SELBY JENNINGS

Investment Banking Briefing

An economic outlook and global overview of the investment banking talent space

Contents

Challenges and opportunities across investment banking

“Bankers are in higher demand than ever before, there is no doubt about it. While we find ourselves at a junction where economically and politically there are uncertainties, the job market is going from strength to strength.

A candidate driven market, coupled with intense competition and a shrinking talent pool is leading to banks accelerating efforts to re-think their approach to recruitment and retention in order to attract and retain key talent.

This comes at a time of geopolitical tensions, but despite uncertainty ahead in terms of economic outlook, investment banking is certainly back with a bang. The last two years have been somewhat of a rollercoaster for financial services, with the pandemic resetting the industry, with many saying for the better. Covid-19 may have been the catalyst for change that sparked the great resignation, but it appears to have also kickstarted the great realisation, where professionals and banks have revaluated what they really want from employers and employees.

So how can professionals look to leverage these opportunities, and how can banks handle this fast-moving hiring landscape?

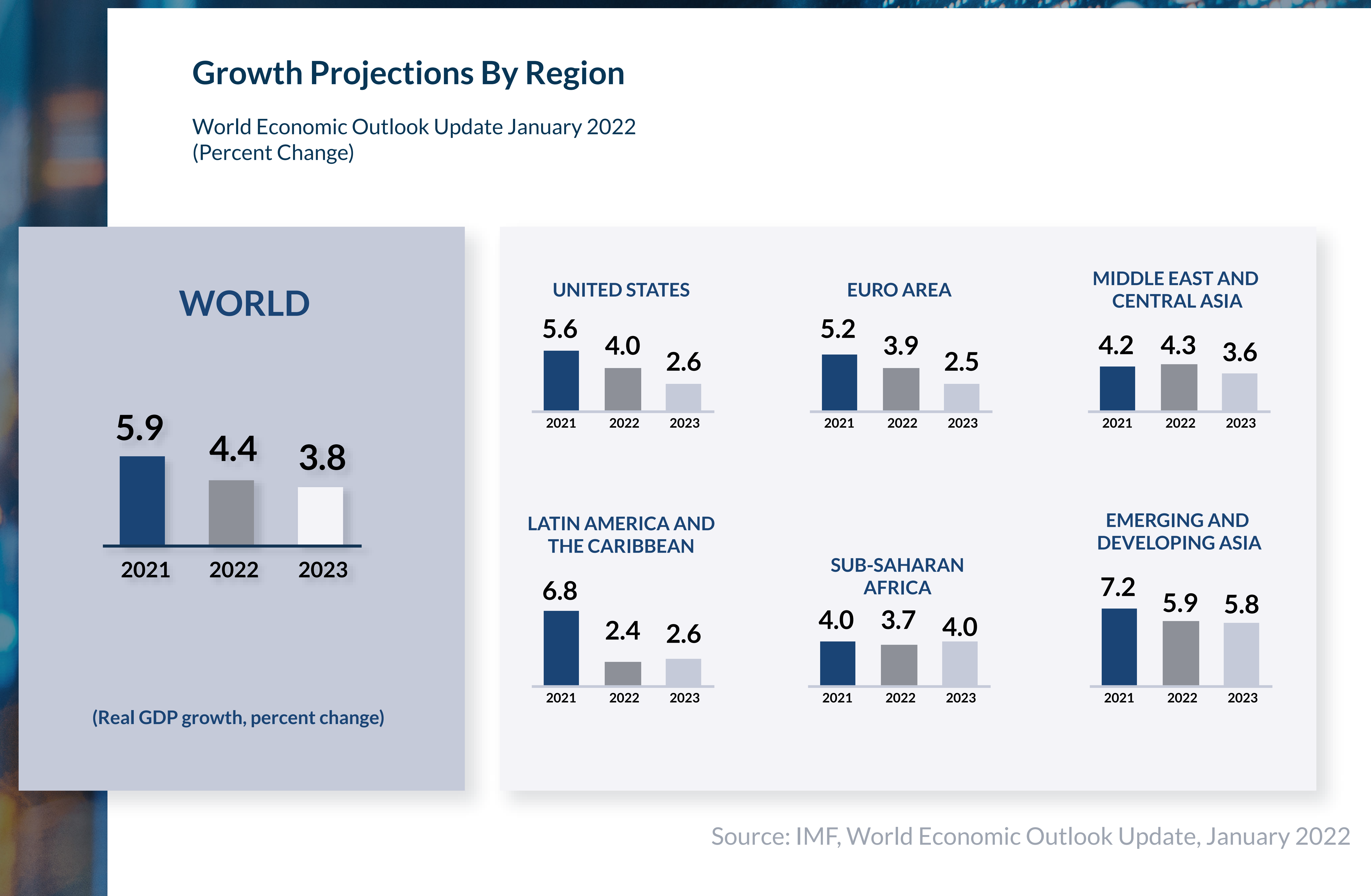
Covering the near economic outlook and talent trends in investment banking, discover in this comprehensive report not only how the global economy is recovering post-pandemic, but also delve deep into the different economic predictions across the US, Europe and the APAC region. Here you will also find the investment banking hiring trends to know about, and gain exclusive information on salaries and bonuses, as we journey through the challenges and changes of the investment banking sector worldwide.”

Oliver Hayes
Head of Investment Banking Division

Global economic outlook

What does the future hold for the world economies this year and beyond?

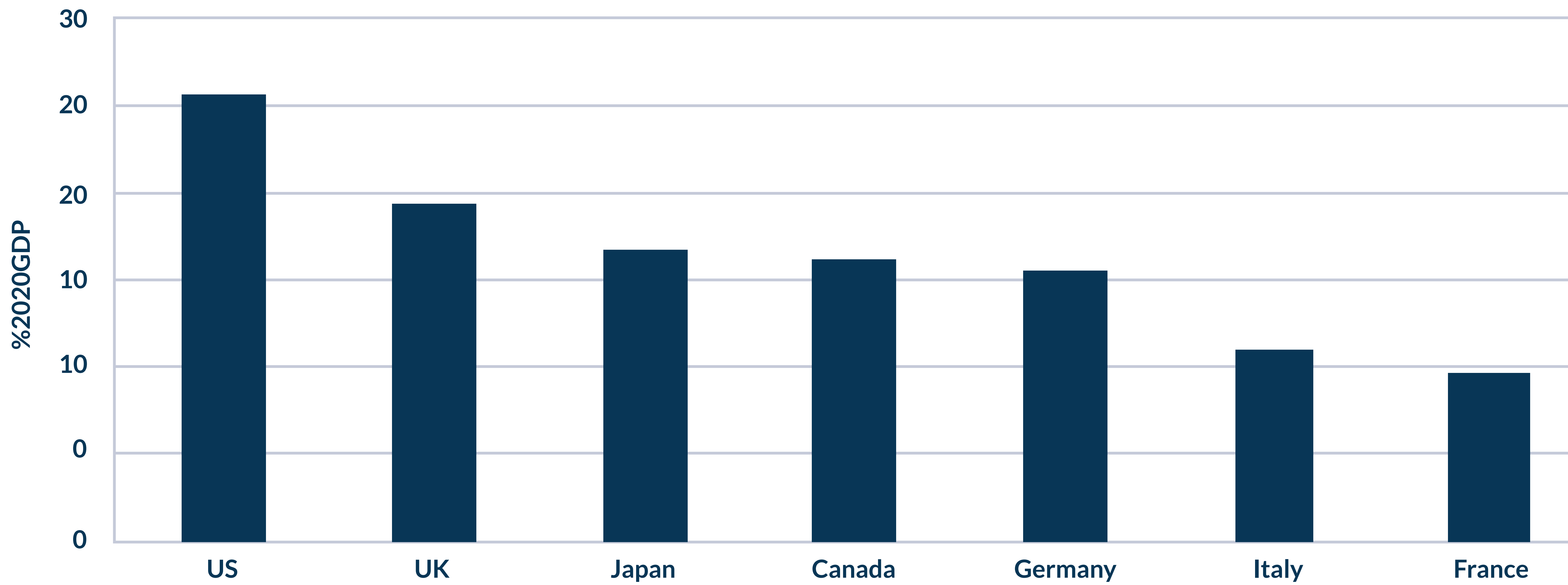
After strong performance overall in 2021, higher interest rates, a gradual withdrawal of both monetary and fiscal support and rising inflationary pressures for both businesses and households are now beginning to bite. Most forecasters are revising downwards their growth expectations for this year and a further slowdown is expected for 2023 as the latest IMF forecasts below indicate.



Among the G7, the US saw the smallest and most short- lived hit to its economy, with output already at pre-pandemic levels by the first quarter of 2021. Germany is still not there, having seen a renewed fall in the fourth quarter of last year, while the UK reached that in December 2021. Among emerging nations, China, which went into decline before others, also came out of it earlier. For the year as a whole it in fact registered an increase of 2.3% in 2020 as a whole followed by growth of 8.1% in 2021.

