JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Second Quarter Trends and Year-End Projections 8/12/13

After the second quarter, Johnson Associates projects increases in incentive compensation across financial services. For major investment & commercial banking firms, incentive compensation is generally projected to be moderately positive. However, incentive compensation for the asset management industry is projected to increase meaningfully. Varying strength of economic recovery and geographic impact of regulation, business mix and cost management, and ongoing uncertainty in world markets are key 2013 incentive drivers.

NOTABLE TRENDS

- Market outlook remains cautiously optimistic, after a brief disruption towards the end of the second quarter
  - Signs of economic recovery in the United States continue at a slow pace
  - European outlook less positive and ongoing global issues continue to add uncertainty to world markets
  - Significant cost cutting initiatives across financial services have resulted in improved earnings
- Asset management results solid, despite challenging market conditions in June
  - Year-over-year increases in AUM, but second quarter flows and investment performance hampered by June market dislocation
  - Projected incentives broadly positive due to market appreciation, but expect two incentive tiers on performance. Substantial inflows for superior investment performance results in meaningful increase to incentives, while average or subpar performers continue to struggle with incentives carried by broad market appreciation
  - Low interest rates continue to hinder fees, with varying firm performance by mix of business
- Investment and commercial banking results increase moderately
  - Weak advisory activity continues, offset by significant improvements in underwriting
  - Trading results generally positive but expect variation by firm and product
  - Moderate deposits and loan growth support stable or slightly positive retail and commercial banking
  - At the margin, compensation ratio improvements illustrate better results, cost efficiencies, and pressure to manage ratios
- Great pressure in Europe on compensation, both in perception and reality
  - Expect compensation at European firms to be lower than U.S. competitors, due to weaker economy/underperformance, regulatory guidance, and pressure to reduce pay
  - Comparisons by firm difficult due to varying business mix impact on compensation ratios (e.g., retail focus has lower ratios and investment banking focus has higher ratios)
  - Appropriate level of compensation for performance and European context continues to create confusion

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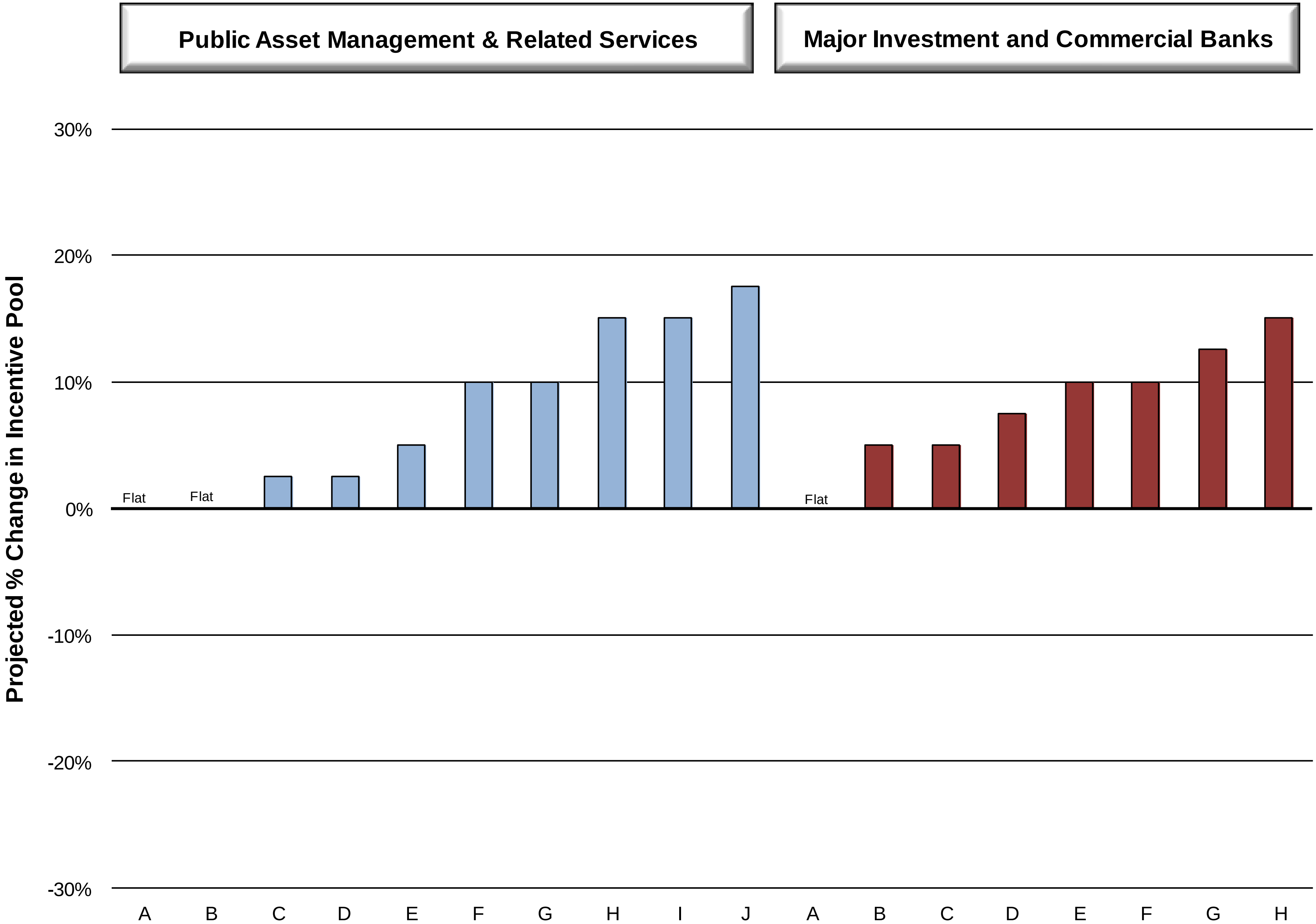
Projected 2013 Wall Street Incentive Funding

