

2022 Compensation Survey



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EXECUTIVE SUMMARY



Laura Alix is the director of research for Bank Director, an information resource for directors and officers of financial companies. You can follow her on Twitter or get connected on LinkedIn.

Intensifying competition for talent is forcing banks to pay up for both new hires and existing employees.

There were two jobs for every job seeker as recently as March, according to the Bureau of Labor Statistics, and employers of all stripes may be feeling like the balance of power has shifted. The results of Bank Director's 2022 Compensation Survey, sponsored by Newcleus Compensation Advisors, show the banking industry is no exception to these dynamics.

Seventy-eight percent of responding directors, human resources officers, CEOs and other senior executives say that it was harder in 2021 to attract and keep the talent their bank needs than in past years. They're responding to that challenge, in large part, by raising pay. Ninety-eight percent say their organization raised non-executive pay in 2021, and 85% increased executive compensation. Overall, compensation increased by a median 5%, according to participants.

That's led bankers to shift their priorities. Managing compensation and benefits costs (46%), paying competitively (40%) and recruiting commercial lenders (34%) have emerged as respondents' top compensation-related challenges this year. The proportion of respondents most concerned with tying compensation to performance — the top challenge identified in past surveys, going back to 2019 — fell sharply to 21% from 43% last year.

Even in the face of rising compensation costs, they're also focusing on retaining and keeping staffing levels stable. Fully half of respondents say their bank added staff over the past year and 34% maintained staffing levels. Just 16% decreased their total number of employees. More than half (54%) of those whose bank decreased head count cite competition from other financial institutions and companies in their markets as the primary reason for the decline.

When asked about the specific challenges their organization faces in attracting and retaining talent, bankers and directors point to an insufficient number of qualified candidates (76%), rising wages in their markets (68%) and rising pay for key positions (43%). In anonymous comments, respondents describe other difficulties, such as competition from other industries, challenges with remote or hybrid work and younger workers' disinclination for certain types of long-term compensation.

"[W]age pressure is incredible," writes one community bank executive. "Our most significant competitor just implemented [four] weeks of vacation for ALL new hires and pays up to 25% higher for retail banking positions. That cost structure is untenable unless we earn more. We are under extreme pressure for talent at the same time we are building out revenue business lines."

KEY FINDINGS

➔ Banks Pay Up

Banks almost universally report increased pay for employees and executives. Of these, almost half believe that increased compensation expense has had an overall positive effect on their company's profitability and performance. Forty-three percent say the impact has been neutral.

➔ Lenders In Demand

Seventy-one percent expect to add commercial bankers in 2022, which is almost certainly driven by a desire to grow commercial portfolios and offset expense growth. Over half of respondents say their bank did not adjust its incentive plan for commercial lenders in 2022, but 34% have adjusted it in anticipation of more demand.

➔ Additional Talent Needs

Banks also plan to add technology talent (39%), risk and compliance personnel (29%) and branch staff (25%) in 2022. Respondents also indicate that commercial lenders, branch and entry-level staff, and technology professionals were the most difficult positions to fill in 2020-21.

➔ Image Enhancement

Forty percent of respondents say their organization monitors its reputation on job-posting platforms such as Indeed or Glassdoor. Further, 59% say they promote their company and brand across social media in an effort to build a reputation as an employer of choice, while just 20% use Glassdoor, Indeed or similar platforms in this manner.

➔ CEO Turnover

Sixty-one percent of respondents indicate that they're not worried about their CEO leaving for a competing financial institution, while a third report low to moderate levels of concern. More than half say their CEO is under the age of 60. Respondents report a median total compensation spend for the CEO at just over \$600,000.

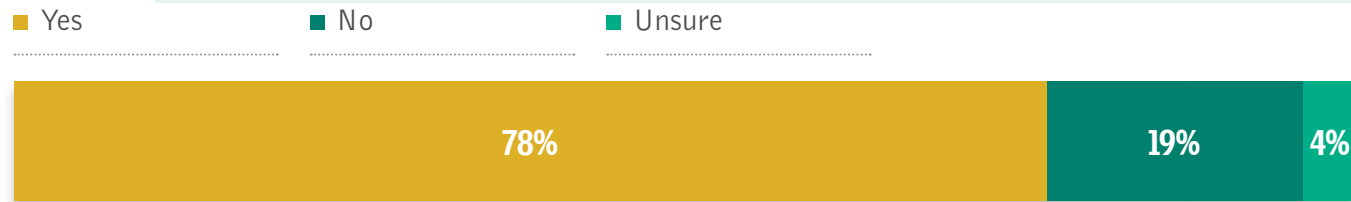
➔ Remote Work Persists

Three quarters of respondents say they continue to offer remote work options for at least some of their staff, and the same percentage also believe that remote work options help to retain employees. Thirty-eight percent of respondents believe that remote work hasn't changed their company's culture, while 31% each say it has had either a positive or negative impact.

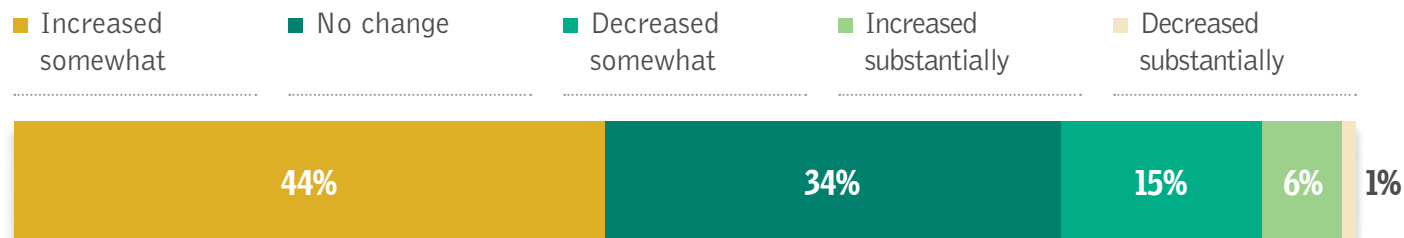
COMPENSATION CHALLENGES

1. In 2021, has it been more difficult for your bank to attract and/or retain talent compared to previous years?

Numbers don't add up to 100% due to rounding.



2. On net, did your bank increase or decrease its total number of employees in 2021?



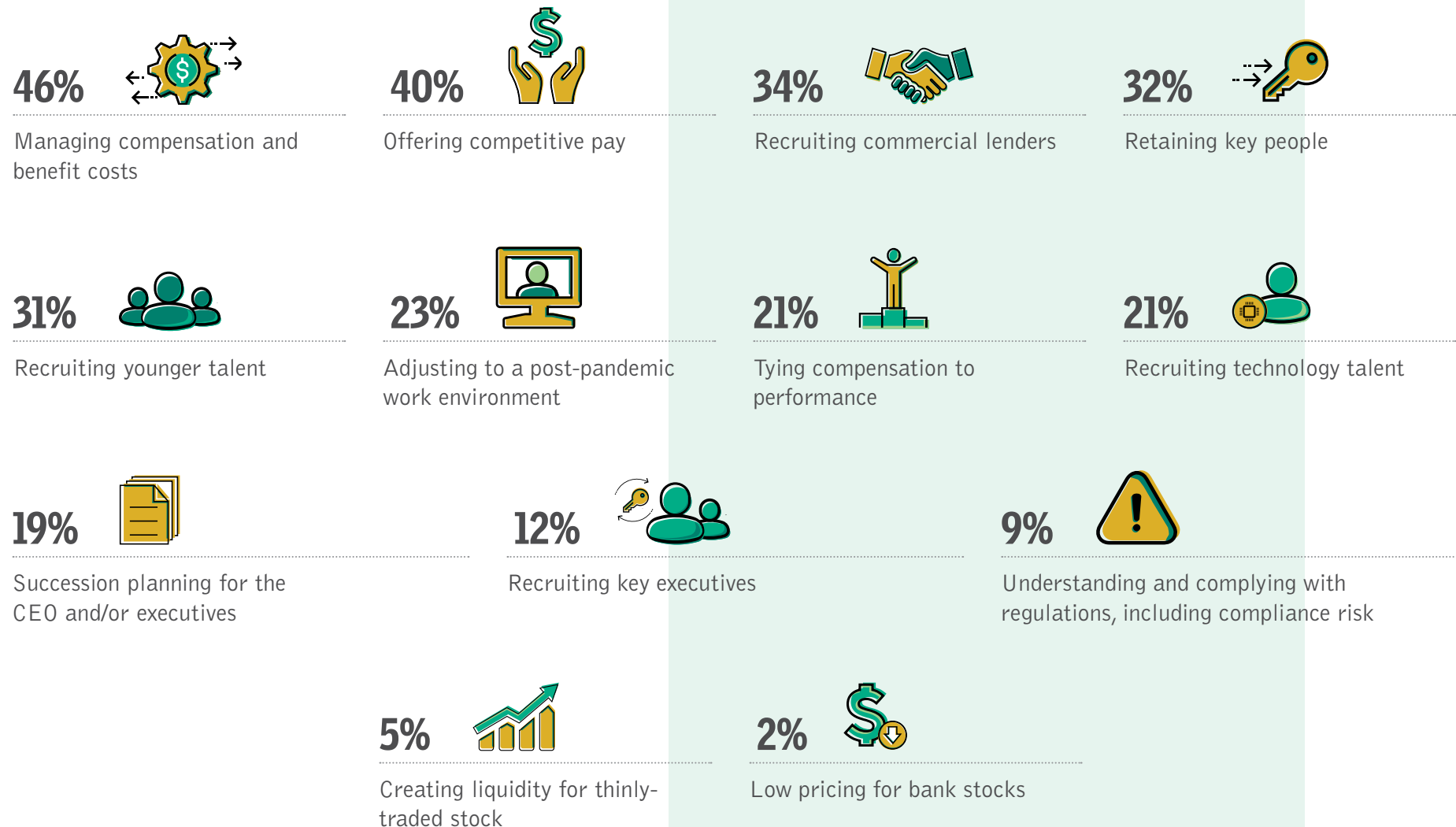
3. Overall, what was the primary reason for your bank's decrease in headcount in 2021?

