AN ESCAN REPORT

CEO TOTAL COMPENSATION SURVEY

CUs WITH $100 MILLION+ IN ASSETS 2011-2012

CUNA
Credit Union
National Association

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The 2011-2012 CEO Total Compensation Survey (Stock No. 29897) is conducted by CUNA's market research department.

Written by:

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Companion products:

- **CEO Total Compensation: Self-Selected Peer Analysis**—Provides the information you need to put together a competitive compensation package. The report reveals CEO salaries, bonuses, incentives, perquisites, benefits, retirement plans, and contract terms at the credit unions you identify with most. We'll help you choose a peer group and provide the customized report. Each report is presentation-ready, complete with tables and graphs of your specific comparisons.

- **Guide to Setting Executive Salaries**—Describes how to establish executive pay levels and determine the competitiveness of your credit union's executive compensation package. Explains how to use survey data to assign executive pay for credit union executives, make peer comparisons, and benchmark positions. (Stock No. 29451)

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Survey Methods

This report summarizes the results of an online survey conducted by CUNA Research in Madison, Wis., between January and May 2011. The survey was hosted by enetrix™, a recognized leader in the field of Web-based compensation surveys. Its state-of-the-art technology and advanced security measures ensured the safety of the compensation data.

In January 2011, a four-page questionnaire was mailed to the human resource vice presidents/directors at the 1,237 credit unions in the sample. A cover letter requesting the credit union's participation in the survey was included with the survey. As an incentive, credit unions were offered a discount on the report if they responded to the survey. The surveys could be filled out online or returned directly to CUNA Research in postage-paid envelopes.

Responses were monitored. After three weeks, credit unions that did not respond to the initial mailing were sent a follow-up, again requesting their participation and providing instructions. In April, a third invitation to participate in the survey was sent to CEOs of the sampled credit unions that had not yet participated in the survey.

By May 2011, 330 usable questionnaires were completed, resulting in a response rate of 27%. The data was stratified by assets and weighted to adjust for the over- or under-representation of credit unions in any strata. Weighting is a standard survey analysis procedure designed to increase the reliability of the survey results, done to ensure that the results aren't biased by a specific group of credit unions.

As a result of the survey being limited to credit unions with assets of $100 million or more, all references to "credit unions" in the following summaries refer to that universe of credit unions.

Based on a sample of 330 respondents, the maximum sampling error for the overall percentages is ± 4.62% at a 95% confidence level. That is, in 95 of 100 similar samples, the overall percentages would fall within 4.62 percentage points of those observed in the data tables.

ABOUT THE REGIONS

REGIONS

Northeast	=	**New England (ME, NH, VT, MA, RI, CT); Middle Atlantic (NY, NJ, PA)**
Midwest	=	**East North Central (OH, IN, IL, MI, WI); West North Central (MN, IA, MO, ND, SD, NE, KS)**
South	=	**South Atlantic (DE, MD, DC, VA, WV, NC, SC, GA, FL); East South Central (KY, TN, AL, MS); West South Central (AR, LA, OK, TX)**
West	=	**Mountain (MT, ID, WY, CO, NM, AZ, UT, NV); Pacific (WA, OR, CA, AK, HI)**

Executive Summary

The executive compensation landscape is undergoing a sea change: Competition for high-performing executives is intense, and regulators are calling for additional compensation disclosures. It's why credit unions must examine their current executive compensation philosophies to ensure they're in line with industry standards and reflect the interests of members and current or potential CEOs.

For that purpose, this annual credit union CEO compensation survey presents nationwide credit union figures categorized by asset size, region, contract status, number of employees, and many other points of comparison.

