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June 2023
Research

2023 Compensation Survey

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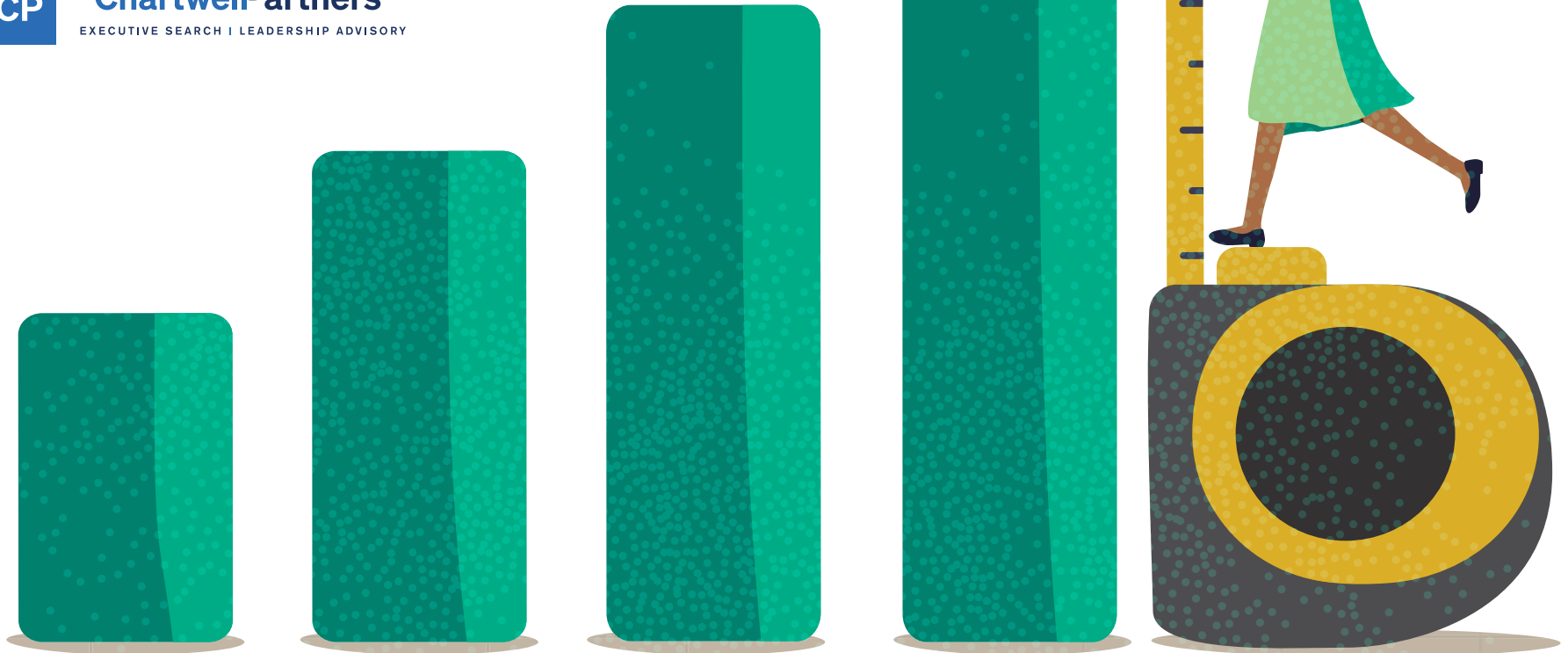


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EXECUTIVE SUMMARY



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.

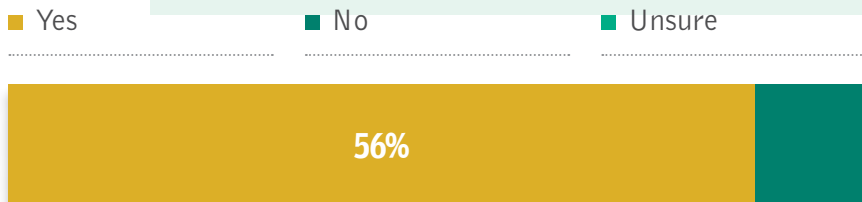
➔ Remote Work Lingers

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

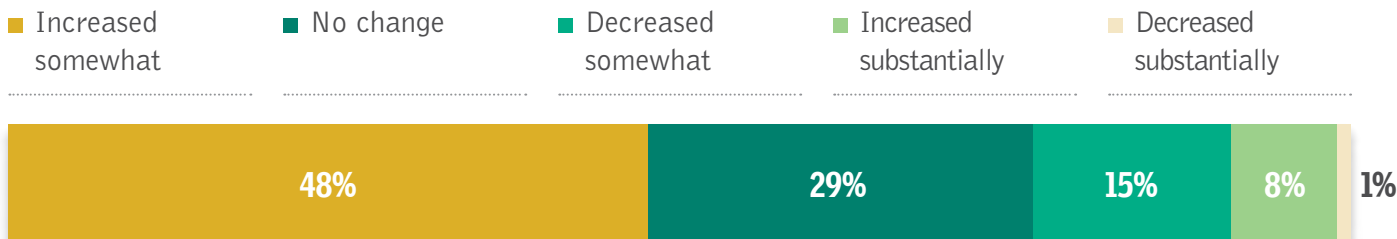
1. In 2022-23, has it been more difficult for your bank to attract and/or retain talent compared to previous years?

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.

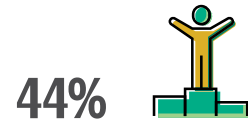


4. What are your top three compensation challenges for 2022?

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



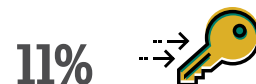
Recruiting younger talent



Adjusting to a remote, hybrid or more flexible work environment



Recruiting technology talent



Recruiting key executives

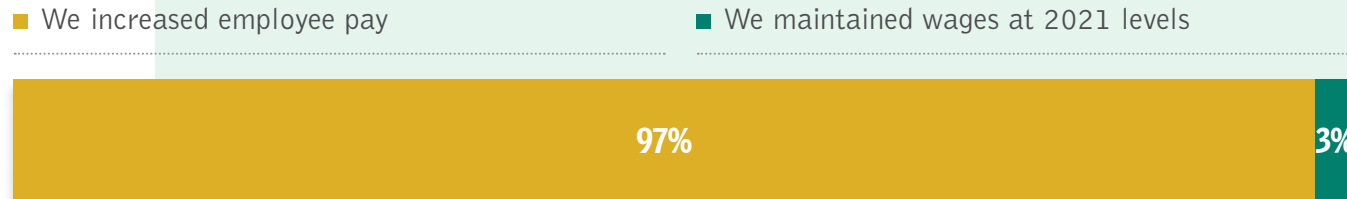


Recruiting other key roles



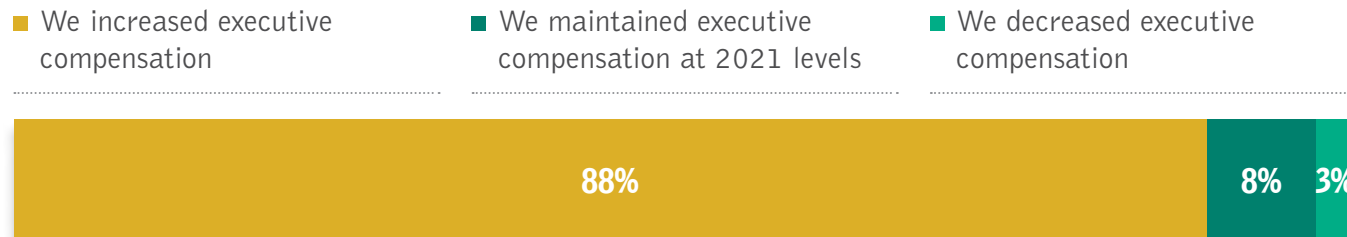
Understanding and complying with compensation regulations

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?

