50% average across the board, but bonuses will still be paid
- Bonus and incentive pay-out through a mix of stock and cash – more stock less cash
- 2012 will see increases in hiring in commercial banking and wealth management
- Asset Management will continue to focus on top-performing analysts and portfolio managers

As the year draws to a close, the BFSI team at AltoPartners spoke with hiring managers and key decision makers globally on what professionals could expect in 2012. A summary is enclosed in the following pages

US: Current Outlook

- S&P downgrades 5 of 6 biggest US banks thus summarizing the direction of the industry for 2011
- Concerns about increased regulatory oversight, increased taxes
- European sovereign risk and a slowing of business due to declining consumer confidence occupy mind space
- Strategic repositioning and expansion of business lines will continue into emerging markets
- Increased pressure on CEO's at Wall street to perform
- More scrutiny on the make-up of bank boards



"Annual Compensation Could Drop 30% to Lowest Level since 2008 Crisis" – Wall Street Journal

Survey Results

- Investment Banks continue to deleverage and exit select proprietary businesses. There will be rationalization of talent, albeit selectively
- Year end compensation (bonus payments) is expected to be flat or down as much as 40%.
- Firms do not feel competitive pressure to pay aggressive bonuses
- Fixed income professionals and bond traders expected to be worst hit

The silver lining

- Capital Market desk build out for Asia and Brazil markets continues
- Opportunities to work in operations, administration, fee-driven businesses
- Industry vertical experience in Life Sciences, Healthcare and Energy/Oil & Gas, continues to be valued.
- Wealth managers with solid books of business and self-sufficient teams, continue to be in demand across virtually all banking platforms
- Larger institutions continue to recruit professionals in specific affinity groups- deepening proximity and customizing private banking offerings to clients

"Regional Players continue to upgrade TALENT. There has never been a better time to build out"

Europe: Current Outlook

- The future of Eurozone as we know it hangs, by a thread and the wider outlook is far from optimistic
- Banks are under enormous pressure to reduce their balance sheets
- Key euro-priced bank-to-bank lending rates also ticked up — indicating how nervous banks are about lending to one another
- The average worker in the U.K. capital's Square Mile and Canary Wharf expects to receive a bonus valued at about 19,920 pounds (\$30,854), or 24 percent of their base pay, according to a recent survey- down about 35% of base pay
- European Union countries this year put into effect pay rules for top bank staff- limiting cash bonus and increasing holding periods for stock payments



“In Europe salaries rose 3.4% in 2011 – well below the global figure of 5.3%” – ECA International Annual

Survey Results

- Maximum bonus is, in general, now 100 % and the actual bonus paid is sharply down
- Few exceptions to this new rule are still found in UK and Switzerland in the light of the new rules on compensation, but it is foreseen that this will come down as well
- Around half of European banks have raised base salaries in the last six months or plan to do so within the next six months to compensate for this decrease in bonus

The silver lining

- Private Banking and wealth management continue to witness expansion
- Investment banking activity could see an increase in closures as pricing of businesses become realistic
- Banks continue to focus on BRIC countries
- FIG/ treasury roles to be upgraded in hiring better ALM managers streamlining bank balance sheets
- Demand for coverage bankers and credit bankers to stay

“Large European Banks use this opportunity to expand in Asia and Africa”

Asia: Current Outlook

- 2012 offers a new set of conditions that can potentially transform financial services -- for better or for worse in Asia
- Asian countries to witness a spurt in e-products coupled with activity increase in commercial banking
- European banks have managed y-o-y growth on the back of contribution to bottom line from Asia businesses
- Slowdown in Q1- Asia will await indications from global head quarters
- US Investment banks will continue to upgrade and expand certain business lines across Asia
- Focus on non funded business in wholesale banking is here to stay
- Insurance and retail banking to witness slow and steady growth



"Emerging markets in Asia expected to give out salary hikes of 6% plus while mature markets will still average 4-5% for 2012" Aon Hewitt Survey

Survey Results

- Most banks will maintain a similar level of bonus as 2009 or show a decline of 10%-40% especially for non-performers
- Top performers will continue to be paid well
- Non-Fund based business will be the highest contributor to the bottom line
- Fixed income product contribution to be at the lowest ever
- Replacement hiring to be delayed
- Local banks putting together an individual and team based pay-for-performance bonus plan as opposed to a standard pay-out for country or region
- Guaranteed/ Sign-on bonuses for start-up banks new hiring in Asia likely to expire this year

The silver lining

- Trends suggest a market improvement in Q2
- Hiring in corporate banking in Q2
- Hiring in structured finance
- Selective and strategic hiring in equities to continue
- Investment bankers and private bankers with books continue be in demand
- The Indian sub- continent will witness changes in banking regulations; new banks to throw open opportunities for talent

Most Asia-Pacific banks and financial institutions are in better shape than their global peers

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The Financial Services industry represents one of the most dynamic in our global economy. Faced with significant regulatory changes, mergers, globalization, e-business, and the constant introduction of new products and services, managers must be strategic, tactical and nimble leaders. Client-facing professionals are necessarily innovative, responsive self-starters who exceed customer expectations.

Working closely with asset management firms, insurance companies and regional, national and global banks, we have been instrumental in recruiting high impact players into dynamic situations. We are adept at aligning the sought-after experience and track record of success with culture fit and shared vision. Working for an established client base, we readily recognize profiles of professionals who will succeed in our client organizations.

With current, relevant experience in institutional and private client asset management, banking, M&A, corporate finance, private equity, capital markets, and infrastructure assignments, we add immediate value to leadership recruiting projects. In addition to developing effective search plans, we also execute quickly because of our established, proven networks of sources. We know industry verticals, functional positions, industry trends, and which target firms have momentum and which do not.

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