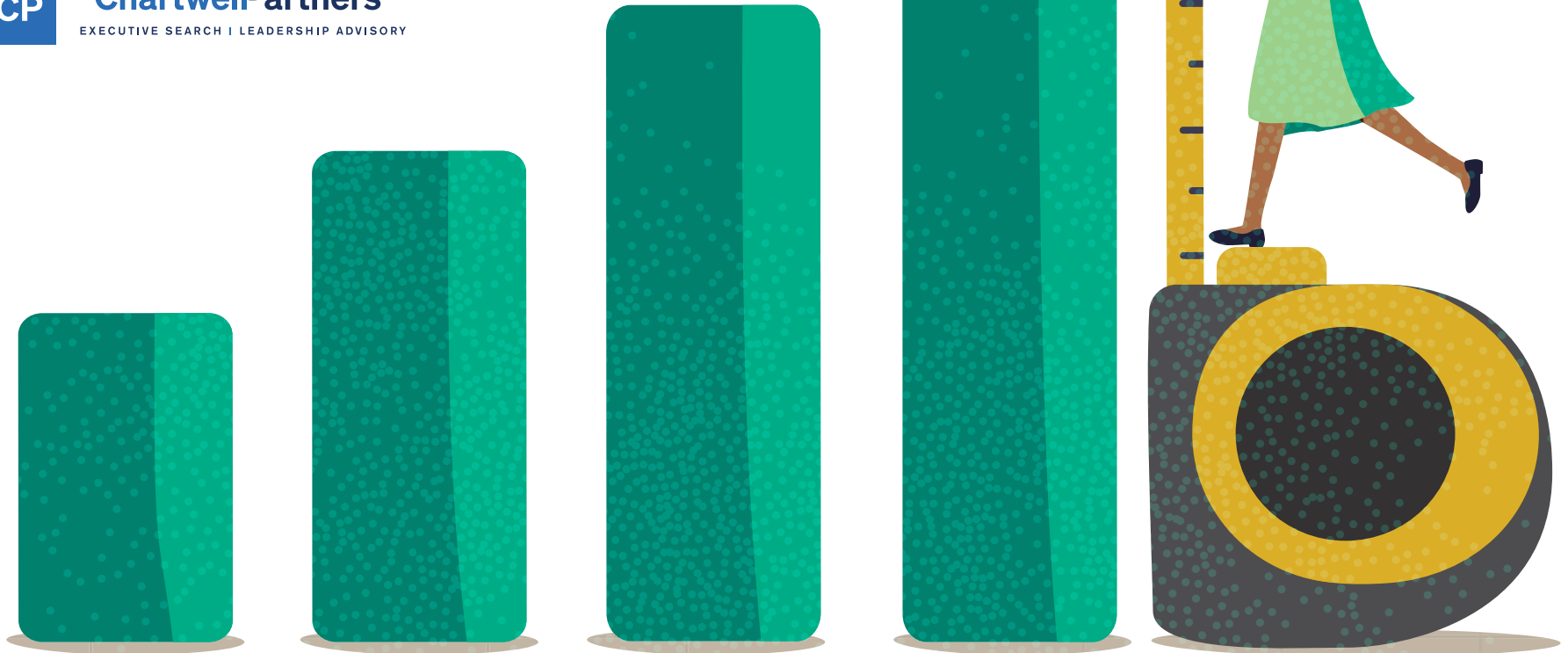


**Bank**Director® Strong Board. Strong Bank.

June 2023  
Research

# 2023 Compensation Survey

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### About Bank Director

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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.

**The hiring environment remains tough and compensation costs have continued to climb, but in 2023, bank leaders renewed their focus on aligning pay with performance as succession planning concerns edged up.**

Forty-four percent of the bank executives and directors surveyed in Bank Director's 2023 Compensation Survey, sponsored by Chartwell Partners, cite tying compensation to performance as a top challenge this year. That was more than double the proportion who picked that as a top concern last year and represented a swing back to sentiments revealed in prior years.

Rebounding interest in tying pay to performance could indicate underlying concerns around attracting and retaining C-suite talent, particularly among private and mutual banks, says Scott Petty, managing partner, financial services at Chartwell.

"Private banks have had to come up with more performance-based pay in order to reward talent and attract talent to run the institutions. Before, you could just get away with a base and bonus," he says. "Now, these smaller institutions have had to get more savvy ... just because the competition for C-suite talent is really at an all time high."

In this year's survey, respondents also point to managing compensation and benefits costs (47%) and retaining key people (41%) as important compensation-related challenges.

Concern about succession planning for the CEO and other key executives ticked up from last year, with a little over a quarter of respondents citing it as a top compensation-related challenge. Moreover, 17% say their CEO is over 66 years of age, and another 29% say their CEO is between 61 and 65 years old. The survey also found that bank leaders have less confidence in their long-term succession plans for the CEO than they do in shorter-term plans in the event of a sudden departure or leave of absence.

Eighty-two percent of respondents are confident about their succession plan in the event that the CEO or another key executive were to abruptly leave the bank, but fewer are similarly confident about long-term succession plans for the CEO (63%) and other key executives (61%). Looking at their bank's talent pipeline, 65% feel their organization has a strong bench to prepare for C-suite roles over the next five years.

Seventy-one percent of respondents say their bank coaches mid-level talent to prepare them for C-suite roles, and 55% say their bank uses external career development programs. Special projects to high potential candidates (39%) and rotational work in other departments (12%) have been less popular options for grooming succession candidates.

## KEY FINDINGS

### ➔ Hiring Pressures Ease?

A smaller proportion of bank executives and directors report difficulty hiring; 56% of respondents this year report that hiring was more difficult in 2022 than it was the year before, down from 78% who said as much a year earlier.

### ➔ Demand for Business Bankers Cools

Concerns around hiring and retaining commercial bankers have lessened somewhat, likely due to a dampened outlook for business borrowing amid higher interest rates. The percentage of respondents who expect their bank to add commercial lending staff fell to 61% in 2023 from 70% a year earlier. Similarly, the proportion who say their bank has difficulty hiring commercial lenders (52%) fell slightly.

### ➔ Pay Continues to Climb

Large majorities of respondents say their bank increased employee pay (97%) and executive compensation (89%), reporting a median increase of 5% in overall compensation expenses in 2022. Layoffs remain rare: 78% say their bank is not considering laying off staff in 2023. Just 5% say layoffs are likely at their organization.

### ➔ Hiring Challenges

Almost three-quarters of respondents cite an insufficient number of qualified applicants as a key obstacle to hiring new talent. Bank directors and executives also cite rising wages in their markets (69%) and rising wages for key positions (47%) among their top hiring challenges.

### ➔ Casting a Wider Net

Forty-one percent say their bank is more open to hiring from other industries than it has been in the past, while 10% report that their organization has always recruited aggressively outside of the banking industry. But 32% say their institution mainly recruits from within the industry, with no plans to change that approach.

### ➔ Retention Bonuses Gain Ground

Nearly a third of respondents (32%) say their bank has offered retention bonuses to key staff as a carrot to delay retirement, up from 21% who said as much in last year's survey.

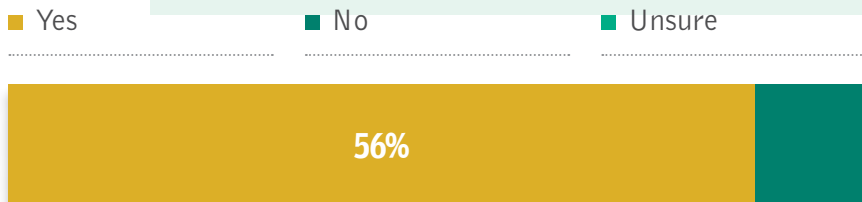
### ➔ Remote Work Lingers

A majority (80%) of survey respondents say their bank continues to offer remote or hybrid work options to at least some of their employees, while just over half (52%) offer remote or hybrid work options to executives.

# ATTRACTING & RETAINING TALENT

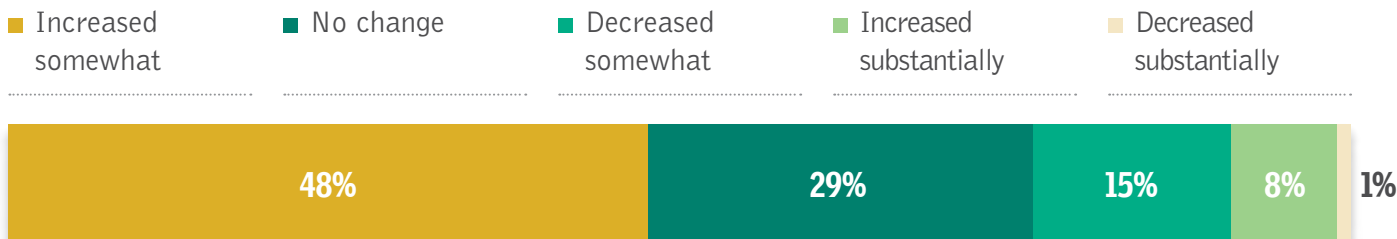
## 1. In 2022-23, has it been more difficult for your bank to attract and/or retain talent compared to previous years?

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 2022?

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



### 3. Overall, what was the primary reason for your bank's decrease in headcount in 2022?

Question only asked of respondents indicating that their bank decreased headcount in 2022. Respondents were asked to select the phrase that best aligns with their experience. Numbers don't add up to 100% due to rounding. \*Indicates a count of less than 10 within a category.



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

Respondents were asked to select no more than three options.



