

FINANCIAL SERVICES
HONG KONG AND CHINA

SALARY SURVEY 07/08

Michael Page
INTERNATIONAL

WELCOME

Welcome to the Michael Page Financial Services Salary Survey for 2007/2008.

The survey provides employers and candidates with useful insights into employment conditions, business confidence levels and recruitment trends in Hong Kong and China.

Our commentary is based on both quantitative and qualitative research and covers the following key sectors:

- Front Office
- Back & Middle Office – Banking
- Asset & Fund Management

We wish to thank everyone who contributed to this year's survey and trust you find it helpful and informative. We welcome your feedback and encourage you to contact us for further information or specific market advice.

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INTRODUCTION

The strength of the Asian economy is driving employment growth and business confidence in the banking and financial services sector. Recruitment activity is strong with a significant rise in the number of banking and finance industry positions advertised in Hong Kong over the past 12 months.

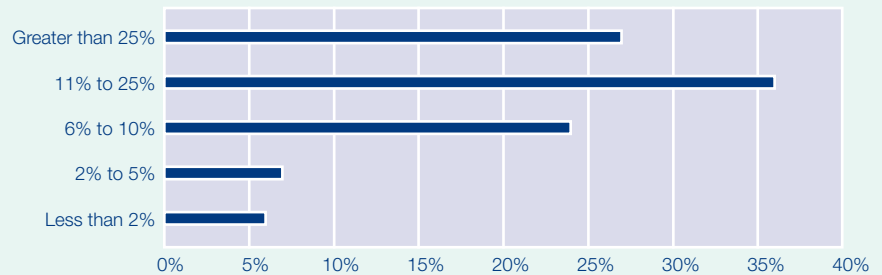
Hong Kong is benefiting greatly from China's economic growth, as well as mainland companies conducting public listings and increased international trade. As a result of these positive market conditions, investment and commercial banks are expanding and there has been a sharp increase in the number of hedge funds and private equity firms. This is creating intense competition for talent and placing pressure on employers to source candidates from overseas to address the domestic skills shortage.

There is strong demand for experienced product controllers, fund accountants, compliance and operational professionals in the middle/back office area. There is also a need for corporate finance, credit sales and private equity specialists in front office. The growing number of funds investing in the Asia Pacific region is also leading to increased asset and funds management positions.

For employers, pay increases and multiple job offers for sought after candidates are major recruitment challenges. High performers with specialist experience are likely to have several job opportunities which means they can demand large pay increases. To stay ahead in the highly competitive finance sector, banks must go beyond purely financial measures to retain their top performers and also offer training and career development opportunities and work-life balance.

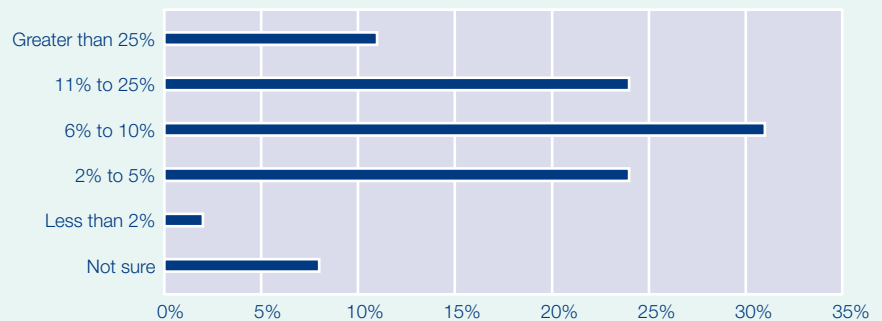
PERCENTAGE OF SALARY GIVEN FOR MOST RECENT BONUS

Three-quarters of respondents had a bonus component as part of their salary package. When asked about their last bonus payment, 27% reported a payment greater than 25% of their base salary.



WHAT PERCENTAGE INCREASE WOULD YOU EXPECT WITH YOUR NEXT SALARY REVIEW?

The majority of respondents were optimistic in terms of salary expectations, with almost one-quarter expecting a rise of between 11% and 25%.