Executive compensation reform

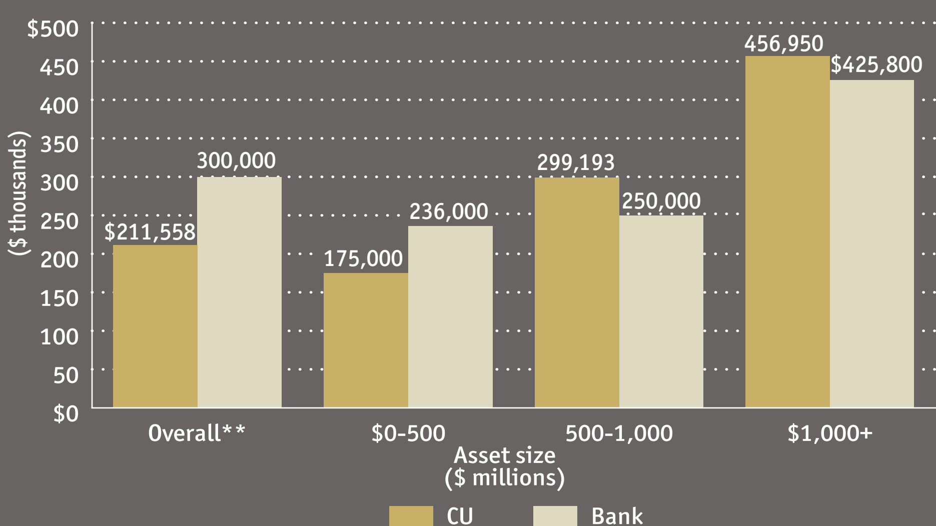
Regulatory oversight and scrutiny of executive compensation continues to increase in 2011. In particular, new requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act charge boards with providing information on executive compensation that will be used to evaluate the appropriateness of executive compensation levels. These new regulations focus on risky and excessive compensation, including golden parachutes and incentive-based plans.

Golden parachutes are the income executives receive when leaving the employ of their organizations involuntarily, most often due to termination. Legitimate employee severance such as deferred compensation plans and "nondiscriminatory" severance pay plans aren't subject to NCUA's proposal. Golden parachute provisions apply to financially troubled credit unions, and indemnification payment limits apply to credit unions with legal civil money penalties or cease-and-desist orders in legal action taken by NCUA or a state regulator. An additional proposal requires the credit union's board to consider the executive's ability to repay if the payments are later deemed improper golden parachute payments—and therefore prohibited. Currently, the proposed rule is limited to federally insured credit unions with $1 billion or more in assets.

Under the NCUA proposal, incentive-based compensation refers to any variable compensation, in any form, that serves as an incentive for performance. To comply with the rule, a credit union with at least $1 billion in assets would need to submit an annual report to NCUA that details its incentive-based compensation plan. NCUA would then use this information to ensure that the incentive-based compensation plan doesn't expose the credit union to inappropriate risks.

Figure 1

MEDIAN CEO TOTAL COMPENSATION AT CUs AND BANKS* (by asset size)



*Does not include bankers' stock options and grants
**CU data limited to CUs with $100 million or more in assets
Bank data source: The Delves Group's 2010 Bank Cash Compensation Survey

CU Characteristics

How do your credit union's membership demographics compare with other credit unions? Demographic characteristics provide detailed information on the group of participants in the study sample. This information ensures that the data in this report reflect your industry and competitive market.

Note: As is the case with all the data in this report, the following averages are weighted by asset size.

ASSETS

Asset size ($ millions)	% of CUs	Average
$100-150	26%	$124,809,281
150-200	13	171,508,168
200-300	17	245,758,271
300-400	10	353,847,065
400-600	11	508,985,995
600-1,000	11	787,179,051
$1,000+	13%	$2,423,333,558

Asset size

Credit unions responding to the survey average approximately $575 million in assets, overall. At roughly $900 million, the average asset size of credit unions in the South Atlantic region is the highest of all regions. Conversely, credit unions in the East North Central region have the lowest average asset size, at about $400 million.

Region

Nearly 20% of credit unions completing the survey are located in the East North Central region. The South Atlantic region accounts for 17% of responding credit unions, while the Pacific region accounts for 16% of these credit unions. In contrast, only 4% of responding credit unions are located in the New England region.

Branch offices

The average credit union responding to the survey has nine branch offices, including the main branch. Four of 10 have five to nine locations, while 29% have 10 or more, and 22% have three to four branch offices. About 10% have just one or two offices other than the main branch. The number of branch offices increases from 4.4 among those with $100 million to $150 million in assets, up to 26.2 among those with assets of $1 billion or more.

