

JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Third Quarter Trends and Year-End Projections

11/6/13

After the third quarter, Johnson Associates projects moderate increases in incentive compensation across financial services. For major investment & commercial banking firms, U.S. incentive compensation is generally projected to up slightly. 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

- Full year outlook dampened by challenging third quarter, as market uncertainty weighs on firm results
 - Economic recovery in the United States continues at a slow pace, hampered by fiscal and monetary uncertainty
 - 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 some market uncertainty
 - Year-over-year increases in AUM on market appreciation and flows
 - Expect two incentive tiers. Superior investment performance results in meaningful incentive increase, while average or subpar performers carried somewhat by broad market appreciation
 - Increase in incentives at public firms generally lower than broader asset management universe
 - Low interest rates continue to hinder fees, with varying firm performance by mix of business
- Investment and commercial banking results up slightly
 - Significant uncertainty at Investment Banks from legal settlements, regulations, and market dynamics
 - Underwriting continues to be a bright spot in otherwise lackluster results. Advisory activity remains slow
 - Equity trading generally positive, offset by poor fixed income trading
 - Moderate deposits and loan growth support slightly positive retail and commercial banking
 - At the margin, compensation ratio improvements illustrate better results and cost efficiencies
- Great pressure in Europe on compensation, both in perception and reality
 - Expect compensation at European firms to be lower than U.S. competitors. European banks struggling with weaker performance, weaker economy, and regulatory/political pressure to reduce pay (incentives projected to decline -5% to -10%)
 - Appropriate level of compensation for performance and European context remains unclear

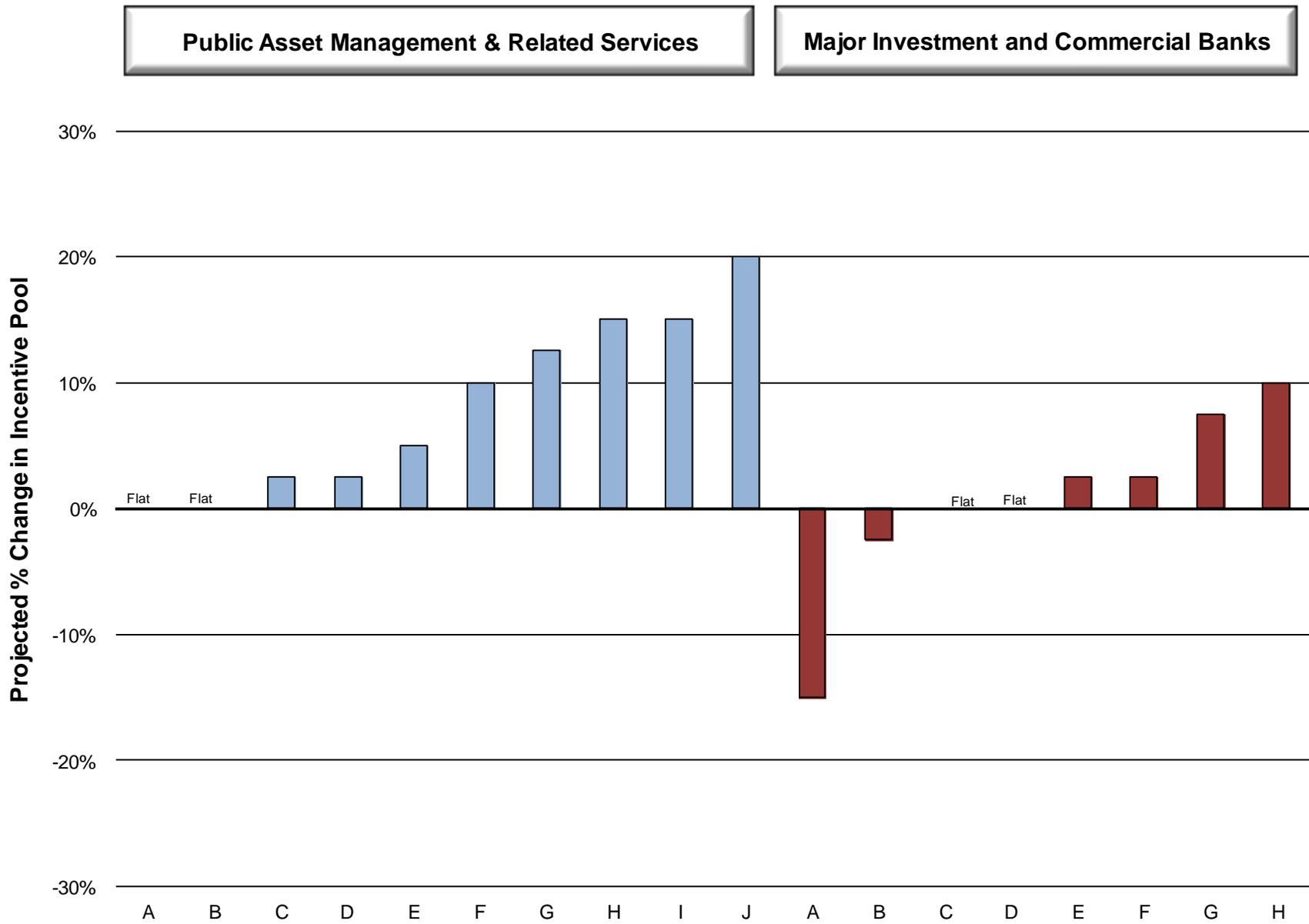
Projected 2013 Wall Street Incentive Funding

