NOVEMBER 2026 CONFERENCE

Financial Services Compensation

Year of the Bank

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Financial Services Experts. Forward-thinking. Global Reach.

Johnson Associates is a leading independent financial services compensation consulting firm focused on strategic advice, innovative design, and data-enhanced benchmarking. Much of our work is project-based for senior firm management covering a wide range of issues. We also have extensive experience advising Compensation Committees across business cycles.

30+	300+	100+	20+
Years in Business	Client Assignments per Year	Client Assignments with an International Component	Years of Average Senior Consultant Experience

Asset Management

Global · Boutiques · Equities · Fixed Income · ETF · Multi-Asset

Wealth Management / Family Offices

Wealth Management · Endowments · Foundations · Single and Multi-Family Offices

Illiquid Investments

Private Equity · Private Credit · Venture Capital · Real Estate · Real Assets · Infrastructure

Alternative Investments

Single and Multi-Strategy Hedge Funds · Proprietary Trading · Quantitative Funds

Banks

Global Banks · Regional Banks · Boutique Investment Banks · Commercial Banks · Consumer Banks

Insurance Companies

Diversified · Life and Annuities · Property and Casualty · Insurance Asset Management · InsurTech

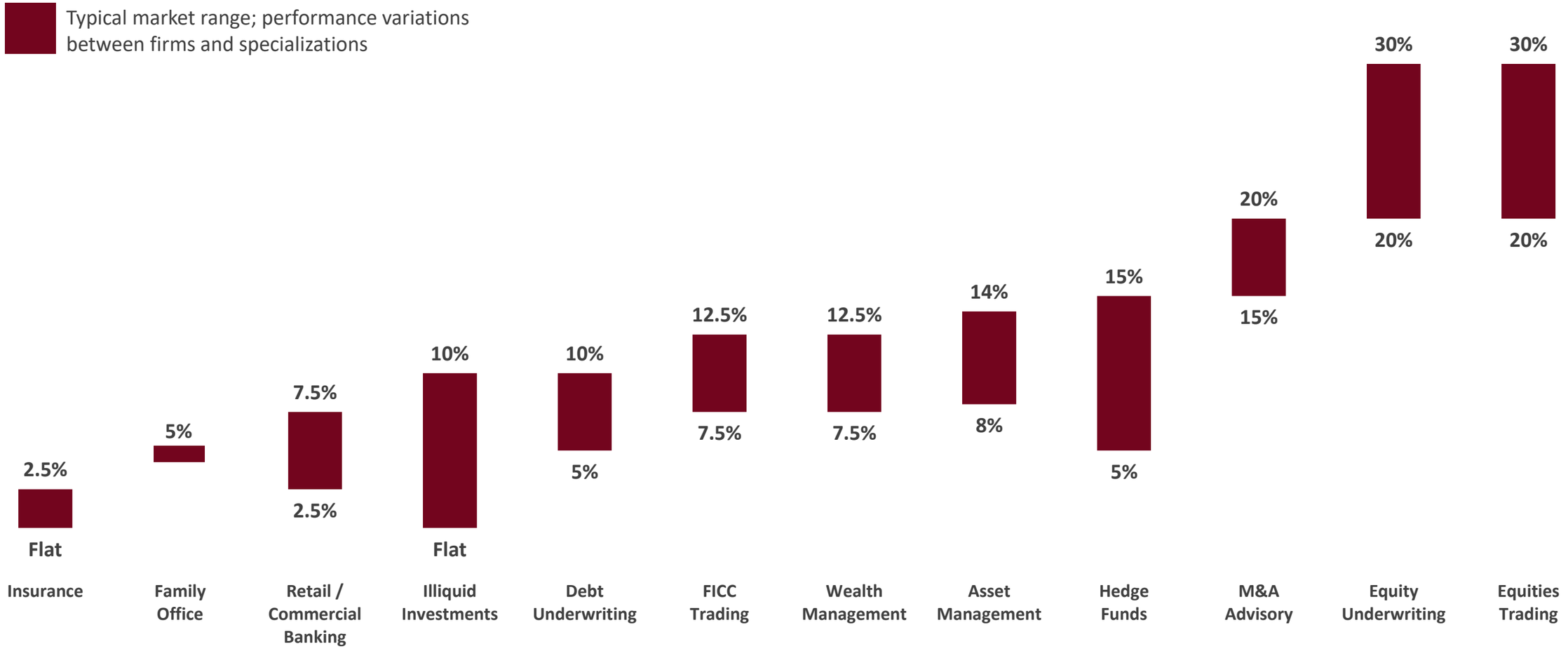
2026 Projections: Strong Results Led by Banks

