Johnson Associates

2024 Public Financial Services Compensation Disclosures

Discussion Outline | June 18, 2024

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Introduction

Johnson Associates analyzed proxy disclosures across ≅ 60 financial services firms to understand how pay trends have evolved for year-end 2023. Analysis includes public data supplemented with some broader industry comments. Summary outline of how compensation evolved over time and differences by sector.

Topics Included:

- CEO / average NEO total compensation, 3-year trend, and industry comparisons
- CEO / average NEO pay mix by element
- Long-term vehicle prevalence (restricted shares, performance shares, options)
- One-time award prevalence
- Common vesting timeframes
- Equity ownership requirements
- Board of Director compensation

Sectors Assessed:

- Major Financial Services
- Asset Management
- Insurance
- Credit Card / Payments
- Regional Banks
- Boutique Investment Banks

Key Takeaways

- Executive compensation de-link from broader firm pools for most sectors
- CEO / NEO pay mix relatively stable from 2021 to 2023 with more variance at regional banks / boutique investment banks
- PSUs are predominant LTIP vehicle, except at investment banks with heavier RSU use
- Continued decrease in options with noticeable exceptions such as insurance companies
- One-time award usage linked to market environment
  - Significant awards in 2021 followed by substantial decrease in 2022 and partial recovery in 2023
- 3-year vesting is predominant practice with some longer timeframes, particularly at boutique investment banks
- Most firms express ownership requirements as % of salary, but actual holdings for executives significantly higher
- Moderate increase in Director compensation for most; larger 2-year adjustments at insurance companies and regional banks

2024 Proxy Disclosure Sample Set

List of ≅ 60 firms analyzed by Johnson Associates across sectors for year-end 2023 pay trends

Major Financial Services	Asset Management	Insurance	Credit Card / Payments	Regional Banks	Boutique Investment Banks
Bank of America	Affiliated Managers	Aflac	American Express	Citizens	Evercore Partners
Citigroup	AllianceBernstein	AIG	Capital One	Comerica	Houlihan Lokey
Goldman Sachs	Ameriprise Financial	Allstate	Discover	Fifth Third	Jefferies
JPMorgan Chase	BlackRock	Chubb Group	Fiserv	Huntington Bancshares	Lazard
Morgan Stanley	BNY Mellon	Corebridge	Mastercard	KeyCorp	Moelis & Company
Wells Fargo	Charles Schwab	Hartford Financial	Visa	M&T Bank	Oppenheimer
	Federated Hermes	Lincoln National		PNC	Perella Weinberg
	Franklin Resources	Marsh & McLennan		Regions Financial	Piper Sandler
	Invesco	MetLife		Truist Financial	PJT Partners
	Janus Henderson	Principal Financial		US Bancorp	Raymond James
	Northern Trust	Progressive			Stifel
	State Street	Prudential			
	T. Rowe Price	Travelers			

2021 to 2023 CEO / NEO Pay Trends vs. Broader Industry

Table reflects 2023 average CEO and NEO compensation with percent change from 2021 across sectors

- Industry incentives down at least 10% to 20%+ since 2021
  - However, CEO pay generally flat, while NEO pay down +/- 10% (excluding boutique investment banks)

- De-linking of public company executive compensation vs. industry overall / firm compensation trends
  - Major financial services pay positive for CEO / NEOs, while most professionals in industry down 20%+
  - Asset management CEO / NEOs consistent with broader industry (historically larger decrease than overall pool)
  - Boutique investment banks most in line with broader employee pay trends (down 30%+ vs. average employee down 20%+)

- Pay ratio of CEO to average NEO varies somewhat
  - Credit card companies, insurance firms, asset managers, and regional banks around 3:1
  - Major financial services firms and boutique investment banks around 2:1
  - Reflects different compensation paradigms (i.e., “partner like” vs. traditional corporate structures)