- *Headcount-adjusted basis*

Business/Area	% Change from 2012	Explanation
Senior Firm Management (Excluding Proxy Executives)	0% to +5%	<ul style="list-style-type: none"> • Generally moves in line with entire firm, with variation by business
Staff Positions	0%	<ul style="list-style-type: none"> • 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 -10% Underwriting: +10% to +15%	<ul style="list-style-type: none"> • Industry-wide M&A remains slow • Equity underwriting up significantly on increased activity following slow 2012; debt underwriting solid
Equities excl Prime Brokerage (Investment and Commercial Banks)	+5% to +15%	<ul style="list-style-type: none"> • Increase in global equity prices and client activity improving off of poor base
Fixed-Income (Investment and Commercial Banks)	-5% to -15%+	<ul style="list-style-type: none"> • Variation due to breadth of products • Challenging market environment in Q3 lowers full year expectations. Seasonal slowdown exacerbated by economic and political uncertainty
Prime Brokerage	+5% to +10%	<ul style="list-style-type: none"> • Solid results with growth in client balances
Asset Management (Independent and Captive)	+10% to +15%+	<ul style="list-style-type: none"> • Increased AUM on flows and market appreciation • Expect variation above and below projected incentive increase on firm performance
High Net Worth	+10% to +15%	<ul style="list-style-type: none"> • Assets generally more stable • Higher fee based assets and transaction revenue
Hedge Funds (Independent and Captive)	+5% to +15%*	<ul style="list-style-type: none"> • Increasing assets and generally positive performance
Private Equity (Independent and Captive)	+5% to +10%*	<ul style="list-style-type: none"> • Realization activity increases • Fee pressure on new fundraising
Commercial Banking	0% to +5%	<ul style="list-style-type: none"> • Credit trends continue to be favorable; moderate loan and deposit growth
Retail Banking	0% to +5%	<ul style="list-style-type: none"> • 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

