

# Data-Driven Leadership

Smarter Board Decisions & CEO Evaluations



d. hilton associates inc.

### Proprietary Information

The following pages contain information and methodology proprietary to D. Hilton and should not be revealed to outside parties (e.g., other credit unions, local businesses, investment brokers, attorneys, consultants, vendors, or D. Hilton competitors) without the express written consent of D. Hilton Associates, Inc.



## Executives Drive Change

The key to a credit union's performance improvement is typically not technology investments, organizational restructuring, or personnel changes. While these can be beneficial, the event that usually has more impact:

Directors become committed to expecting higher performance levels from executives, and the organization rewards and recognizes success.

“Goal setting has been treated like an over-the-counter medication when it should really be treated with more care, as a prescription-strength medication”

Adam Galinsky, Ph.D.  
Kellogg School of Management

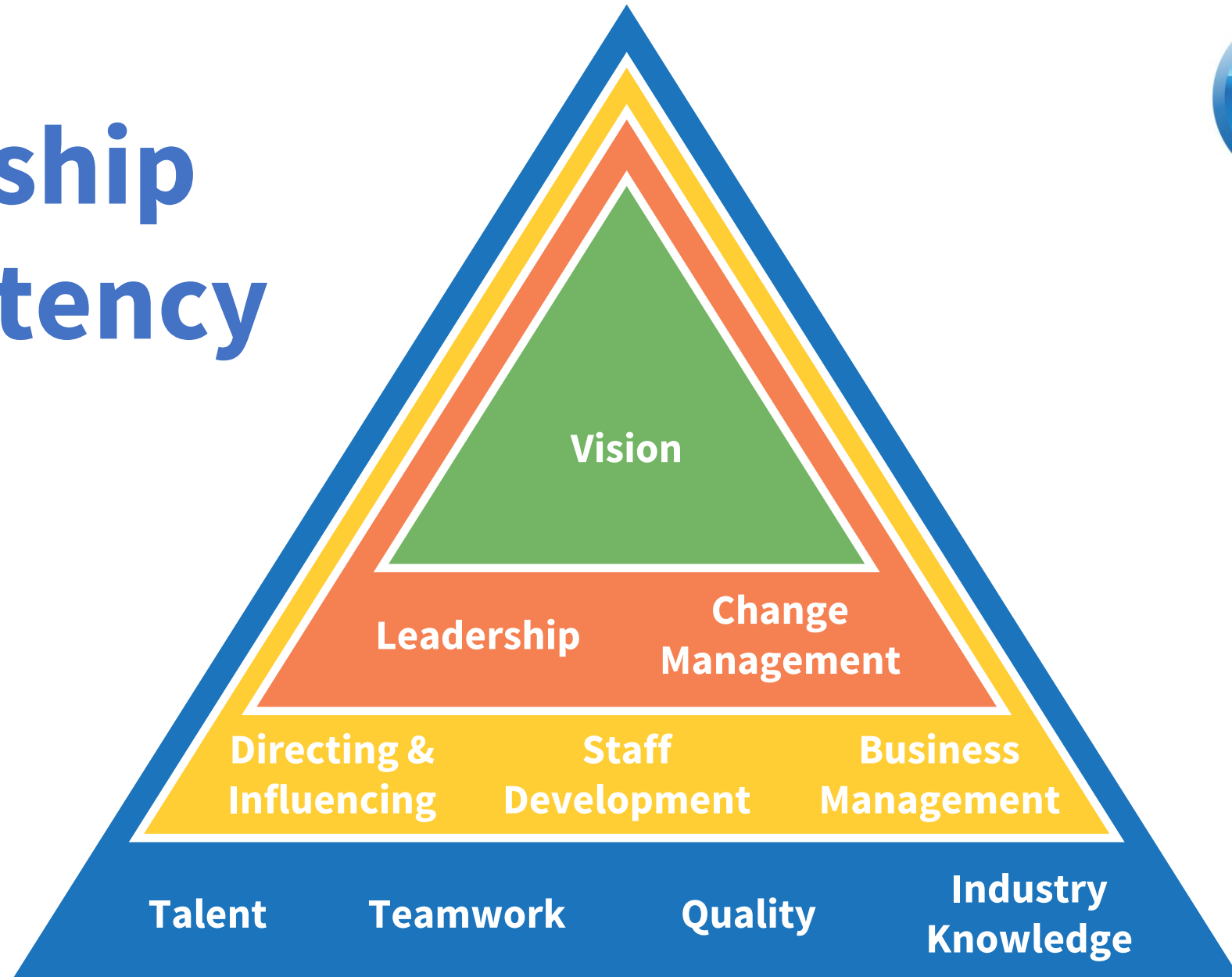
As We Strive to  
Remain Relevant  
to Our Members'  
Lives, We Must Do  
Three Things Very  
Well.

