



Trends in Equity Approaches

August 2010

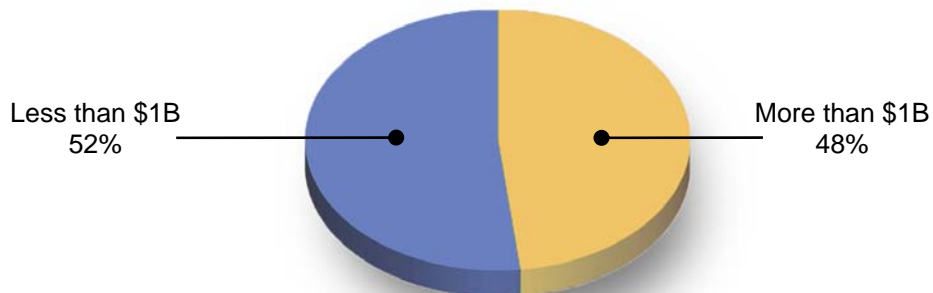
This survey examines whether or not banks use equity as part of their overall compensation program. For banks that use equity, we present information regarding what type of equity they grant, the company, individual, etc. performance measures upon which Banks base the equity grants, how frequently grants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

CHICAGO

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

DUBAI

Dubai International
Financial Centre
The Gate Village, Building 07 2nd
Floor, Unit 9
Dubai, United Arab Emirates
P.O. Box 506706
Tel: +9 714 425 5747

HONG KONG

Room 1401A, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong
Tel: +852 2840 0911

LONDON

Lloyds Chambers, 5th Floor
1 Portsoken Street
London E1 8BT
England
Tel: +44 207 680 7400

MINNEAPOLIS

3600 American Boulevard West
Suite 110
Minneapolis, MN 55431
Tel: +1 866 280 37 20

NEW YORK

199 Water Street
12th Floor
New York, NY 10038
Tel: +1 212 441 2000

SHANGHAI

42nd Floor, Jin Mao Tower
88 Century Boulevard
Pudong, Shanghai 200121
P.R.C.
Tel: +86 21 3865 8399

STAMFORD (Headquarters)

1600 Summer Street
Suite 601
Stamford, CT 06905
Tel: +1 203 359 2878

TOKYO

Akasaka Kato Building
2nd Floor
22-15, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: +813 5549 1850

www.mclagan.com



BOSTON

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

CHICAGO

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

DUBAI

Dubai International
Financial Centre
The Gate Village, Building 07 2nd
Floor, Unit 9
Dubai, United Arab Emirates
P.O. Box 506706
Tel: +9 714 425 5747

HONG KONG

Room 1401A, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong
Tel: +852 2840 0911

LONDON

Lloyds Chambers, 5th Floor
1 Portsoken Street
London E1 8BT
England
Tel: +44 207 680 7400

MINNEAPOLIS

3600 American Boulevard West
Suite 110
Minneapolis, MN 55431
Tel: +1 866 280 37 20

NEW YORK

199 Water Street
12th Floor
New York, NY 10038
Tel: +1 212 441 2000

SHANGHAI

42nd Floor, Jin Mao Tower
88 Century Boulevard
Pudong, Shanghai 200121
P.R.C.
Tel: +86 21 3865 8399

STAMFORD (Headquarters)

1600 Summer Street
Suite 601
Stamford, CT 06905
Tel: +1 203 359 2878

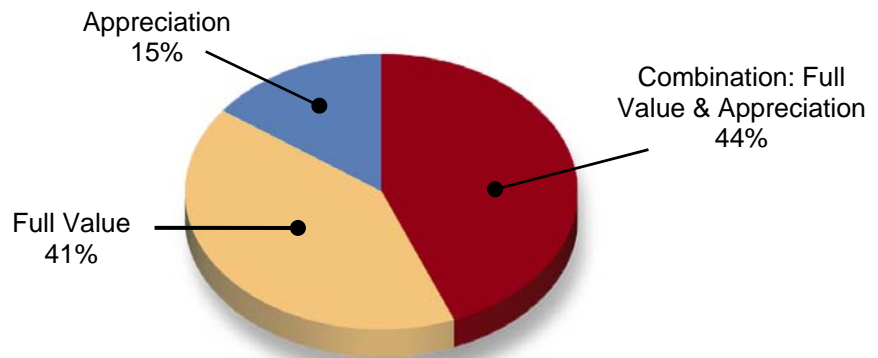
TOKYO

Akasaka Kato Building
2nd Floor
22-15, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: +813 5549 1850