Managing compensation and benefit costs



Tying compensation to performance



Retaining key people



Offering competitive pay



Recruiting commercial lenders



Succession planning for the CEO and/or executives



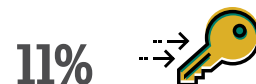
Recruiting younger talent



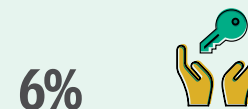
Adjusting to a remote, hybrid or more flexible work environment



Recruiting technology talent



Recruiting key executives

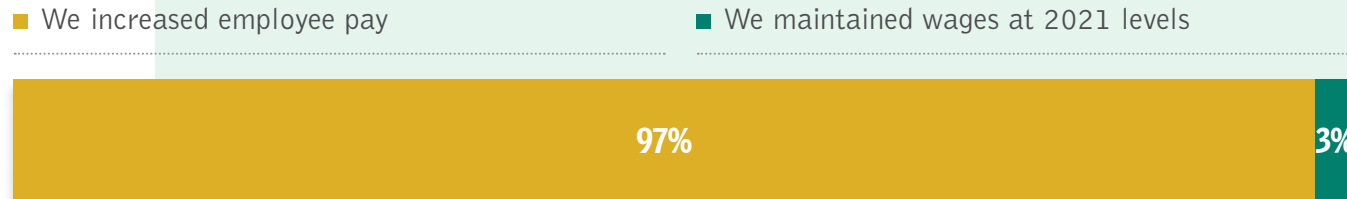


Recruiting other key roles



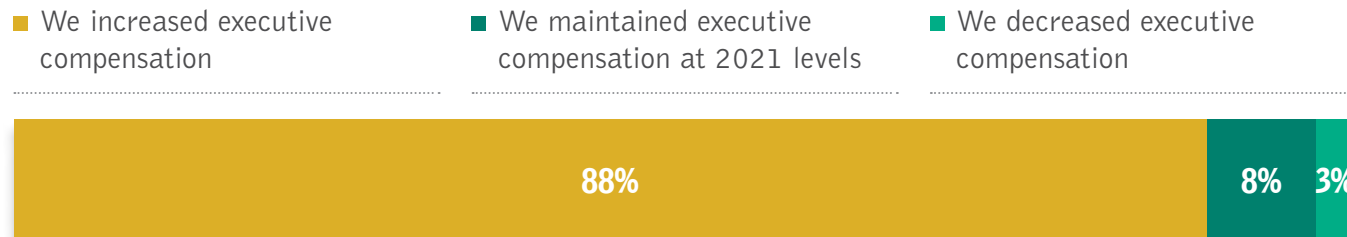
Understanding and complying with compensation regulations

## 5. Overall, did your bank increase or decrease EMPLOYEE (non-executive) pay in fiscal year 2022?



## 6. Overall, did your bank increase or decrease EXECUTIVE compensation (including cash incentives and equity pay) in FY 2022?

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



## 7. Overall, by what percentage did your bank's compensation expense increase in FY 2022?

*Question asked of respondents indicating that their bank increased employee and executive compensation in FY 2022.*

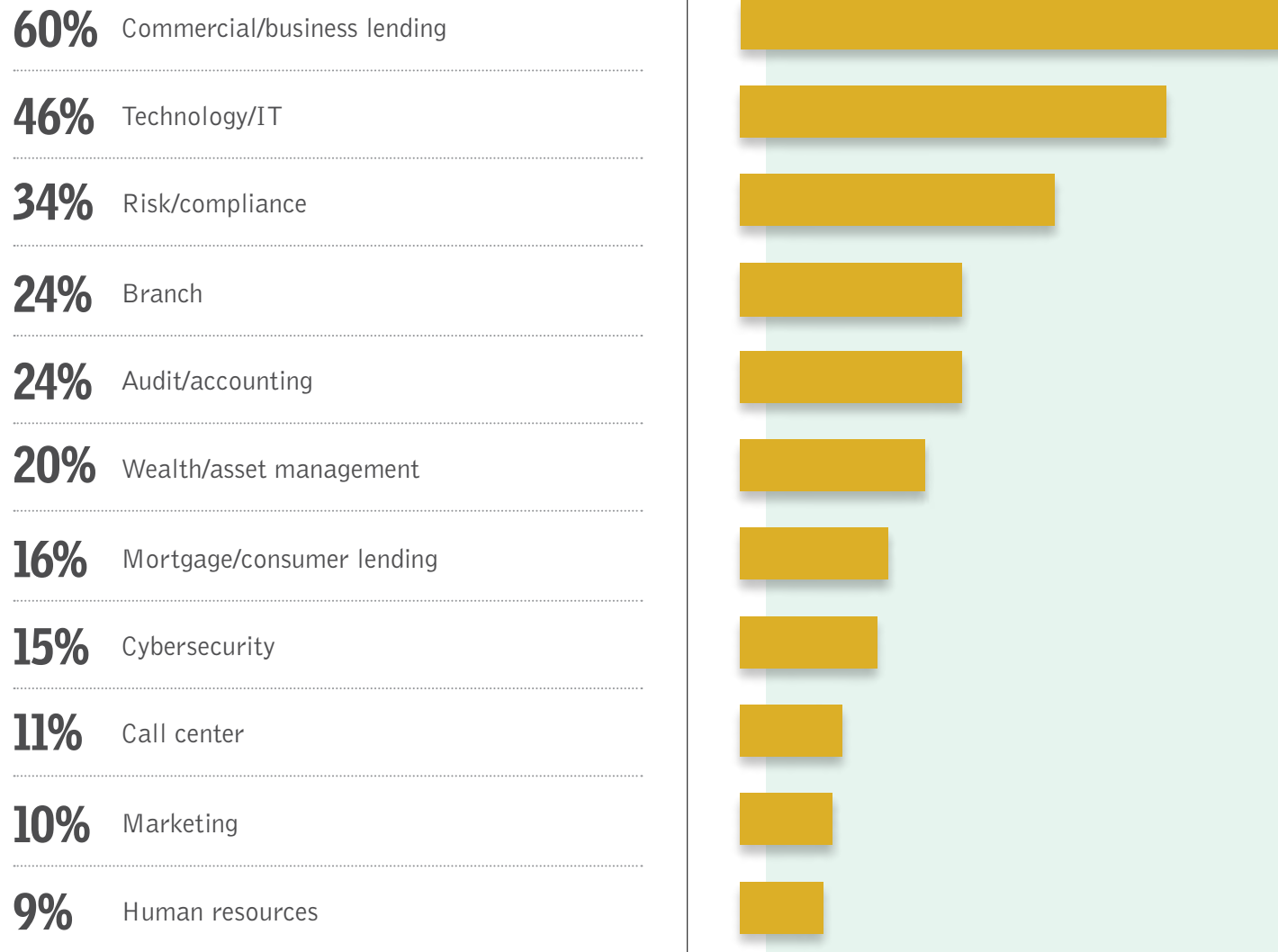
5%

**Median increase in compensation expense**



## 8. In which areas do you expect your bank to increase staff in 2023?

Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a category.



## 9. Is your bank more open to hiring from other industries than in the past?



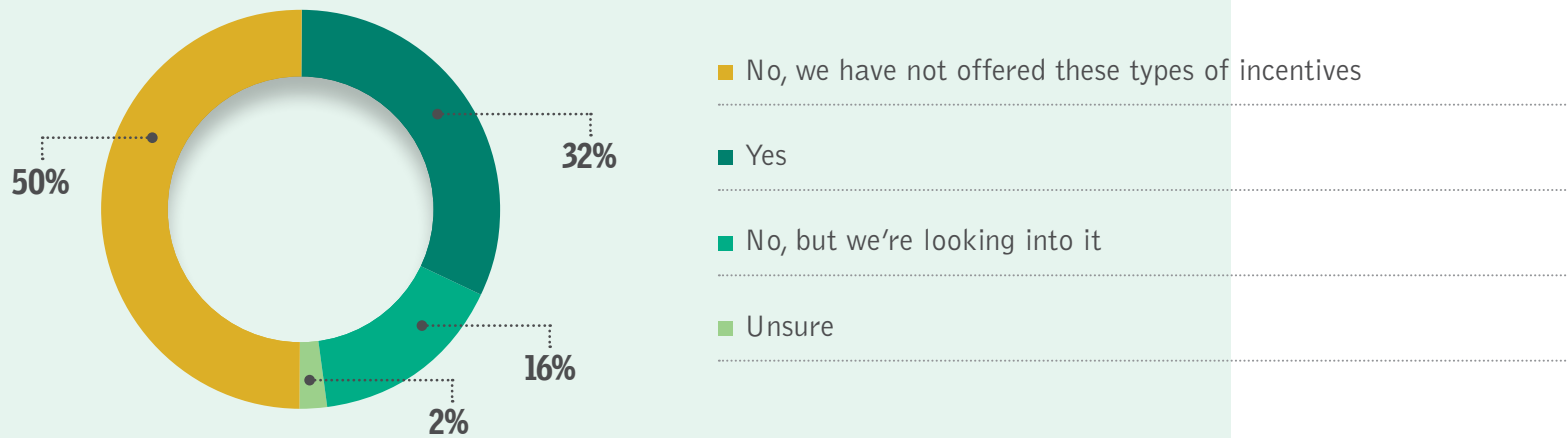
## 10. Looking at 2021-22, what types of roles has your bank had the most difficulty filling?

Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a category.



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

*\*Indicates a count of less than 10 within a category.*



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

Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a category.

**74%** Insufficient number of qualified applicants

**69%** Rising wages in our market(s)

**47%** Rising wages for key positions

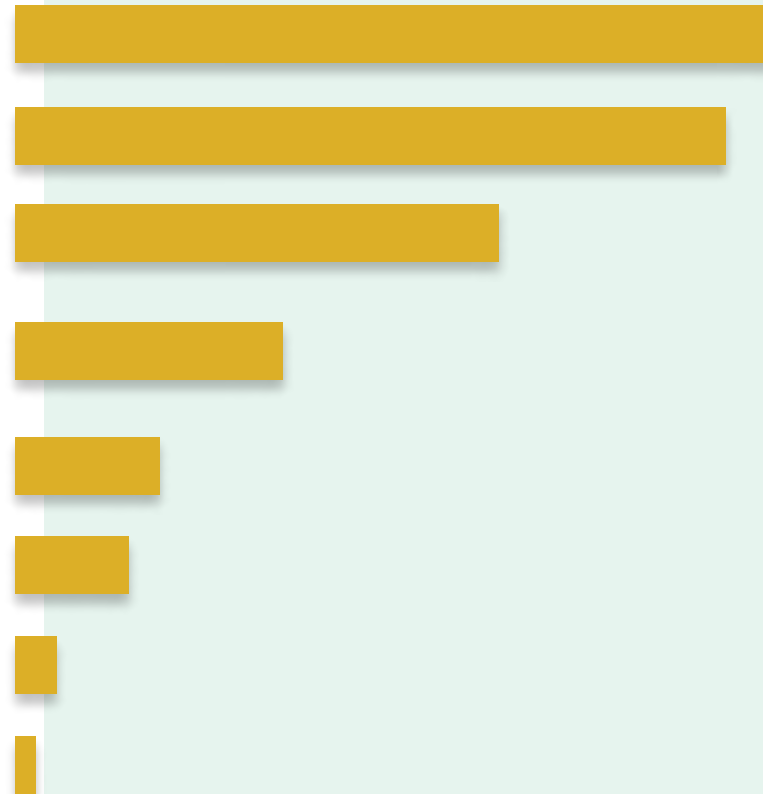
**26%** Candidates are unwilling to commute to our offices for at least part of their schedule

