1st QUARTER 2006 UPDATE

(actual 3 months and year-end forecasts)

FINANCIAL SERVICES COMPENSATION & BENEFITS ESTIMATES 5/15/06

- Reported compensation ratios higher due to impact of new stock-based accounting standards (SFAS 123R)
  - Expensing for equity awards (granted after January 1, 2006) to retirement-eligible employees required at grant. 2006 grants fully expensed in first quarter versus over vesting period; expect lower levels for remainder of year
    - Less of an impact on firms with younger employees ineligible for retirement (i.e., investment banks)
  - Year over year comparisons also reflect changing business mix (different funding rates), outsourcing of technology/operations, special circumstances (i.e., severance), and timing issues (accruals linked to vesting)

- Special awards on rise due to intensified recruiting in key growth areas
  - Firms generally more cautious over contract provisions (i.e., guarantees, sign-ons compared to late 1990s)

- Changing face of equity awards direct result of stock option accounting
  - Restricted stock more prevalent
  - Attention shifting to stock appreciation rights and performance-based stock/cash
  - Heightened focus on valuation methodologies (binomial vs. Black-Scholes)

- Year-end headcount expected up ≅ 3-5% following 2005 increases
  - Continued international investment and strategic positioning

JOHNSON ASSOCIATES, INC.

19 West 44th Street, Suite 511, New York, New York 10036

(212) 221-7400 • Fax (212) 221-3191

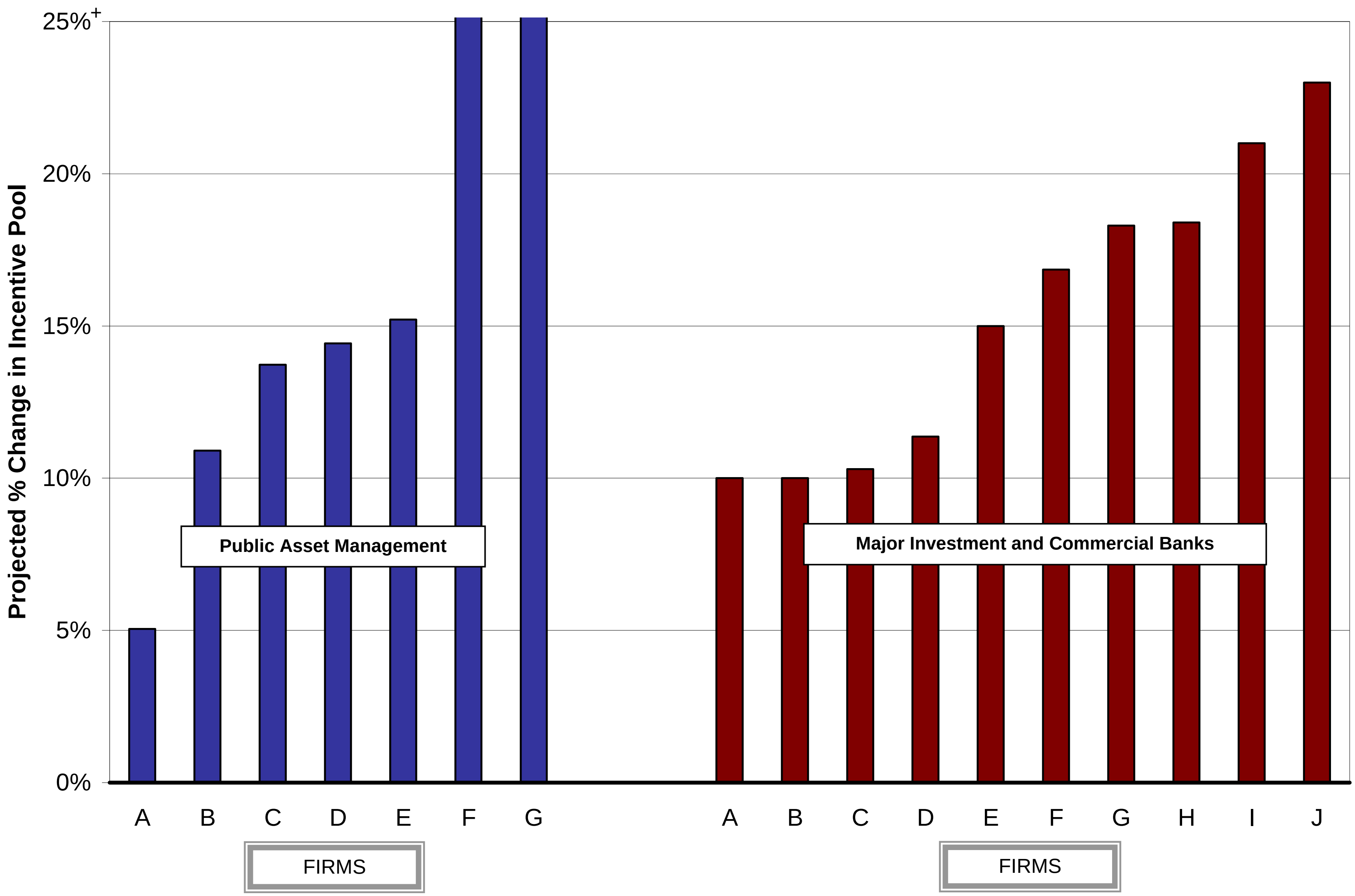
Financial Services Compensation & Benefits Estimates

