

Trends in Bank CEO Pay Practices

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According to an analysis by Ben S. Cole Financial, salaries, bonuses and long-term compensation for chief executive officers in small and mid-sized banks increased last year close to historical norms. Furthermore, the mix of pay elements has been consistent from the prior year study.

In a unique look at banks between \$500 million and \$2 billion in assets, Ben S. Cole Financial analyzed pay levels and pay practices of CEOs. The analysis found that base salaries typically increased 6% and total cash compensation (i.e., salary and annual bonus) increased 4%, while total compensation, including long-term incentives, increased 4%.

“The profile of executive pay packages has remained fairly consistent but is expected to change because of the pending stock option expensing rules and the continuing impact of Sarbanes-Oxley, which fosters performance-based compensation awards,” according to Gerald Miller, Executive Vice President and Chief Operating Officer of Ben S. Cole Financial. “The data for that time period also highlights the growing trend towards awarding restricted stock and other forms of equity compensation instead of, or along with, stock options. The percentage of banks using stock options as their only long-term incentive vehicle declined to 78%.”

“We expect continued changes in executive pay practices to be further evident in the release of next year’s proxies,” said Miller. “Stock option expensing creates situations where companies will look to award equity incentive compensation that will cost less than the value delivered to executives. Clearly, performance-based long term incentives are becoming more prominent.”

Bank CEO Compensation Profile
(Assets of \$500M to \$2B)