Most of the countries that did well also put an extra amount of fiscal support into their economies to counteract the supply and demand shocks caused by widespread Covid-19 restrictions. Such direct measures added into the mix, coined as 'automatic fiscal stabilisers', were less tax collections and more welfare payments being made for example. As a result, in 2020 alone the US government put some 25% of GDP back into the economy, to a considerable extent financed by extra borrowing. The figure in the UK was approximately 12%.

Discretionary fiscal expansion in G7 economies to counter the effects of the pandemic

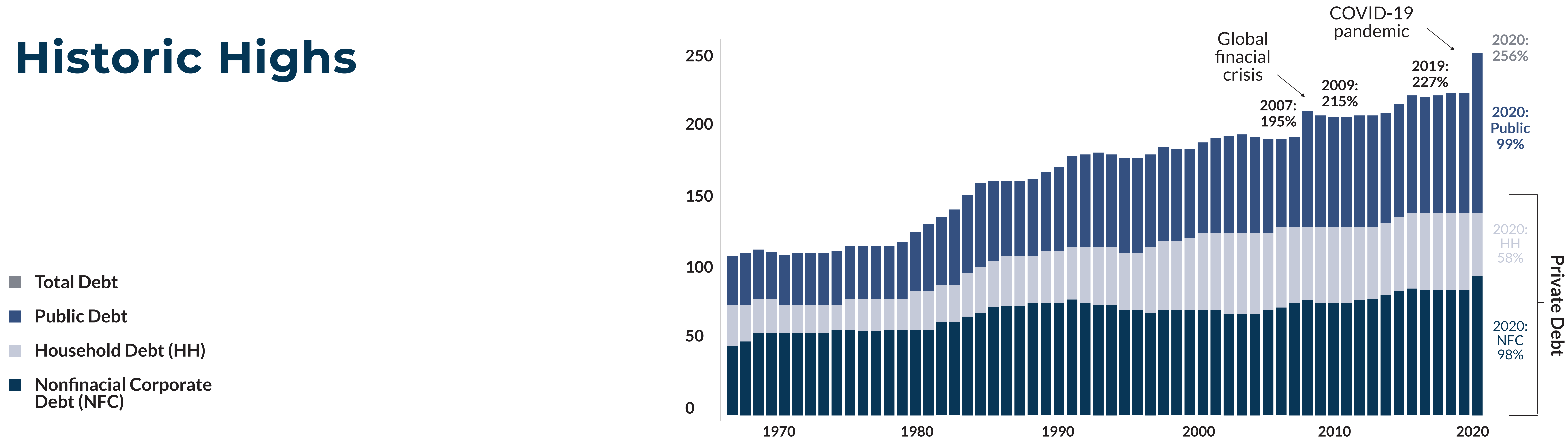


Source: IMF Fiscal Monitor October 2021.

This was all accompanied by sizeable injections of liquidity by the central banks and a drop in interest rates to record low levels in advanced economies. In the EU one of the main policy rates, the deposit rate for banks with the European Central Bank (ECB), was kept to negative to encourage lending to companies and individuals to continue. Yield on government bonds also declined sharply with countries such as Germany able to borrow at negative rates at times. Even places like Greece which was almost pushed out of the Eurozone during the aftermath of the financial crisis were able to easily access the capital markets. They were supported this time by the ECB being prepared, for the time being at any rate, to include Greek bonds in its balance even though these bonds for the large part have been below investment grade status. The Federal Reserve and the Bank of Japan pursued similar expansionary policies, as did the People's Bank of China.

Unlike what happened in the financial crisis before, where the focus of authorities was to restrict the growth of credit, this time it was encouraged both for the private and public sectors. The result has been a debt explosion rising in 2020 at the faster rate in half a century.

Historic Highs



In 2020, global debt experienced the largest surge in 50 years. (debt as a percent of GDP)

Source: IMF Global Debt Database and IMF staff calculations.

Investment banks were heavily involved in selling that debt. And with central banks engaging in massive quantitative easing programs, buying that government debt but also corporate bonds in the secondary market, fixed interest investment appeared risk free. The resulting rock bottom bond yields helped to set long term rates across the economy at low enough levels to allow the world economy to bounce back.

This set of circumstances did however bring with it distortions that we are still experiencing. Low rates encouraged extra borrowing but also resulted in sharp gains for the asset rich against those relying on incomes. The unbalanced picture that has emerged as economies started to recover, with supply not yet able to meet the sharply increasing demand once restrictions started being eased, has led to an explosion of inflationary pressures, clouding the outlook. Geopolitical tensions between Russia and Ukraine have also sent gas and oil prices exponentially higher.

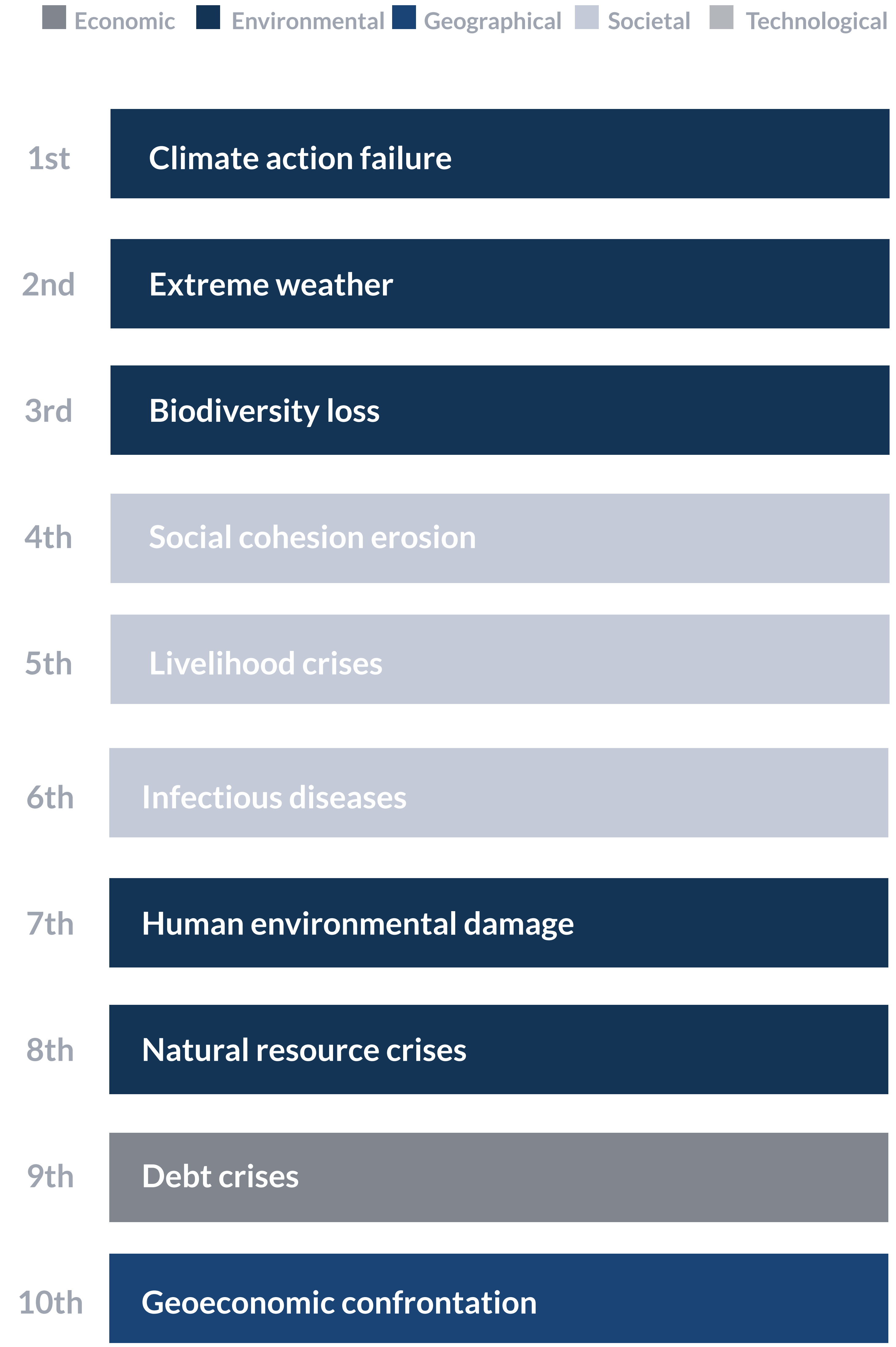
World debt is now at levels that would once have been considered unsustainable and un-fundable – and it's still rising.

Risks for the short to medium term

The picture ahead suggests a lot of regional differences. Advanced economies will slow down from growth of 5% in 2021 to 3.9% and 2.6% in 2022 and 2023 respectively. For emerging markets and developing economies, the slowdown is predicted to be from 6.5% in 2021 to 4.8% and 4.7% in 2022 and 2023, with China registering growth of 5.1%.

