



Compensation
Advisory Partners

Industry Report // 2024-2025

Regional Banks

Compensation Advisory Partners (CAP) conducted a study of executive compensation trends in the regional banking industry. The study examined 2024 CEO compensation levels and pay practices among 40 regional banks across three groups based on FY'24 asset size: \$1B - \$5B in assets ("small banks"; n=13), \$5B - \$10B in assets ("medium banks"; n=13) and \$10B - \$20B in assets ("large banks"; n=14). This report compares both compensation levels and incentive plan design across the groups and highlights current issues facing the banking industry in 2025.

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Highlights

1 2024 Performance and Pay Outcomes

- Total CEO compensation, at median, rose by an average of 15 percent across all asset groups, compared to a 2 percent decrease in 2023 and 6 percent increase in 2022.
- Across banks in our sample, there was a return to pay growth following the disruptions of the 2023 regional banking crisis.
- Rebound in annual incentive payouts, with median increasing 30 percent in 2024 (vs. 18 percent decline in 2023). Primary driver for the increase in pay.
- Actual year-over-year performance in 2024 reflects a decline in earnings, returns and revenues.
- Banks likely set lower performance targets going into 2024, accounting for expected challenges following the 2023 regional banking crisis.
- Large banks experienced the most noticeable gains in pay, with actual bonus amounts up 50 percent and long-term incentive (LTI) grants increasing 16 percent. In comparison, small and medium banks reported bonus increases of 13 to 15 percent and LTI growth of 4 to 6 percent.

2 Total Pay Mix

- As asset size increases, CEO total pay mix shifts from fixed compensation to at-risk or variable compensation, and a larger emphasis is placed on long-term vs. annual incentives.

3 Annual and Long-term Incentive Plan Metrics

- Most prevalent annual incentive metrics include EPS, Efficiency Ratio, Asset Quality and Return on Assets (ROA) across all banks. Small and medium banks also consider Loan and Deposit levels. Consistent with prior years.
- Performance against individual goals is widely used at over half the banks in our sample.
- Most prevalent long-term incentive metrics include relative Total Shareholder Return (TSR), ROE, EPS and ROA. Consistent with prior years.

4 Change in Environmental, Social and Governance (ESG) and Diversity, Equity and Inclusion (DE&I) Metrics in Incentive Plans

- Many U.S. companies, including banks, have reduced or rebranded ESG/DE&I metrics in executive incentive plans.
- ESG/DE&I metrics are often replaced with other non-financial goals in response to growing legal, shareholder, and political pressures.
- Among the regional banks in this sample, ESG/DE&I metric prevalence was reduced from 20 percent in 2023 to 8 percent in 2024.

5 Special One-Time Awards

- Special one-time awards were granted by 13 percent of the full sample, most often to the CEO alone or to the CEO and other executives.
- Larger banks are more likely to grant one-time awards.
- Awards delivered as restricted stock units (RSUs), cash, or a mix of both.
- Awards did not include performance conditions.
- Awards typically granted in relation to merger & acquisition activity (M&A) or general retention purposes.
- Median value of CEO awards was \$550K and ranged from \$100K to \$5.6M, generally vesting over three years, consistent with the structure of annual LTI awards.

6 Looking Ahead

- After navigating significant uncertainty in 2024, U.S. regional banks benefited from strong performance in late 2024.
- Banks are well-positioned for 2025 under a more favorable operating environment, characterized by a normalized yield curve, improving loan conditions, easing regulatory pressures, and ongoing M&A momentum.
- Despite profitability improvement, stock performance only shows modest gains year-to-date.

2024 Performance and Pay Outcomes

Performance Results

In 2024, regional banks faced a difficult operating environment, decreasing net interest margins and rising funding costs which all weighed on profitability. However, some banks, particularly toward the end of the year, managed to grow earnings, supported by loan and deposit growth and improved efficiency.