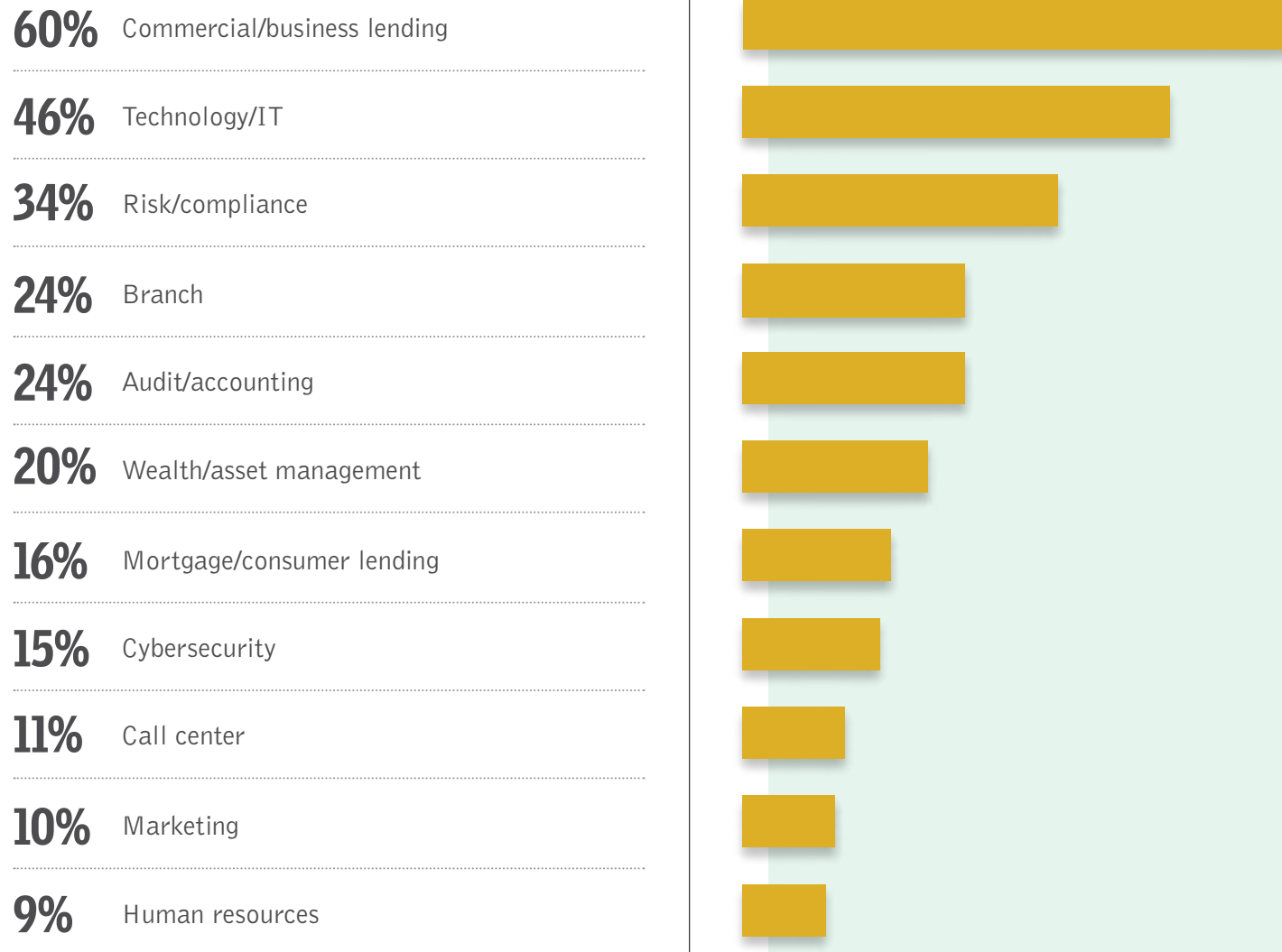
Question asked of respondents indicating that their bank increased employee and executive compensation in FY 2022.

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?



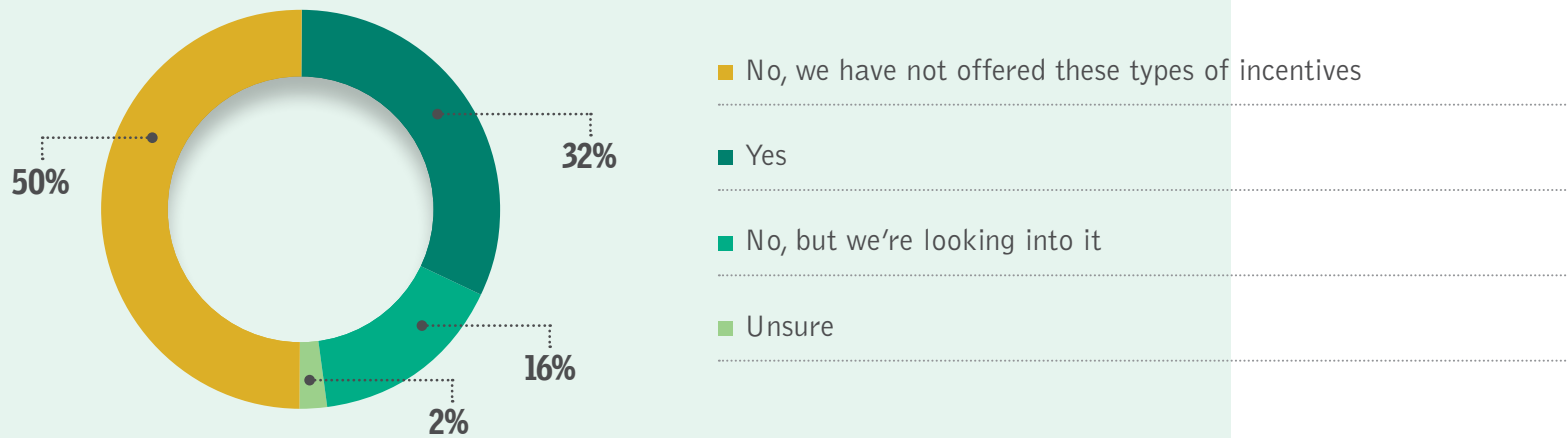
10. Looking at 2021-22, what types of roles has your bank had the most difficulty filling?

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

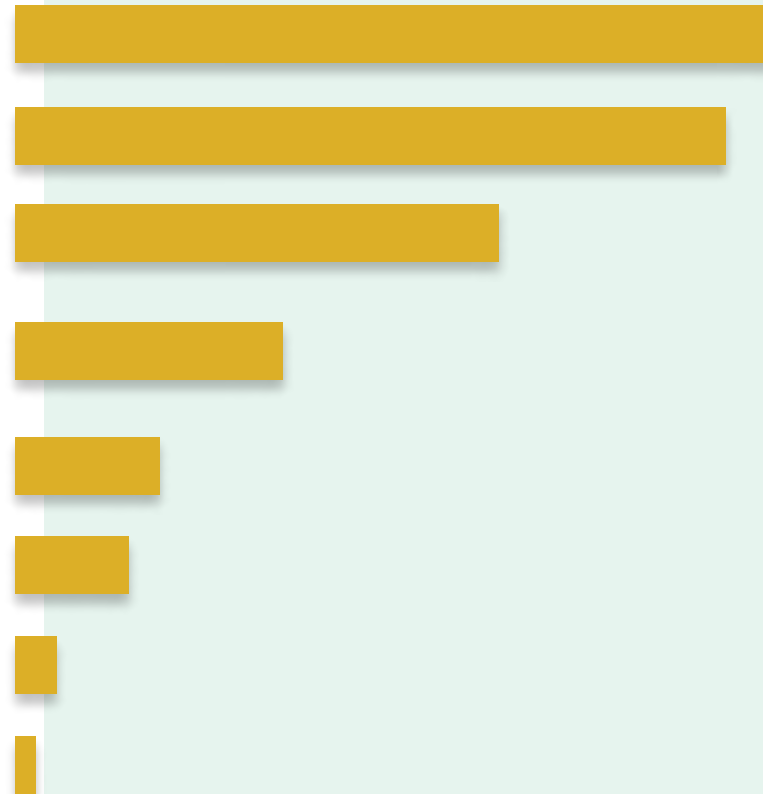
26% Candidates are unwilling to commute to our offices for at least part of their schedule