- 1. Innovation** (act like a fintech)
- 2. Experience** (focus on differentiation)
- 3. Fulfilment** (when/where members desire to do business)

It's a given that our senior-most leaders are technically competent. We must ask our senior-most leaders to now be cross-functional contributors (in addition to silo experts). It's not a given that all executives have the competencies to lead in this type of structure.



# Leadership Competency Model





# History of Compensation

## 30 Years Ago

- People shouldn't expect to make much money at a nonprofit
- Low Pay with No Risks

## 15 Years Ago

- Need Revenue for Service Expansion
- Moderate Pay w/ Low Risk Incentives

## ▪ Today

- Need "Social Entrepreneurship to Compete/Survive"
- Results-Oriented Risk



# Reaffirming Your Pay Philosophy

## Above Market

- High Demand / Low Supply
- High Performance = 75<sup>th</sup> Percentile

## Market Premium

Eliminates More Risk

## At Market

- Demand = Supply
- Market Performance = 50<sup>th</sup> Percentile

## Market

Eliminates ½ the Risk

## Below Market

- Low Demand / High Supply
- Lag Performance = 25<sup>th</sup> Percentile

## Market Discount

Execs are Commodities





**WIN  
PRIZES!**



# How to Approach a Consultant's Report

**Ask Some  
Questions!**



# What's Your Assessment?

Survey	Scope	Subjects	Weighting	25 <sup>th</sup> Pctl	50 <sup>th</sup> Pctl	75 <sup>th</sup> Pctl
Bank Industry Survey	> \$3B	35	10.00	\$490.3	\$671.9	\$839.8
Consulting Firm Banking and Credit Union Cut	> \$3B	44	10.00	\$625.6	\$694.4	\$765.0
2024 990 Peer Group	2024	14	50.00	\$681.2	\$771.3	\$875.0
Web-Based Survey Banking and Financial Cut	National Data	267	10.00	\$445.7	\$550.3	\$762.2
CU Industry Survey	> \$3B or More	11	20.00	\$610.1	\$660.7	\$870.6

# Is More Better?

Survey	Scope	Subjects	Weighting	25 <sup>th</sup> Pctl	50 <sup>th</sup> Pctl	75 <sup>th</sup> Pctl
Bank Industry Survey	> \$3B	35	10.00	\$490.3	\$671.9	\$839.8
Consulting Firm Banking and Credit Union Cut	> \$3B	44	10.00	\$625.6	\$694.4	\$765.0
2024 990 Peer Group	2024	14	50.00	\$681.2	\$771.3	\$875.0
Web-Based Survey Banking and Financial Cut	National Data	267	10.00	\$445.7	\$550.3	\$762.2
CU Industry Survey	> \$3B or More	11	20.00	\$610.1	\$660.7	\$870.6