**14%** Competition on health care and other benefits

**11%** Disinterest in working for a bank

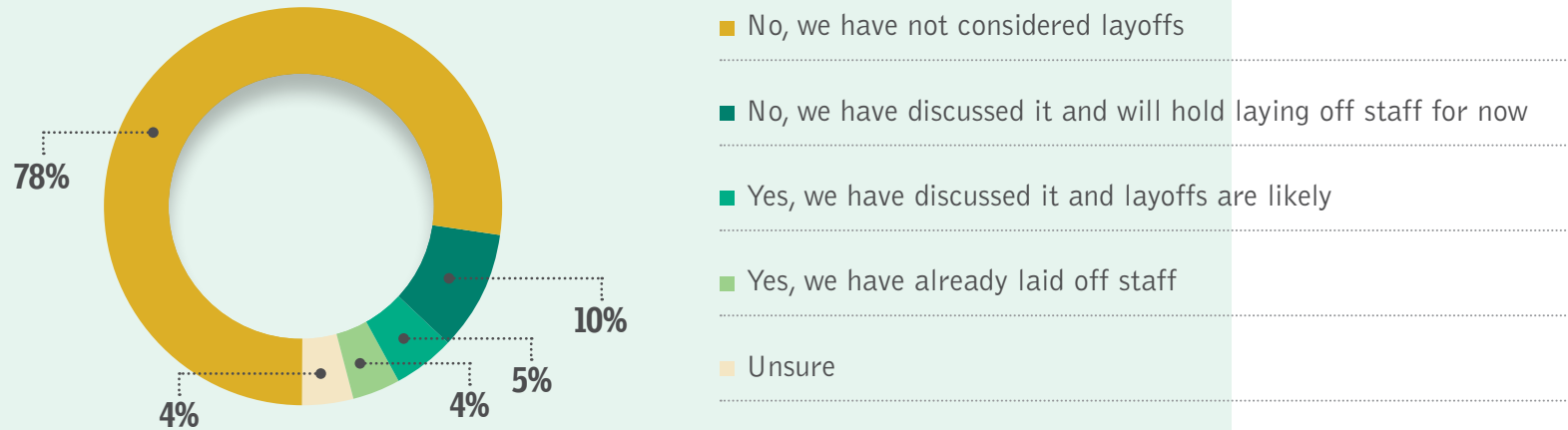
**4%** Other

**2%** The bank's weak reputation as an employer



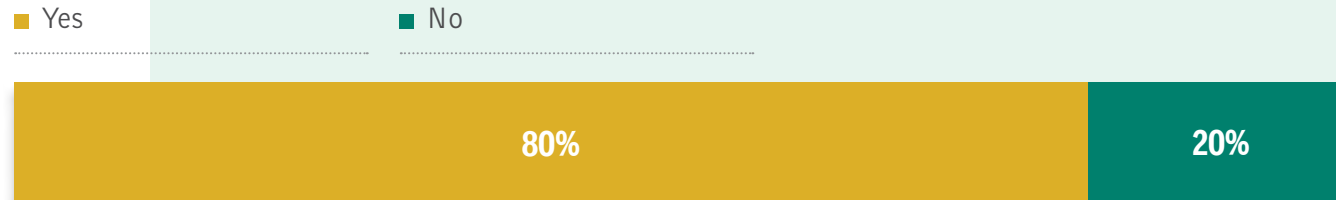
### 13. Is your bank considering layoffs in 2023?

Numbers don't add up to 100% due to rounding. \*Indicates a count of less than 10 within a category.



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

*\*Indicates a count of less than 10 within a category.*



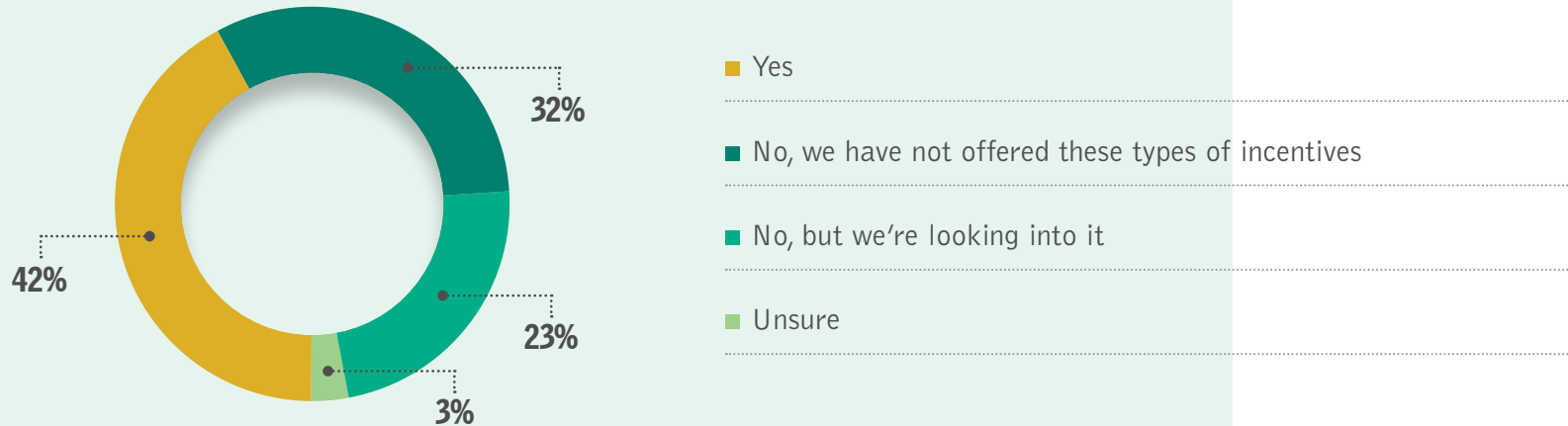
## 15. Does your bank offer more remote and/or hybrid work options to executives, compared to pre-Covid?

*Numbers don't add up to 100% due to rounding. \*Indicates a count of less than 10 within a category.*



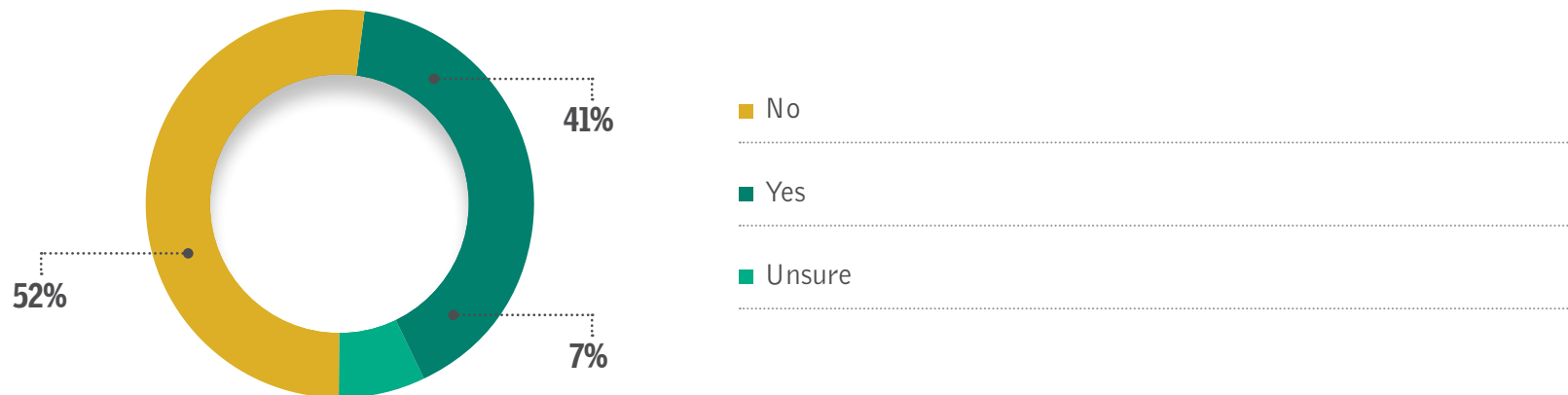
## 16. Has your bank implemented any new incentives to entice commercial bankers to bring in new deposit accounts?

*\*Indicates a count of less than 10 within a category.*



## 17. Compared to 2021, did your bank focus more on diversity, equity and inclusion initiatives and/or programs in 2022?

