

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

5/6/21

After the first quarter, Johnson Associates projects meaningful year-end increases in incentive compensation across financial services. Major investment & commercial banks benefit from release of loan loss provisions and robust investment banking and trading results. Asset management incentives up on net inflows and strong markets. Private equity incentives higher as fundraising rebounds while hedge funds capitalize on inflows with strong performance.

Traditional Asset Management:

Market appreciation and inflows boost incentives

- Incentives up as fee pressures mitigated by inflows and market rise
- Fixed income inflows industry-wide
- Diversifying product offerings gaining momentum (i.e. technology platforms, alternatives)
- Headcount reductions partially offset by targeted hiring in select key areas

Alternative Investments:

Private Equity and Hedge Funds incentives up

- Hedge Fund inflows coupled with great performance drive incentives higher
- Equity strategies dominate new fund launches
- Private Equity incentives up; deal and exits robust
- Fin-tech presence and impact expanding
- Fundraising resiliency led by mega funds
- Seed and early-stage venture capital on torrid pace

Investment and Commercial Banking:

Incentives up broadly on surging investment banking and trading

- Releasing substantial credit loss provisions in consumer and retail businesses boost profits significantly
- Booming investment banking and trading results fuel incentive increases
- Deluge of SPAC issuances makes equity underwriting best performing business unit
- Advisory rebounding from weak 2020 as M&A activity ticks upward
- Consumer and retail banking hurt by weaker loan demand while deposits increased
- Investment banking pipeline remains healthy; activity levels expected to taper off moderately through year-end

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Projected 2021 Incentive Funding

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

Traditional Asset Management & Alternatives

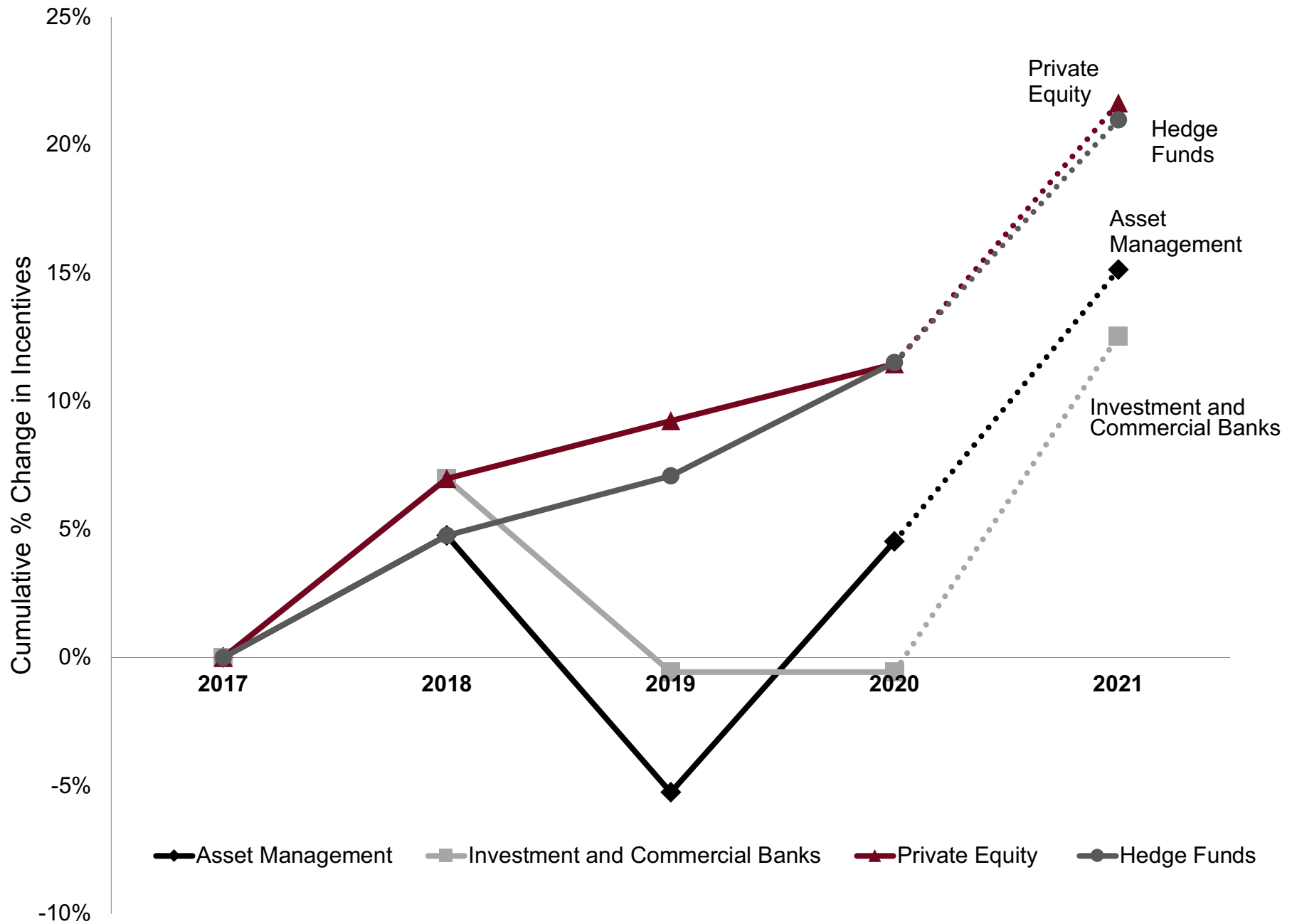
Business/Area	% Change from 2020
Asset Management	+10% to +15%
<i>Inflows and market rally help AUM leap higher</i>	
Hedge Funds	+10% to +15%
<i>Positive flows paired with strong performance. Equity strategies outperform credit</i>	
Private Equity	+10% to +15%
<i>Fundraising rebound led by mega funds. Portfolio values increase as underlying businesses grow and economy reopens</i>	
High Net Worth	+10%
<i>Asset levels increase as investors seek returns in strong equity markets</i>	