Question only asked of respondents indicating that their bank's total number of employees decreased in 2021. Numbers don't add up to 100% due to rounding.



4. What are your top three compensation challenges for 2022?

Respondents were asked to select no more than three options.



5. Overall, did your bank increase or decrease EMPLOYEE (non-executive) pay in fiscal year 2021?



6. Overall, did your bank increase or decrease EXECUTIVE compensation (including cash incentives and equity pay) in FY 2021?



7. Overall, by what percentage did your bank's compensation expense increase in FY 2021?

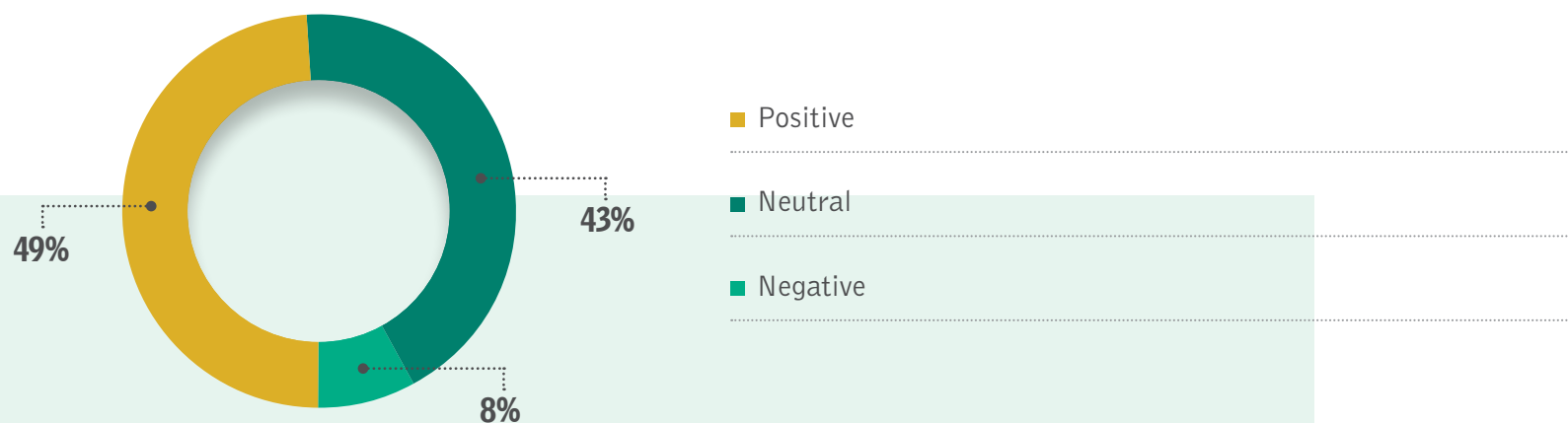
Question only asked of respondents indicating that employee pay and executive compensation increased in FY 2021.

5%

Median increase in compensation expense

8. Do you believe that increased compensation expense had an overall positive or negative effect on your institution's profitability and financial performance?

Question asked of respondents indicating that employee pay and executive compensation increased in FY 2021.



