

# 2009 INDEPENDENT BANK COMPENSATION SURVEY

## SUMMARY OF COMPENSATION LEVELS

	<i>By Asset Size in Millions of Dollars</i>						<i>By Type of Community</i>			
	Less than \$50	\$50 to \$100	\$100 to \$150	\$150 to \$250	\$250 to \$500	Greater than \$500	Rural	Resort	City- Population less than 500,000	City- Population greater than 500,000
<b>President</b>										
Salary \$	96,028	\$133,140	\$147,240	\$151,631	\$193,878	\$247,052	\$128,251	\$190,044	\$169,691	\$176,375
Bonus	4,133	11,668	14,304	24,196	48,851	33,366	15,629	39,556	23,907	15,770
Total	\$100,161	\$144,808	\$161,544	\$175,827	\$242,729	\$280,418	\$143,880	\$229,600	\$193,598	\$192,145
<b>Senior Loan Officer</b>										
Salary \$	72,405	\$93,809	\$98,641	\$101,723	\$138,110	\$127,742	\$85,903	\$131,278	\$113,329	\$130,520
Bonus	5,709	4,906	8,157	9,909	19,121	14,740	5,716	18,800	11,183	16,100
Total	\$78,114	\$98,715	\$106,798	\$111,632	\$157,231	\$142,482	\$91,619	\$150,078	\$124,512	\$146,620
<b>Chief Financial Officer</b>										
Salary \$	56,433	\$76,145	\$89,200	\$120,514	\$168,215	\$96,001	\$87,134	\$175,000	\$114,594	\$107,074
Bonus	1,750	3,203	12,467	5,943	37,543	17,598	5,897	85,000	13,186	9,000
Total	\$58,183	\$79,348	\$101,667	\$126,457	\$205,758	\$113,599	\$93,031	\$260,000	\$127,780	\$116,074
<b>Cashier</b>										
Salary \$	52,668	\$74,029	\$74,240	\$89,564	\$114,544	\$92,815	\$67,211	\$109,143	\$91,346	\$97,142
Bonus	2,030	4,700	6,459	9,945	15,849	3,973	5,265	14,956	7,671	7,601
Total	\$54,698	\$78,729	\$80,699	\$99,509	\$130,393	\$96,788	\$72,476	\$124,099	\$99,017	\$104,743
<b>Average Branch Manager</b>										
Salary \$	43,250	\$60,308	\$62,920	\$68,374	\$73,739	\$64,283	\$63,321	\$69,500	\$67,510	\$56,940
Bonus	333	2,565	3,287	3,833	14,040	4,545	5,098	4,500	3,936	6,480
Total	\$43,583	\$62,873	\$66,207	\$72,207	\$87,779	\$68,828	\$68,419	\$74,000	\$71,446	\$63,420
<b>Average Teller</b>										
Salary \$	22,930	\$24,417	\$25,047	\$23,125	\$24,763	\$24,468	\$23,121	\$24,991	\$24,868	\$26,597
Bonus	958	657	852	853	1,096	610	972	743	652	429
Total	\$23,888	\$25,074	\$25,899	\$23,978	\$25,859	\$25,078	\$24,093	\$25,734	\$25,520	\$27,026
<b>Average Customer Service/ New Accounts Representative</b>										
Salary \$	23,320	\$30,214	\$28,575	\$29,198	\$29,574	\$28,484	\$26,904	\$28,426	\$30,469	\$31,997
Bonus	483	953	1,292	1,447	1,496	1,592	1,255	1,525	953	1,361
Total	\$23,803	\$31,167	\$29,867	\$30,645	\$31,070	\$30,076	\$28,159	\$29,951	\$31,422	\$33,358
<b>Annual Directors' Fees</b>										
<b>Board of Directors</b>										
Inside Director	\$3,144	\$6,113	\$8,450	\$6,100	\$6,308	\$6,800	\$6,056	\$2,650	\$7,523	\$3,927
Outside Director	\$3,670	\$6,159	\$10,368	\$9,710	\$10,577	\$2,467	\$7,344	\$5,144	\$7,762	\$6,833
<b>Board Committees</b>										
Inside Director	\$100	\$2,888	\$-	\$438	\$667	\$12,000	\$815	\$5,143	\$3,313	\$1,067
Outside Director	\$645	\$440	\$723	\$4,981	\$6,185	\$3,667	\$1,315	\$2,067	\$1,523	\$7,958

Amounts represent averages of anticipated salaries and bonuses for 2009 for each category described.

