JOHNSON ASSOCIATES
FINANCIAL SERVICES COMPENSATION
First Quarter Trends and Year-End Projections 5/8/18

After the first quarter, Johnson Associates projects moderate increases in incentive compensation across financial services. Incentive compensation for asset management is expected to be flat to up modestly. Major investment & commercial banking firms saw strong performance in trading, lending, and wealth management. Headcount stable, but shift to lower cost locations continues to be focus of cost cutting. Industry wide demand for talented technology professionals. Market volatility and interest rates are key 2018 incentive drivers.

Traditional Asset Management:

Fee pressures challenge market appreciation

- Incentives trending up modestly
- Net flows in both fixed income and equities flat to slightly negative
- Return to market volatility; fee pressures squeezing margins industry-wide
- Firms with large passive products receive most of industry inflows
- Increased consolidation industrywide; Large capital requirements to invest in technology

Alternatives:

Private Equity fundraising hits new record

- Hedge fund incentives up slightly on sustained market volatility
- Private equity incentives up with strong returns and record inflows, credit funds see greatest inflows
- Larger funds being raised, record dry powder due to deal competition and high valuations
- Pricing remains healthy as investors look for returns

Investment and Commercial Banking:

Favorable environment for strong year

- Political and regulatory environment favorable; trading businesses help fuel results
- Investment banking incentives down slightly with advisory slipping most. Equity underwriting continues growth with IPO's. Debt underwriting down modestly
- Both equities and fixed income trading incentives up significantly due to increased volatility and client activity; record equities trading revenues at major firms
- Wealth management and consumer banking strong contributors to top line growth
- Relocation of employees to lower cost areas helps cost cutting initiatives

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Projected 2018 Incentive Funding

- *Headcount-adjusted basis*

Traditional Asset Management & Alternatives

Business/Area	% Change from 2017
Asset Management (Independent and Captive) *Flows largely flat. Most inflows to firms with lowest fee products. Market appreciation continues driving asset growth*	**5%**
Hedge Funds (Independent and Captive) *Sustained market volatility aids hedge fund performance. Returns ahead of market indices through first quarter. Extremely wide variability by firm*	**0% to 5%**
Private Equity *Record fund raising and strong performance continues to drive higher incentives. Dry powder and competition for deals will challenge returns going forward*	**5% to 10%***
High Net Worth *Stable assets and higher fee revenue*	**5%**

