

1st Quarter 2005 Update

Estimated financial services bonus funding from actual 3 month results and estimated full year

- Recent Trends
 - Analyst full-year EPS and revenue estimates flat over past 30 days
 - Earnings growth slower than revenue, indicating limited incremental leverage from cost cutting and/or return of investment in key businesses. Compensation ratios continue slight downward trend; minimal impact from stock option accounting charge
 - Year over Year Strength: Fixed Income Trading/Underwriting, Asset Management, Prime Brokerage, Private Client (fee based), Retail/Commercial Banking, and Advisory
 - Year over Year Weakness: Equity Trading/Underwriting and Private Client (transaction based)
 - Firms creating/growing proprietary trading units to increase revenues and offset flow declines

- Near term outlook
 - Forecast of sequential quarterly revenue decline with up-tick in fourth quarter similar to 2004. Asset Management flat to moderately higher. Backlog of investment banking deals, particularly in M&A, exhibiting strength but represent smaller percentage of overall business. Trading within markedly more difficult environment will be defining factor for overall results
 - Many firms capitalizing on opportunities, demonstrating flexibility and success in re-allocating resources and predicting trends. Global business environment has expanded prospects for growth and increased differentiation of business results
 - Outlook cautious on concerns over inflation, rising interest rates, a slowing economy, high oil prices, and geo-political concerns. A “perfect storm” would dampen second half results and negatively impact 2006 forecasts

JOHNSON ASSOCIATES, INC.

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

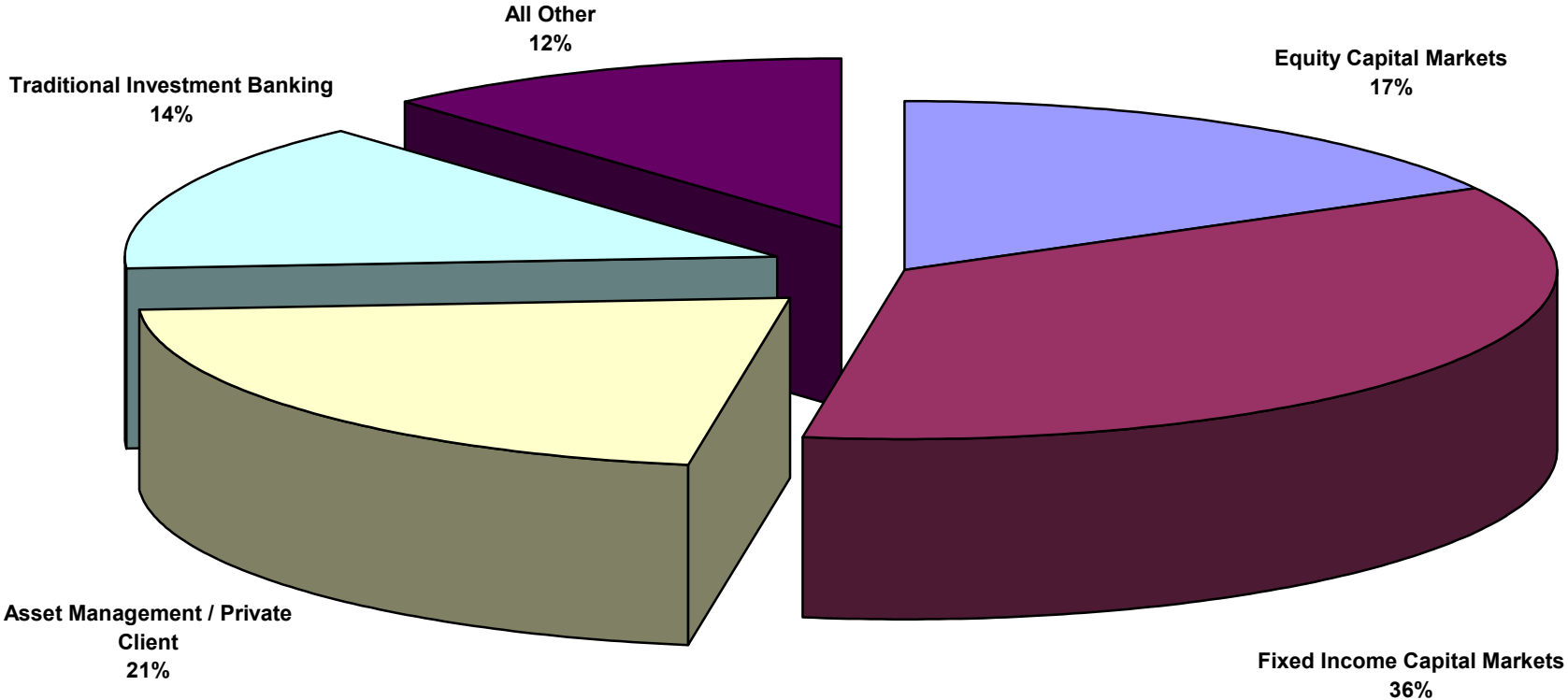
Financial Services Compensation & Benefits Estimates

