

FINANCIAL SERVICES COMPENSATION

Third Quarter Trends and Year-End Projections

11/7/11

As of the third quarter, Johnson Associates broadly projects a decline in incentive compensation across financial services. For major investment & commercial banking firms, incentive compensation is projected to decline significantly, with variation by business. Incentive compensation for the asset management industry is projected to be essentially unchanged year-over-year, with increases and decreases by firm and mix of business. Lack of economic recovery, varying impact of regulation both globally and regionally, business mix, and ongoing uncertainty in world markets are key 2011 incentive drivers.

NOTABLE TRENDS*

- Challenging market environment reduces full year expectations
 - Economic recovery sluggish and uncertain
 - Ongoing global issues impact stability and add uncertainty to world markets
 - Broad economic concerns, market declines, and layoff announcements reduce employee incentive expectations
- Expect intense political pressure around compensation with declining financials
 - Public spotlight on compensation intensifies again with Occupy Wall Street type protests
 - Proxy executive compensation constrained by poor results, regulatory pressures, and public optics
 - Large deferrals and formulas / commission plans limit flexibility and put pressure on compensation ratios
- Asset management and alternatives businesses generally stable, but expectations moderated on challenging market conditions
 - AUM levels decline from market depreciation and difficult asset gathering environment
 - Low interest rates continue to hinder fees, with varying firm performance by mix of business
 - Investor confidences erodes as political uncertainty and economic concerns weigh on market sentiment
- Expect headwinds for investment and commercial banking over remainder of 2011
 - Positive momentum from solid first half advisory and underwriting activity reverses course as activity slows
 - Poor trading results in both equities and fixed income, somewhat masked by positive accounting charges on firm credit spreads
 - Retail and commercial banking generally flat as significantly reduced credit costs offset by weaker fundamentals
 - Layoffs as business not as robust as expected and regulations constrain certain business activities
- Law of unintended consequences; early impact of regulatory changes becomes apparent
 - Harsh consequences for errors can create disincentive to report problems and lead to larger losses (e.g., trader fraud)
 - Years of heavy deferrals create challenges in down year (large fixed cost limits flexibility in compensation accruals)
 - Significant cost of regulatory demands with small positive impact

***Caveat:** Assumes turbulent market conditions don't lead to 2008 type meltdown

JOHNSON ASSOCIATES, INC.

