

# Trends in Equity Approaches

August 2010

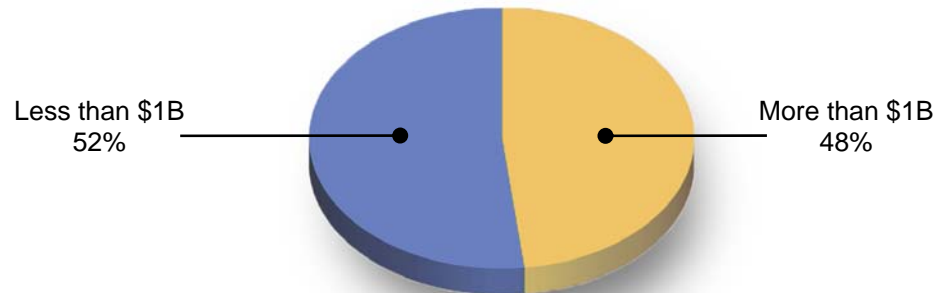
This survey examines whether or not banks use equity as part of their overall compensation program. For banks that use equity, we present information regarding what type of equity they grant, the company, individual, etc. performance measures upon which Banks base the equity grants, how frequently grants are made, and vesting.

For purposes of this flash survey, full value equity examples may include but are not limited to restricted stock, phantom stock, and restricted stock units. Appreciation equity examples may include but are not limited to stock options and stock appreciation rights.

## OVERVIEW

A total of 39 banks participated in our survey on equity trends. However, 12 banks reported not having an equity program at this time. Therefore, the tables provided in this report are based on the responses of 27 banks.

## ASSET SIZE BREAKOUT



### BOSTON

33 Railroad Avenue  
Duxbury, MA 02332  
Tel: +1 781 934 8400

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Aon Center  
200 East Randolph Street Tenth Floor  
Chicago, IL 60601-6421  
Tel: +1 312 381 9700

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Dubai International  
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Floor, Unit 9  
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Tel: +86 21 3865 8399

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Akasaka Kato Building  
2nd Floor  
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Minato-ku, Tokyo 107-0052  
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Tel: +813 5549 1850

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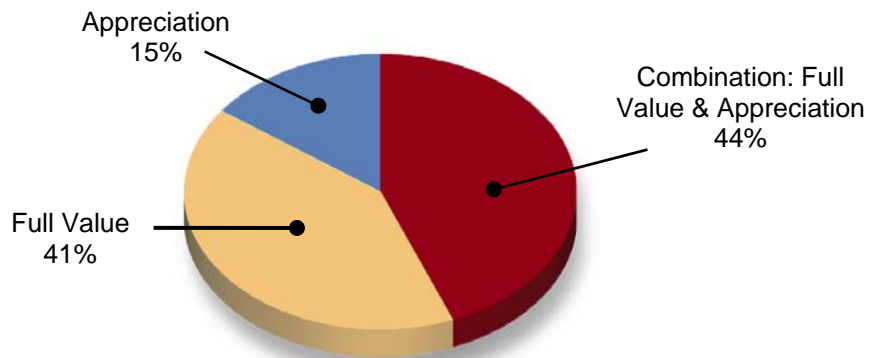
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**Types of Equity Granted**

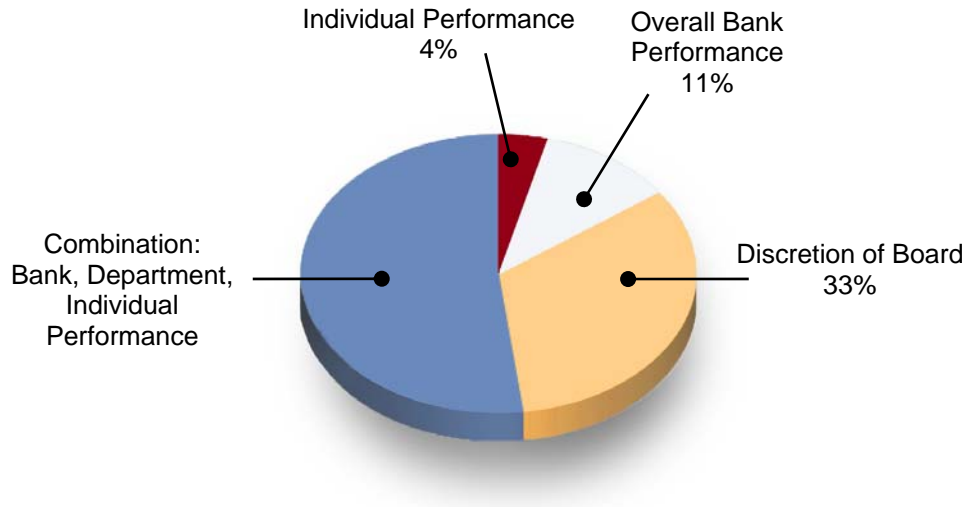
- Full value equity grants are more prevalent than appreciation equity grants across all cuts of data (asset size, location, and ownership structure). 41% of banks have either increased their use of full value equity since plans were last evaluated, or intend to increase use based on planned future changes. 37% of banks have decreased their usage of appreciation equity vehicles.
- 41% of banks make grants exclusively in the form of full-value grants.
- 15% of banks make grants exclusively in the form of appreciation grants.
- 44% of banks grant a combination of both full-value and appreciation equity. Of these banks, the combination of full-value to appreciation grants is approximately 50/50 on average.





