JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Second Quarter Trends and Year-End Projections 8/11/14

After the second quarter, Johnson Associates projects mixed incentive compensation across financial services. For major investment & commercial banking firms, incentive compensation is projected to be flat. Incentive compensation for asset management is again projected to increase. Business mix and cost management, speed of economic recovery, and ongoing uncertainty in world markets continue to be key 2014 incentive drivers.

Full Year Outlook:
Moderately positive across financial services

- Ongoing global issues add uncertainty to world markets
- Variation in performance by firm and business area
- Significant cost cutting initiatives have resulted in improved earnings

Asset Management:
Asset management to have another strong year

- Incentives up on higher year-over-year AUM
- AUM increases primarily on market appreciation, along with positive net flows
- Independent firms have competitive advantage over major bank subsidiaries (smaller deferrals and less regulations)
- Hedge fund results expected to vary on increasing assets but mixed performance across strategies
- Private equity results up on positive realization activity and fundraising

Investment and Commercial Banking:
Projected to be flat; challenging trading conditions in fixed income and equities offset by positive results elsewhere

- Business mix impacts overall firm results
- M&A and underwriting activity up meaningfully
- Trading results poor and expected to be flat to down meaningfully off a disappointing prior year
- Retail and commercial banking flat; modest deposits and loan growth offset by lower mortgage banking activity and continued spread compression

Evolution of Market Environment:

- New rules in the UK allowing clawbacks for up to 7 years (vested and unvested), and discussions around deferring bonus payments for 5-7 years instead of 3-5 years
- Quality of professionals and compensation increasing in compliance, risk, and regulatory
- Big banks no longer top payers; asset management and alternatives provide similar/higher compensation opportunities. Need to address competitiveness through salaries, career opportunities, firm policies, and other non-compensation elements

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Projected 2014 Incentive Funding