- Companies hiring selectively with year-end headcount expected up \cong 5%
 - Recruiting intensifying in “hot” areas or specific employee ranks but overall tempered by significant existing capacity. Movements between firms more prevalent but net industry growth moderate
- Overall incentive outlook mixed \cong -5% to +10% with significant variations between businesses/firms
 - Widening gap between company performance [i.e., a) U.S. investment banks vs. foreign; b) high degree of trading risk vs. moderate]
 - Morale stronger with improved results. Risk of losing key employees to competitors also higher

U.S. Projected 2005 Wall Street Incentive Funding		
Business/Area	% Increase/Decrease from 2004*	Explanation
Senior Firm Management	-10% to Flat	Wide variations depending on business mix. High absolute 2004 compensation
Investment Banking	10-15% Up	Backlog and pipeline positive. Biggest expected improvement in Advisory. Downturn in stock market could stifle growth, particularly end of year activity
Staff Positions	-5% to +10%	Staff incentives move in line with entire firm
Equities	10% Down	Weaker volumes and volatility, partially offset by strength in Prime Brokerage
Asset Management	10% Up	Driven largely by average assets under management (market appreciation and net inflows)
Private Client Management	-5% to +5%	Depending on mix. Fee based currently stronger than transaction based
Commercial Banking	-10% to Flat	Flattening yield curve hurts growth. Credit defaults continue to improve
Retail Banking	-10% to Flat	Flattening yield curve and expected reduction in consumer lending. Credit defaults continue to improve
Fixed Income	5%-10% Down	Higher funding costs and coming off exceptional 2004. Commodities and other opportunities may help stem larger declines. Proprietary trading results significant factor

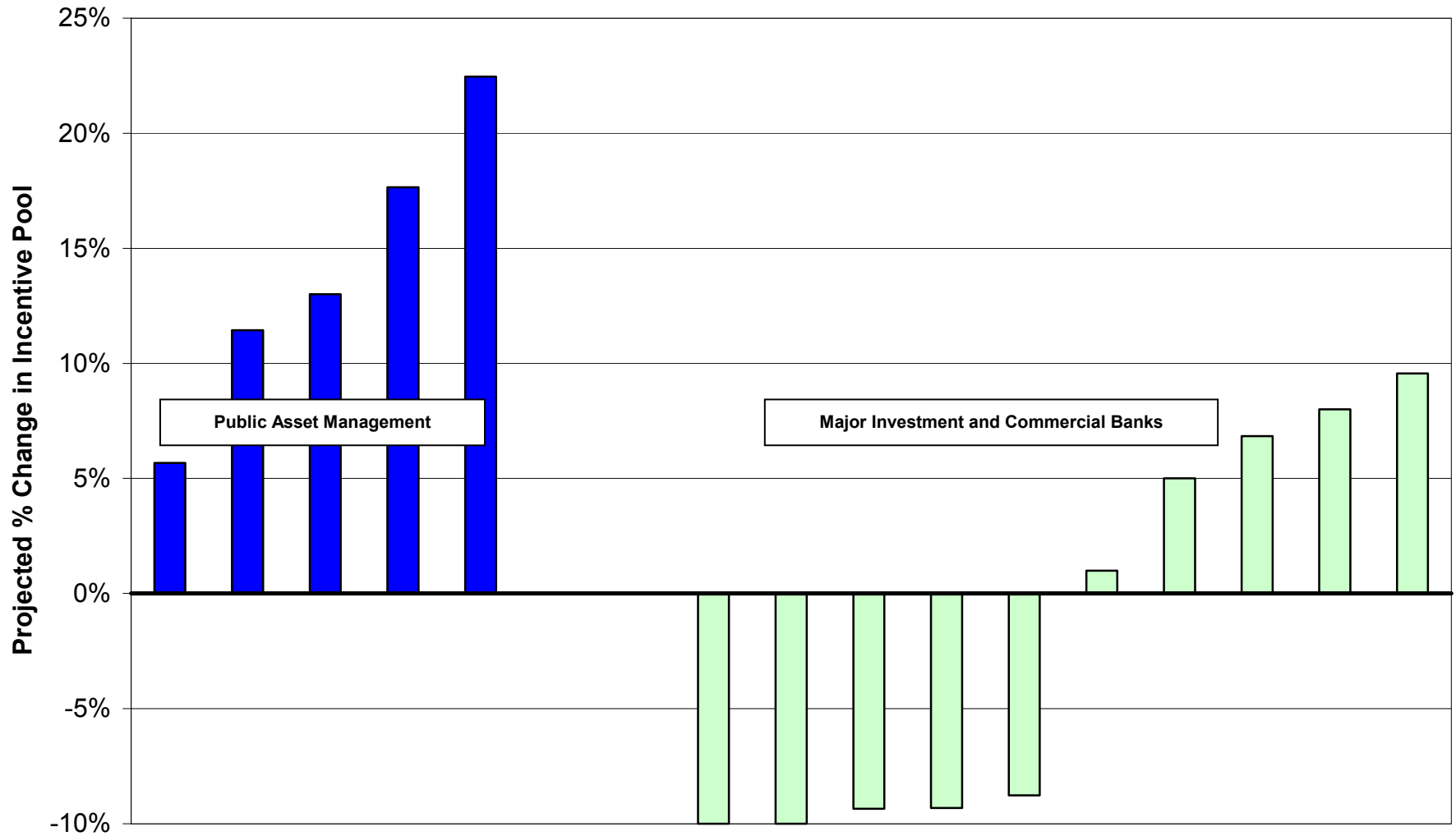
*Individual levels after adjustments for headcount changes