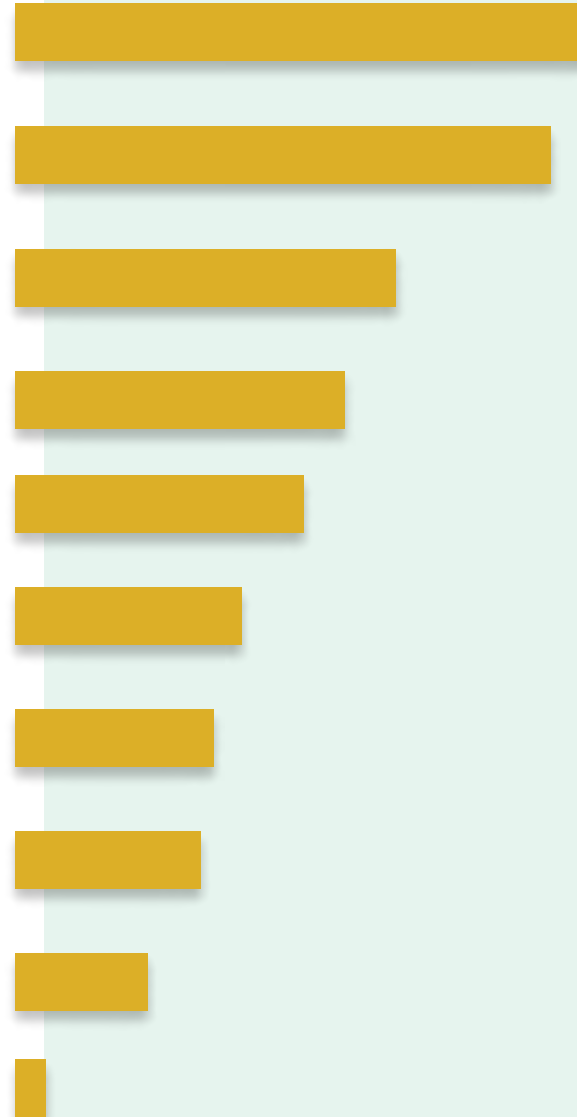
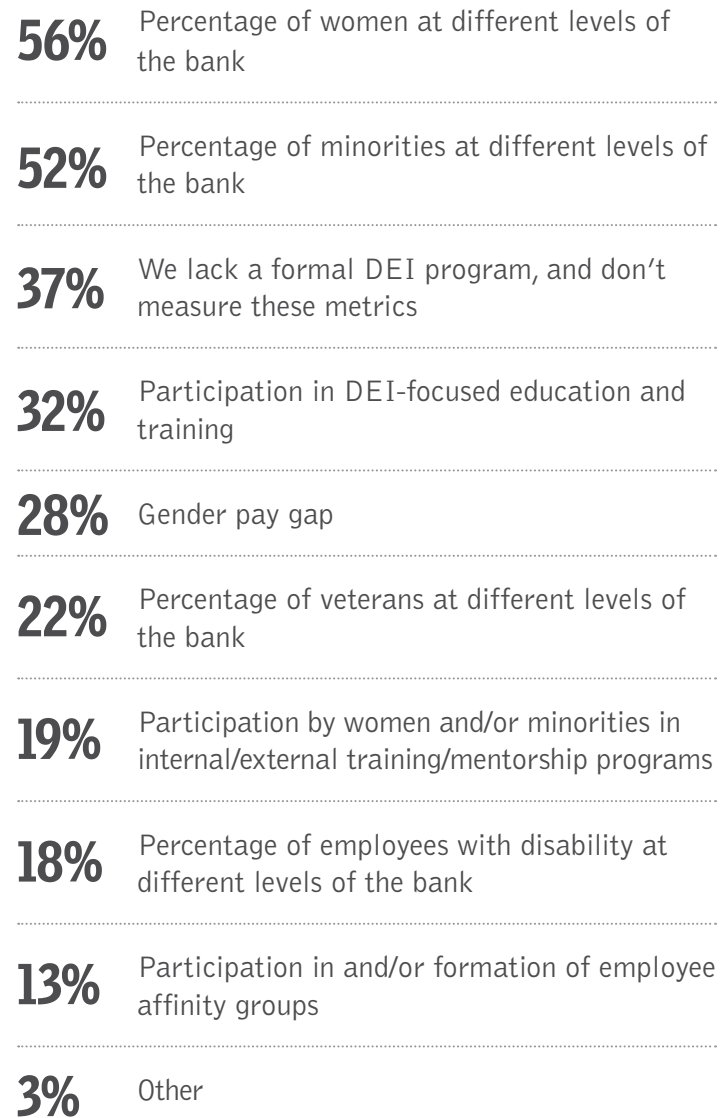
*\*Indicates a count of less than 10 within a category.*





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

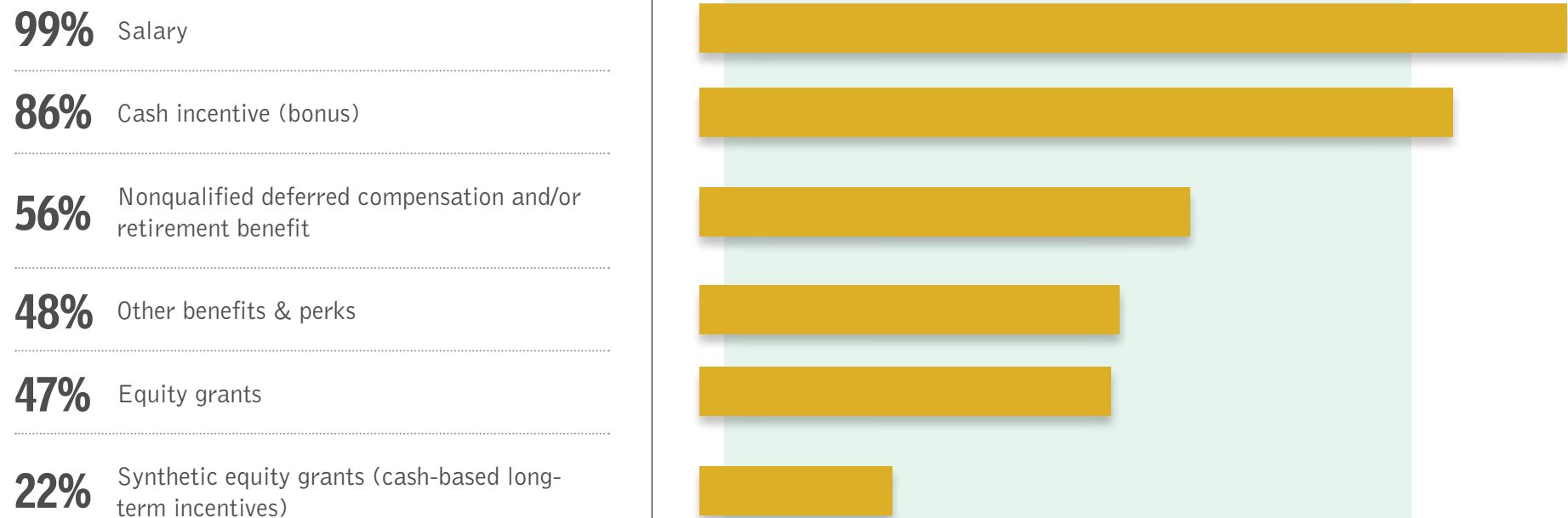
Respondents were asked to select all that apply.



## CEO PAY & SUCCESSION

### 19. The CEO at my bank received the following types of compensation in FY 2022.

*\*Indicates a count of less than 10 within a category.*



## 20. Enter the cash compensation amounts for the CEO of your bank for FY 2022.

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

\*Indicates a count of less than 10 within a field.

**\$417,000**

**Salary**

**\$177,500**

**Cash incentive**

**\$200,000**

**Equity grants (fair market value)**

**\$45,000**

**Benefits & perks**

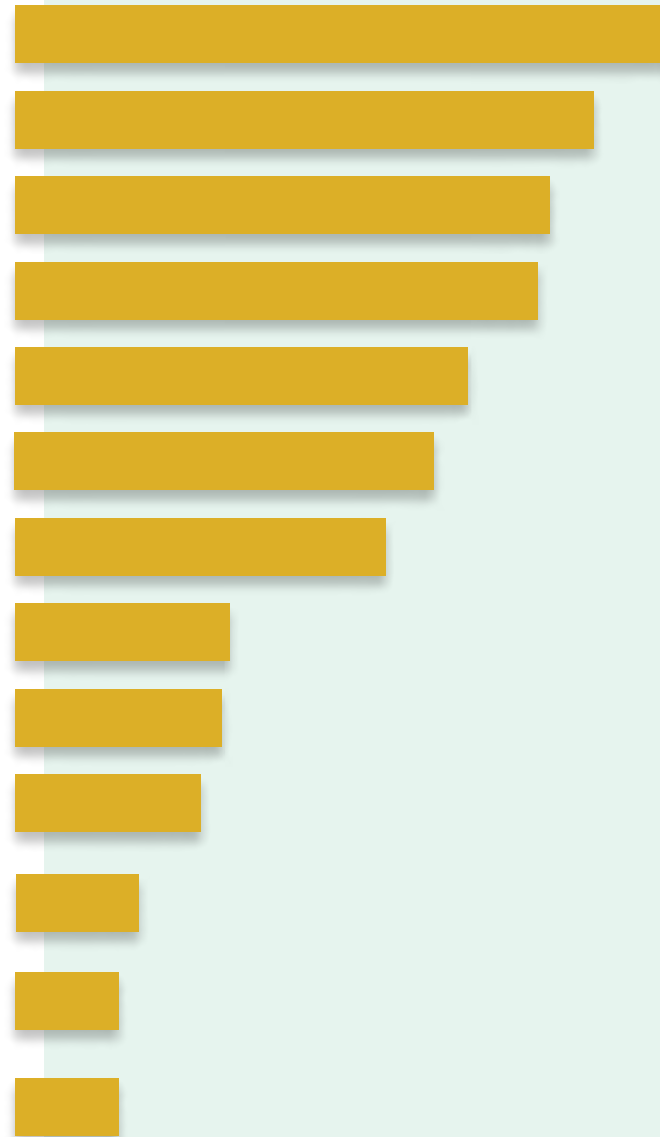
**\$734,000**

**Total CEO compensation**

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

Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a field.

|            |   |
|------------|---|
| <b>64%</b> | Return on assets                                    |
| <b>56%</b> | Income growth                                       |
| <b>52%</b> | Return on equity                                    |
| <b>51%</b> | Asset quality                                       |
| <b>44%</b> | Loan growth   |
| <b>41%</b> | Efficiency  |
| <b>36%</b> | Deposit growth                                      |
| <b>21%</b> | Earnings per share growth                           |
| <b>20%</b> | Total shareholder return                            |
| <b>18%</b> | Credit or similar risk metrics                      |
| <b>13%</b> | CEO compensation is not tied to performance metrics |
| <b>10%</b> | Employee retention                                  |
| <b>10%</b> | Other metrics                                       |



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

Respondents were asked to select all that apply.