- *Headcount-adjusted basis*

Business/Area		% Change from 2012	Explanation
Senior Firm Management (Excluding Proxy Executives)		+5% to +15%	• Generally moves in line with entire firm, with variation by business
Staff Positions		+5%	• Moves in line with entire firm, with an increasingly conservative bias due to focus on controlling costs
Investment Banking (Investment & Commercial Banks)	Advisory	-5% to +5%	• Industry-wide M&A remains slow
	Underwriting	+15% to +25%	• Equity underwriting up significantly on increased activity following slow 2012; debt underwriting solid
Equities excl Prime Brokerage (Investment and Commercial Banks)		+10% to +20%	• Increase in global equity prices and client activity improving off of poor base
Fixed-Income (Investment and Commercial Banks)		+5% to +15%	• Variation due to breadth of products • Higher revenues but market environment became more challenging towards end of Q2 as interest rates and volatility increased
Prime Brokerage		+5% to +10%	• Solid results with growth in client balances
Asset Management (Independent and Captive)		+10% to +15%+	• Increased AUM over prior year, but mixed results in the quarter for flows and investment performance due to difficult market towards end of Q2 • Expect variation above and below projected incentive increase on firm performance
High Net Worth		+10% to +15%	• Assets generally more stable • Higher fee based assets and transaction revenue
Hedge Funds (Independent and Captive)		+5% to +15%*	• Increasing assets and generally positive performance
Private Equity (Independent and Captive)		+5% to +10%*	• Realization activity increases • Fee pressure on new fundraising
Commercial Banking		0% to +5%	• Credit trends continue to be favorable; moderate loan and deposit growth
Retail Banking		0% to +5%	• Credit trends continue to be favorable • Increasing client deposits and loan growth, offset by continued impact of low interest rates

