



Executive Pay in the New Economy February 2009 Results Banking Industry Edition

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Introduction

The Pearl Meyer & Partners “Executive Pay in the New Economy” survey series examines the modifications to executive pay programs that companies are contemplating in the wake of recent financial turmoil. While the survey was administered to companies across all industries, we are able to report a special cut for banking participants.

Topics addressed include:

- Executive base salaries
- Executive bonus program design and payout levels
- Long-term incentive plans and equity awards
- Severance and security arrangements

The first round of the survey was conducted in early November 2008 as the financial crises were unfolding and the TARP programs were being rolled out. Round Two of the survey was completed in early February. The number of banks participating in the survey increased from 48 to 61. Responses were provided by board members, executives and human resource professionals.

We have summarized results across a variety of demographic categories, including:

- Banking Industry
- Employee vs. Director perspectives
- Company Performance vs. Plan perspectives
- All firms (cross-industry)

We hope that you find this information useful. If you would like to discuss any aspect of these findings further, please feel free to contact us.

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Key Highlights

Company Performance and Impact on Decision Making

- Regardless of performance, the majority of banks (90%) indicated that the financial crisis will continue to have an impact on pay decision processes over the next six months.
- Although not a constant sample, the Winter 2009 responses showed an increase in the number of banks reporting that performance for the year was “well off target” (37.7%, vs. 17.8% for Fall 2008) and that the recent financial market turmoil would significantly impact pay decisions (31.3% vs. 23.5% for Fall 2008).

Executive Base Salary and Bonus Changes

- 25% of respondents indicated that executive base salary increases for 2009 would be “considerably less” than 2008 increases.
- The Fall 2008 results indicated that only 11.1% of banks were “strongly” considering freezing base salaries. By Winter 2009, 23.7% of respondents had already decided to freeze executive base salaries for 2009 and 13.6% were “strongly” considering this action.
- Outside of those banks who froze executive salaries for 2009, the majority of respondents (32.2%) established a total merit increase budget between 3% and 4%.
- While 42.1% respondents indicated that they either have or are likely to pay “below formula” for this year’s annual incentive (bonus) payout, 36.8% reported that they would not provide any bonus payouts to executives for 2008 performance.

Long-Term Incentives and Equity Awards

- Over half (56%) of respondents indicated that the economic value of this year’s award would be “considerably” or “somewhat” lower than last year’s value (although not a constant sample, the percentage anticipating a “considerably” lower award value increased from 14.7% to 29.3%). This may reflect dilution concerns since lower stock prices require more shares to deliver the same value.
- The most popular approach to determining the number of shares to grant to executives continues to be referencing market data and matching the economic value at a targeted market percentile (33.3%). However, banks are exploring alternative approaches this year as meaningful competitive data is hard to come by (for example, 11.1% indicated that they are “granting a similar number of shares as in the prior year” and therefore maintaining a fairly consistent year-over-year burn rate).
- The majority of banks (73.7%) are not considering repricing, restructuring, or exchanging outstanding stock options at this time.

Security and Severance Arrangements

- Interestingly, only 17.7% of banks indicated that they anticipate modifications to their executive severance or change-in-control arrangements over the next 12 months (32.6% of respondents reported anticipated modifications in the Fall 2008 survey).

