JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Third Quarter Trends and Year-End Projections 11/12/20

After the third quarter, Johnson Associates projects year-end decreases in incentive compensation across financial services. Major investment & commercial banks had strong investment banking performance but weak results in commercial and retail banking. Despite dramatic market recovery, asset management, hedge funds, and private equity incentives decline moderately.

Traditional Asset Management:

Despite market surge, incentives down

- Incentives down with fee pressures and growing costs
- AUM growth from modest inflows and recent market surge
- Industry consolidation continues at rapid pace
- Cost-cutting continues (i.e. headcount reduction, geographic shifts)

Alternative Investments:

Private Equity and Hedge Funds down

- Hedge Fund flows increase modestly despite being down overall year over year
- Quantitative funds lag other strategies
- Private Equity incentives down; movement continues toward larger, established funds
- Record fundraising in venture capital

Investment and Commercial Banking:

Credit losses stabilize but traditional banking incentives still down

- Despite stronger investment banking, management and corporate support down on earnings decline
- Substantial credit loss provisions in consumer and retail businesses
- Record trading profits on strong client activity and volatility. Debt and equity underwriting up significantly from large client capital raises
- Greater divergence by business area vs. previous years (i.e. trading and underwriting vs. retail banking)
- Targeted headcount reductions ramp up through year-end / first quarter 2021

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Projected 2020 Incentive Funding

- *Headcount-adjusted basis (i.e. felt impact)*

Traditional Asset Management & Alternatives

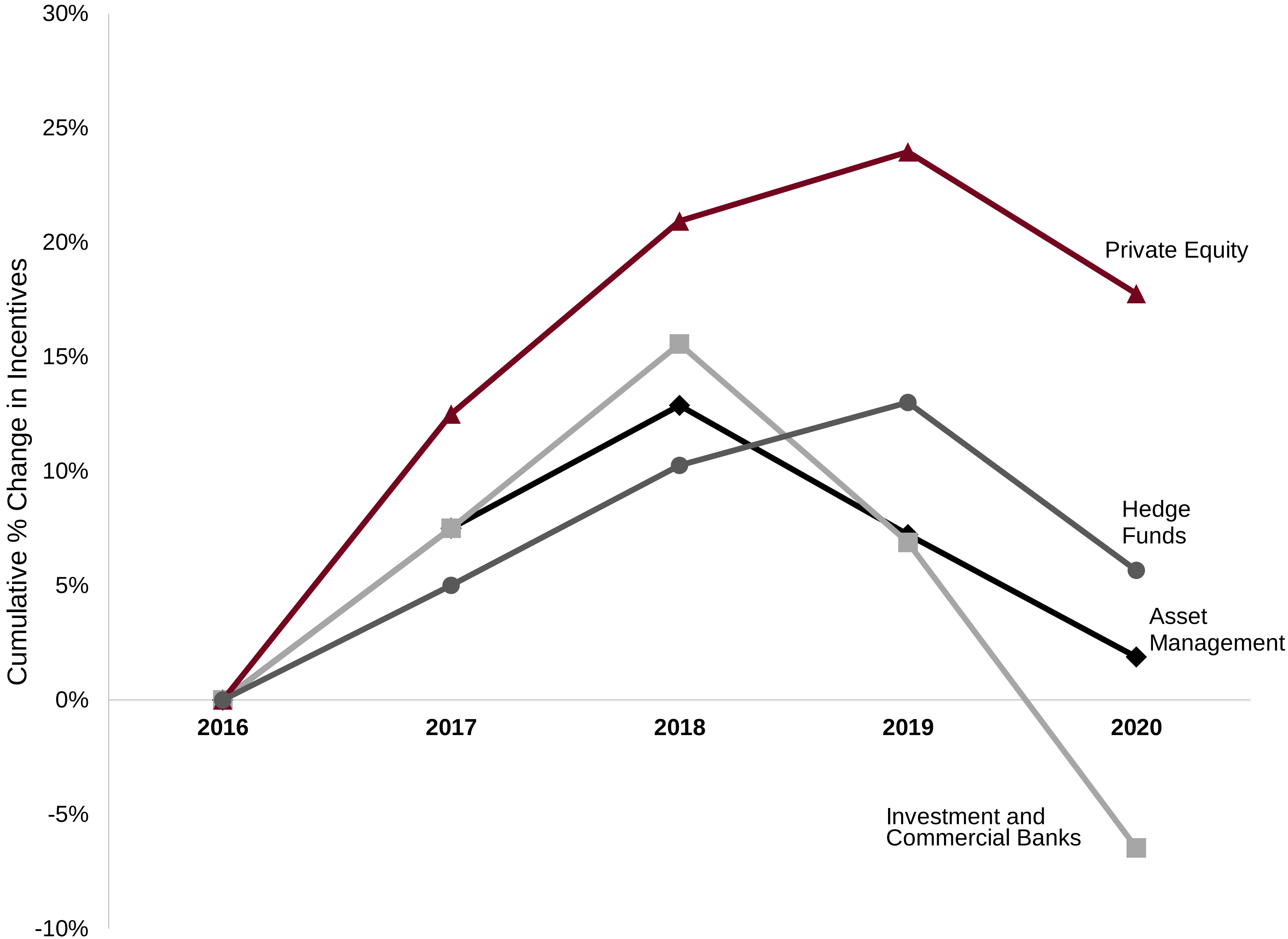
Business/Area		% Change from 2019
Asset Management		**-5%**
Industry flows stabilize and market surge bolsters AUM		
Hedge Funds		**-5% to -10%**
Flows turn positive in third quarter despite being down year to date. Quantitative funds lag peer strategies		
Private Equity	**Large**	**-5%***
	Small / Mid	**-10%***
Targeted fundraising at larger firms while less established GP's struggle to raise money in virtual environment		
High Net Worth		**-5%**
Investors de-risk as market volatility continues		

