

CEO Succession & Staff Retention

51st Annual Convention
September 20th , 2024

Presented By: David L. Kemp, BMI

UBPR Analysis CO

	<u>Your Bank</u>	<u>CO 24</u>	<u>CO 23</u>
▶ In Income		5.20	4.80
▶ In Expense		1.76	0.95
▶ NIM		3.62	3.82
▶ NII		0.44	0.49
▶ ROA		0.99	1.26
▶ ALLL		1.33	1.35
▶ Past Due/ Non AC		0.47	0.36
▶ Tier 1 Capital		11.25	10.96
▶ Dividends		32.2	30.1

UBPR Analysis CO

	<u>Your Bank</u>	<u>CO 24</u>	<u>CO 23</u>
▶ Loan Growth		7.33%	11.21%
▶ Personnel Expenses		1.57	1.52
▶ Other Expenses		0.85	0.83
▶ Eff Ratio		68.7%	62.9%
▶ Avg Personnel Exp		\$105.77	\$98.85
▶ Assets Per FTE		7.15	6.77

UBPR Analysis CO

▶	<u>Your Bank</u>	<u>CO 24</u>	<u>CO 23</u>
▶	DDA	26.62	29.61
▶	MM Accts	17.41	18.08
▶	Other Savings	9.05	10.92
▶	TD @ Limits	17.07	14.48
▶	TD Above Limits	8.64	6.38
▶	FHLB	2.32	2.05
▶	ROE	10.11%	14.30%
▶	ROE, Dividends	3.93%	4.96 %
▶	L/D	76.8	75.0

CEO Succession Planning

- ▶ Succession Planning is one of the important roles of the Board:
 - It's the Board's ultimate decision
 - It's not the chairman's decision
 - It's not the current CEO's decision
- ▶ “Professional” Boards tend to focus more on the bank's strategy and holding the CEO accountable and less on business development
- ▶ It is very common now for senior executives to have psychological profiles
 - What kind of leader are they?
 - What is their personality type

CEO Succession Planning

▶ Insider vs. Outsider

- Last year 81% of financial services CEOs were promoted from within
- Insiders could help the organization more rapidly adapt to industry changes
- Someone who knows the organization could move more quickly
- The Board should review the resumes of internal candidates

▶ Outsiders are needed when:

- A big turn around or crisis occurs
- Rapid growth; may require someone with a larger company (experience at scale)

CEO Succession Planning

- ▶ It's important for Boards to see how CEOs can deal with a variety of different stakeholders
 - Regulatory
 - Governmental
 - Customer
 - Stockholders
- ▶ Effective transition
 - The Board should develop an onboarding plan
 - Clearly define authority of outgoing CEO

CEO Succession Planning

- ▶ Universal traits of effective CEOs
 - Integrity
 - Smarts
 - The ability to communicate
 - Take in information and make decisions
 - The ability to rally the organization
 - Align key execution objectives
 - Chief driver of culture
 - Be an outstanding people leader
- ▶ Succession plans are needed for the entire C – Suite

Compensation Issues 2024!

- ▶ 2024 has revealed continued pressure on bank's bottom line, as personnel cost continue to rise. Both components of compensation are under pressure:
 - Direct wages and bonuses
 - Benefits
- ▶ Leveraging Commercial Lenders
 - 49% Offer incentive pay for Deposits
 - 22% Are considering Deposit Incentives
 - 26% Offer no Deposit Incentives
 - Treasury Management is increasingly important

Compensation Issues 2024!

- ▶ In which areas do you expect your bank to increase staff in 2024?
 - 57% Commercial/Business lenders
 - 37% Technology/IT
 - 27% Risk/Compliance
 - 21% Cyber Security
- ▶ CEO Succession Timing
 - 49% of banks expect their CEO to retire in 5 – 10 years
 - 39% have a timeline for their CEO's plans but no identified successor candidates
 - 29% have identified one or more candidates

What Are Workers Expectations?

- ▶ Workers increasingly value:
 - Higher wages
 - Faster paths to development vs. Loyalty to employer
- ▶ People are more career focused
 - They do not expect to work anywhere for 20 years
 - Where can existing employees add value, and
 - Invest in them and let them do their job
- ▶ Where will new C-Suite talent come from?
 - 75% are looking at external candidates
 - 44% will consider buying another bank
 - 37% expect to consider engaging consultants
 - 26% will look outside of current market

Proactive Steps to Make Your Bank More Attractive!

- ▶ Tightening data processing contracts
- ▶ Addressing regulatory issues
 - Even exam criticisms
- ▶ Locking in key employees
 - Longer term contracts and noncompete clauses
- ▶ Cleaning up credit files
 - Digital files, be organized
- ▶ Gussying up facilities
 - Deferred maintenance
- ▶ Planning for the transition
 - Timing the deal to your CEO's retirement (2–3 years)