

## STATE OF THE MARKET IN 2016

In 2015, banks made an affirmative and aggressive shift in their focus – from compliance, to growth. 2014 saw banks in a cautious stance as they continued to reconcile the shifting regulatory landscape. And our Banking Practice saw this firsthand as we were called upon to build out the compliance functions for a number of our clients. But in 2015, **68% of our search engagements were Executive-Level roles related to revenue generation** (including Chief Banking Officers; Market Presidents; Wealth Management; Mortgage; and CEOs). Given the difficulty of growth in a low rate environment, banks seeking immediate C&I and CRE loan growth are recruiting complete teams. And with minimal yields on treasury securities, banks are also recruiting teams to grow fee income (SBA; Wealth Management; and Specialty Finance). While in the past many of our clients have focused on operational efficiencies to drive bottom line performance, last year our clients sought out operational leaders who could provide strategic direction and partnership to growth-oriented CEOs. The proactive approach to revenue growth and the continued focus on strategy remain unchanged in our outlook for 2016.

### MARKET TRENDS

- **29%** of our executive search engagements were filled with bankers directly from big banks; and **43%** were filled with bankers who had been with big banks within the last ten years. (Nearly  $\frac{3}{4}$  of our searches were filled with bankers with significant big bank experience.)
  - ❖ **Analysis** – Whether a Big Bank banker can make the transition to a smaller bank should be determined on a case-by-case basis, but those who have the right DNA can bring a wealth of knowledge/experience including intensive management and credit training, exposure to and experience with sophisticated product and service offerings, as well as metrics-driven accountability and a sense of urgency.
  - ❖ **Caveat** – While the majority of the revenue producing roles were filled by big bank bankers (or recent big bank bankers), nearly all of our operational leadership roles (CFO, COO, and all other operational support functions) were filled with long-standing community bankers, who also have a strong strategic mindset.
- **74%** of our executive search engagements included equity in their overall compensation package.
  - ❖ **Analysis** – Given the competition for talent, banks must look beyond base and bonus in order to attract and retain talent. Equity, and not cash compensation, is overwhelmingly the differentiating factor when a candidate is weighing multiple options. Equity aligns the banker's and the bank's goals; ownership becomes leadership. Of note, we are seeing CEOs investing in their own institutions – we've had two CEOs placed in the last three years make significant investments in their banks.
- In **81%** of our search engagements, our clients offered compensation packages which exceeded their initial budget.
  - ❖ **Analysis** – As the competition for talent continues to increase at exponential levels, and due to the high compensation packages offered by banks who are on the M&A path, compensation packages are becoming richer. Banks who are unwilling to compete with respect to compensation (cash and equity) are exposed.
- Only **11%** of our searches had an internal candidate as part of the vetting slate.
  - ❖ **Analysis** – Bank boards are recognizing the need, and the opportunity, to bring in outside talent to execute on today's aggressive business plans.
- **32%** of our search engagements were for leadership of fee generating business lines.
  - ❖ **Analysis** – Fee based income will always be attractive to banks, but those who are to be successful at it must build a service delivery model which leverages the bank's entire offerings (commercial, consumer, etc.) to bring the entire bank to bear for its clients.