Sector	2023 CEO Pay ($M)	CEO Pay vs. 2021	2023 Avg NEO Pay ($M)	Avg NEO Pay vs. 2021	CEO vs. Avg NEO Ratio
Major Financial Services	$31.3	+ 3%	$17.6	+ 2%	1.8
Credit Card / Payments	$22.0	- 2%	$8.0	- 6%	2.7
Insurance	$18.9	+ 6%	$5.8	- 7%	3.2
Asset Management	$15.6	- 4%	$5.8	- 16%	2.7
Regional Banks	$11.2	- 2%	$3.8	- 14%	2.9
Boutique Investment Banks	$9.5	- 33%	$4.8	- 35%	2.0

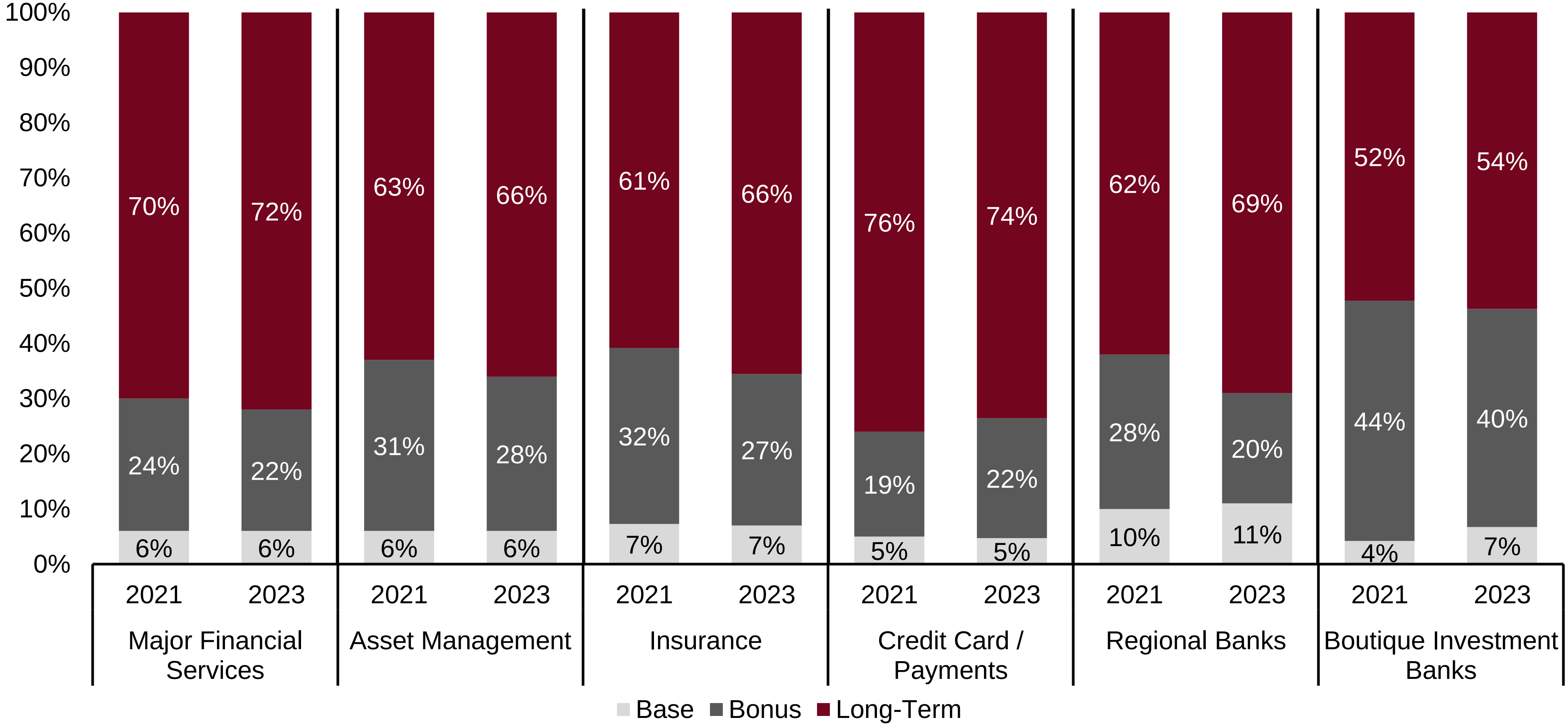
* Ordered on 2023 CEO average pay from highest industry segment to lowest segment