Year-to-Date Investment Banking Net Revenue Breakdown



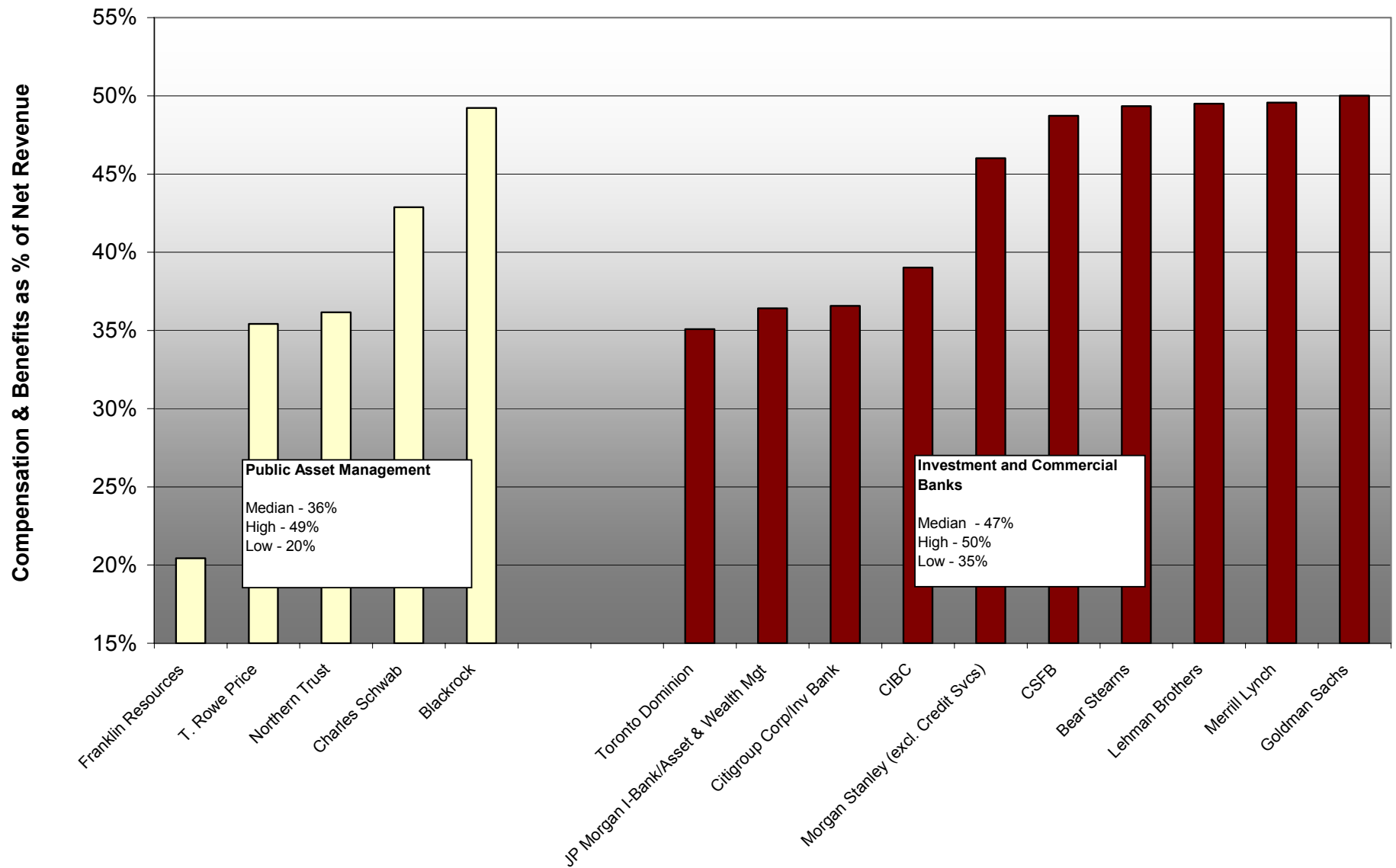
* Reflects median data from Goldman Sachs, Merrill Lynch, JPMorgan (I-bank, Asset & Wealth Mgt. & Private Bank), Morgan Stanley (excl. Credit), Citigroup (Corp. & I-Bank), Bear Stearns, Lehman Brothers

