

Pearl Meyer

Looking Ahead to Executive Pay Projections in 2025 Banking Edition

Executive Summary

December 2024

Introduction

Pearl Meyer's "Looking Ahead to Executive Pay Projections in 2025" is an online survey conducted in late September to early October 2024 with participation from 51 financial services companies.

The pay projections survey addresses anticipated financial performance outcomes for 2024, projected award funding outcomes for short-term incentive (STI) and long-term incentive (LTI) cycles ending in 2024, anticipated use of discretion, and 2025 projections for base salary increases and LTI grant values.

We believe this information will serve as a useful tool as your organization prepares for year-end pay determinations and Fiscal 2025 compensation planning.

Please feel free to contact us with any questions.

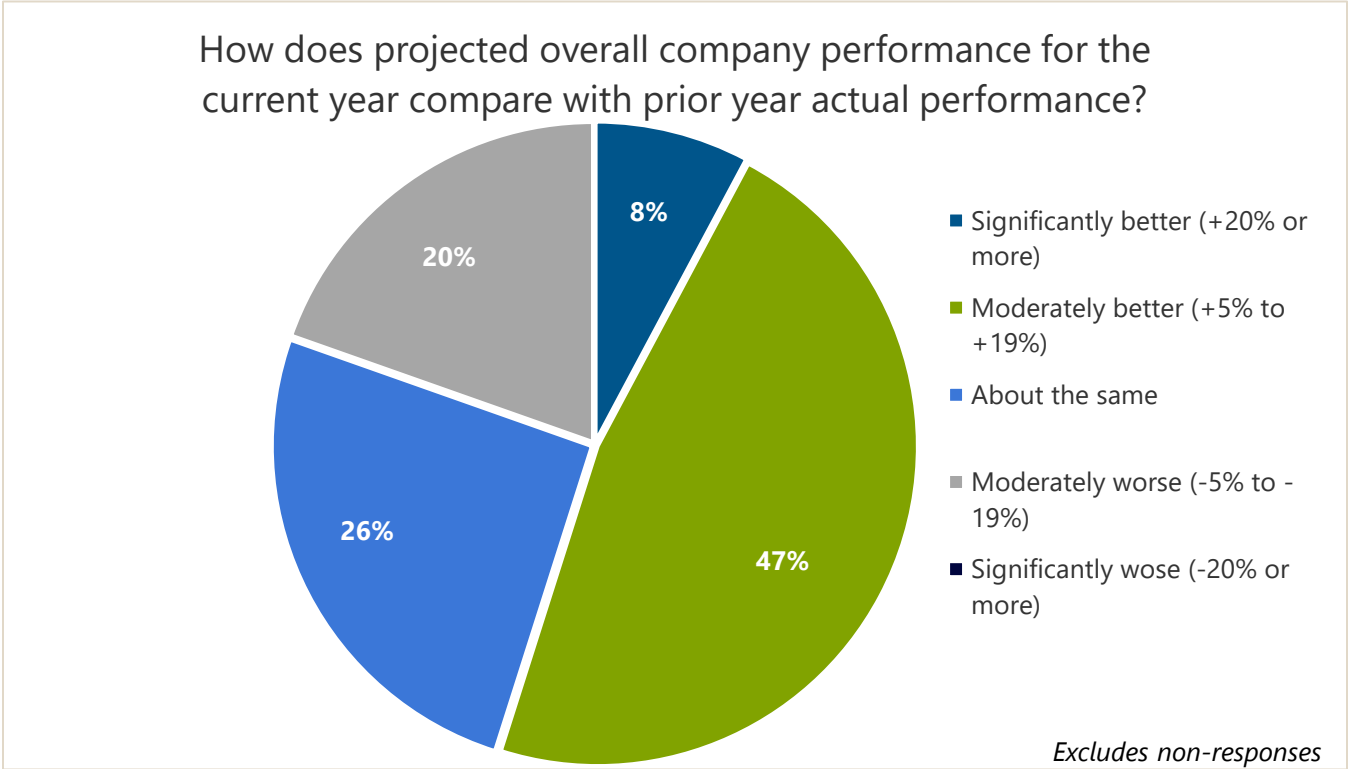
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Overall Performance Projections vs. Prior Year

- + Expected performance for FY 2024 significantly improved relative to FY 2023 projections and is consistent with FY 2022 projections, with nearly 55% of respondents expecting year-over-year (YOY) increases, 26% expecting results in line with last year, and nearly 20% expecting moderately worse results YOY. No respondents expected significantly worse results this year.
 - Prevalence of anticipated YOY improvement occurred among all categories but was highest among +\$10B asset banks.