Projected year-end incentive change from 2025; same store / same headcount

	YoY Change	Commentary
Investment and Commercial Banking	10% to 20%+	- Record equity trading, underwriting and advisory - Headcount trimming on AI efficiencies; focus on retaining revenue producing talent
Asset Management	8% to 14%	- Market boosts revenues; active ETF inflows with expanded product - Industry consolidation; barbell effect between mega firms and boutiques
Hedge Funds / Prop Trading	5% to 15%+ *(Wide Variations)*	- Strong inflows; macro / commodities and quant funds lead results - Hiring for new products / geographies; pressure from AI companies
Wealth Management	7.5% to 12.5%+	- Growth from inflows, market appreciation and demand for advice - Incentives climb with strong client advisory talent demand
Family Office	Up 5%	- Institutionalization reshapes talent and competition approach - Carry in focus as firms recruit private markets talent
Private Markets	Flat to 10% *(Varying Results)*	- Record low distributions in private equity; secondaries remains strong sector - Diversified platforms withstand challenges better than single-strategy
Insurance	Flat to 2.5%	- Captive asset management primary growth lever - P&C loses momentum; L&A maintains favorable rate environment
Base Salaries	3% to 3.5%	- Little appetite for going above the historical U.S. range - Moderately higher in the U.K. / E.U. and significantly higher in India

2026 Detailed Incentive Changes

Projected year-end incentive change from 2025; same store / same headcount



* Excludes proxy executives with firm-specific circumstances and designs (i.e., KPIs)

2026 Major Surprises

Initial “Flattish” Projection	- 2026 surprisingly positive year for financial services - Industry resilience despite geopolitical turmoil, inflation, and rising interest rates
Strength of Major Banks	- Re-emerging as major talent competitors; trading and underwriting surge again - Pools up with lower comp ratios; pay per head higher
Increased Interest Rates and Credit Uncertainty	- Values built on low rates revisited; deal and IPO windows narrowed - Redemption pressure in private credit; downside plays out in slow motion
Lack of Action Addressing Carry Blockages	- Overdue glaring need to address timing and magnitude of participant payouts - Retention issues as distributions stall; historical “golden ticket” out of sight
AI Impact Shifts	- AI evolving from productivity tool to driver of structural headcount change - AI firms bid for quant research at multiples of normal market; firms match selectively
Massive Push Into Retail Vehicles Continues Unabated	- Evergreen and retail funds proliferate despite redemptions in credit - Advisors distribute private markets; retirement channels opening

Workforce Efficiency (and Selectivity)

Revenue per head increases as firms continue to reshape org structure

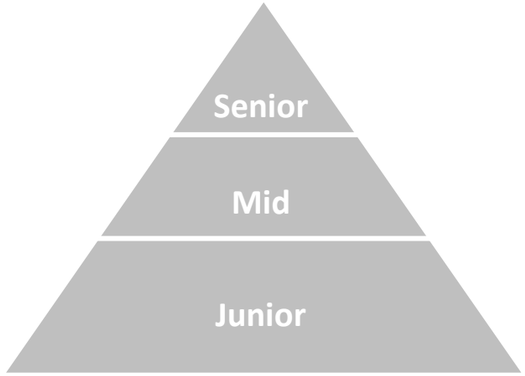
01 Selective Hiring
- Less concerns about talent availability
- Only targeted hiring in tech / investment roles

02 Top-Heavy Premium
- Demand for exceptional quant, engineering, and sales
- More replaceable talent facing greater scrutiny

03 Shifting Talent Pyramid
- AI and automation compressing entry-level hiring
- Narrower pipeline limits paths to senior roles