Most risks seem to be on the downside, but in the short to medium term there are signs that the worsening inflationary outlook may in fact last longer than expected, and the impact of higher interest rates could affect confidence more fundamentally than these forecasts assumed. Some 84% of respondents in the World Economic Forum's Global Risks Report 2022 were either worried or concerned about the world economic outlook, both in the short and medium term. As we can see, the level of debt remains a concern. And even before the escalation of the Russia/Ukraine tensions and financial sanctions imposed, this had already put the spotlight on Russian investment activity.

"Identify The Most Severe Risks On A Global Scale Over The Next 10 Years"



Source: World Economic Forum Global Risks Perception Survey 2021-2022

Pandemic challenges to investment banking

The financial sector was enjoying improved health after a period of turbulence in the first year of the pandemic with rising loan/loss provisions and overall losses posted by many.

However, this seems to have been reversed in 2021 as economies recovered and banks also found that provisions set aside were no longer needed to be so large. There have of course been sectoral divides with airline, travel companies and transport in general badly hit. But for the health sector, as well as construction, parts of the distribution industry, and technology companies did well. We have already seen strong commercial bank results for 2021 being announced, with a return to profitability and a resumption of dividend payments, and bonuses.

Many banks remain 'universal' banks, and the strong performance in 2021 owed a lot to the parts of financial institutions involved in trading and investment banking activities. They have been reporting bumper results and also bumper dividend payouts, helped by a strong recovery in share trading, large transactions activity, and mega deals. Volatility was and is part of the course, which is good for trading profits, but at times is unnerving.

S&P 500 rose by 27% last year, reaching new record levels with spectacular performances across the tech and digital sectors in particular. The European Stoxx600 was also up by a very respectable 22% year on year by the end of 2021.

Debt finance has obviously been a major growth area for investment banks, is continuing now albeit, at a slower pace. Private sector areas of growth have been technology, media, and telecommunications (TMT) sectors, as well as tech-enabled service sectors, healthcare, consumer and industrial goods. Commodity producers, including mining giants and oil and gas firms are also posting sharp rises in profits and share values as demand surged and supply found it hard to respond. Restructuring advisory services and transactional services also saw growth.

Acceleration is the only way to describe IPO. According to the PWC Global IPO Watch, there were 2,682 IPOs in the year, raising $606b. Of that, roughly $99bn was raised in the EMEA region[1]. There was similar frenzied activity in the M&A market[2], with some 62,000 deals globally. Up 24% in the year, and with a combined value of $5.1trillion, this was the highest on record, up 64% on the year. The sectors with the greatest level of activity were for technology, particularly for digital/telecoms infrastructure and for data driven companies .The other main area was life sciences and healthcare[3].

Almost half of the activity in the year was via cross-borders M&A, but there was also a sharp increase in domestic deals, most notably in China. The US accounted for about one third of cross border deals.

Another development has been the growth of Special Purpose Acquisition Companies (SPACS) which are attracting considerable interest and raising capital easily for listings where that is allowed. Indeed the UK has announced that it is considering 'reducing flee float requirements, allowing dual class share structures within the premium listing segment, and removing barriers to listing via (SPACs). [4]Private equity (PE) too is increasing its share of M&A deals, with PE firms accounting for some 45% of the deals in terms of value in 2021. A number of firms have also been delisting and going private, which is interesting to note.

The growth of the fintech space is also altering the investment habits of the public and gaining in size - seeing an sevenfold increase in investment in fintech companies in 2021.

What is clear is that during the pandemic, return on equity was much greater in the types of activities that investment banks and asset managers engaged in.

Post pandemic opportunities for investment banking

Since the beginning of the year, high inflation and higher interest rates have seen periodic sessions of sharp falls in shares but also high volatility. 2022 may not see quite the same growth in IPO and M&A activity as once thought, and the appetite for deals may also take a hit as the world moves to a higher tax base for multinationals. There is also the concern that some of those mega deals we saw in 2021 are creating monopolies in some sectors. Particularly those in technology are attracting a lot attention from the regulators, so there is even a possibility of organisations being split up by force.

However, the pick-up in activity and higher interest rates are in general good news for banks' profit margins. Even though costs bases are also going up, including in relation to staff, investment banks are well positioned to help with the global challenges ahead.

Advisory and restructuring services would then also hopefully spring into action. There could also be huge opportunities in helping to fund post-pandemic and a green recovery on the horizon. We have already seen this demonstrated in the huge capital commitments announced so far by the EU, the US and China. Governments, as well as international financial institutions such as the International Monetary Fund, the European Investment Bank (EIB), and the IFC—a sister organization of the World Bank and member of the World Bank Group, will have to work together with the private sector.

There is no guarantee the path will of course be smooth. The challenges of climate change, both on mitigation and adaptation are enormous.

Ethical banking

ESG debt financing is growing rapidly[5], with investment banking start to gear up to adapt to this sector, and profit from its developments. More capital raising, both by the public and the public sector will be needed if targets are to be met.

Just before the pandemic, global sustainable investment in the five main markets was approx $35.4 trillion. Sustainable investment assets under management then made up roughly 35% of total assets under management. [6]The lack of standardisation so far in reporting affects classification issues, and therefore the size cannot be accurately estimated[7], but there is no doubt that there has already been a very rapid growth in ESG issuance which is likely to continue.

According to Bloomberg research ESG assets under management (AUM) could, by 2025, be around $50trilion in what is likely to be a market of some $140trillion overall. [8]ESG exchange traded funds have also seen large inflows and the exchange-traded fund growth is continuing apace.

At the same time it is important to note increasing scrutiny for ESG investments is intensifying to eliminate 'greenwashing'. More international compliance and mentoring as well better reporting standards are being developed to counter this.

Global cooperation

Investment will be needed in new technologies, green manufacturing and new energy solutions. In many cases this will be across continents to leverage the best expertise and competencies.

Transatlantic and other trade and investment deals being contemplated will facilitate this and we have already seen the $130 trillion private finance campaign coming out of COP26 to achieve net zero.

In many cases this will also necessitate heavy company restructuring to take place with advisory services benefiting from this. There will also be increased expectations from the financial sector itself, with the government in the UK for example publishing plans to 'green' the financial system[9] and set new standards for reporting, which are being developed, also internationally, for asset managers, asset owners and for investment products.

Regional differences

According to Deloitte's report, 'Bank of 2030: The future of investment banking'[10], although return on equity rates differ across regions for banking sectors as a whole, there was a general improvement in 2021, and returns on equity are likely to stay high in 2022 too.

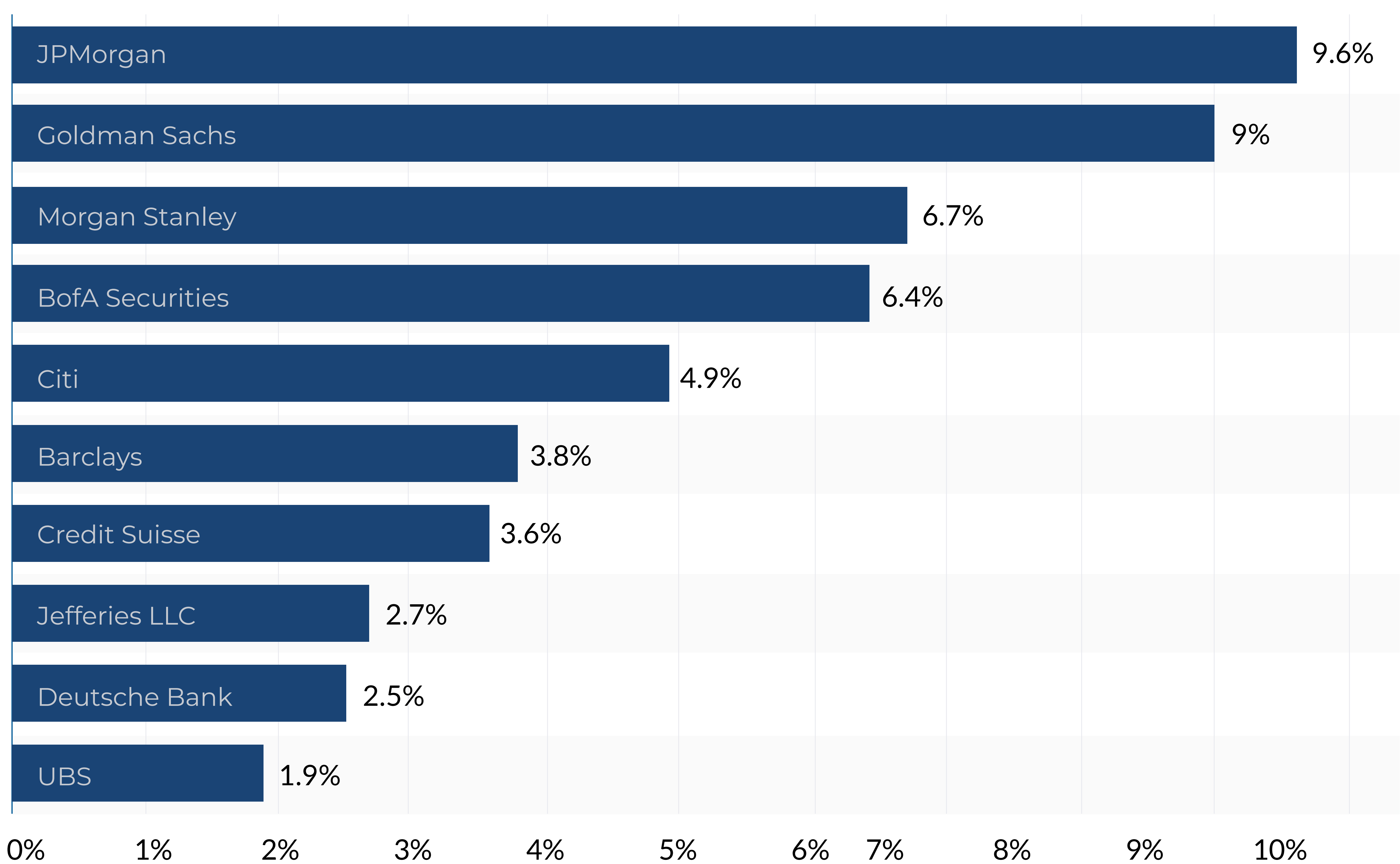
Banks differ hugely in size and also in the composition of their activities. In terms of assets (defined to include cash balances, loans and advances to other financial institutions and customers, debt securities and other assets), the 2020 list of largest banks globally was dominated by Chinese institutions. Interestingly only one Japanese bank featured, MUFC. JPMorgan is listed, followed by BNP Paribas and HSBC Holdings, both with assets of some $3 trillion. After Bank of America and then the China Development Bank there is the French bank, Credit Agricole, and Citi bringing up the rear.