## Case Study – 990 Data w Background

Year	CEO	Base	Incentive	Notes
2024	CEO #4	\$975,000	\$120,505	Internal Hire
2023	CEO #3	\$1,200,000	\$57,003	1 <sup>st</sup> Outsider w/ CEO experience / prime of career
2022	CEO #2	\$1,300,000	\$51,297	Final Year
2021	CEO #2	\$2,900,000	\$126,510	Year 4 (includes SERP Distribution)
2020	CEO #2	\$830,000	\$41,089	Year 3 (Pandemic Stabilization)
2019	CEO #2	\$715,000	\$40,493	Year 2
2018	CEO #2	\$630,000	\$38,721	Year 1 (Internal Hire)
2017	CEO #1	\$1,500,000	\$35,298	Final Year (40-year career)
2016	CEO #1	\$900,000	\$37,333	Pre-Retirement Year (split President/CEO)
2015	CEO #1	\$860,000	\$34,560	

## Case Study – Historical Data

Year	CEO	Base Pay	% Increase	Var Pay % of Base	Assets (billions)	Members	Capital
24	CEO #4	\$975,000	-23.1%	12.4%	\$10.70	282,000	9.93%
23	CEO #3	\$1,200,000	-8.3%	4.8%	\$10.00	275,000	10.70%
22	CEO #2	\$1,300,000	-123.1%	3.9%	\$10.20	270,000	11.00%
21	CEO #2	\$2,900,000	71.4%	4.4%	\$9.80	260,000	10.90%
20	CEO #2	\$830,000	13.9%	5.0%	\$9.50	251,000	10.80%
19	CEO #2	\$715,000	11.9%	5.7%	\$9.20	244,000	11.10%
18	CEO #2	\$630,000	-138.1%	6.1%	\$9.00	236,000	11.00%
17	CEO #1	\$1,500,000	40.0%	2.4%	\$8.70	228,000	10.70%
16	CEO #1	\$900,000	4.4%	4.1%	\$8.50	220,000	10.80%
15	CEO #1	\$860,000	n/a	4.0%	\$8.30	215,000	10.65%



Assignment #1

What would your  
Committee  
recommend for a  
2026 Merit Increase?

2025 Current Base Salary	Compensation Strategy	D. Hilton Market Base Salary	2026 Base Salary Index
\$975,000	50.0 <sup>th</sup> Pctl	\$1,125,800	86.6%
	62.5 <sup>th</sup> Pctl	\$1,228,000	79.4%
	75.0 <sup>th</sup> Pctl	\$1,282,100	76.0%
	90.0 <sup>th</sup> Pctl	\$1,717,900	56.8%

Assignment #2  
What would your  
Committee  
recommend for a  
2026 Incentive  
Target?

2025 Current Total Cash Opportunity	Compensation Strategy	D. Hilton Market Base Salary	Market Ttl Cash Variable	D. Hilton Market Ttl Cash	2026 Total Cash Index
\$1,121,250	50.0 <sup>th</sup> Pctl	\$1,125,800	50.0%	\$1,688,700	66.4%
	62.5 <sup>th</sup> Pctl	\$1,228,000	60.0%	\$1,964,800	57.1%
	75.0 <sup>th</sup> Pctl	\$1,282,100	70.0%	\$2,179,570	51.4%
	90.0 <sup>th</sup> Pctl	\$1,717,900	85.0%	\$3,178,115	35.3%

Current Annual Incentive Target is 15% of Base

# How to Read a Proxy



*“In determining the competitiveness of compensation compared to the market, the Committee, with the assistance of its independent compensation consultant, regularly reviews the compensation of our executive officers against the Company’s peer group and against survey data from a larger segment of companies within the financial services industry.*

*The Committee believes that peer group construction revolves around finding a balance between including relative companies that match in size and focus and enough companies to make comparisons meaningful. The companies listed are those that the Committee believes are appropriate for compensation benchmarking purposes due to industry, asset size, revenue, and market capitalization.”*



