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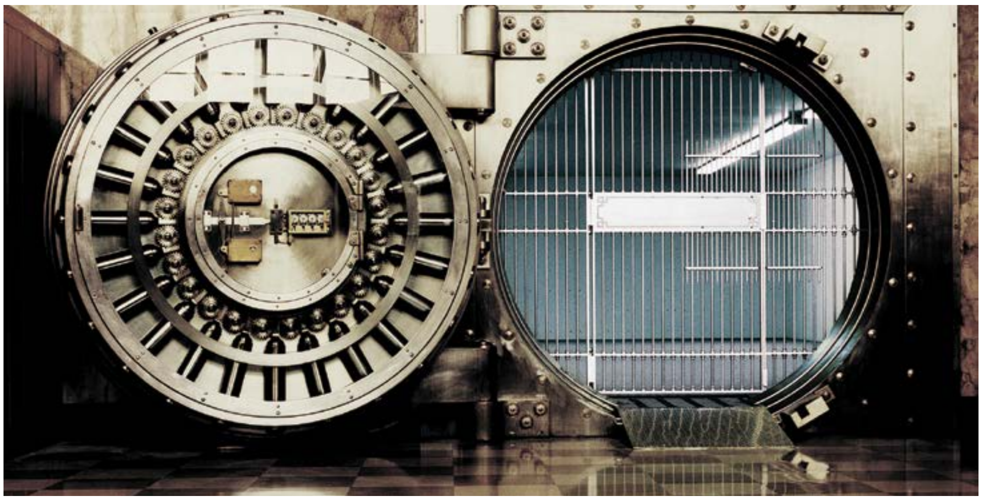
BDO 600

Board Director Compensation Trends in Middle-Market Banking Companies



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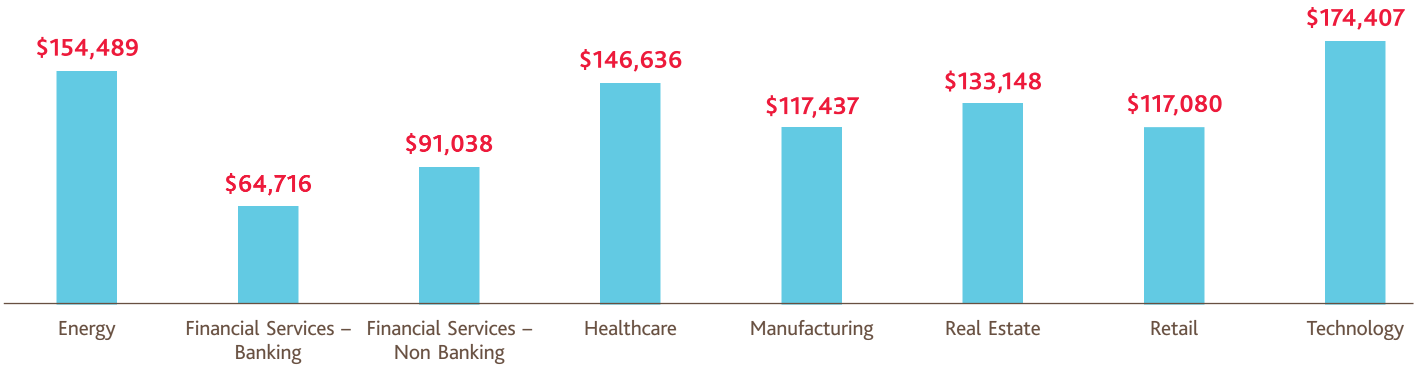
DIRECTOR COMPENSATION CONTINUES TO CLIMB IN SIX DIFFERENT INDUSTRIES BUT DECLINES IN TWO, ACCORDING TO AN ANALYSIS CONDUCTED BY BDO USA, LLP, A LEADING ACCOUNTING AND CONSULTING ORGANIZATION.

The ***BDO 600: 2013 Survey of Board Compensation Practices of 600 Mid-Market Public Companies*** examines the director compensation trends in publicly traded companies with annual revenues from $25 million to $1 billion in the energy, healthcare, manufacturing, real estate, retail and technology industries; and publicly traded companies with assets between $50 million and $2 billion in the banking and financial services industries. Information for the study was drawn from proxy statements that were filed between May 15, 2012, and May 15, 2013.

Board compensation in the banking sector rose 13 percent, showing the biggest industry jump across all surveyed industries. Last year, industry pay also rose 13 percent. Despite the healthy percentage increase, compensation at banking institutions still remains the lowest with an average of $64,716 (up from $57,426 last year). The highest paid sectors are the technology and energy sectors, with directors receiving an average total compensation of $174,407 and $154,489, respectively. However, both of those industries saw little change in pay levels over the last year, with technology decreasing two percent and energy rising two percent.

▶ Read more

Board Director Compensation by Industry 2011 – 2012



"Compensation for boards of directors at middle-market companies has been steadily increasing, as overall market conditions improve," says **Randy Ramirez, senior director in the Global Employer Services practice at BDO**. "Along with the increase in compensation, board members have also had to assume more personal risk and job responsibility."

▶BANKING BOARD COMPENSATION SEES HEALTHY PERCENTAGE INCREASE

Average total director compensation at banking companies ranked eighth again this year, while the percentage increase stayed steady at 13 percent and was the highest of any industry. Banking companies are still feeling the regulatory pinch and continue to see an uptick in mergers, which often impact board compensation. However, banking companies recognize the importance of bringing on seasoned board members during uncertain economic times and see value in seating those who are serving or have served as CFOs, which is reflected in the high percentage increase.

▶PAY MIX FAVORS BOARD RETAINERS AND FEES

Director compensation at middle-market banking companies is comprised primarily of board retainers and fees (59 percent). The second highest compensation category is stock awards (25 percent), which increased 32 percent this year. Option awards, make up the smallest part of banking directors' pay mix, at seven percent. As last year's compensation mix indicated, there has been a continued stabilizing of the pay divisions for the banking industry overall. If there are no dramatic shifts in the banking services industry, there should also not be drastic changes in board compensation trends. However, ongoing scrutiny and the challenging regulatory environment should keep percentage pay increases high and the pay mix similar to what it has been.

Pay Mix Favors Board Retainers and Fees