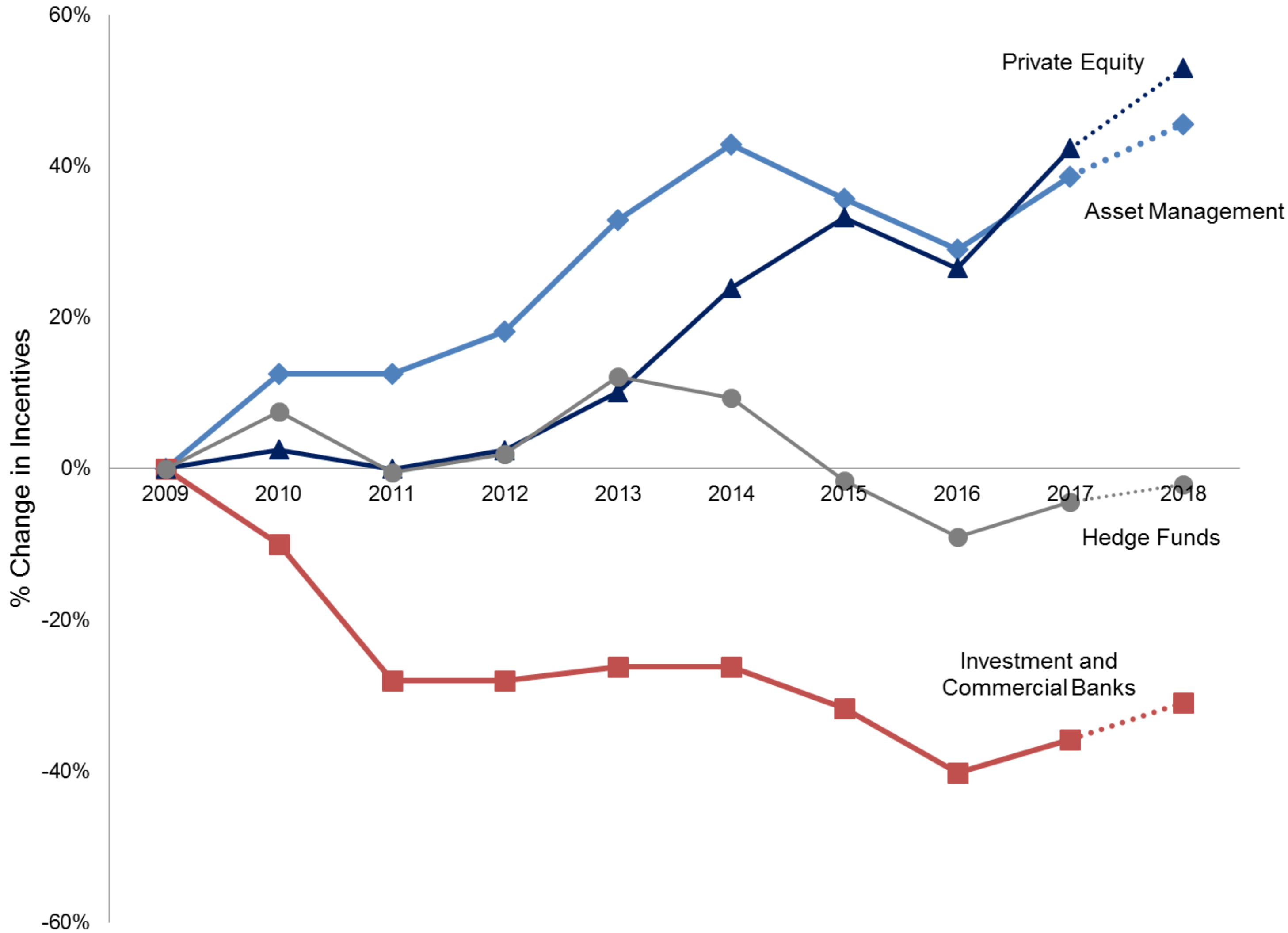
*Applies to incentive and equity, excluding carry