14% Competition on health care and other benefits

11% Disinterest in working for a bank

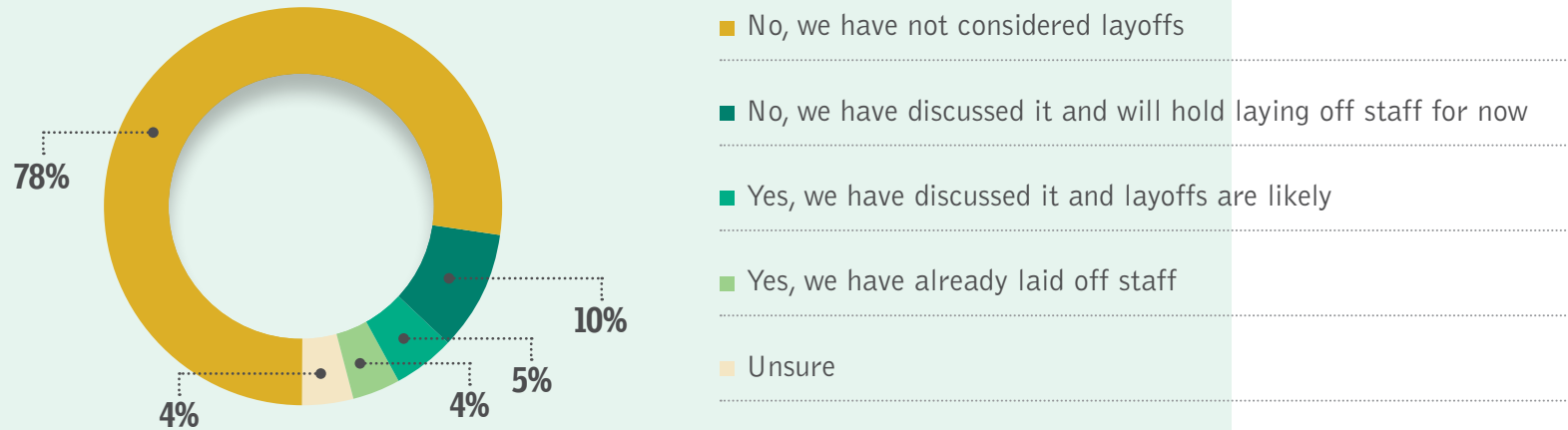
4% Other

2% The bank's weak reputation as an employer



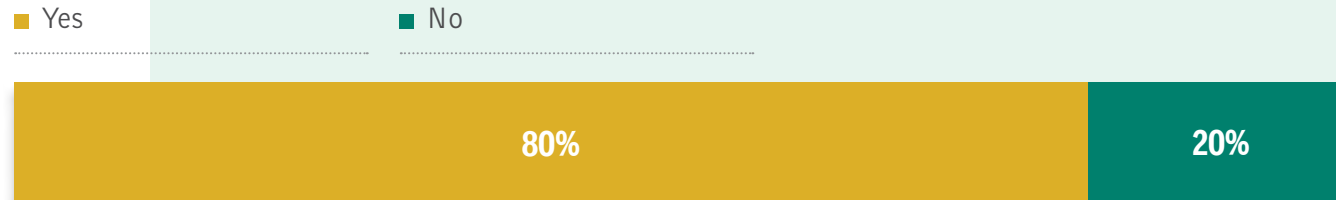
13. Is your bank considering layoffs in 2023?

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.*



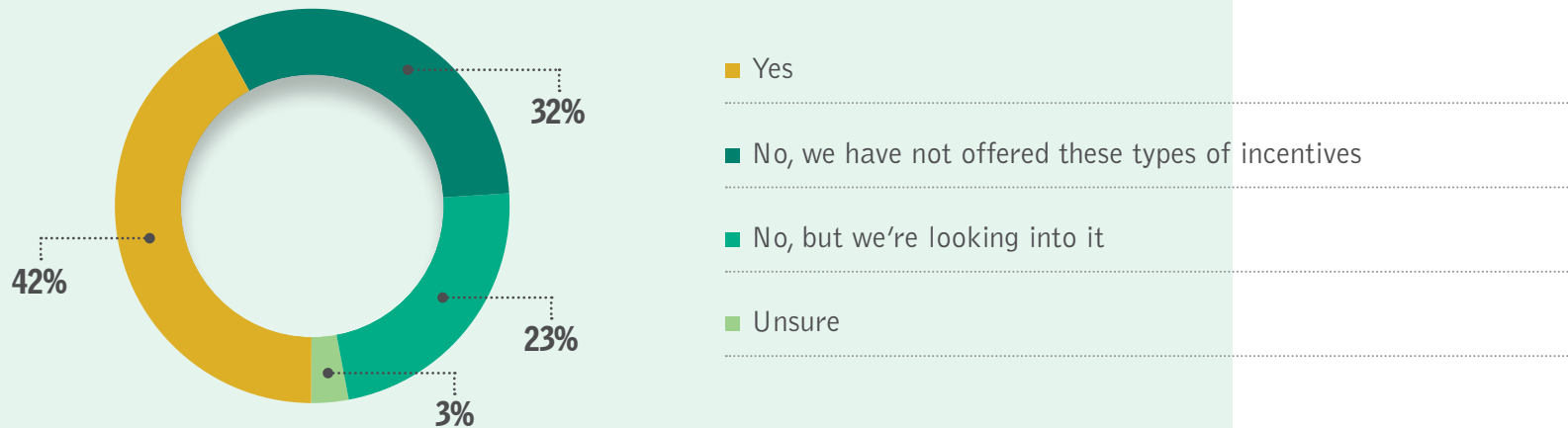
15. Does your bank offer more remote and/or hybrid work options to executives, compared to pre-Covid?

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



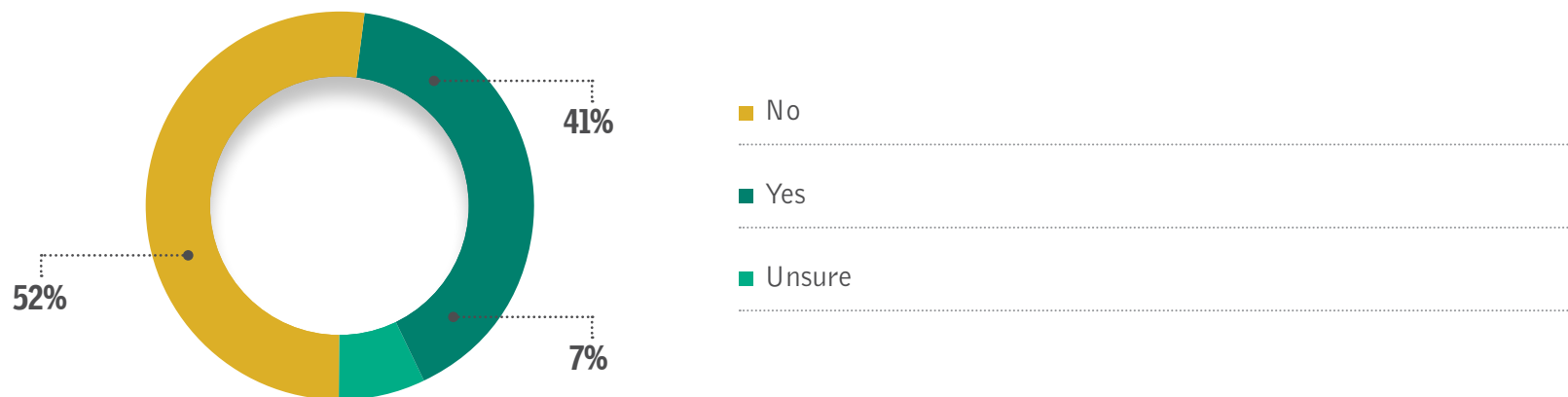
16. Has your bank implemented any new incentives to entice commercial bankers to bring in new deposit accounts?

**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?

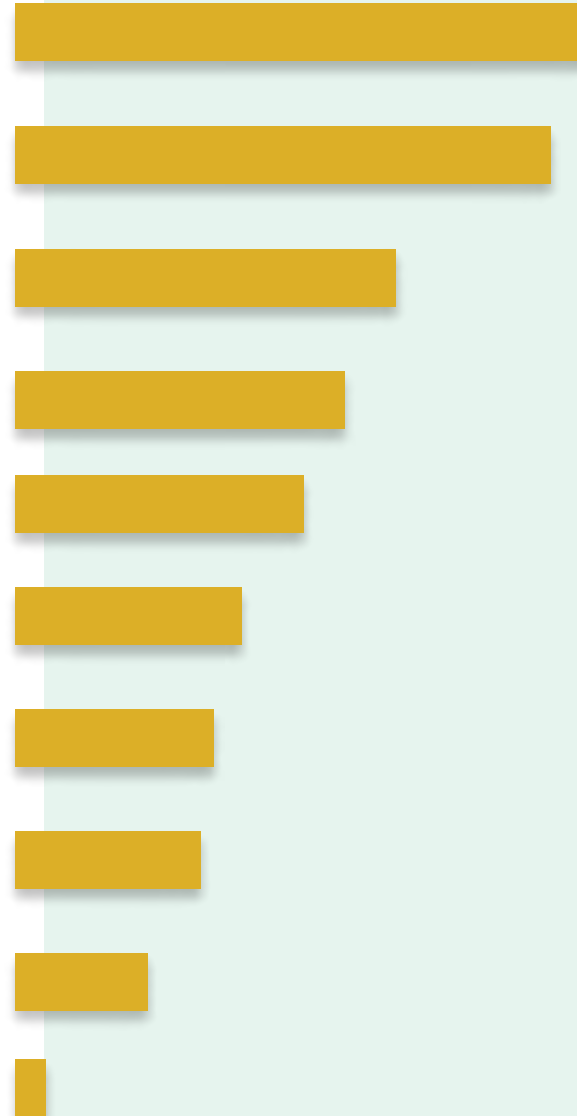
**Indicates a count of less than 10 within a category.*



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.