	Totals						Who responded?	
							Responses by state:	
Surveys mailed	65	95	56	62	52	74	404 Colorado 59, Idaho 9, Montana 22,	
Surveys returned	25	38	19	26	16	11	135 New Mexico 12, Washington 10,	
Percentage returned	38%	40%	34%	42%	31%	15%	33% Wyoming 23	

Our twenty first annual Independent Bank Compensation Survey is based on 135 responses of surveys mailed to independent banks in July 2009. Independent Community Banks in Colorado, Idaho, Montana, New Mexico, Washington, and Wyoming were included in our survey. The level of responses should provide meaningful peer group comparisons.

## Incentive Compensation Considerations for Commercial Lenders that Complement your Safety and Soundness Strategies

By: Lauren O’Connell, O’Connell Consulting Group, Inc. and Larry Martin, Bank Strategies LLC

Imagine for a moment that you’re *not* a banker. You’ve never met an examiner, “FDIC” is gibberish at the bottom of a rack brochure, and “under-performing” means your teenager got a “C” in geometry. No, in this daydream, you own a fast food restaurant and you’ve just hired a new employee, Joe. He has three jobs: keep the napkin holders filled, greet customers, and fetch soda refills.

And let’s say that, of the three, the only one you can observe with any certainty is the state of the napkin holders. So every time you see that the napkins are getting low, you yell at Joe. When the napkin holder is full, you pat Joe on the back and slip another \$5 into his pay envelope.

Joe is no dummy. After about a week, your napkin holders are a thing of beauty – full to overflowing, bulging even. You beam at Joe. He beams back.

Then that first bonus-fattened paycheck arrives and Joe keeps an even closer eye on those napkins. No sooner does a customer take one than Joe replaces it with *two*. He even uses his breaks to plan how to get customers to take *more* napkins so he can fill the holders more often. If filling napkin holders were a pro sport, Joe would be pitching for *both* sides in the All-Star game.

Yes, Joe’s compensation is steadily rising – but at what cost to your restaurant? Are customers being greeted?

Or, is Joe so focused on attending to the napkin holders that customers are sitting alone and unhappy, soda-less and neglected? Will you walk past the pizza place down the street one day soon and see your best customers wolfing down pepperoni and swigging from full glasses of Coke?

Thus endeth the daydream – because, of course, you are a banker, and your problems are bigger than any napkin holder.

You may, though, have a lot of Joes on your team – employees, especially commercial lenders, who love to court borrowers and close loans - and have been very happy being incented to do so. But as bankers, we’re now operating in a world that’s changed substantially in a short time – and we’ve been forced by circumstances

### THREE YEAR COMPENSATION COMPARISON

	President	Sr. Loan Officer	CFO	Cashier
<b>2007</b>	\$150,952	\$97,961	\$97,985	\$72,734
<b>2008</b>	158,190	101,774	97,485	82,672
<b>2009</b>	168,862	109,927	110,141	86,774

This chart presents a three-year comparison of average compensation based on all survey responses. As the respondents to the survey may vary from year to year, these averages may not be accurate. However, the compensation trends appear to be meaningful.

### INCREASES IN BASE SALARIES OVER 2008

Total Assets	President	Sr. Loan Officer	CFO	Cashier	Average Branch Manager	Average Teller	Avg Cust Svc/New Acct Rep
< \$50 MM	1.5%	2.3%	3.8%	2.9%	0.0%	3.5%	4.2%
\$50-100 MM	0.7%	1.9%	3.8%	2.0%	3.1%	2.7%	2.4%
\$100-150 MM	4.1%	3.4%	3.0%	3.6%	3.0%	3.7%	3.8%
\$150-250 MM	1.6%	2.5%	1.9%	2.8%	2.3%	2.6%	2.6%
\$250-500 MM	3.5%	2.2%	2.9%	2.7%	2.5%	3.3%	3.1%
> \$500 MM	1.4%	2.3%	3.0%	2.5%	2.8%	3.0%	3.1%
All Banks	1.9%	2.4%	3.0%	2.6%	2.6%	3.0%	3.0%

All 2009 percentage increases were less than those in 2008.

to make substantial modifications to the way we do business and motivate our people.

As forward-thinkers, we *want* to change to survive and prosper. We *want* safety and soundness. We *want* improved asset quality, stronger relationships with lots of core deposit customers, and a focus on profitable customer retention. We even tell our employees that that’s what they should do.