Regional banks also continued to face intense competition for deposits following the 2023 banking crisis, which drove up funding costs and put pressure on liquidity. Loan growth continued to lag, and fee income was constrained by slower activity in mortgage and capital markets. Operational efficiency was challenged early in the year, leading banks to adopt cost-control measures.

When comparing all three groups in this sample, the medium banks had the best performance year in 2024, as EPS, Net Income, Pre-Tax Operating Income and PPNR declined at lower rates than the small and large banks. As of 12/31/2024, medium banks also outperformed in TSR over the 1- year period.

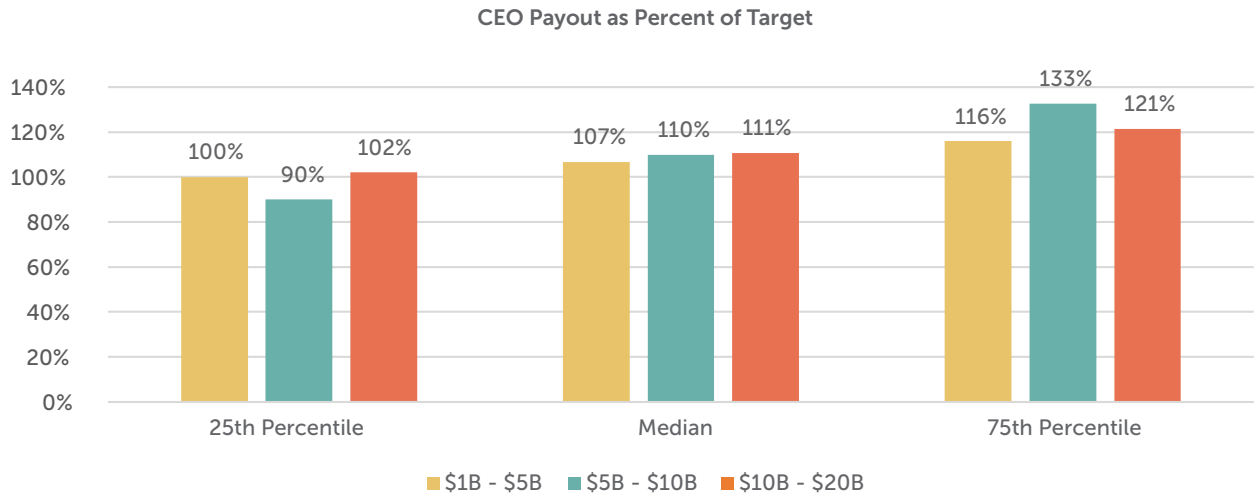
Metric	Median Percent Change Year Ended December 31, 2024		
	\$1B - \$5B	\$5B - \$10B	\$10B - \$20B
EPS	-11.0%	-2.7%	-8.6%
Net Income	-8.0%	-2.4%	-6.1%
Pre-Tax Operating Income	-7.8%	-0.3%	-5.6%
Pre-Provision Net Revenue	-9.5%	0.0%	-4.6%
Return on Equity	-127 (bps)	-130 (bps)	-133 (bps)
1-Year TSR at 12/31/24	8.6%	19.1%	12.6%
1-Year TSR at 12/31/23	-4.5%	-6.8%	-9.3%
3-Year TSR at 12/31/24 (CAGR)	6.0%	3.2%	1.5%
3-Year TSR at 12/31/23 (CAGR)	8.7%	6.9%	3.5%