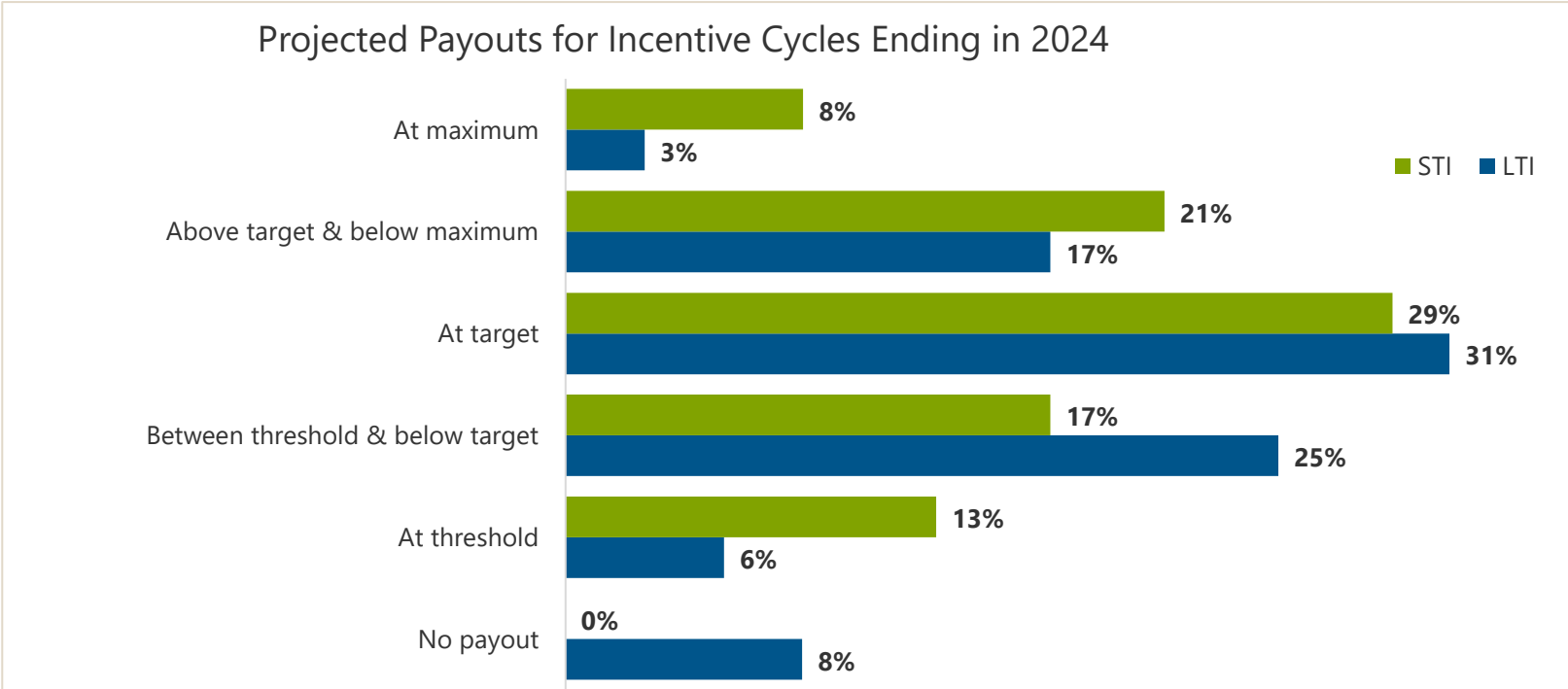
Pay Projections

- + Salary increase projections for 2025 are moderating somewhat vs. expectations in 2024 (particularly at the 75th percentile) given lowered inflation and some easing of the employment market, but remain above longer-term historical levels, with 50th percentile overall values equal to 4.0% for executives and 3.5% for other employees.
 - All respondents expect increases for senior executives and for other employees.
 - Nearly 80% of respondents anticipate increases similar to the actual levels provided in 2024.

Employee Category	Average %	50 th Percentile %	75 th Percentile %
CEO	4.0%	4.0%	4.8%
CEO Direct Reports	3.9%	4.0%	4.3%
Other Employees	3.6%	3.5%	4.0%