Executive Pay in the New Economy
February 2009 Results

	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Primary Role							
Employee of the firm	75.4%	75.4%	0.0%	72.7%	100.0%	72.7%	75.2%
Outside director	24.6%	0.0%	24.6%	27.3%	0.0%	27.3%	24.8%
What best describes your role with this organization?							
Chief Executive Officer	21.3%	28.3%	0.0%	20.5%	33.3%	18.2%	7.8%
Chief Financial Officer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%
VP of Human Resources	39.3%	52.2%	0.0%	38.6%	33.3%	45.5%	17.2%
General Counsel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%
A member of the executive team (other than those listed above)	8.2%	10.9%	0.0%	9.1%	16.7%	0.0%	5.5%
A member of the compensation department	1.6%	2.2%	0.0%	2.3%	0.0%	0.0%	37.9%
A member of human resources (not in the compensation department)	1.6%	2.2%	0.0%	0.0%	0.0%	9.1%	1.1%
Other employee of the firm	3.3%	4.3%	0.0%	2.3%	16.7%	0.0%	2.3%
Chairman of the Compensation Committee	18.0%	0.0%	73.3%	18.2%	0.0%	27.3%	11.0%
Member of the Compensation Committee (non-Chairman)	6.6%	0.0%	26.7%	9.1%	0.0%	0.0%	8.7%
Member of the Board (not participant on Compensation Committee)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%
Other Outside Director	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Organizational Size (Revenue / Assets / Operational Budget)							
Under \$300 million	13.1%	15.2%	6.7%	11.4%	16.7%	18.2%	25.5%
\$300 million to less than \$1 billion	32.8%	39.1%	13.3%	31.8%	50.0%	27.3%	22.5%
\$1 billion to less than \$3 billion	34.4%	32.6%	40.0%	34.1%	33.3%	36.4%	22.0%
\$3 billion to less than \$10 billion	14.8%	10.9%	26.7%	15.9%	0.0%	18.2%	18.6%
\$10 billion or greater	4.9%	2.2%	13.3%	6.8%	0.0%	0.0%	11.5%

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Participant Demographics	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Form of Ownership							
Publicly Held; For Profit	65.0%	40.0%	25.0%	72.1%	33.3%	54.5%	72.0%
Closely Held; For Profit	5.0%	5.0%	0.0%	7.0%	0.0%	0.0%	3.0%
Privately Held; For Profit	28.3%	28.3%	0.0%	20.9%	66.7%	36.4%	20.0%
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	1.7%	1.7%	0.0%	0.0%	0.0%	9.1%	5.1%
Industry Group							
Industrials / Materials	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.3%
Consumer Discretionary / Staples	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.2%
Health Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.5%
Financials	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	23.0%
Info Tech / Telecomm Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.4%
Energy / Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.5%
Organization's reporting entity							
Parent/Stand Alone	85.2%	80.4%	100.0%	84.1%	100.0%	81.8%	93.1%
Subsidiary	14.8%	19.6%	0.0%	15.9%	0.0%	18.2%	6.4%
Division	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%

Executive Pay in the New Economy
February 2009 Results

Firm Performance and Impact on Decision Making Banking Industry Primary Role Organization Performance vs Plan All Firms

	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436

Please indicate your assessment of your firm's performance for the year as compared to plan or budget.

Well off target	37.7%	28.3%	66.7%	52.3%	0.0%	0.0%	26.4%
Somewhat off target	34.4%	41.3%	13.3%	47.7%	0.0%	0.0%	34.7%
On target	9.8%	13.0%	0.0%	0.0%	100.0%	0.0%	18.3%
Somewhat ahead of target	13.1%	13.0%	13.3%	0.0%	0.0%	72.7%	14.6%
Well ahead of target	4.9%	4.3%	6.7%	0.0%	0.0%	27.3%	4.9%
Not sure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%

To what extent will recent financial market turmoil impact your pay decision making process over the next 6 months?

Not at all	9.8%	6.5%	20.0%	4.5%	16.7%	27.3%	8.6%
Some impact on decision making process	59.0%	58.7%	60.0%	54.5%	83.3%	63.6%	56.1%
Significant impact on decision making process	31.1%	34.8%	20.0%	40.9%	0.0%	9.1%	35.3%

All Banks

Impact on Executive Pay Decision Making in 2009

		Not at all	Some Impact	Significant Impact	Total
Firm Performance vs Plan	Well off target	8.7%	39.1%	52.2%	100.0%
	Somewhat off target	0.0%	71.4%	28.6%	100.0%
	On target	16.7%	83.3%	0.0%	100.0%
	Somewhat ahead of target	25.0%	62.5%	12.5%	100.0%
	Well ahead of target	33.3%	66.7%	0.0%	100.0%
	Not sure	0.0%	0.0%	0.0%	0.0%