- *Headcount-adjusted basis*

Investment & Commercial Banking

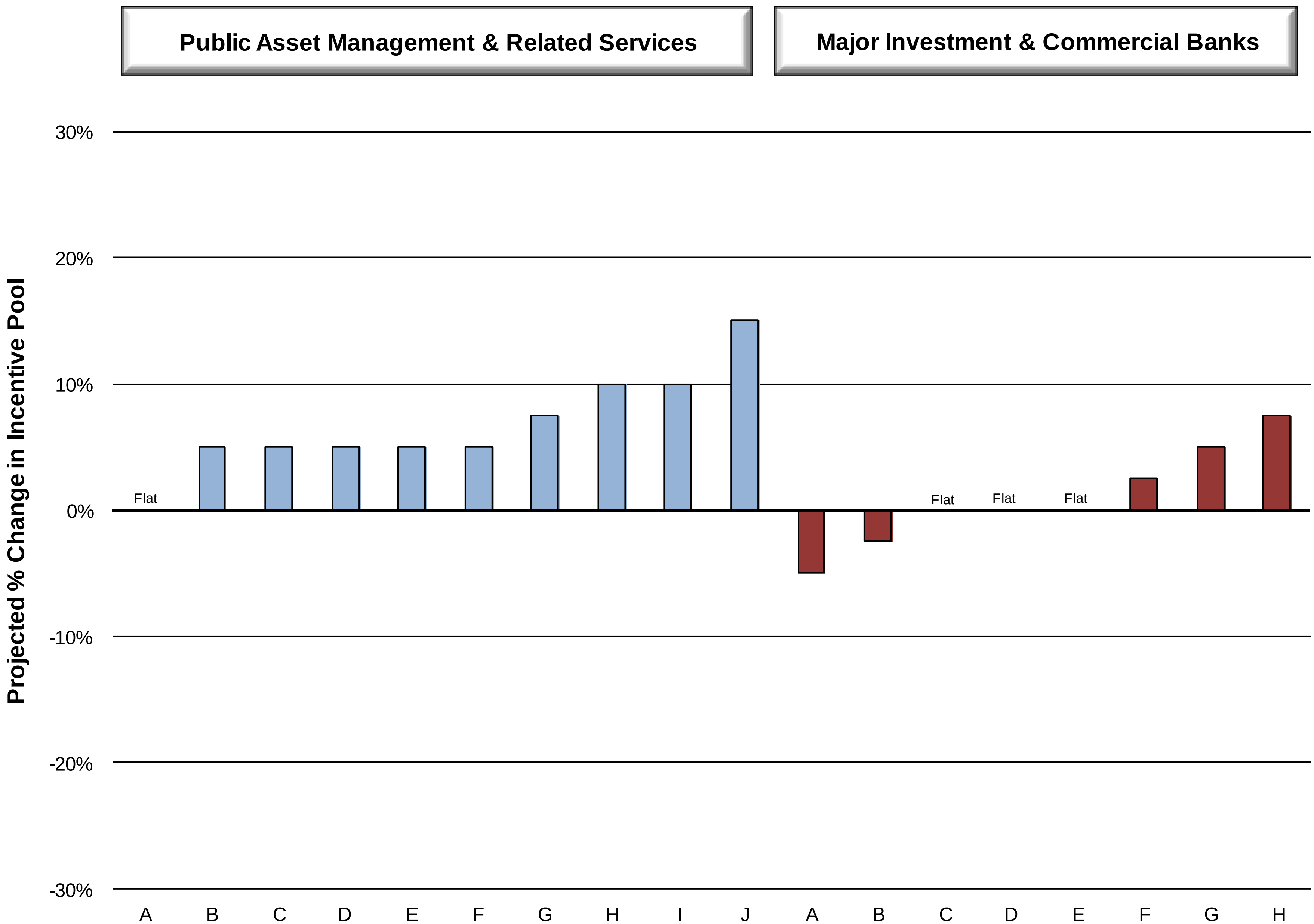
Business/Area		% Change from 2013
Senior Firm Management **(Excluding Proxy Executives)** *Generally moves in line with entire firm, with variation by business*		**-10% to +5%**
Staff Positions *Moves in line with entire firm, but increasingly conservative bias due to focus on controlling costs. Exception for in demand functions such as regulatory, compliance, and risk related areas*		**Flat**
Investment Banking *Industry-wide M&A activity improving. Underwriting results positive, with equity underwriting generally outperforming debt underwriting*	**Advisory** **Underwriting**	**+5% to +15%** **+5% to +15%**
Equities *Mixed results across products, but challenging trading environment with lower volatility and volumes*		**-10% to 0%**
Fixed-Income *Variation due to breadth of products; some firms getting out of certain products. Challenging trading environment, low volatility and reduced client activity*		**-15% to 0%**
Retail & Commercial Banking *Credit trends continue to be favorable. Modest deposit and loan growth, offset by declining mortgage banking activity and continued spread compression*		**Flat**

Traditional Asset Management & Alternatives

Business/Area	% Change from 2013
Asset Management **(Independent and Captive)** *Increased AUM on flows and primarily market appreciation. Lag effect of AUM boosts incentives*	**+5% to +10%**
High Net Worth *Assets generally more stable. Fee based assets increasing*	**+5% to +10%**
Hedge Funds (Independent and Captive) *Increasing assets under management but mixed performance across strategies*	**-5% to +5%***
Private Equity *Solid realization activity. Improved fundraising but fee pressure continues*	**+10% to +15%***