Investment & Commercial Banking

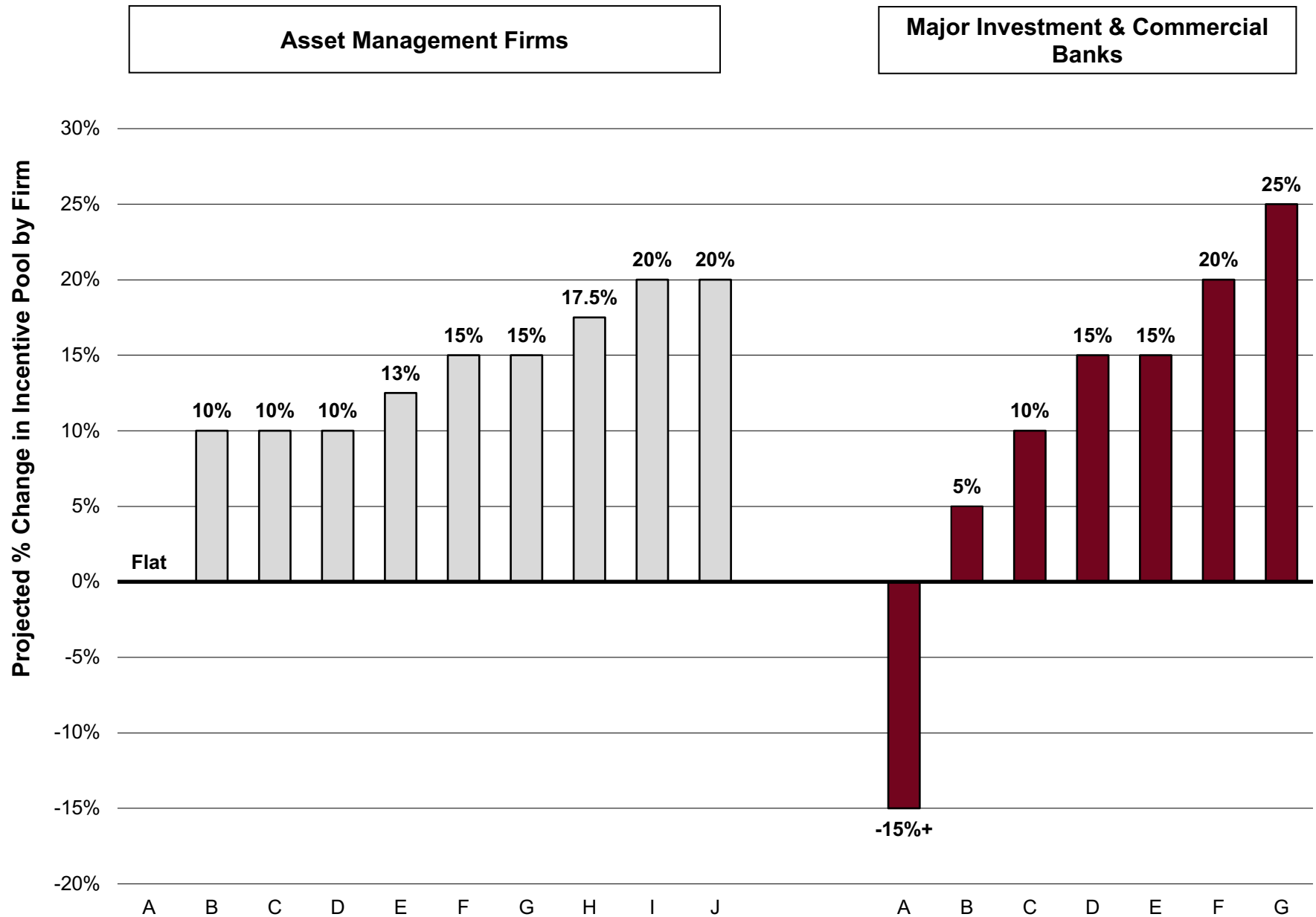
Business/Area	% Change from 2020
Firm Management/Staff Positions	+15% to +20%
<i>Loan loss reserve release boosts profits; robust investment banking and trading performance overshadows weaker retail banking</i>	
Investment Banking	Advisory +15% to +20% Underwriting +35% to +40%+
<i>Record equity underwriting significantly outperforming debt underwriting. Advisory up from a slow 2020</i>	
Sales & Trading	Equities +25% to +30% Fixed Income +10% to +15%
<i>Uncertainty and high volatility contribute to record fixed income trading</i>	
Retail & Commercial Banking	-5% to -10%
<i>Release of credit provisions stabilize business; weak loan demand weighs on results</i>	