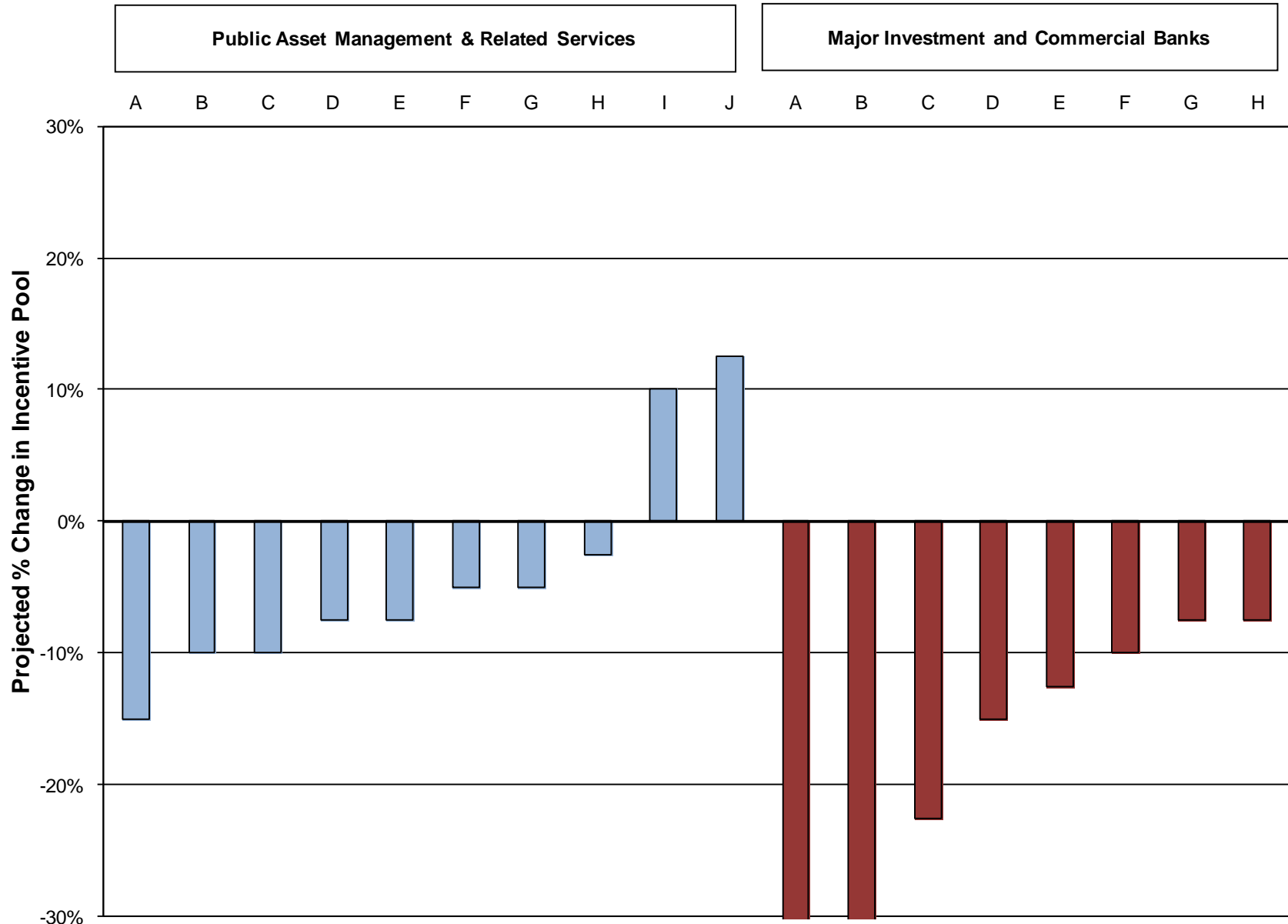
19 West 44th Street, Suite 511, New York, New York 10036
(212) 221-7400 • Fax (212) 221-3191

Projected 2011 Wall Street Incentive Funding

Projected 2011 Wall Street Incentive Funding (Individual levels on a headcount-adjusted basis)		
Business/Area	% Change from 2010	Explanation
Senior Firm Management (Excluding Proxy Executives)	-20% to -30%	<ul style="list-style-type: none"> Generally moves in line with entire firm, with some variation by business
Staff Positions	-15% to -25%	<ul style="list-style-type: none"> Moves in line with entire firm Differences by function (i.e., continued focus on importance of risk function)
Investment Banking (Investment and Commercial Banks)	Advisory Underwriting -10% to -20%	<ul style="list-style-type: none"> Industry-wide M&A activity slows Difficult market environment dampens underwriting activity
Equities excl Prime Brokerage (Investment and Commercial Banks)	-20% to -30%	<ul style="list-style-type: none"> Challenging environment with sharp decline in global markets and increased volatility
Fixed-Income (Investment and Commercial Banks)	-35% to -45%+	<ul style="list-style-type: none"> Variation due to breadth of products; lower results in credit products Difficult market environment with high levels of uncertainty and decreased liquidity
Prime Brokerage	-5% to 0%	<ul style="list-style-type: none"> Solid client balances but experiencing some deleveraging
Asset Management (Independent and Captive)	Equities Fixed-Inc -5% to 0% 0% to +5%	<ul style="list-style-type: none"> Market uncertainty creates difficult asset gathering environment AUM declines sequentially on market depreciation
High Net Worth	0% to +5%	<ul style="list-style-type: none"> Assets generally more stable Market depreciation impacts fees
Hedge Funds (Independent and Captive)	-5% to -10%+*	<ul style="list-style-type: none"> First half net inflows offset by challenging performance and asset declines
Private Equity (Independent and Captive)	-5% to 0%*	<ul style="list-style-type: none"> Declining asset values and difficult market conditions create challenges
Commercial Banking	-5% to +5%	<ul style="list-style-type: none"> Decreasing provisions for credit losses; loan and deposit growth beginning to improve
Retail Banking	-5% to +5%	<ul style="list-style-type: none"> Significantly reduced credit costs driving recovery Increasing client deposits partially offset by continued subdued loan growth, low interest rates, and banking regulations