But we are slow to change our compensation plans – or even worse we just eliminated them. And when we take an incentive plan away, and the ability to focus on new business development, we are left, in many cases, with bankers who are bored, not motivated and unhappy. We took away the hunt as well as the bounty!

So, what do you do?

In rebuilding their institutions, bank executives need to make it a top priority to rethink incentive compensation. It may not be completely a matter of choice. TARP funds come with important compensation considerations, and regulators are increasingly suspect of compensation plans tied to lending. Regulators, customers, and shareholders expect that bank management will focus on asset quality and long term shareholder return, rather than short-term growth.

The first step in building a better plan is to determine how well your current plan aligns with your vision, both now and a few years out when the economy picks up again. Be sure to consider if your new plan:

- rewards measurable relationships through cross-selling beyond the credit
  - motivates existing customer contact by rewarding key customer retention
  - rewards asset quality and mix as well as targeted growth
  - rewards team effort and not just individual performance
  - pays part of the incentive regularly, but escrow for customer retention and asset quality,
  - adapts well to a changing economy
- And of course make sure you define clear, measurable metrics and can accurately track performance.

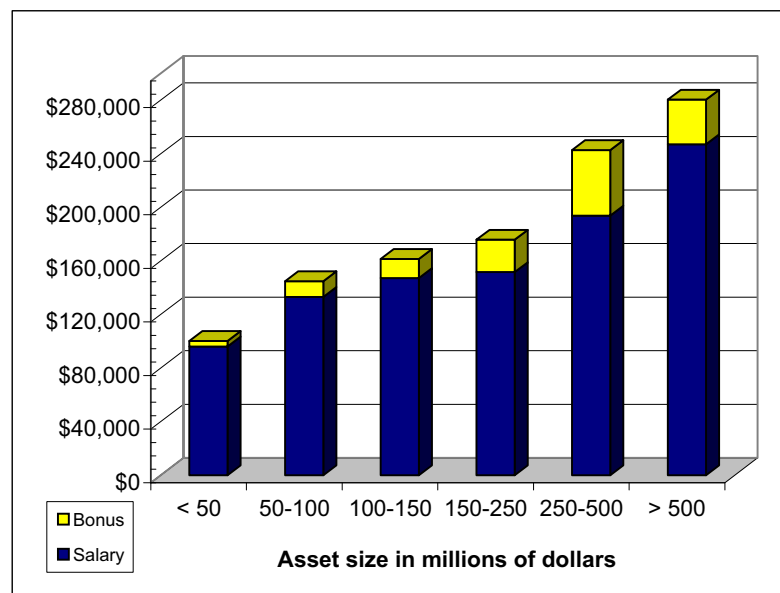
Based on these considerations, build a new plan that truly does shape and reward the behaviors you want – one that will align the best interest of your employees with those of your institution.

Will you get push-back? Probably – few of us actually *like* change – but you may also be surprised at how willingly your top people hop on board. Good people want to be part of an organization with an achievable and worthwhile mission. They want to succeed – and they can’t succeed unless they know the rules.

Remember that “the bank” doesn’t produce change. Employees do – every day in every way, through the priorities they set, the customers they target, the attention they give to different products, tasks, people, and how fully they buy into your vision. One of your greatest tools to make sure that your key people are motivated to do the right things is easily your incentive plan.

Larry Martin and Lauren O’Connell are Denver, Colorado based bank consultants with decades of experience helping community bank Presidents and their Boards improve the performance, survivability and shareholder value of community banks. Their contact information is: [Larry@BankStrategiesLLC.com](mailto:Larry@BankStrategiesLLC.com) or 303-618-0056 [Lauren@OConnellConsultingGroup.com](mailto:Lauren@OConnellConsultingGroup.com) or 303-795-3539

### PRESIDENTS’ COMPENSATION



## HOW DOES YOUR BANK COMPARE?

IF YOU DID NOT PREVIOUSLY REQUEST A CUSTOMER SURVEY REPORT, SIMPLY COMPLETE THE ENCLOSED POSTCARD, AND WE WILL SEND YOU A SERIES OF REPORTS, SEGMENTED BY VARIOUS COMBINATIONS OF:

- ASSET SIZE
- STATE
- COMMUNITY TYPE

A SAMPLE CUSTOMIZED REPORT IS SHOWN BELOW. THE PEER GROUP SAMPLE IS FOR BANKS WITH \$50 TO \$100 MILLION ASSETS, LOCATED IN COLORADO RURAL COMMUNITIES.