### Equity Grant Determination

- 52% of the banks providing equity grants make them based on a combination of overall bank performance, department, and individual performance. One-third of the banks making equity grants make them based on the discretion of the board. 11% are based on overall bank performance, and 4% are based on individual performance.



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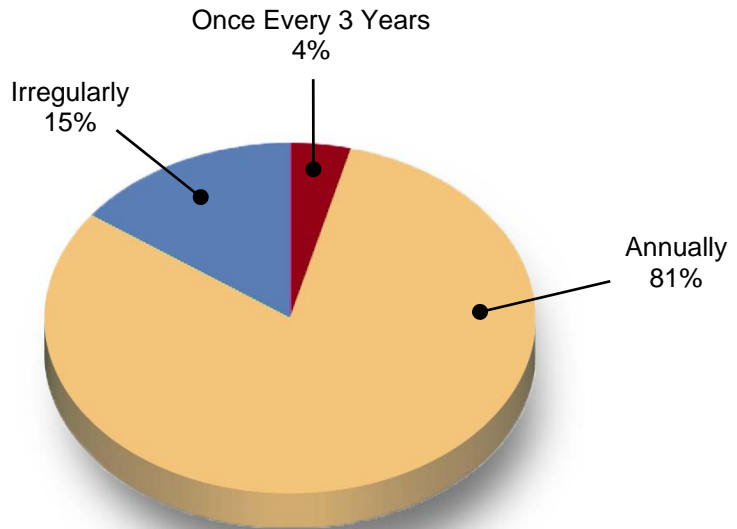
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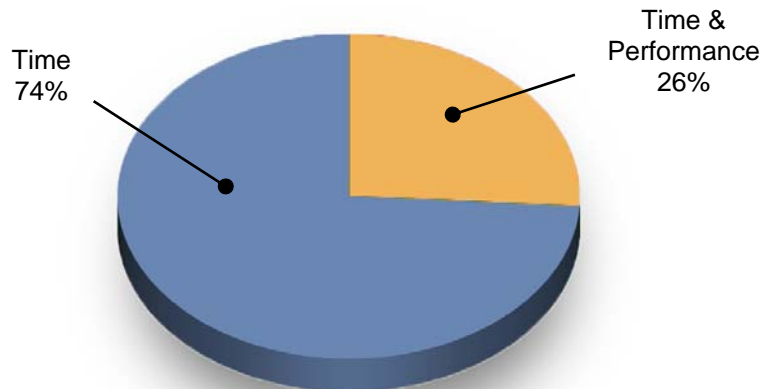
**Grant Frequency**

- Of those banks granting equity, 81% make grants on an annual basis. 15% make grants irregularly, and 4% make grants once every three years. 70% of banks have re-evaluated their use of equity within the past year.



**Equity Grant Vesting**

- 74% of equity grants vest based on time. 26% vest based on a combination of time and performance. None of the respondents answered that equity vests based solely on performance.





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**Why Are Banks Not Granting Equity?**

- 31% participating in this survey do not grant equity at this time. For these 12 banks, we asked if there were any particular reasons why they don't. Answers included:
  - Taxation
  - Accounting issues
  - Bank philosophy
  - Inexperience in setting up such plans
  - Uncertainty in the current banking environment

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**CONTACTS**

|                 |              |  |
|-----------------|--------------|--|
| Todd Leone      | 952-893-6711 | <a href="mailto:todd.leone@mclagan.com">todd.leone@mclagan.com</a>           |
| Gayle Appelbaum | 952-893-6795 | <a href="mailto:gayle.appelbaum@mclagan.com">gayle.appelbaum@mclagan.com</a> |
| Jim Bean        | 952-883-1370 | <a href="mailto:jim.bean@mclagan.com">jim.bean@mclagan.com</a>               |
| Jean Riley      | 781-934-8400 | <a href="mailto:jean.riley@mclagan.com">jean.riley@mclagan.com</a>           |
| Chris Richter   | 952-883-1371 | <a href="mailto:chris.richter@mclagan.com">chris.richter@mclagan.com</a>     |
| Katrina Gerenz  | 952-883-1384 | <a href="mailto:katrina.gerenz@mclagan.com">katrina.gerenz@mclagan.com</a>   |
| Kara Anderson   | 952-893-6705 | <a href="mailto:kara.anderson@mclagan.com">kara.anderson@mclagan.com</a>     |