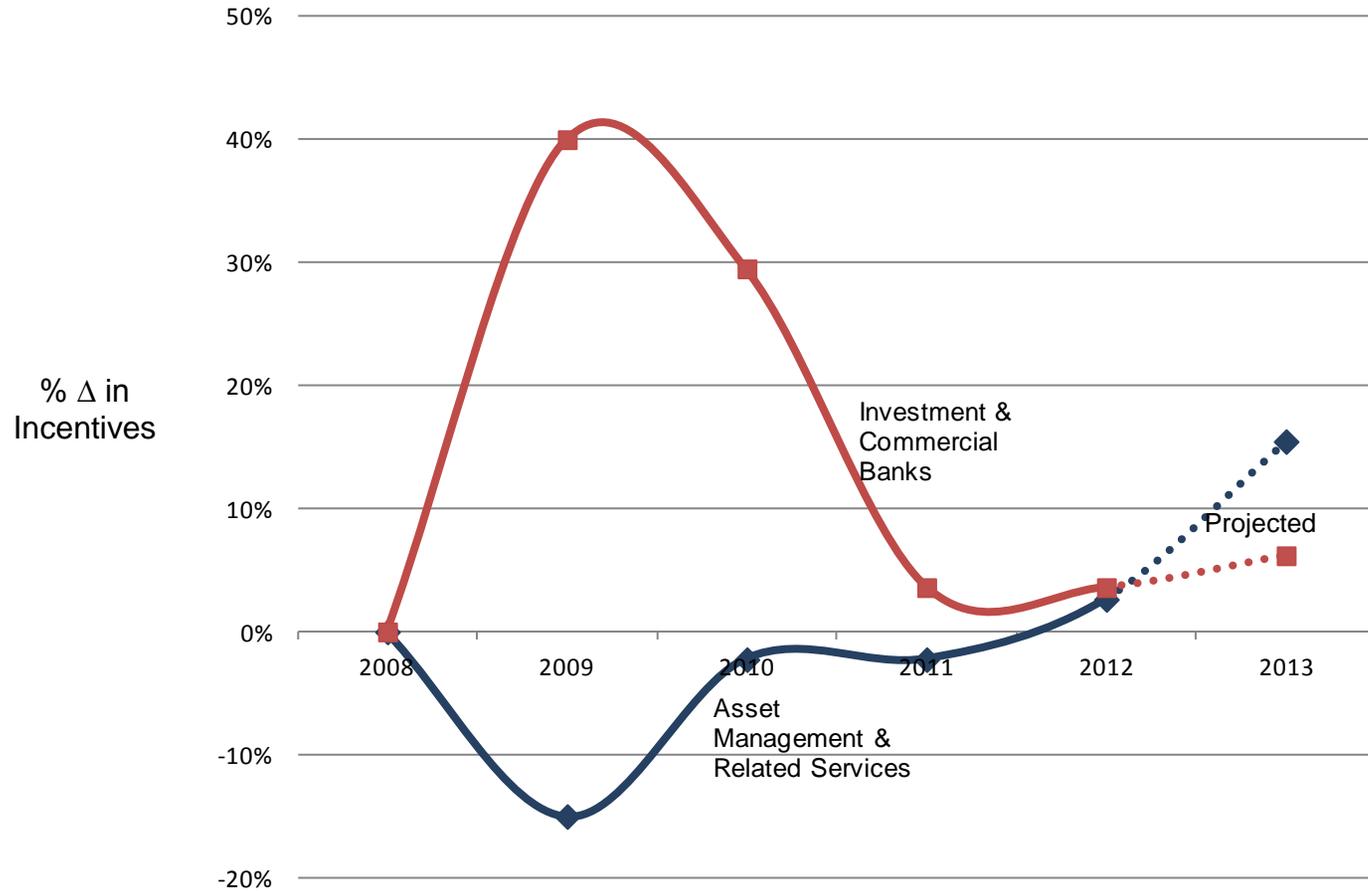
Projected % Change in Year-End Incentive Pool*