Fortner, Bayens, Levkulich & Garrison, P.C. 2009 INDEPENDENT BANK COMPENSATION SURVEY Custom Survey Results For: Sample Bank								
<b>Demographic Data</b>								
Total Assets:	\$250 to \$500 million			Estimated return on average assets for 2009:				
Community:	Not sorted by type of community			C Corp		S Corp		
State:	Not sorted by state			Average		Median		
				0.71%		0.90%		
Number of responses:	16			Average Total Assets:		\$356		
				Median		0.87%		
				0.62%				
EXECUTIVE & STAFF COMPENSATION								
	President		Senior Loan Officer		Chief Financial Officer		Cashier	
	Average	Median	Average	Median	Average	Median	Average	Median
<b>Current annual salary</b>	\$ 193,878	\$ 192,150	\$ 138,110	\$ 129,600	\$ 168,215	\$ 168,000	\$ 114,544	\$ 115,520
Estimated bonus or incentive pay for 2009	48,851	21,834	19,121	12,747	37,543	22,630	15,849	11,300
<b>Total</b>	<b>\$ 242,729</b>	<b>\$ 213,984</b>	<b>\$ 157,231</b>	<b>\$ 142,347</b>	<b>\$ 205,758</b>	<b>\$ 190,630</b>	<b>\$ 130,393</b>	<b>\$ 126,820</b>
Percentage increase in base salary over 2008	3.53%	3.00%	2.22%	3.00%	2.90%	3.00%	2.67%	3.00%
Years in current position	9	6	7	7	6	5	9	8
<b>Other Compensation:</b> (% indicating "yes" response)								
Supplemental life insurance	69%		53%		53%		56%	
Pension or profit sharing plan participant	94%		93%		93%		94%	
Deferred compensation/salary continuation plan	38%		40%		40%		31%	
Phantom stock or stock option plan	50%		53%		33%		56%	
	Average		Average		Average		Customer Service	
	Branch Manager	New Accounts Rep						
<b>Current annual salary</b>	\$ 73,739	\$ 72,469			\$ 24,763 \$ 24,601		\$ 29,574 \$ 28,000	
Estimated bonus or incentive pay for 2009			14,040 7,634		1,096 560		1,496 700	
<b>Total</b>			<b>\$ 87,779 \$ 80,103</b>		<b>\$ 25,859 \$ 25,161</b>		<b>\$ 31,070 \$ 28,700</b>	
Percentage increase in base salary over 2008			2.51% 3.00%		3.33% 3.00%		3.12% 3.00%	
Number of branches			6 5					
DIRECTORS' COMPENSATION								
	Average Annual Director's Fee for Service on:							
	Board of Directors				Board Committees			
	Average		Median		Average		Median	
Inside Director	\$ 6,308		\$ 7,200		\$ 667		\$ -	
Outside Director	10,557		10,000		6,185		1,900	

**Fortner, Bayens, Levkulich & Garrison, P.C.** is a Bank accounting and consulting firm, experienced in operational and organizational consulting, accounting and tax advice, mergers and acquisitions, regulatory compliance, asset management, auditing, and information system advisory services for Community Banks.

Our firm provides quality professional services to approximately 150 banks throughout the western United States. Virtually all of our business is with Community Banks.

In summary, our firm offers:

**LOAN REVIEW**, assisting banks in evaluating their portfolios, potential portfolio acquisitions, loan quality and allowance for loan loss methodology, and assessment of underwriting practices, policies, and procedures.

**ACCOUNTING AND TAX SERVICES**, including bank audit and directors' examination services, trust accounting, tax planning, as well as

consultative work, such as compensation planning, mergers and acquisitions, valuations, financing, holding company organization, fraud investigation, and estate planning.

**REGULATORY COMPLIANCE SERVICE**, including reviews structured to meet your needs, in-house training, consultation relative to regulatory issues effecting specific products and ACH activity reviews

**EDP EXAMINATIONS**, reviewing operations, organization, and control over integrated banking application hardware and software, as well as ancillary systems, service bureau functions, regulatory issues and network security.

**FORTNER, BAYENS, LEVKULICH**  
■  
& GARRISON, P.C.

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If you have any questions about this survey, or would like to discuss your Bank's issues and how our firm could help, please call David Bayens at (303) 296-6033.