

Confidence improves as revenues begin to grow.

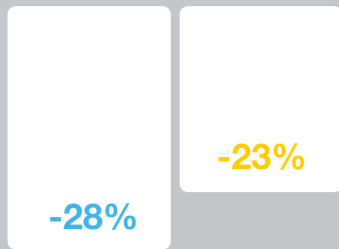
Commonwealth Bank Legal Market Pulse Report
(conducted by Beaton Research + Consulting).

June Quarter 2014 (Page 1 of 4).

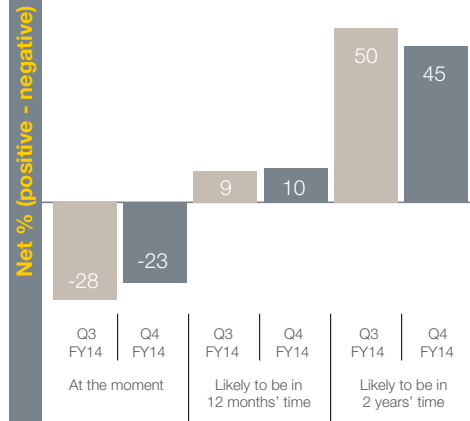


Confidence among law firms has improved this quarter

That being said, there is some softening in the long term this quarter.



Perception of business conditions



Business process efficiencies



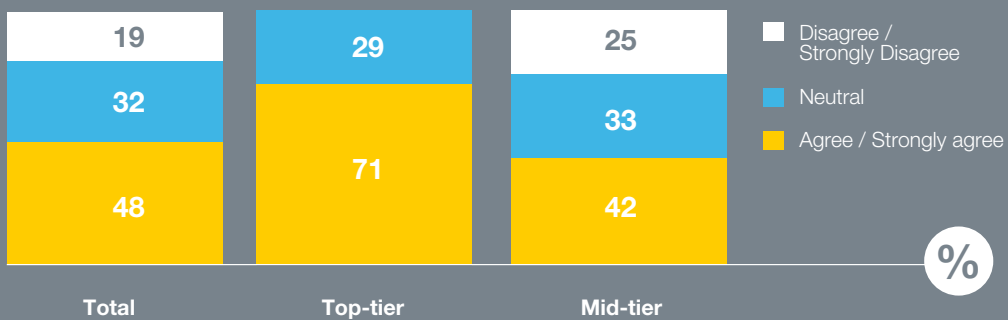
Almost **1 in 4 firms** have outsourced back office functions in the last 12 months.



Approximately **1 in 5 firms** have moved office functions into lower cost locations in the last 12 months.

There is growing pressure from law firms' clients to use legal process outsourcing

This is more evident among top-tier firms.



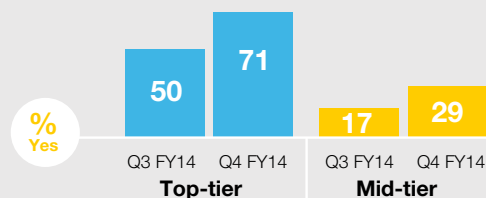
1 in 2 firms are now diversifying their offering as they move into non-legal services



At present they account for an average of 1-2% of firms' revenue.

There is a significant increase in competition against non-traditional, (alternative business model) law firms

This is more prevalent among top-tier firms.



Confidence improves as revenues begin to grow.

Commonwealth Bank Legal Market Pulse Report
(conducted by Beaton Research + Consulting).

June Quarter 2014 (Page 2 of 4).



Firms expect revenue from non-legal services to increase

Training and compliance consulting are perceived to have the largest opportunities for growth.



Training

Compliance consulting

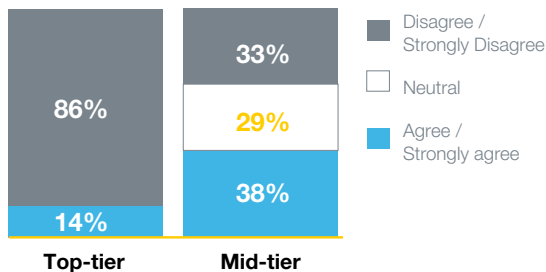
58% of law firms do not expect the entry of international law firms to have a great effect on their firm

However, **29% of top-tier firms** expect a negative impact whereas **only 4% of mid-tier firms** felt the same way.



Is the entry of international law firms about to stop?

A large proportion of firms expect international law firms to have a greater presence in the future. This is more evident among top-tier firms.



The majority of firms do not expect the Federal Budget to have a significant impact on their firm

Mid-tier firms are less satisfied with the budget when compared to top-tier firms.

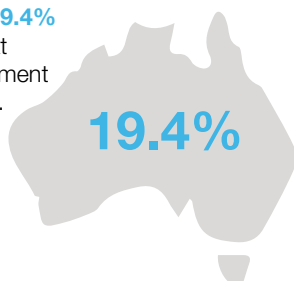


Impact of privatisation of AGS on firms' revenue

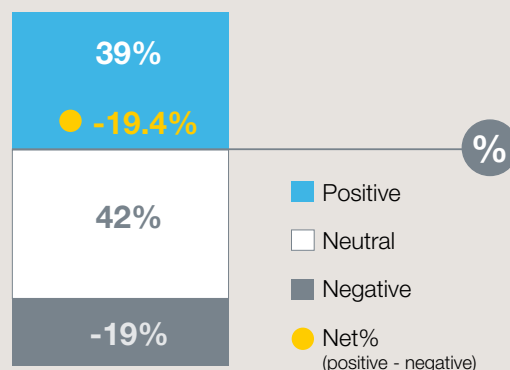
The majority of firms indicates that the privatisation of AGS will have a positive impact on their revenue.