*Applies to incentive and equity, excluding carry

Projected % Change in Year-End Incentive Pool*

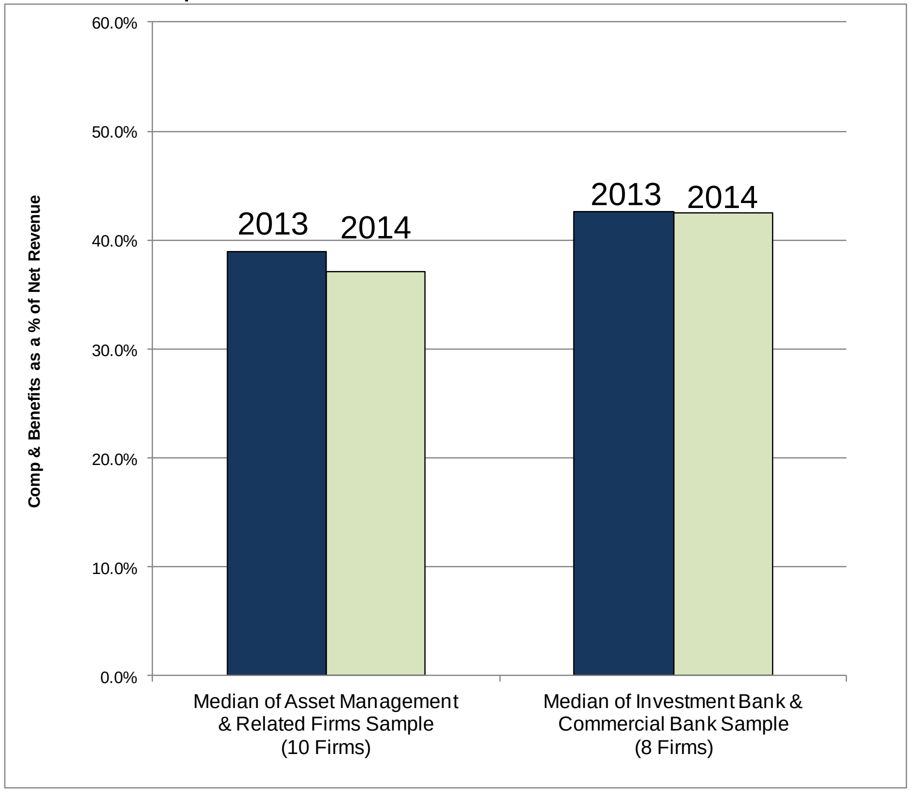


*6 months actual data with projection for remainder of year

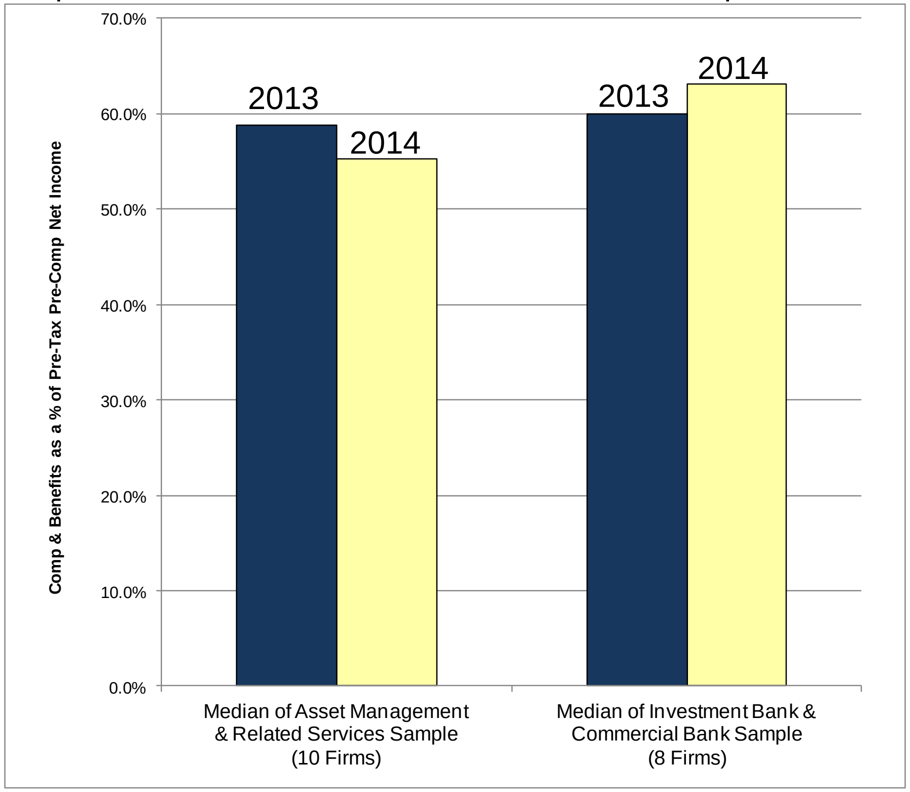
Year-to-Date Compensation & Benefits Ratios

