NEWS & INFORMATION

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US Bank Executives Received Modest Pay Increases Last Year as Influence of Bank Regulators Continues on Pay Design

LAKE FOREST, IL — May 1, 2013 — Meridian Compensation Partners, LLC, a leading executive compensation and corporate governance consulting firm, announced the results of their analysis of 2014 bank proxies.

Senior executive total compensation (cash and equity) increased only 3.2% in 2013 at 35 mid to large US banks ($10 billion - $400 billion in assets) according to a study conducted by Meridian. Executive salaries remained flat at most banks. Cash incentive awards, reflecting annual performance, averaged slightly above target while long-term awards increased 5%.

"The most significant changes were in the long-term/equity programs reflecting banks' continuing challenge to balance perspectives of regulators and shareholders," reported Susan O'Donnell, a partner and banking industry expert at Meridian. While stock options remain a significant component of long-term incentives at 53% of banks studied, the value of awards was down 30% from 2012. Values of stock awards that vest based on future performance were up 35%, indicating a preference for performance-based incentives that align executive interests with shareholders. Performance-based equity is the most prevalent stock instrument, used by 67% of the banks, however, most banks grant multiple equity components in their pay program.

A continued trend is reducing the maximum long-term incentive award opportunity. In contrast to general industry that typically provides maximum payouts up to 200% of target, the last few years have seen an increased number of the larger banks reducing their long-term incentive maximums to 125% - 150%, a result of continued urging of the Federal Reserve.

Increased prevalence of forfeiture provisions in long-term incentive plans is also emerging. Banks are adding features that allow for reduction or forfeiture of unvested equity awards based on inappropriate risk behavior of individuals or company risk outcomes, such as negative earnings, below threshold risk adjusted returns or insufficient capital levels.

“These findings reflect the Federal Reserve’s continued influence on bank compensation designs” said Susan.   Bank compensation programs will continue to evolve in response to dueling pressures from shareholders and regulators. Balancing the need to align pay with performance while mitigating risk will continue to be a significant challenge for US banks.

About Meridian Compensation Partners, LLC

With over 60 associates in eight offices in the United States and Canada, Meridian’s executive compensation consultants provide independent, trusted counsel to Boards and management at hundreds of large companies in North America. We consult on executive compensation and its design, amounts and corporate governance issues. Visit us at www.meridiancp.com.

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