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It requires a deeper understanding of the Chinese pension market to fully comprehend the significance of the AMP's acquisition of a 20 per cent stake in China Life Pension Company. On a couple of measures it looks like a small scale deal. The $240 million cost of that stake is equal to about 1.5 per cent of AMP's market capitalisation. Also, the China Life Pension Company's asset under management are smaller than the AMP corporate super business at home.

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But compare the growth prospects of the Australian operations with those in China and it is obvious chief executive Craig Meller is tapping into a massive opportunity.

AMP's corporate super business in Australia might have $24 billion in assets under management compared to only $14.7 billion in assets under investment in China Life Pension Company.

But it is safe to say that AMP's corporate super business is ex-growth. in the latest quarter it had net cash flows of $16 million.

The pension market in China totals $100 billion at the moment. But Meller says it is tipped to grow to $700 billion by 2020.

Growth in China's enterprise annuities market has been about 26 per cent a year during the past five years.

AMP is the first foreign company in the world to purchase a stake in a Chinese pension company with three licences allowing end-to-end services throughout China, the company said.

AMP shareholders will not see immediate gains from their company's latest Asian expansion. The acquisition is not expected to be earnings accretive until 2017.

Meller is right to emphasise the fact that this deal follows years of investment in time and energy by AMP staff working with senior management of China Life, which is the ultimate parent of China Life Pension Company.

China Life, which is the largest life insurance company in the world by market capitalisation, has been working with AMP on a formal basis since 2005. AMP has been in China since 1997.

The two companies signed a memorandum of understanding for strategic cooperation in August 2009.

In September last year, AMP Capital and China Life Asset Management Company formed a joint venture, China Life AMP Asset Management Company.

Meller told Chanticleer, that he had been working on the deal with China Life Pension Company for more than a year but it had been a possibility for a lot longer than that.

He says the advantage of this transaction is that the regulatory settings in China are changing to encourage increased private sector savings for pensions.

That will encourage the growth in the pension business.

At a recent luncheon event in Sydney, senior Chinese officials told a group of prominent businessmen and women that China was very attracted to the features of the Australian retirement savings system.

However, the officials stressed that it would take many years for China to build the infrastructure necessary to marshall the savings of Chinese workers within a national system.

Meller says the China Pension Life Company deal gives AMP a strategic foothold in the rapidly growing enterprise annuity segment of China's pension market.

In a model for what could happen if Australia took seriously the invitation to join the Asian Investment Infrastructure Bank, AMP will nominate two directors to the 11 member board of China Life Pension Company.

China Life Insurance Group Chairman Yang Mingsheng said: "This marks a new chapter of transformation for China Life in the diversification of its equity base, internationalising its business and making its operations more market-orientated."

While National Australia Bank chief executive Andrew Thorburn did not give a deadline for selling Clydesdale and Yorkshire Banks it would not be surprising if it all got done in 12 months.

The fact that Morgan Stanley and Macquarie Capital have been appointed to help sell the assets says the process is far more advanced than it would first appear.

The lead managers on the Great Western Bank initial public offering in the United States are Deutsche Bank and Bank of America. A feature of Thorburn's short tenure as CEO has been moving faster than expected and confronting troublesome issues rather than leaving them under the carpet.

The UK banks have a book value of $4 billion. Considering they do not have significant exposure to the rich southern part of the UK it will be difficult to get more than book value.

In fact the example offered by chief financial officer Craig Drummond when asked how the sale might unfold does not encourage high expectations.

He said TSB Banking Group is a comparator for Clydesdale and Yorkshire. But it trades at a 20 per cent discount to its book value. That would suggest NAB taking an $800 million write down on its balance sheet value.

Analysts have speculated that a sale might even be as low as 50 per cent of book value but that would surely be too hard a pill to swallow. The message from Thorburn is that he needs to put as much capital as possible into Australia and New Zealand where it can earn a return on equity of 17 per cent. However, that calculation is based on the banking world before the release of the final report of David Murray's Financial System Inquiry. That report is likely to recommend higher capital ratios for banks, a floor in the risk weighting of mortgages and a consequence of that is lower profit margins.

Funds managers are a leveraged play on movements in financial markets which helps explain why an employee of Westpac Banking Corp's funds management arm, BT Investment Management,Gavin Rochussen is paid more than Westpac's chief executive Gail Kelly. Rochussen is chief executive of fund manager J.O. Hambro Capital Management, which was bought by BTIM in 2011. His total employment benefits in the year to September 2014 were $10.78 million including $8.9 million in long term equity payments, based on the grant value of share-based payments. Kelly was paid $9.32 million in 2013. Rochussen is a participant in four equity schemes including the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.

The year 2014 will go down as a year to have been a fund manager at BTIM, which specialises in multi-boutique funds management. The remuneration of portfolio managers and analysts working in 17 different BT investment teams includes revenue sharing arrangements and the splitting of performance fees.

Revenue from base management fees rose 36 per cent to $289.7 million while performance fees rose 180 per cent to $121.8 million. In relation to performance fees alone, about $70 million was shared by 50 people.

The huge increase in payments to fund managers helps explain the 48 per cent increase in cash operating expenses to $258.5 million. Employee costs rose 59 per cent to $203 million.

The BTIM annual report says its remuneration structure does not allow fund managers to "fall prey to an asset gathering mentality at the cost of investment performance". However, equity incentives are tied to growth in funds under management. At September 30, BTIM had $75 million in potential share grants for fund managers. BTIM's chief executive Emilio Gonzalez says the fund managers have only done well because the clients in BT funds have done well. He says the higher base and performance fees were paid because the fundies added $900 million in additional value to BT funds. Gonzalez earned $3 million in 2014 based on the grant value of share-based payments.

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