

1. Executive Summary

Strong Bonuses Drive Compensation Growth for Risk Professionals in Capital Markets

The **2006 Risk Talent Associates Professional Compensation Survey – Capital Markets** reveals that total compensation for risk professionals in the capital markets continues to be very attractive, growing at a compound annual growth rate (CAGR) of 11% between 2003 and 2005. While growth in salary is a relatively modest 5% during this time period, growth in cash and non-cash bonuses (the value of stock, options and other non-cash compensation) is extraordinary. Although cash bonuses are an 18% average CAGR, growth rates over this period surpass 30% for many risk professionals, including titles such as Analyst, Associate, Senior Associate, Manager and Vice President. For the most senior titles, Managing Director and Chief Risk Officer, total compensation reaches the \$1 million range in 2005, driven largely by substantial bonuses.

Figure 1: Average Total Compensation, Salary and Bonus (Cash and Non-Cash) 2003-2005

Overall Average	2003 ⁽¹⁾	2004 ⁽¹⁾	2005 ⁽²⁾	CAGR 03-05
Total Compensation	\$ 340,000	\$ 374,000	\$ 417,000	11%
Salary	\$ 153,000	\$ 166,000	\$ 170,000	5%
Bonus- Cash	\$ 100,000	\$ 117,000	\$ 140,000	18%
Bonus- Non Cash	\$ 87,000	\$ 91,000	\$ 108,000	11%

Source: (1) Risk Talent Associates Salary Survey 2004 (January 2005); (2) Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.

These healthy trends in compensation reflect that employers in the capital markets are willing to pay to retain talented risk professionals, thereby creating a challenging hiring environment. Only 17% of survey participants reported changing jobs over the last two years, a statistic that was not collected in Risk Talent Associates' previous surveys on the capital markets, but that is much lower than the 25-30% rate reported in the firm's 2005 salary surveys in other industry segments. The majority of those who reported changing jobs stayed within their area of focus, primarily commercial banking and investment banking.

This survey illustrates additional peaks in compensation:

- **Tenure:** commensurate with seniority including years of experience and title
- **Industry segment:** investment bankers top commercial bankers
- **Risk focus:** market risk professionals make 15% over operational and 6% over credit
- **Geography:** individuals in New York City earn 34% more than other geographies
- **Size of company:** medium to largest risk organizations top small organizations

The **2006 Risk Talent Associates Professional Compensation Survey – Capital Markets** is an update to Risk Talent Associates' salary surveys published for 2002 and 2004. The survey includes commercial banks, investment banks, foreign-owned banks, government sponsored entities (GSE's) and other firms operating in the capital markets. The survey data was gathered in March 2006 across more than 500 risk professionals. Risk Talent Associates, an executive search firm focused on risk management, will publish three additional survey updates in 2006 including asset management, compliance and other risk fields (software, consulting, energy and corporate).

2. Overall Compensation Levels Increase for All Tenures

Regardless of years of experience or title, risk professionals in the capital markets saw healthy increases in both salary and bonuses. In terms of years of experience, those with 7-15 years of experience demonstrate the healthiest growth in total compensation reaching an overall average total compensation package of \$376,000.

Figure 2A: 2005 Average Total Compensation, Salary and Bonus (Cash and Non-Cash) by Years of Experience (in US Dollars)

Years	% Resp	Total Comp	Salary	Bonus-Cash	Bonus-NonCash
0-6 years	23%	\$ 270,000	\$ 124,000	\$ 71,000	\$ 75,000
7-15 years	42%	\$ 376,000	\$ 166,000	\$ 130,000	\$ 80,000
16+ years	35%	\$ 547,000	\$ 204,000	\$ 192,000	\$ 151,000

Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand. Abbreviations: % Resp = % of overall respondents in that category.

The most noteworthy increases by title were at the junior to mid-level (Analyst, Associate, Senior Associate, Manager and Vice President) driven by large double-digit gains in cash and non-cash bonuses between 2003 and 2006. Individuals at the more senior levels (Senior Vice President, Managing Director and Chief Risk Officer) continue to earn cash bonuses that exceed 30% of total compensation, with the sum of cash and non-cash bonuses at 70% of salary for Managing Directors and Chief Risk Officers. Total compensation for Chief Risk Officers went from a package of just over \$800,000 in 2003 to over \$1 million in 2005. This reflects a continuing trend for these individuals to be a part of the executive office and compensated like Chief Executive Officers and other C-level executives.