*9 months actual data with projection for remainder of year

Incentive Trend

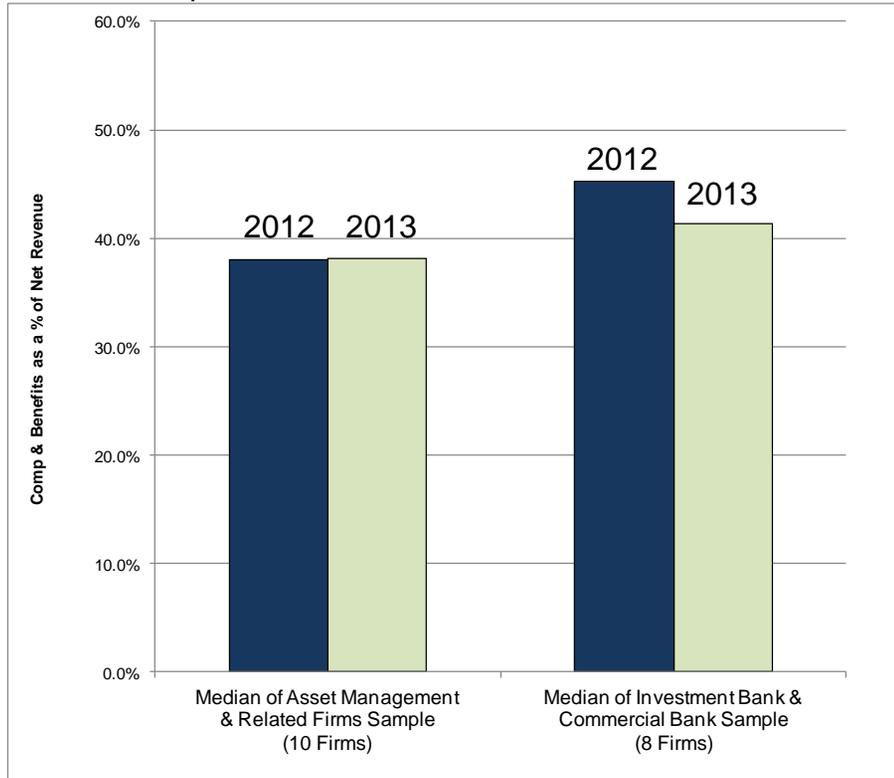
- After volatility following the financial crisis, incentives have stabilized and trend is projected to be positive across financial services



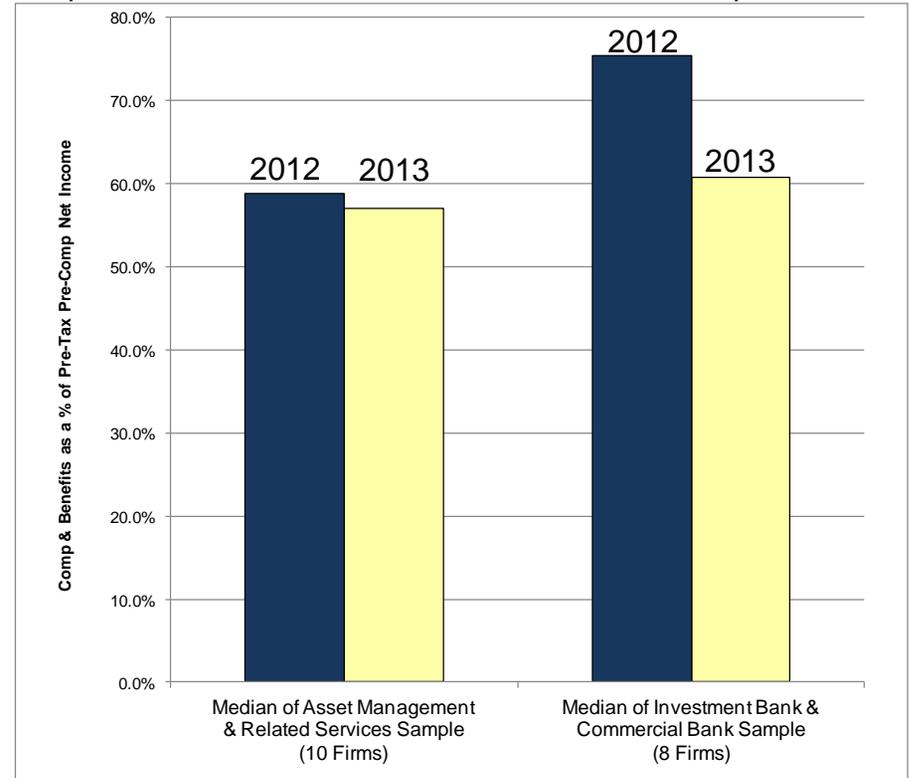
Year-to-Date Compensation & Benefits Ratios