* Applies to incentive and equity, excluding carry

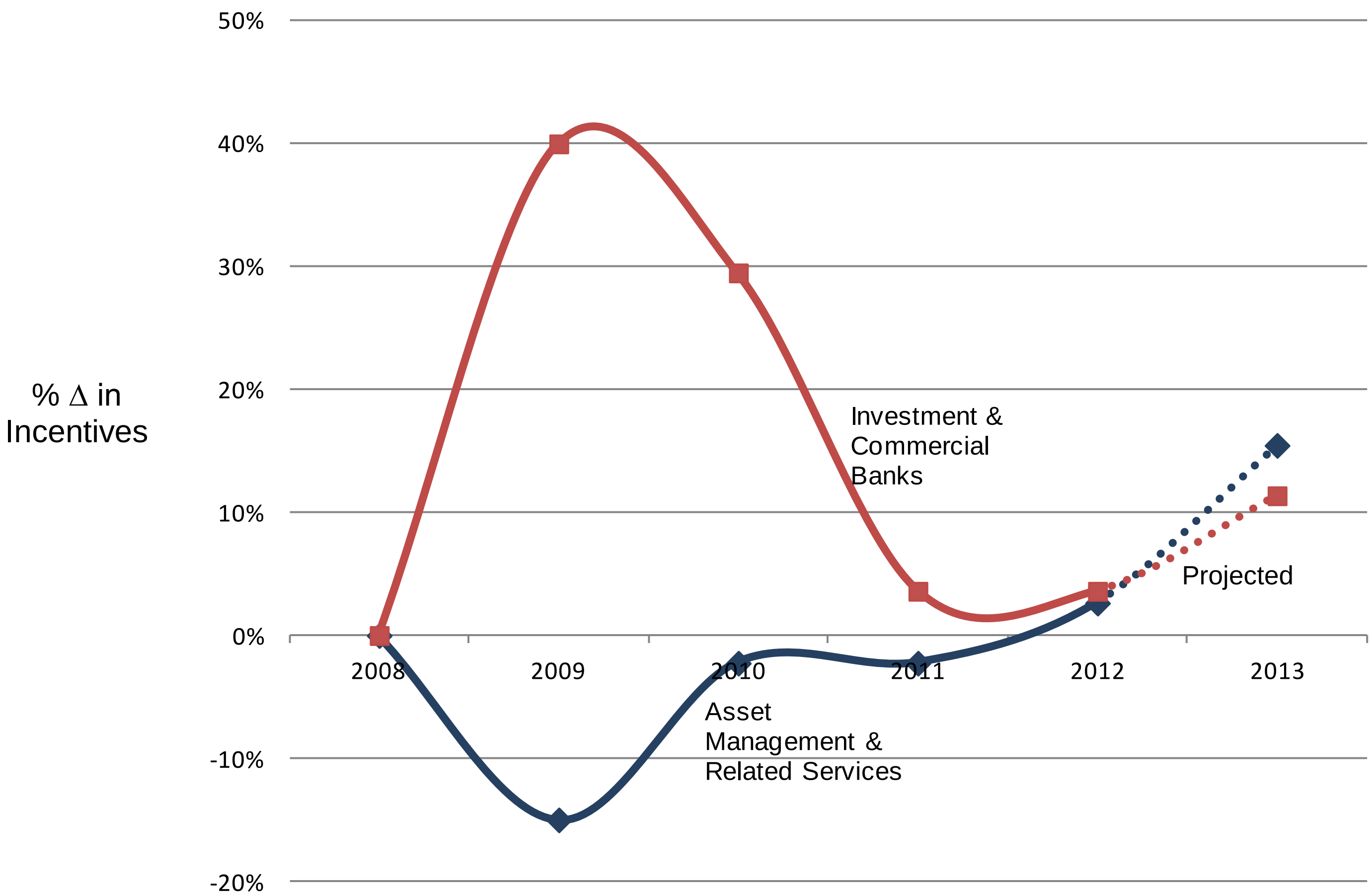
Projected % Change in Year-End Incentive Pool*