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Executive Base Pay Changes	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
In percentage terms, do you anticipate that your executive team's base salary increases for 2009 will be...							
Considerably less than 2008's increases	25.0%	24.4%	26.7%	31.8%	0.0%	10.0%	40.3%
Somewhat less than 2008's increases	33.3%	28.9%	46.7%	40.9%	16.7%	10.0%	29.5%
About the same as 2008's increases	35.0%	40.0%	20.0%	22.7%	83.3%	60.0%	28.1%
Somewhat more than 2008's increases	5.0%	4.4%	6.7%	2.3%	0.0%	20.0%	1.4%
Considerably more than 2008's increases	1.7%	2.2%	0.0%	2.3%	0.0%	0.0%	0.7%
Are you considering freezing your executive team's base salaries in 2009?							
We have already decided to freeze executive base salaries in 2009	23.7%	20.5%	33.3%	27.3%	0.0%	20.0%	37.2%
We are strongly considering freezing base salaries	13.6%	13.6%	13.3%	15.9%	0.0%	10.0%	13.7%
We have given somewhat more consideration to freezing base salaries in 2009 than in recent years	16.9%	18.2%	13.3%	20.5%	20.0%	0.0%	13.0%
We have given little consideration to freezing base salaries, and no more so than in recent years	10.2%	13.6%	0.0%	9.1%	0.0%	20.0%	8.8%
We are not considering freezing base salaries	35.6%	34.1%	40.0%	27.3%	80.0%	50.0%	27.3%
What is your anticipated total merit increase budget for executives for 2009?							
0% (Base salaries are frozen)	25.4%	22.7%	33.3%	29.5%	0.0%	20.0%	39.7%
0% to 2%	15.3%	13.6%	20.0%	18.2%	20.0%	0.0%	15.2%
2% to 3%	11.9%	11.4%	13.3%	15.9%	0.0%	0.0%	13.3%
3% to 4%	32.2%	31.8%	33.3%	29.5%	40.0%	40.0%	19.2%
4% to 5%	3.4%	4.5%	0.0%	2.3%	20.0%	0.0%	7.1%
5% to 6%	5.1%	6.8%	0.0%	0.0%	20.0%	20.0%	2.6%
More than 6%	6.8%	9.1%	0.0%	4.5%	0.0%	20.0%	2.9%

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Executive Annual Incentive (Bonus) Programs	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
What is the likelihood that you may exercise discretion in determining your annual incentive payout FOR 2008 PERFORMANCE?							
We have paid, or are likely to pay "below formula"	42.1%	45.2%	33.3%	47.6%	0.0%	40.0%	29.1%
We may pay "below formula"	21.1%	16.7%	33.3%	26.2%	20.0%	0.0%	13.1%
We have paid, or are most likely to pay "at formula"	28.1%	31.0%	20.0%	21.4%	40.0%	50.0%	43.6%
We may pay "above formula"	3.5%	4.8%	0.0%	2.4%	20.0%	0.0%	8.2%
We have paid, or are likely to pay "above formula" annual incentive	5.3%	2.4%	13.3%	2.4%	20.0%	10.0%	6.1%
To what extent was (or will) your annual incentive payout to executives FOR 2008 PERFORMANCE be paid out in the form of stock denominated vehicles?							
We do not anticipate (or have not made) any annual incentive payout for 2008 performance	36.8%	32.6%	50.0%	47.6%	0.0%	10.0%	24.8%
The payout will be 100% cash	47.4%	58.1%	14.3%	35.7%	100.0%	70.0%	55.8%
We allow executives to choose to receive a portion of their incentive payout in the form of stock	3.5%	4.7%	0.0%	4.8%	0.0%	0.0%	3.2%
By policy, we denominate a portion of the payout (less than 50%) in the form of stock	8.8%	4.7%	21.4%	9.5%	0.0%	10.0%	11.3%
By policy, we denominate a portion of the payout (50% or more) in the form of stock	3.5%	0.0%	14.3%	2.4%	0.0%	10.0%	4.9%