Number of full-time employees

On average, credit unions responding to this survey have 141.8 full-time employees. This figure ranges from an average of 45 among credit unions with $100 million to $150 million in assets, up to 484.5 among those with assets of $1 billion or more. The majority (42%) of responding credit unions have at least 100 employees. Almost 25% have 10 to 49, 24% have 50 to 74, and 10% have 75 to 99 employees.

Loans outstanding

Credit unions in the sample average roughly $370 million in loans outstanding, overall. This average ranges from approximately $80 million among credit unions with $100 mil-

Chapter One

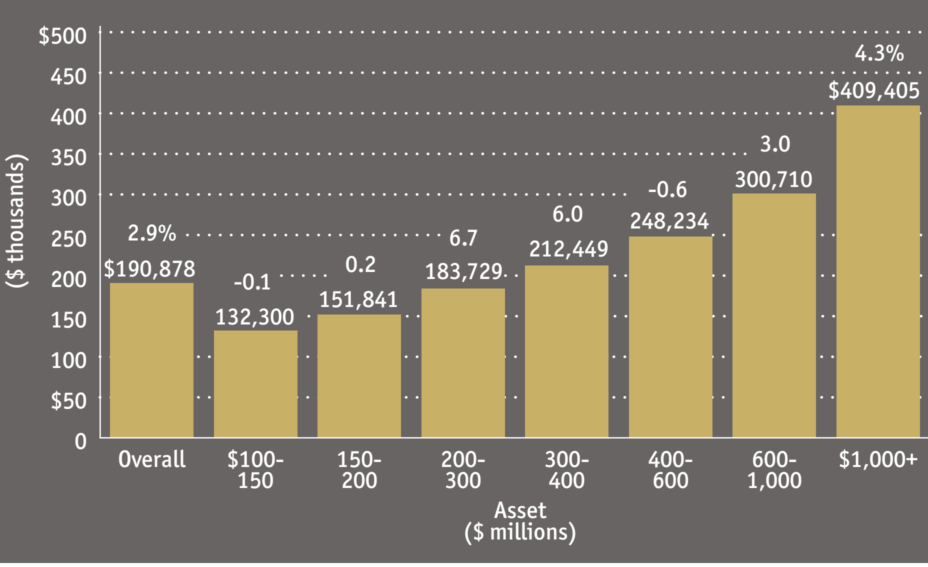
Base Salary

CEO base pay levels remained flat in 2010, according to *The Wall Street Journal*/Hay Group 2010 CEO Compensation Study. Results from the study show that median CEO base salaries for 2010 are $1.1 million. This is a good sign, as total compensation actually fell in 2009. What's more, total compensation increased, thanks to growth in incentives. The study also found a strong alignment between pay and performance. In addition, a number of organizations made changes to their executive compensation plans to enhance this alignment in the future.

CEOs of publicly traded companies don't rely on base salary as the largest component of their total compensation package, however. Incentives, primarily in the form of equity, are the center of compensation packages for these CEOs. Credit unions can't offer these same equity vehicles. It's why credit union CEOs rely heavily on base salary as the primary component of total compensation.

Figure 1-1

MEDIAN SALARIES & PERCENT CHANGE OVER PREVIOUS YEAR (by asset size)



Base salaries

As has historically been the case, base salary represents the bulk of a credit union CEO's total compensation package. On average, base salary accounts for 86% of CEO total compensation among credit unions with $100 million or more in assets. As of Jan. 1, 2011, median base salary among these CEOs is $190,878—2.9% above the 2010 figure.

There's a strong correlation between CEO compensation, especially base salary, and the size of the credit union. As the size of the credit union increases, so does the complexity of the operations, and CEOs are compensated accordingly. Therefore, when evaluating and comparing the base salary of an individual credit union CEO, it's important to look at credit unions with comparable assets. For example, median base salary for CEOs of credit unions with $1 billion or more in assets is more than three times that of their counterparts in credit unions with $100 million

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