** 6 months actual data with projection for remainder of year*

Incentive Trend

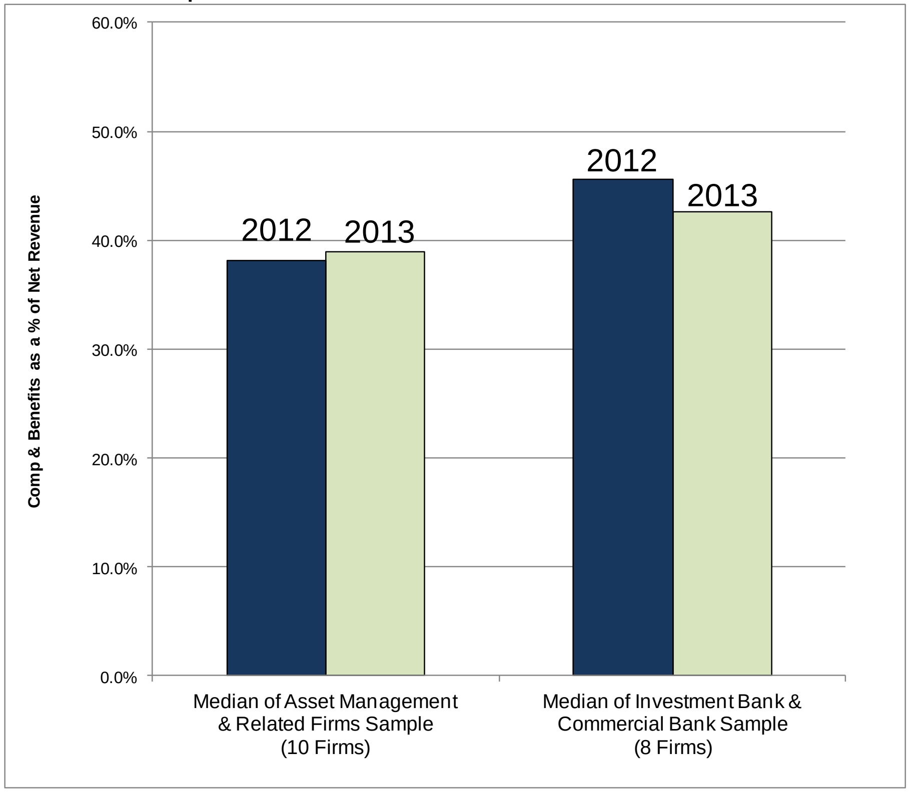
- After volatility following the financial crisis, incentives have stabilized and trend is projected to be positive across financial services



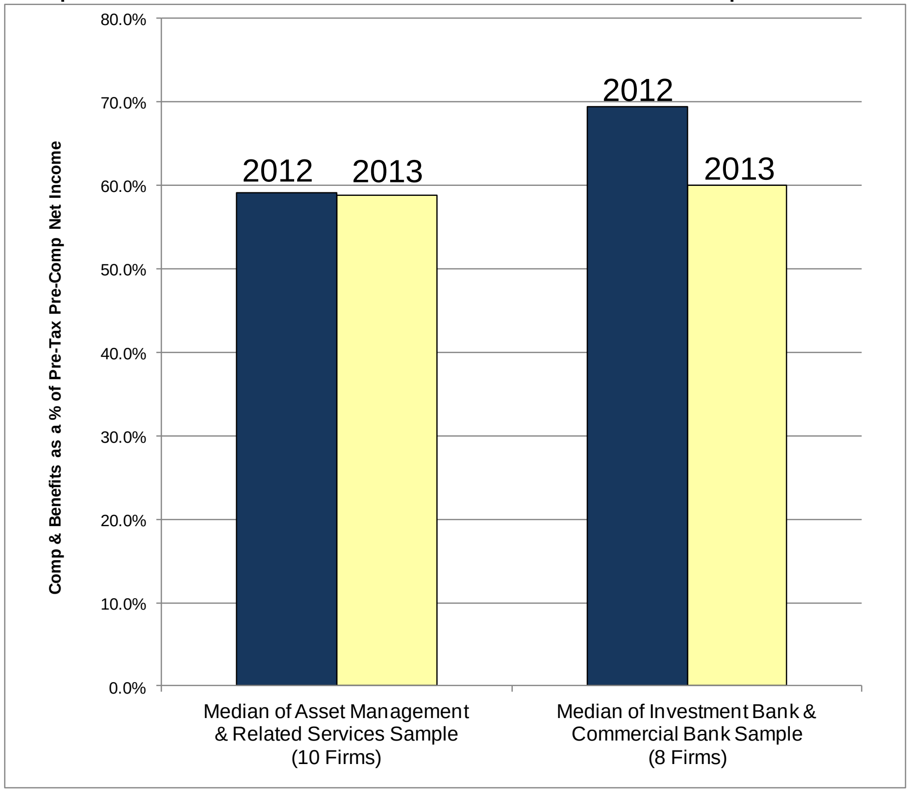
Year-to-Date Compensation & Benefits Ratios