- 6M 2013 v. 6M 2014 results; year-over-year comparisons may be skewed by partial year compensation and financial results

Compensation & Benefits as % of Net Revenue



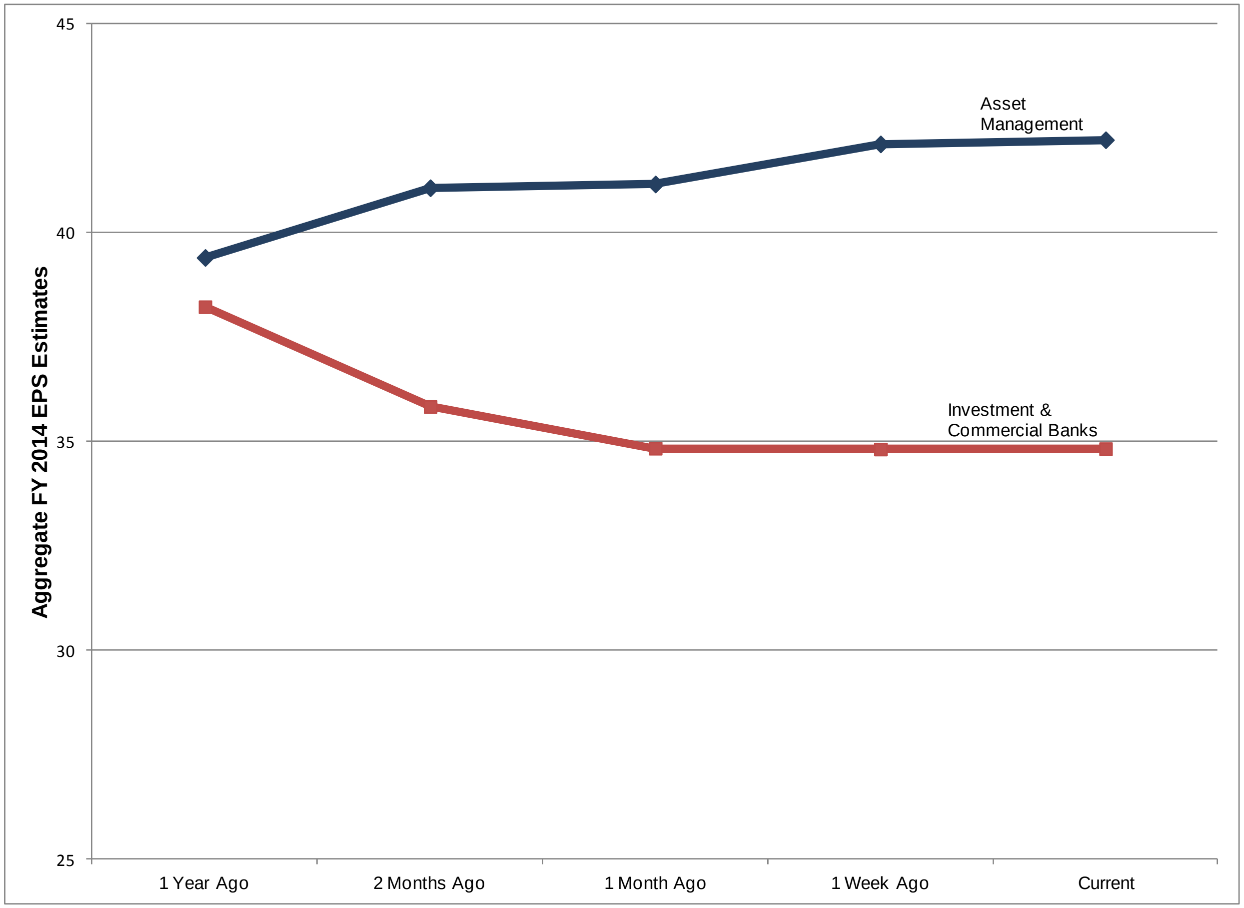
Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income