### Compensation Peer Group

Company	Ticker	12/31/2023 Assets (\$ in millions)	12/31/2023 Market Cap (\$ in millions)
U.S. Bancorp	USB	663,491	67,387
PNC Financial Services Group, Inc.	PNC	561,580	61,683
Truist Financial Corporation	TFC	535,349	49,239
Capital One Financial Corporation <sup>(1)</sup>	COF	478,464	49,937
Citizens Financial Group Incorporated	CFG	221,964	15,451
Fifth Third Bancorp	FITB	214,574	23,488
M&T Bank Corporation	MTB	208,264	22,750
Huntington Bancshares Incorporated	HBAN	189,368	18,420
KeyCorp	KEY	188,281	13,482
<b>Regions Financial Corporation</b>	<b>RF</b>	<b>152,194</b>	<b>18,025</b>
Zions Bancorporation	ZION	87,203	6,499
Comerica Incorporated	CMA	85,834	7,360
First Horizon Corporation	FHN	81,661	7,912
Synovus Financial Corporation	SNV	59,810	5,506

## Compensation Peer Group

\$275.1 Billion (average peer)

\$208.3 Billion (median peer)

*“In addition to peer group data annually, the Committee’s independent compensation consultant periodically reviews the Company’s total comp program against broader financial services industry survey data compiled by other sources (including compensation surveys prepared by McLagan, a leading performance/reward consulting and benchmarking firm focused specifically on the financial services industry). All of this information is used by the Committee when it considers the competitiveness/appropriateness of the amount and composition of pay at Regions.”*

Company	12/23 Assets (billions)
U.S. Bancorp	\$664
PNC Financial Services	\$562
Truist Financial Corporation	\$535
Capital One Financial Corporation	\$479
Citizens Financial Group	\$222
Fifth Third Bancorp	\$215
M&T Bank Corporation	\$208
Huntington Bancshares	\$189
KeyCorp	\$188
<b>Regions Financial Corporation</b>	<b>\$152</b>
Zions Bancorporation	\$87
Comerica	\$86
First Horizon Corporation	\$82
Synovus Financial Corporation	\$60





## Activity Metrics

The foundation you need to dig before you can start constructing the building the organization wants.

- Show you have been busy
- Moved through various milestones
- Typically non-financial metrics

## Impact Metrics

If activity metrics are the foundation, you can think of impact metrics as the building that eventually rises out of that foundation.

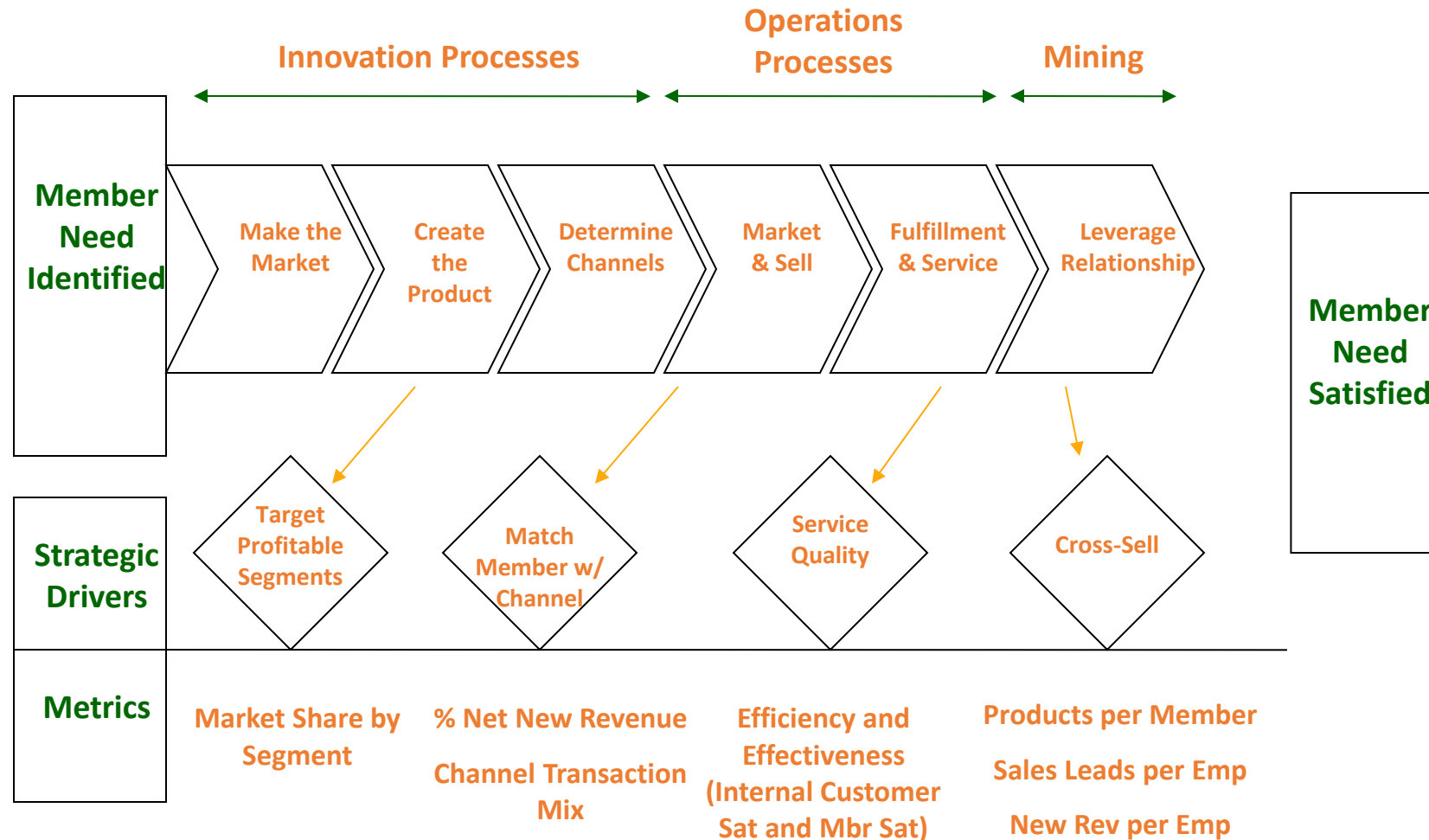
- Tangible results delivered to the organization or its members
- Usually, financial metrics