9. Did your bank increase or decrease staff in the following areas in 2021?

Technology/IT



Cybersecurity



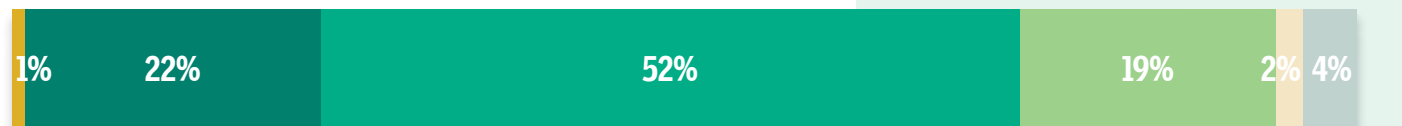
Commercial/business lending



Mortgage/consumer lending



Branch



■ Increased substantially

■ Increased somewhat

■ No change

■ Decreased somewhat

■ Decreased substantially

■ Not applicable

Call center



Risk/compliance



Audit/accounting



Human resources



Marketing



Wealth/asset management



■ Increased substantially

■ Increased somewhat

■ No change

■ Decreased somewhat

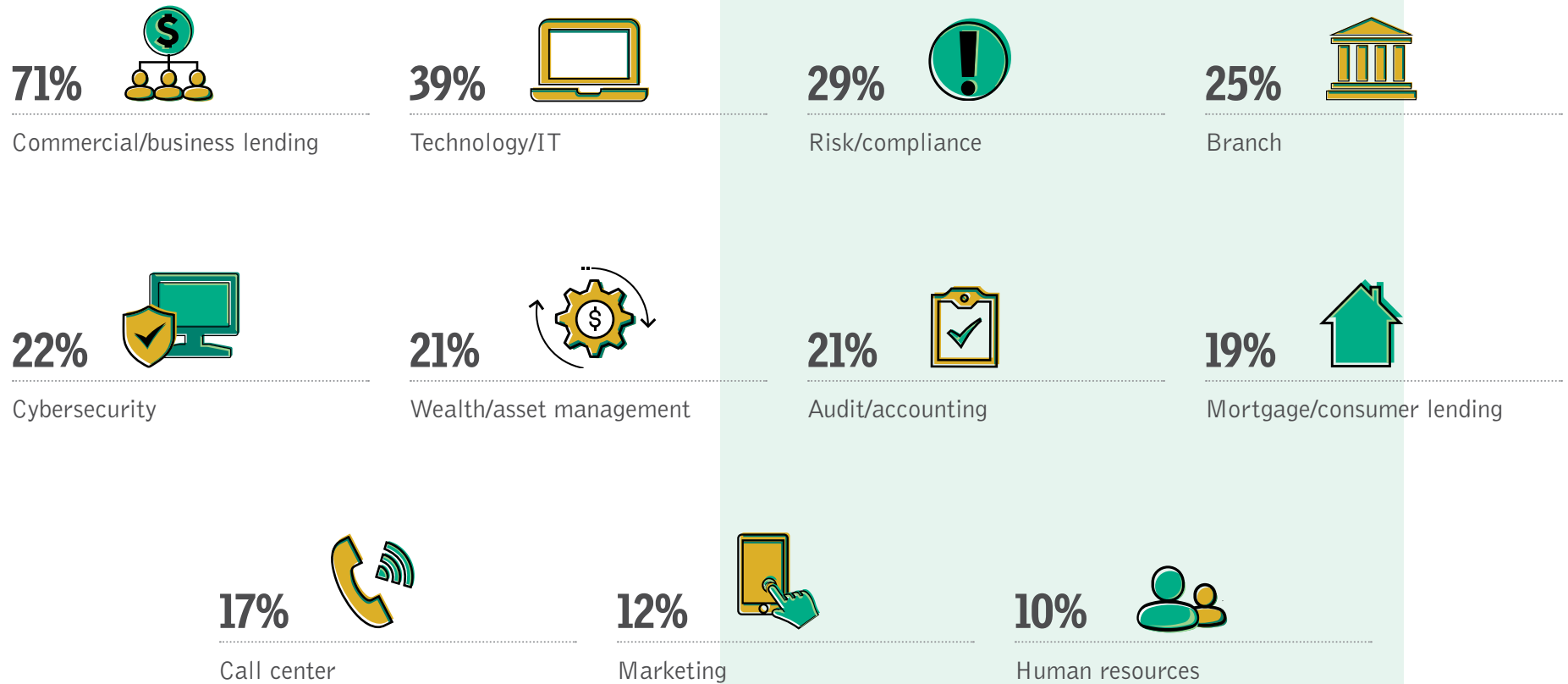
■ Decreased substantially

■ Not applicable

TALENT DEMANDS

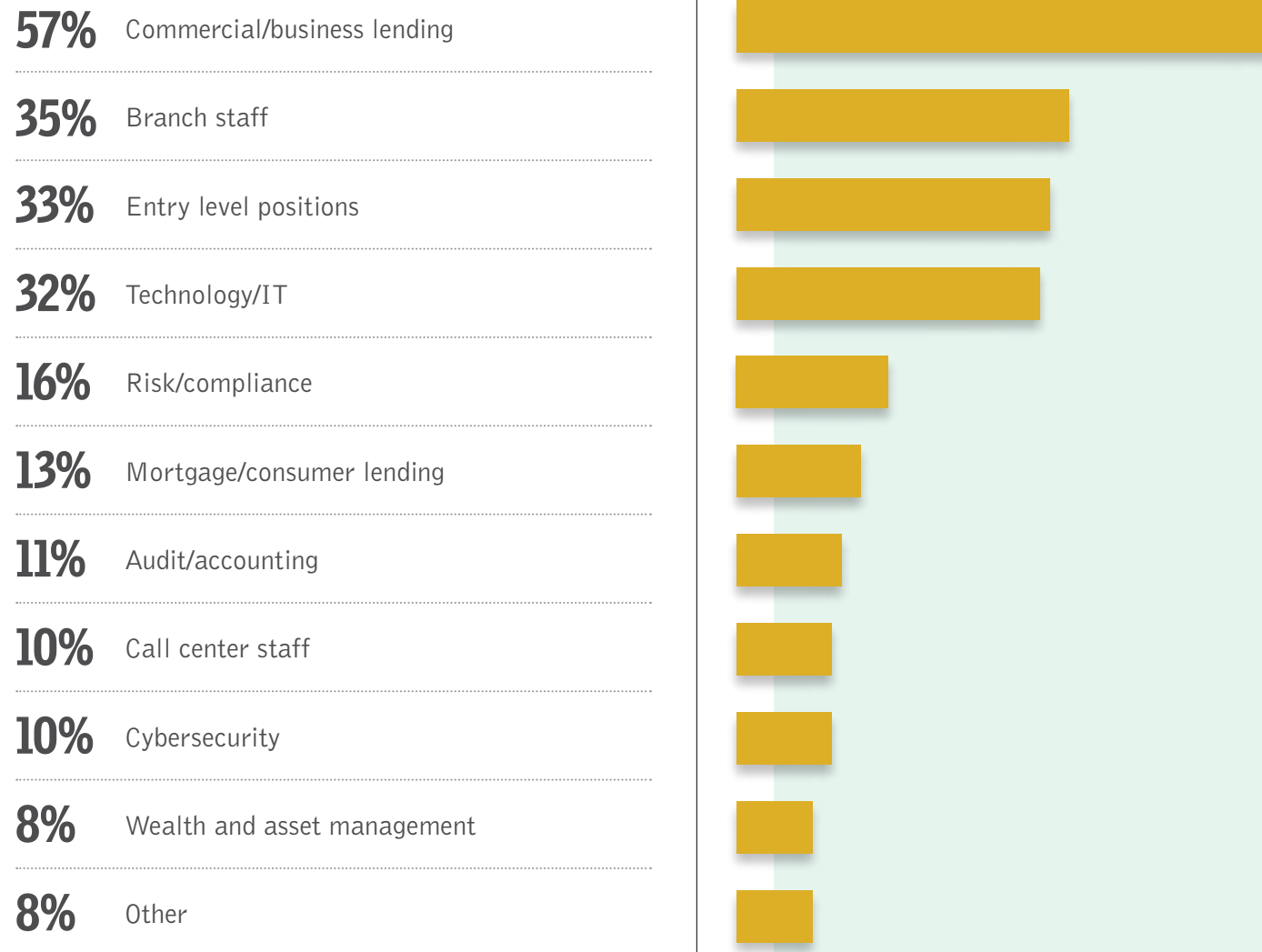
10. In which areas do you expect your bank to increase staff in 2022?

Respondents were asked to select all that apply.



11. Looking at 2020-21, what types of roles has your bank had the most difficulty filling?

Respondents were asked to select all that apply.



12. What specific challenges has your bank faced in attracting and retaining talent?

Respondents were asked to select all that apply.

76% Insufficient number of qualified applicants

68% Rising wages in our market(s)

43% Rising wages for key positions

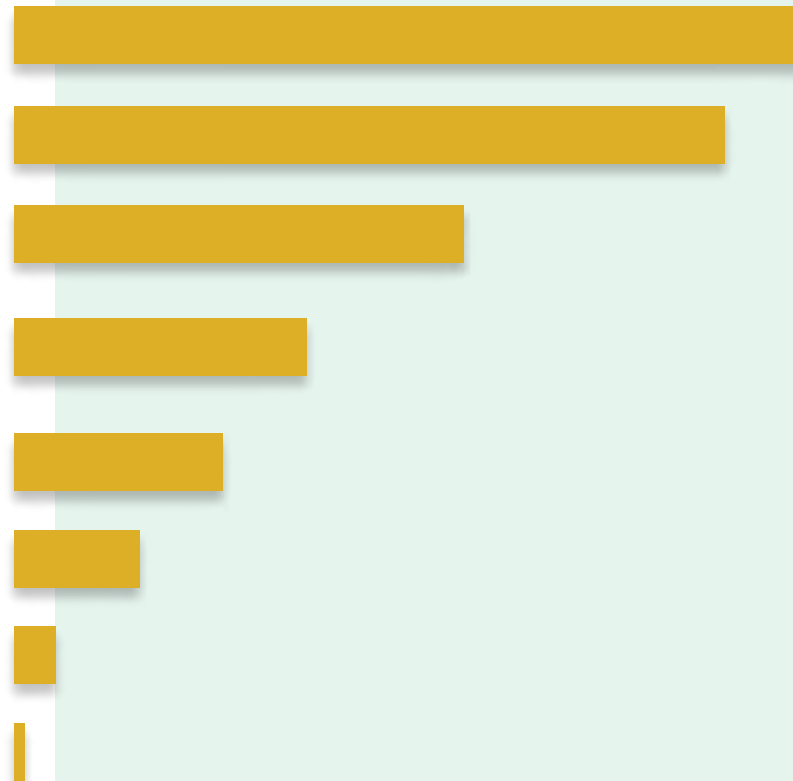
28% Candidates are unwilling to commute to our offices for at least part of their schedule

20% Disinterest in working for a bank

12% Competition on health care and other benefits

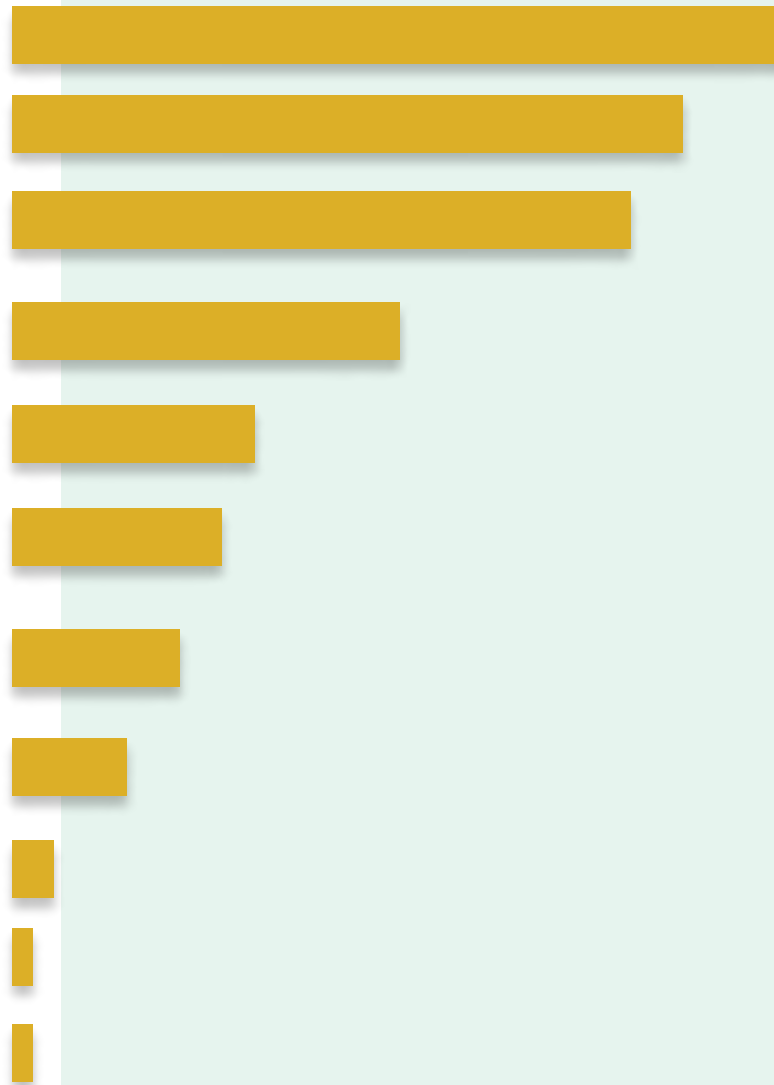
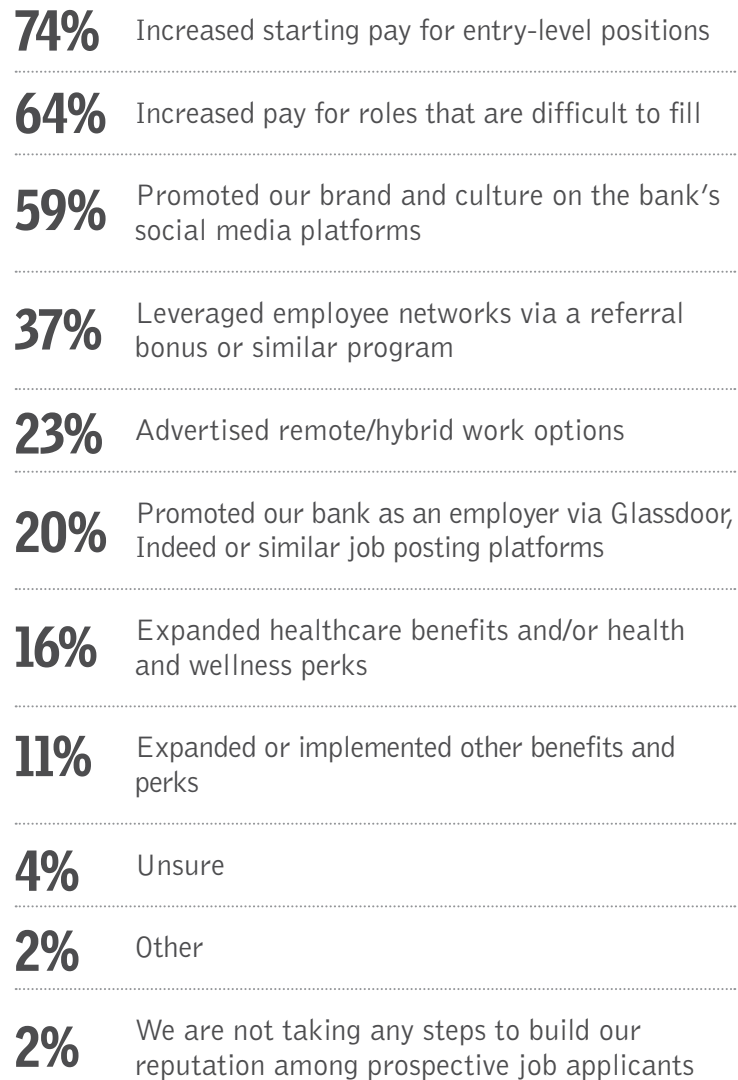
4% Other