Majority of firms believe that the Australian economy will perform positively over the next 12 months

Law firms rating a net **19.4%** as positive over the next 12 months, an improvement of **6.9%** from last wave.



Perceived performance of Australian economy



Confidence improves as revenues begin to grow.

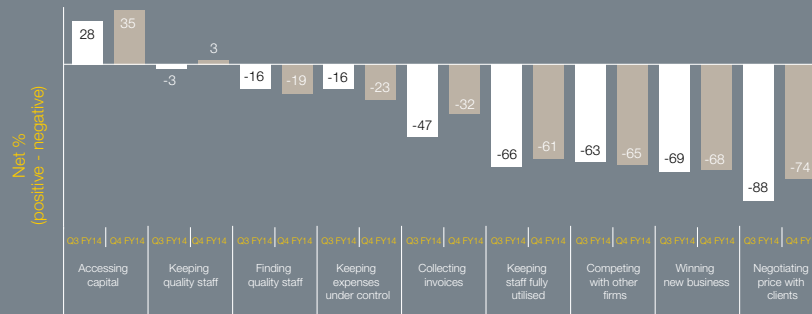
Commonwealth Bank Legal Market Pulse Report
(conducted by Beaton Research + Consulting).



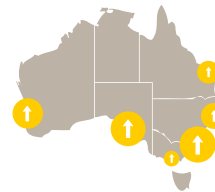
June Quarter 2014 (Page 3 of 4).

Firms are still finding it challenging across most business areas

Areas with the biggest improvement this wave are on **accessing capital**, **collecting invoices** and **negotiating price with clients**.

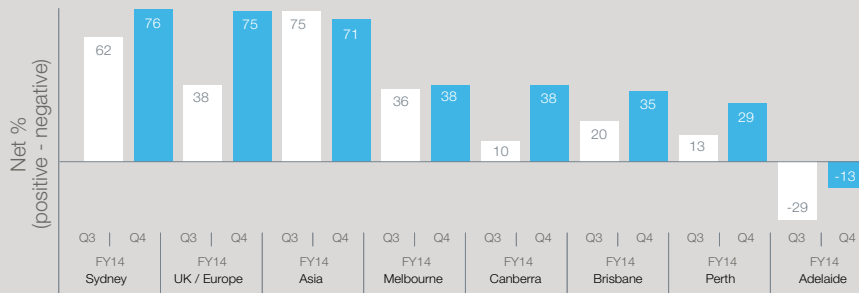


Revenue expectations have improved this quarter across all major cities in Australia



Changes in revenue by location

Revenue expectations have improved this quarter across all locations measured except for Asia.



Firms expect revenue to increase in 13 of 15 practice areas measured

The two areas with a net decrease in forecasted revenue are **taxation** and **banking and finance**.



Confidence improves as revenues begin to grow.

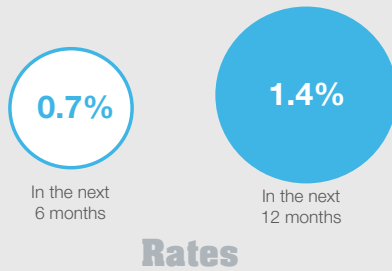
Commonwealth Bank Legal Market Pulse Report
(conducted by Beaton Research + Consulting).

June Quarter 2014 (Page 4 of 4).



Realised rates expected to increase

In the next 6 months, firms expect realised rates to increase by **0.7%** and to double that increase in the next 12 months.



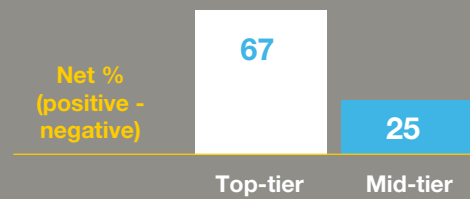
Mid-tier firms continue to look to grow fee-earning staff

Firms are looking to increase partner numbers and senior associates and lawyers over the next six months, and to decrease admin staff numbers.



Firms expect operating margins to increase for the next 6 months

A larger proportion of top-tier firms are expecting an increase in operating margins.



Download the Commonwealth Bank Legal Market Pulse Report for the latest findings at commbank.com.au/legalmarketpulse



Things to know before you Can:

This infographic has been prepared by Beaton Research + Consulting and is commissioned by Commonwealth Bank. It aims to provide law firm leaders with reliable legal industry forecasting, business confidence and other lead indicators. The confidential on-line survey used to prepare this report was undertaken by Beaton Research + Consulting in May to June 2014. The report is based on the views of 31 law firms across Australia. The report compares results from surveys undertaken in May/June 2014 (Quarter 4) to surveys in February 2014 (Quarter 3).