www.mclagan.com

Types of Equity Granted

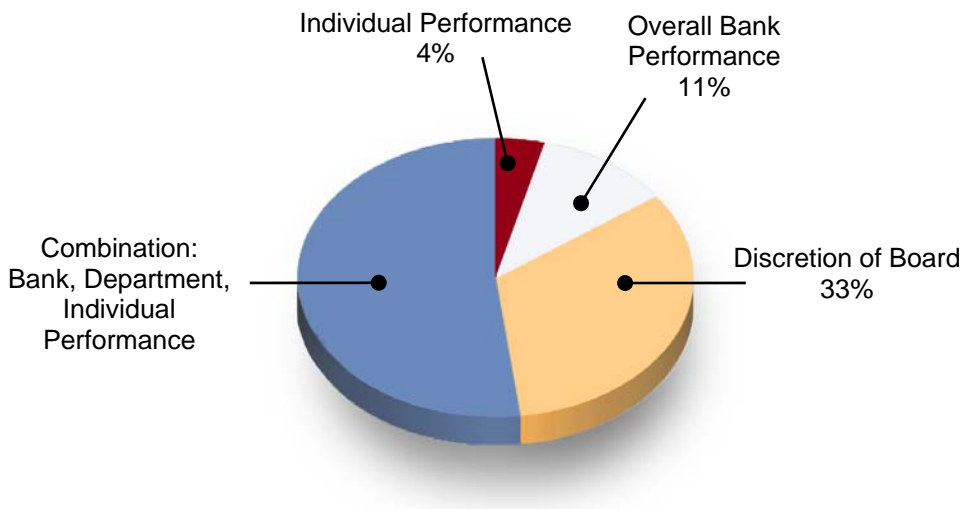
- Full value equity grants are more prevalent than appreciation equity grants across all cuts of data (asset size, location, and ownership structure). 41% of banks have either increased their use of full value equity since plans were last evaluated, or intend to increase use based on planned future changes. 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.



BOSTON

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

CHICAGO

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

DUBAI

Dubai International
Financial Centre
The Gate Village, Building 07 2nd
Floor, Unit 9
Dubai, United Arab Emirates
P.O. Box 506706
Tel: +9 714 425 5747

HONG KONG

Room 1401A, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong
Tel: +852 2840 0911

LONDON

Lloyds Chambers, 5th Floor
1 Portsoken Street
London E1 8BT
England
Tel: +44 207 680 7400

MINNEAPOLIS

3600 American Boulevard West
Suite 110
Minneapolis, MN 55431
Tel: +1 866 280 37 20

NEW YORK

199 Water Street
12th Floor
New York, NY 10038
Tel: +1 212 441 2000

SHANGHAI

42nd Floor, Jin Mao Tower
88 Century Boulevard
Pudong, Shanghai 200121
P.R.C.
Tel: +86 21 3865 8399

STAMFORD (Headquarters)

1600 Summer Street
Suite 601
Stamford, CT 06905
Tel: +1 203 359 2878

TOKYO

Akasaka Kato Building
2nd Floor
22-15, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: +813 5549 1850

www.mclagan.com



BOSTON

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

CHICAGO

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

DUBAI

Dubai International
Financial Centre
The Gate Village, Building 07 2nd
Floor, Unit 9
Dubai, United Arab Emirates
P.O. Box 506706
Tel: +9 714 425 5747

HONG KONG

Room 1401A, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong
Tel: +852 2840 0911

LONDON

Lloyds Chambers, 5th Floor
1 Portsoken Street
London E1 8BT
England
Tel: +44 207 680 7400

MINNEAPOLIS

3600 American Boulevard West
Suite 110
Minneapolis, MN 55431
Tel: +1 866 280 37 20

NEW YORK

199 Water Street
12th Floor
New York, NY 10038
Tel: +1 212 441 2000

SHANGHAI

42nd Floor, Jin Mao Tower
88 Century Boulevard
Pudong, Shanghai 200121
P.R.C.
Tel: +86 21 3865 8399