*Applies to incentive and equity, excludes carry

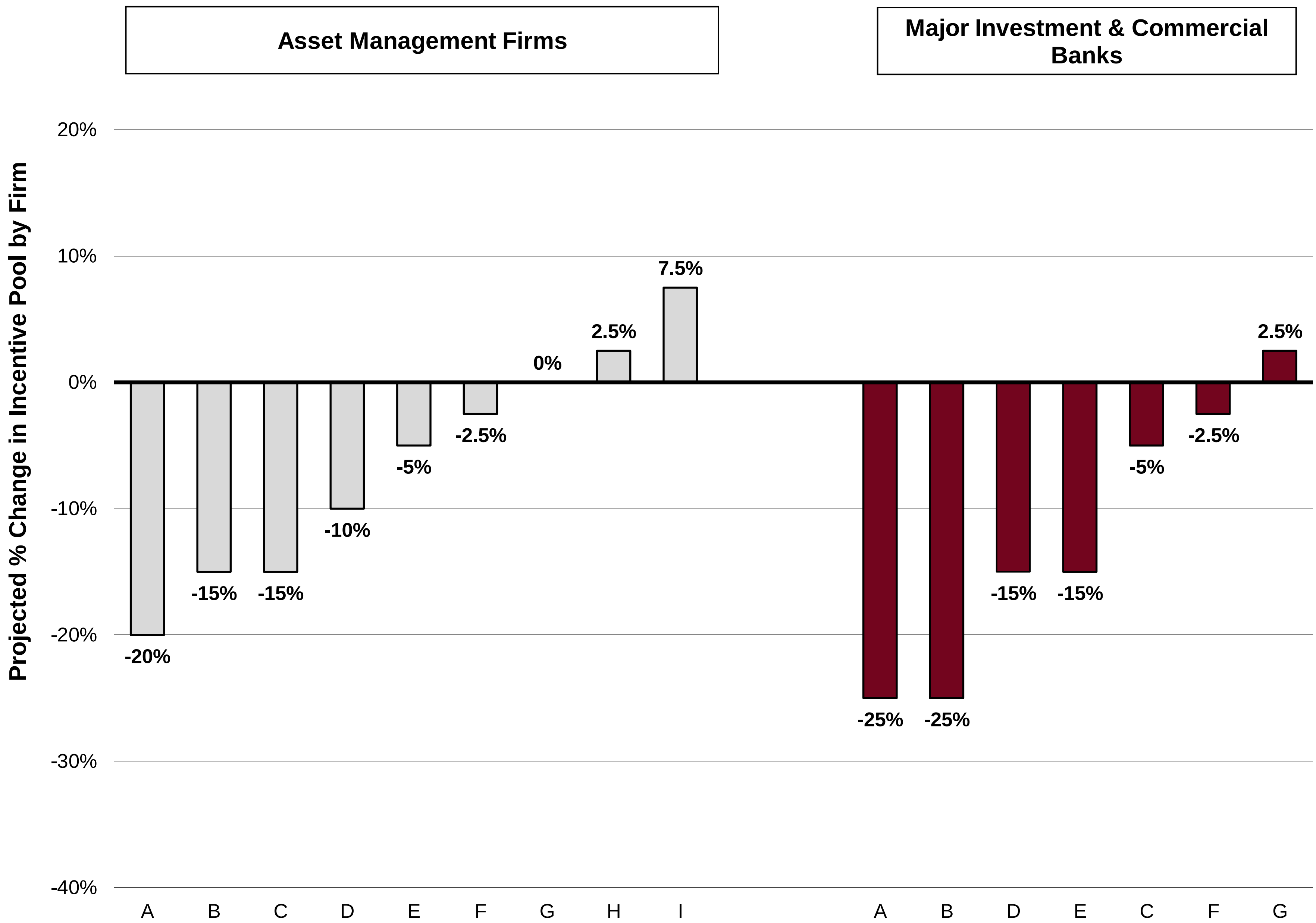
Investment & Commercial Banking

Business/Area		% Change from 2019
Firm Management/Staff Positions		**-10% to -15%**
Investment banks outperform peers with larger commercial and retail presence; Firm management may be down more than pool		
Investment Banking	**Advisory**	**-15% to -20%**
	Underwriting	**+35% to 40%+**
Equity underwriting significantly outperforming debt underwriting. Advisory down broadly		
Sales & Trading	**Equities**	**+20% to +25%**
	Fixed Income	**+40% to +45%+**
Uncertainty and high volatility contribute to record fixed income trading		
Retail & Commercial Banking		**-25% to -30%+**
Credit provisions stabilize but defaults weigh on results		