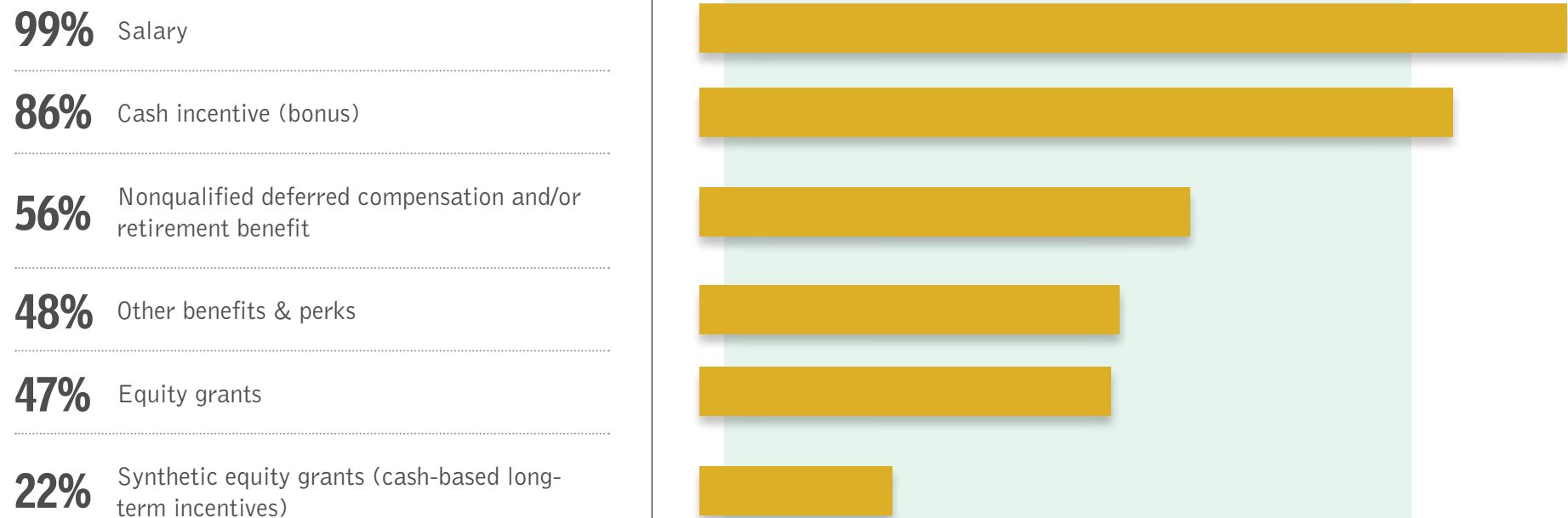
56%	Percentage of women at different levels of the bank
52%	Percentage of minorities at different levels of the bank
37%	We lack a formal DEI program, and don't measure these metrics
32%	Participation in DEI-focused education and training
28%	Gender pay gap
22%	Percentage of veterans at different levels of the bank
19%	Participation by women and/or minorities in internal/external training/mentorship programs
18%	Percentage of employees with disability at different levels of the bank
13%	Participation in and/or formation of employee affinity groups
3%	Other



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

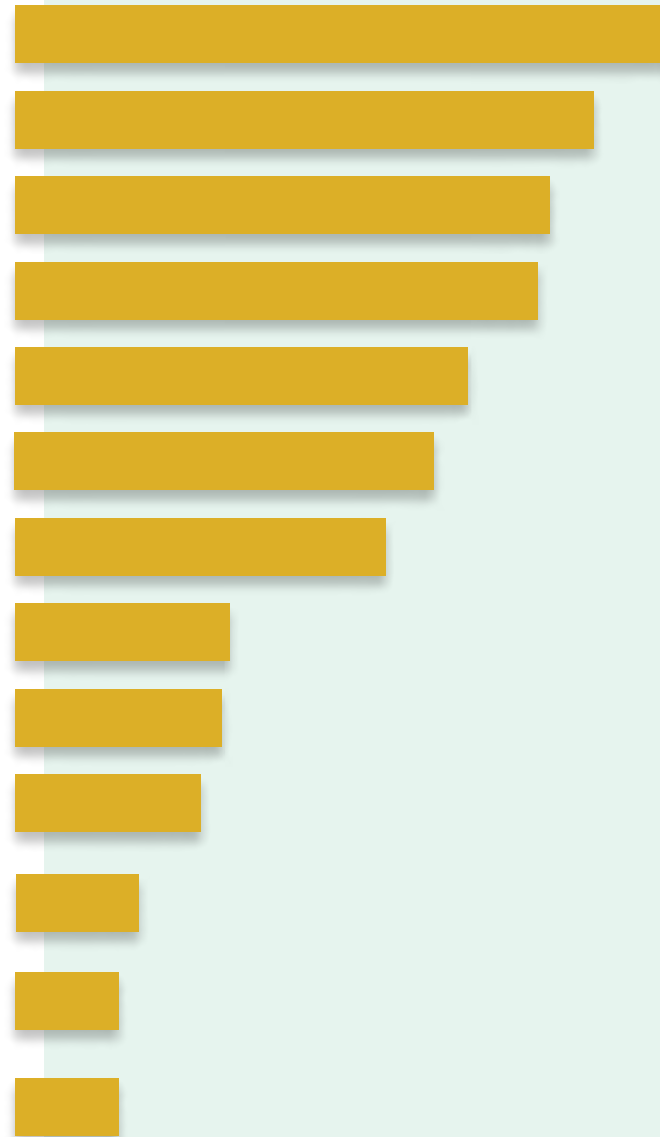
\$734,000

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.