Investment & Commercial Banking

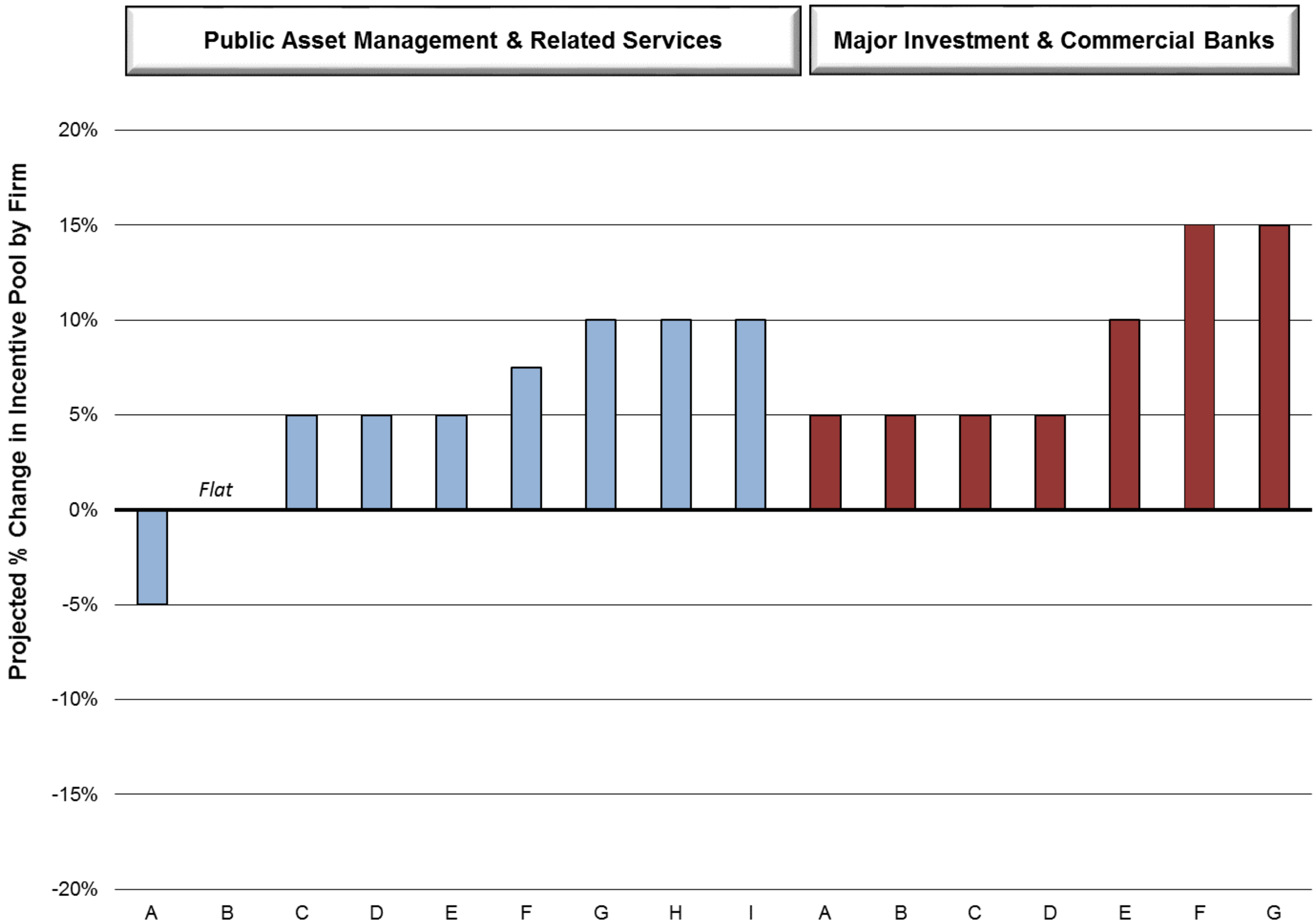
Business/Area		% Change from 2017
Firm Management/Staff Positions *Generally moves in line with entire firm. Cost cutting through technology initiatives. Heavy emphasis on employee relocation to low-cost areas*		**5% to 10%**
Investment Banking *Industry-wide M&A pipeline strong. Equity underwriting outperforms debt underwriting; advisory down modestly*	Advisory Underwriting	**-5% to -10%** **0% to 5%**
Sales & Trading *High levels of market volatility and client activity lead to very strong results*	Equities Fixed Income	**10% to 15%** **5% to 10%**
Retail & Commercial Banking *Rising rates and increased lending*		**5%**

Incentive Trend

- Incentives expected to be up broadly across sectors, hedge funds and asset management trending up slightly while private equity and investment and commercial banks see strong improvements (dashed lines indicate projected incentive trend)