US domination in investment banking

A number of these banks are still 'universal' banks with only parts of these assets accounted for by investment banking operations. The share of global investment banking revenues shows US firms dominating, according to the graph here.

Global market revenue shares of leading investment banks %

December 2021. Source: Statista



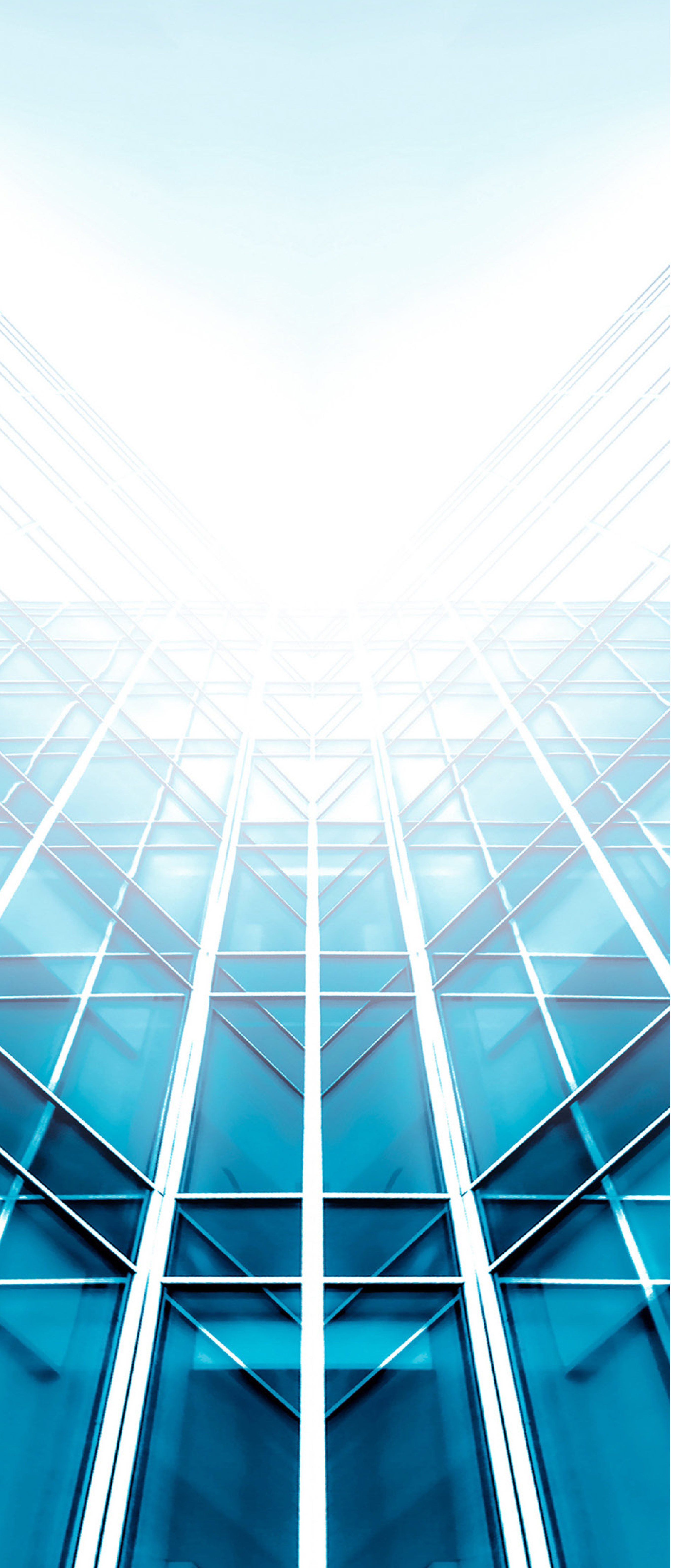
There are of course lots of smaller firms operating in the investment banking sphere and also many specialised investment funds, as well as a potentially lucrative market to be had from middle market advisory and M&A deals. Indeed Goldman Sachs in particular is now targeting this area with a new division set up for this purpose in 2020[11]. On the other hand Citigroup is reported to be increasing its deal capacity, focusing on advising fintech companies which are expanding rapidly in Europe[12].

Releasing reserves set aside for pandemic era losses and high investment fees helped record profits on 2021 for the five largest US investment banks as global M&A activity hit new levels last year.

Bank shares outperformed the rest of the S&P 500 in 2021 and rose further in the early days of 2022, while the rest of the market struggled. The concern is that this is not likely to be repeated in 2022, as growth in the economy, though still buoyant, slows down and appetite for deals wanes a bit.

While the return on equity (ROE) of US banks are therefore likely to come down in 2022, they should stay higher than the equivalents in Europe and APAC, with top investment banks remaining ambitious on the targets they set themselves, if a bit ambiguous on the timing of achieving them.

In unveiling its latest strategy in February 2022[13],Goldman Sachs said it aimed for a return on tangible common equity (ROTE) of between 15% and 17% over the next three years. This compares with a 'longer' term aim of 20% ROTE for Morgan Stanley' and JP Morgan's 17% in the 'medium' term.



Consolidation & injection for Europe

European investment banks tend to be in general smaller and to an extent less profitable than those in the US, although many operate across a number of European countries and thus take advantage of the single market and the single financial 'passport'. This of course has become more difficult for UK banks following Brexit.

Since the financial crisis the sector has consolidated , cut costs and restructured. The massive liquidity injection during the pandemic meant that the sector saw revenues rise by 27% in 2020 and further in 2021. Helped also by a recovery in GDP growth, commercial bank performance was strong last year, but it was in the investment banking arms of finance companies where the improvements happened mostly.

A further boost in the medium term is coming from the EU's €750 billion 'Recovery and Resilience Fund' which has started being disbursed, with a lot of it going to general infrastructure and digitisation but also on net zero projects in line with the EU's 55 targets.

The expectation is that the average increase in European investment bank revenues as a result will outperform pre-pandemic performance for the short and medium term. Southern European countries are likely to be receiving a bigger share of the funds, but the task is enormous with estimates that for net zero alone EU financing requirements will be in the region of €350 billion a year over the next ten tears. Investment banks will play a crucial role and the data suggests that while investment-grade markets have grown significantly in Europe, the banks are moving closer to the US model, with growth in high yield and traded loans markets. Debt securities now account for a nearly 25% of the total corporate funding mix in Europe compared to 15% a year earlier.

That being said, European banks are re-evaluating their strategies. There may not be as much activity in debt financing in Europe in the future as countries move to more conservative fiscal positions. HSBC for example announced a 10% rise in profits over the past year, helped by strong equity and advisory performance, saw a decline in fixed income trading. It is reshaping its operations and getting out of various markets (such as Greece) in order to refocus on Asia[14].

Legacy problems from the financial crisis of continue to limit activities of the systemic banks in some countries too. The 2022 Business Insider list of the 20 banks in Europe in terms of assets included only one German bank, Deutsche Bank[15]. The Greek banks have only just managed to reduce significantly their NPL ratios through restructuring and loan securitisation, and are now enjoying an improvement in their credit rating. On the other hand, a number of French banks have posted strong results for the past year, including in their wealth and asset management divisions, with banks across Europe fully expecting to be involved in co-financing the infrastructure investments to come.

A complicated picture for APAC

The pandemic slowed foreign direct investment generally into the region and in the financial sector in particular. Banks had to both raise their Tier 1 capital and also increase provisions against bank loans, although we have seen an element of that repeated worldwide. Still, in 2021, investment banking fees in Asia reached an all-time record high – around US$33.5bn. And, much of the growth came via M&A and the equity capital market. China dominated fees regionally, generating 69%, followed by Australia (10%) and Hong Kong (9%).

