

Canadian Bank CEO's Amongst the Most Overpaid

Description

In its July issue, Bloomberg Markets magazine has published its annual assessment of who's overpaid and underpaid in the North American banking space.

The compensation of 20 of the biggest bank CEO's were put to the test, and Canadian banks came out on both sides of the coin.

To make their assessment, Bloomberg ranked the 20 banks on total stock performance, ROE, and total assets. The rankings for each were then averaged. Then, each CEO's compensation rank was subtracted from these average rankings. The bigger the gap, the more overpaid.

Leading the way was **Capital One Financial** and its CEO Rich Fairbank. An ironic name to be sure. Fairbank pulled down \$17.5 million in 2012, even though he wasn't paid a salary. Note to self. Sometimes life is all about sacrifice.

The most "overpaid" of the Canadian bank CEO's in 2012 was the **Royal Bank's** ([TSX:RY](#)) Gord Nixon who raked in \$12.6 million. Tabled below is a summary of where all of the Big 5 CEO's ranked.

| Company Name | CEO | Rank | Compensation (\$M) |
|---|-----------------|-----------------|--------------------|
| Overpaid | | | |
| Royal Bank | Gord Nixon | 4 th | \$12.6 |
| Scotiabank (TSX:BNS) | Rick Waugh | 5 th | \$11.1 |
| TD Bank (TSX:TD) | Ed Clark | 8 th | \$10.8 |
| Underpaid | | | |
| BMO (TSX:BMO) | Bill Downe | 1 st | \$9.2 |
| CIBC (TSX:CM) | Gerry McCaughey | 4 th | \$9.3 |

Source: *Bloomberg Markets*

Foolish Takeaway

Whether we're talking over- or underpaid, these are no doubt some hefty pay packages. The position of bank CEO is incredibly difficult to place a firm value on, but clearly, the respective boards have erred on the side of generosity. With that said, as is typically the case, these pay packages are only likely to garner significant shareholder opposition should any of these companies take a disproportionate hit at some point down the line.

Because of their heavy-weight in the S&P/TSX Composite, banks carry a significant influence over the entire Canadian market. Not only are bank CEO pay packages going to come under fire if there is a hiccup, so too are those investors that think they're diversified by owning a Canadian Index fund. To combat this issue, the Motley Fool has prepared the [special FREE report](#) "**5 Stocks to Replace Your Canadian Index Fund**". Download this report at no charge, by simply [clicking this link now](#).

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Fool contributor Iain Butler does not own any of the companies mentioned in this report. The Motley Fool has no position in any stocks mentioned at this time

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3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:RY (Royal Bank of Canada)
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