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Long Term Incentives and Equity Awards	<u>Banking Industry</u>	<u>Primary Role</u>	<u>Organization Performance vs Plan</u>			<u>All Firms</u>	
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Relative to the prior year's equity award, the value of awards made at the end of 2008 or beginning of 2009 will be...							
Considerably lower	29.3%	19.2%	46.7%	36.7%	0.0%	12.5%	30.4%
Somewhat lower	26.8%	23.1%	33.3%	30.0%	33.3%	12.5%	29.1%
About the same	31.7%	42.3%	13.3%	23.3%	33.3%	62.5%	31.3%
Somewhat higher	4.9%	3.8%	6.7%	3.3%	0.0%	12.5%	6.1%
Considerably higher	7.3%	11.5%	0.0%	6.7%	33.3%	0.0%	3.1%
What best describes your firm's approach to determining the number of shares to grant to each executive (for awards made at the end of 2008 or beginning of 2009)?							
We referenced market data and attempted to match the economic value at a targeted market percentile.	33.3%	34.8%	30.8%	39.3%	0.0%	16.7%	39.5%
The number of shares is based on an assumed share price growth rate and a targeted "future value" at that growth rate.	2.8%	4.3%	0.0%	3.6%	0.0%	0.0%	5.3%
We granted a similar number of shares as in the prior year (i.e., burn rates are relatively consistent year-over-year).	11.1%	13.0%	7.7%	10.7%	0.0%	16.7%	20.1%
The number of shares was determined based on achievement relative to pre-determined performance goals.	19.4%	8.7%	38.5%	17.9%	50.0%	16.7%	10.9%
We used an alternative approach not described above.	33.3%	39.1%	23.1%	28.6%	50.0%	50.0%	24.3%

Executive Pay in the New Economy
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Long Term Incentives and Equity Awards	<u>Banking Industry</u>	<u>Primary Role</u>	<u>Organization Performance vs Plan</u>			<u>All Firms</u>	
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
How do you anticipate awards will compare to awards provided in the prior year? (Percents are of those providing each type of award)							
Fair Market Value Stock Options (rights to purchase stock at a fixed price equal to 100 percent of fair market value at grant date)							
Greater Percentage of Value	18.2%	13.3%	28.6%	11.8%	50.0%	33.3%	8.9%
About the Same	36.4%	46.7%	14.3%	29.4%	50.0%	66.7%	54.0%
Lower Percentage of Value	45.5%	40.0%	57.1%	58.8%	0.0%	0.0%	37.1%
Premium Priced Stock Options (rights to purchase stock at a fixed price equal to some value greater than 100 percent of fair market value at grant date)							
Greater Percentage of Value	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.8%
About the Same	50.0%	66.7%	0.0%	33.3%	100.0%	0.0%	37.5%
Lower Percentage of Value	50.0%	33.3%	100.0%	66.7%	0.0%	0.0%	41.7%
Restricted Stock / Restricted Stock Units (shares of stock subject to a restriction period during which the shares cannot be sold)							
Greater Percentage of Value	11.1%	12.5%	9.1%	9.1%	50.0%	0.0%	17.2%
About the Same	48.1%	56.3%	36.4%	45.5%	50.0%	66.7%	52.0%
Lower Percentage of Value	40.7%	31.3%	54.5%	45.5%	0.0%	33.3%	30.8%
Performance Shares / Units (shares of stock subject to achievement of pre-determined performance goals)							
Greater Percentage of Value	21.4%	12.5%	33.3%	25.0%	0.0%	0.0%	20.6%
About the Same	57.1%	62.5%	50.0%	50.0%	100.0%	100.0%	52.2%
Lower Percentage of Value	21.4%	25.0%	16.7%	25.0%	0.0%	0.0%	27.2%
Other Cash-Based Long-Term Incentive Plan (awards paid out in cash if financial targets are achieved over a period of time greater than one year)							
Greater Percentage of Value	12.5%	10.0%	16.7%	14.3%	0.0%	0.0%	11.7%
About the Same	37.5%	50.0%	16.7%	35.7%	50.0%	0.0%	50.0%
Lower Percentage of Value	50.0%	40.0%	66.7%	50.0%	50.0%	0.0%	38.3%
Relative to the prior year's burn rate, do you anticipate that this year's burn rate will be...							
Considerably lower	29.4%	22.7%	41.7%	37.0%	0.0%	0.0%	15.9%
Somewhat lower	26.5%	22.7%	33.3%	29.6%	50.0%	0.0%	19.3%
About the same	35.3%	45.5%	16.7%	25.9%	0.0%	100.0%	39.9%
Somewhat higher	2.9%	0.0%	8.3%	3.7%	0.0%	0.0%	15.6%
Considerably higher	5.9%	9.1%	0.0%	3.7%	50.0%	0.0%	9.3%