Some countries' economies were of course worse hit than others as the pandemic affected tourism and trade, constraining growth.
Yet there were still major outbound M&A deals, with private equity and institutional M&A deals driving the loan market in Asia, with leveraged and non-leveraged loans issuance reaching US$412bn in 2021. Almost a quarter of that came from China, making up to US$498bn when combined with HY bond issuance. Chinese outbound deals have been on the decrease as the country focused on domestic M&A and considerable restructuring, and capital markets in 2021 have been hit by concerns relating to the sustainability of debt raised by many companies, especially in the property sector.

High yield activity in the region was heavily impacted by a default by a Chinese property company in January 2021. This, along with Chinese government reforms and aim to reduce leverage in the system that may lead to increased bond defaults onshore, has led to heightened investor concerns, and an underperformance when compared to the US and Europe.

The stalling of the Ant Group IPO, touted to be the largest in history, also demonstrates the control and discipline Chinese regulators look to maintain over the market, and is an interesting note to make as a reminder to future IPOs in the region.

On the whole investment needs were and remain substantial across the region, and in fact investment banking profited from a rise in equity and bonds issuance, with fees even surpassing European fees at various points during the pandemic.

Looking ahead, Singapore allowed SPAC listings from September 2021, and Hong Kong regulators also gave the green light for listings in January 2022. The hope is to attract more investors, from both China but also internationally, amid Hong Kong's IPO ranking slipping from second to fourth globally.
Asia however still dominates the top five, with Hong Kong sandwiched between the Shanghai and Shenzhen exchanges respectively.

2022 will continue to be active, there are around 770 A-Share IPO applicants as an example. The pipeline is made up mostly by TMT and industrials, closely followed by healthcare. Digitalisation and fintech as sectors will be major forces of modernisation and cost cutting, offering greater roads to better efficiencies. More work is needed by the banks in the region so they don't lag behind in the area of implementing sustainability practices.

The picture is complicated however by the fact that in some countries a zero Covid strategy is still being pursued. How long that can hold on for is anyone's guess.

The talent trends shaping the future of investment banking

From small boutiques to bulge bracket firms, many investment banks have been recruiting not just because of the influx of deal flows, but also because they need to rapidly fill vacancies from 2020. While that was a year upended, 2021 was the year of catch ups and recovery. Therefore, with a background of strong vaccine rollouts, and global travel restrictions, to an extent, lifting, 2022 is sharping up to be a strong year.

Movement is now strong and fast, with talent making waves in the industry as professionals chop and change roles quicker. Associate and VP levels are changing positions the fastest, and primarily within M&A. This pattern shows no signs of slowing, with fees up and banks pushing on hiring.

The ramp up to recruit is also met with efforts to incentivize talent to stay put, by offering bonuses and compensation packages.

We are also witnessing banks snap up entire teams by buying up smaller firms, and simply integrating that organisation's staff as a way to scale quicker. It's an interesting tactic, one that allows faster growth, but comes with the perils of amalgamating a whole new team into a company's culture. In this section discover insights into the talent market, across the US, as well as Europe and the APAC region. Covering the hot sectors you need to know about, plus ED&I and flexible, here is all the information you need on bonuses and salaries to help you make key decisions this year and beyond.

Outlook - USA

Although it was known early on that 2021 would be a historic year for US investment banks, many banks surpassed their 2020 total fee revenue by April-May 2021. Bonuses ranged from meeting standard bonus expectations or being slightly discounted from previous years. That being said, it was March/April 2021 that the first handful of banks began increasing base salaries anywhere from $10k to 25k per level.

While this change would shift the entire banking industry's compensation upward, most banks initially held-off from following suit until late summer and early fall. However, many banks of every size, from boutique to bulge bracket, that spring did announce and ultimately paid-out one-off bonuses beginning in April and interestingly continued announcing these smaller bonuses throughout the summer.

These celebration style bonuses, which are one-off lump sum payments were announced shortly before they were paid out and ranged from $5-20k depending on level. While these bonuses were given without clawbacks or any sort of deferment, they did keep some departures at bay, and gave some banks crucial time to ramp up their recruitment in April and May. While typical bonus/recruitment season peaks in mid-March and is wrapped up by April after the majority of banks have paid out their discretionary bonuses, celebration bonuses slow departures by anywhere from a couple of weeks to a month. Many banks were therefore not aware of the full magnitude of turnover until May.

Such bonuses helped slightly, but it couldn't prevent some bankers from leaving the space entirely or moving to a new bank. This exodus was exasperated by renewed and doubled PE recruitment efforts. Ultimately, many banks were unable to replenish the numbers needed from attrition, let alone hire enough surplus staff for the record high deal sign-ups. However, many banks' directors and operational teams saw this time as a once in a decade opportunity and did not want to turn away deals, leading to extraordinary efforts on the recruitment and retention front.

2021 guarantees

Typically, lateral recruitment for Associates and Vice Presidents slows down during the mid to late summer, as most bankers have accrued more than 50% of their time towards their EOY bonus – which is too large for most banks to pay-out and for bankers to leave behind. However, as a result of low staffing levels, many banks were willing to get creative with their offers and more competitive with their hiring process.

Many investment banking offers beginning in April and until early November included some form of sign-on, guaranteed minimum bonus for the upcoming year, non-prorated bonus guarantee, or RSU buyout. Many of the offers interestingly included a mix. Some banks conserved cash by offering non-prorated bonuses, which covered any money that otherwise would've been left on the table. Others offered commensurate prorated bonuses with the number of months the banker had worked at the old firm in addition to the firm they were joining if the two banks' fiscal years did not line up, in order to prevent double dipping on the candidate's part.

The most notable offers this past year were the offers that guaranteed astronomically high bonuses for bankers joining new firms. Some banks, although as a caveat there are only a handful that would pay this much, gave Vice Presidents offers with up to $850k OTE using a mix of guarantees, sign-on's, and relocation allowances to do so. While this was the exception and not the norm, a larger subsect of banks were offering between $500 – 650k all-in guaranteed to bankers for their base and FY '21 end of year bonus. Even though these offers were less common than most thought, the rumors about deals drove many somewhat uninterested bankers back into the job market for a chance at hitting the big time.

FY '21 bonus season

Bonus season for FY '21 was one of the most unpredictable bonus seasons in recent history for several reasons. Firstly, banks were unsure about whether they should change the standard percentage ranges as a result of the increased base salaries. Ultimately, many banks decided to hit or exceed previous bonus season percentage ranges with a few notable exceptions and caveats.

Many public investment banks and bulge brackets this year increased the percentage of bonus paid out in RSUs and or extended the vesting period. This move allowed banks to retain cash while also keeping up with their peers in the market. Some privately held banks increased the cash deferment period or introduced a deferment for the first time. Even banks that pay cash and had previously increased their base salaries last year managed to hedge the actual dollar amount of the bonuses being paid out by calculating percentage of base on a proforma basis.

The biggest upsets of the FY '21 so far has come from several bulge bracket banks deciding to drop back among the other Tier 1 banks and elite boutiques. These banks did not increase the bonus range for their bankers and the result were bonuses that were anywhere from $50-150k lower than their counterparts this year.

While in the past banks may have just given a full year's bonus with a slight discount if they started after bonus season (around April/May), this year many banks actually prorated bankers by up to 1/3 (or more) of what their bonus should have been. This cost many bankers who worked for 6+ months at their new firm and >6 months at their old firm up $75k in total compensation for the year. Many bankers can appreciate the need to put in the same time as their peers, but the spring hires would have most likely negotiated for non-prorated bonuses had they known it would be such a haircut to move jobs. Ultimately, the bankers that negotiated for guaranteed all-in compensation for FY '21 and non-prorated bonuses were the most insulated from risk this bonus season.

FY ’21 bonus season percentages

Overall, the general rule of thumb in past few years for bonuses was that Analysts were paid 50-75% of base, Associates were paid 75-100% of base, and Vice Presidents were paid 100-125% of base, plus or minus 10-25% across the board.

This year, most banks are paying Analysts between 75-100% of base, Associates 75-125% of base, and Vice Presidents 125%+ of base plus or minus. Any Analyst bonus below 50% of base, Associate bonus below 75% of base, and Vice President bonus below 100% of base would be below their near competitors for the majority of banks.

Bankers will therefore be considering a couple of other factors while deciding whether or not to stay when paid out:

- Would they have made more doing the same work at a near competitor this past year?
- Were they equitably compensated for the leverage they provided, as well as the increased hours, increased deal closures, and for their loyalty this past year?
- Did they feel that their bonus increased at a reasonable percentage relative to how much fee revenue increased this past year, especially when percentage increase in total headcount is factored in?
- Should they make a move to take advantage of the market while it’s still hot?
- Is the money still worth it for the number of hours it requires?

These are the questions bankers have asked and will again ask themselves as they receive their bonus numbers.

