

2nd QUARTER 2005 UPDATE

(actual 6 months and year-end forecasts)

Financial Services Compensation & Benefits Estimates

RECENT TRENDS

| BUSINESS ENVIRONMENT | COMPENSATION SPECIFIC |
|--|---|
| <ul style="list-style-type: none">▪ Rising short term interest rates and flattening yield curve have made for challenging conditions in trading and retail/commercial banking | <ul style="list-style-type: none">▪ Compensation as % of net revenues and pre-tax, pre-comp income mixed vs. prior year <i>See following graphs for more details</i> |
| <ul style="list-style-type: none">▪ High energy costs continue to weigh on mostly positive economic developments in the U.S./Global | <ul style="list-style-type: none">▪ Stock option accounting resulting in increased use of restricted stock and lower total share utilization |
| <ul style="list-style-type: none">▪ London terror attacks had no lasting impact on world stock valuations. Quick rebound reflects market awareness from past incidents | <ul style="list-style-type: none">▪ Decline in fixed income trading limits source of bonus subsidy for other business lines. Also may reduce over-weighted allocation of overhead, which at times has cushioned income in other segments at the expense of fixed income |
| <ul style="list-style-type: none">▪ Many firms in investment mode, shifting from cost-cutting to growth areas. Headcount on rise (full yr \cong +3-5%) | <ul style="list-style-type: none">▪ Rise in one-time settlement charges vs. 2004 adds pressure to earnings and may negatively impact incentives, particularly at the top |
| <ul style="list-style-type: none">▪ Improving economic climate and consumer/investor confidence. Retail spending and real estate continues strength; global stock indices exhibiting solid growth over past several months | <ul style="list-style-type: none">▪ Increased differentiation in pay a result of diverging business strategies and results (i.e., investment banker at top tier bank focused on international growth and subsidized by trading vs. middle market domestic banker at single line firm) |

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Financial Services Compensation & Benefits Estimates

- **NEAR TERM OUTLOOK**

- Third quarter may surprise and not fully exhibit pronounced seasonal revenue decline seen in prior years. Asset management, in particular, has very good growth potential. Backlog of investment banking deals should have positive impact on business as more deals close and revenues recognized. Improved economic climate and consumer/investor confidence may increase business activity
- Trading continues to be a defining factor for overall results. Some firms expected to increase risk to offset declines in flow activity and higher funding costs due to short-term rate movements
- Important to note greater differentiation in firm results. Business strategies increasingly varied as global opportunities continue to develop. Ability to capitalize on and predict opportunities/trends and build relationships is a key factor. Moving up the risk curve has increased earnings for some but added losses for others
- Hedge funds and private equity provide an alternative career path for select professionals; hedge funds on a larger scale because of their vast numbers. Potential for investment gains an attractive incentive that is impacting pay and business strategies of more traditional financial service firms
- Continued strategic hiring. More creative pay packages in hot growth areas
- Outlook remains cautious on concerns over inflation, rising interest rates, high oil prices, and geo-political events