# Calibration Theory

Level of Bonus Opportunity	Strategy	Market Practice
Maximum	<ul style="list-style-type: none"> <li>• Paid for outstanding performance</li> <li>• Generally expected to be met or exceeded 1 to 2 years out of 10</li> </ul>	<ul style="list-style-type: none"> <li>• Typically set at 30%- 100% of target</li> <li>• CUs with more predictable earnings may choose to have less leverage (upside) in their payout structures</li> </ul>
Target	<ul style="list-style-type: none"> <li>• Paid for typical, expected performance, often budget/plan</li> <li>• On average/over time, CUs should tend to pay out near target</li> </ul>	<ul style="list-style-type: none"> <li>• Target bonuses are most effective when tied to market norms</li> </ul>
Threshold	<ul style="list-style-type: none"> <li>• The lowest non-zero payout allowable under the plan</li> <li>• Generally expected to be met or exceeded 9 years out of 10</li> </ul>	<ul style="list-style-type: none"> <li>• The most common payout level for threshold performance is 80% - 90% of target.</li> </ul>

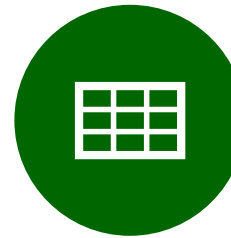
# Rewarding What's Important



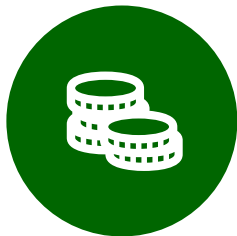
## Balanced Scorecard Concepts



Features a variety of metrics. Provides financial/member satisfaction balance.



Connects metrics to strategy. Eliminates “to do” lists & conflicting goals with no strategic impact.