<1% The bank's weak reputation as an employer

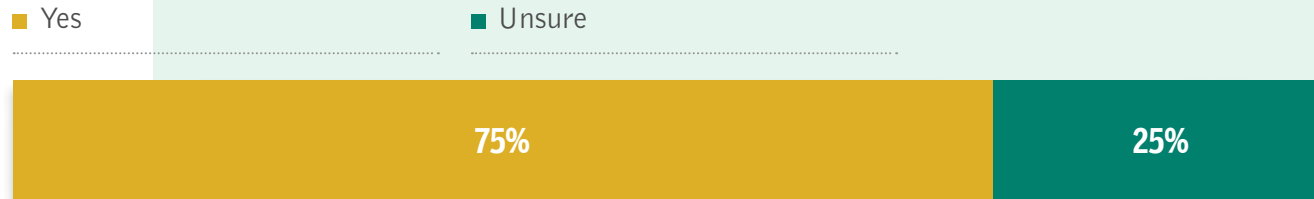


13. What steps has your bank taken to build its reputation as an employer of choice in its market(s)?

Respondents were asked to select all that apply.

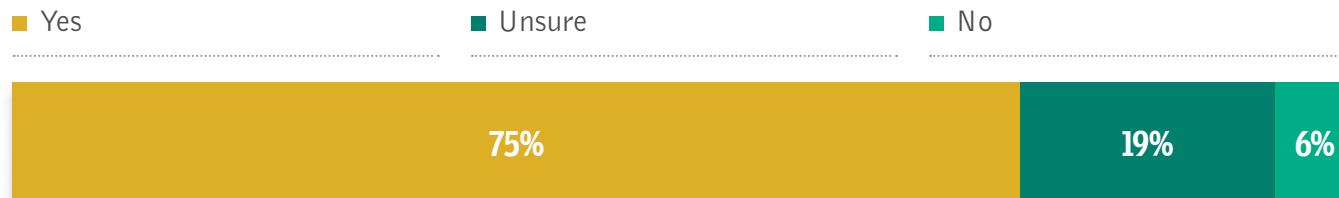


14. Does your bank offer remote and/or hybrid work options for at least some of its staff?



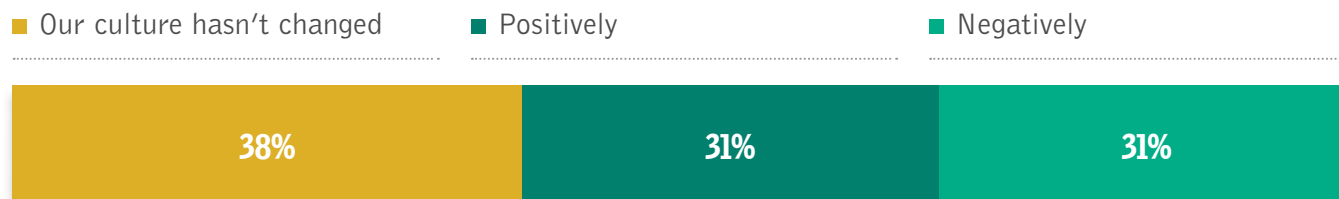
15. Do you believe that remote work/hybrid scheduling helps banks attract and retain valuable employees?

Question asked of respondents indicating that their bank offers remote and/or hybrid work options for at least some staff.

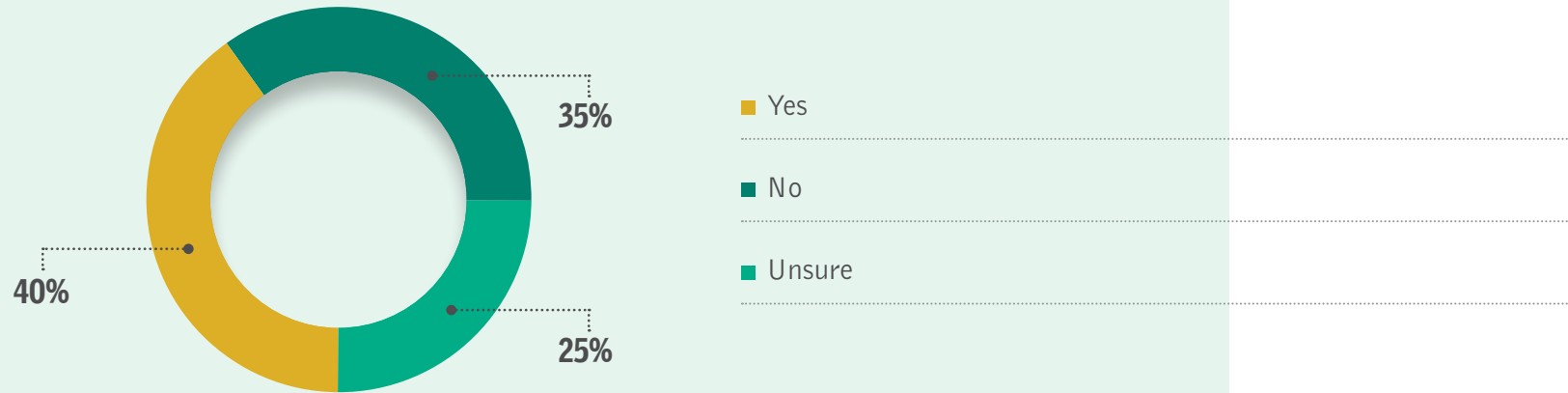


16. How do you believe remote work has affected your bank's culture?

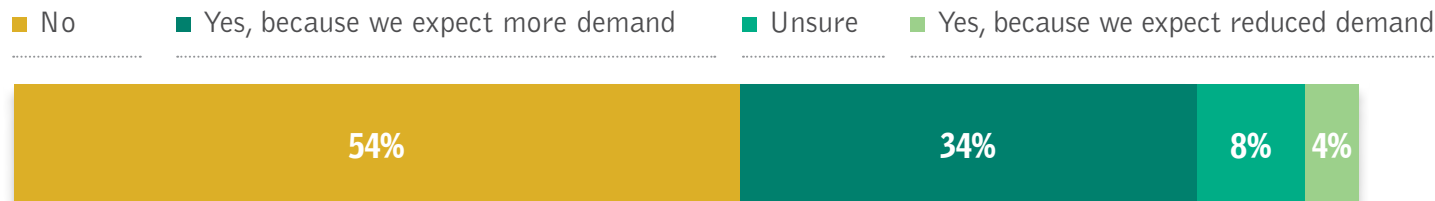
Question asked of respondents indicating that their bank offers remote and/or hybrid work options for at least some staff.



17. Does your bank monitor its reputation on job posting platforms such as Glassdoor and/or Indeed?



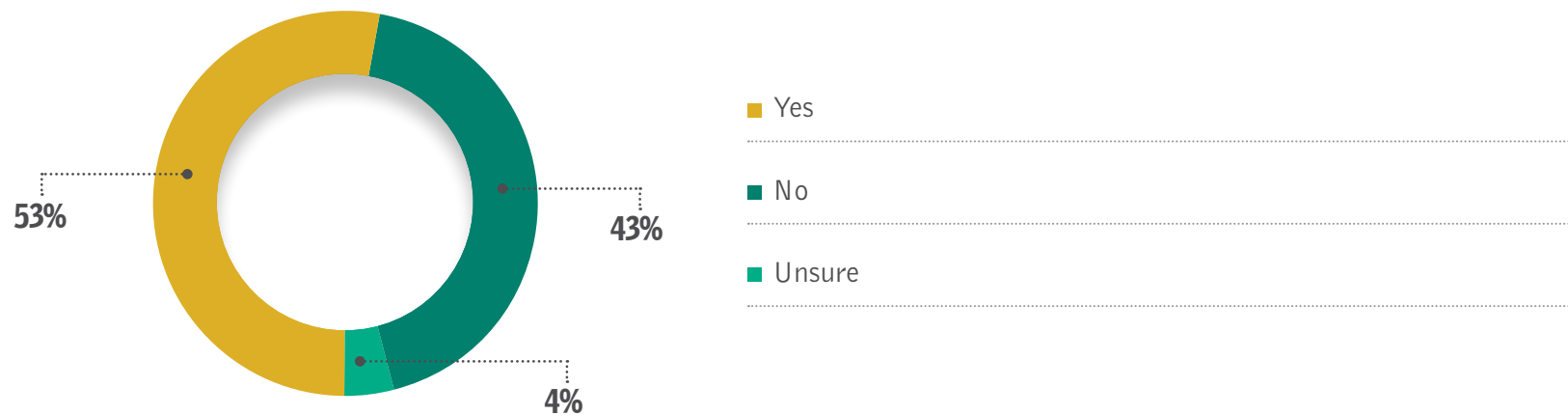
18. Compared to 2021, has your bank adjusted its incentive plan goals for commercial lenders for 2022?