* Applies to incentive and equity, excluding carry

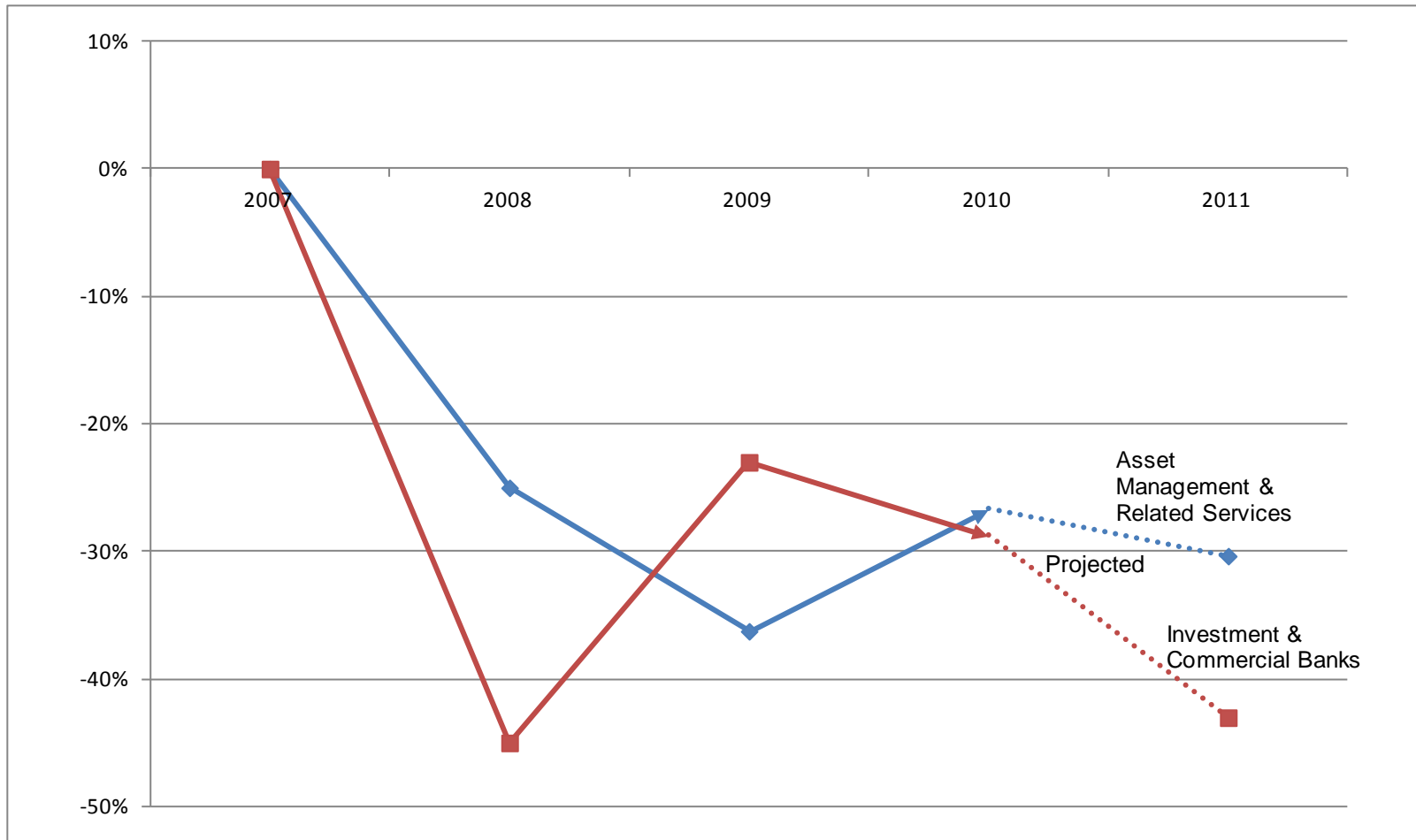
Projected % Change in Year-End Incentive Pool*