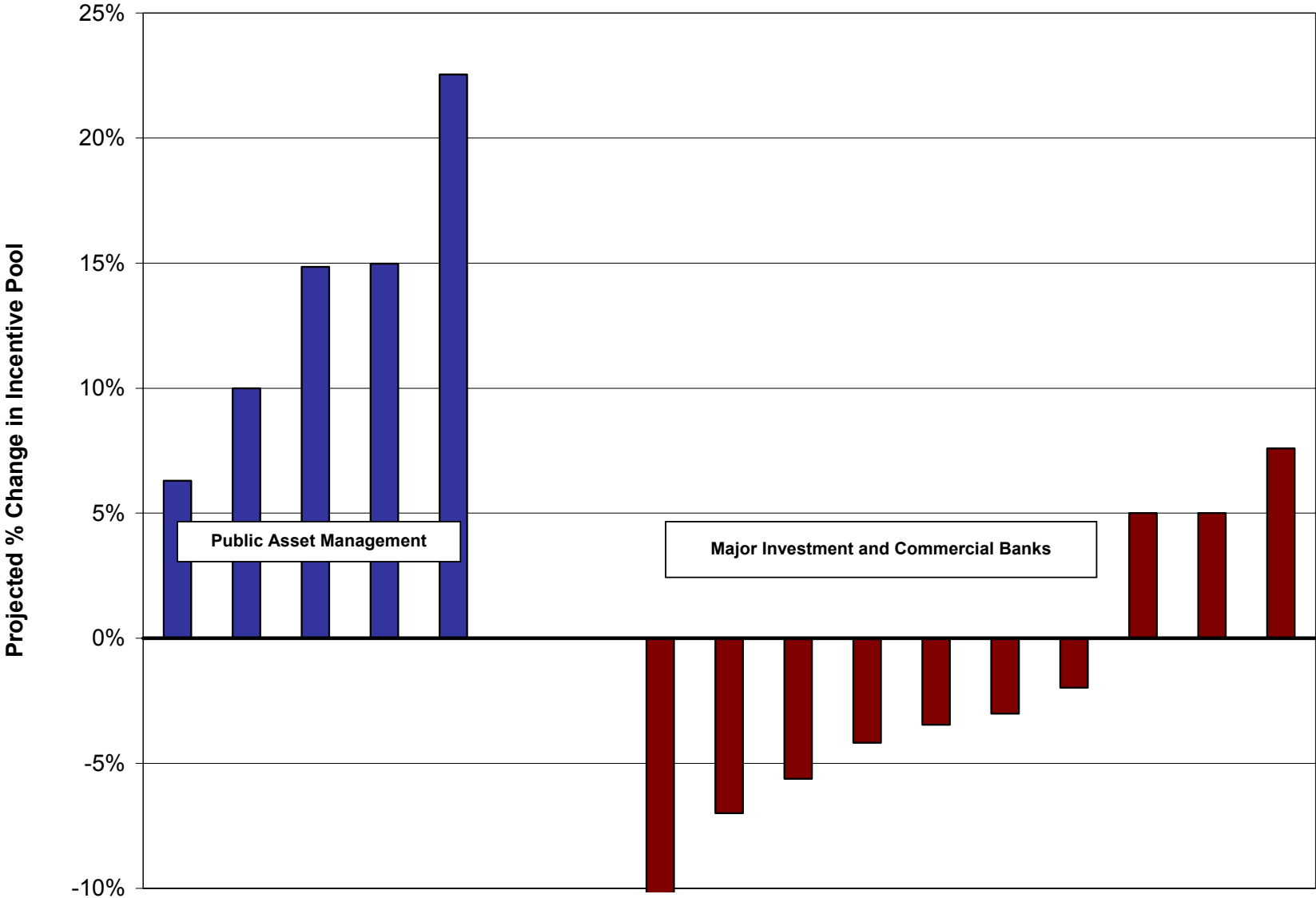
Financial Services Compensation & Benefits Estimates

- Overall incentive outlook mixed \cong -10% to +10% with significant variations between businesses/firms
 - Widening gap between company performance
 - Morale stronger with improved results. Risk of losing key employees to competitors also higher
 - Compensation trends of peers impact bonus payouts. Increasing competition for talent in growth areas may elevate incentives at underperforming firms for strategic purposes

| 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 | 5-10% Up | Backlog and pipeline positive. Upturn in stock market could fuel growth, but possibly not until first half of 2006 |
| Staff Positions | -10% 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 +10% | Depending on mix. Fee based stronger than transaction based |
| Commercial Banking | -10% to Flat | Flattening yield curve hurts margins. Credit defaults continue to improve and economic growth may translate into increased corporate lending activity |
| Retail Banking | -10% to Flat | Flattening yield curve and expected reduction in consumer lending. Credit defaults continue to improve |
| Fixed Income | 10% Down | Higher funding costs and coming off exceptional 2004. Commodities and other opportunities may help stem larger declines. Proprietary trading results significant factor |