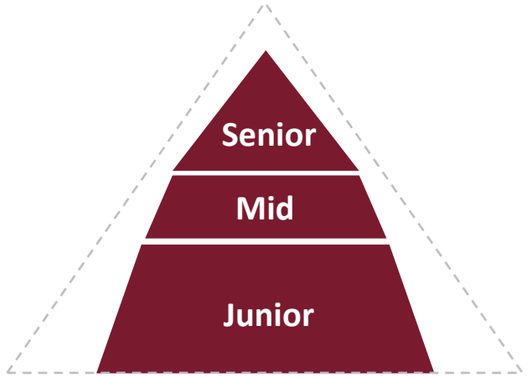
04 Less Bench Strength
- Less capacity to absorb departures, demand, or skill gaps
- HR analytics increasingly used to shape changing structure

Historical



Broad entry-level base

Today's Guess of Future

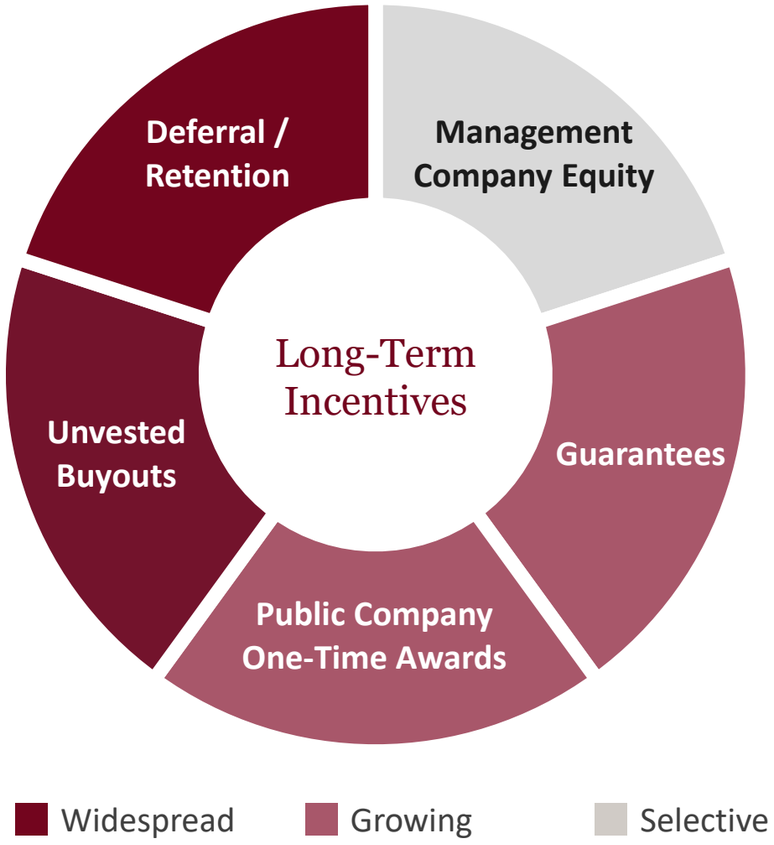


Compression by AI / automation

Revenue holds or grows → headcount decreases → pay per head increases
Lower headcount concentrates total pool; population that remains will be paid more

Long-Term Incentives: Attracting and Retaining Talent

Firms use long-term incentives in a variety of ways around talent



Award Type	Implications
HIRING	
Buyouts of Unvested Awards	- Routine in senior moves - Value usually not linked to performance
Guarantees	- Multi-year for star PMs and senior fundraisers - Guarantees protect new hire / facilitate ramp up period
RETAINING	
Deferral / Retention Awards	- Clearly increasing for senior staff - Revisit vesting, leaver and clawback terms
Public Company One-Time Awards	- Large grants in 2025 with increased 2026 looming - CEOs capture large proportion of grant value
Management Company Equity	- Used for alignment and cash supplement - Value often needs clear terms for liquidity

Targeted hiring and retention awards increasingly important; long-term vehicles focused on high-impact roles

Human Resources as a Strategic Partner (Finally!)