- Overall incentive outlook largely positive (on average, ≅ +10% to +15%) with significant variations between businesses/firms and geographical regions
- Key differences include (a) international penetration, (b) trading strategies, and (c) business mix (i.e., commodities, alternative investments, prime brokerage)
  - International growth outpacing U.S. across major business lines

Projected 2006 Wall Street Incentive Funding		
Business/Area	**% Increase/Decrease from 2005***	**Explanation**
Senior Firm Management	10%-15% Up	Variations depending on business mix and performance
Staff Positions	10%-15% Up	Staff incentives move in line with entire firm. Risk and compliance highly recruited
Investment Banking	25% Up	Reflects increased global business activity, higher market valuations, and rise in announced deals (expected to close later in year)
Equities (excl Prime Brokerage)	20% Up	Increase in volumes, higher valuations, and international activity offset spreads and pricing competition. Proprietary trading adds significant leverage and widens market results
Prime Brokerage	15% Up	Growth tied to hedge fund transaction/lending activities
Asset Management: Equities Fixed Inc Hedge Funds	10%-15% Up 5% Up 15% Up	Net inflows into Equity and Hedge Fund products. Fixed Income hurt by net outflows and rising interest rates. International growth generally stronger than domestic as transfer of assets into foreign markets (Asia, Europe, and emerging mkts)
Private Client: Fee-Based Trans-Based	15% Up 10% Up	Fee-Based: market appreciation and net inflows Transaction-Based: stronger volumes offset continued pressure on spreads
Fixed Income	5%-10% Up	Continued strong performance. Commodities highlight number of growing areas. Proprietary trading key factor
Commercial Banking	5% Up	Increased loan activity a result of continuing investment cycle and lower credit spreads. Offset by margin compression (flat yield curve) and expected moderate increase in credit provisions
Retail Banking	5% Up	Higher deposits/lending offset tighter loan margins. Expect weakening mortgage banking