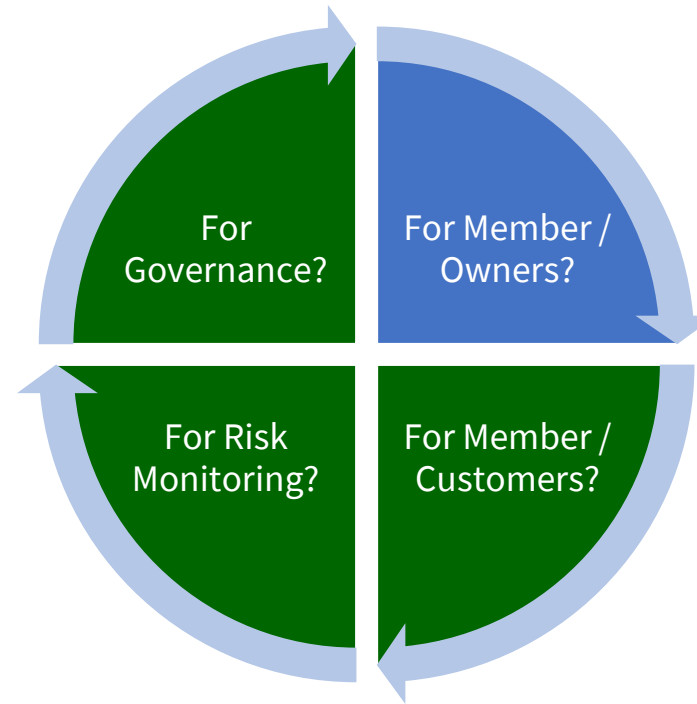


Develops a strategic budget. Investments based on anticipated return to strategic plan.



Gets everyone involved. Spotlights the connection between individual and organizational performance.