- 6M 2012 v. 6M 2013 results; year-over-year comparisons may be skewed by partial year compensation and financial results

Compensation & Benefits as % of Net Revenue



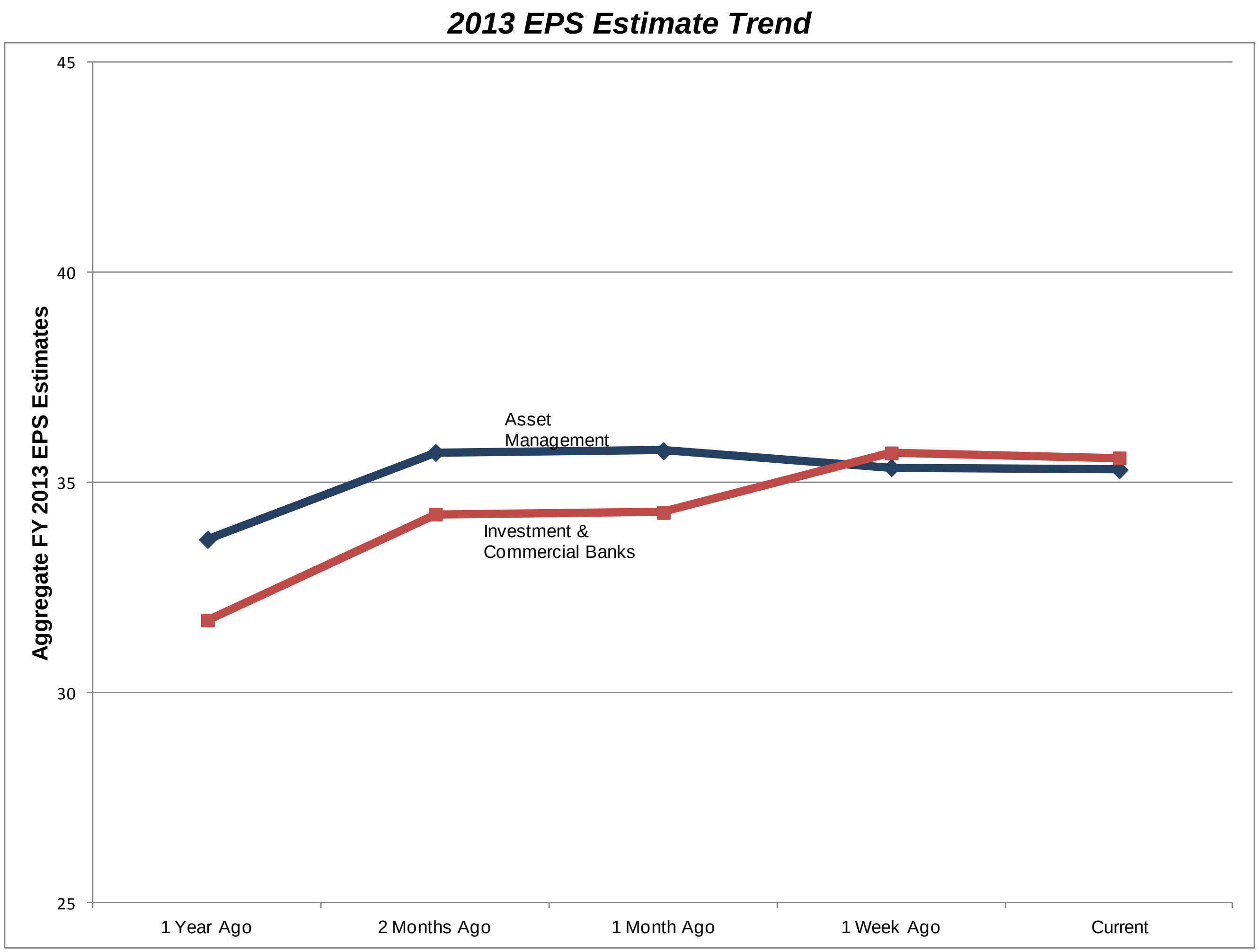
Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income