NATIONAL EMPLOYMENT SURVEY

The National Employment Survey is conducted on an annual basis and measures employment conditions, business confidence levels and recruitment trends. The survey for 2007 was completed by 1454 employees and 503 employers from a variety of professional sectors in Hong Kong and China.

A selection of key findings is listed throughout this publication. The survey results, which form the quantitative component of the broader research project, are supplemented with qualitative insight derived from our extensive involvement with white collar employers and job seekers across Hong Kong and China.

KEY FINDINGS FROM THIS STUDY:

Employer Trends

- 98% of employers surveyed predicted their staff numbers would remain constant or increase in the next 12 months, an increase of 40% from our last survey.
- At 32% and 25% respectively, organic growth and new projects were listed as the main areas of focus for employers in the year ahead.
- Over the past 12 months, 65% of companies experienced difficulty in retaining staff.
- 84% of companies see staff retention as another important focus for the next 12 months.
- When asked which retention strategies employers would consider over the next year, career promotion, training and development and bonus schemes were the three most common responses.

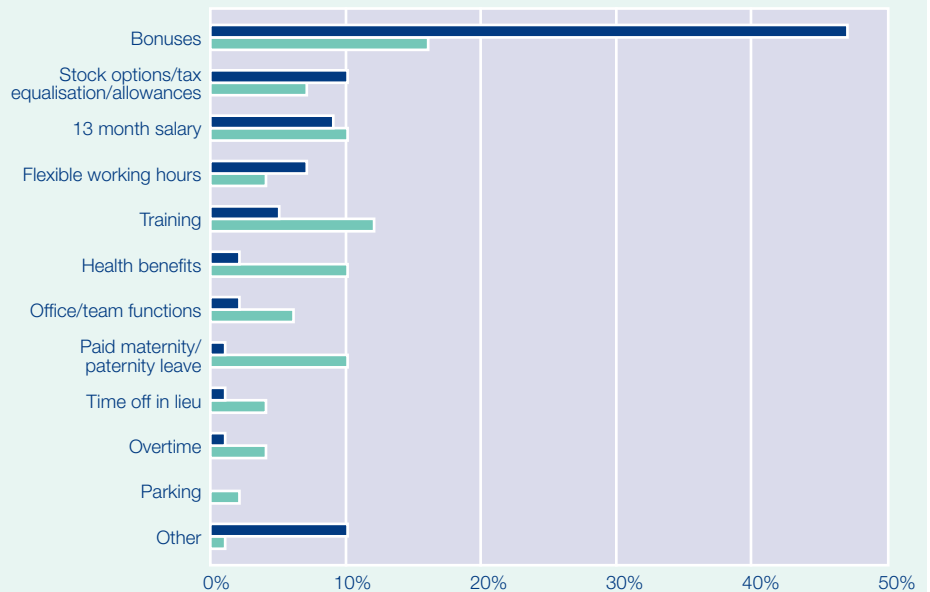
Employee Trends

- 47% of respondents cited career advancement as the primary motivator for their last job change. Only 7% nominated more money as the main reason.
- 76% of respondents rated their company's training and career development opportunities as average or below average.
- Half of the respondents surveyed have worked overseas and of those 76% would consider doing it again.
- When asked what their salary expectations were for the year ahead, one third of the respondents expected a salary increase greater than 11%.
- Close to half of the respondents surveyed expect a bonus of 11% to 25% of their salary, with one third of respondents seeking a minimum of 25%.

ACTUAL INCENTIVES VS PREFERRED INCENTIVES

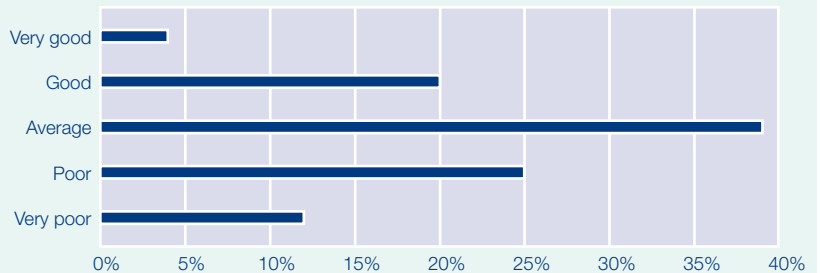
The survey showed there was disparity between the incentives employees wanted and those their employers were providing. Bonuses and stock options/tax allowances were the most preferred incentives by employees.