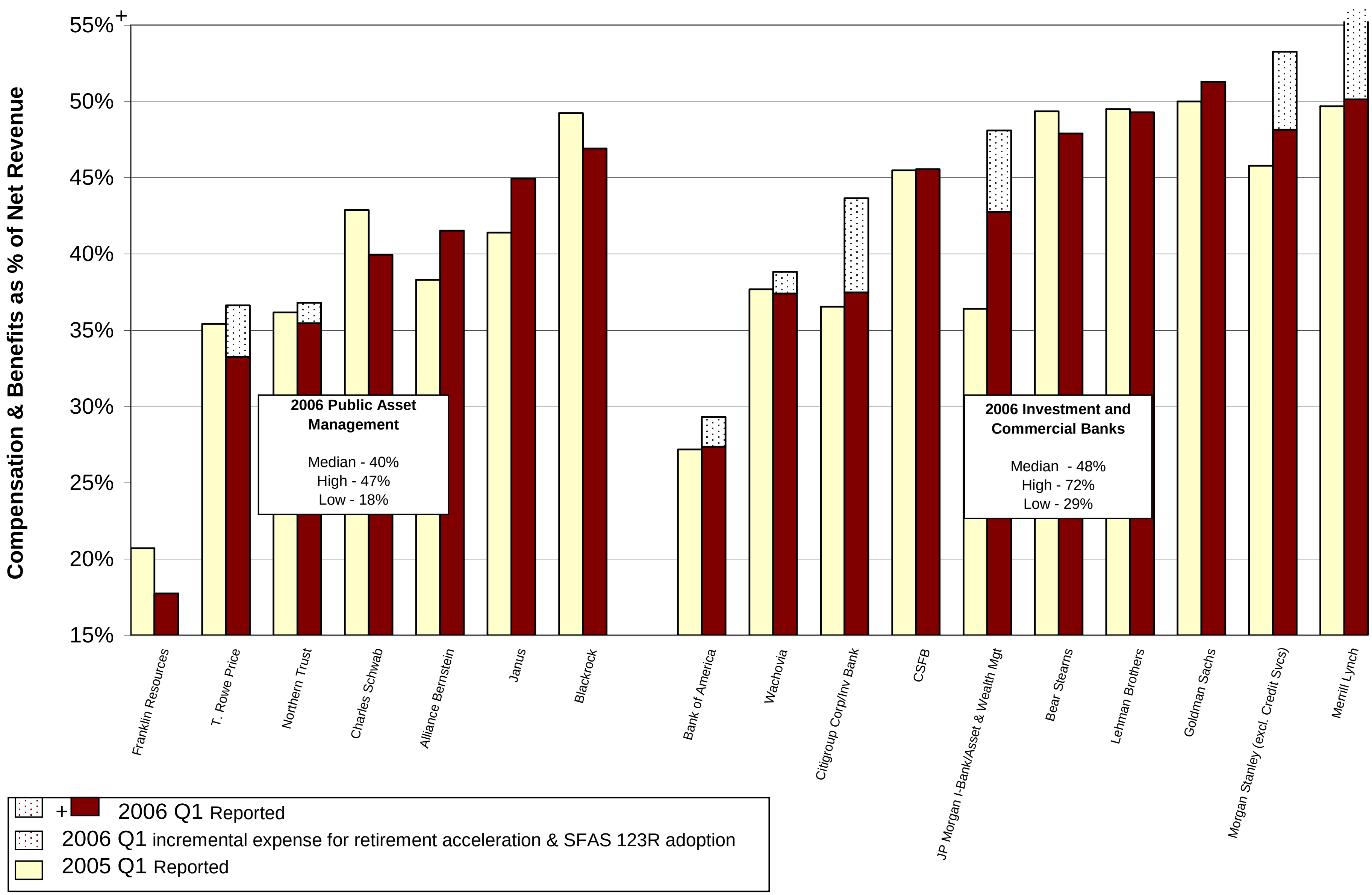
*Individual levels after adjustments for headcount changes

