



Investment Banking Recruiting Guide 2026-2027

Financial Institutions Group (FIG)

What is Financial Institutions Group?

The Financial Institutions Group (FIG) is a specialized coverage group within investment banking that focuses on companies whose business models are fundamentally driven by their balance sheets rather than traditional operating performance.

Unlike other companies, financial institutions generate value through the deployment of capital, management of risk, and optimization of funding structures.

FIG typically covers several core subsectors, including Banks, Asset Managers, Insurance Companies, Fintech, and Specialty Finance Platforms

In practice, FIG bankers advise on mergers and acquisitions, capital raises, restructurings, and strategic decisions that are often heavily influenced by regulatory requirements. Because of this, FIG is widely considered one of the most technical and intellectually demanding groups within investment banking.

Why FIG is Unique

FIG differs from other investment banking groups primarily because financial institutions operate in fundamentally different ways from traditional companies.

For valuing most other companies you would look at their Cash Flows, Net Income, etc. but for FIG companies you look at their assets to determine the value of the company. Unlike other companies, in FIG the balance sheet is not just a supporting component of the business — it is the business itself. Assets such as loans and securities generate income directly, while liabilities such as deposits or insurance premiums serve as funding sources. This contrasts sharply with non-financial companies, where revenue is driven by products or services.

Because of this, valuation frameworks must also differ significantly. Metrics like EBITDA are not meaningful for banks or insurers. Instead, investors focus on price-to-book (PTB) multiples and returns on equity (ROE), which better capture how efficiently a firm uses capital.

Regulation is another defining feature. Banks must comply with minimum capital requirements (think bank runs: ex. Silicon Valley Bank), maintain specific capital ratios, and pass regulatory stress tests. Insurance companies operate under their own capital frameworks, such as risk-based capital requirements. These constraints directly impact how companies grow, return capital, and execute transactions.

Because of these differences, FIG has a steeper learning curve than most other groups. However, this complexity creates a meaningful advantage for candidates who invest the time to understand it.

Why FIG?

Answering “Why FIG?” is one of the most important parts of the recruiting process and you will be asked this in every single FIG interview.

Strong responses are specific and grounded in a clear understanding of the industry. Candidates often reference an interest in financial systems, macroeconomics, or the mechanics of how banks generate returns.

Experiences in investing, credit analysis, or exposure to financial markets can also strengthen this answer.

Weak responses tend to be generic and indistinguishable from standard investment banking answers. Simply expressing an interest in finance is not sufficient.

A strong answer should make it clear that FIG is a deliberate choice.

Overview of FIG Sub-Verticals

Banks

Banking is one of the largest sectors in FIG and the most balance sheet-driven subsector. Commercial banks primarily generate earnings through **net interest income**, which reflects the spread between interest earned on assets (loans, securities) and interest paid on liabilities (deposits, wholesale funding). Because banks primarily earn money as a % (net interest margin) of their balance sheet, they can make more money in two ways. By increasing their net interest income or by increasing the cash on their balance sheet.

High-level Example: A bank gives 2% return on deposits, and charges 5% interest on loans. So the bank's net interest income is 3%.

A bank's balance sheet is central to understanding its business model. Assets consist primarily of loans (commercial, consumer, mortgage) and investment securities. Liabilities are largely deposits, which are typically the cheapest and most stable source of funding. The “cost” of deposits is the interest the deposits generate just by sitting in the bank. Equity represents regulatory capital and serves as a buffer against losses.

The key driver of profitability is **Net Interest Margin (NIM)**, calculated as net interest income divided by earning assets. NIM is influenced by the yield curve, deposit beta (how quickly deposit costs rise with rates), competition for funding, and asset mix.

Example: In a rising rate environment, banks with sticky, low-cost deposits may see expanding margins, while those reliant on wholesale funding may face pressure.

In addition to net interest income, banks generate **non-interest income** through fees (investment banking, asset management, trading, etc.), though this varies by institution.

Credit quality is another critical driver. Banks must provision for expected losses through loan loss provisions, which reduce earnings. Key indicators include net charge-offs, reserve levels, and non-performing loans. These metrics tend to deteriorate during economic downturns.

Performance is evaluated using metrics such as **Return on Equity (ROE)**, **Return on Assets (ROA)**, and **Return on Tangible Common Equity (ROTCE)**. ROTCE is particularly important because it excludes goodwill and focuses on tangible capital.