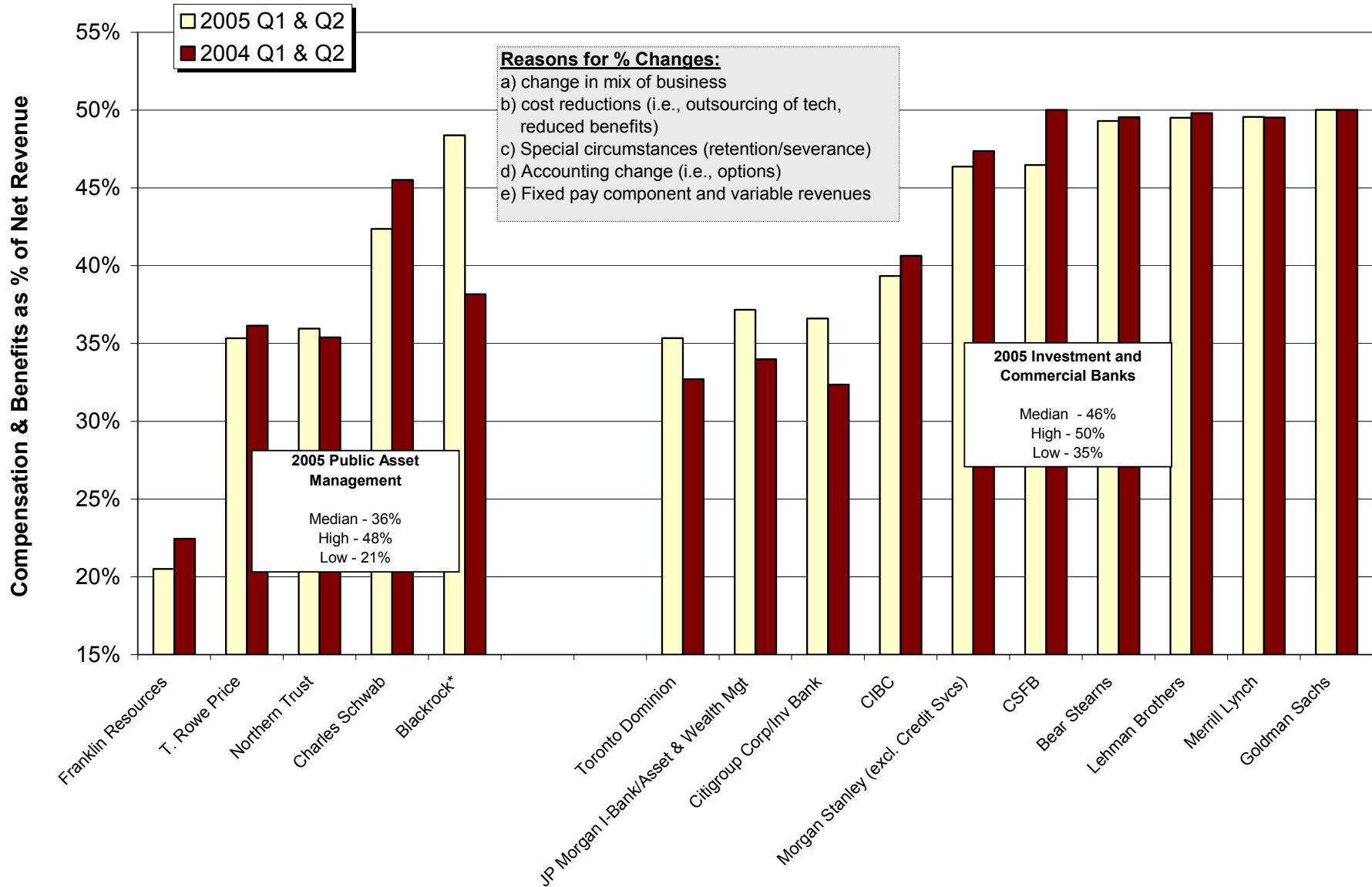
*Individual levels after adjustments for headcount changes