Compensation design serves as a tool for HR leaders to drive firmwide strategic objectives

Focus	Responsibilities	Guiding Principles
☑ Strategy	Align compensation with business strategy	Is the compensation model reinforcing long-term strategic priorities, growth plans and talent investments?
☑ Talent	Invest in talent big and small	Are we making the talent investments needed?
☑ Compensation Data	Interpret reliable market data in context	As market data gets noisier, are we using reliable data that fits our roles and firm?
☑ Performance Management	Establish a clear, transparent framework	Do we have a clear view of who is performing, who is not, and where talent decisions are needed?
☑ Rewards	Differentiate incentives where it matters	Do we have enough of the right turnover? What is the turnover we need to have?
☑ Philosophy	Make compensation philosophy tangible	Is the philosophy consistently applied in practice and reflected in actual compensation decisions?

Benchmarking: Job Content Plays a Critical Role

A raw median of ten CFOs is $5M. What is the market for a CFO at a $400B firm?

FIRM	ROLE	AUM	ALL-IN COMPENSATION
A	Compound role CFO	$1,000B	$8.0M
B	Compound role CFO	$900B	$7.0M
C	Compound role CFO	$750B	$6.5M
D	**Standard CFO**	$650B	$6.0M
E	Compound role CFO	$450B	$5.5M
			Raw median $5M
F	**Standard CFO**	$500B	$4.5M
G	Compound role CFO	$550B	$4.25M
H	**Standard CFO**	$400B	$4.0M
I	Compound role CFO	$350B	$3.5M
J	**Standard CFO**	$250B	$2.75M

Compound roles may also be business heads, CAOs, COOs, CROs, etc.

MESSY INPUTS

- Noise when blending dissimilar data
- Differences in scale, business mix, responsibilities, performance and timelines
- Peer groups (current vs. strategic / firm vs. function)
- Many points distort comparability
- Pitfalls of public / AI generated pay data

Actual Market

- Target firm ranks 25th percentile by size
- Standard roles more comparable scope
- Adjusted market closer to **$4M**

Is it better to be exactly wrong or about right? Smart judgment arrives at a better conclusion than raw noisy data

Sales Compensation as a Strategic Imperative

Sales compensation designs and approach to sustain and broaden growth

What the Market is Saying

- Need to evaluate sales strategically
- Top distribution talent has options
- Pay differentiation is increasing
- Relationship durability matters more
- Channels and business models are converging

What Firms Should Get Right

- Much sharper focus on competitive advantages and outcomes
- Reward collaboration and outcomes that drive the business
- Maintain clear connection between performance and pay
- Pay well for differentiated contribution
- Protect long-term economics while optimizing volume

Key Takeaways

- **Sales compensation designs need to receive greater focus**
- **Too many approaches lag changing industry dynamics**
- **Greater clarity needed on realistic targets, expectations, and time frames**

Carry Delayed: “Time to Stop Hand Waving”

Approach	Best Fit For	Considerations
Status Quo (Wait… Wait… Wait…)	Near-term distributions in sight Strong payout track record	Mid-levels carry remains largely unrealized Overly optimistic projections hurt credibility
Greater Cash Differentiation	Low-cash / high-carry model breaking down	Discipline and conviction to differentiate up and down Pressure on fee economics
Earlier Payouts to Mid-Levels	Mid-levels yet to see a distribution	Firms at moderate retention risk Sizing and methodology needed
Deal-by-Deal Waterfall	Funding at the deal level Continuation vehicles / secondaries	Claw back exposure LP terms / GP commitment funding
Deeper “Baskets”	Multi-product platforms Evergreen vehicles	Dilutes line of sight Harder to explain to participants

Short List of Carry Details to Get Right

Small differences in carry structure has meaningful implications for participation, economics and retention

01

Splits and Nomenclature

House vs. Team

Revisit house vs. team economics

Dollars-at-work more tangible than percentages

02

Front Office vs. Support Participation

Who is in the Plan

Pressure-test participation across non-investment roles as firms compete for stronger talent