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

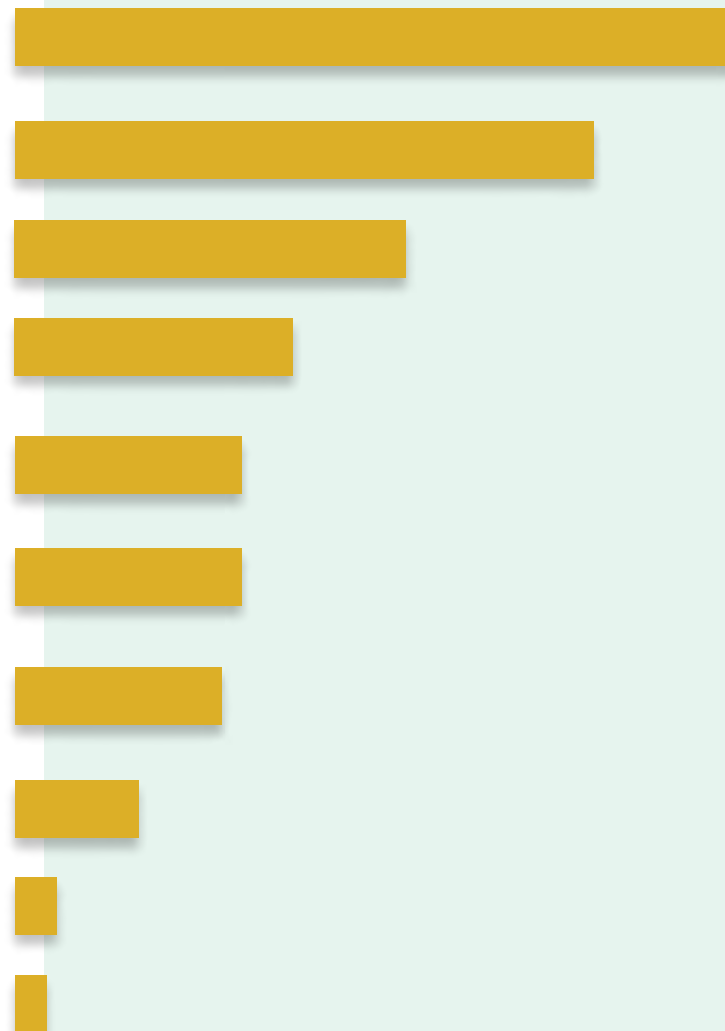
22% Development of a successor

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

12% Diversity, equity and inclusion goals

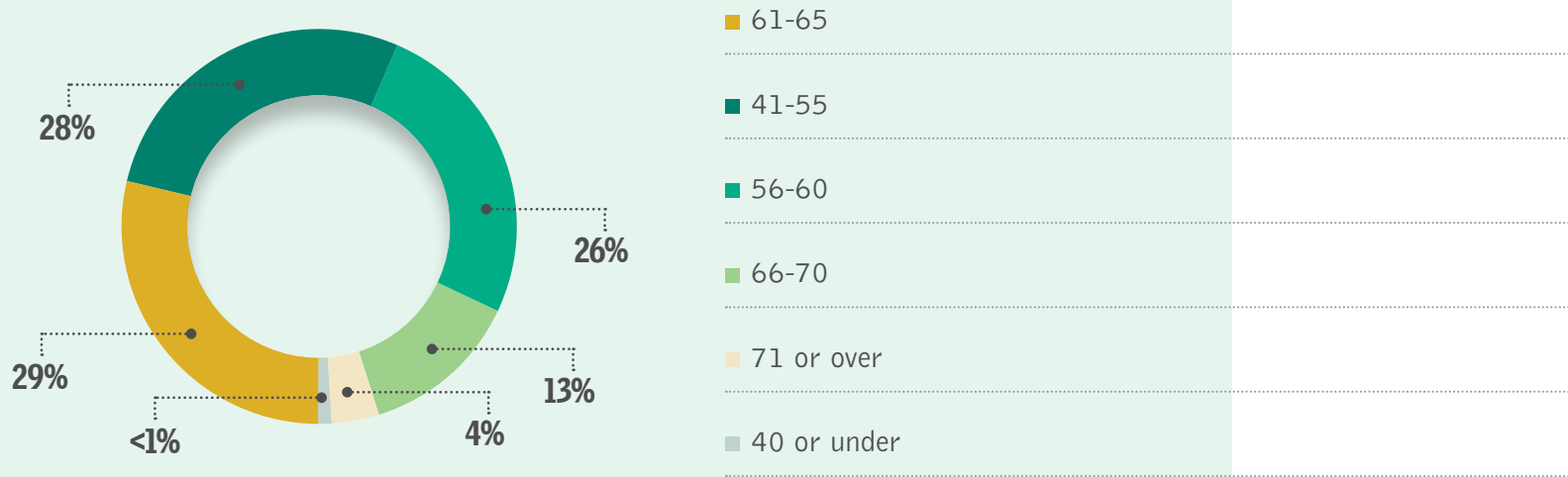
4% Other factors

3% Environmental/green initiatives



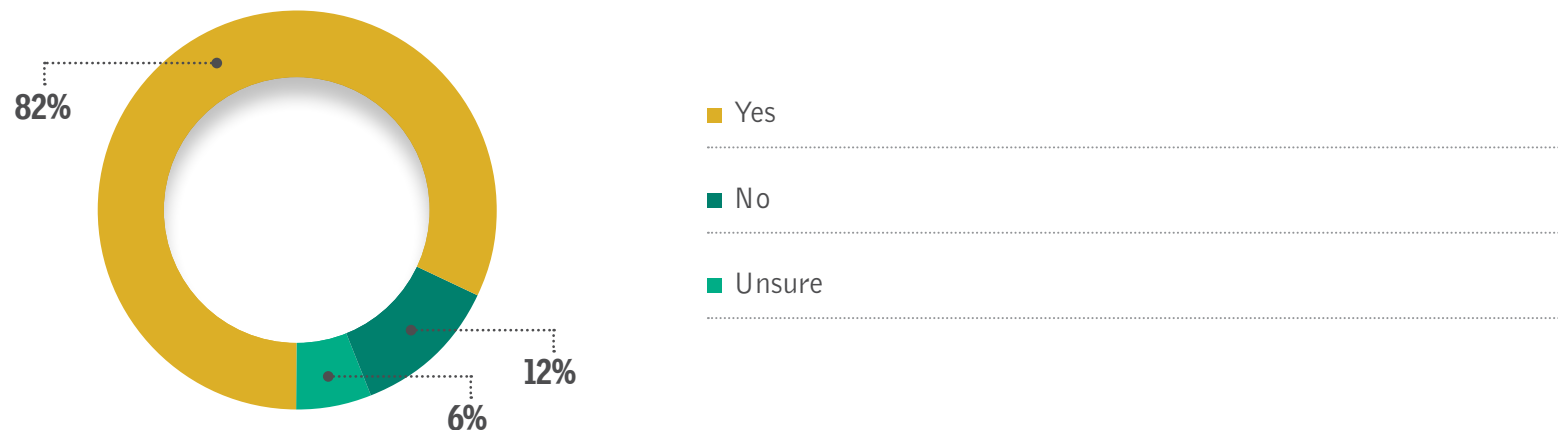
23. What is the age of your bank's CEO?

Responding CEOs were asked to indicate their own age.



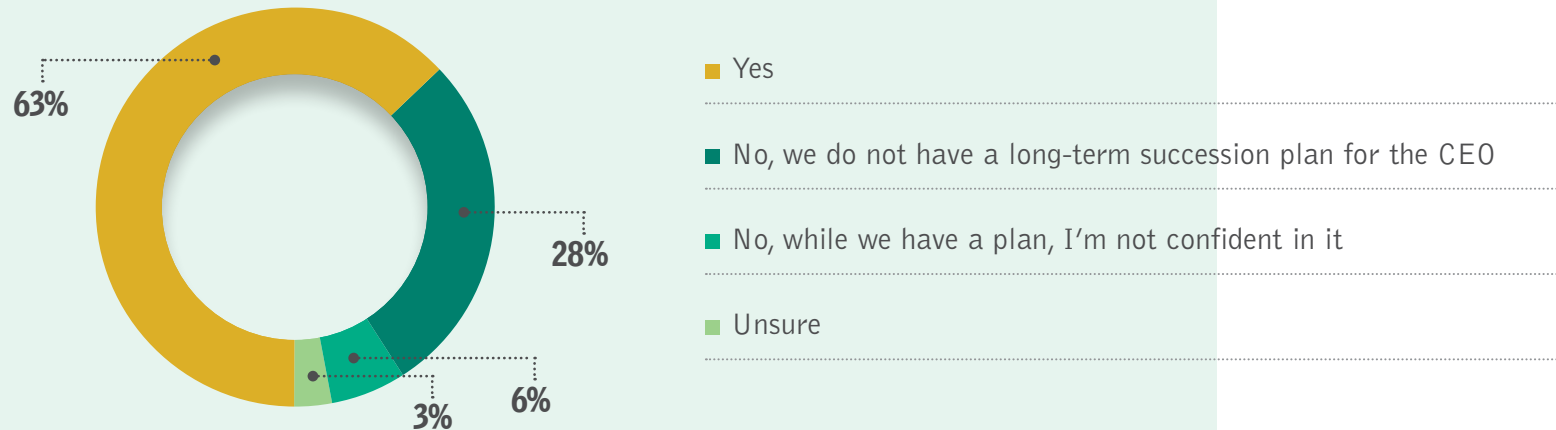
24. Do you believe your board has an effective succession plan in place if the CEO or a key executive suddenly left the bank?

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



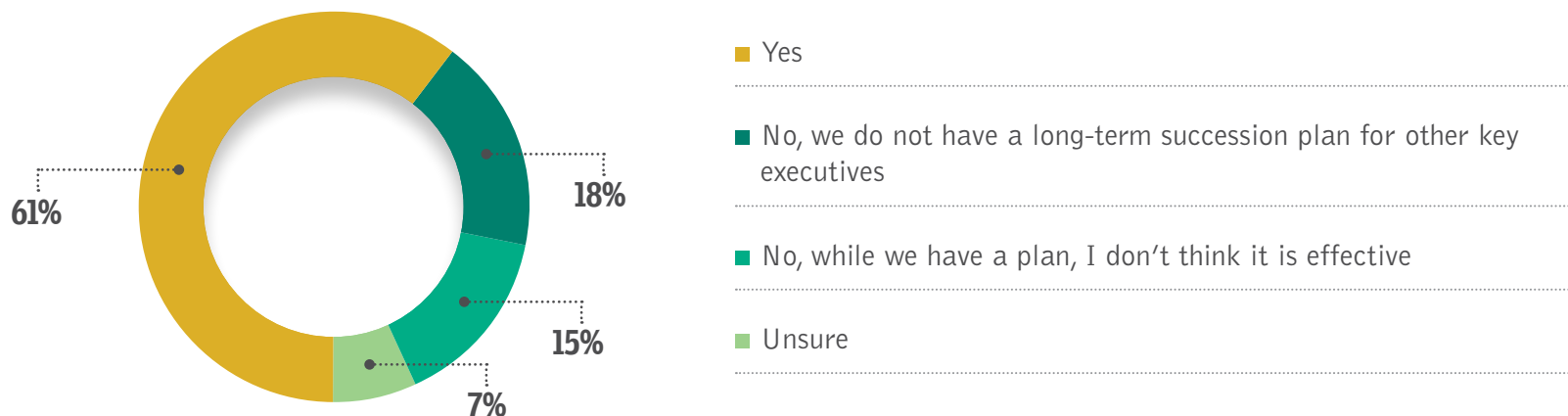
25. Do you believe your board has an effective long-term succession plan for the CEO?