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Long Term Incentives and Equity Awards	<u>Banking Industry</u>	<u>Primary Role</u>	<u>Organization Performance vs Plan</u>			<u>All Firms</u>	
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Is your organization considering repricing / restructuring / exchanging outstanding underwater stock options?							
No, this is not under consideration	73.7%	79.2%	64.3%	70.0%	100.0%	83.3%	71.5%
We have given the topic some consideration, but are unlikely to take action in the next 6 months	18.4%	16.7%	21.4%	20.0%	N/A	16.7%	15.5%
We have given the topic a great deal of consideration, but are unlikely to take action in the next 6 months	2.6%	4.2%	0.0%	3.3%	N/A	0.0%	5.5%
We have given the topic a great deal of consideration and will likely attempt an action in the next 6 months	5.3%	0.0%	14.3%	6.7%	N/A	0.0%	5.8%
We have just completed a repricing or are in the midst of doing a repricing	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	1.6%
If not considering repricing, what were the factors in the decision to not take action over the next 6 months?							
Anticipated difficulty in garnering support from shareholders.	25.0%	40.0%	0.0%	14.3%	N/A	100.0%	43.1%
Equity plan document language precludes a repricing / restructuring / exchange.	12.5%	20.0%	0.0%	0.0%	N/A	100.0%	9.2%
A repricing / restructuring / exchange would run counter to overall compensation philosophy.	50.0%	40.0%	66.7%	42.9%	N/A	100.0%	33.8%
Additional expense associated with tender offer, filings, etc. (i.e., administrative expense).	25.0%	40.0%	0.0%	14.3%	N/A	100.0%	13.8%
Logistical difficulties in developing and implementing a program within this limited time frame.	0.0%	0.0%	0.0%	0.0%	N/A	0.0%	16.9%
Decided to preclude action until it is confirmed that share price drop is long-term (not an isolated event).	25.0%	40.0%	0.0%	14.3%	N/A	100.0%	29.2%
If not considering repricing within the next 6 months, do you anticipate reconsidering in the next 12 months?							
Yes	25.0%	40.0%	0.0%	28.6%	N/A	0.0%	29.2%
No	12.5%	20.0%	0.0%	0.0%	N/A	100.0%	16.9%
Not sure at this time.	62.5%	40.0%	100.0%	71.4%	N/A	0.0%	53.8%

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Long Term Incentives and Equity Awards	<u>Banking Industry</u>	<u>Primary Role</u>	<u>Organization Performance vs Plan</u>			<u>All Firms</u>	
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
If considering or have completed a repricing, what will (or were) surrendered options be replaced with?							
New stock options	0.0%	N/A	0.0%	0.0%	N/A	N/A	59.1%
Restricted shares / RSUs	100.0%	N/A	100.0%	100.0%	N/A	N/A	45.5%
Cash	0.0%	N/A	0.0%	0.0%	N/A	N/A	4.5%
Percent eligible to participate in repricing / restructuring / exchange							
Non-Executive Board Members Eligible	50.0%	N/A	50.0%	50.0%	N/A	N/A	27.3%
CEOs Eligible	100.0%	N/A	100.0%	100.0%	N/A	N/A	50.0%
Other Named Executive Officers Eligible	100.0%	N/A	100.0%	100.0%	N/A	N/A	59.1%
Importance of Considerations in Implementing Repricing / Exchange / Restructuring - Average Rank (1=Highest, 6 = Lowest)							
New motivational and retentive power for EXECUTIVES.	1.0	N/A	1.0	1.0	N/A	N/A	2.2
New motivational and retentive power for EMPLOYEES.	5.0	N/A	5.0	5.0	N/A	N/A	3.0
Reduced dilution and creation of additional shares available for future grant.	4.0	N/A	4.0	4.0	N/A	N/A	3.5
Restore alignment between executives / employees and shareholder interests.	3.0	N/A	3.0	3.0	N/A	N/A	3.0
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	4.0	N/A	4.0	4.0	N/A	N/A	4.1
Other (e.g., compliance with 409A, administrative issues, etc.)	4.0	N/A	4.0	4.0	N/A	N/A	5.3
Percent Ranking 1 or 2							
New motivational and retentive power for EXECUTIVES.	100.0%	N/A	100.0%	100.0%	N/A	N/A	68.2%
New motivational and retentive power for EMPLOYEES.	0.0%	N/A	0.0%	0.0%	N/A	N/A	50.0%
Reduced dilution and creation of additional shares available for future grant.	0.0%	N/A	0.0%	0.0%	N/A	N/A	22.7%
Restore alignment between executives / employees and shareholder interests.	50.0%	N/A	50.0%	50.0%	N/A	N/A	40.9%
Maximize efficiency of awards (likelihood that value realized will exceed expense incurred)	0.0%	N/A	0.0%	0.0%	N/A	N/A	9.1%
Other (e.g., compliance with 409A, administrative issues, etc.)	50.0%	N/A	50.0%	50.0%	N/A	N/A	9.1%