Figure 2B: 2005 Average Total Compensation, Salary and Bonus by Title (in US Dollars)

Title	% Resp	Total Comp	Salary	Bonus-Cash	Bonus-NonCash
Analyst/Associate	8%	\$ 126,000	\$ 89,000	\$ 29,000	\$ 8,000
Sr Assoc/Manager	12%	\$ 142,000	\$ 104,000	\$ 30,000	\$ 8,000
Vice President	32%	\$ 253,000	\$ 142,000	\$ 73,000	\$ 38,000
Director	16%	\$ 347,000	\$ 172,000	\$ 119,000	\$ 56,000
Senior Vice President	17%	\$ 425,000	\$ 197,000	\$ 140,000	\$ 88,000
Managing Director	9%	\$ 917,000	\$ 270,000	\$ 403,000	\$ 244,000
Chief Risk Officer	6%	\$ 1,006,000	\$ 300,000	\$ 378,000	\$ 328,000

Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand. Abbreviations: % Resp = % of overall respondents in that category, Sr Assoc = Senior Associate.

3. Investment Bankers Continue to Top Capital Markets Compensation

Consistent with last year's survey, investment bankers command the highest total compensation followed by professionals at foreign-owned banks and commercial banks. These three segments account for 76% of survey participants, in addition to professionals employed by government sponsored entities (11%), brokerage firms (5%), insurance (2%), credit card (2%), financial exchanges (2%) and other types of firms in the capital markets (2%).

Figure 3: 2005 Average Total Compensation, Salary and Bonus by Segment (in US Dollars)

Segments	% Resp	Total Comp	Salary	Bonus-Cash	Bonus-NonCash
Investment Bank	41%	\$ 510,000	\$ 181,000	\$ 211,000	\$ 118,000
Foreign Owned Bank	4%	\$ 505,000	\$ 179,000	\$ 164,000	\$ 162,000
Commercial Bank	31%	\$ 357,000	\$ 153,000	\$ 95,000	\$ 109,000
Govt Sponsored Ent.	11%	\$ 199,000	\$ 153,000	\$ 26,000	\$ 20,000

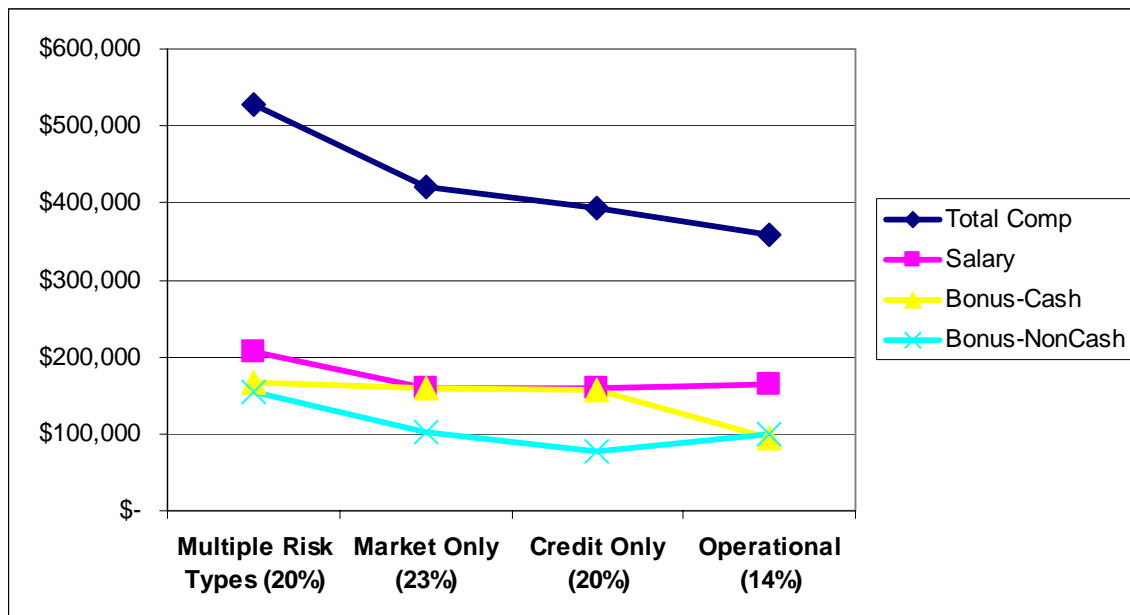
Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
Abbreviations: % Resp = % of overall respondents in that category.

4. Market Risk Professionals Receive Highest Total Compensation

Market risk professionals receive the highest total compensation over those focused on credit risk, operational risk or other types of risk. Market risk professionals earn 6% better compensation than those focused on credit risk and 15% better than those focused on operational risk.

Almost half (49%) of the survey respondents report that they are focused on market risk only or multiple types of risk including market risk. Respondents were asked to indicate all areas of risk focus including market risk, credit risk, operational risk, financial compliance and risk technology.