Projected % Change in Year-End Incentive Pool*

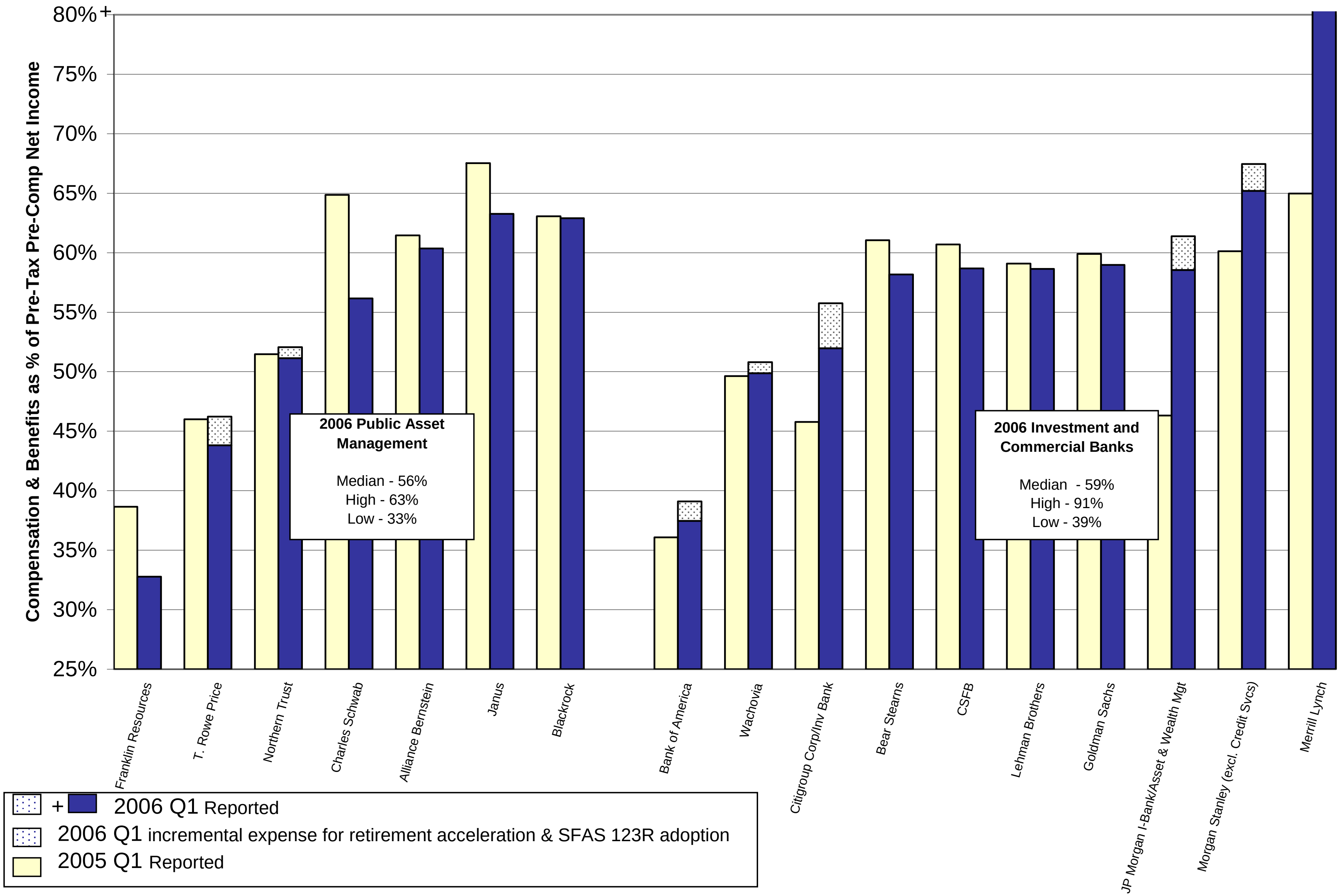


*3 Months actual data with projection for remainder of year

Year-to-Date Compensation & Benefits as % of Net Revenue

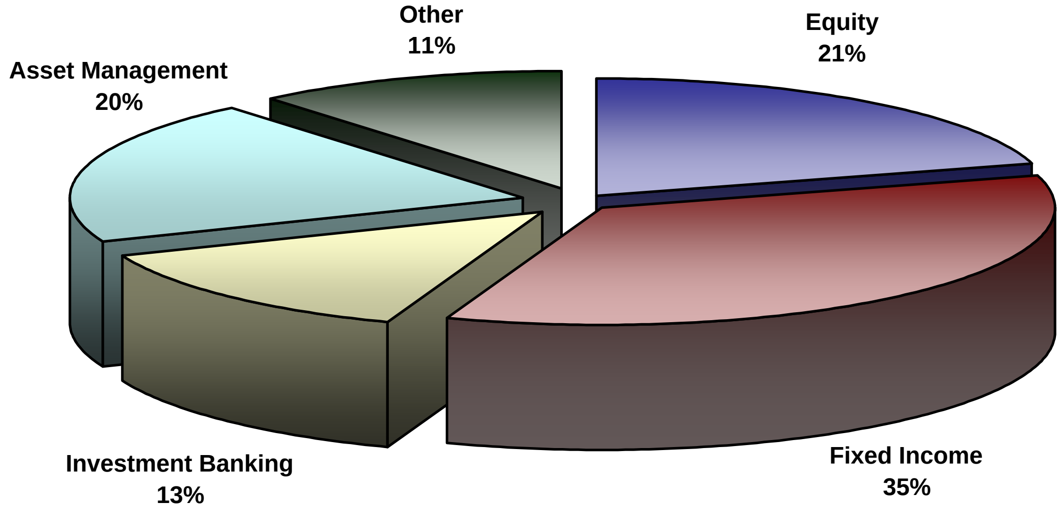