Executive Pay in the New Economy
February 2009 Results

Severance and Security Arrangements	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Do you anticipate reviewing your executive severance or change-in-control arrangements during the next 12 months?							
Yes, we will be reviewing these arrangements and anticipate some modifications	17.1%	7.4%	35.7%	12.5%	0.0%	50.0%	18.8%
Yes, we will be reviewing these arrangements as normal course-of-business, but do not anticipate modifications	39.0%	37.0%	42.9%	46.9%	33.3%	0.0%	26.2%
No, we do not anticipate reviewing these arrangements	43.9%	55.6%	21.4%	40.6%	66.7%	50.0%	55.0%
Do you anticipate that modifications will increase or decrease severance to executives in terminations ABSENT a change-in-control?							
Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%
Decrease	22.2%	0.0%	44.4%	20.0%	0.0%	50.0%	19.3%
Uncertain	77.8%	100.0%	55.6%	80.0%	100.0%	50.0%	78.1%
Do you anticipate that modifications will increase or decrease severance to executives in terminations FOLLOWING a change-in-control?							
Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.2%
Decrease	11.1%	11.1%	11.1%	6.7%	0.0%	50.0%	14.4%
Uncertain	88.9%	88.9%	88.9%	93.3%	100.0%	50.0%	78.4%
Do you anticipate that modifications will decrease any provisions for gross-up payments (for excise tax attributable to parachute payments following a change-in-control)?							
Yes	15.8%	10.0%	22.2%	6.3%	0.0%	100.0%	7.7%
No, we are leaving our current provisions unchanged.	36.8%	40.0%	33.3%	37.5%	100.0%	0.0%	35.9%
No, we are actually adding or expanding gross-up provisions.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%
No, we do not currently provide for gross-up payments and do not plan on adding these provisions.	21.1%	10.0%	33.3%	25.0%	0.0%	0.0%	26.7%

Severance and Security Arrangements	<u>Banking Industry</u>	<u>Primary Role</u>		<u>Organization Performance vs Plan</u>			<u>All Firms</u>
	Total	Employee of the firm	Outside director	Somewhat / Well Off	On Target	Somewhat / Well Ahead	Total
Number of Firms Reporting	61	46	15	44	6	11	436
Which statement best describes your current treatment of outstanding equity grants upon a change-in-control?							
We provide single-trigger acceleration (accelerated vesting upon a change-in-control)	46.2%	59.3%	16.7%	41.9%	50.0%	66.7%	33.6%
We provide double-trigger acceleration (accelerated vesting requires both a change-in-control and job loss)	30.8%	22.2%	50.0%	35.5%	50.0%	0.0%	49.0%
Not sure	23.1%	18.5%	33.3%	22.6%	0.0%	33.3%	17.4%
Of those providing single-trigger acceleration: Percent considering changing to double-trigger acceleration over the next year?	5.6%	0.0%	50.0%	7.7%	0.0%	0.0%	8.8%
Of those providing double-trigger acceleration: Percent considering changing to single-trigger acceleration over the next year?	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	4.0%

About Pearl Meyer & Partners

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