JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
Third Quarter Trends and Year-End Projections 11/9/15

After the third quarter, Johnson Associates broadly projects lower incentive compensation across financial services. Incentive compensation for asset management is projected to decrease modestly, a change in dynamic after several years of increases. For major investment & commercial banking firms, incentive compensation is broadly projected to be down with significant variation by business area. Mix of business, market activity, and ongoing uncertainty in world markets continue to be key 2015 incentive drivers.

Traditional Asset Management:

Industry faces headwinds

- Incentives down modestly
- AUM levels declined primarily on market depreciation, along with flat or negative flows
- Small increases in YTD average assets under management due to lag effect, as recent market turbulence takes time to filter through results
- More traditional managers are adding product offerings in alternatives, as traditional market saturated and fee pressures continue

Alternatives:

Private Equity projected to outperform

- Hedge fund results generally down on negative performance, with variation by strategy
- Private equity incentives up on increased realization activity and strong fundraising, but difficult market conditions impact valuations
- Investors continue to flock to alternatives seeking returns, with many funds reaching initial fundraising caps

Investment and Commercial Banking:

Projected broadly negative with variation by business

- Business mix impacts overall firm results
- M&A up significantly, offset by negative underwriting results
- Trading incentives expected to be mixed, with equities up modestly and fixed income negative on difficult market conditions and reduced activity
- Retail and commercial banking flat to up slightly on modest deposits and loan growth
- Fee based businesses continue to be emphasized over traditional trading/capital intensive businesses, most significantly in Europe

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Projected 2015 Incentive Funding

- *Headcount-adjusted basis*

Traditional Asset Management & Alternatives

Business/Area	% Change from 2014
Asset Management **(Independent and Captive)** *Downward bias towards -5%. Lower AUM primarily on market depreciation, with flows generally flat or negative. Recent market turbulences takes time to filter through results due to lag effect of AUM*	**-5%**
Hedge Funds (Independent and Captive) *Negative results with variation by strategy. Downward bias towards -15%+for front office professionals/those with objective incentive formulas, while project less severe declines for staff and those with more discretionary incentive model supported by management fees*	**-5% to -15%+***
Private Equity *Increased realization activity and strong fundraising, but market conditions became more challenging impacting portfolio valuations. Large funds consistently exceeding fundraising targets*	**+5% to +10%***
High Net Worth *Assets generally more stable. Lower transaction revenues*	**-5% to 0%**