From a recruiting standpoint, candidates must be able to walk through a bank balance sheet, explain how NIM works, and discuss how changes in interest rates impact profitability and credit quality.

Examples of Banks: JPMorgan Chase, Bank of America, Citi Bank, Goldman Sachs, Wells Fargo, US Bancorp

Asset Managers

Asset management firms operate on a similar business model from banks, however there are some key differences. Rather than generating income from balance sheet activities, they earn **fees based on assets under management (AUM)**.

The core business model of asset managers is pooling a large amount of capital from investors, and investing it into specific investments. Revenue for asset managers is typically composed of management fees (a percentage of AUM) and, in some cases, performance fees (carry). As a result, revenue is directly tied to both market performance and net investor flows. When markets rise (i.e. the firm makes more money on their investments) or inflows increase, AUM grows, leading to higher revenue. Conversely, market declines or outflows reduce earnings.

High-level Example: An asset manager has \$1 billion in AUM and charges a 1% management fee, generating \$10 million in annual revenue. If the portfolio generates a 10% return, the fund earns \$100 million in investment gains. If the firm charges a 20% performance fee, it earns an additional \$20 million, bringing total revenue to \$30 million.

Unlike banks, asset managers have relatively light balance sheets and minimal leverage. Their cost structures are more fixed, meaning operating leverage can be significant when AUM grows.

Key metrics include:

- AUM growth (driven by performance + flows)
- Fee-related earnings (FRE)
- Operating margins

One major trend in the industry is **fee compression** (shift towards charging less fees), particularly in traditional asset management, as passive investing gains share. This has led many firms to diversify into alternatives (private equity, credit, real assets), which command higher fees.

From a regulatory perspective, asset managers are subject to oversight (e.g., SEC), but they do not face the same capital intensity requirements as banks. However, large institutions may still need to maintain certain capital buffers and liquidity standards.

In interviews, candidates should be able to explain how AUM translates into revenue, how market performance impacts earnings, and why valuation is often based on earnings or AUM multiples.

Examples of Asset Managers: BlackRock, Blackstone, Apollo Global Management, KKR, T. Rowe Price

Insurance Companies

Insurance companies operate on a hybrid business model that combines underwriting and investment activities. Insurance companies can be broadly divided into life insurers, which focus on long-duration products like annuities and life policies, and property & casualty (P&C) insurers, which cover shorter-term risks such as accidents, natural disasters, and liability.

Revenue is generated through **premiums**, which are paid upfront by policyholders. In exchange, the insurance company assumes the obligation to pay future claims. The period between collecting premiums and paying claims creates **float**, during which, the premiums are invested to generate returns.

Profitability is driven by two components: underwriting performance and investment income. Underwriting performance is measured by the **combined ratio**, which is the sum of the loss ratio (claims/premiums) and expense ratio (operating costs/premiums). A combined ratio below 100% indicates profitable underwriting.

High-level Example: An insurance company collects \$100 in premiums. It pays out \$60 in claims and has \$30 in operating expenses. The combined ratio is 90% $((60 + 30) / 100)$, meaning the company makes a \$10 underwriting profit. If the company also earns investment income on the \$100 of premiums it holds before paying claims, total profit increases further.

Insurance companies must also estimate and maintain **loss reserves**, which represent expected future claims. Reserve adequacy is critical—underestimating reserves can lead to future losses.

Capital is regulated through frameworks such as **Risk-Based Capital (RBC)**, which ensures insurers maintain sufficient capital relative to their risk exposure. Life insurers, in particular, must manage long-duration liabilities, making asset-liability matching essential.

Valuation often incorporates **Embedded Value (EV)**, especially for life insurance, which estimates the present value of future profits from existing policies (because these policies with theoretically be held for a very long time: until death).

From a recruiting perspective, candidates should understand how float works, how the combined ratio is calculated and interpreted, and how insurers generate returns from both underwriting and investments.

Examples of Insurance Companies: MetLife, State Farm, Allstate, Talcott Financial, Northwestern Mutual

Fintech Companies

FinTech is structurally different from the other FIG subsectors and should be thought of as a **hybrid between financial services and technology**.

Unlike banks or insurers, many FinTech companies are not balance sheet-heavy and do not rely on spreads or underwriting. Instead, they generate revenue through transaction fees, subscriptions, or platform usage.