*Applies to incentive and equity, excludes carry

Incentive Trend by Business Segment



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

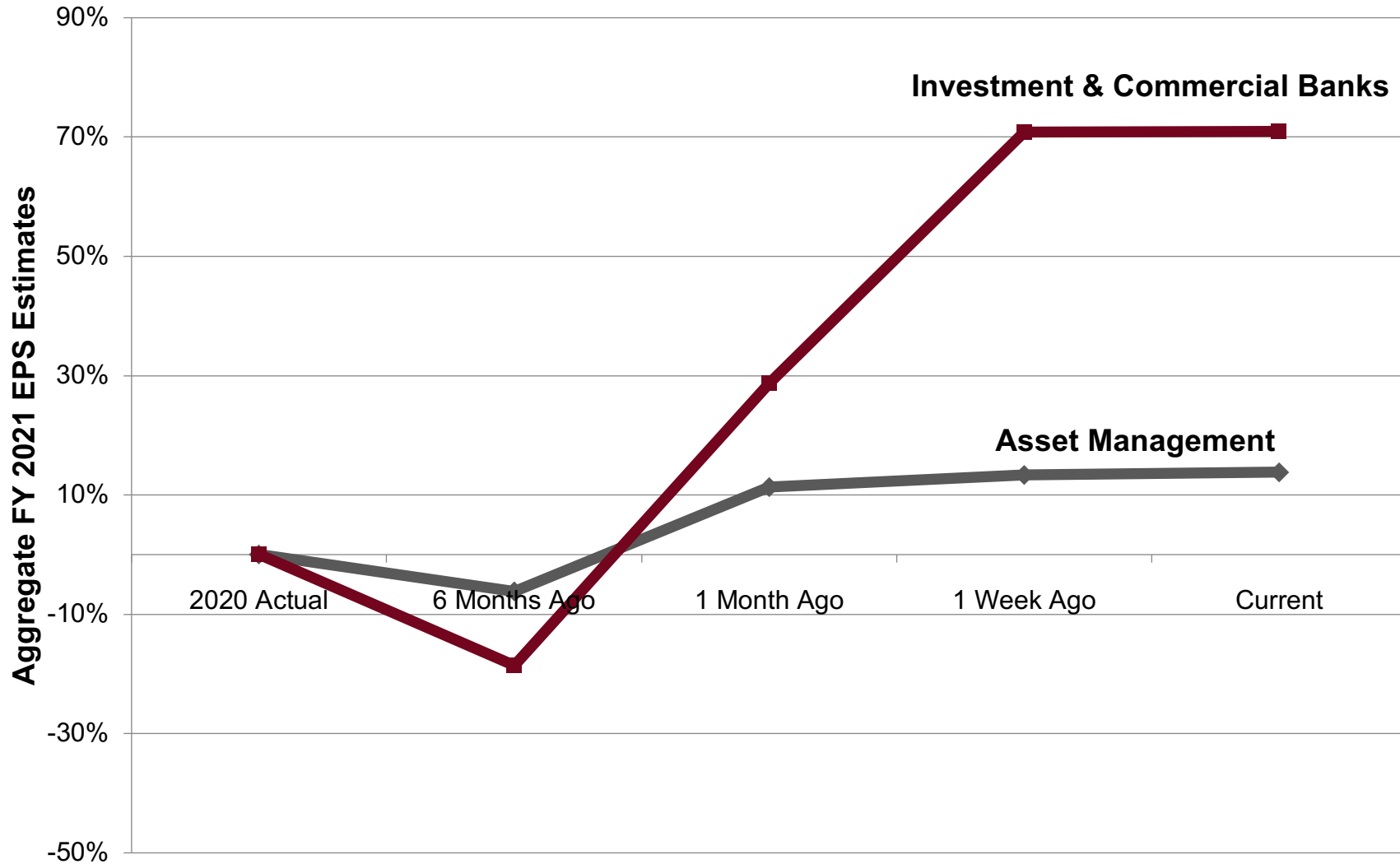


* 3 months actual data with projection for remainder of year

Analyst Estimated EPS Trend

- Versus 2020 actual EPS, analyst estimates surge dramatically for investment and commercial banks on release of loan loss provisions while asset management estimates have stabilized
- Chart reflects a sample of 6 investment and commercial banks & 10 asset management firms

2021 EPS Estimate Trend (% Change)



YTD Stock Performance Across Varied Market Sectors

- In a sharp turn from 2020, financial services significantly outperforming S&P 500 and is a leading sector in 2021