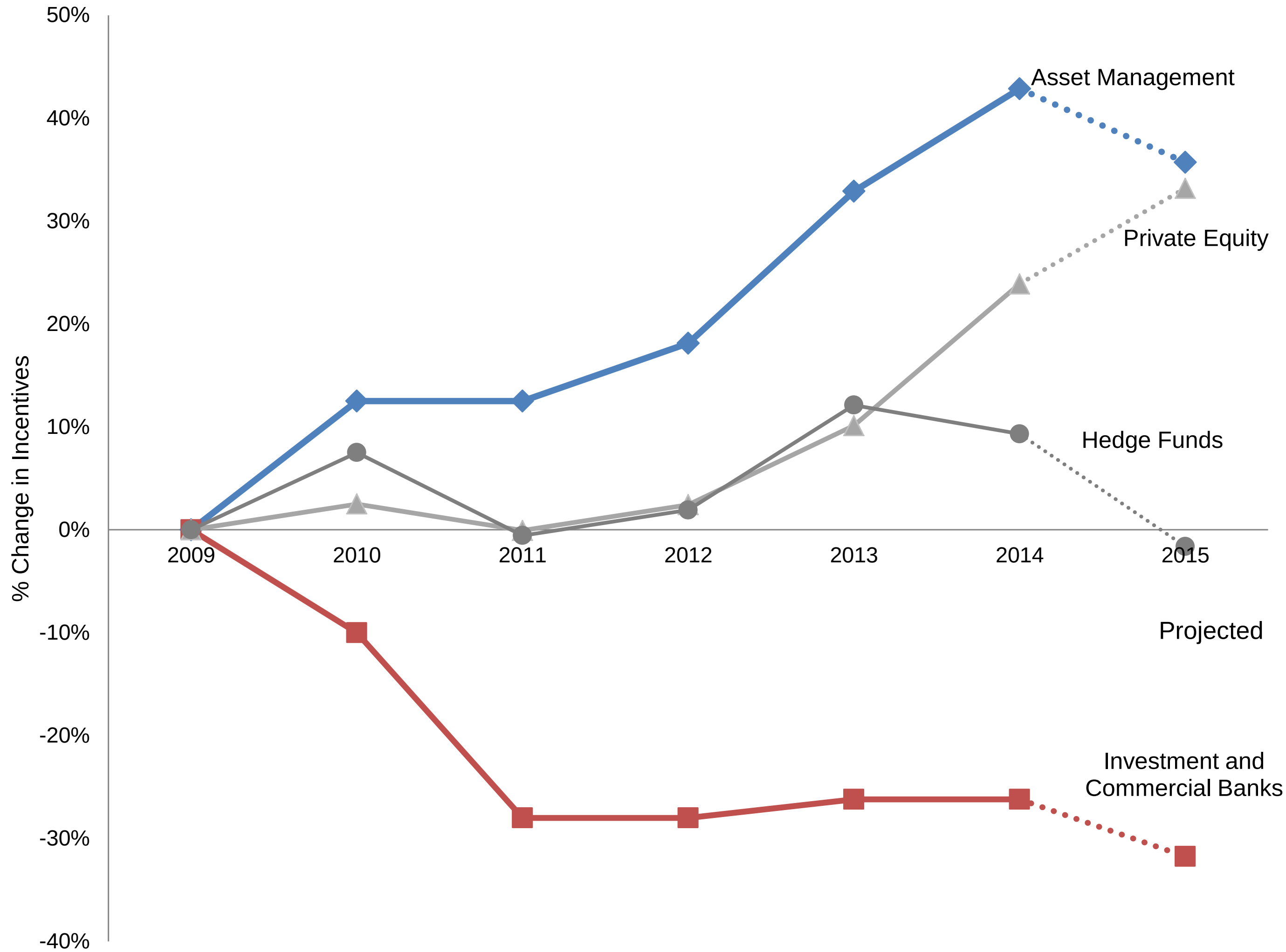
Investment & Commercial Banking

Business/Area		% Change from 2014
Firm Management/Staff Positions *Generally moves in line with entire firm, but increasingly conservative bias due to focus on cost control. Exception for in demand functions such as regulatory, compliance, and risk related areas where firms are upgrading talent*		**-5% to -10%**
Investment Banking *Industry-wide completed M&A activity higher offset by negative underwriting results and reduced industry activity*	**Advisory** **Underwriting**	**+15% to +20%** **-5% to -15%**
Sales & Trading *Higher level of volatility and client activity in equities products offset by negative results across fixed income products due to difficult market conditions and reduced activity*	**Equities** **Fixed Income**	**0% to +10%** **-10% to -20%**
Retail & Commercial Banking *Credit trends continue to be favorable. Modest deposit and loan growth*		**0% to +5%**