19. Has your bank offered retention bonuses or similar incentives to entice key staff to continue working and delay retirement?



20. Compared to 2020, did your bank focus more on diversity, equity and inclusion initiatives and/or programs in 2021?



21. Does the bank measure any of the following when evaluating its diversity, equity & inclusion (DEI) progress or initiatives?

Respondents were asked to select all that apply.

56% Percentage of women at different levels of the bank

53% Percentage of minorities at different levels of the bank

37% We lack a formal DEI program, and don't measure these metrics

35% Gender pay gap

27% Participation in DEI-focused education and training

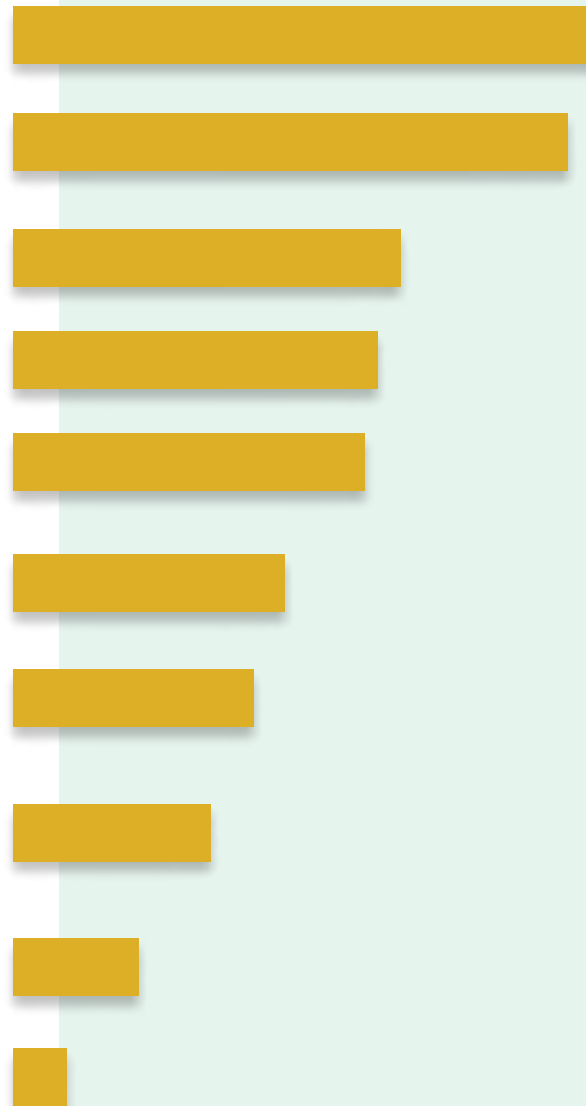
26% Percentage of veterans at different levels of the bank

23% Percentage of employees with disability at different levels of the bank

19% Participation by women and/or minorities in internal/external training/mentorship programs

12% Participation in and/or formation of employee affinity groups

5% Other



CEO PAY & SUCCESSION

22. The CEO at my bank received the following types of compensation in FY 2021.

Respondents were asked to select all that apply. Proxy data included.

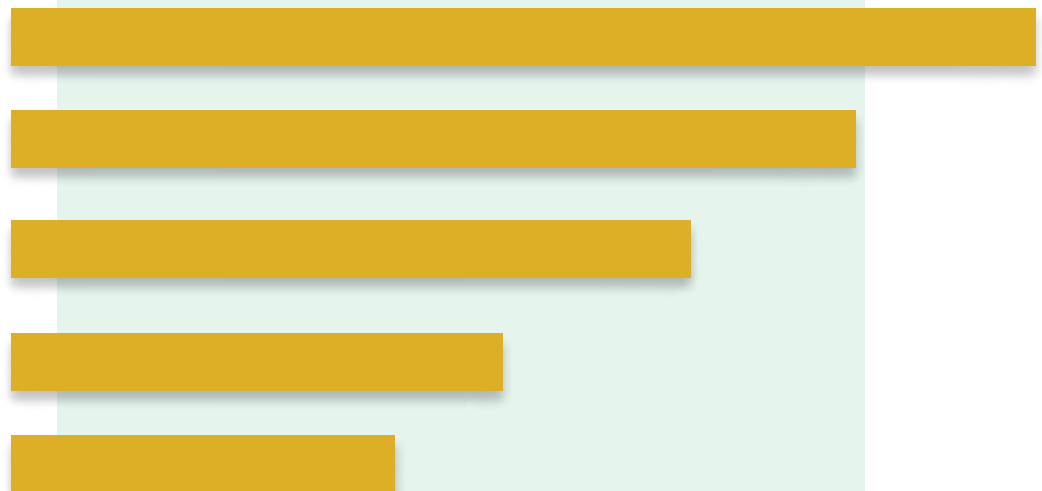
98% Salary

81% Cash incentive

65% Nonqualified deferred compensation and/or retirement benefit

47% Equity grants

37% Other benefits & perks



23. Enter the cash compensation amounts for the CEO of your bank for FY 2021.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave the field blank.

\$363,892.50

Salary

\$165,780.50

Cash incentive

\$215,160

Equity grants (fair market value)

\$46,376.50

Benefits & perks

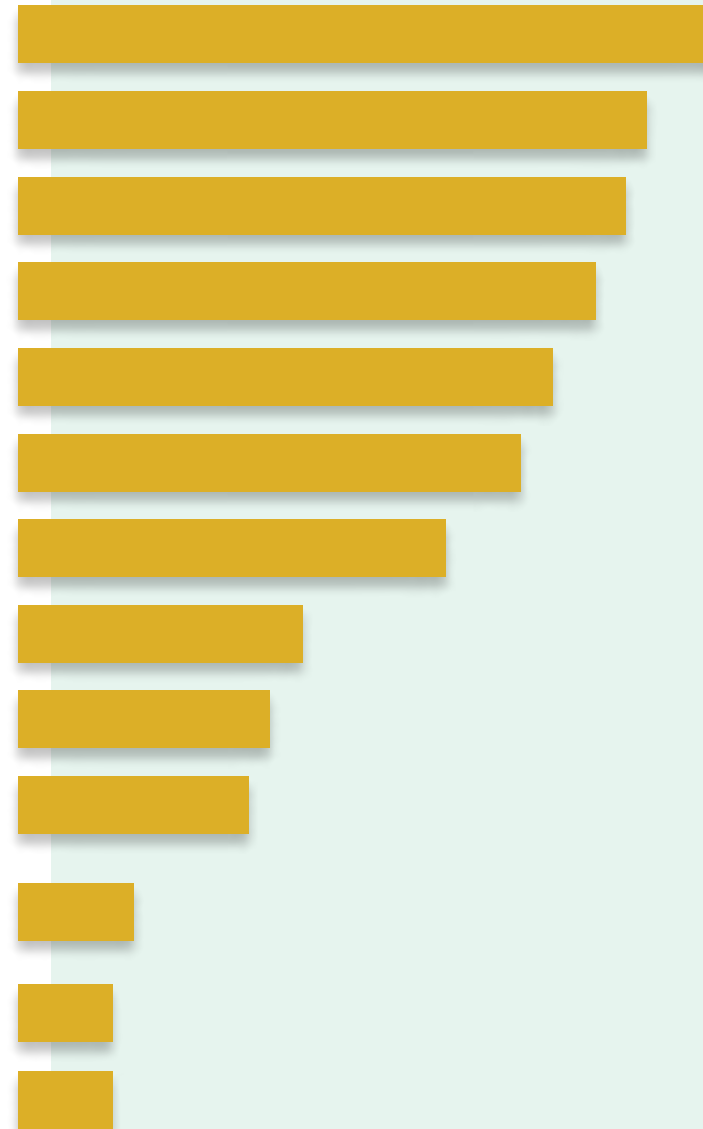
\$601,943.50

Total CEO compensation

24. Is your CEO's performance measured by any of the following metrics?

Respondents were asked to select all that apply.

66%	Return on assets
60%	Income growth
58%	Asset quality
55%	Return on equity
51%	Efficiency
48%	Loan growth
41%	Deposit growth
27%	Earnings per share growth
24%	Total shareholder return
22%	Credit or similar risk metrics
11%	CEO compensation is not tied to performance metrics
9%	Employee retention
9%	Other metrics



25. Is your CEO's performance measured by any of the following qualitative factors?

Respondents were asked to select all that apply.