**70%** Strategic plan progress and/or completion of corporate goals

**56%** Good standing with regulators

**38%** Community involvement

**27%** Employee satisfaction/engagement

**22%** Response to a crisis, emergency or similarly challenging situation

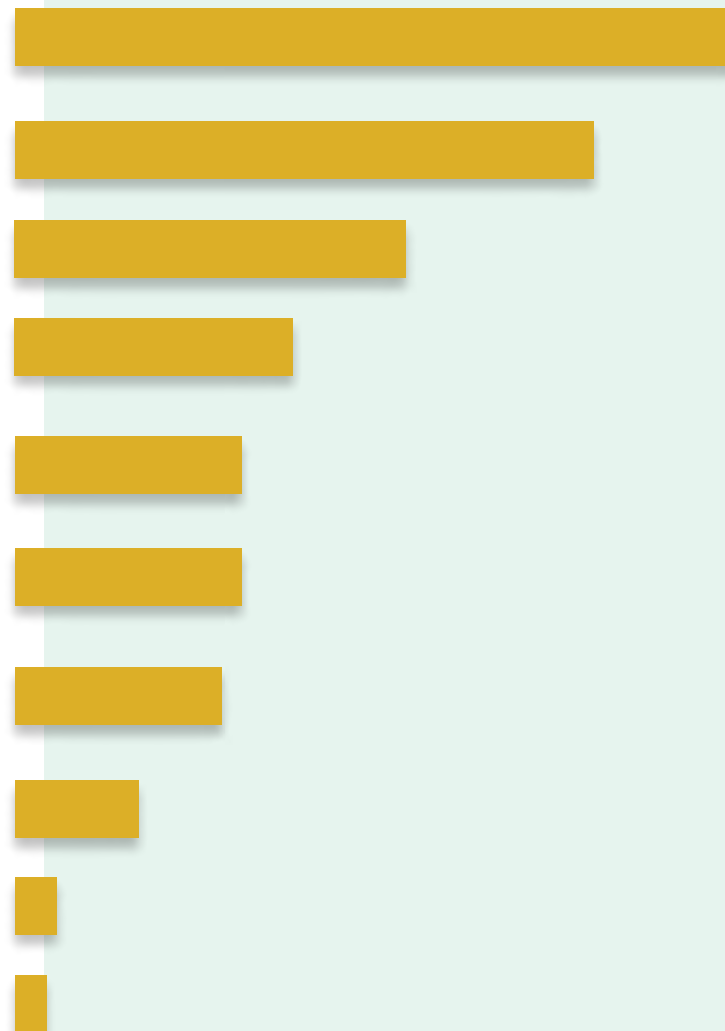
**22%** Development of a successor

**20%** CEO compensation isn't tied to any qualitative factors

**12%** Diversity, equity and inclusion goals

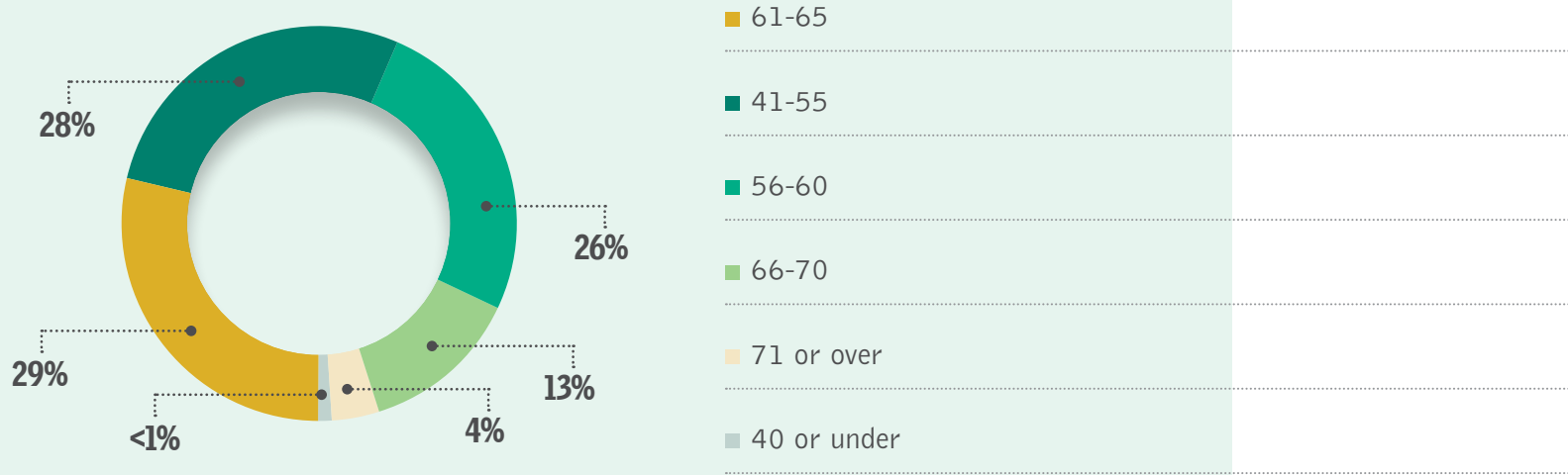
**4%** Other factors

**3%** Environmental/green initiatives



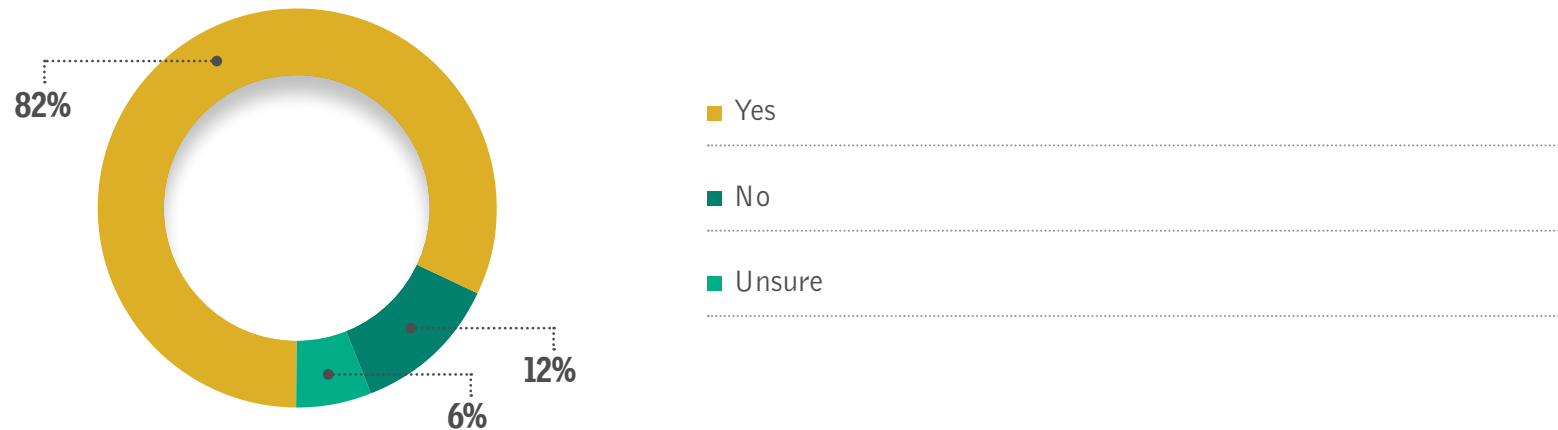
## 23. What is the age of your bank's CEO?

Responding CEOs were asked to indicate their own age.



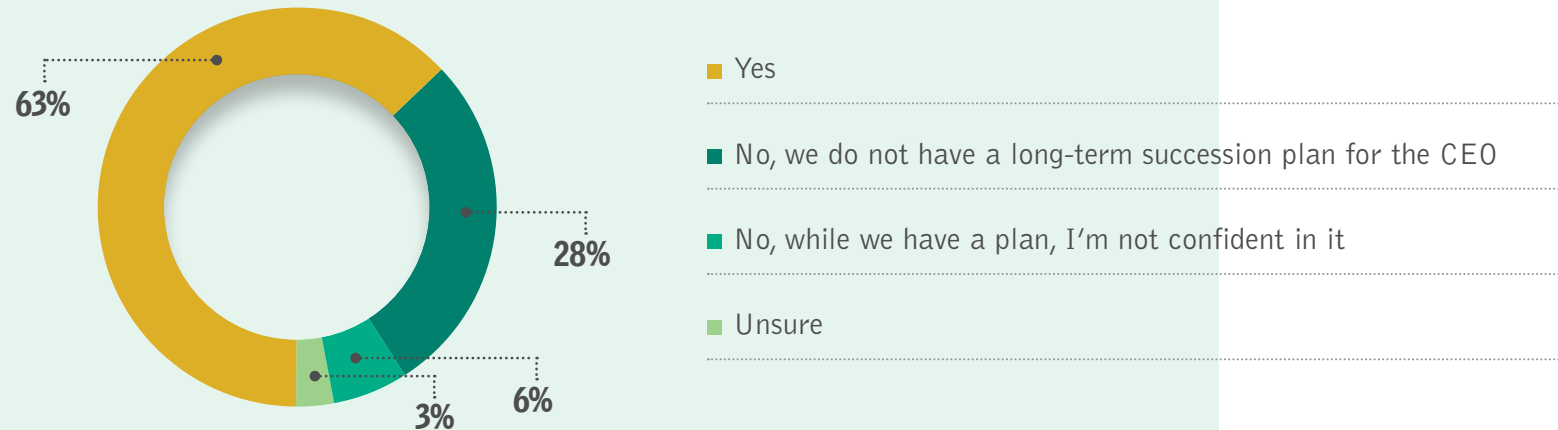
## 24. Do you believe your board has an effective succession plan in place if the CEO or a key executive suddenly left the bank?

Question was limited to board chairs, lead directors and outside directors. \*Indicates a count of less than 10 within a field.



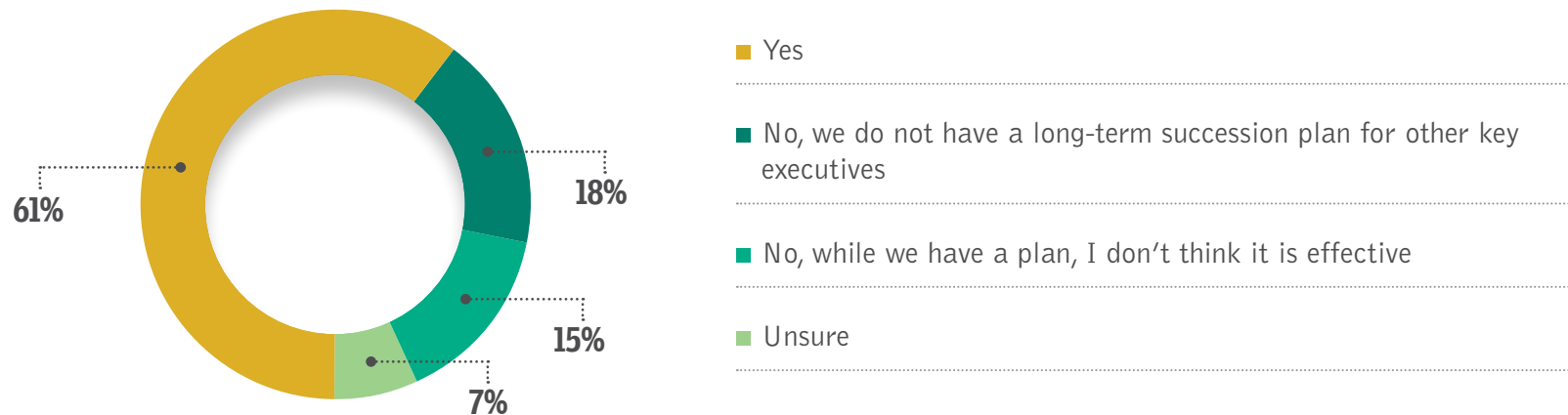
## 25. Do you believe your board has an effective long-term succession plan for the CEO?