Incentive Trend by Business Segment



Projected % Change in Year-End Incentive Pool by Firm*

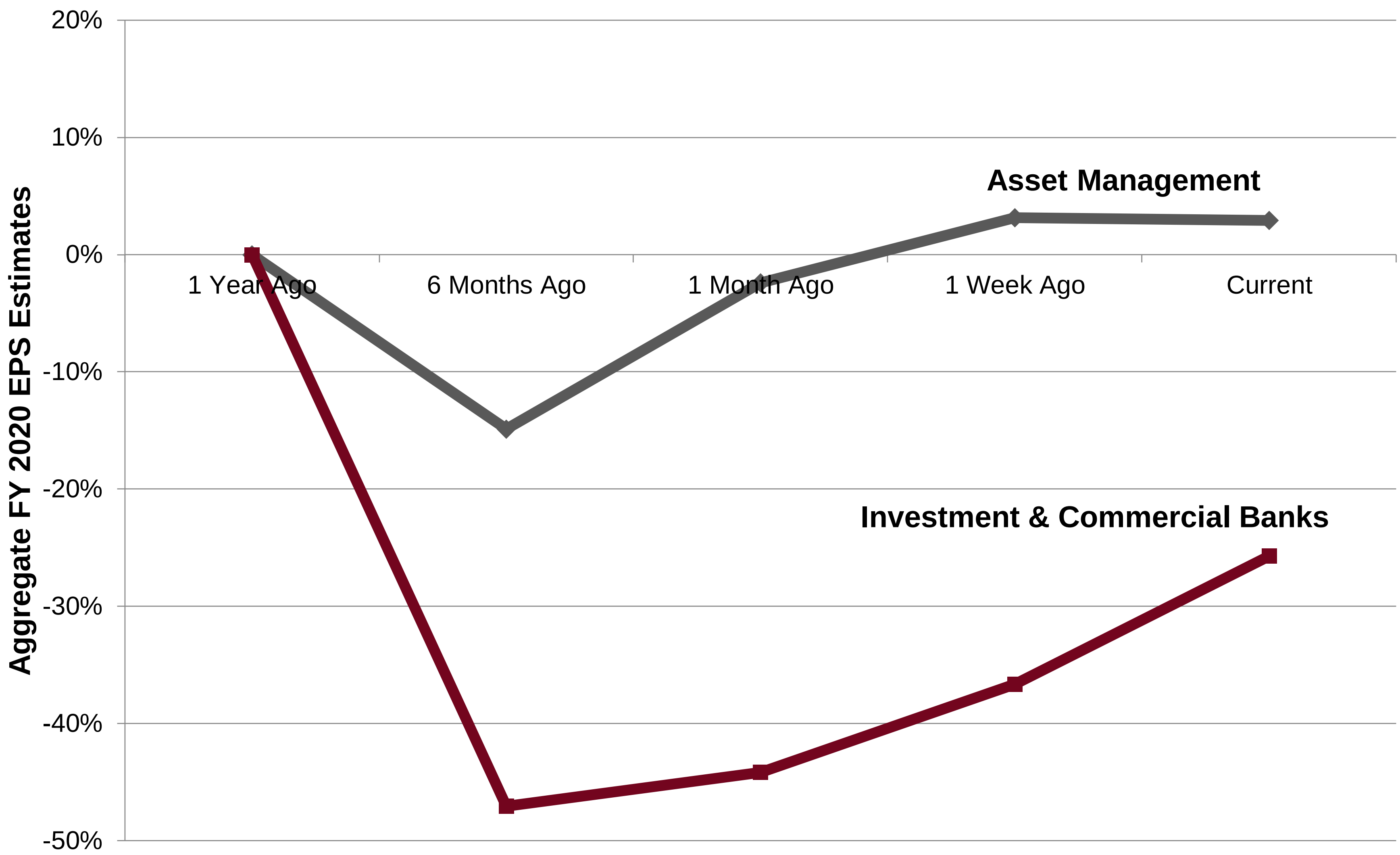


** 9 months actual data with projection for remainder of year*

Analyst Estimated EPS Trend

- Versus 2019 actual EPS, analyst estimates recovering but still down sharply for investment and commercial banks while asset management estimates have stabilized
- Chart reflects a sample of 6 investment and commercial banks & 9 asset management firms

2020 EPS Estimate Trend (% Change)



YTD Stock Performance Across Varied Market Sectors

- Financial Services industry continues to significantly underperform the broader market recovery
- S&P 500 Equal Weight ETF continues to highlight market recovery disproportionately attributable to technology stocks