70% Strategic plan and/or corporate goals

32% Community involvement

28% CEO compensation isn't tied to any qualitative factors

27% Employee satisfaction/engagement

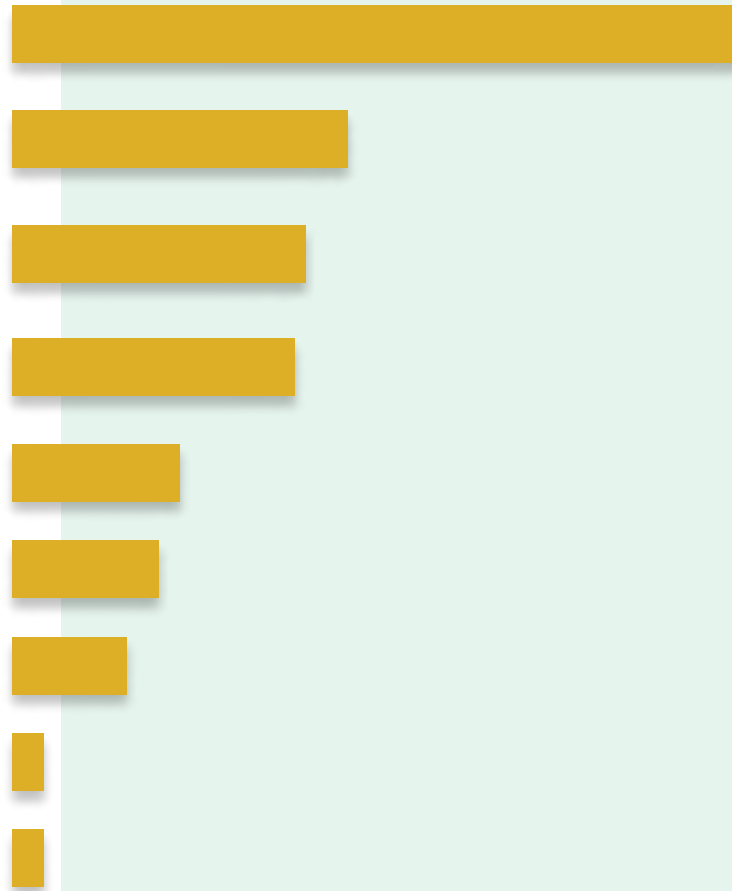
16% Response to the Covid-19 pandemic

14% Development of a successor

11% Diversity, equity and inclusion goals

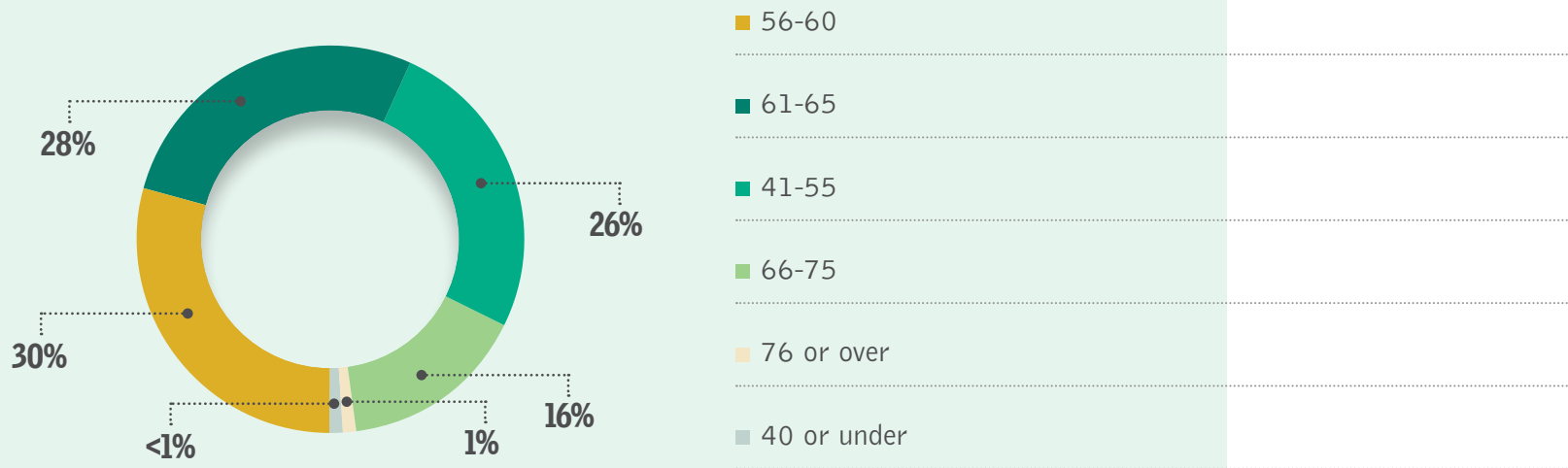
3% Environmental/green initiatives

3% Other factors



26. What is the age of your bank's CEO?

Proxy data included.



27. How concerned are you that a rival financial institution could hire away your CEO and/or key executives?

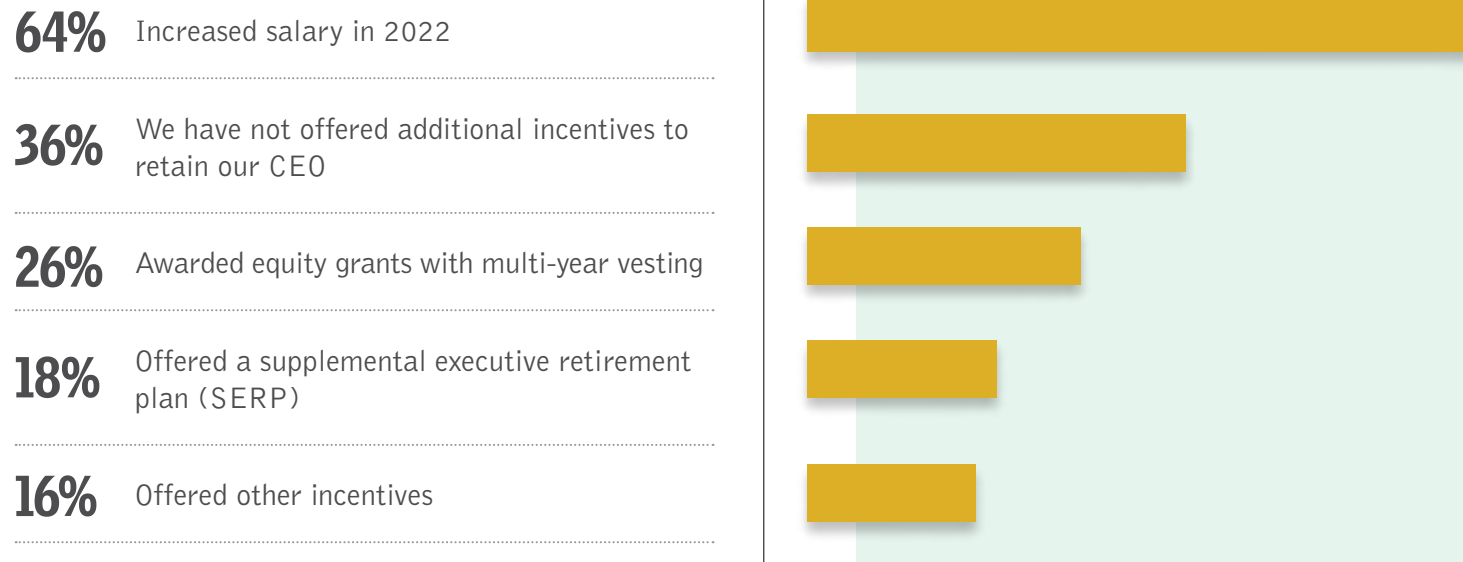
Question asked of independent chairs and directors. Numbers don't add up to 100% due to rounding.

■ I'm not concerned at all
 ■ I'm slightly concerned
 ■ I'm moderately concerned
 ■ I'm very concerned



28. What have you done in 2021-22 to deter your CEO from leaving for a competitor?

Respondents were asked to select all that apply. Question asked of independent chairs and directors.



29. Do you believe your board has an effective succession plan in place if a CEO or key executive suddenly left the bank?

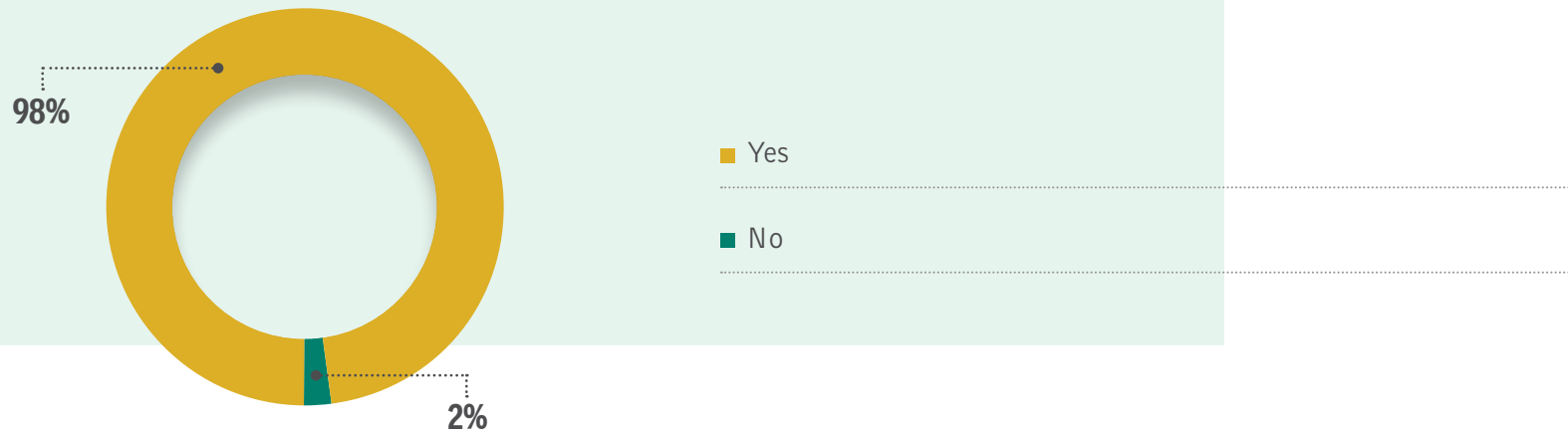
Respondents were asked to select all that apply.