Notes: CAGR = Compound Annual Growth Rate; bps = Basis points

Source: S&P Capital IQ Financial Database

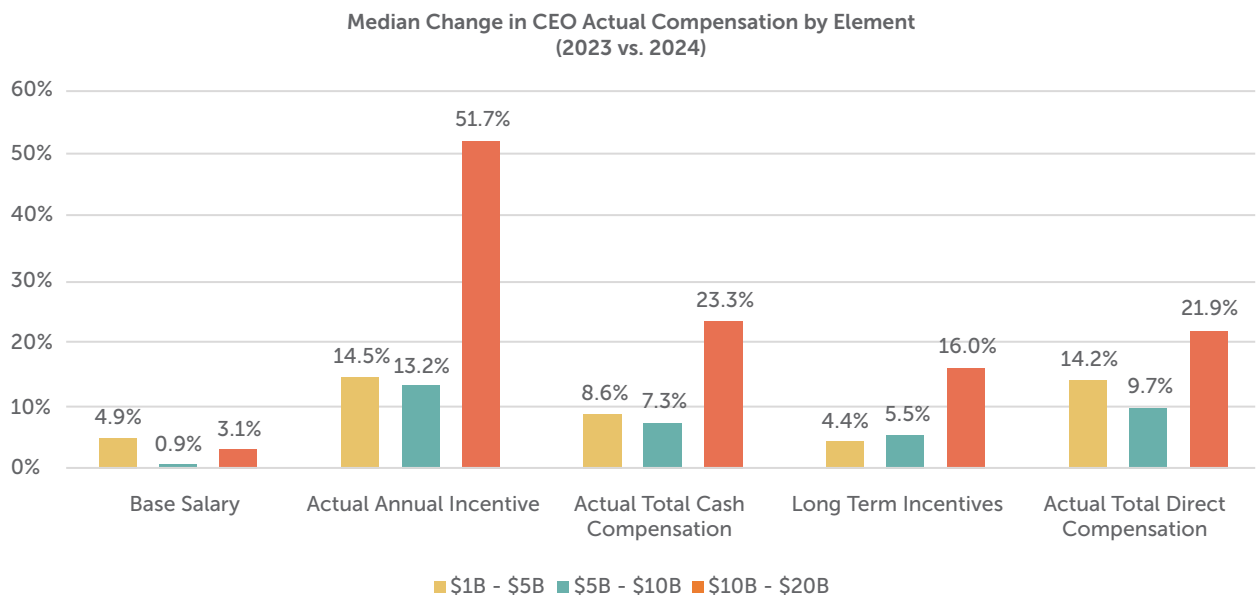
CEO Annual Incentive Payouts

At median, CEO annual incentive payouts were above target across all groups, increasing 7 percent, 40 percent and 32 percent year-over-year for the small, medium and large banks, respectively. Over half the banks (55 percent of the total sample) paid bonuses above target, compared to less than one-third (30 percent) last year. Payouts among the three groups rose across all percentiles year-over-year, likely signaling that going into 2024, banks set lower performance targets for the year by incorporating expected challenges into their goal setting for the year (following the regional banking crisis).



CEO Total Pay Changes

CEO actual total compensation¹ (base salary, annual incentive payouts, and long-term incentives) increased among all banks. Large banks had the greatest increase in total compensation (+22 percent) followed by the small banks (+14 percent) and medium banks (+10 percent). The increase across banks was driven by annual incentive payouts (double digit increases among all sizes). Large banks had the greatest increase in annual incentive amounts (+52 percent). Long-term incentive increases were also significant among large banks (+16 percent), while small and medium banks were more modest (+4 and +6 percent, respectively). Base salary increases were more modest, with increases ranging from +1 to +5 percent at median.