Key segments include:

- Payments (merchant acquiring, processing, networks)
- Lending platforms (marketplace lenders, Buy-Now-Pay-Later (BNPL))
- Financial infrastructure (APIs, Banking-as-a-Service)

Valuation is often based on **revenue multiples**, especially for high-growth companies, rather than profitability. Metrics such as revenue growth, take rate, customer acquisition cost, and lifetime value

are more relevant than traditional FIG metrics. This type of valuation is more similar to non-FIG companies.

Regulation still plays a role, particularly in payments and lending, but many FinTech firms operate with lighter regulatory burdens than traditional banks.

The key distinction is that FinTech emphasizes **scalability and growth** (think tech growth multiples), while traditional FIG emphasizes **capital efficiency and risk management**.

In interviews, candidates should be able to clearly articulate how FinTech differs from banks, why valuation differs, and how specific business models (e.g., payments vs lending) generate revenue.

Examples of Fintech Companies: PayPal, Stripe, Block, Arden, Robinhood, Klarna, Plaid, Coinbase

Regulation & Capital Requirements

Regulation is central across all FIG subsectors, though it manifests differently in each.

For banks, capital requirements are governed by frameworks such as **Basel III**, which establish minimum ratios including CET1, Tier 1 capital, and total capital. These ratios determine how much risk a bank can take and directly constrain lending, dividends, and acquisitions.

These regulations exist to prevent crises. **Bank runs**, which is when a large number of depositors withdraw their funds at the same time due to fears about the bank's ability to give them their money back in the long term, as seen in cases like Silicon Valley Bank recently. **Insolvencies**, a condition where a bank's liabilities exceed its assets, meaning it does not have enough capital to absorb losses and cannot meet its obligations, leading to failure. By requiring banks to hold sufficient capital, regulators aim to ensure they can absorb losses and maintain depositor trust.

Insurance companies operate under **Risk-Based Capital (RBC)** frameworks, which require capital levels to scale with the riskiness of their underwriting and investment portfolios. This ensures solvency and protects policyholders.

These regulations exist because insurers take on long-term obligations and must be able to pay claims even in adverse scenarios. Without sufficient capital, insurers risk failing to meet these obligations, which could leave policyholders unprotected and undermine confidence in the system.

Asset managers are less capital-intensive but are still subject to regulatory oversight, particularly around liquidity, fiduciary responsibilities, and operational risk. Large or systemically important firms may face additional scrutiny and capital expectations.

These regulations exist to protect investors, ensure fair market practices, and reduce systemic risk from large pools of capital. Since asset managers control significant amounts of client money, mismanagement, liquidity mismatches, or conflicts of interest could have broad market implications if left unregulated.

Across FIG, capital serves as a **binding constraint**. Institutions that fall below required thresholds must raise capital, reduce risk, or limit shareholder returns.

Understanding how capital requirements influence strategic decisions is critical for both technical interviews and real-world analysis.

FIG Valuation

Valuing a company in FIG is fundamentally different from traditional corporate valuation because of the role of capital and the nature of financial institutions.

The most common valuation approaches include **Price-to-Book Value (P/B)** and **Price-to-Tangible Book (P/TBV)** multiples. **Book Value** is the firm's net assets on the balance sheet. **Tangible Book Value** is the Book Value – Intangible Assets – Goodwill. These metrics reflect the relationship between a firm's market value and its equity base.

The key driver of valuation is the relationship between **Return on Equity (ROE)** and **Cost of Equity**. Firms that consistently generate returns above their cost of capital trade at premiums to book value, while those that underperform trade at discounts.

Another common method is the **Dividend Discount Model (DDM)**, which values a firm based on the present value of future dividends. This is like a DCF, but instead of projecting out cash flows it projects out the dividends. This is particularly relevant for financial institutions because dividends are directly tied to capital availability.

For insurance companies, **Embedded Value** is often used, while asset managers may be valued on earnings multiples or AUM-based metrics. FinTech companies, by contrast, are typically valued on revenue multiples due to their growth orientation, very similar to non-FIG companies.

Traditional metrics such as EV/EBITDA are not applicable in most FIG contexts because debt is not a discretionary financing choice, it is a core part of the business model.

From a recruiting standpoint, candidates must be able to explain why valuation differs, justify the use of P/TBV, and connect valuation to underlying profitability and capital efficiency.

Interview Preparation

FIG interviews test both technical knowledge and conceptual understanding.