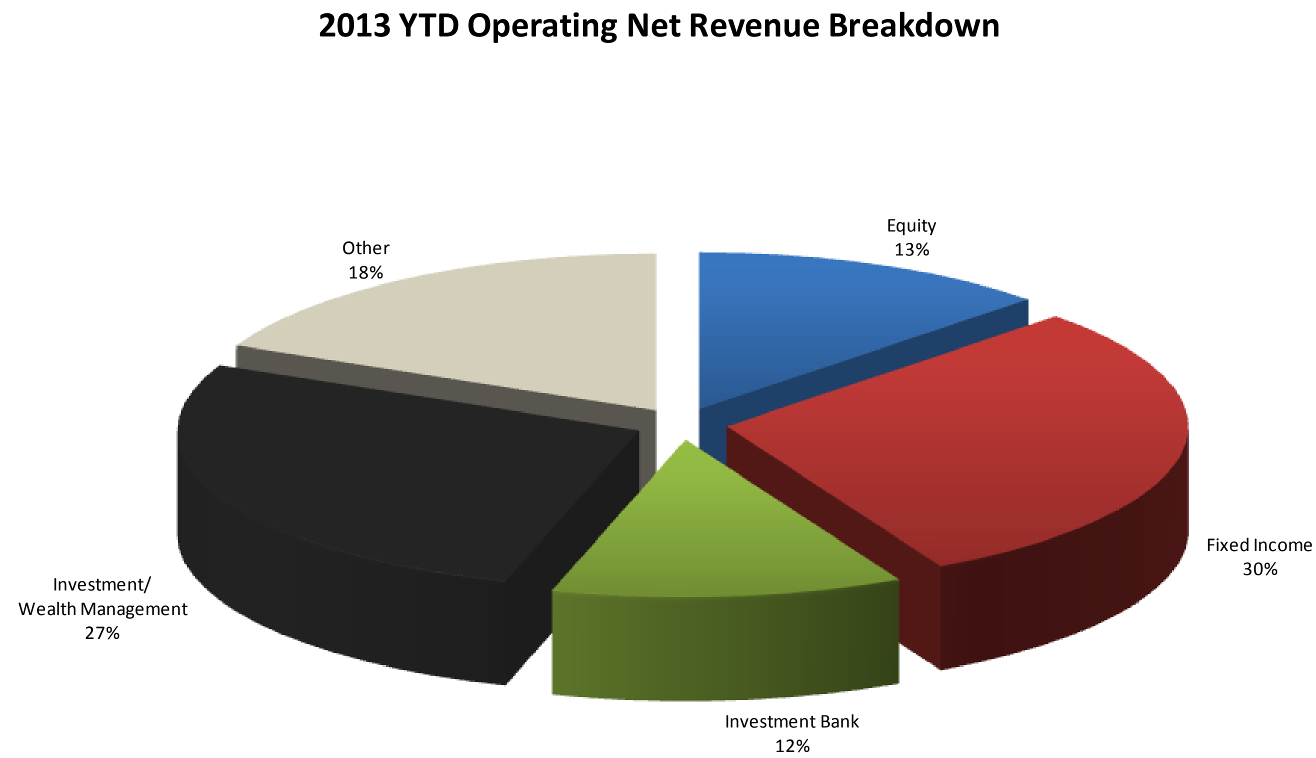
Compensation ratios at investment and commercial banks are declining marginally, due to better results, continued efficiencies and cost cutting, shifting resources to developing countries, business mix, and pressure to manage ratios. Varying business mix and resulting ratios require a more nuanced, thoughtful approach to by firm comparisons

Analyst Estimated EPS Trend

- With seven months into the fiscal year, analyst outlook reflects a cautious but stabilizing environment
- Chart reflects a sample of 7 investment and commercial banks and 10 asset management and related services firms



Year-to-Date Investment Bank Net Revenue Breakdown



**Data represents median of sample set*
Other may include treasury and security services, lending, credit, etc.