Figure 4: Average Total Compensation, Salary and Bonus Years by Risk Type (in US Dollars)

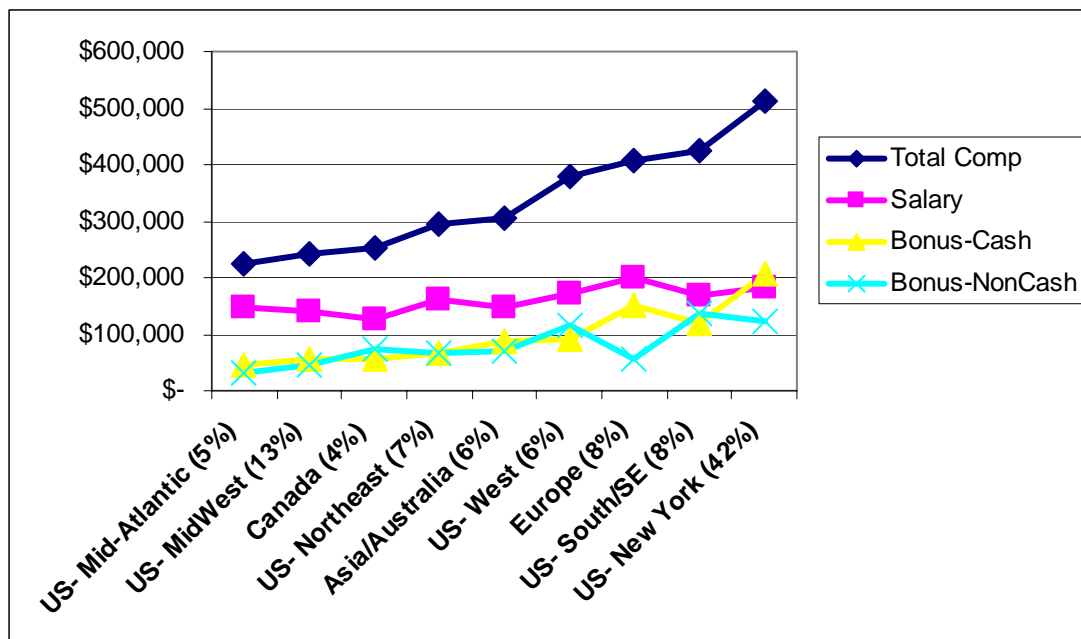


Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
Note: Percentage of overall respondents reported in brackets "(%)"

5. Professionals Based in New York City Continue to Top Compensation

New York City includes the highest percentage of survey respondents (42%) and the most highly compensated professionals, commanding 34% above the average total compensation for all other geographic regions. Professionals in the US-Northeast demonstrate a much lower average than last year's survey, while professionals in the US-South/Southeast reveal a much higher average than a year earlier. Non-US residents are 18% of survey respondents, with those from Europe demonstrating the highest overall salaries in the world, but less attractive non-cash bonuses.

Figure 5: 2005 Average Total Comp, Salary and Bonus By Geography (in US Dollars)



Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
Note: Percentage of overall respondents reported in brackets "(%)"

6. Medium-Size and Largest Firms Top Compensation Packages

Respondents at medium-size firms (organizations with 20 to 50 risk professionals) and the largest firms (over 50 risk professionals) reveal the highest total compensation packages. However, this trend largely reflects that the bigger risk organizations also have the greatest percentage of the most highly paid segments in the survey – investment bankers and commercial bankers. The smallest risk organizations (less than 5 or 5 to 20 risk professionals) are more moderately compensated, and include many of the respondents from government sponsored entities.

7. Survey Methodology

The **2006 Risk Talent Associates Professional Compensation Survey – Capital Markets** was conducted in March 2006 using Survey Monkey Internet survey software. E-mail invitations to participate in the survey were sent to risk professionals in the Risk Talent Associates corporate database. Responses were received from over 500 professionals with approximately 450 included in the data analysis.

The survey collected information on 2005 and 2006 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation). Survey respondents were asked to identify their years of experience, title, type of risk focus (market, credit, operational, risk technology and financial compliance), geographic location, size of company (based on the number of risk professionals in their organization) and type of company.

Risk Talent Associates, an executive search firm focused on risk management, is conducting a series of risk compensation surveys in 2006 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate).

About Risk Talent Associates

Risk Talent Associates (www.risktalent.com) is the leading international executive search firm focused exclusively on positions in the fields of market, credit and operational risk, as well as financial compliance and risk technology. Risk Talent's expertise, industry knowledge, proprietary network and dedicated focus shorten the recruiting process to deliver senior and mid-level risk managers in the capital markets, asset management, energy, consulting and software industries. Risk Talent has offices in New York, Chicago and London.

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