■ Preferred incentive
■ Actual incentive



HOW WOULD YOU RATE YOUR COMPANY'S TRAINING AND CAREER DEVELOPMENT OPPORTUNITIES?

76% of respondents rated their company's training and career development opportunities as average or below average.



FRONT OFFICE

MARKET OVERVIEW

Recruitment activity in this sector has been particularly strong over the past 12 months. Investment banks have expanded significantly, giving rise to a need for more infrastructure and support. There has also been a sharp increase in the number of hedge funds and private equity firms which is creating intense competition for talent.

We have seen a fundamental shift over the past year where experienced professionals from investment banks are joining smaller hedge funds and private equity firms. These smaller financial firms are perceived as providing higher salaries, greater autonomy and a better work environment than the large investment banks. This shift is coming at a difficult time for investment banks as they are pursuing aggressive growth plans due to the buoyant Asian economy, which is driving recruitment activity at the senior end of the market.

Banks are finding it difficult to retain talent as more candidates switch to the buy side. As a result, banks need to focus on strategies such as training and career development, bonuses and work/life balance to retain their top performers.

Competition for corporate bankers and experienced relationship managers is strong in the areas of local companies, multinational corporations, SMEs and financial institutions. Growth in international trade and continued expansion of the mainland economy will see this continue. Hand in hand with lending, the number of roles for credit analysts will continue to grow.

Candidates with a strong academic background and a proven career history with recognised brands are highly sought after. Demand is highest for professionals in corporate finance, mergers and acquisitions, leveraged finance and credit, equities and sales and trading. An ability to read, write and translate Chinese has also become a prerequisite for many positions as organisations expand their business into China.

EMPLOYMENT FORECAST

We expect recruitment activity to remain strong in the foreseeable future. In the current candidate short market, counter offers are becoming more common, with employers willing to pay significant premiums to retain top performers. This is driving up salary levels, however, delivering results remains the key factor in determining bonuses.

TOP FIVE ROLES IN DEMAND

- Corporate Finance/Mergers & Acquisitions Analyst/Associate
- Hedge Funds Analyst
- Private Equity Analyst
- Leveraged Finance Associate/VP
- Credit Analyst

HONG KONG FRONT OFFICE SALARY TABLE

Experience	Salary HK\$'000
EQUITY RESEARCH	
1-3 years	400-600
3-5 years	600-800
5-7 years	800-1.2 million
7+ years	1.2 million+
FUND MANAGEMENT	
1-3 years	350-500
3-5 years	500-700
5-7 years	700-1.1 million
7+ years	1.1 million+
EQUITY/DERIVATIVE SALES	
1-3 years	450-700
3-5 years	750-900
5-7 years	900-1.2 million
7+ years	1.3 million+
INVESTMENT BANKING/CORPORATE FINANCE	
1-3 years	475-625
3-5 years	625-850
5-7 years	850-1.25 million
7+ years	1.25 million+
PRIVATE EQUITY/DIRECT INVESTMENT	
1-3 years	480-700
3-5 years	700-850
5-7 years	900-1.5 million
7+ years	1.5 million+
STRUCTURED/PROJECT FINANCE	
1-3 years	500-650
3-5 years	700-850
5-7 years	900-1.1 million
7+ years	1.1 million+
CREDIT ANALYST/CREDIT RISK	
1-3 years	350-600
3-5 years	650-850
5-7 years	850-1.2 million
7+ years	1.2 million+
FIXED INCOME RESEARCH	
1-3 years	400-600
3-5 years	600-800
5-7 years	800-1.2 million
7+ years	1.2 million+
CORPORATE BANKING/SALES & RELATIONSHIP MANAGEMENT	
1-3 years	300-450
3-5 years	500-650
5-7 years	650-800
7-10 years	850-1.1 million
10+ years	1.2 million+

Notes:

1. This table is based on basic salary, excluding bonus/incentive schemes.
2. Market rates are becoming much less uniform. While we have taken great care, these salary ranges can only be approximate guides, as there are often specific circumstances relating to individual companies. Please call us for additional information.