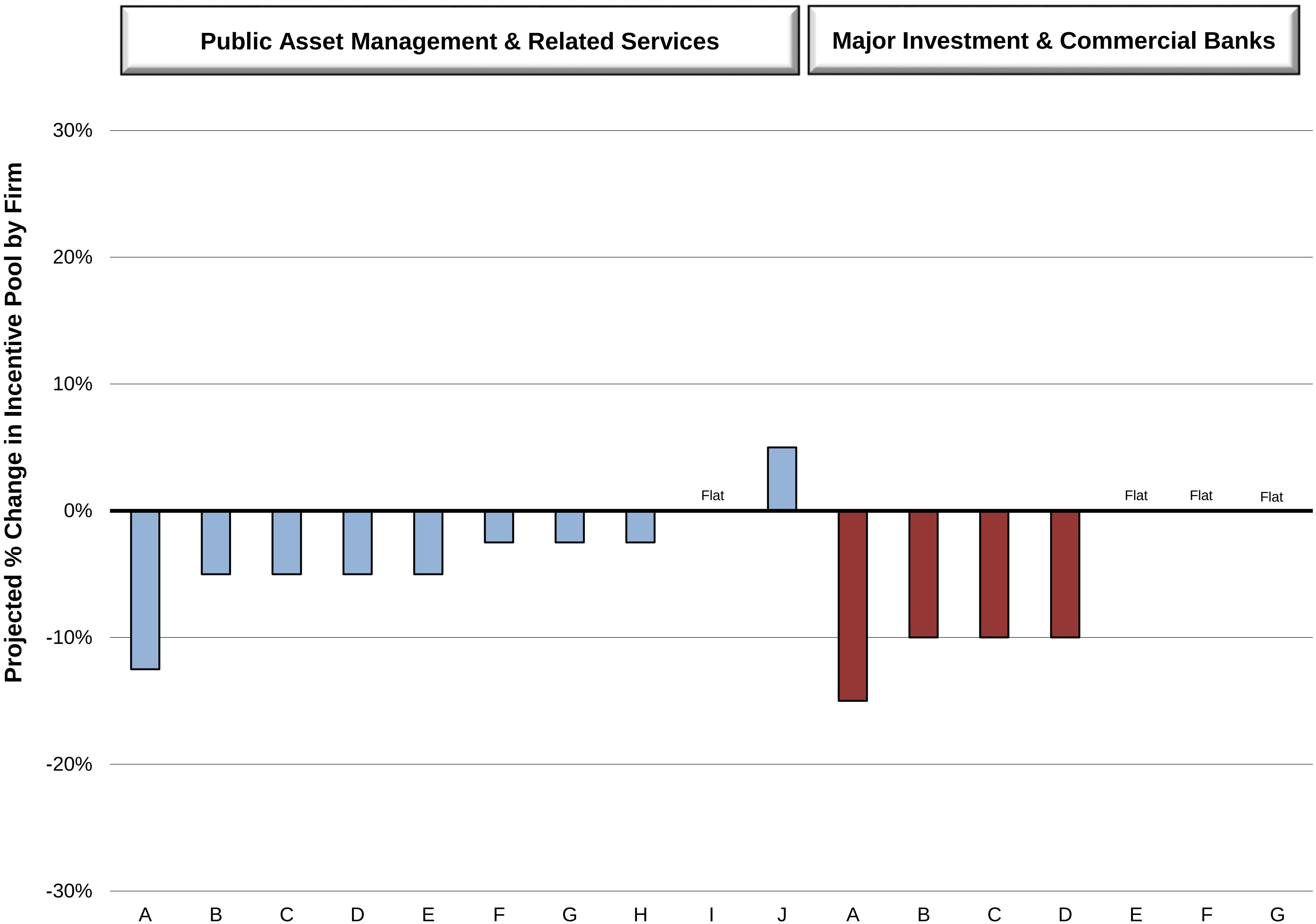
*Applies to incentive and equity, excluding carry

Incentive Trend and Ramifications

- Incentives generally expected to decline across financial services, with private equity and M&A continuing to outperform