*9 months actual data with projection for remainder of year

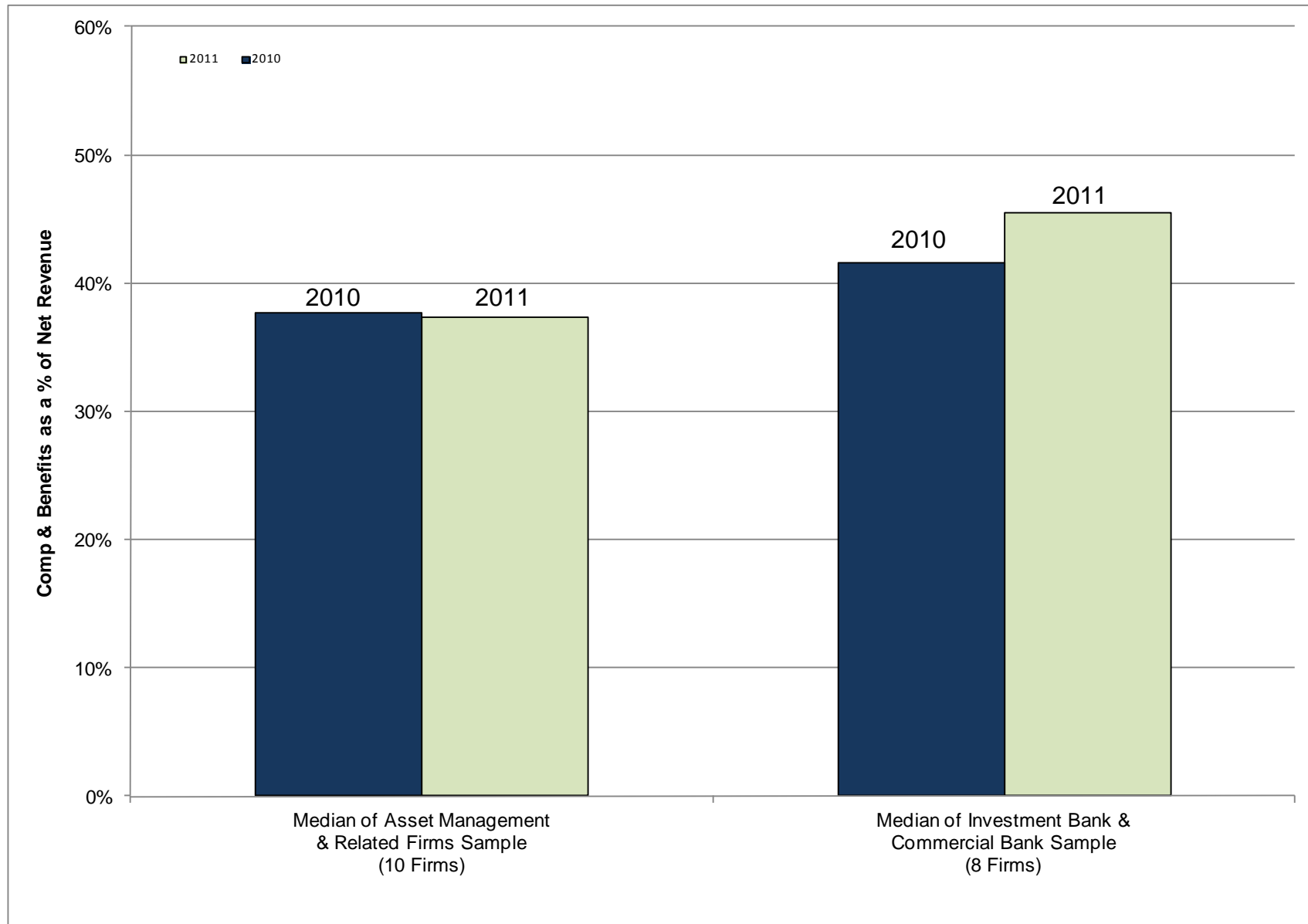
Incentive Trend

- Generally, project declining incentive compensation across financial services with variations by sector; however, in most cases incentives remain well below 2007 highs