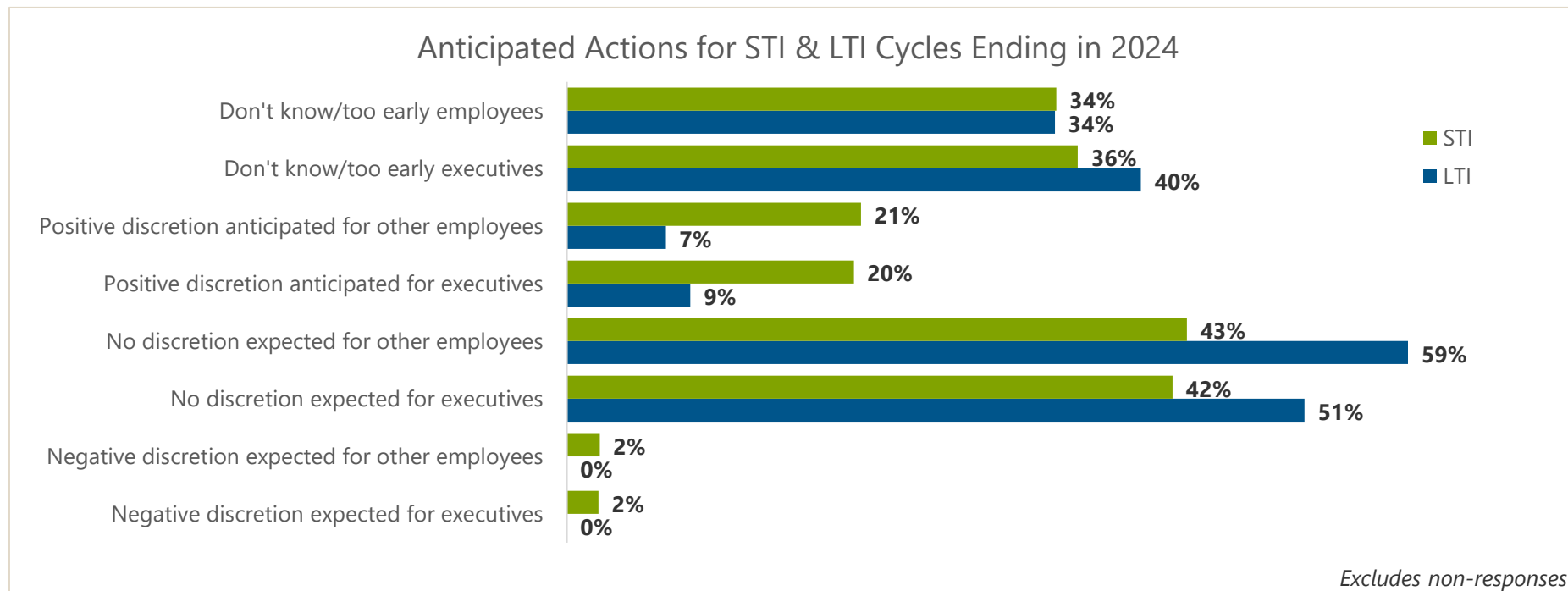
Pay Projections

- + Respondents (excluding those answering "don't know") are significantly more optimistic regarding expected STI payouts for incentive cycles ending in 2024 than last year, with the percentage of those projecting above target payouts nearly doubling.
- + Expectations for LTI payouts are more nuanced, with more reporting expectations to payout above target and fewer expected to payout at threshold. Over half (again excluding those answering "don't know") expect payout at target or between threshold and below target.



Anticipated Use of Discretion for Incentive Cycles Ending in 2024

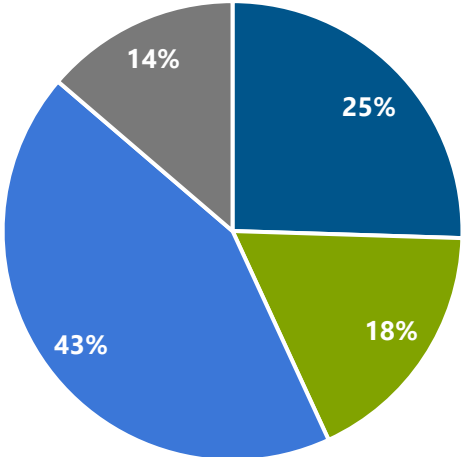
- + Possible discretionary actions remain somewhat elevated compared to cycles before 2023 with ~20% anticipating positive discretion on STI while 50%-60% expect no discretion for LTI cycles ending in 2024.
 - Larger organizations are likely to consider adjustments for either the STI or LTI cycles ending in 2024.



- + Among respondents anticipating adjustments, the most commonly cited potential triggers include extraordinary changes in interest rates (42%), unanticipated transactions (27%), technology-related disruptions (24%), and asset write-downs/goodwill impairment (18%).

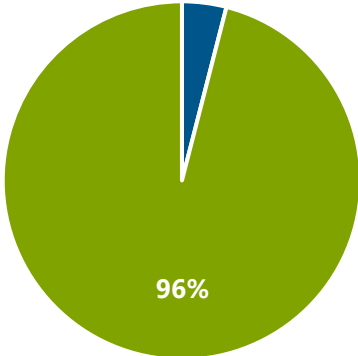
Demographics

Asset Size



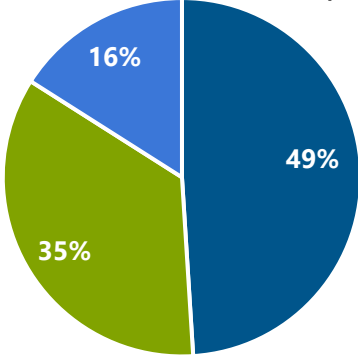
■ Less than \$1B ■ \$1B to \$3B Assets ■ \$3B to \$10B Assets ■ \$10B Assets or greater

Respondent Role



■ Board member ■ Employee

Form of Ownership



■ Public ■ Private ■ Credit Union