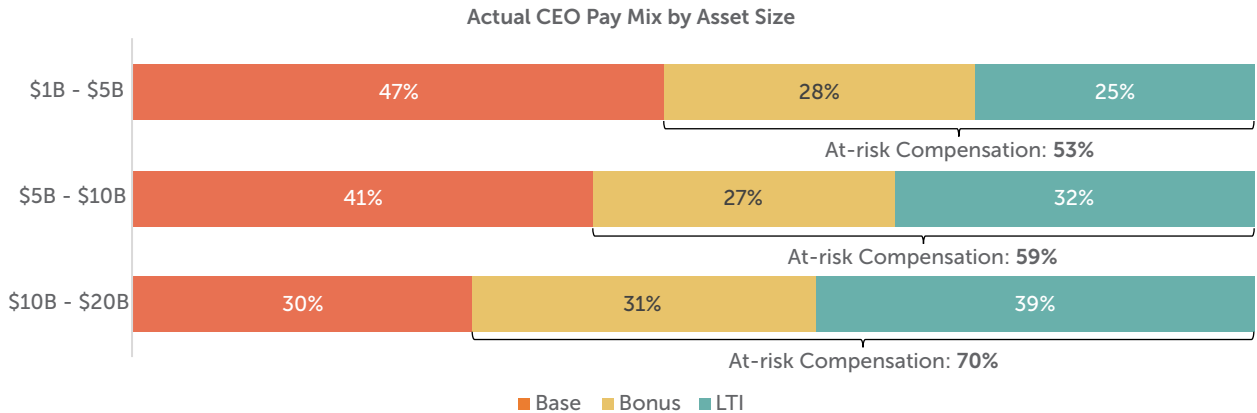


Note: Excludes companies where there was a change in CEO

¹ For 2024, includes 2024 base salary, annual incentive payout based on 2024 performance and 2025 long-term incentive grants. For 2023, includes 2023 base salary, annual incentive payout based on 2023 performance and 2024 long-term incentive grants.

CEO Pay Mix

Similar to our findings from prior years, CEOs at the larger banks have more of their total pay delivered at-risk or variable compensation (i.e., annual or long-term incentives). Conversely, CEOs at smaller banks are often paid more fixed compensation (i.e., base salary).

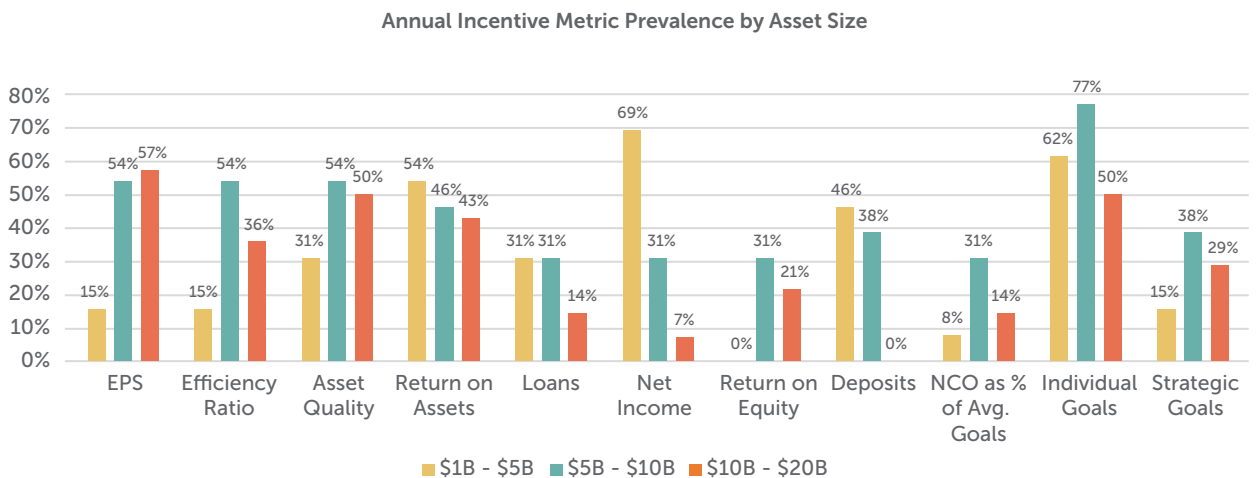


Pay Practices

Annual Incentive Plans

The most common annual incentive plan funding approach continues to be “goal attainment,” in which actual financial achievement is compared to pre-established goals made at the beginning of the fiscal year. The banks in our sample typically utilize several corporate metrics when determining their annual incentive payouts. Approximately 85 percent of the small, medium and large banks use three or more weighted financial metrics. EPS, Efficiency Ratio, Asset Quality (i.e., non-performing assets, non-performing loan ratio) and ROA are among the most prevalent metrics used at these banks. Net Income is the most prevalent metric among small banks but less often used by medium and large banks (where EPS is more prevalent). Among the banks that use them, Earnings (EPS and Net Income) were typically weighted more heavily (on average approximately 40 percent of the total plan) than Returns (ROA or ROE), Efficiency Ratio and Asset Quality metrics (approximately 15 to 25 percent of the total plan). The small and medium banks differ from the large banks in that they more frequently use Loan or Deposit measures in their plans, with these metrics accounting for no more than 25 percent of the total plan.