BACK & MIDDLE OFFICE

MARKET OVERVIEW

Despite some firms moving their back and middle office operations offshore to reduce labour costs, the employment market for support professionals in Hong Kong remains robust. Most Hong Kong banks continue to benefit from the growth in international trade and the expansion of the mainland economy and are increasing headcount across all asset classes.

There is a shortage of banking and finance professionals in Hong Kong and the broader Asia region. As a result, more employers are recruiting candidates from the US, Australia, the UK and elsewhere to fill mid to senior level positions in back and middle office. Candidates returning from overseas with multilingual skills are also highly sought after.

We have seen relatively high turnover at the senior end of the market over the past 12 months due to aggressive overseas recruitment activity and increasing career opportunities for experienced banking and finance professionals. In terms of retention, some employers are undertaking mid-year reviews to ensure they maintain market salary levels. Banks are also investing more heavily in the training and development of graduates to meet resourcing needs.

A number of major investment banks are undertaking business process improvements and making structural changes to their middle office operations due to business growth. This is directly driving demand for candidates with strong project management skills and Six Sigma experience. Demand for candidates with experience in the areas of compliance, product control, risk and equity and fixed income operations also remains strong.

EMPLOYMENT FORECAST

Due to the shortage of highly skilled candidates and intense competition for talent amongst global investment banks, we predict average salary increases of 15% to 20% over the next 12 months. For hard to find skills sets, employers will provide salary increases of 20% or more and companies may use other incentives such as work-life balance, internal transfers, overseas opportunities and generous bonuses to retain top talent.

TOP FIVE ROLES IN DEMAND

- Product Controller
- Operations Manager
- Risk Analyst
- Compliance Manager
- Internal Auditor

HONG KONG BACK & MIDDLE OFFICE SALARY TABLE

Experience	Salary HK\$'000
INTERNAL AUDIT – FINANCIAL	
3–5+ years	420–650
6+ years	650–900
10+ years	900–1.5 million
15+ years	1.5 million+
INTERNAL AUDIT – IT	
3–5+ years	450–700
8+ years	700–950
10+ years	950–1.5 million
15+ years	\$1.5 million+
FINANCIAL/MANAGEMENT/ACCOUNTING	
4+ years	350–580
6+ years	580–850
8+ years	850 –1.4 million
10+ years	1.4 million+
PRODUCT CONTROL/MIDDLE OFFICE	
5+ years	450–850
8+ years	850–1.05 million
10+ years	1.05–1.6 million
15+ years	1.6 million+
OPERATIONS/SETTLEMENT	
3+ years	330–550
7+ years	600–800
9+ years	800–1.3 million
12+ years	1.3 million+
COMPLIANCE	
5+ years	480–700
8+ years	700–1 million
12+ years	1–1.45 million
15+ years	1.45 million+
MARKET RISK MANAGEMENT	
1–3+ years	300–650
3–5+ years	650–800
5–7+ years	800–1.25 million
7+ years	1.25 million+

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ASSET & FUND MANAGEMENT

MARKET OVERVIEW

Hong Kong is experiencing consistent growth in the asset and fund management market, as it continues to consolidate its position as Asia's financial centre. An increasing number of investment funds are targeting the Asia Pacific region due to continued economic growth and high levels of business confidence, directly driving demand for candidates.

Where back and middle office functions were previously outsourced, there is a trend towards companies bringing these in-house due to the positive economic climate. This is leading to the creation of new positions and growth in senior positions at Chief Financial Officer and Chief Operating Officer level.

There is a shortage of candidates in Hong Kong and as a result, employers are adopting more flexible recruitment strategies to secure talent. Employers have broadened their search to include candidates from multinationals or other non-financial commercial environments who have transferable skills. There has also been increased flexibility in sourcing candidates globally, however, there remains a language barrier for those coming from non-Chinese speaking backgrounds. In areas such as real estate, where an understanding of the local market is important, employers still prefer candidates with Asian exposure.