Projected % Change in Year-End Incentive Pool*



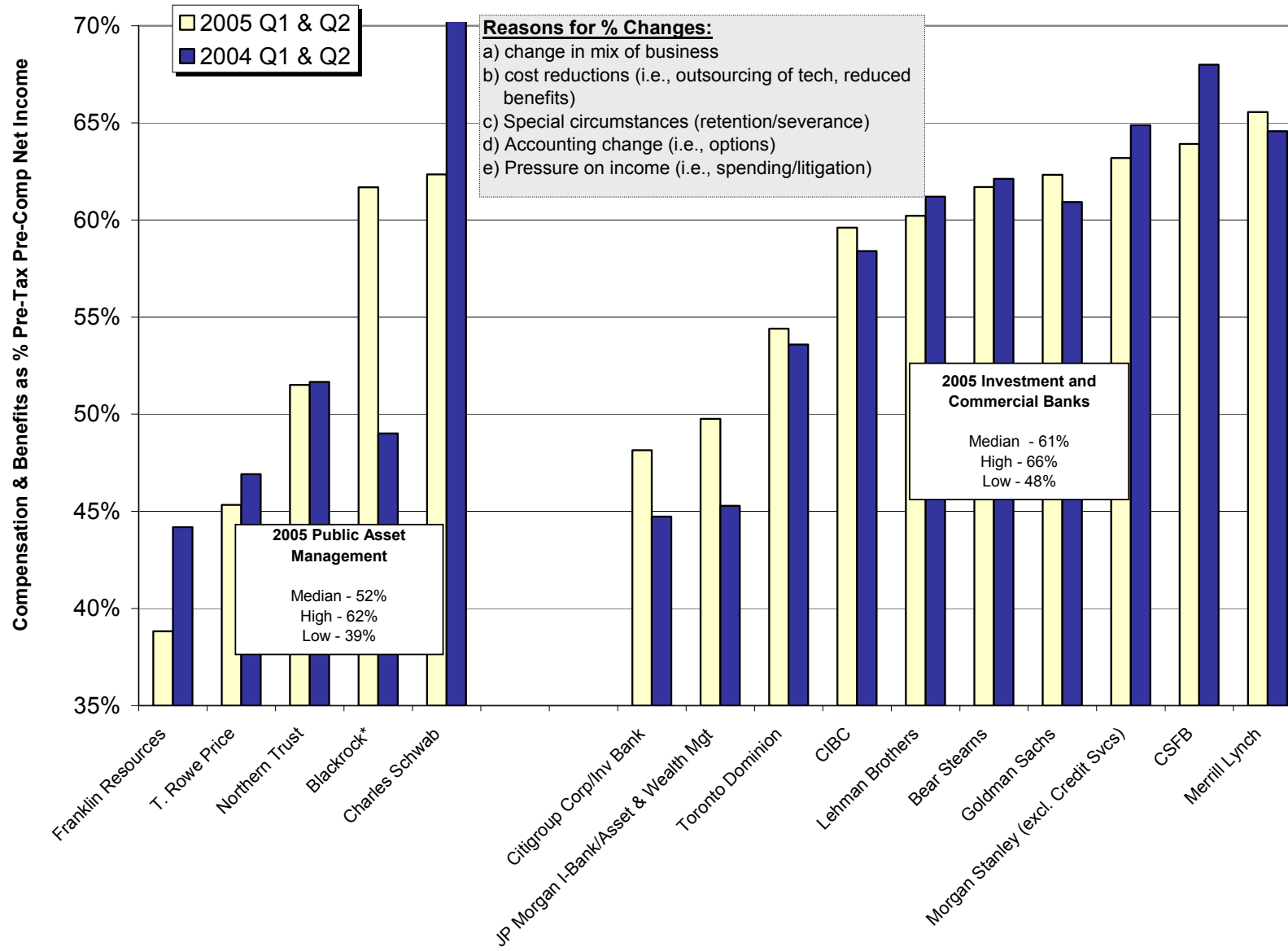
*6 Months actual data with projection for remainder of year