DIRECTOR COMPENSATION

30. Do your directors and/or non-executive chair receive compensation for board service?

Proxy data included.



31. Is the board chair also the CEO or an independent director?

Proxy data included.



32. The non-executive chair at my bank receives the following types of compensation.

Proxy data included.

75% Annual cash retainer

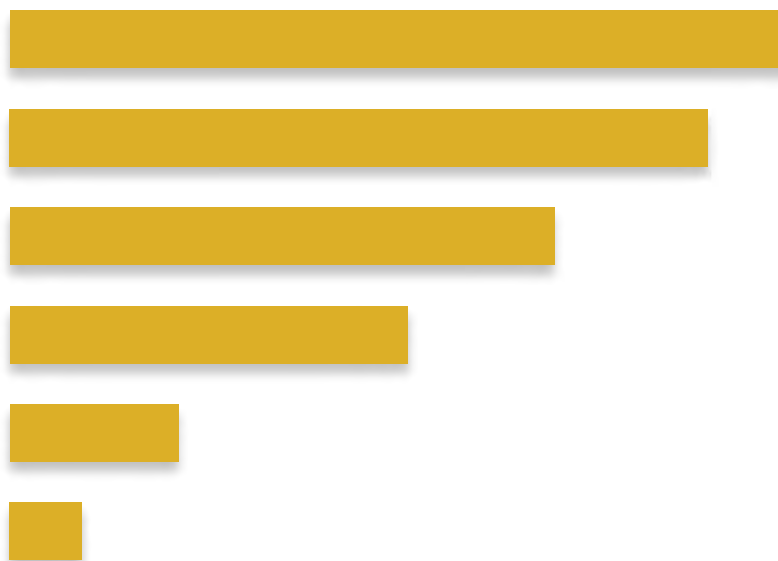
67% Board meeting fee

52% Committee fees

38% Equity compensation

16% Committee retainer

7% Deferred compensation/benefits



33. Enter the cash compensation amounts for the non-executive chair of your bank for FY 2021.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave the field blank. Question only asked if the chair is an independent board member.

\$1,000

Fee per board meeting

\$30,000

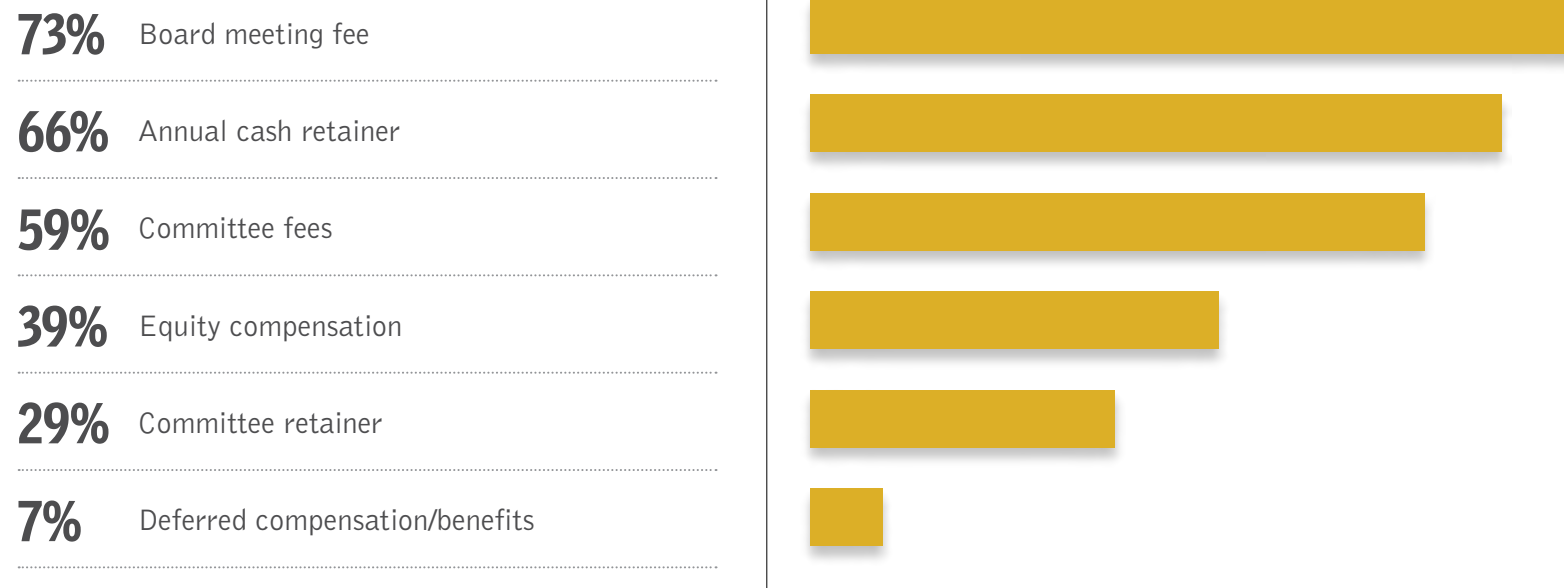
Annual cash retainer

\$20,292

Equity compensation

34. Outside directors at my bank receive the following types of compensation.

Respondents were asked to select all that apply. Proxy data included.



35. Enter the cash compensation amounts for outside directors for FY 2021.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave the field blank.

\$1,000

Fee per board meeting

\$20,000

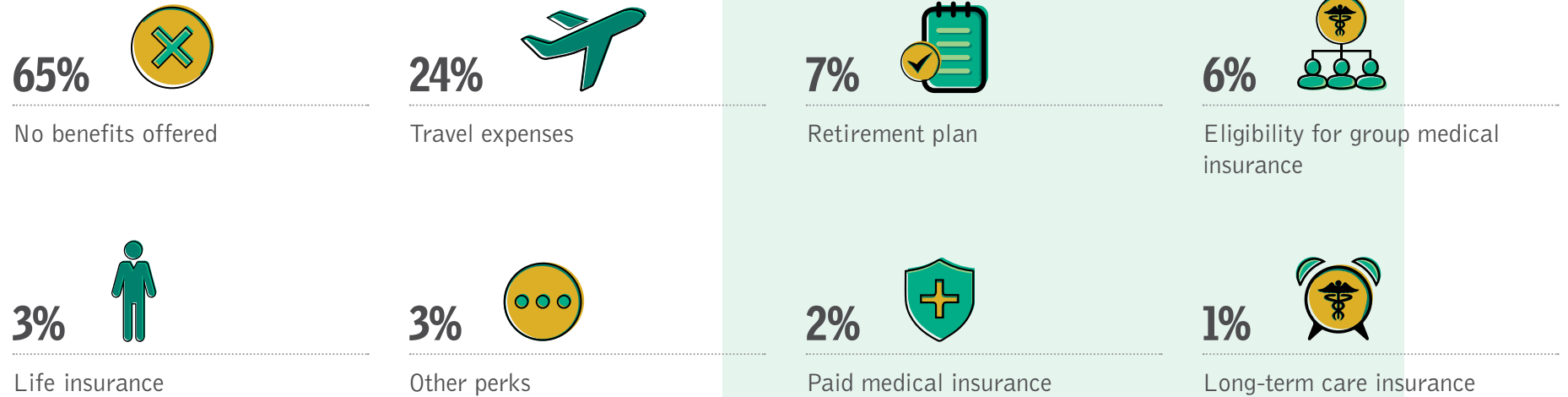
Annual cash retainer

\$29,995

Equity compensation

36. Which of the following benefits and perks are offered to independent directors?

Respondents were asked to select all that apply.



37. Do inside directors receive compensation for their service on the board, in addition to their compensation as employees of the bank?

Proxy data included.



38. Enter the cash compensation amounts for INSIDE directors for FY 2021.

Median values reported. Proxy data included. Question asked of respondents indicating that inside directors receive compensation for their service on the board. **Indicates a count of less than 10 within a field.