Behavioral questions focus on motivation and fit, while technical questions assess understanding of financial institutions. Common topics include bank balance sheets, valuation methods, capital ratios, and the impact of interest rates.

Strong candidates provide structured answers that demonstrate understanding, rather than relying on memorized definitions.

Preparation should focus on building intuition and the ability to explain concepts clearly.

FIG Group Landscape (Between Firms)

FIG teams vary significantly across institutions.

Bulge bracket banks offer broad coverage across all subsectors, while elite boutiques tend to focus more heavily on M&A with leaner teams. Specialist firms provide deep expertise in specific areas such as banking or FinTech.

Middle market banks often have strong regional or sector-specific coverage.

Understanding these differences helps candidates target the right opportunities and tailor their approach.

FIG Landscape by Firm

This list does not contain all firms that focus on FIG, but it is a good starting off point when thinking about which firms to apply to.

Goldman Sachs – Banks, Asset & Wealth Management, Insurance, Fintech
J.P. Morgan – Banks, Asset & Wealth Management, Insurance, Specialty Finance
Morgan Stanley – Banks, Asset & Wealth Management, Insurance
Citigroup – Banks & Asset Managers, Insurance
Bank of America – Banks, Asset Management, Insurance
Evercore – Broad FIG (Banks, Insurance, Asset Management; more integrated, not heavily siloed)
Lazard – Insurance-heavy, Broad FIG
PJT Partners – FIG (Advisory / Restructuring focus, complex financial institutions)
FT Partners – Fintech (payments, lending, financial infrastructure)
Ardea Partners – Banks, Insurance, Asset & Wealth Management
Aquiline Capital Partners – Insurance, Banks, Fintech
Jefferies – Broad FIG (Banks, Insurance, Asset Management; relatively flexible coverage)
RBC Capital Markets – Banks, Insurance, Asset Management

Exit Opportunities

Exit opportunities from FIG often skew more specialized than generalist investment banking, with common paths including FIG-focused private equity, credit funds, hedge funds, and roles within financial institutions.

However, FIG analysts are not limited to these paths, and many successfully transition to generalist private equity and broader investing roles, particularly from top groups. While exits may be more sector-aligned, the technical skillset developed in FIG, especially around balance sheets, capital, and risk, remains highly transferable.

FIG Recruiting Timeline

- First year fall
 - Build basic finance knowledge, accounting fluency, and familiarity with how investment banking works. Join finance-related student organizations, attend bank information sessions, and start learning the differences between industry groups and product groups. Begin reading financial news regularly through sources like the Wall Street Journal, Financial Times, and Bloomberg. Start getting comfortable with technical basics through resources like the M&I 400 Guide, BIWS, or Wall Street Prep. Learn the basics of FIG, including how banks, insurers, and asset managers make money.
- First year spring
 - Begin early networking with upperclassmen, alumni, and any bankers open to introductory conversations. Focus first on understanding the recruiting process generally, then begin asking more targeted questions about FIG specifically. Continue building technical skills, especially accounting, valuation, and three-statement understanding. Start developing introductory FIG knowledge, such as common valuation methods for financial institutions and key industry terminology. Look for

exploratory opportunities over the summer, whether that means a formal internship, small finance role, research assistantship, or independent market project.

- First year summer

- Strengthen finance fundamentals before recruiting begins to accelerate. Spend time on technical prep, especially core investment banking concepts and early FIG-specific topics. Read about bank valuation, insurance valuation, regulatory capital, and why FIG is evaluated differently from other sectors. Follow live deals and industry news involving banks, insurers, specialty finance companies, and asset managers. Continue networking, especially with rising juniors or alumni who recently went through the process and can explain timing and interview expectations.

- Sophomore fall

- Shift from broad exploration to focused FIG recruiting preparation. Network intentionally with FIG professionals, not just generalist bankers. Build a target list of firms, noting where FIG has a separate application process and where it sits within the broader investment banking process. Refine your story for why banking, why FIG, and why a given firm. Begin more serious technical prep, including both standard investment banking questions and FIG-specific concepts like P/BV, P/TBV, DDM, CET1, reserves, and balance-sheet-driven valuation. Practice speaking about recent FIG deals, market themes, and sector trends. Keep a running document of contacts, applications, follow-ups, and interview takeaways.