- Amounts represent industry averages; competitive ranges would vary by firm on peer group, scale, business dynamics, responsibilities, etc.

Average CEO Pay Mix by Industry Segment

Summary of CEO pay mix across base, bonus, and long-term from 2021 to 2023 by industry segment

- Common for CEO base salary to be less than 10% of total compensation
  - Larger salary increases at boutique investment banks since 2021 consistent with market trends
- Long-term compensation typically significant majority of total compensation
  - Exception of boutique investment banks around 50%
  - 2022 investment bank LTIP % was higher than 2021 and 2023 (more variability year to year)

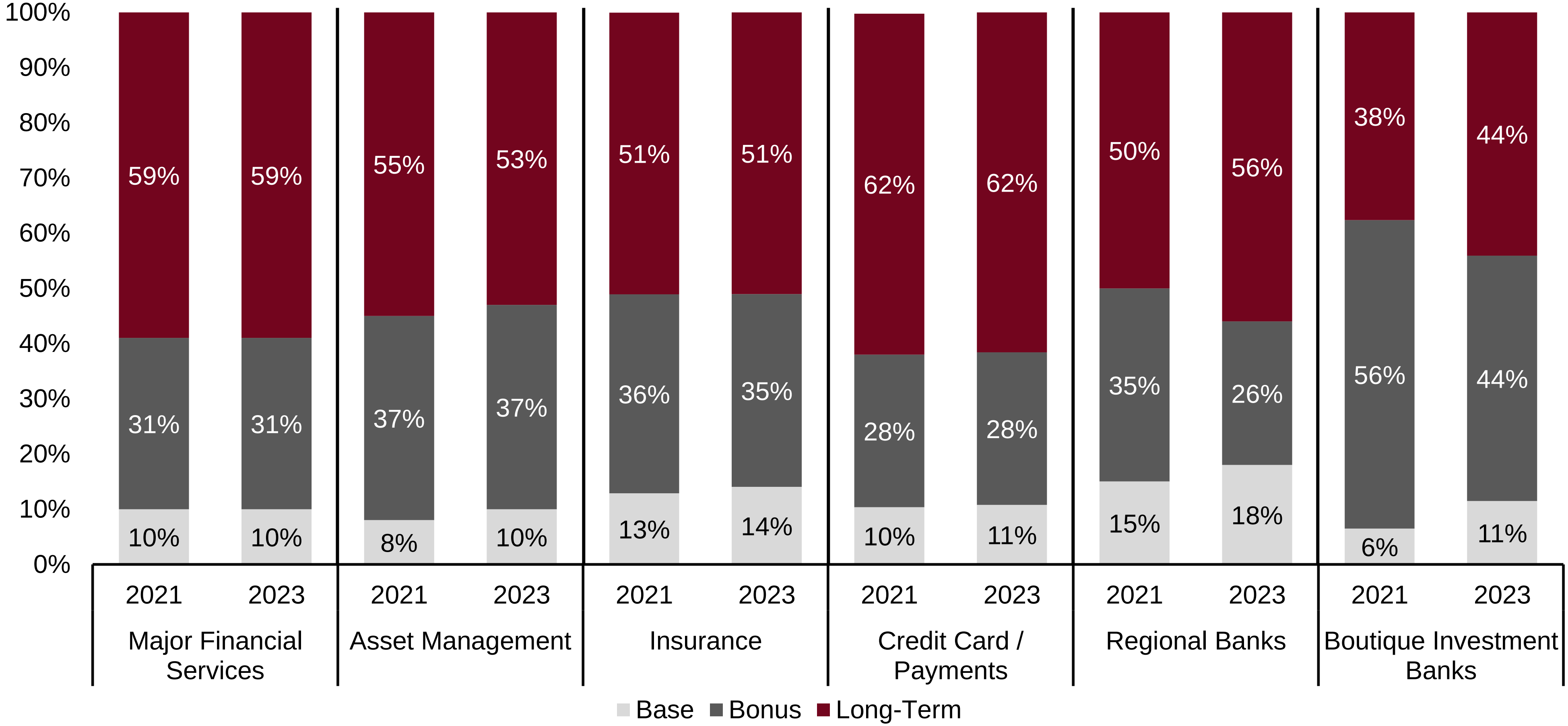


- Note: 2022 pay mix not shown as percentages largely stable across all 3 years; more variability at boutique investment banks

Average NEO Pay Mix by Industry Segment

Summary of NEO pay mix across base, bonus, and long-term from 2021 to 2023 by industry segment

- 10% to 15% of total compensation as base salary is common
  - Moderate salary increases consistent with 2021 financial services rebalance (most pronounced at regional / investment banks)
- NEOs experienced somewhat more pay mix variability than CEOs year-to-year