Analyst Estimated EPS Trend

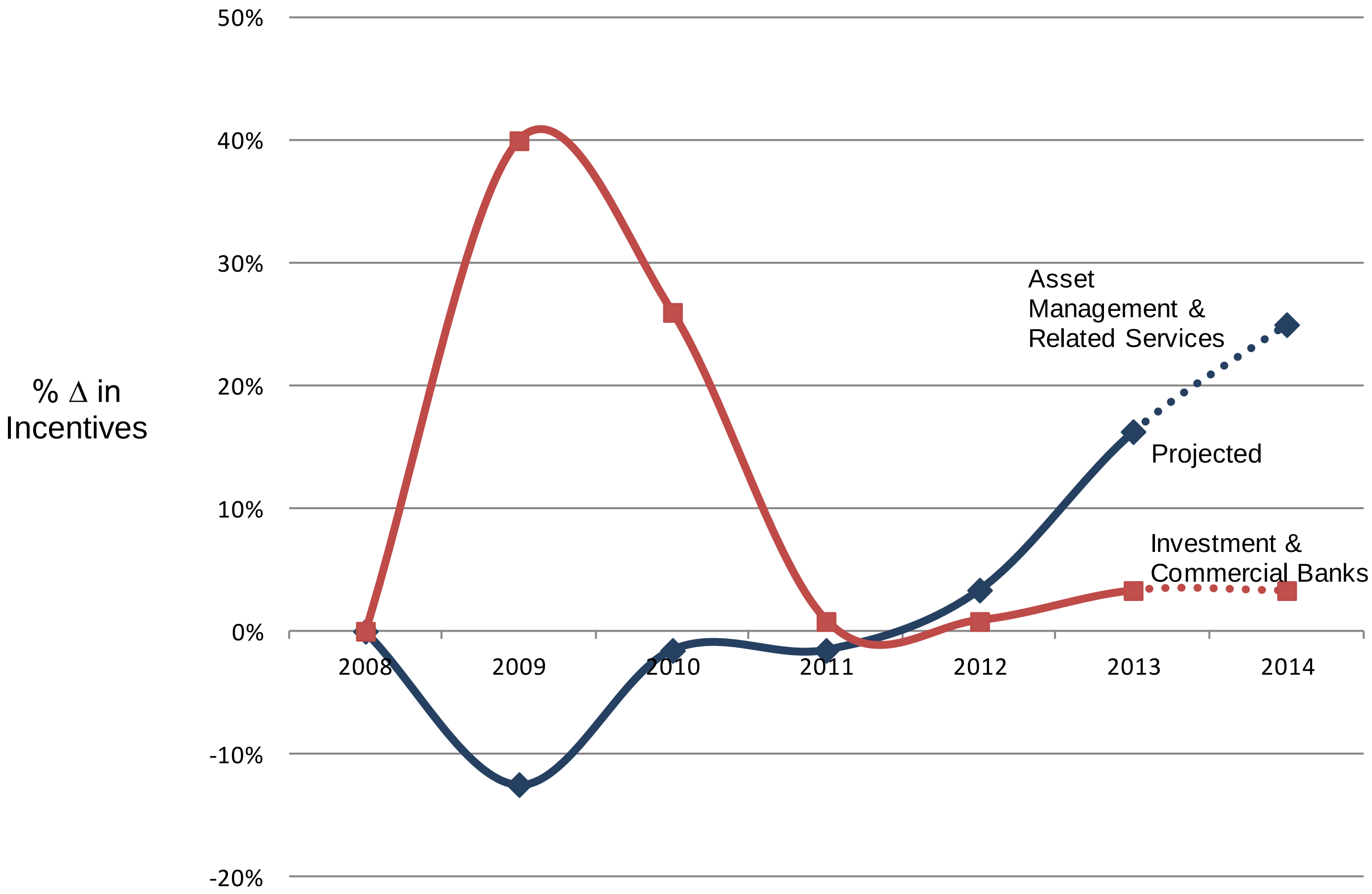
- With seven months into the fiscal year, analyst estimates reflect a positive asset management outlook and a somewhat disappointing investment and commercial banking outlook
- Chart reflects a sample of 7 investment and commercial banks and 10 asset management and related services firms