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



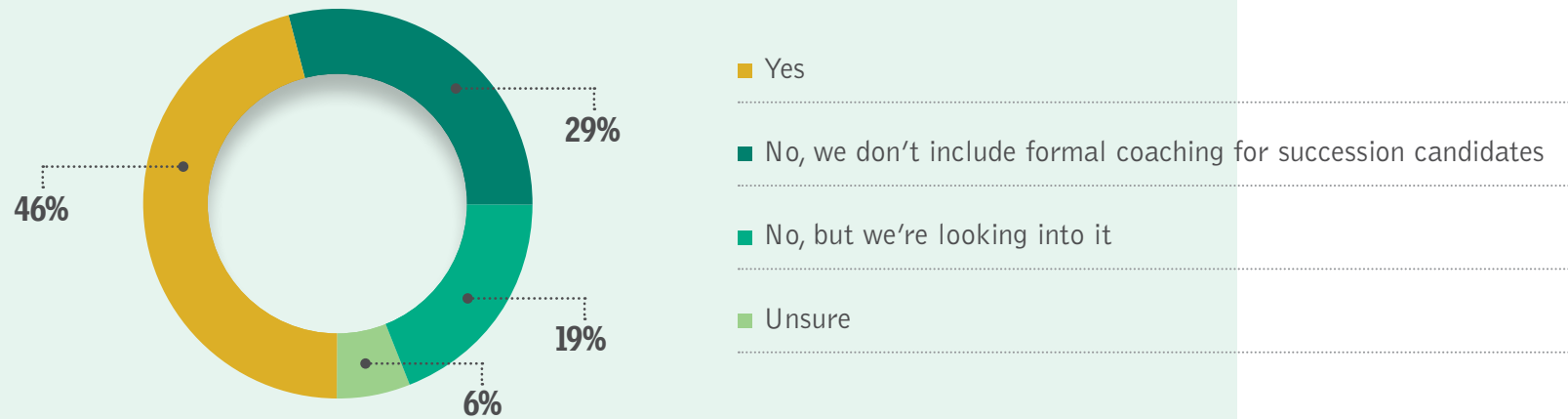
26. Do you believe your board has an effective long-term succession plan for the other key executives (beyond the CEO)?

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



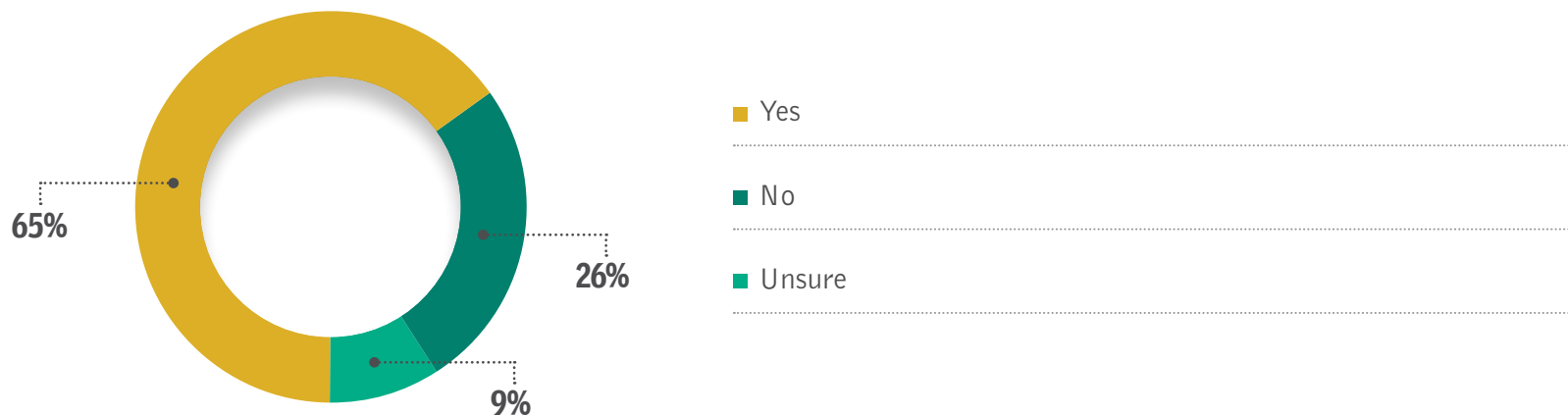
27. Does your succession planning process include some type of coaching for succession candidates?

**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.

71% Coaching

55% External career development programs

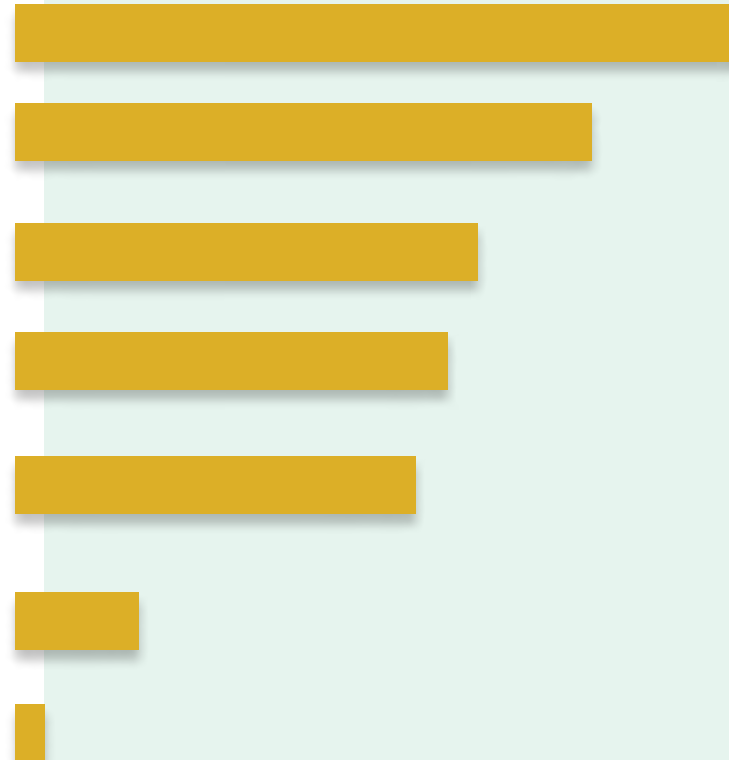
45% Tuition reimbursement (e.g. MBA or graduate-level banking programs)

42% Internal mentorship programs

39% Special projects ownership to high-potential candidates

12% Rotational work in other departments of the bank

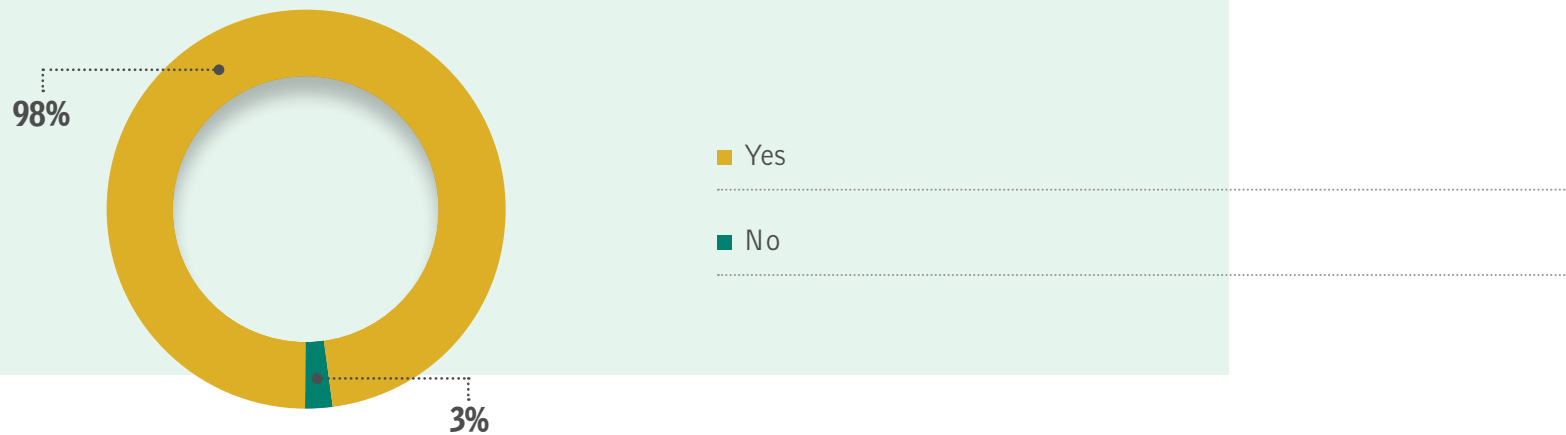
3% Other



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.