- Typically 50%+ of total compensation in long-term; exception of boutique investment banks at about 40%



- Note: 2022 pay mix not shown as percentages largely stable across all 3 years; more variability at boutique investment banks

Long-Term Vehicle Usage

LTIP vehicle usage by industry and average % of total long-term compensation for CEO and NEOs

- Performance shares are by far the most common long-term vehicle overall
  - Boutique investment banks grant RSUs more frequently

- Restricted shares are 2nd most common vehicle overall
  - Less common at insurance firms
  - More common at boutique investment banks

- Firms in insurance, payments, and regional banking still grant stock options more regularly

	Prevalence (% of Firms)			% of CEO Long-Term			% of NEO Long-Term		
Sector	**RSUs**	**PSUs**	**Options**	**RSUs**	**PSUs**	**Options**	**RSUs**	**PSUs**	**Options**
Major Financial Services	83%	100%	0%	19%	81%	0%	40%	60%	0%
Asset Management	92%	92%	15%	36%	57%	7%	41%	52%	7%
Credit Card / Payments	83%	100%	50%	23%	64%	13%	28%	58%	15%
Insurance	58%	100%	67%	7%	72%	20%	14%	69%	17%
Regional Banks	90%	100%	40%	33%	63%	4%	35%	62%	3%
Boutique Investment Banks	80%	40%	0%	55%	45%	0%	58%	42%	0%