03

Vesting Models

Retention vs. Liquidity

Balance retention value with expectations for liquidity and time-to-value

04

GP Commitments and Funding

Participant Investing

Recognize the increasing cash burden and available sources

Apply consistently across strategies where feasible

05

Role of Annual Pay

Cash vs. Carry

Articulate the role of competitive annual pay alongside carry

Seemingly small structural choices help drive how participants value carry

Integrating and Reinventing Compensation After a Transaction

Industry consolidation is accelerating; pay programs must evolve

	What Changes	Key Questions
Pay architecture	Legacy titles, levels and pay mix rarely line up Harmonize framework before decision making	What framework becomes the new standard?
Incentive funding	Legacy programs run parallel or combine Shared pool unifies; business pools protect economics	How is collaboration across businesses rewarded?
Retention tools	Deferred cash, equity and buyout awards Awards rolled over, bought out or grandfathered	What retains key talent through transition?
Ownership and carry	Legacy carry stays with existing funds or reallocated Higher valuations make ownership harder to transfer	Who keeps the upside on legacy funds vs. new vintages?
Earn-outs and MIPs	Earn-outs tie seller payouts to post-close targets MIPs pay out or convert at closing	What happens once deal-linked incentives payout?

Successful transition typically occurs over two to three cycles; communicate design changes and rationale early. Important to recognize there is a "honeymoon" period that should be fully utilized as organizations are combined.

Fearless Predictions

01	Pools Generally Fall in 2027	- Peak trading and underwriting results do not again repeat - Industry headwinds increasingly weigh on compensation pools - Market bubble deflates (at least partially)
02	Private Credit Platforms Fail to Meet Redemptions	- Redemption limits become losses; retail demand pulls back - Carry and retention tools weaken; mid-level exits accelerate
03	Pressure on Base Salary Levels	- Inflation and interest rates persist into 2027 - Differentiation on market positioning and performance
04	AI Firms Keep Bidding for Quant Talent	- Firms match selectively; cash certainty and career path remain the pitch - Premiums persist for research roles and narrow for engineering
05	Carry Valued Less; Cash Does More	- Mid-level professionals discount carry further as timelines extend - Firms widen cash differentiation
06	Much Greater Focus on Desired Turnover	- Less effort to keep average / less critical employees - Turnover used as a tool in reshaping the talent pool

Asset Management

Market appreciation masks pressure on fees and margins

Up 8% to 14%

Up 10% to 15%

Equities
Active ETF / Product

Up 5% to 10%

Fixed Income
Multi-Asset
Distribution

Up 2.5% to 7.5%

Corporate Staff

Key Takeaways

- Market appreciation lifts revenue, fees and margins remain under pressure
- Growth through consolidation and expansion into alternatives, active ETFs, and wealth
- Flows concentrate at the largest managers
- Focus on efficiency; when will AI reshape operating models?*
- Competition for talent broadens

Questions for 2027

Industry has historically underinvested…

Will firms continue to invest in products / growth at the expense of margin?

*Consolidation activity has explicitly cited AI as a lever to streamline operations and cut costs. Will AI-driven efficiencies become an even broader trend?

Wealth / Family Office

Talent costs rise amid heavy competition; acquisition is the growth strategy

Wealth Up 7.5% to 12.5% · Family Office Up 5%

Up 10% to 15%

Client Advisors
Private Markets Product

Up 2.5% to 7.5%

Family Office Investment Staff
Firm Management

Flat to Up 5%

Corporate Staff

Key Takeaways

Wealth

- Market appreciation lifts revenue, fees and margins remain under pressure
- Growth through consolidation and expansion into alternatives, active ETFs, and wealth
- Acquisition multiples drive retention package size

Family Office

- Benchmarking and design should reflect relevant asset classes
- Carry, co-investment and phantom plans must account for permanent capital nuances

Questions for 2027

Wealth

Can firms continue to grow rapidly and maintain adequate margin?

What happens when growth slows?

Family Office

Will firms continue to adopt market standard compensation plans for broadening portfolios?