\$1,000

Fee per board meeting

\$11,500

Annual cash retainer

\$8,000**

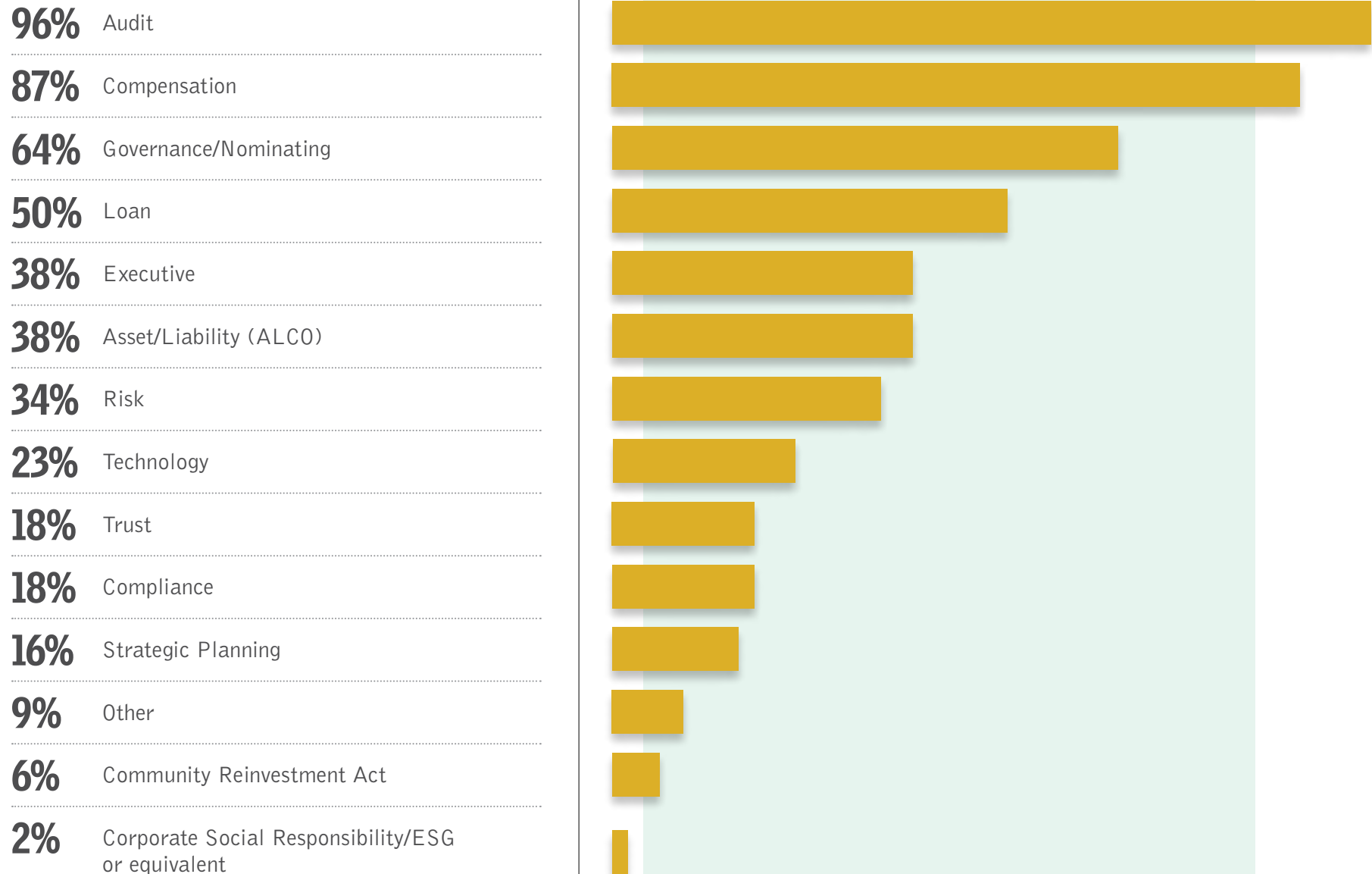
Equity compensation

39. How many times did the following meet in FY 2021? How many board members currently serve on each?

	Membership	Meeting Frequency
Holding company	10	10
Lead bank	10	12
Audit committee	4	5
Compensation committee	4	4
Governance/nominating committee	4	4
Loan committee	5	12
Executive committee	5	4
ALCO	4	4
Risk committee	5	4
Technology committee	4	4
Trust committee	4	4
Compliance committee	4	4

40. Which board-level committees does your bank have?

Respondents were asked to select all that apply. Proxy data included.



41. Enter the per-meeting fees your bank paid in FY 2021 for each committee.

Median values reported. Proxy data included.

	Committee chair	Committee members
Audit	\$500	\$500
Compensation	\$500	\$500
Governance/nominating	\$600	\$500
Loan	\$400	\$350
Executive	\$437.50	\$487.50
ALCO	\$350	\$300
Risk	\$725	\$550
Technology	\$500	\$350
Trust	\$575	\$462.50
Compliance	\$400	\$450

42. Enter the retainer your bank paid in FY 2021 for each committee.

Median values reported. Proxy data included.

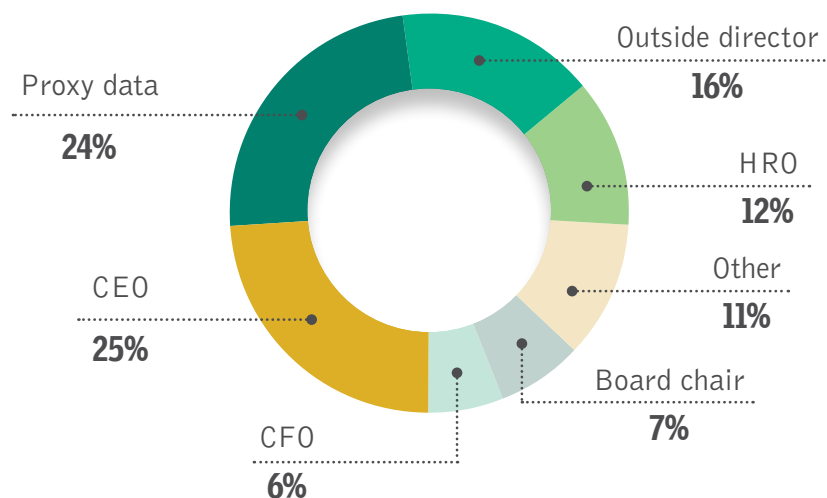
	Committee chair	Committee members
Audit	\$10,000	\$8,000
Compensation	\$8,000	\$6,000
Governance/nominating	\$7,500	\$5,000
Loan	\$5,000	\$4,000
Executive	\$12,500	\$10,000
ALCO	\$10,000	\$4,750
Risk	\$10,000	\$5,000
Technology	\$5,000	\$6,250
Trust	\$5,000	\$3,000
Compliance	\$10,000	\$24,000

ABOUT THE SURVEY

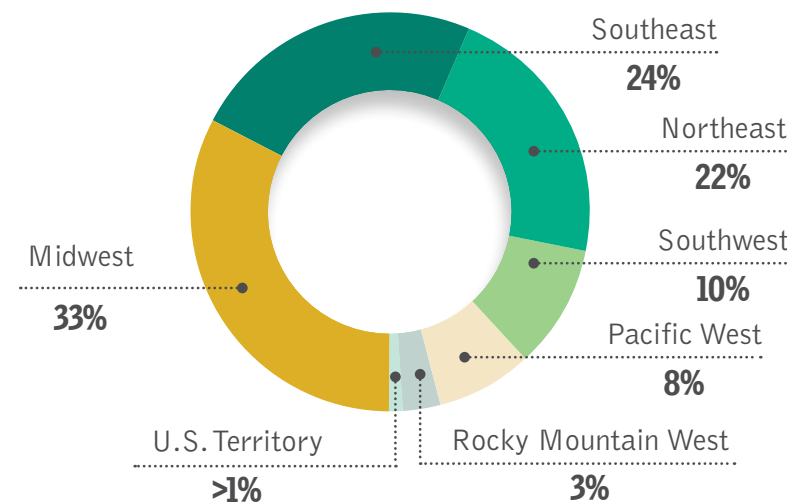
Bank Director's 2022 Compensation Survey, sponsored by Newcleus Compensation Advisors, surveyed 307 independent directors, chairs, CEOs, human resources officers and other executives of U.S. banks below \$100 billion in assets. The survey regularly tracks compensation for bank CEOs and directors. This year, it also examines the competitive landscape for talent faced by the industry. The survey was conducted in March and April 2022. Compensation data for directors, non-executive chairs and CEOs for fiscal year 2021 was also collected during this period from the proxy statements of 96 publicly traded banks.

TITLE

Numbers don't add up to 100% due to rounding.



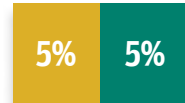
REGION*



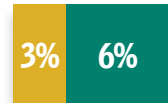
*Regions defined as follows: Midwest (IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI); Northeast (CT, ME, MA, NH, NJ, NY, PA, RI, VT); Pacific West (AK, CA, HI, OR, WA); Rocky Mountain West (CO, ID, MT, NV, UT, WY); Southeast (AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, SC, TN, VA, WV); Southwest (AZ, NM, OK, TX)

ASSET SIZE

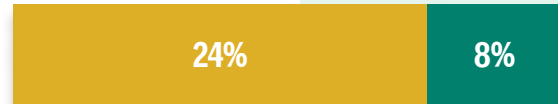
>\$10B



\$5B-\$10B



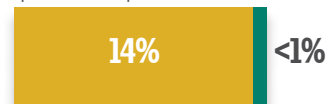
\$1B-\$5B



\$500M-\$1B



\$250M-\$500M



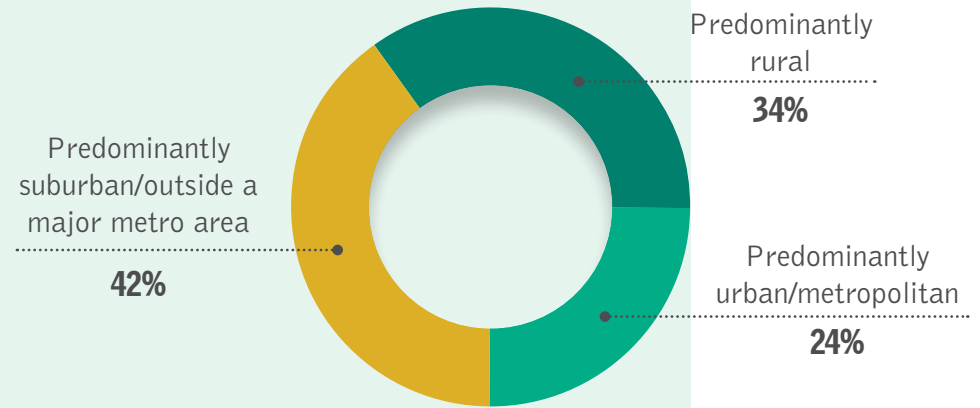
\$250M-\$500M



■ Respondents

■ Proxy

PRIMARY MARKET



OWNERSHIP STRUCTURE