Candidates with a 'can-do' attitude are highly sought after to drive business growth. Fluency in Mandarin is highly regarded as companies increase activity in China. There are excellent long-term career prospects for asset management professionals and the continued skills shortage in the financial services sector will increase opportunities for candidates with relevant skills.

EMPLOYMENT FORECAST

We expect demand for asset and fund management professionals to increase over the next 12 months as companies continue to grow and expand operations. The skills shortage will place upwards pressure on salaries with average increases of 15% to 20% for talented and experienced candidates.

TOP FIVE ROLES IN DEMAND

- Compliance Manager
- Financial Accountant
- Chief Financial Officer
- Operations Manager
- Risk Analyst

HONG KONG ASSET & FUND MANAGEMENT SALARY TABLE

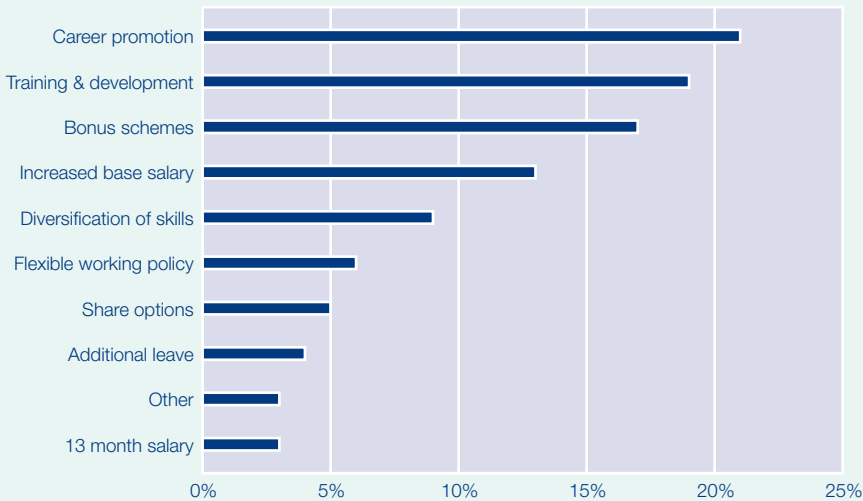
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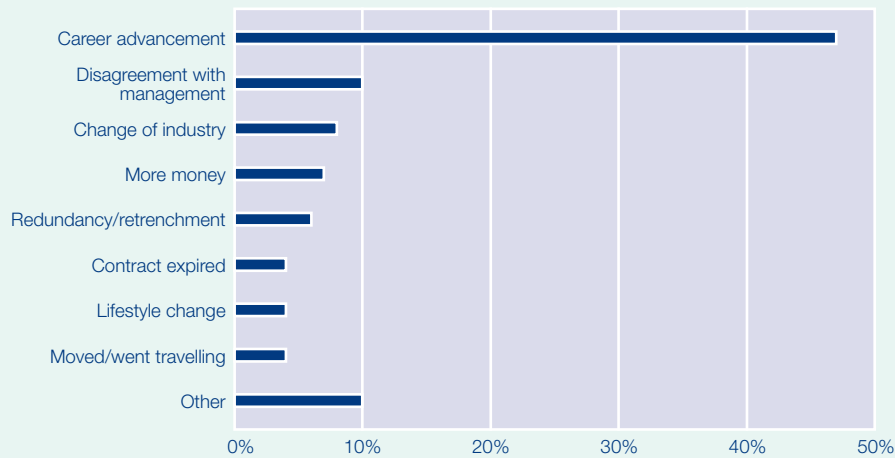
WHICH RETENTION STRATEGIES DO YOU THINK YOUR COMPANY WILL CONSIDER OVER THE NEXT 12 MONTHS?

84% of companies see staff retention as an important focus for the year ahead. When asked which retention strategies they would consider over the next 12 months, career promotion and training & development were the most common responses.



WHAT WAS THE MAIN REASON FOR YOUR LAST JOB CHANGE?

Almost half of respondents cited career advancement as the primary motivation for their last job change.



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