- Sophomore winter

- This is often when interviews begin, with offers sometimes following soon after. Be ready for accelerated timelines and earlier technical depth than in some generalist processes. Expect both traditional banking questions and industry-specific testing, especially if interviewing with a dedicated FIG team. Continue networking even after applications are submitted, since advocacy can matter late in the process. Prepare concise views on current events in banking, insurance, and asset management, because interviewers may test whether your interest in FIG is real and informed.

Networking Strategy

Networking for FIG requires a more deliberate and informed approach.

Rather than reaching out broadly, candidates should focus on bankers within FIG teams and demonstrate a clear understanding of the sector. Conversations can often go beyond generic questions and reflect genuine curiosity about industry dynamics.

Strong candidates should have decent knowledge of topics such as interest rate movements, recent bank earnings, or developments in FinTech. Even a basic understanding of these areas signals serious interest and preparation.

Effective networking is not just about building connections, but about demonstrating that you are generally interesting in the sector.

Sample Email:

Subject: UChicago student interested in FIG (insert any connection, too)

Hi [Name],

I hope you are doing well. My name is [Your Name], and I am a student at the University of Chicago with a strong interest in investment banking, particularly within Financial Institutions Group coverage.

I have become especially interested in FIG because __. Lately, I have been trying to learn more about how firms are thinking about themes like __.

I came across your background and thought your perspective would be especially valuable. If you had a few minutes in the coming weeks, I would really appreciate the chance to learn more about your experience in FIG, how you think about the sector, and any advice you might have for someone hoping to prepare thoughtfully for recruiting.

Thank you very much for your time, and I would be grateful for the chance to speak.

Best,
[Your Name]

Sample Call Questions:

What originally drew you to FIG rather than a generalist or another industry group? What makes FIG work most different on a day-to-day basis from other investment banking groups? Are there certain subsectors within FIG, like banks, insurance, asset management, or fintech, that you find especially interesting right now? How have higher interest rates or rate volatility changed the kinds of conversations you have with clients? When you speak with students recruiting for FIG, what separates the ones who seem genuinely interested in the sector from the ones who are approaching it more generally? Are there any recent earnings releases, deals, or industry developments you think are especially worth following right now?

Resources

Effective preparation requires going beyond standard materials.

Candidates should follow bank and insurance earnings, read equity research reports, and stay informed on FinTech developments. Traditional investment banking prep resources can be helpful, but should be supplemented with industry-specific knowledge.

Consistent exposure to real-world information is one of the best ways to build understanding.

- Daily and weekly industry reading
 - American Banker is one of the best places to follow bank earnings, regulation, payments, and broader financial-services news. Its earnings page is especially useful during reporting season. Insurance Journal is a strong source for insurance earnings, underwriting trends, broker activity, and insurtech developments. For asset management and allocator trends, Institutional Investor is a good supplement. For regulation, the Federal Reserve's Supervision and Regulation page is worth following directly.
 - Candidates should also keep up with general financial news through the Wall Street Journal, Financial Times, and Bloomberg, then use the more sector-specific sources above to deepen their understanding of FIG-specific developments. This combination helps because general outlets give market context, while sector outlets give the detail that often comes up in FIG conversations.

- Best official materials to read
 - The most valuable source material is usually the companies' own investor relations pages. These give you earnings releases, investor presentations, webcasts, financial supplements, and SEC filings, which are often better than secondhand summaries if you want to sound informed in networking or interviews.
 - In practice, the best documents to read are the quarterly earnings release, the investor presentation, the financial supplement if one is provided, and then selected portions of the 10-Q or 10-K. Those materials usually tell you what management wants investors to focus on and what metrics matter most for that business model.
- Banks to follow for earnings
 - JPMorgan, Bank of America, Goldman Sachs, and Morgan Stanley are good core names to track because their investor relations pages consistently publish earnings releases, presentations, and related materials. Reading these four regularly gives students exposure to consumer and commercial banking, markets, wealth management, and advisory businesses all within the broader bank universe.
 - If someone wants to go one step further, it also helps to compare the money-center banks with regionals and specialty lenders during earnings season, because many of the most interesting FIG conversations involve deposit competition, credit quality, capital, and how rate sensitivity differs across institutions. American Banker's earnings coverage is useful for exactly this kind of comparison.
- Insurance names to follow
 - For insurance, Progressive and Chubb are strong starting points because their investor pages provide quarterly results and related materials that help students understand underwriting performance, growth in premiums, and broader insurance-sector trends.
 - Insurance Journal is also especially useful here because it tracks industry earnings and operating themes across insurers, brokers, and insurtech names. That makes it a good bridge between company filings and broader sector context.
- Asset managers and alternatives firms to follow
 - For asset management and alternatives, Blackstone and Apollo are good names to keep on the radar, especially if a student wants to understand fundraising, fee-related earnings, realizations, and private-markets positioning. Blackstone's investor materials are particularly easy to track through its IR and earnings pages.
 - Institutional Investor can be a helpful supplement here because it covers allocators, managers, and broader institutional-capital trends that do not always show up clearly in mainstream business coverage.
- What to pay attention to when reading
 - For banks, focus on net interest income, deposit trends, loan growth, credit quality, capital levels, and management commentary on rates and the macro outlook. For insurers, focus on premium growth, combined ratio, reserve commentary, catastrophe losses, and investment income. For asset