Bulge Bracket / Elite Boutiques

Level	Base Salary	Bonus / All-in
Analyst 1	$110,000	50%-100%
Analyst 2	$125,000	50%-100%
Analyst 3	$125,000 - $150,000	50%-100%
Associate 1	$175,000 - $200,000	60%-200%
Associate 2	$200,000 - $225,000	60%-200%
Associate 3	$225,000 - $250,000	60%-200%
VP1	$225,000 - $250,000	$750,000-$1,000,000
VP2	$225,000 - $275,000	$750,000-$1,000,000
VP3	$225,000 - $275,000	$750,000-$1,000,000

Middle Market

Level	Base Salary	Bonus / All-in
Analyst 1	$100,000 - $105,000	50%-100%
Analyst 2	$105,000 - $110,000	50%-100%
Analyst 3	$110,000 - $115,000	50%-100%
Associate 1	$175,000	60%-150%
Associate 2	$200,000	60%-200%
Associate 3	$225,000	60%-200%
VP1	$225,000 - $250,000	$500,000 - $750,000
VP2	$225,000 - $275,000	$500,000 - $750,000
VP3	$225,000 - $275,000	$500,000 - $1,000,000

Outlook - Europe

A combination of a willingness to grow, coupled with the need to fill those existing vacancies supercharged hiring activity across Europe.

Two years if movement in one resulted in 2021 as a record year across the board, but particularly within M&A. A backlog of hiring from 2020 meant banks had to hire, plus the additional workloads on as well meant that European banks scrambled to load up vacancies last year. Agility and speed of execution was, and still is, the top-level agenda.

Despite all these movements, particularly across associate VP and analyst levels, there is still plenty of residual hiring needs to account for, and as one client put it, it looks like, 'a game of musical chairs in investment banks.'

An interesting point to note is that across Europe it isn't typical to bring people in post-MBA in comparison to the US, so with hiring smaller across the board in 2021, could there be a talent gap in the near future? Hands on training and maintaining decent growth of the talent pool is essential to all investment banks, so Europe needs to get ahead of the curve in nurturing this talent.

Geographically speaking, Frankfurt has been a point to note as banks look at developing their post-Brexit hubs. After a laggard pace at the start of 2021, many sales and trading corporates in Paris hired in abundance, which subsequently had a knock-on effect to compensation levels swelling. Amsterdam also witnessed explosive hiring activity, despite the small volume of sales and trading market leaders in this region. Madrid and Geneva closely followed their Dutch counterparts, particularly amongst non-banking platforms.

Excitingly, there is now an opportunity for firms in the UK post-Brexit. They may have lost the easy access of EU candidates now they have the sponsor visas, but it is also now easier to sponsor outside of the EU and look at a talent pool further afield. London is emerging post-Brexit as remarkably resilient, in relation to business but also in talent acquisition. A shift towards hiring for domestic coverage along with non-EU markets such as CIS, Africa, the Middle East, and LATAM regions is something to keep an eye on, and take advantage of. In line with Brexit strategies, homegrown hires have also done particularly well out of it.

Salary Increases By Bank

Level	Base Salary*
Analyst 1	$61,000
Analyst 2	$70,000
Analyst 3	$90,000
Associate 1	$105,000
Associate 2	$125,000
Associate 3	$130,000
VP1	$155,000
VP2	$160,000
VP3	$165,000

(*Average salaries taken from (buldge) banks we worked with in 2021)

Salaries & bonuses

Whispers of interest rate movements might add a little bit of volatility to the sector but everything points to M&A remaining strong, especially across mid-market and sponsored backed deals.
However, because of the M&A sector strength last year, bonuses have so far been met with a lacklustre response after expectations were initially raised. Large investment banks raised their salaries last year, with American firms in Europe leading the charge. This made it more difficult for the mid-market European firms to compete, so some are wondering if there is a bubble about to burst in terms of pay.

The salary report from 2021 demonstrates the increase in salaries at the bulge brackets, which has made competition even more rife between varyingly sized institutions.

Outlook – Asia Pacific

With travel and Covid-19 restrictions hopefully opening up Asia, we expect a ripple effect positively on hiring, but much is still in the air for the Asia-Pacific region.

Regional banks continue to expand their footprint to compete with global players, with a particular focus in the China technology, media, and telecom (TMT) space. European and Asian banks have in the recent past been trying to capitalize on the US-China tensions, tapping into the market of mainland issuers looking to avoid US underwriters for example.

In fact, despite how heavily restricted Hong Kong has been in terms of Covid-19, it ranked third globally in 2021 for IPOs. Chinese firms that would otherwise have listed in the US were slightly perturbed in light of escalating tensions between the US and China. Fortunately for banks and bankers, fees are also up in APAC too.

A talent bubble has also been created, with Hong Kong and China taking strict stances on inbound travel for expats to plug the demand for talent. Hong Kong is still also viewed as a critical connector for internationals and Chinese banks, with its depth of talent and robust regulatory regime. We also foresee overseas talent coming back into Asia at some point, to ensure niche skills flow into the region, and at the same time, that local talent also receives a fair opportunity for roles.

More hiring activity from funds has meant that banks have had to replace their talent that was poached over to the buy side. In addition to the yearly attrition of bankers moving to funds, start-ups and corporates, a backlog of deals has meant that simply replacing headcount has not been sufficient in the past year.

Barclays and Deutsche Bank rebuilt their Asia teams recently to enhance their presence in the region, and the pullback from some international banks has resulted in further expansion opportunities for local banking teams.

Candidates exploring the market often have multiple offers, and can choose the firm offering the best package that is right for them, meaning companies should typically go with a final and best offer, as candidates are in a good position to negotiate.

Salaries & bonuses

Bulge bracket banks seem to be leading in terms of salary reviews, which has also trickled down to the regional banks, who now compensate bankers fairly from a market perspective, and also at an analyst/associate level in an attempt to attract more candidates and to retain the existing talent. The increase in pay for junior bankers didn't quite have a knock-on effect on seniors, with some during the pandemic having little increases. 2022 seems to be bringing about a balancing of salaries, paying bonuses much closer to expectations.

Corporate & Investment Banking

North Asia | Salary Guide 2022

Title	Yearly Salaries*
Tier-one Banks	
Analyst	HKD 720K – HKD 1,100K
Associate	HKD 1,100K – HKD 1,700K
Vice President	HKD 1,600K – HKD 2,200K
Director	HKD 2,200K – HKD 2,900K
Managing Director	HKD 2,800K – HKD 3,500K+
Tier-two Banks	
Analyst	HKD 660K – HKD 930K
Associate	HKD 900K – HKD 1,100K
Vice President	HKD 1,200K – HKD 1,700K
Director	HKD 1,700K – HKD 2,500K
Managing Director	HKD 2,600K – HKD 3,000K+
Tier-three Banks	
Analyst	HKD 540K – HKD 720K
Associate	HKD 720K – HKD 900K
Vice President	HKD 900K – HKD 1,400K
Director	HKD 1,200K – HKD 2,200K
Managing Director	HKD 2,100K – HKD 2,700K+

(*Does not include bonuses, benefits and other forms of remuneration)

Corporate & Investment Banking

South East Asia | Salary Guide 2022

Title	Yearly Salaries*
Tier-one Banks	
Analyst	SGD 120K – SGD 180K
Associate	SGD 180K – SGD 250K
Vice President	SGD 250K – SGD 400K
Director	SGD 400K – SGD 500K
Managing Director	SGD 500K+
Tier-two Banks	
Analyst	SGD 80K – SGD 130K
Associate	SGD 150K – SGD 200K
Vice President	SGD 200K – SGD 300K
Director	SGD 350K – SGD 400K
Managing Director	SGD 450K+
Tier-three Banks	
Analyst	SGD 50K – SGD 80K
Associate	SGD 100K – SGD 150K
Vice President	SGD 150K – SGD 250K
Director	SGD 300K – SGD 400K
Managing Director	SGD 400K+

(*Does not include bonuses, benefits and other forms of remuneration)

Hot sectors to watch for worldwide talent

There are plenty of booming sectors to look out for, and we anticipate hiring needs amplifying to reflect these industries' exceptional growth.

Fintech fever isn't going away. Even though valuations have been a little off kilter recently, more fintech and technology-led bankers is certain due to the potential for more tech M&A's and IPOs.

The segments of investment banking that have the greatest hiring needs include, technology, media, and telecommunications (TMT), financial institutions, power, utilities, and infrastructure (PUI).

Healthcare is still very much up at the top as well, renewables is also expected to see an increase in hiring requirements, with an emphasis on sustainability and environmental policies acting as a vehicle to amplify hiring in ESG, carbon, and renewables across the board. Specialist ESG analysts along with sales personnel are a hot commodity.

Firms will be likely to hire under a new mandate and outside the traditional direct competitors which in effect will satisfy demand in a tight candidate pool as many will look to NGOs and corporates for an additional supply of talent, which is an exciting development for the industry.

Moving the dial

Sustainable finance could be a sector that increases in activity this year due to exponential interest that has been generating for the past few years. Following the goals set out by the Paris Climate Agreement, there has been a huge surge in financial services taking into account ESG and supplementing this into their business decisions.