Question was limited to board chairs, outside directors and lead directors. \*Indicates a count of less than 10 within a field.



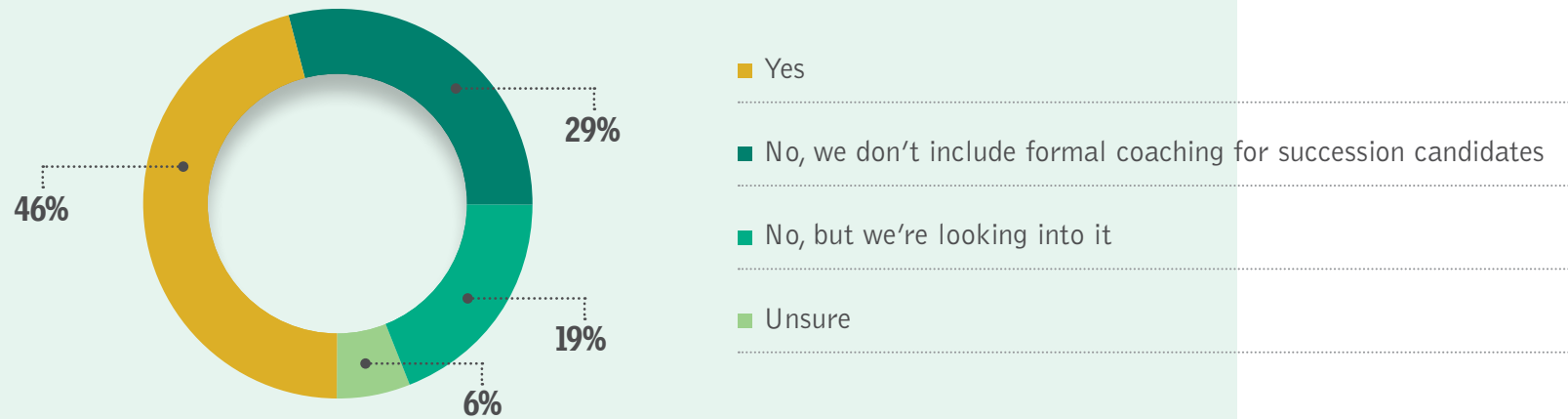
## 26. Do you believe your board has an effective long-term succession plan for the other key executives (beyond the CEO)?

Question was limited to board chairs, outside directors and lead directors. \*Indicates a count of less than 10 within a field.



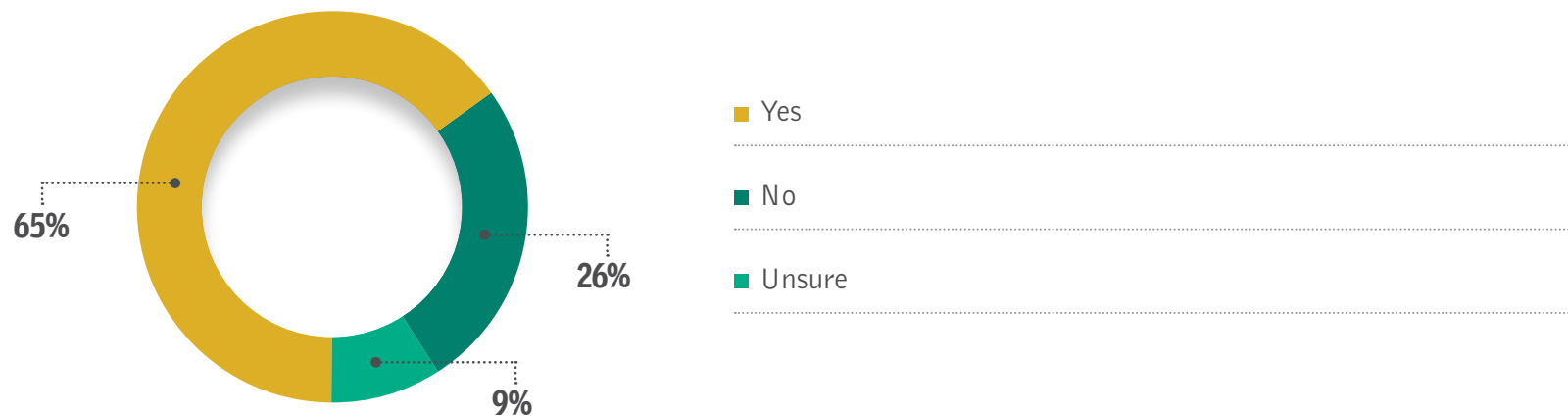
## 27. Does your succession planning process include some type of coaching for succession candidates?

*\*Indicates a count of less than 10 within a field.*



## 28. Do you feel your bank has a strong bench of talented leaders to prepare for C-suite roles over the next five years?

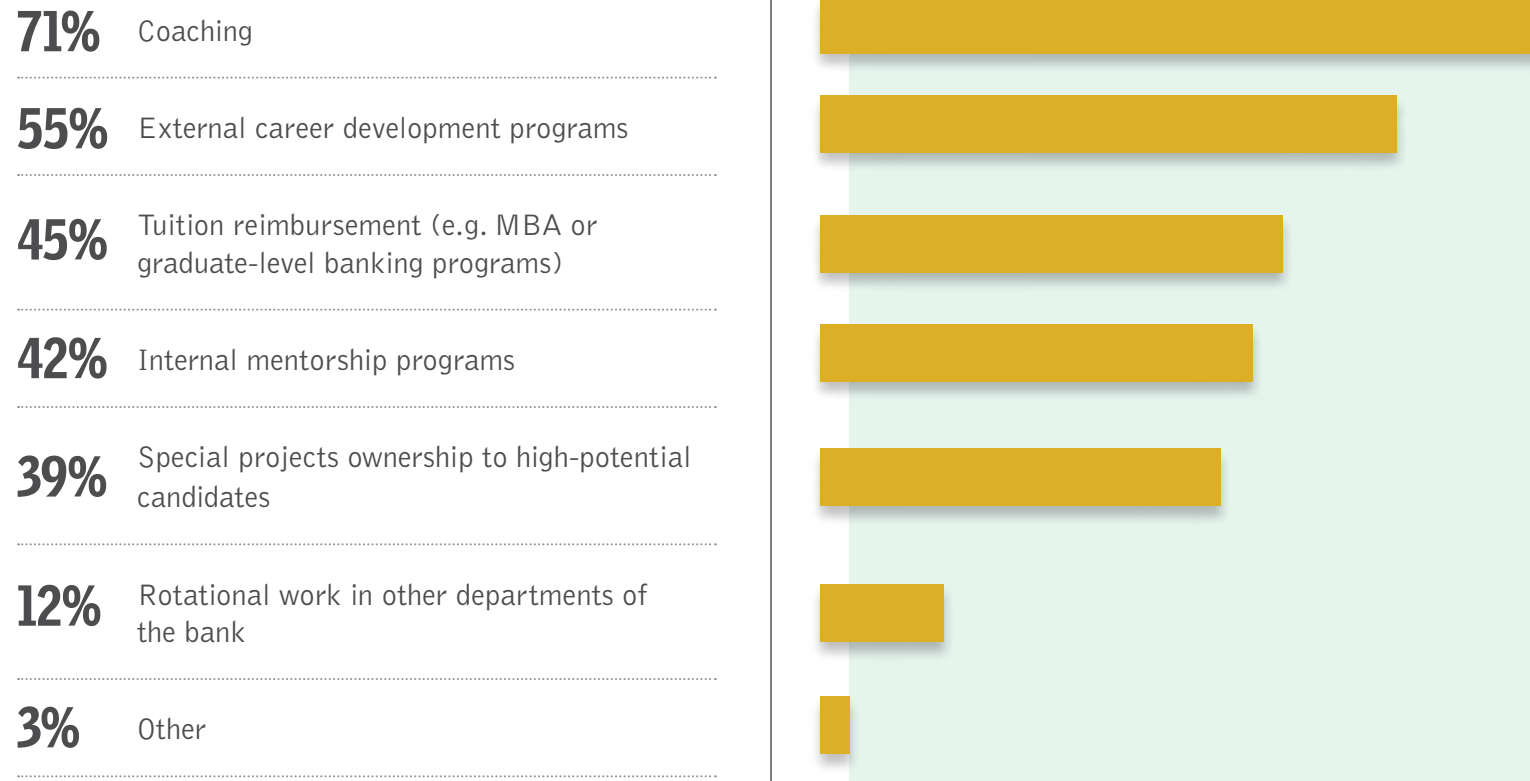
*\*Indicates a count of less than 10 within a field.*





## 29. Is your bank taking any of the following steps to train mid-level talent for C-suite roles in the long term?

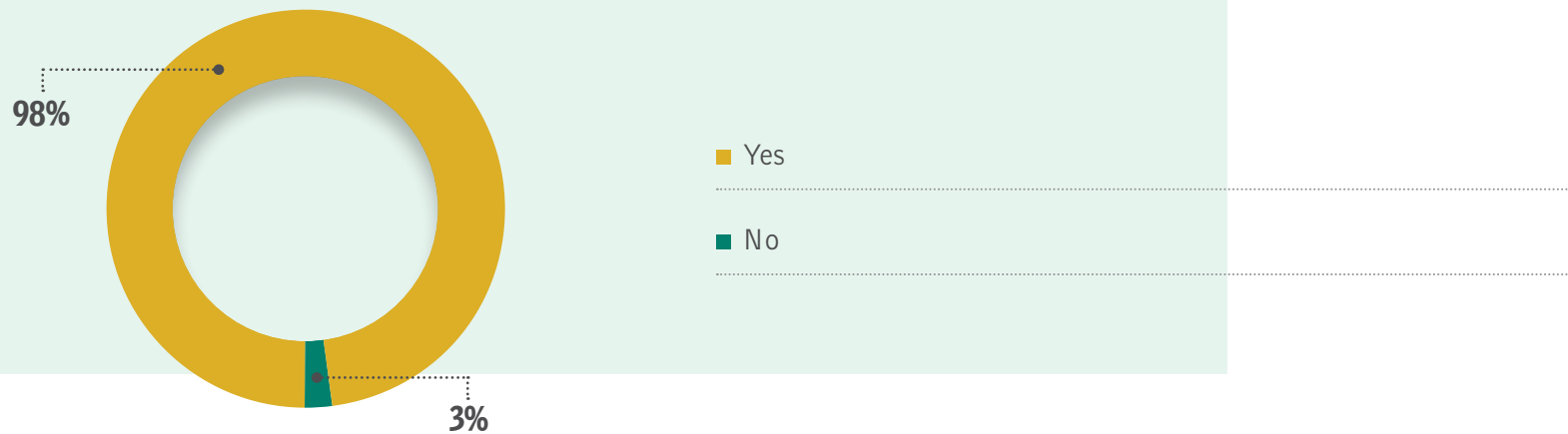
Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a field.