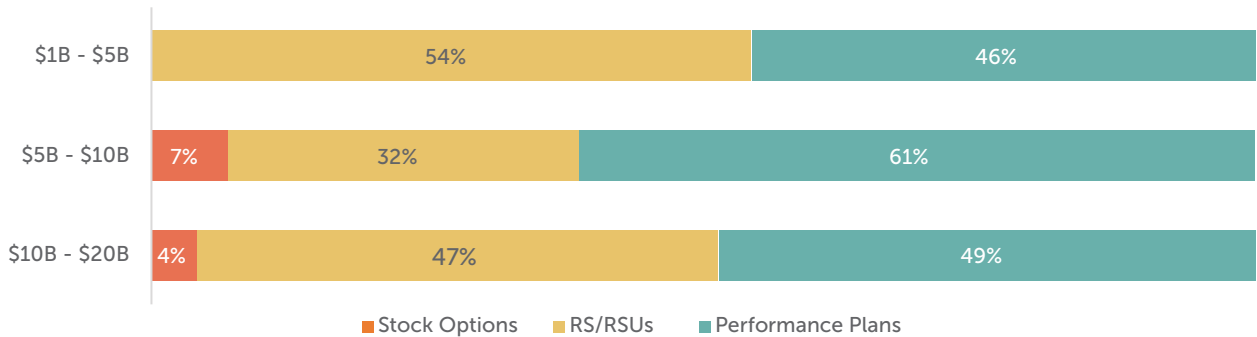
Individual goals are prevalent among all asset groups. The small and medium banks predominantly incorporate individual performance as a standalone weighted metric (typically 20 percent weighting), while majority of the large banks that measure individual performance use a discretionary assessment. The medium and large banks are more likely to incorporate strategic goals such as audit quality, liquidity management, risk management, net promoter score, succession planning, and customer service.



Long-term Incentive (LTI) Plans

The most typical long-term incentives used across industries, including the banking industry, include stock options, time-vested stock (restricted stock [RS] or restricted stock units [RSUs]) and performance-vested stock. Like the broader market, the banks in our sample use a portfolio approach for their LTI plans, with approximately 70 percent of these banks granting two or three LTI vehicles. The small and medium banks more frequently use a single LTI vehicle (35 percent, on average), and only one bank in the entire sample did not grant equity. The LTI mix among the three groups is consistent, with stock options continuing to be the least utilized equity vehicle, on average about 0 to 7 percent of the overall LTI mix. Time-based RS are prevalent across banks of all sizes. Performance-based awards are similarly widespread; however, they represent a larger proportion of the total incentive mix at medium and large banks. Stock options remain uncommon, used only at 15 percent of medium banks and 20 percent of large banks.