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



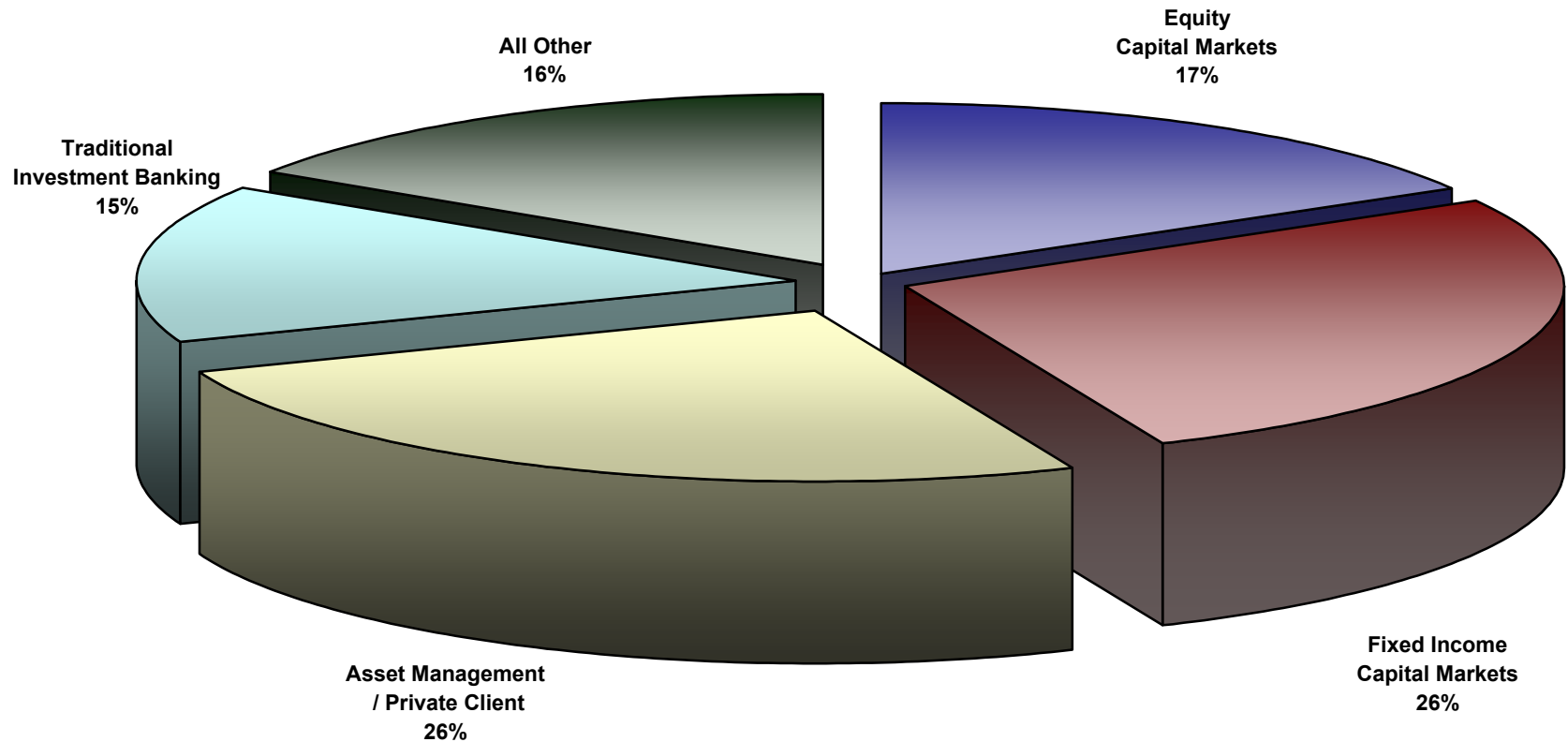
*Rise in ratio due to new charges beginning in 2004 Q3 related to Long-Term Retention & Incentive Plan