Private Markets / Illiquid Investments

Record low distributions shift focus from carry to cash

Varying Results

(applies to total incentive; excludes carried interest)

Up 5% to 10%	Up 2.5% to 7.5%	Flat to Up 5%	Flat to Down 7.5%
Secondaries **Infrastructure**	**Private Equity (Large)**	**Real Estate** **Venture Capital** **Private Equity (Mid / Small)**	**Private Credit**

Key Takeaways

- Results diverge sharply by strategy; secondaries and infrastructure lead the way
- Barbell effect between large and small platforms; multi-strategy profile an increasing advantage
- Redemption and valuation pressures build in private credit
- Carry terms adapt to evergreen funds and continuation vehicles
- Succession and senior transitions test carry plan design and allocations

Questions for 2027

Can many firms continue to fundraise with so-so returns and delayed exits?

When will positive exits really commence?

Hedge Funds / Prop Trading

Talent competition escalates while performance disperses

Front Office Up 10% to 15%+ · Back Office Up 5% to 10%

(wide variation by strategy)

OUTPERFORMING	MARKET PERFORMING	UNDERPERFORMING
Proprietary Trading	**Multi-Strategy**	**Event-Driven**
Macro / Commodities	**Credit**	
Quantitative	**Corporate Staff**	

Key Takeaways

- Inflows and volatility drive growth; wide dispersion across strategies remains
- Star PM packages escalate through guarantees and richer P&L splits
- Negotiated terms replace many standard payout percentages
- Recruiting costs rise as firms buy out forfeited compensation and navigate non-competes
- AI firms compete directly with prop trading and high-end hedge funds for quant talent

Questions for 2027

Can prop trading successfully compete with AI firms?

Will higher interest rates weaken some mid-levels trades?

Major Banks

Strong results reinforce the year of the bank: record revenues with structural workforce change

Up 10% to 20%+

(strong business unit results)

Up 20% to 30%+	Up 10% to 20%	Up 5% to 12.5%	Flat to 10%
Equities Trading **Equity Underwriting**	**Advisory** **Firm Management**	**FICC Trading** **Debt Underwriting**	**Retail / Commercial** **Corporate Staff**

Key Takeaways

- Record trading revenues drive the year of the bank
- Advisory and underwriting recovered early, then cooled in second half
- Headcount declines while revenue per person rises (a trend likely to continue)
- AI-adjacent skills receive a premium for now as junior and mid-level ranks thin
- Wealth and investment management continue as key growth drivers

Questions for 2027

What will be the impact across businesses as the equity "bubble" deflates?

Will trading remain remarkably robust?

Insurance

Insurers prioritize operational efficiency and investment capabilities

Flat to Up 2.5%

2.5% to 5%

Actuarial and Risk
Investments
Technology / Data

Flat to Up 2.5%

Life & Annuities
Property & Casualty
Firm Management

Flat

Corporate Staff

Key Takeaways

- P&C past peak; softer pricing expected following record 2025 underwriting
- L&A steady with elevated rates; annuity flows into private credit draw regulator attention
- Asset management continues as growth engine; roles benchmarked against alternatives
- Cost focus on corporate functions with AI buildout; back office headcount consolidates
- Retention focus around M&A and leadership; several CEO successions set for 2027

Questions for 2027

Impact of rising rates and credit deterioration?

Need to reassess overall risk in investment portfolio?

Final Thoughts

Challenges

- **Peak results against a softening cycle**
  - Incentive pools funded at peak levels
  - Reset 2027 expectations now
  - “Bubble” equity markets partially deflate
- **Private credit and liquidity pressures**
  - Redemption limits, contested marks, regulatory attention
  - Carry worth less with delayed exits
- **Competition intensifies for top talent**
  - Sourcing high-end talent in a world of AI
  - Mid-level professionals most exposed

Opportunities

- **Sharpen pay for performance**
  - Wider dispersion; pay top performers well
  - Standard performers more replaceable
- **Benchmark with informed judgment**
  - The right peer group; adjust for role scope and complexity
  - Market data a start; smart judgment determines outcome
- **Align compensation with firm strategy and philosophy**
  - Thoughtful structure by business
  - Communicate with candor through the cycle

- **2026 rewarded strong results, 2027 will be a more difficult environment**
- **Concentrate pay on talent that drive results and set expectations early**
- **Change views on turnover of average performers as talent market evolves**