## DIRECTOR COMPENSATION

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

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



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

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



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

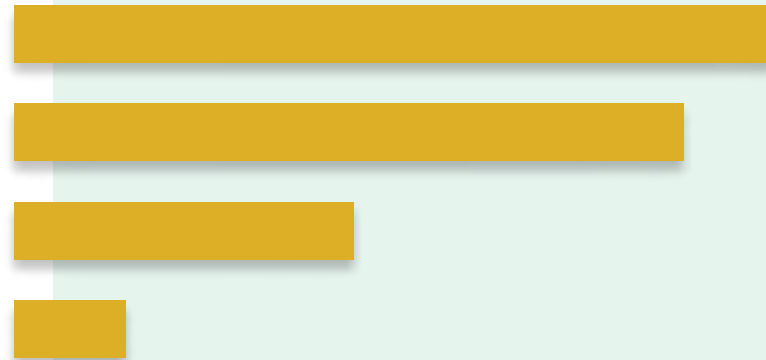
Proxy data included. Question only asked if the chair is an independent board member. Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a category.

**74%** Annual cash retainer

**65%** Board meeting fee

**33%** Equity compensation

**11%** Deferred compensation/benefits



### 33. Enter the cash compensation amounts for the non-executive chair of your bank for FY 2022.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave field blank. Question only asked if the chair is an independent board member. \*\*Indicates a count of less than 10 within a field. \*Indicates a count of less than 10 within a category.

**\$1,000**

Fee per board meeting

**\$35,000**

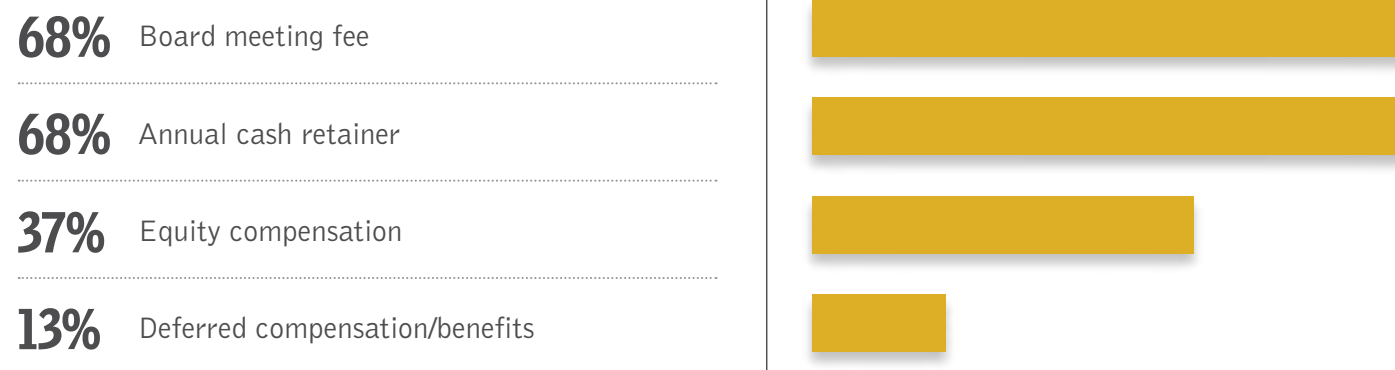
Annual cash retainer

**\$32,000**

Equity compensation

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

Proxy data included. Respondents were asked to select all that apply. \*Indicates a count of less than 10 within a category.



### 35. Enter the cash compensation amounts for outside directors for FY 2022.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave field blank. \*Indicates a count of less than 10 within a field.

**\$1,000**

**Fee per board meeting**

**\$25,000**

**Annual cash retainer**

**\$30,454**

**Equity compensation**

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

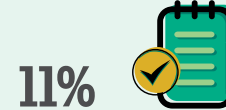
Respondents were asked to select all that apply.



No benefits offered



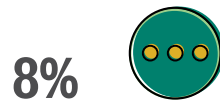
Travel expenses



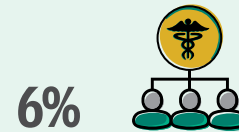
Retirement plan



Life insurance



Other perks



Paid medical insurance or eligibility  
for group medical insurance

### 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 2022.

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

**\$925**

**Fee per board meeting**

**\$17,200**

**Annual cash retainer**

**\$7,500\***

**Equity compensation**

### 39. How many times did the following meet in FY 2022? How many board members currently serve on each?

*Proxy data included.*

|                       | Membership | Meeting Frequency |
|-----------------------|------------|-------------------|
| Holding company       | 10         | 9                 |
| Lead bank             | 10         | 12                |
| Audit                 | 5          | 5                 |
| Compensation          | 4          | 4                 |
| Governance/nominating | 4          | 4                 |
| Executive             | 5          | 5                 |
| Loan                  | 5          | 12                |
| Risk                  | 5          | 4                 |
| ALCO                  | 5          | 4                 |
| Technology            | 4          | 4                 |
| Compliance            | 4.5        | 4                 |
| Trust                 | 4          | 4                 |

## 40. Does your board pay committee meeting fees or a retainer to committee members and/or committee chairs?

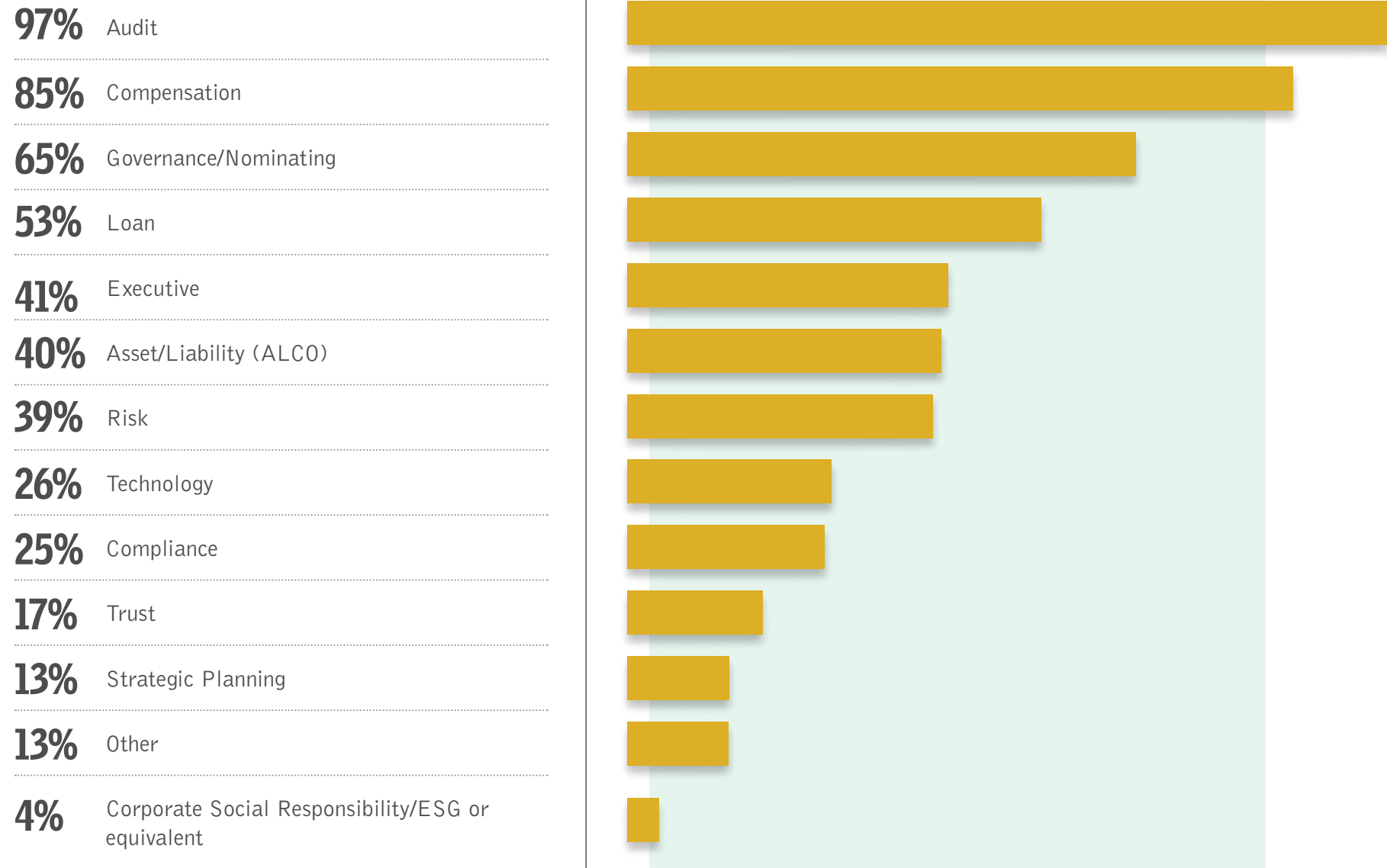
*Respondents were asked to select the options that best apply to their board's committees.*

|                                    | <b>Committee chair</b> | <b>Committee members</b> |
|------------------------------------|------------------------|--------------------------|
| Yes, we pay meeting fees           | 51%                    | 60%                      |
| Yes, we pay a retainer             | 48%                    | 24%                      |
| We pay neither fees nor a retainer | 18%                    | 25%                      |



## 41. Which board-level committees does your bank have?

Proxy data included.