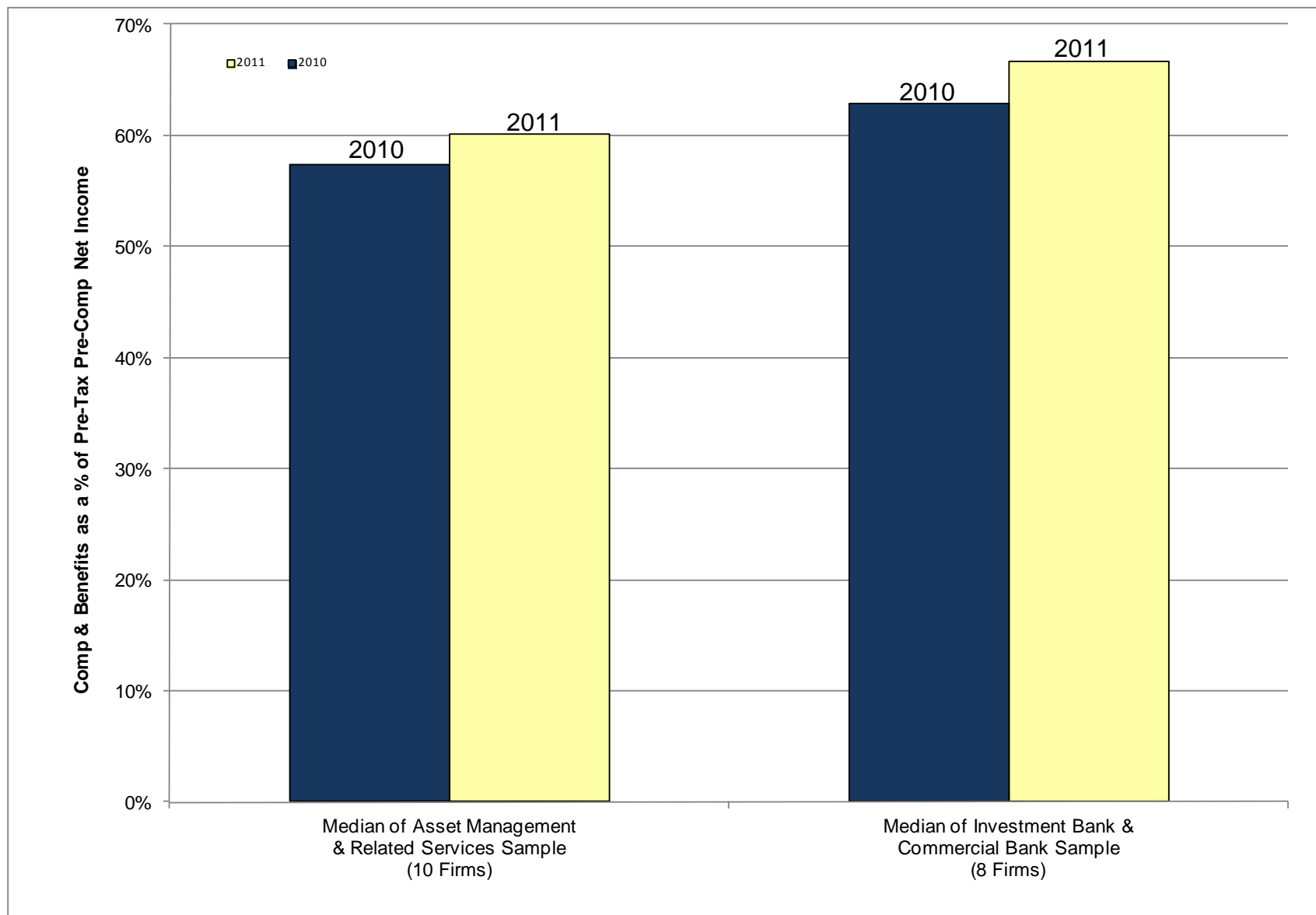
Year-to-Date Compensation & Benefits as % of Net Revenue