managers, focus on inflows, AUM, fee-related earnings, realizations, and fundraising. These are the kinds of themes that often make networking questions sound more thoughtful and FIG-specific.

- A practical way to use these resources
- A good routine is to follow a few trade publications during the week, then read the actual earnings materials for a small group of core firms each quarter. That gives candidates both breadth and enough depth to discuss a company or subsector intelligently in networking conversations.

Books/Podcasts:

- Banks: American Banker
- Insurance: Insurance Journal
- Asset Management / Private Markets: Institutional Investor
- Technicals: Investment Banking, Rosenbaum & Pearl
- Banking podcast: Bankshot
- Banking / fintech podcast: Breaking Banks
- Insurance podcast: Insurance Journal Podcast
- Asset Management podcast: In Conversation with Julie Segal

FIG Technicals

Banks

How do banks make money?

- Earn interest on assets (loans, securities) and pay interest on liabilities (deposits)
- Profit = net interest income + fees – costs – credit losses

What drives Net Interest Margin (NIM)?

- Asset yields, cost of funding, yield curve shape, deposit beta
- $NIM = \text{net interest income} / \text{earning assets}$

What is deposit beta?

- Percentage of rate increases passed to depositors
- Higher beta increases funding costs and compresses margins

What happens in a yield curve inversion?

- Short-term rates exceed long-term rates
- Banks borrow short and lend long, compressing margins
- Can reduce lending activity

What are risk-weighted assets (RWA)?

- Assets adjusted based on risk level
- Used to determine capital requirements

What is CET1?

- Core equity capital divided by risk-weighted assets
- Key constraint on lending, dividends, and growth

What is ROE and why does it matter?

- Net income divided by equity
- Measures efficiency of capital usage
- Key driver of valuation

What is ROTCE?

- Return on tangible common equity
- Excludes goodwill and focuses on real capital

What are loan loss provisions?

- Reserves for expected credit losses
- Increase in downturns and reduce earnings

What are non-performing loans (NPLs)?

- Loans not generating interest income
- Indicator of deteriorating credit quality

How does a recession impact banks?

- Higher credit losses
- Lower loan demand
- Reduced profitability

Insurance

How do insurance companies make money?

- Underwriting profit (premiums – claims – expenses)
- Investment income from float

What is float?

- Premiums collected before claims are paid
- Provides investable capital

What is the combined ratio?

- $(\text{Claims} + \text{expenses}) / \text{premiums}$
- Below 100% = profitable underwriting

What is asset-liability matching?

- Matching duration of assets and liabilities
- Critical for managing risk in life insurance

What are reserves?

- Funds set aside for future claims
- Underestimating leads to future losses

What is embedded value (EV)?

- Present value of future profits from existing policies
- Common valuation metric for life insurers

How do rising rates impact insurers?

- Increase investment income
- Improve product attractiveness
- Can create unrealized losses on bonds

What is reinsurance?

- Transferring risk to another insurer
- Frees up capital and reduces exposure

Asset Management

How do asset managers make money?

- Earn fees based on AUM
- Revenue tied to performance and flows

What drives AUM growth?

- Market performance and investor inflows/outflows

What is fee-related earnings (FRE)?

- Stable management fee income excluding performance fees

Why is operating leverage high?

- Costs relatively fixed
- Revenue growth drives margin expansion

What is fee compression?

- Declining fees due to competition, especially from passive investing

Fintech

How do payments companies make money?