One-Time Awards

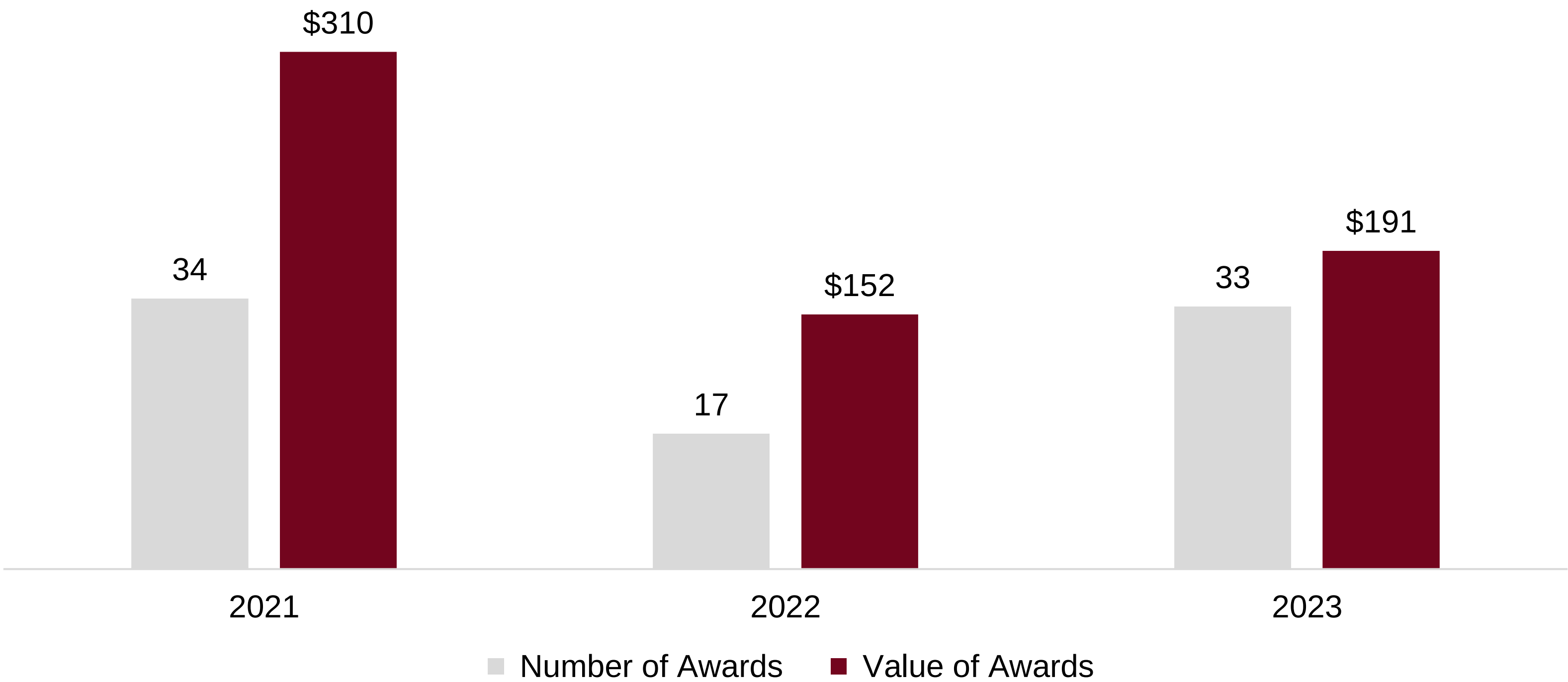
Instances of one-time awards and aggregate dollar value granted from 2021 to 2023 across sectors

- One-time award frequency and dollar amounts highest in 2021 during unusually strong year for financial services
  - Significant decrease in 2022 reflecting shareholder sentiment and weaker performance / outlook
  - With stronger industry performance in 2023, number of awards returned to 2021 levels, but not on a dollar basis

- Increasing disapproval of outsized one-time awards by shareholders / shareholder advisory firms
  - However, reasonable one-time awards remain useful tool in select circumstances

- Investment banks and asset management firms granted the most one-time awards during period on per firm basis
  - Credit card / payment companies and insurance companies granted the least one-time awards during period on per firm basis

- Note: small sample set may have outsized impact on outcomes



- Replacement awards excluded from analysis to focus on additional economics; defined as compensation for forfeited awards from leaving prior employer

Vesting Schedule for Long-Term Components

Summary of all LTIP vesting schedules across sectors; table highlights prevalence of awards with vesting longer than 3 years

- Vast majority of long-term vehicles are subject to 3-year vesting
  - Most common alternative is 4 to 5 years with highest prevalence at boutique investment banks

Sector	% of Firms	% of Instances	Other Common Implementations
Major Financial Services	33%	15% to 20%	▪ 4 years
Asset Management	33%	25% to 30%	▪ 4 years ▪ Select examples of 5+ years
Credit Card / Payments	Approaching 0%	Approaching 0%	▪ N/A
Insurance	20% to 25%	10%	▪ 4 years ▪ Select examples of 5 year
Regional Banks	40%	20% to 25%	▪ 4 years
Boutique Investment Banks	60% to 65%	50%	▪ 4 to 5 years