- Ratio may increase moderately as lower payout businesses (i.e., proprietary trading) are replaced with higher payout (i.e., investment banking, asset/wealth management, brokerage), consistent with mandate to reduce risk and focus on customers



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

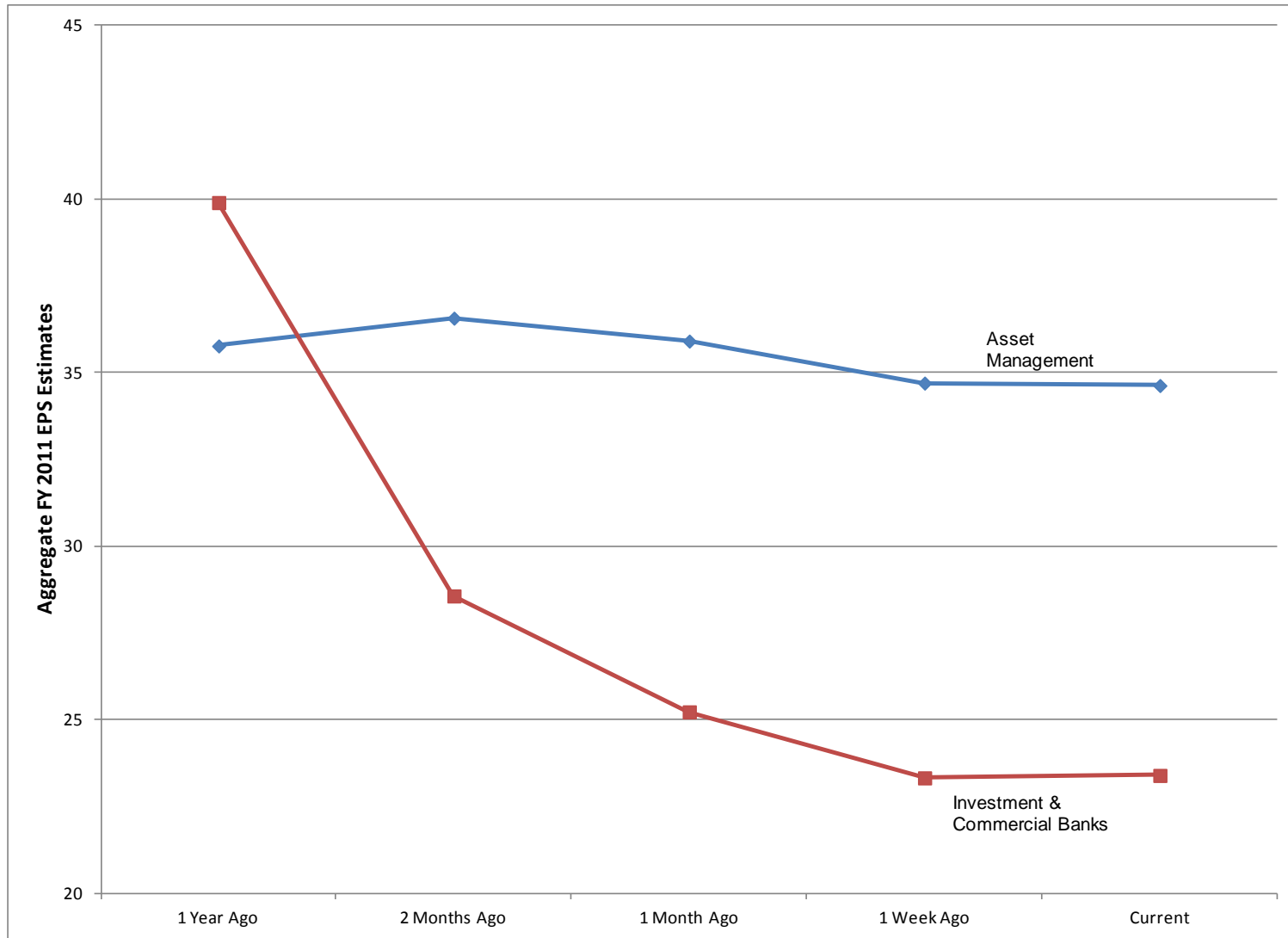
- Ratio may increase moderately as lower payout businesses (i.e., proprietary trading) are replaced with higher payout (i.e., investment banking, asset/wealth management, brokerage), consistent with mandate to reduce risk and focus on customers