- Transaction-based fees tied to volume

What is take rate?

- Revenue as a percentage of transaction volume

How do fintech lenders differ from banks?

- Often originate but do not hold loans
- Less capital-intensive

Why are fintech valuations different?

- Growth-focused
- Revenue multiples instead of earnings

Valuation

Why can't you use EV/EBITDA for banks?

- Debt is a core part of operations, not just financing
- Enterprise value becomes meaningless

Why do FIG companies trade on P/TBV?

- Book value represents the capital generating returns
- Valuation driven by ROE vs cost of equity

What determines P/TBV?

- Return on equity, growth, and risk

What is the Dividend Discount Model (DDM)?

- Values firm based on present value of dividends
- Relevant because dividends are tied to capital

Why is DCF less useful in FIG?

- Free cash flow is difficult to define due to capital constraints

When can EV/EBITDA be used in FIG?

- Sometimes for asset managers and fintech
- Not applicable for banks or insurance

Market/Industry Trends

A strong understanding of industry trends is essential for FIG recruiting. Here are some trends to get you guys started. There are definitely more than these, and knowing just these bullet points will not be enough.

Insurance and Asset Management Convergence

- Asset managers are acquiring or partnering with insurers to access float

- Float provides long-duration, low-cost capital that can be deployed into higher-yielding assets like private credit
- Improves returns but increases complexity
- Risks include liquidity mismatches, credit impairments, and regulatory scrutiny

Interest Rate Environment

- Higher rates expand bank margins through NIM
- Increase demand for annuities in insurance
- Also raise funding costs and credit risk over time

Growth of Private Credit

- Non-bank lenders taking share from traditional banks
- Driven by regulation and demand for yield
- Reduces bank lending dominance

Deposit Competition and Funding Pressure

- Banks must offer higher rates to retain deposits
- Increases funding costs and compresses margins

Bank Consolidation

- Regional banks merging to gain scale and efficiency
- Driven by regulatory burden and competition

Fintech Normalization

- Shift from growth-focused to profitability-focused models
- Valuation compression across the sector

Regulatory Tightening

- Increased capital and liquidity requirements
- Constrains lending, M&A, and returns

Retirement and Annuity Demand

- Aging population driving demand for stable income products
- Supports growth in life insurance and annuities

Balance Sheet Optimization

- Firms actively managing capital and risk-weighted assets
- Selling non-core assets and improving efficiency

How to Answer Industry / Market Trend Questions (FIG)

1. State the Trend Clearly

- Start with one sentence: “One FIG trend I’ve been following is...”
- Be specific (not “interest rates” → “asset managers acquiring insurers”)

2. Explain What’s Happening

- 2–5 sentences
- What is actually changing in the market?
- Who are the key players?

3. Explain Why It’s Happening (Drivers)

- Link to:
 - Interest rates
 - Regulation
 - Demand (e.g., retirees, investors)
 - Capital / returns
- This is where you show real understanding

4. Explain Why It Matters

- Tie it to:
 - Profitability (ROE, margins)
 - Valuation
 - Competitive dynamics
- This separates good vs average answers

5. Discuss Risks / Downsides

- Always include at least 1–2 risks:
 - Liquidity
 - Credit
 - Regulation
- Shows you're not just pitching a narrative

Industry/Market Trend Example Answer

“One FIG market trend I’ve been following is the rise of asset managers partnering with or acquiring life and annuity insurers. Higher interest rates and a huge retiree wave have made fixed and fixed-indexed annuities extremely attractive because they offer tax-advantaged, low-risk yield. Asset managers like Apollo and Blackstone want that long-duration, low-cost capital to fund private credit strategies, which is why the ‘insurance-owned asset manager’ model has exploded. The trend is exciting, but it also raises risks—like liquidity mismatches, impairments in illiquid credit, and greater regulatory scrutiny around offshore reinsurance and affiliate fees.”

Author’s Note: DO NOT just memorize this blurb, whenever I gave this answer it was always met by follow ups. These consisted of asking for examples of deals, asking for specific figures (interest rates & retirement rates), asking why each of the risks was a real risk, etc. I had a 10-page document of research and notes from industry professionals about this trend. If you want to set yourself up for success you should know your trend down to a T, do a bunch of independent research, but also as you are networking with people, ask them what they think about the trend (if it’s clear they would know it: obviously don’t ask a TMT analyst a FIG trend) and take notes.