STAMFORD (Headquarters)

1600 Summer Street
Suite 601
Stamford, CT 06905
Tel: +1 203 359 2878

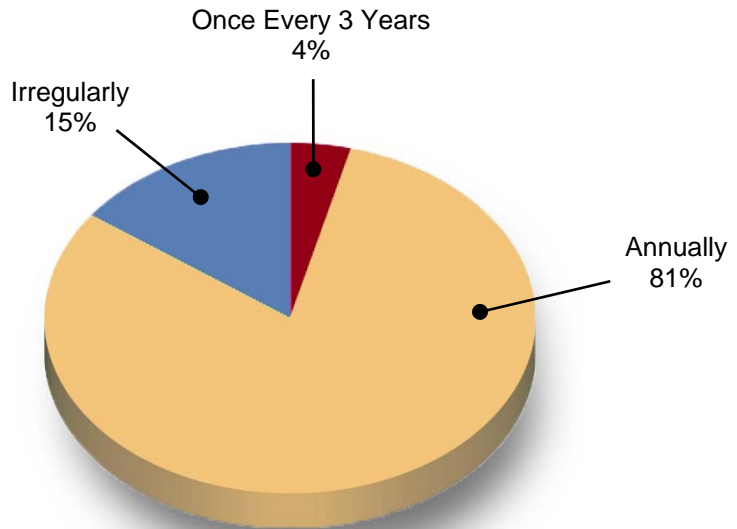
TOKYO

Akasaka Kato Building
2nd Floor
22-15, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: +813 5549 1850

www.mclagan.com

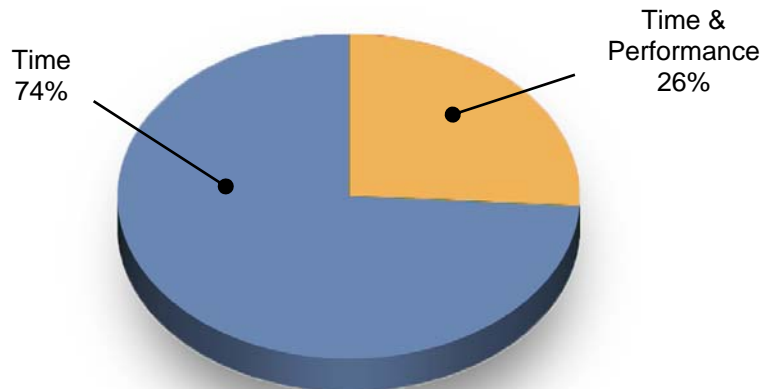
Grant Frequency

- 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.





BOSTON

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

CHICAGO

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

DUBAI

Dubai International
Financial Centre
The Gate Village, Building 07 2nd
Floor, Unit 9
Dubai, United Arab Emirates
P.O. Box 506706
Tel: +9 714 425 5747

HONG KONG

Room 1401A, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong
Tel: +852 2840 0911

LONDON

Lloyds Chambers, 5th Floor
1 Portsoken Street
London E1 8BT
England
Tel: +44 207 680 7400

MINNEAPOLIS

3600 American Boulevard West
Suite 110
Minneapolis, MN 55431
Tel: +1 866 280 37 20

NEW YORK

199 Water Street
12th Floor
New York, NY 10038
Tel: +1 212 441 2000

SHANGHAI

42nd Floor, Jin Mao Tower
88 Century Boulevard
Pudong, Shanghai 200121
P.R.C.
Tel: +86 21 3865 8399

STAMFORD (Headquarters)

1600 Summer Street
Suite 601
Stamford, CT 06905
Tel: +1 203 359 2878

TOKYO

Akasaka Kato Building
2nd Floor
22-15, Akasaka 2-chome
Minato-ku, Tokyo 107-0052
Japan
Tel: +813 5549 1850

www.mclagan.com

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

This publication is provided by McLagan's Corporate and Consumer Banking Practice as a service to clients and to the banking community. The information contained in this publication is not to be considered as a formal opinion on legal, accounting, or actuarial issues. Questions regarding the information discussed in this publication may be directed to any of our consultants listed below. If you have not received this publication directly from us, you may obtain a copy of any past or future related publications from Sean Bateman (1-866-280-3720; sean.bateman@mclagan.com).

CONTACTS

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