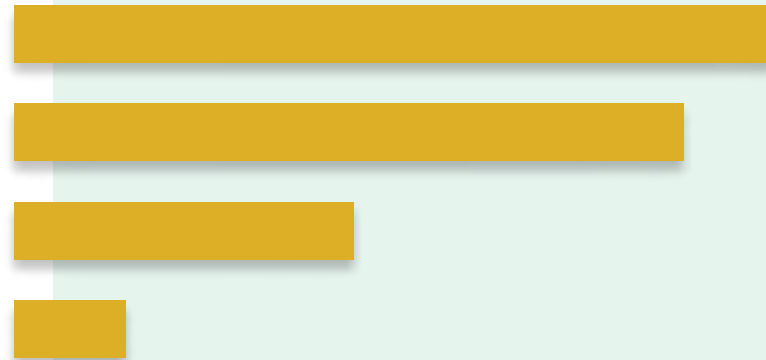
Proxy data included. Question only asked if the chair is an independent board member. Respondents were asked to select all that apply. *Indicates a count of less than 10 within a category.

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

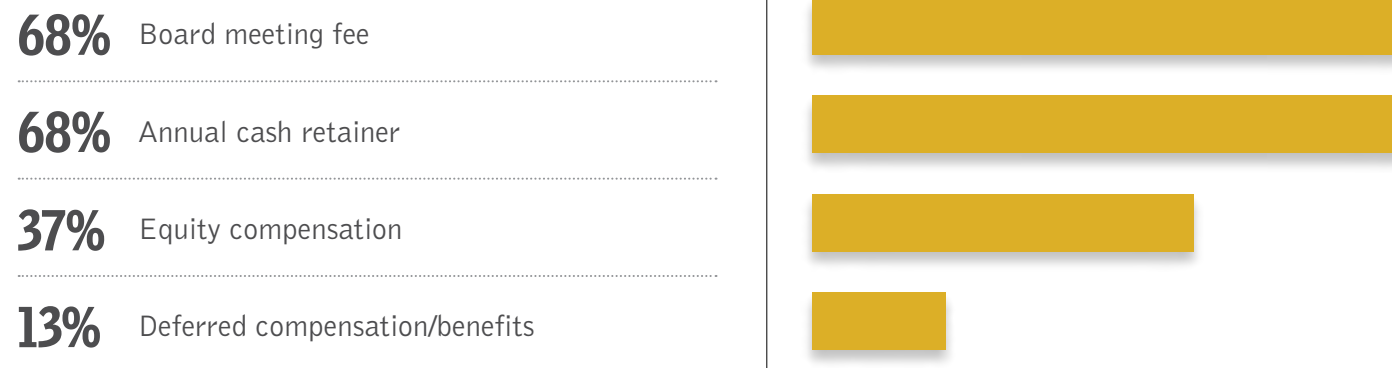
Annual cash retainer

\$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

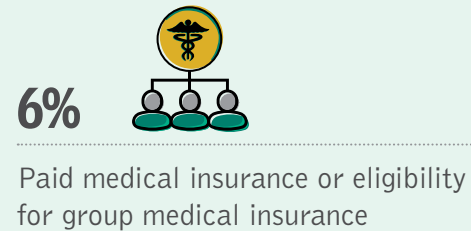
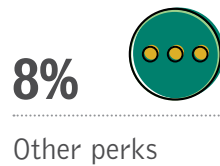
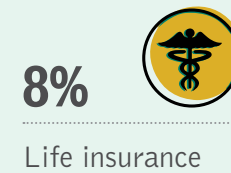
Annual cash retainer

\$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.



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	5
Risk	5	4
ALCO	5	4
Technology	4	4
Compliance	4.5	4
Trust	4	4

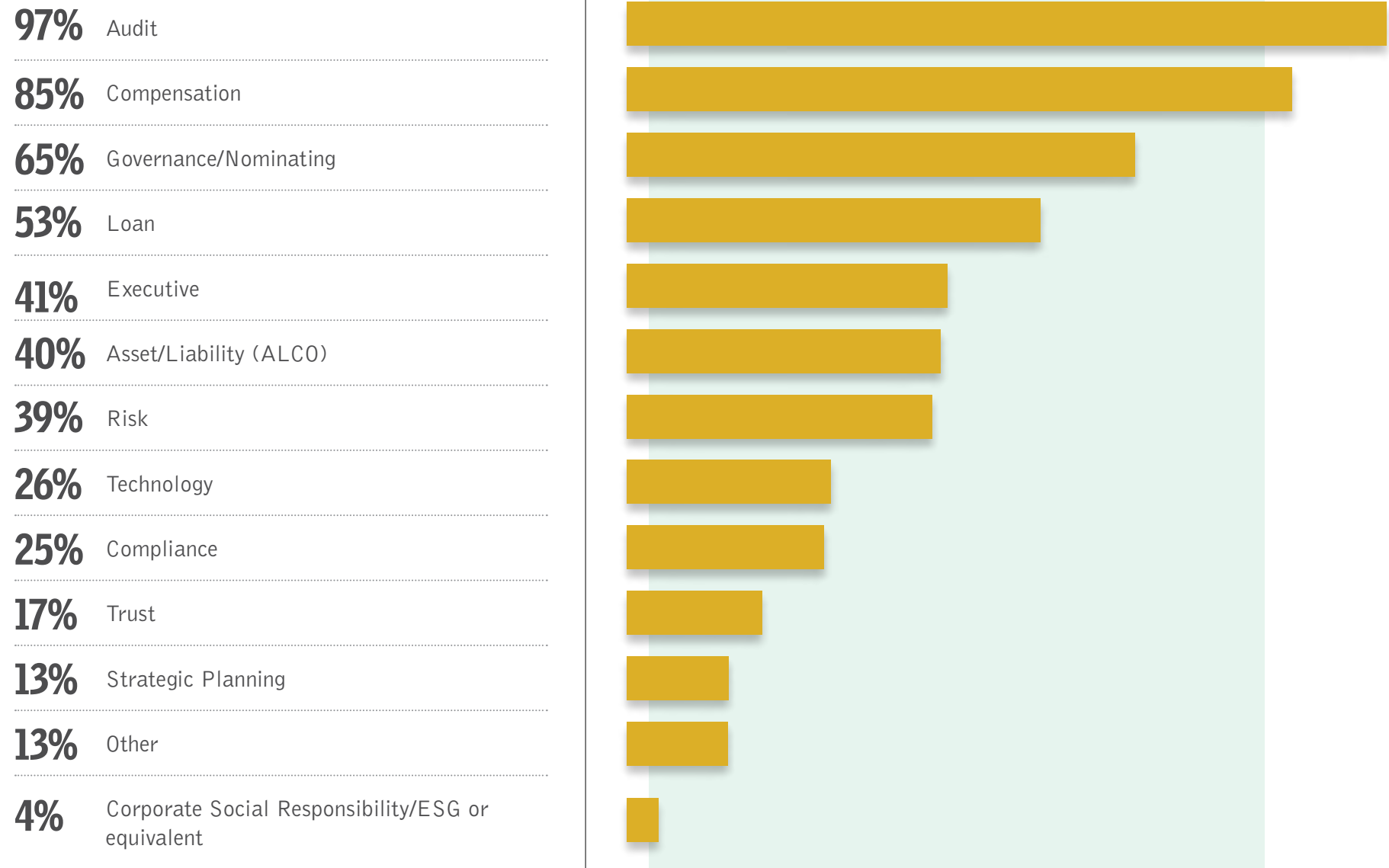
40. Does your board pay committee meeting fees or a retainer to committee members and/or committee chairs?

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

	Committee chair	Committee members
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.