2014 EPS Estimate Trend

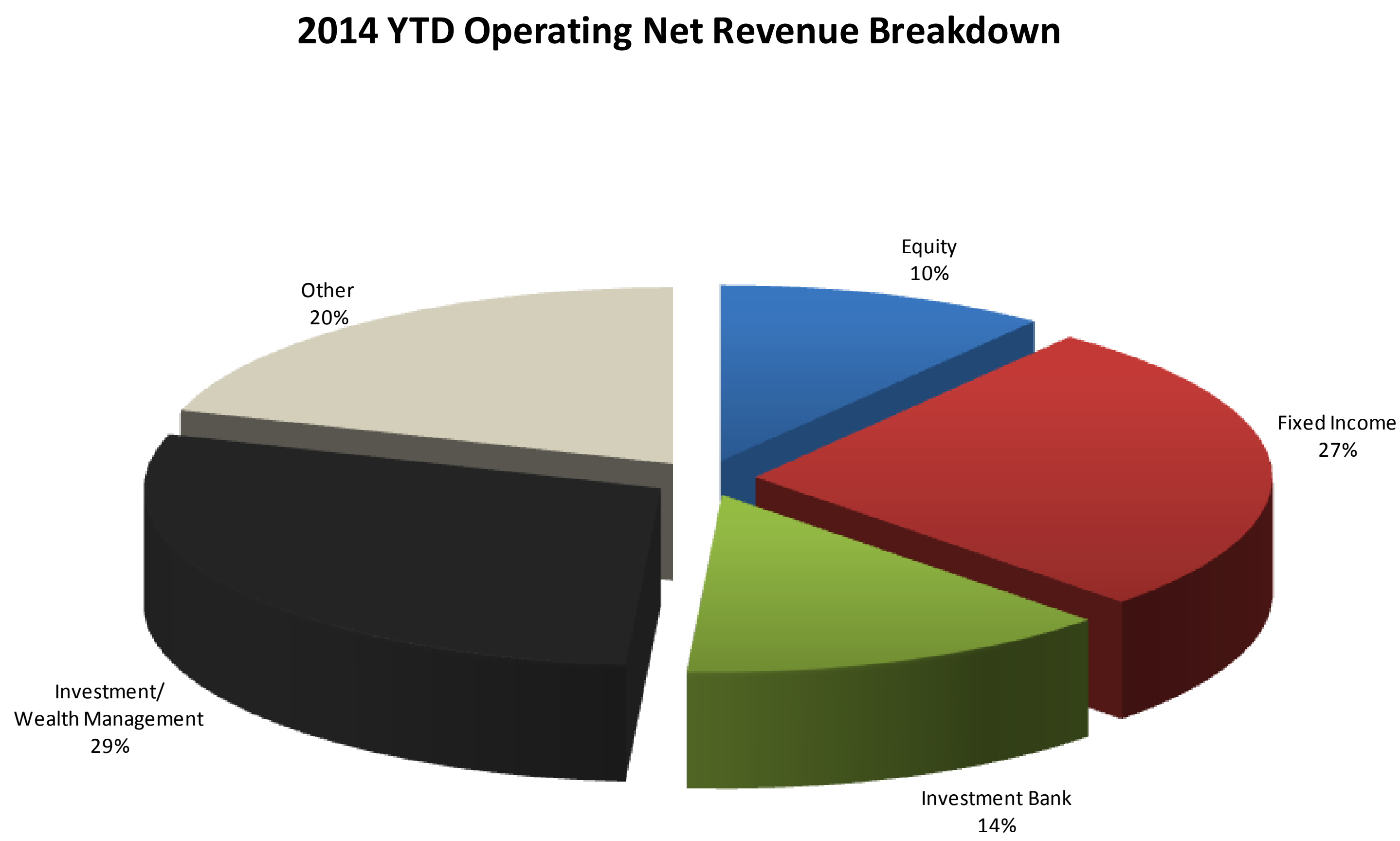


Incentive Trend and Ramifications

- Incentives generally expected to continue on a flat or moderately positive trajectory across financial services
- Asset management pay continues to increase while investment and commercial banks have another disappointing year



Year-to-Date Investment Bank Net Revenue Breakdown



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