We expect to see global environmental issues shape the future of finance, with investors already asking hedge funds for complex ESG data sets, as well as regulators demanding detailed data reporting. New securities and products to advance better integration of ESG are already coming into force, and this trend will continue as the industry as a whole adapts and moves forwards with sustainable financial services.

Moving the dial on equality, diversity and corporate/social governance should be critical to investment banking firms in the near future. Attracting and retaining a diverse talent pool should be the top of the agenda for companies, with several banks already hiring expert professionals to solely focus on ED&I initiatives.

The new world of working

It is a theme that isn't going away, with flexible working still prominent in investment banking. Many candidates are now seeking out this business model post-pandemic, and we don't foresee this trend slowing down any time soon. The remote workplace has created more opportunities for candidates to interview and get hired, especially in a returns-driven culture that demanded a 'all hands on deck' mentality which Covid-19 then rendered obsolete, as businesses adapted at a rapid pace in terms of tech and infrastructure.

Most bankers were still remote in Q1 2021, and with the roll-out of vaccines, many banks began to slowly entertain the idea of asking their teams to return to the office. This became a month-by-month ongoing conversation for most banks with post-July 4th in the US ultimately being marked as the timeline for most bankers to return full-time to the office. Vaccines were encouraged and masks were required early on, but as infection rates peaked, banks began requiring proof of vaccination for current and potential future employees. The end of the summer marked the end of 100% working from home arrangements for most banks.

This flexibility was something many bankers enjoyed, but it also had some negative impacts. For instance, junior bankers struggled to learn and ramp up, and lateral hires struggled to assimilate and learn how the process was done at their new firm. This caused inefficiencies and as a result, while many banks are allowing more flexibility than they ever would have pre-pandemic, many of them have a renewed belief that in-office is the best way for deal teams to work together. That being said, most banks are still allowing some form of a hybrid model. For example, Fridays and/or Mondays are office optional, with few signs of returning to the old way of banking.

There is also an opportunity remote working enables banks to capitalize on. Globalization allows banks to now hire people all over the world to work remotely. We are seeing clients take advantage of the global talent pool, as they can be based in multiple locations and take that talent. There has even been an uptick in fully remote roles for some institutions and regions. The key is whether these jobs continue to offer this new way or working, because if these eventually change, then the perks and benefits stall and we may see people jumping ship for a truly flexible role elsewhere.

Non-monetary retention strategy update

While many banks increased base salaries, paid strong bonuses, and increased flexibility for their teams, there were a few standouts. One of the best received banker perks was an all-expenses paid trip for banker and a plus one. This allowed the banker to have mandatory time off and to be forced to take an actual vacation, versus just pocketing the money if it was just a cash bonus. On the other hand, protected weekends and no non-deal related work past midnight did not have the desired effect, and in some cases actually caused mid-to-senior bankers to push juniors harder during the weekdays to complete work before midnight or Friday evening. Ultimately, issues with banking hours couldn't be resolved with workplace policies because they stemmed from arbitrary deadlines as well as too many deals and not enough people. One creative approach a middle market bank took recently was to have a firm-wide long weekend once a quarter. That way, everyone from intern to MD would be able to disconnect for three days, and with no exceptions.

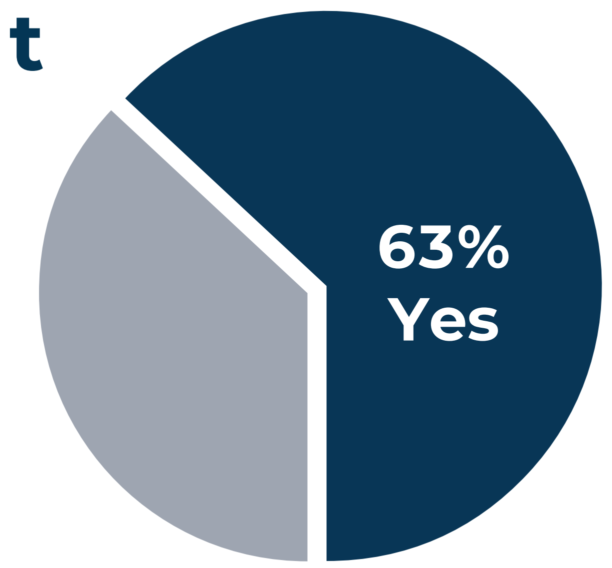
Optimism for the industry

We surveyed investment banking professionals across the US on the state of the industry, and how they feel about current job opportunities.

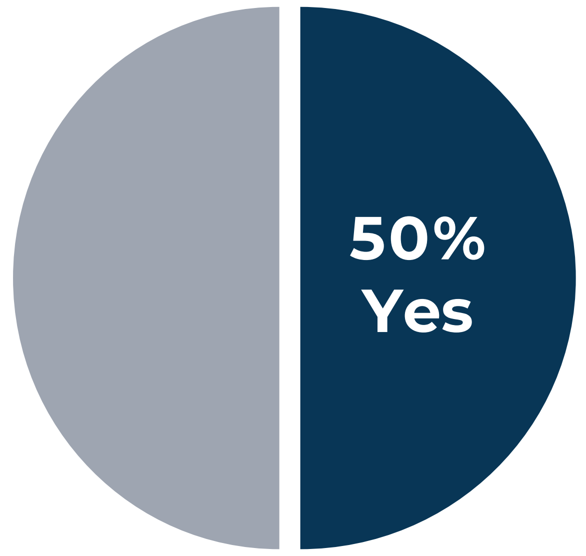
The future looks bright

The top-line insights on what these professionals feel revealed that there is great optimism and excitement in the industry, with 60% of respondents sharing the viewpoint that the investment banking space is improving in terms of growth and upward mobility.

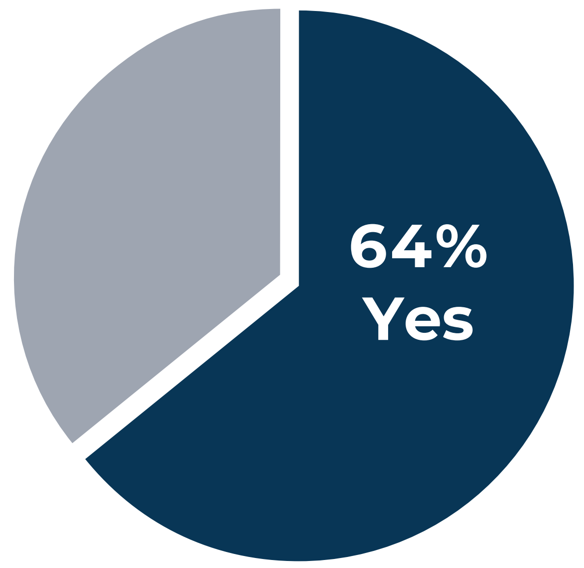
Interestingly it was investment banking professionals who currently work in boutique and middle market firms that displayed palpable optimism about the future of the industry, compared to larger firms. Entry level professionals also feel, according to our survey, that investment banking is improving the most.



Boutique firm professionals



Bulge bracket firm professionals



Middle market firm professionals

The Great Realisation

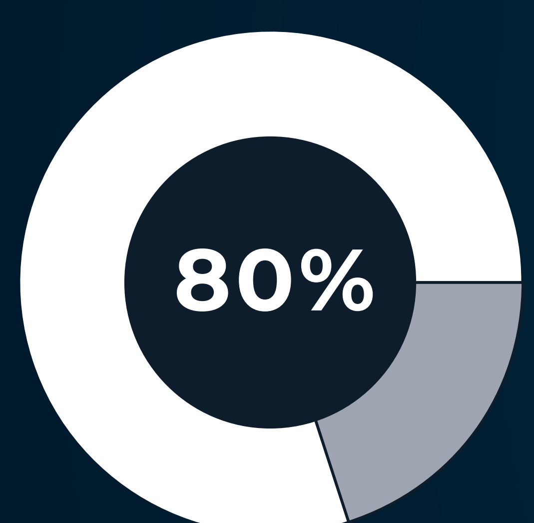
Over half of all respondents are very likely to look for a new role in the next six months, with more professionals across the bulge bracket firms even more keen to make a move. Naturally if a professional is responding to a survey from a talent partner there is always a chance of some skewing of the data, but something that really stood out is that entry and executive level professionals were most likely to look for a new job. Therefore, the most junior and most senior investment bankers are most likely to jump ship right now.