- 9M 2012 v. 9M 2013 results; year-over-year comparisons may be skewed by partial year compensation and financial results

Compensation & Benefits as % of Net Revenue



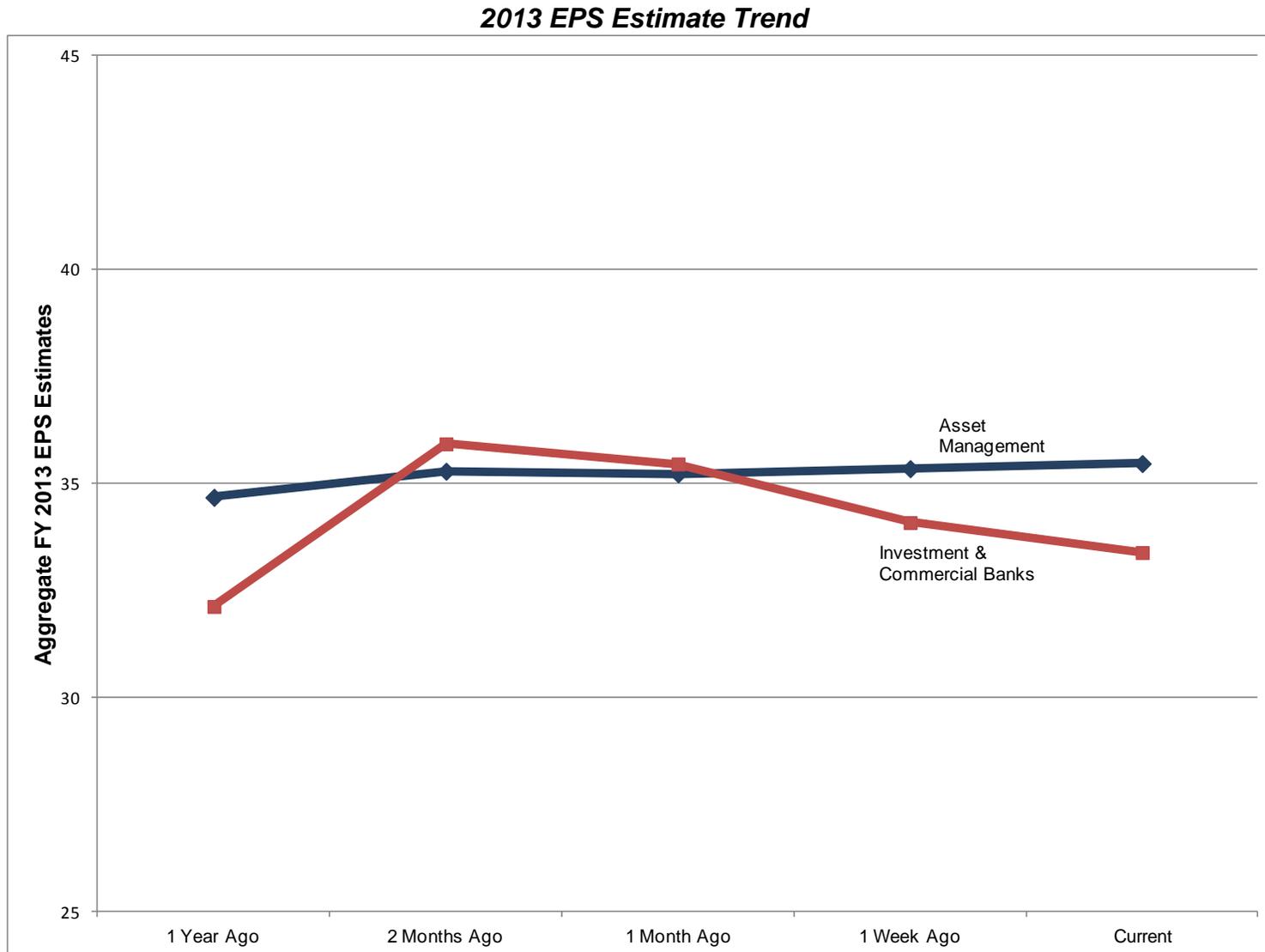
Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income