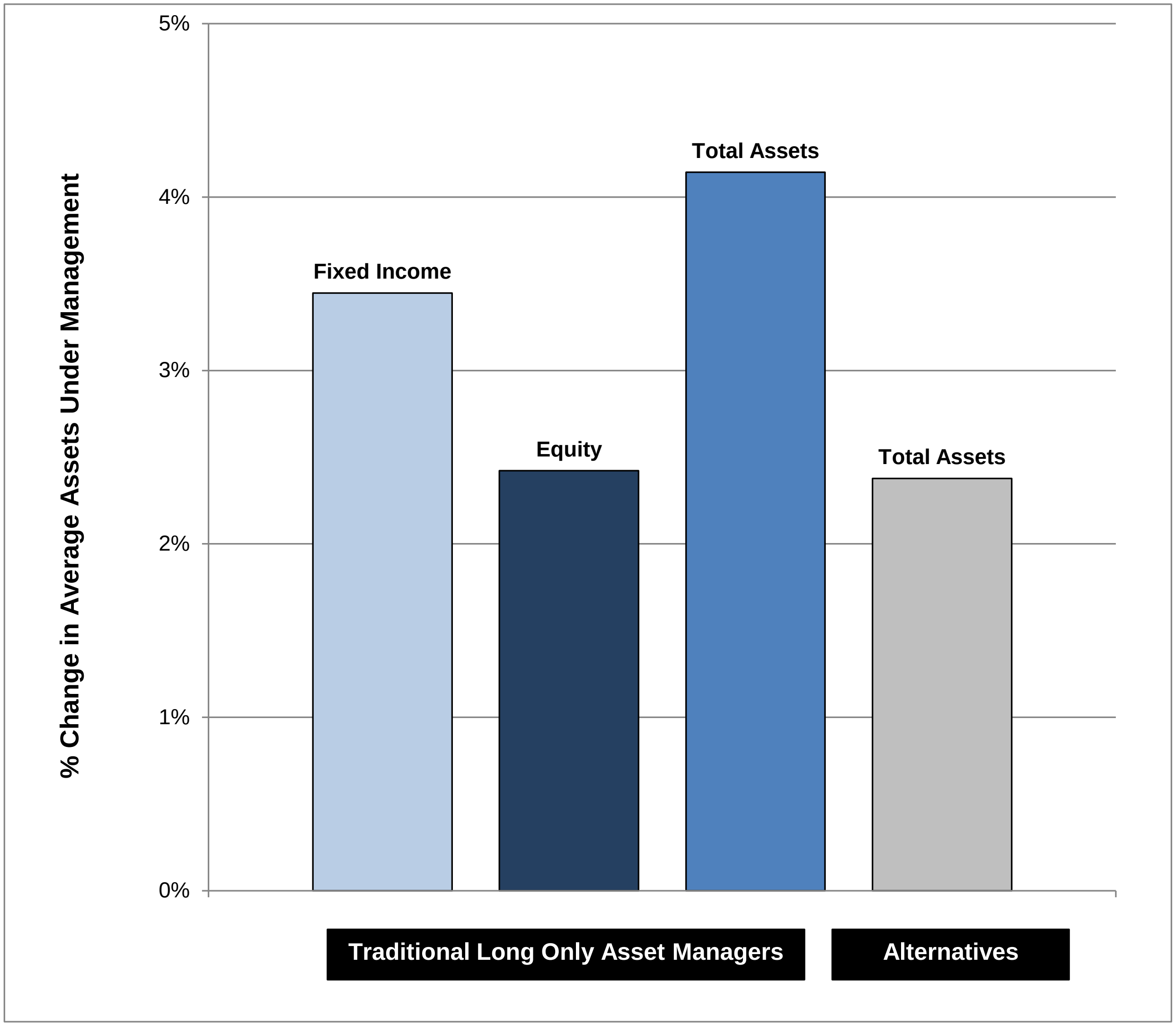
Projected % Change in Year-End Incentive Pool by Firm*



** 9 months actual data with projection for remainder of year*

Percent Change in Assets Under Management

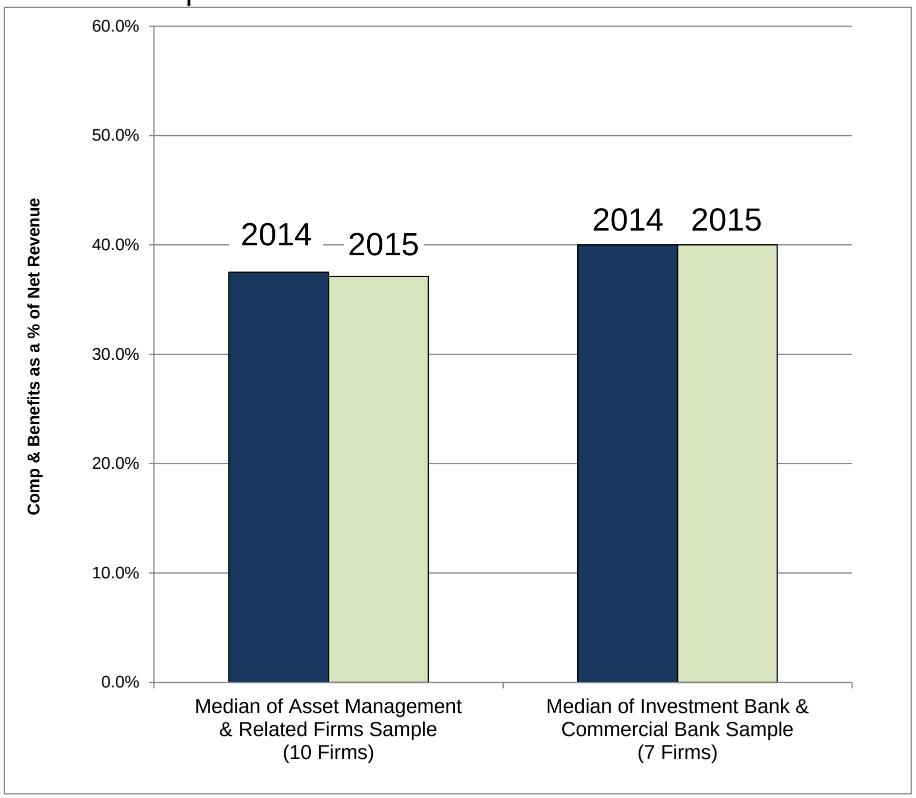
- Data represents median percentage change in average assets under management for nine months 2015 compared to average full year 2014**,** for traditional long only (6 select firms) and alternatives (7 select firms)