## 42. Enter the per-meeting fees your bank paid in FY 2022 for each committee.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave field blank. \*\*Indicates a count of less than 10 within a field.

|                       | Committee chair | Committee members |
|-----------------------|-----------------|-------------------|
| Audit                 | \$500           | \$500             |
| Compensation          | \$500           | \$500             |
| Governance/Nominating | \$500           | \$500             |
| Executive             | \$500           | \$500             |
| Loan                  | \$400           | \$375             |
| ALCO                  | \$500           | \$600             |
| Risk                  | \$700           | \$500             |
| Technology            | \$500           | \$403             |
| Trust                 | \$500           | \$425             |
| Compliance            | \$550           | \$500             |

### 43. Enter the retainer your bank paid in FY 2022 for each committee.

Median values reported. Proxy data included. Respondents were asked to enter a value greater than zero or leave field blank. \*\*Indicates a count of less than 10 within a field.

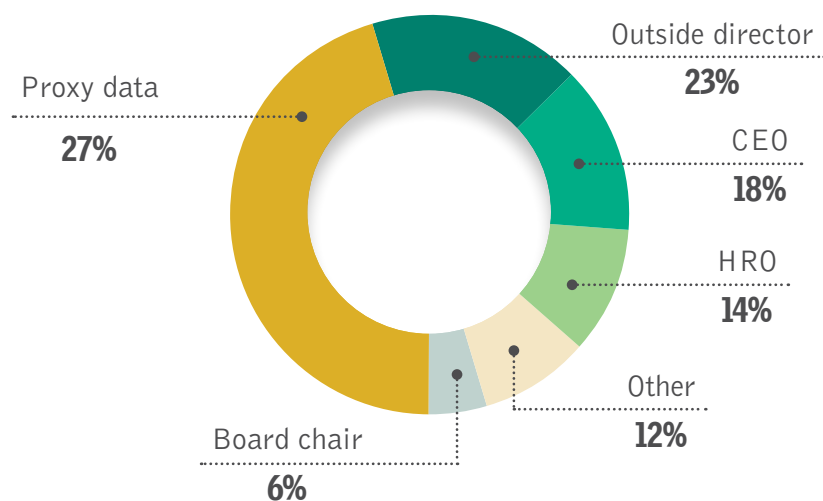
|                       | Committee chair | Committee members |
|-----------------------|-----------------|-------------------|
| Audit                 | \$10,000        | \$10,000          |
| Compensation          | \$8,500         | \$6,000           |
| Governance/Nominating | \$7,500         | \$5,140           |
| Loan                  | \$6,000         | \$5,280           |
| Executive             | \$10,000        | \$10,000          |
| ALCO                  | \$5,000         | \$4,200**         |
| Risk                  | \$10,000        | \$8,250           |
| Technology            | \$17,500        | \$10,000          |
| Trust                 | \$9,500**       | \$5,500**         |
| Compliance            | \$10,000        | \$10,000**        |

## ABOUT THE SURVEY

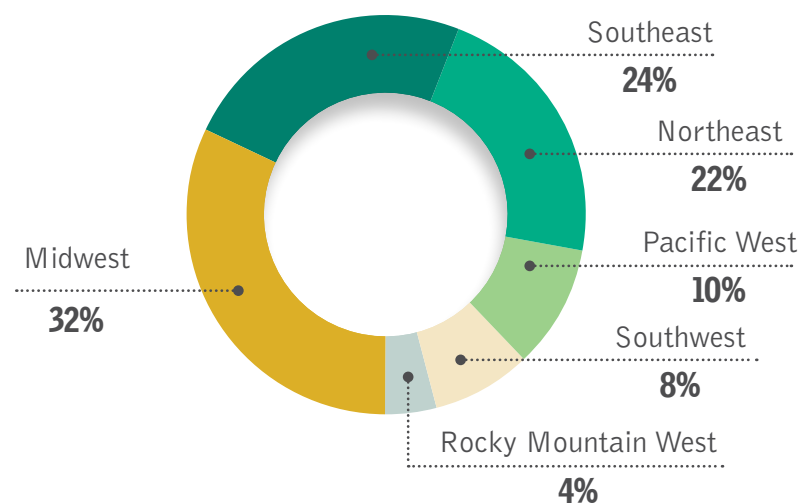
Bank Director's 2023 Compensation Survey, sponsored by Chartwell Partners, surveyed 289 independent directors, CEOs, human resources officers and other executives of U.S. banks below \$100 billion in assets. The survey was conducted in March and April 2023. Compensation data for directors, non-executive chairs and CEOs for fiscal year 2022 was also collected during this period from the proxy statements of 102 publicly traded banks.

### TITLE

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

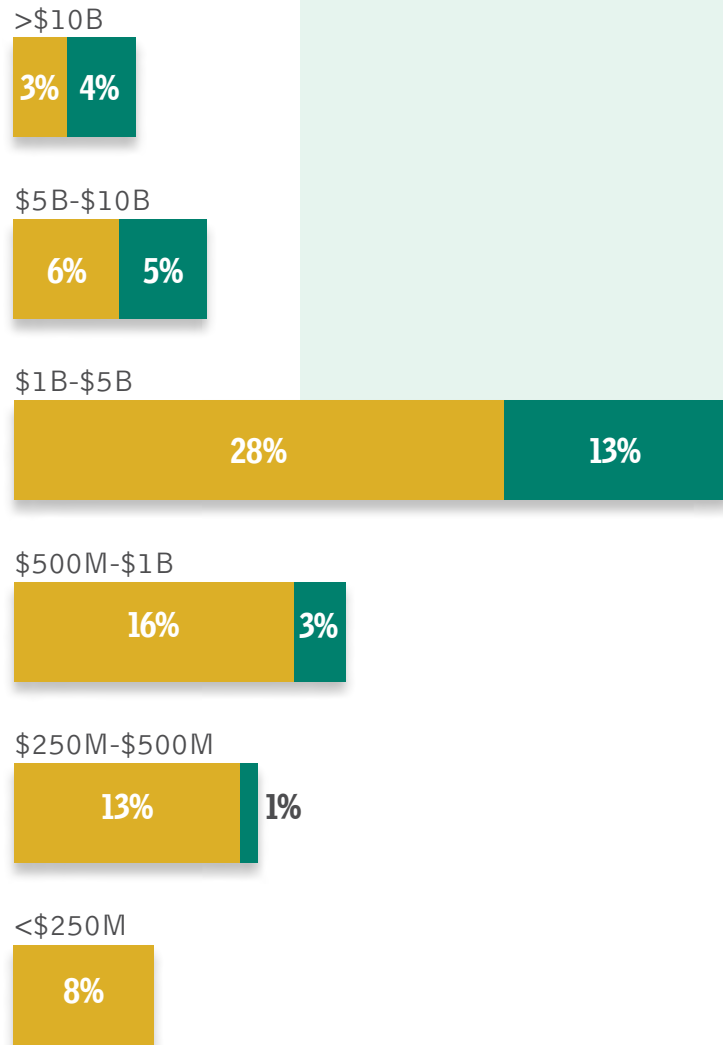


### REGION\*



\*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)

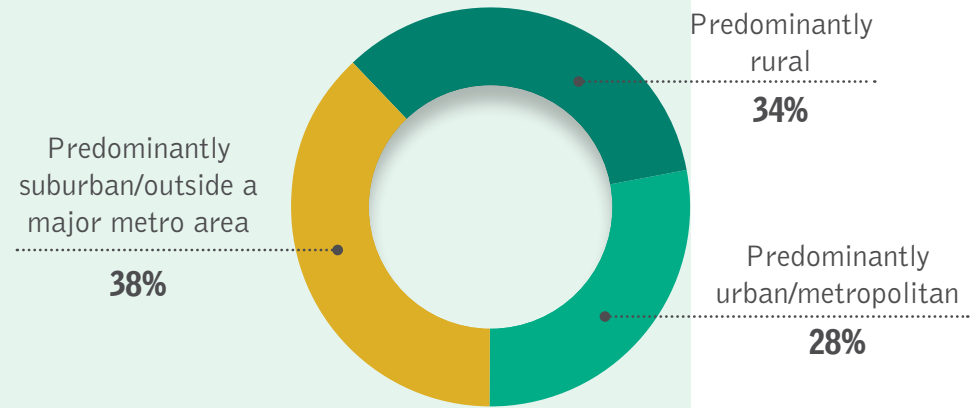
## ASSET SIZE



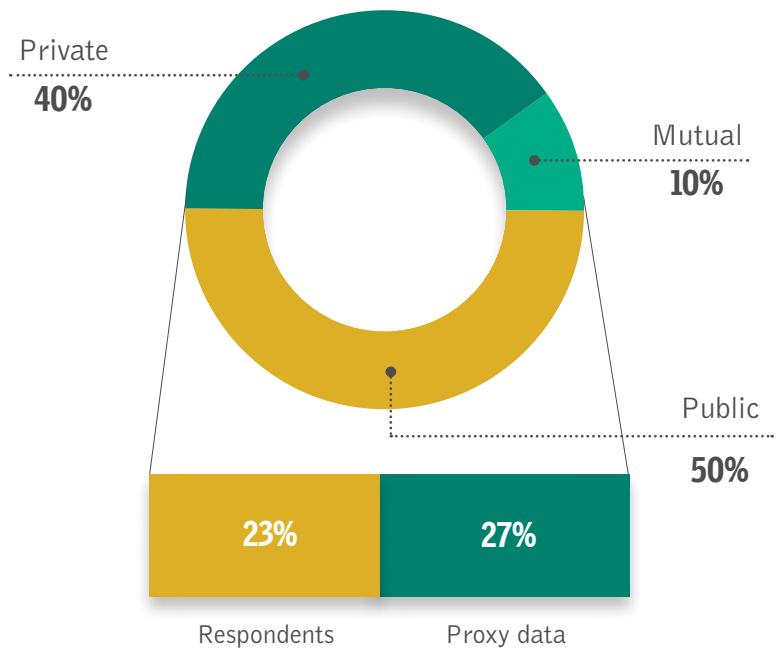
■ Respondents

■ Proxy

## PRIMARY MARKET



## OWNERSHIP STRUCTURE



Respondents

Proxy data