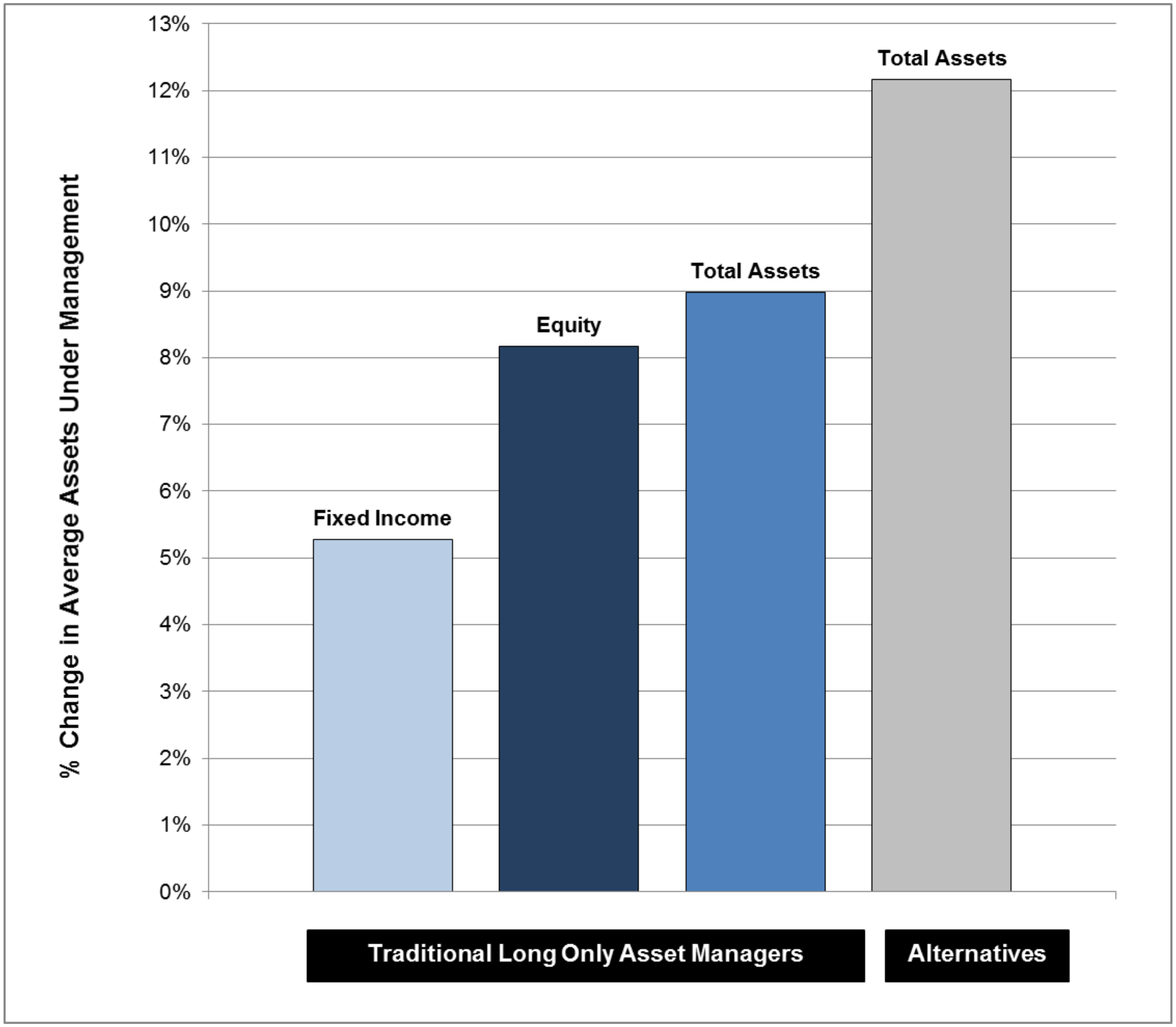
Projected % Change in Year-End Incentive Pool by Firm*



* 3 months actual data with projection for remainder of year

Percent Change in Assets Under Management

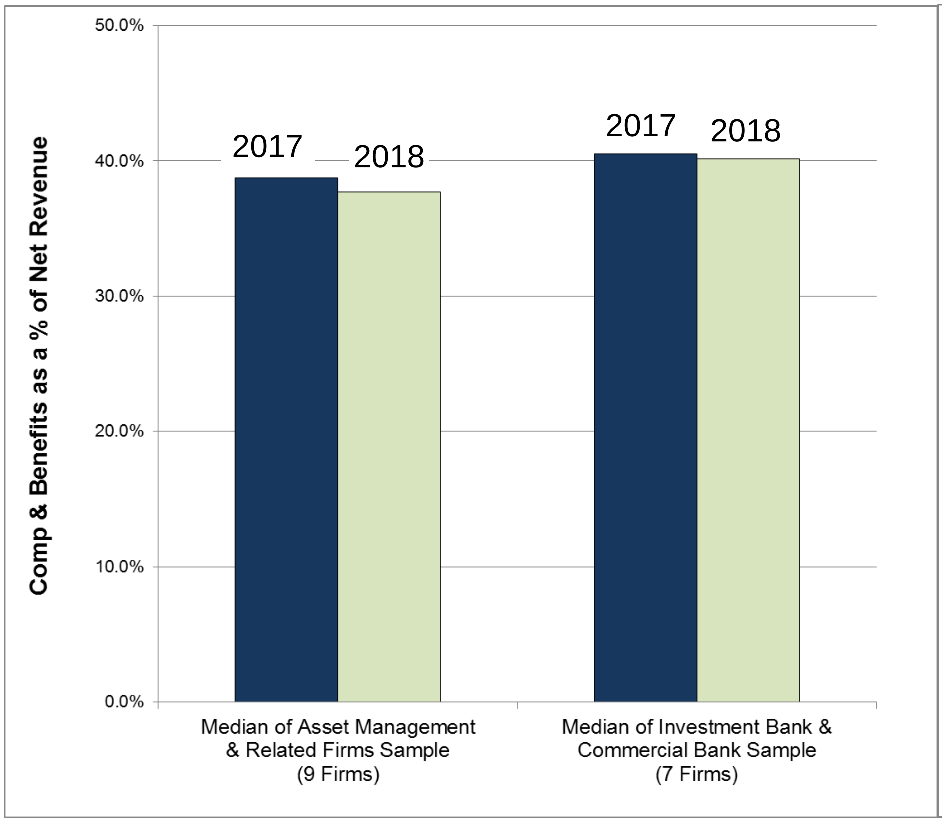
- Data represents median percentage change in average assets under management for three months 2018 compared to average full year 2017**,** for traditional long only (5 select firms) and alternatives (7 select firms)