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

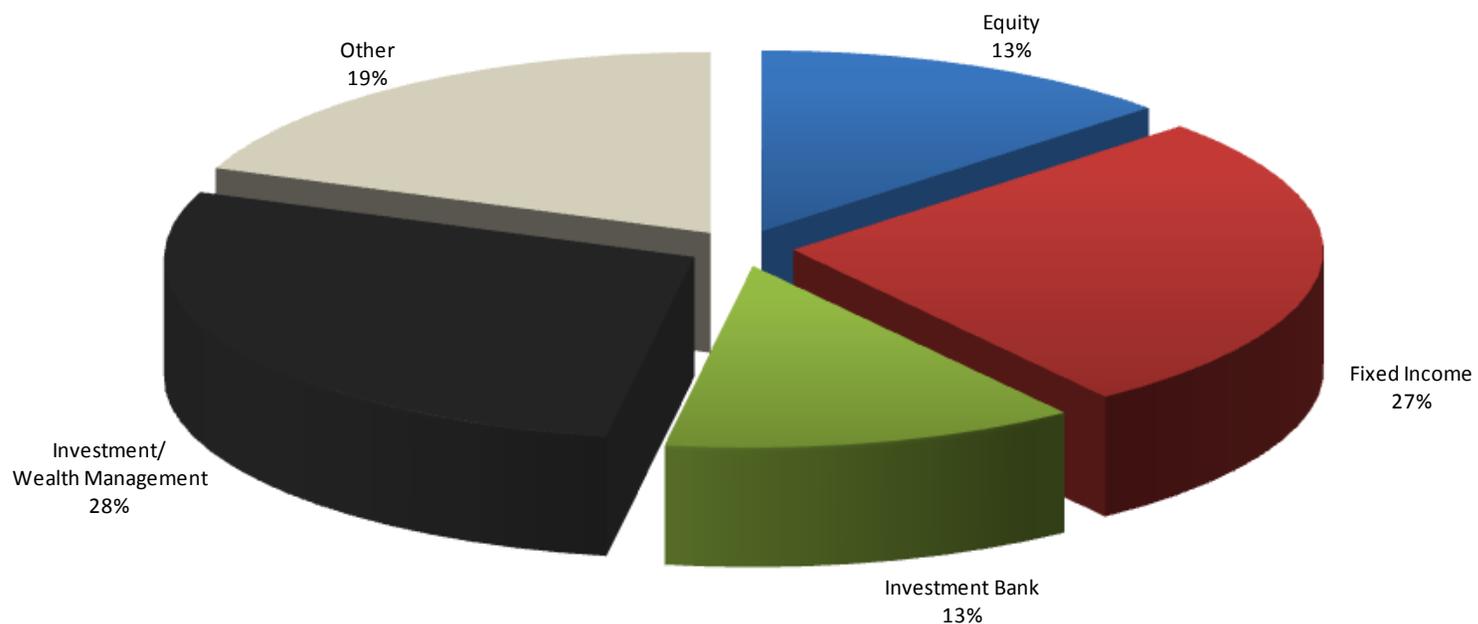
Analyst Estimated EPS Trend

- With ten months into the fiscal year, analyst outlook reflects a stable environment for asset management and a challenging second half for investment and commercial banks
- 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

2013 YTD Operating Net Revenue Breakdown



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