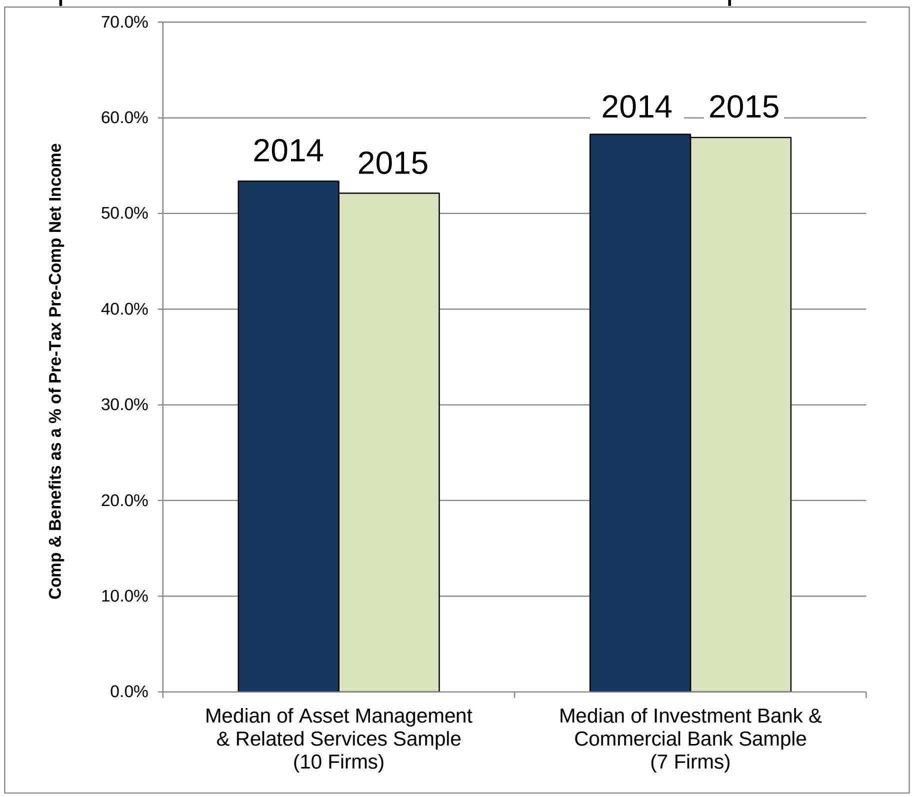
Year-to-Date Compensation & Benefits Ratios

- 9M 2014 v. 9M 2015 results; year-over-year comparisons may be skewed by partial year compensation and financial results

Compensation & Benefits as % of Net Revenue



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



Analyst Estimated EPS Trend

- With ten months into the fiscal year, analyst estimates reflect a deteriorating outlook across financial services
- Chart reflects a sample of 6 investment and commercial banks and 10 asset management and related services firms

2015 EPS Estimate Trend