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



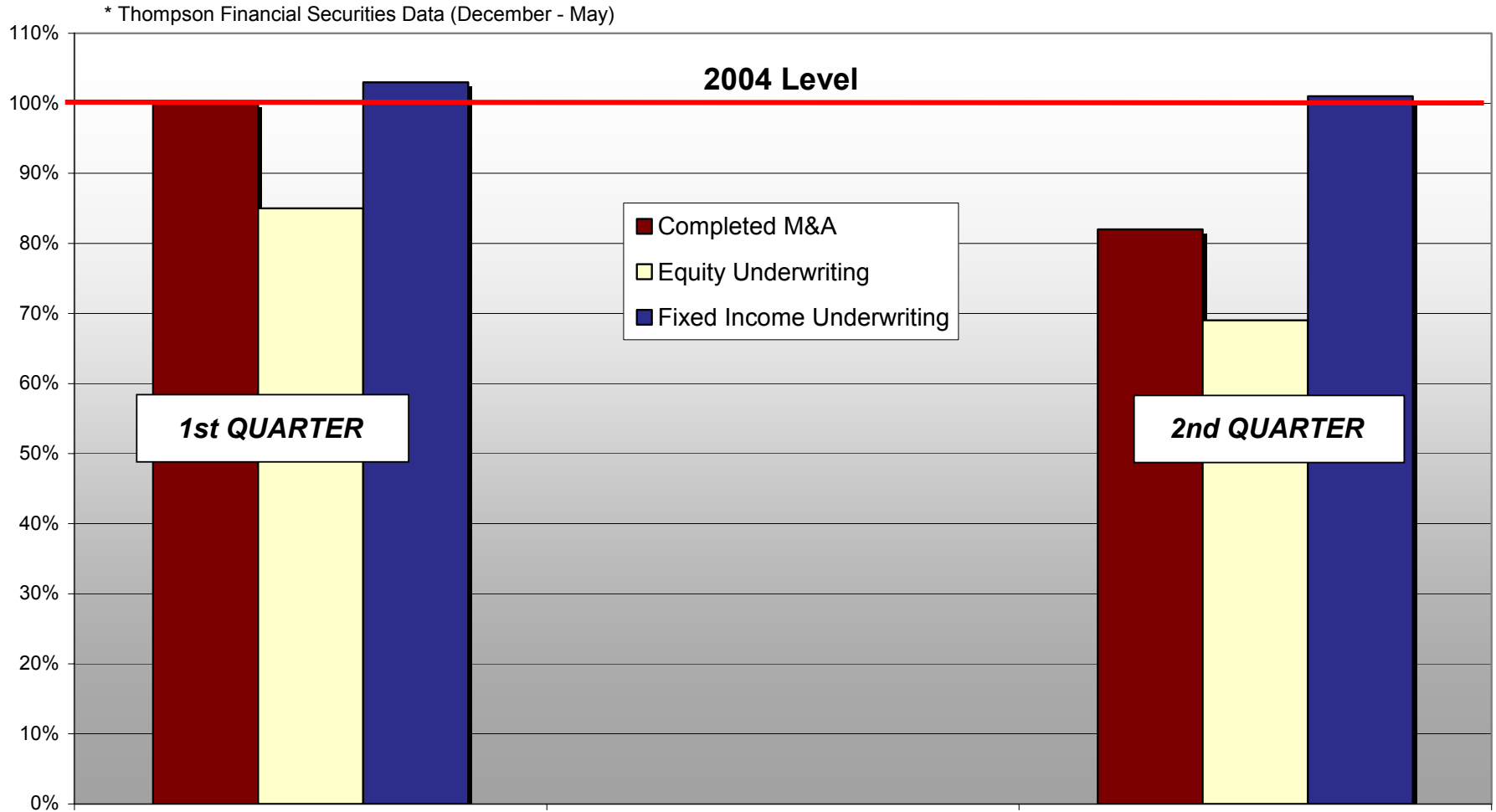
*Rise in ratio due to new charges beginning in 2004 Q3 related to Long-Term Retention & Incentive Plan

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

Global Investment Banking – Quarter over Quarter Change from 2004*



U.S. Capital Market Indicators – Monthly Trends