Notes:

- **"% of Firms"** defined as % of firms in sector with at least one LTIP vehicle with vesting longer than 3 years
- **"% of Instances"** defined as % of distinct LTIP vehicles in sector with vesting longer than 3 years
- For example, if a firm has 3 LTIP vehicles, 1 with 4-year vesting and 2 with 3-year vesting, firm categorized as 1 of 1 in % of firms and 1 of 3 in % of instances
- Within major financial services, 2 out of 6 firms have vesting longer than 3 years; 2 out of 11 total LTIP vehicles at these firms have vesting longer than 3 years

Ownership Requirements

Common ownership requirements as multiple of base salary for CEOs / NEOs and equivalent dollar value
(calculations exclude non-multiple amounts as it is a less common practice across sectors)

- Predominant ownership requirement practice for CEOs and NEOs is a multiple of base salary
  - Common multiple range and corresponding $ amount shown (firms that do not use multiple of salary for requirements omitted)
- Other observed approaches include absolute $ value, number of shares, or % of awarded equity
  - Still somewhat prevalent at boutique investment banks to encourage, but not require ownership
- Not common to have different ownership requirements amongst NEOs (i.e., same multiple for all non-CEO NEOs)
- In practice, actual CEO / NEO equity ownership higher than minimum requirements

Sector	Multiples Prevalence	Common CEO Multiple	Average CEO Requirement	Common NEO Multiple	Average NEO Requirement	Non-Multiple Approaches
Major Financial Services	50%	6x - 10x	$16,700,000	3x - 7x	$7,400,000	$ Value % of LTIP
Credit Card / Payments	83%	6x - 10x	$10,300,000	3x - 4x	$3,900,000	$ Value
Insurance	100%	5x - 8x	$8,600,000	3x - 4x	$3,000,000	--
Regional Banks	90%	6x	$7,600,000	3x	$1,700,000	Shares
Asset Management	77%	7x - 10x	$6,700,000	3x - 5x	$2,500,000	$ Value
Boutique Investment Banks	64%	6x - 10x	$5,700,000	3x - 7x	$1,900,000	Shares % of RSUs

*Ordered on CEO ownership from highest dollar requirement to lowest requirement

Board of Director Compensation

Summary of 2023 Director compensation amounts / pay mix and changes from 2021 across industry segments
(amounts reflect average pay for a single director without any additional responsibilities)

- About 70% of firms have increased Director compensation since 2021 with differentiation by sector
  - Only half of Major Financial Services firms increased Director compensation, while all Credit Card / Payments firms increased
  - Insurance companies and regional banks saw largest dollar increases from 2021 (20%+)

- Continued decrease in meeting fee usage over the past 3 years

- Equity retainer typically higher than cash retainer
  - Lower equity vs. cash pay mix at insurance firms, regional banks, and boutique investment banks vs. major financial services, credit card / payments firms, and asset managers

Sector	2023 Average Director Pay	2023 Cash Retainer (%)	2023 Equity Retainer (%)	Increase Prevalence (2021 to 2023)	2021 to 2023 % Change
Major Financial Services	$352,500	30%	70%	50%	+ 8%
Credit Card / Payments	$319,167	33%	67%	100%	+ 10%
Insurance	$307,917	42%	58%	58%	+ 25%
Asset Management	$278,077	35%	65%	62%	+ 6%
Regional Banks	$246,250	41%	59%	70%	+ 22%
Boutique Investment Banks	$235,182	45%	55%	82%	+ 10%

*Ordered on average Director pay from highest sector to lowest sector

- Amounts represent industry averages; competitive ranges would vary by firm on peer group, scale, business dynamics, responsibilities, etc.