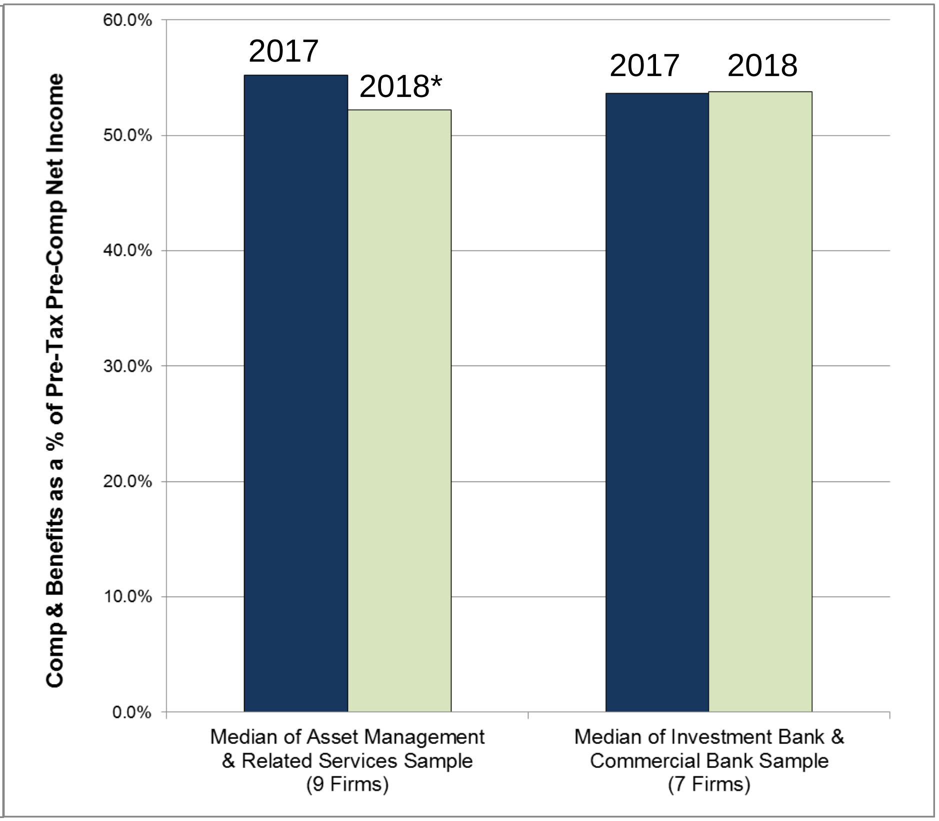
Year-to-Date Compensation & Benefits Ratios

- 3M 2017 v. 3M 2018 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



** Note: 2018 ratio impacted by outlier data point. On a normalized basis, would be similar to 2017 %*

Analyst Estimated EPS Trend

- With 4 months into the fiscal year, analyst estimates reflect stabilizing outlook for both asset management and investment and commercial banks
- Chart reflects a sample of 6 investment and commercial banks and 9 asset management and related services firms

2018 EPS Estimate Trend