Projected % Change In Year-End Incentive Pool*

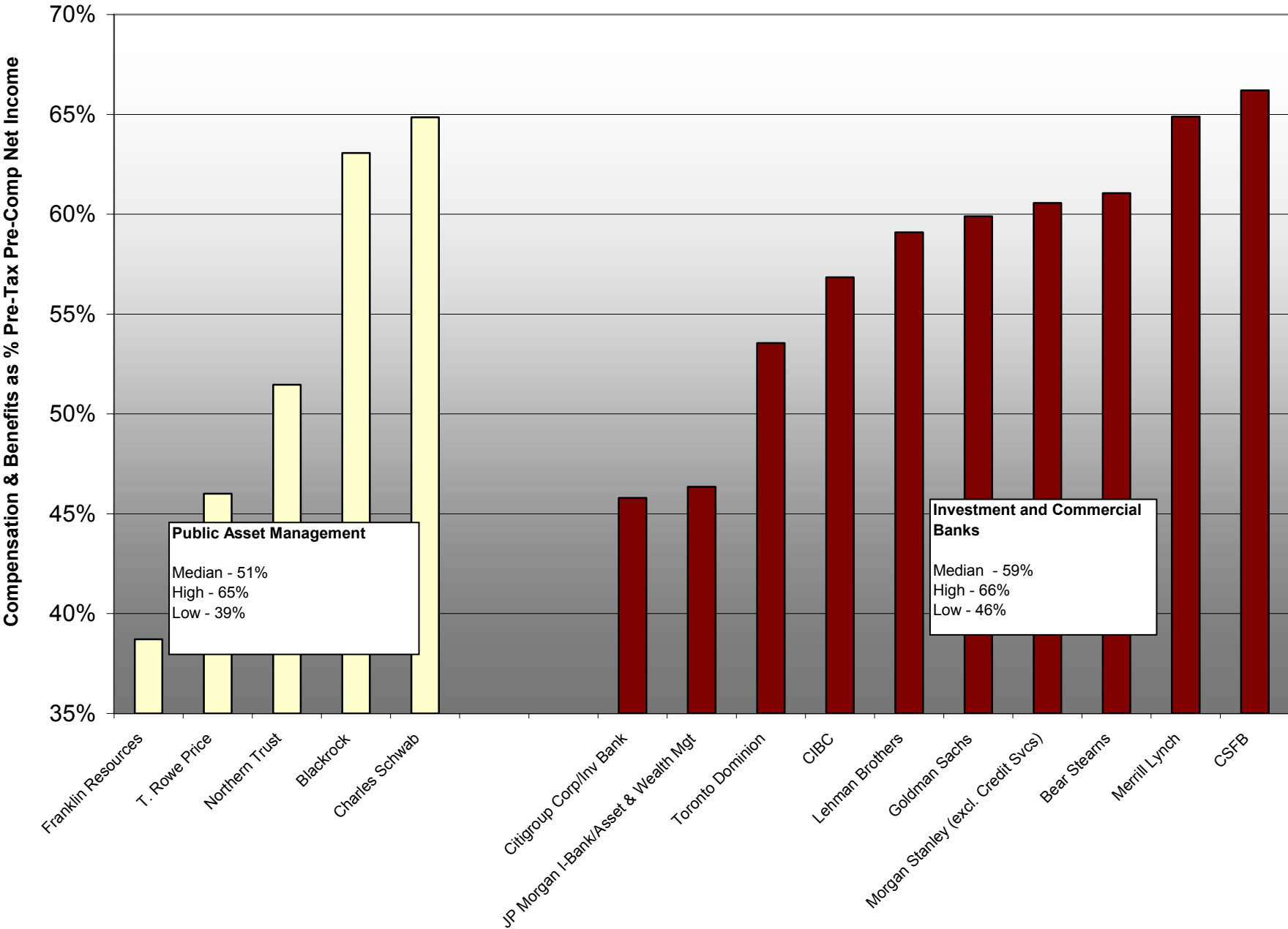


*3 Months actual data with projection for remainder of year

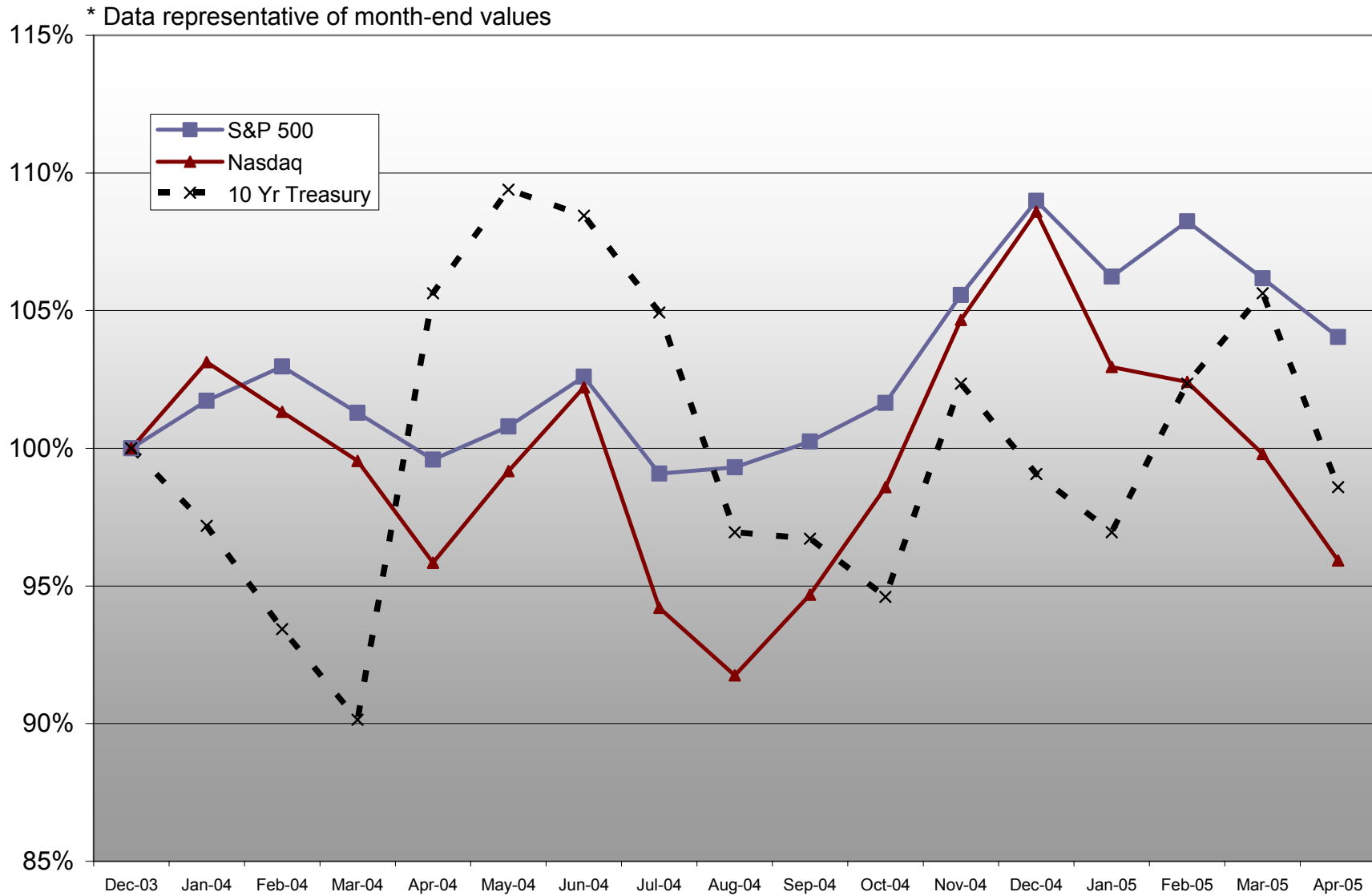
Year To Date Compensation & Benefits as % of Net Revenue



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



U.S. Capital Market Indicators - Monthly Trends



Global Investment Banking - Quarter over Quarter Change from 2004*