Flexible working is the new normal

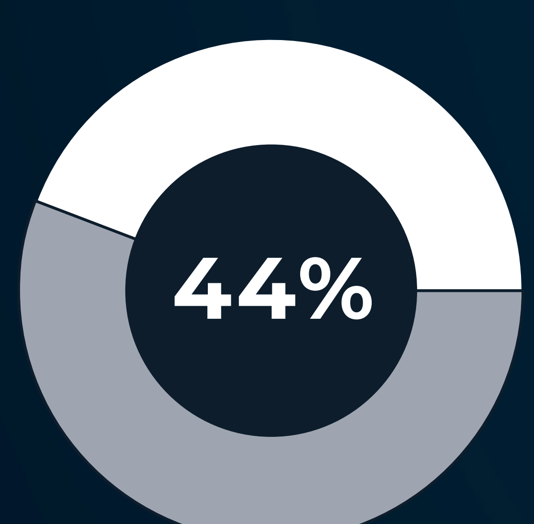
Flexibility is a buzz word that isn't going away, with a whopping 88% of respondents reporting that flexible working is important to them. Mid to senior professionals seem to be most interested in flexible working, which when compared with their lack of keenness to relocate is an interesting nuance. Settled family life and putting down roots explains why both demands are so important to this cohort.

Where the opportunities are, talent will go

Overall, survey respondents would be willing to relocate for the right job, with 69% indicating that they would. Entry level investment bankers were most willing to relocate, compared to mid to senior professionals who were least likely, but this is a normal trend. The states that topped the relocation list were Florida, California, New York, and Texas, as traditional finance hubs look to expand and capitalize on emerging markets.



of entry level professionals would be willing to relocate for the right job



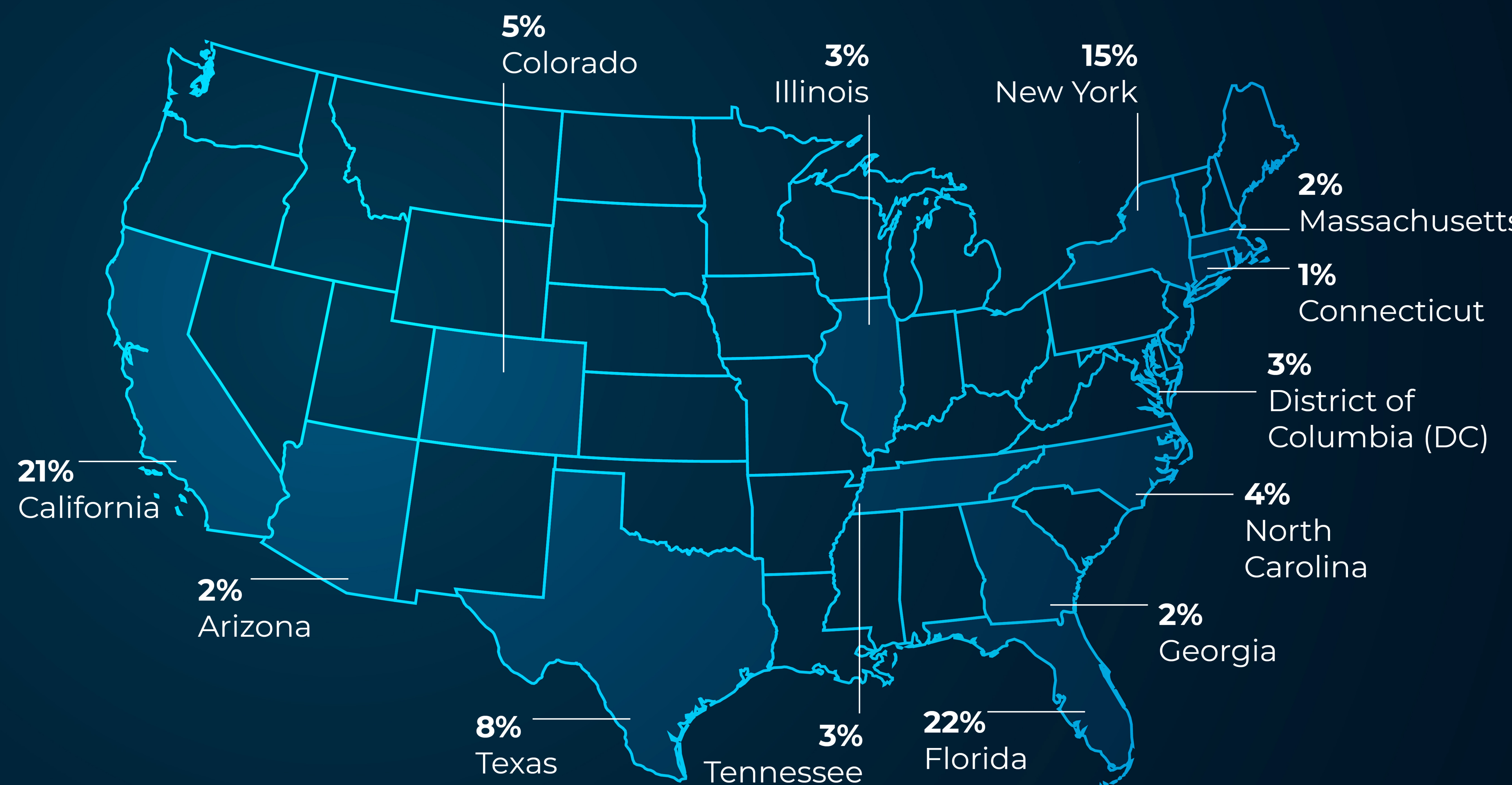
of mid-senior professionals stated they would not be willing

What are candidates looking for?

A challenge to work on different projects and deals was most keenly felt by executives when deciding whether to look for a new opportunity, while 45% of mid-senior investment bankers stated that flexible working options would influence their decision to look for a new career opportunity.

And while all these reasons are of merit, higher compensation and bonuses were easily the most important factor when seeking a new career opportunity.

For US professionals, an unexpected result was that benefits were rock bottom across the board in the survey. However, when a benefits package is the only differentiator between roles, it can still make all the difference and we would encourage clients to review their benefits policies regularly to keep up with candidate demands.



Conclusion

"The greater demand for bankers means that candidates have much more leverage in a tight talent pool, with retention remaining critical too.

Professionals now have significant leverage, yet it was only a short time ago that the industry was facing it's most difficult challenge of adapting to the pandemic.

There are plenty of changes still to the investment banking world and its workforce. It's how banks, and bankers react to such disruptions that will enable the industry to forge ahead. And the opportunities are huge after all, despite the pause from the pandemic.

Embracing these opportunities and striking while the iron is hot is our recommendation, because nobody knows what the future holds, the pandemic proved that. Professionals and banks must choose to welcome the great resignation as the chance to realise what they want from the industry, and what they don't want.

Exponential growth is expected, and there is a continued focus on the transformation of talent. There is a crystal clear mandate to businesses – hire and hire quickly to keep up with demand, and to get the right workforce in place for the years ahead.

It's going to be a year of recovery for the job market, and much, much more."

Oliver Hayes
Head of Investment Banking Division

About Selby Jennings

Selby Jennings is a leading specialist talent partner for banking and financial services. For more than 15 years, we have given professionals peace of mind that the recruitment journey is in expert hands.

Our continual investment in best-in-class technologies and consultant training enables us to match candidates and world-leading companies with speed, precision and accuracy. Today, Selby Jennings operates all over the world to help professionals reimagine their careers, globally. We pride ourselves in keeping our professional network up-to-date with any changes that will shape the future of work or employment. Visit our website to discover more invaluable insights, including exclusive research, salary guides and market trends.

USA

Oliver Hayes
Head of Investment Banking Division
New York, USA
Oliver.Hayes@phaidoninternational.com
(331) 240 3246

Kareem Bakr
Managing Director
New York, USA
Kareem.Bakr@selbyjennings.com
(646) 759 5601

Cameron Woods
Vice President,
New York, USA
Cameron.Woods@selbyjennings.com
(646) 759-5603

James Lee
Head of West Coast Investment Banking Division
California, USA
James.Lee@selbyjennings.com
(310) 773 0679

Emma Maddox
Principal Consultant
North Carolina, USA
Emma.Maddox@selbyjennings.com
(704) 247 5913

Megan Grabow
Head of Midwest Investment Banking Division
Chicago, USA
Megan.Grabow@selbyjennings.com
(312) 637 4237

EUROPE

Brianne Toole
Head of Corporate & Investment Banking
London, Europe
Brianne.Toole@selbyjennings.com
+44 (0) 203 667 8377

Matt Nicholson
Managing Director
London, Europe
Matt.Nicholson@selbyjennings.com
+44 (0) 203 758 8911

APAC

Abimanu Jeyakumar
Director
Hong Kong, North Asia
Abimanu.Jeyakumar@selbyjennings.com
+852 3008 0316

Bryan Law
Vice President
Singapore
Bryan.Law@selbyjennings.com
+653 165 1427

Joe Parker
Principal
Hong Kong, North Asia
Joe.Parker@selbyjennings.com
+852 3008 0315

selbyjennings.com

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Disclaimer

For the purpose of this note we are defining Investment banking as the activity relating to assisting with the underwriting of new debt and equity securities for all types of entities, whether they are governments, companies or other participants, supporting in the sale of securities, helping to facilitate mergers and acquisitions in all sorts of ways, supporting reorganisations of entities(e.g. demergers, separation of divisions) , and brokering trades for both institutions and private investors. It is not extended to include asset managers like BlackRock who are not broker dealers but are seen as competing with the asset management arms of investment banks for client money to invest.