Analyst Estimated EPS Trend

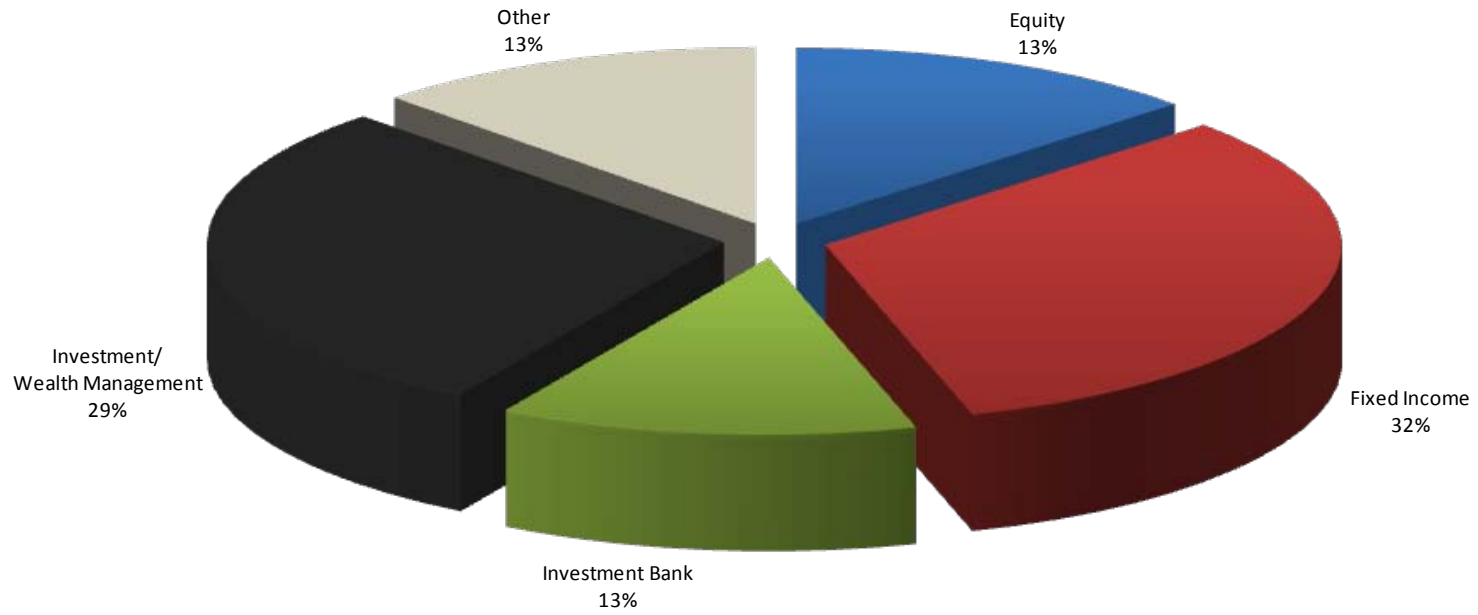
- With ten months into fiscal year, outlook has remained fairly stable across asset management. However, the outlook for investment and commercial banks continues to be negatively adjusted indicating broader business concerns
- Chart reflects a sample of 8 investment and commercial banks and 10 asset management and related services firms

2011 EPS Estimate Trend



Year-to-Date Investment Bank Net Revenue Breakdown

2011 YTD Operating Net Revenue Breakdown



**Data represents median of sample set*