Year-to-Date Compensation & Benefits as % of Pre-Tax Pre-Comp Net Income

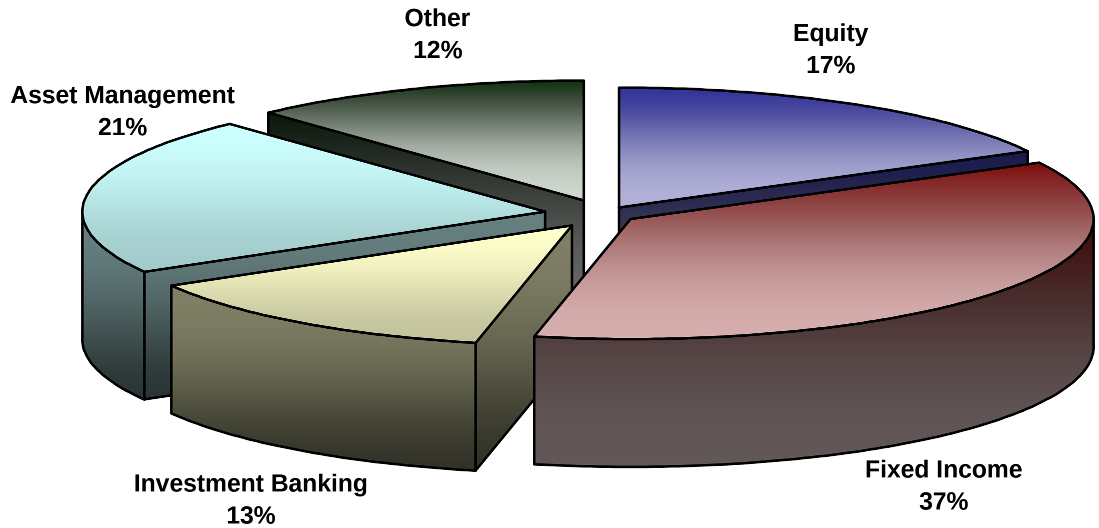


Year-to-Date Investment Bank Net Revenue Breakdown

2006



2005



* Reflects median data from Goldman Sachs, Merrill Lynch, JPMorgan, Morgan Stanley, Citigroup, Bear Stearns, Lehman Brothers