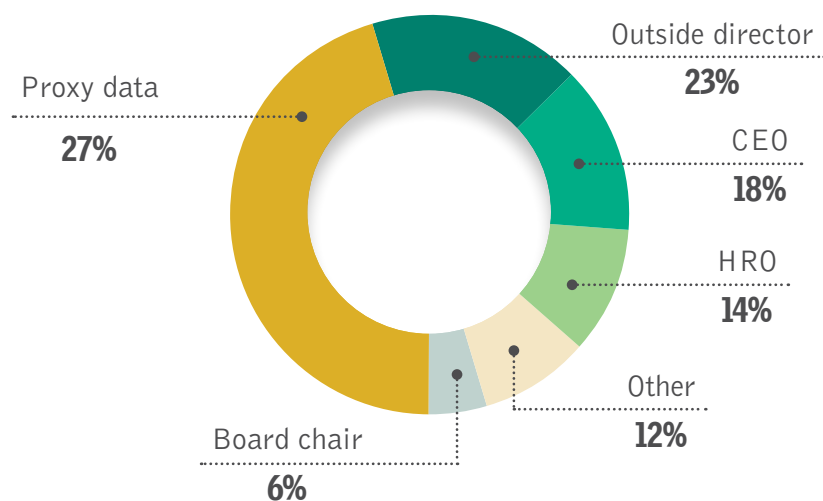
	Committee chair	Committee members
Audit	\$10,000	\$10,000
Compensation	\$8,500	\$6,000
Governance/Nominating	\$7,500	\$5,140
Loan	\$6,000	\$5,280
Executive	\$10,000	\$10,000
ALCO	\$5,000	\$4,200**
Risk	\$10,000	\$8,250
Technology	\$17,500	\$10,000
Trust	\$9,500**	\$5,500**
Compliance	\$10,000	\$10,000**

ABOUT THE SURVEY

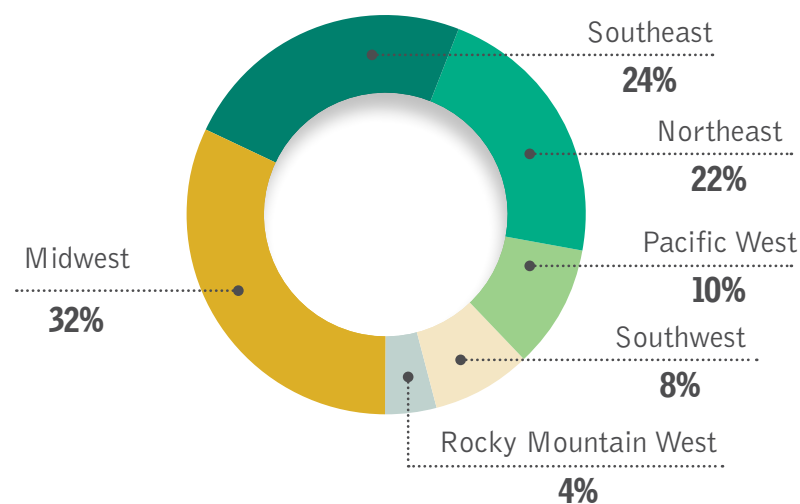
Bank Director's 2023 Compensation Survey, sponsored by Chartwell Partners, surveyed 289 independent directors, CEOs, human resources officers and other executives of U.S. banks below \$100 billion in assets. The survey was conducted in March and April 2023. Compensation data for directors, non-executive 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.

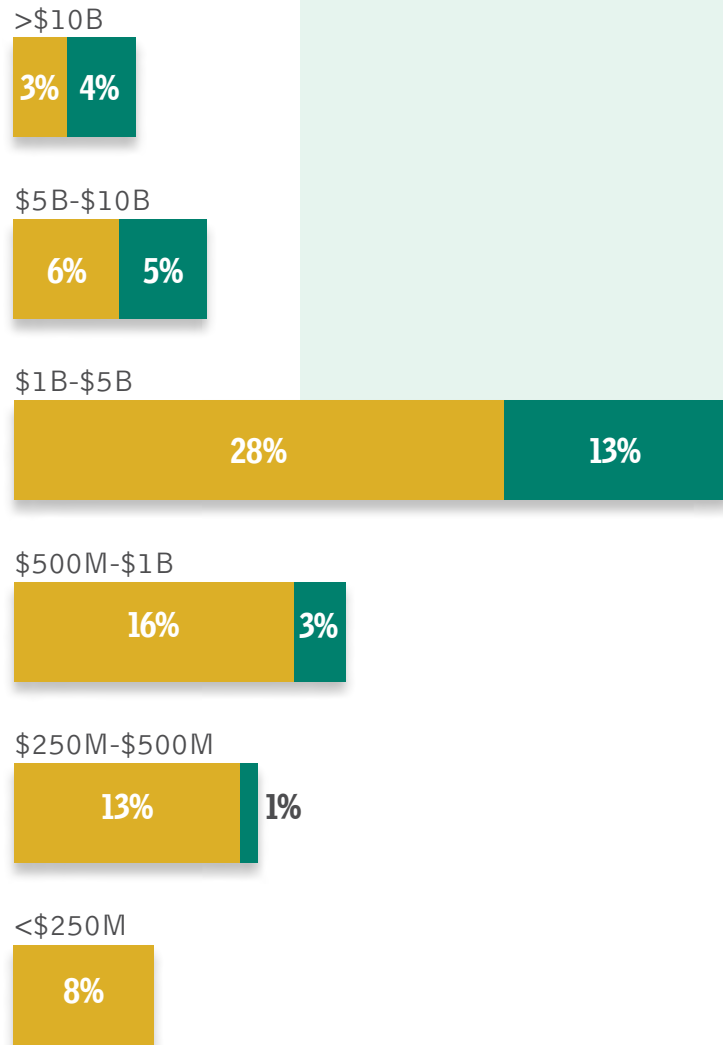


REGION*



*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)

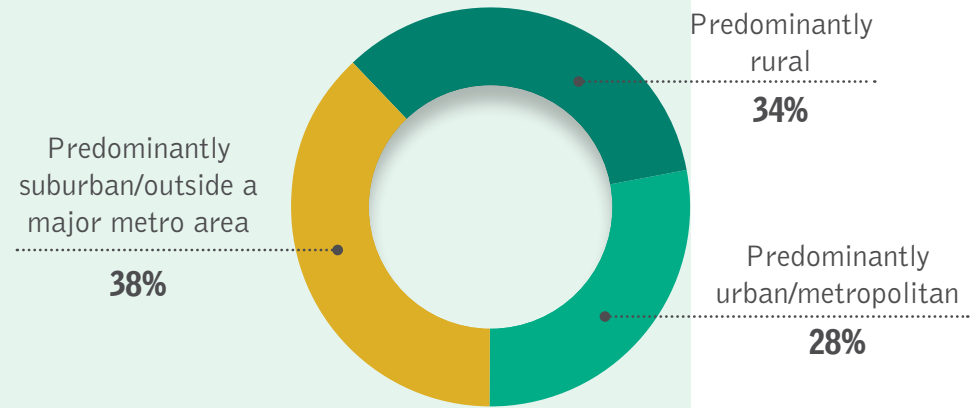
ASSET SIZE



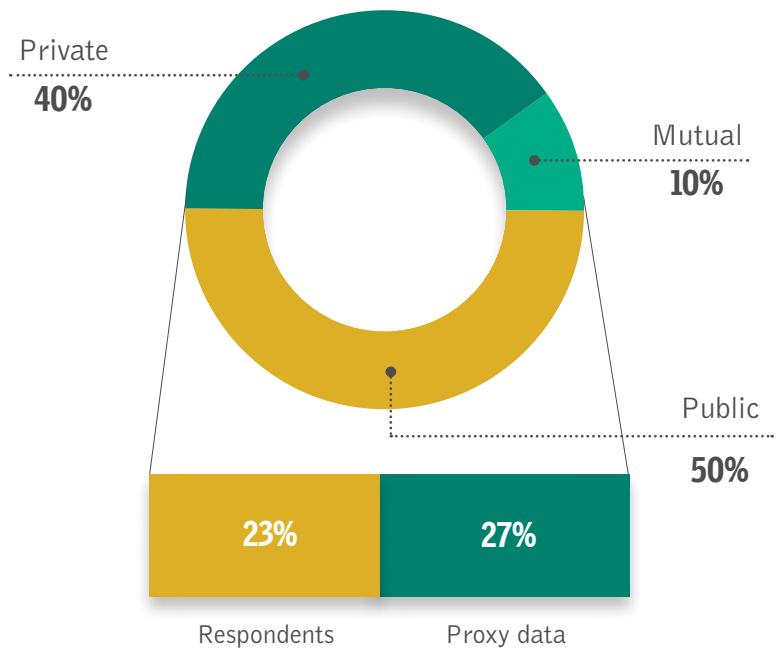
■ Respondents

■ Proxy

PRIMARY MARKET



OWNERSHIP STRUCTURE



Respondents

Proxy data