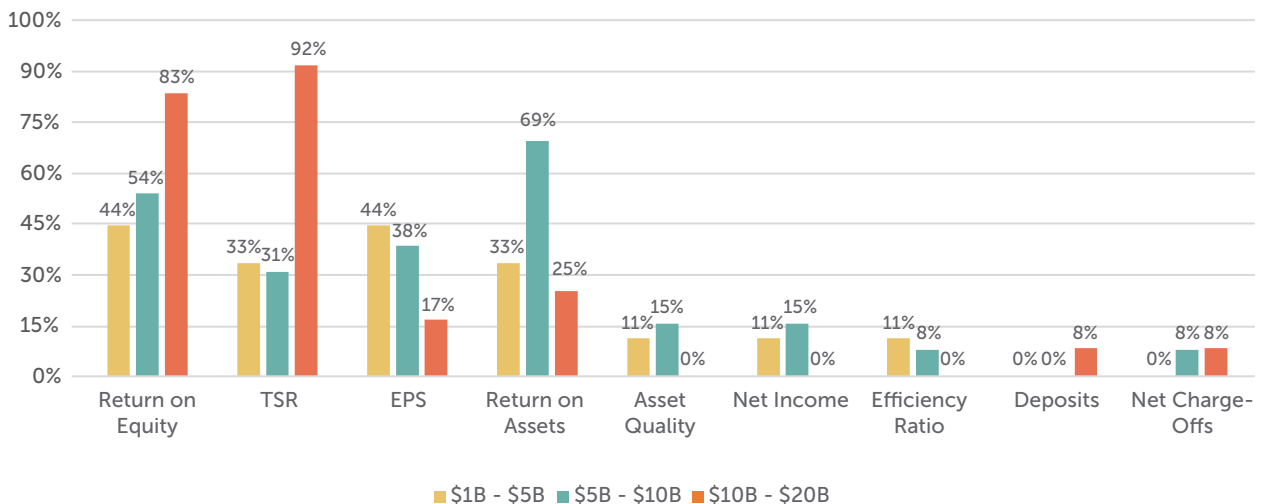
Average CEO LTI Mix by Asset Size



Performance-based awards are typically granted annually and have overlapping 3-year performance periods. Payouts can fluctuate based on achievement of performance measures, and the upside is normally limited to 150 to 200 percent of the target level. Approximately 80 percent of companies in each asset grouping (that utilize performance plans) measure performance against two to four metrics. The most prevalent metrics used are Returns, relative TSR and EPS for all three groupings, and it is common that two of these measures are paired together to determine all, or the majority of, the payout.

TSR is almost exclusively measured on a relative basis, often measured against either the company-defined peer group or an industry index. In our sample, relative TSR is used mostly as a weighted metric, and only 5 percent of all banks use it as a modifier of the calculated payout. Further, only 5 percent of all banks in the sample use absolute TSR as a cap on the calculated payout (e.g., limited to 100% of target if TSR is negative during the performance period). Other common relative metrics include ROE, ROA and EPS growth. Among the total sample, approximately 70 percent of banks use a relative measure other than TSR.

Performance Plan Metric Prevalence by Asset Size



Special One-Time Awards

Special one-time awards were granted by 13 percent of the companies in the full sample. These awards were usually provided either exclusively to the CEO, or to the CEO in combination with other top executives, with grants occurring most often among large banks. The forms of delivery varied, including time-based RS, cash payments, or a combination of both. Notably, none of these awards were subject to performance-based conditions.

The rationale for granting these awards generally fell into one of two categories: recognition of significant bank transactions (i.e., M&A activity), or as a mechanism for executive retention during critical periods. Among the CEOs who received them, award values ranged widely (from \$100K to \$5.6M; median of \$550K). In most cases, vesting schedules mirrored those of annual LTI awards, with payouts spread over a three-year period.

Change in ESG/DE&I Metrics for Incentive Plans

In 2024, the inclusion of ESG/DE&I metrics in incentive plans declined among regional banks, reflecting a broader corporate trend. Across the U.S., legal challenges, shareholder pushback, and growing anti-ESG/DE&I sentiment have prompted many companies to scale back or rebrand related programs.

Among our sample of regional banks, only 8 percent incorporated ESG/DE&I metrics into their annual incentive plans in 2024, decreasing from 20 percent in 2023. Most banks either eliminated ESG/DE&I metrics entirely or revised the associated language. All three large banks in our sample that had included ESG/DE&I metrics in 2023 removed them for 2024. Examples of banks that removed or revised ESG/DE&I goals for 2024 performance are provided below:

Summary of ESG/DE&I Goal Removal or Revision for 2024 Performance				
Bank	Group	Removed Goal	Revised Language	Detail
Evans Bancorp	Small Banks	✓		<ul style="list-style-type: none"> Removed 10% weighted "Culture & Talent" goal from qualitative / strategic goals (did not disclose any non-financial goals for 2024) Rationale for removal not disclosed
National Bank Holdings	Medium Banks		✓	<ul style="list-style-type: none"> Renamed 15% weighted goal from Enterprise Risk Management (ERM) & ESG goal to ERM & Doing Good 2025 proxy stated: "This metric [ERM & Doing Good] will also consider the Company's efforts towards the Company's Doing Good initiatives"; includes ESG goals related to environmental efficiencies, community engagement, volunteer hours and culture"
Heritage Commerce Corp	Medium Banks	✓		<ul style="list-style-type: none"> Removed disclosure of "ESG" and "Diversity, Equity, Inclusion & Belonging (DE&IB)" from qualitative / strategic goals Rationale for removal not disclosed
Pacific Premier Bancorp	Large Banks	✓		<ul style="list-style-type: none"> Removed DE&I from qualitative / strategic goals Rationale for removal not disclosed
Banner Corp	Large Banks	✓		<ul style="list-style-type: none"> Removed ESG and DE&I goals from qualitative / strategic goals Rationale for removal not disclosed
Berkshire Hills Bancorp	Large Banks	✓		<ul style="list-style-type: none"> Removed 20% ESG performance goals from bonus and replaced with 20% Efficiency Ratio goal Rationale for removal not disclosed

Looking Ahead

As of the second quarter of 2025, the banks in our sample have posted positive year-over-year earnings, and year-to-date TSR (as of August 2025) is flat. U.S. regional banks are heading into a more favorable operating environment in 2025, supported by a steeper yield curve, lighter regulatory pressures, and stronger asset quality. Earnings in 2024 were supported by higher noninterest income, discipline costs, and fewer realized securities losses. While there is potential upside in 2025 for net interest margins and loan demand, challenges remain.

Banks remain cautious amid continued headwinds from inflation, elevated deposit costs and uncertainty around interest rate trajectories. The financial results of each bank are shaped by factors such as asset size, business mix, sector exposure, growth approach, and loan composition. As 2025 draws to a close, institutions will need to maintain a careful balance between linking executive pay to performance outcomes and ensuring returns that meet shareholder expectations.

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Thomas Brown and Alexander Barrionuevo provided research assistance for this report.

Regional Banks in CAP's Study (n=40)

Small Banks

(\$1B - \$5B in assets)

- Bar Harbor Bankshares
- Capital City Bank Group, Inc.
- Community West Bancshares
- Enterprise Bancorp, Inc.
- Evans Bancorp, Inc.
- Farmers National Banc Corp.
- First Business Financial Services, Inc.
- First Financial Northwest, Inc.
- LCNB Corp.
- MVB Financial Corp.
- National Bankshares, Inc.
- Oak Valley Bancorp
- Sierra Bancorp

Medium Banks

(\$5B - \$10B in assets)

- 1st Source Corporation
- Amerant Bancorp Inc.
- Camden National Corporation
- CNB Financial Corporation
- German American Bancorp, Inc.
- Heritage Commerce Corp
- Heritage Financial Corporation
- Independent Bank Corporation
- National Bank Holdings Corporation
- Park National Corporation
- Stock Yards Bancorp, Inc.
- Univest Financial Corporation
- Westamerica Bancorporation

Large Banks

(\$10B - \$20B in assets)

- Banner Corporation
- Berkshire Hills Bancorp, Inc.
- Brookline Bancorp, Inc.
- Community Financial System, Inc.
- Enterprise Financial Services Corp
- First Busey Corporation
- First Commonwealth Financial Corporation
- First Foundation Inc.
- First Merchants Corporation
- Pacific Premier Bancorp, Inc.
- Renasant Corporation
- Seacoast Banking Corporation of Florida
- Trustmark Corporation
- WesBanco, Inc.

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Please contact us at (212) 921-9350 or info@capartners.com if you have any questions about the issues discussed above or would like to discuss your own executive compensation issues. You can access our website at www.capartners.com for more information on executive compensation.