# How Do Our Owners See Us?

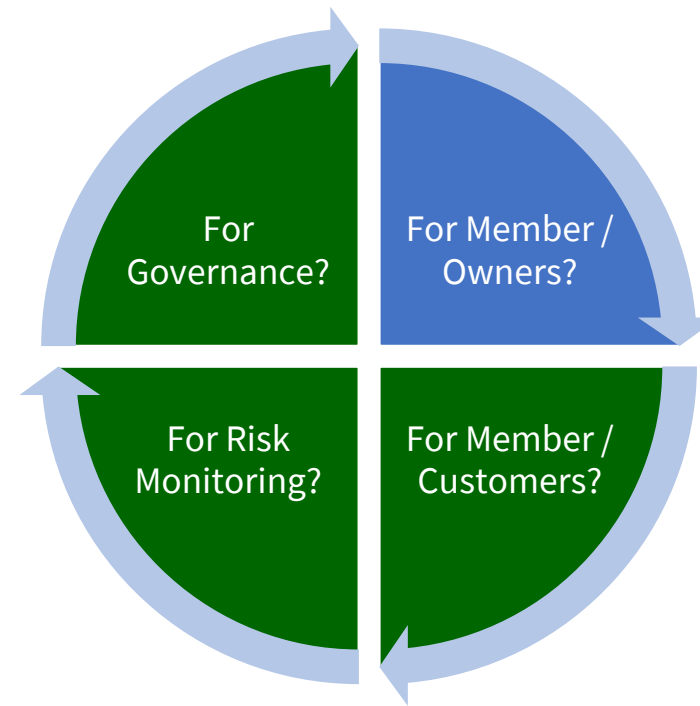


## Financial Measures

- Return on Assets
- Expenses/Assets
- Capital Ratio
- Asset Quality

- Operations Return
- Member Value
- Social Entrepreneurship
- Lifetime Value

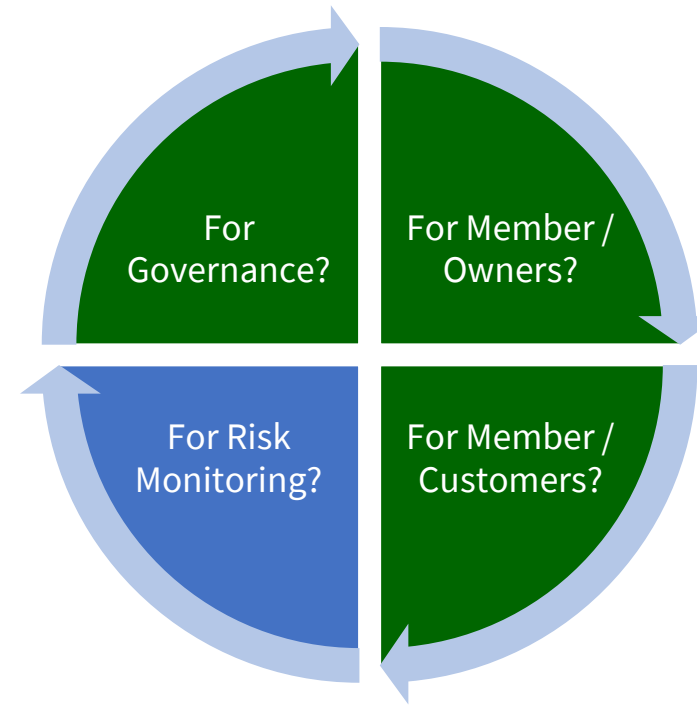
# How Do Our Members See Us?



## Member Satisfaction/Usage Patterns

Net Promoter Score (NPS)  
Conversion Rate  
Time on Site  
Member Lifetime Value (MLV)  
Customer Effort Score (CES)  
Bounce Rate  
Market Share by Segment

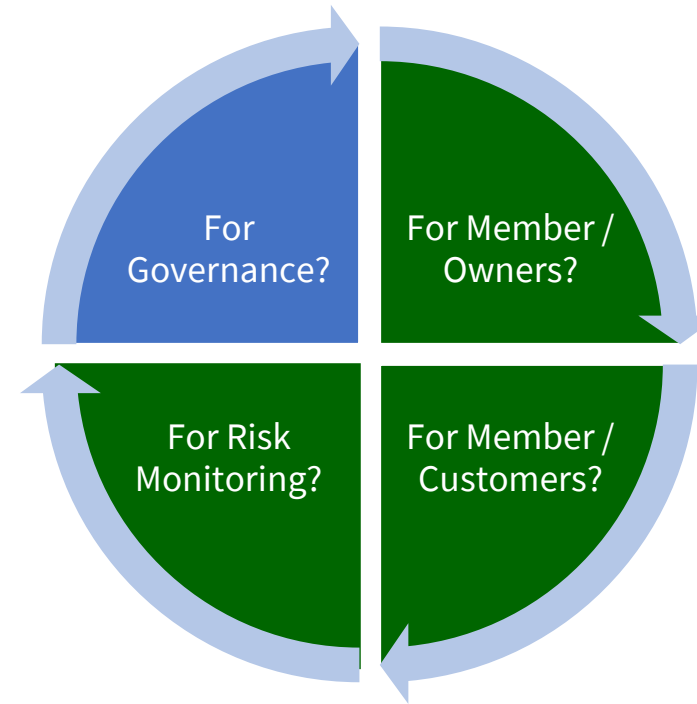
# How Can We Do Better?



## Process Enhancement/Strategic Execution

- Delivery channel transaction mix
- Mbrs have optimum control over their money
- Products per member
- Sales leads per employee
- Revenue per employee

# How Can We Deliver More Value?



## Results-Based Leadership

- Public responsibility – build relationships
- Manage to values
- Program development
- Innovativeness (good thinking)
- Integrity and accountability



# Better Data

**Access to D. Hilton's proprietary executive compensation database where you control the process. You can choose the following:**

1. Your peers
2. Asset sizes
3. Geographical locations
4. Data cuts (using percentiles)
5. Pay philosophy

**Access to total compensation:**

1. Base
2. Total Cash
3. Benefits and Perquisites
4. Retirement and Retention

# Better Results

**Access to D. Hilton's self-funding research publications:**

- Annual Compensation Forecast
- Annual Benefits Survey
- Annual SERP Survey
- Numerous White Papers
- Web-Based Master Classes

**Exclusive invitation to D. Hilton's Annual Client Symposium, to learn about our latest research initiatives and network with some of the nation's premier credit unions.**

*11<sup>TH</sup> Annual*

# Total Rewards Symposium 2025



d. hilton associates inc.