AN ESCAN REPORT

SENIOR EXECUTIVE TOTAL COMPENSATION SURVEY

CREDIT UNIONS WITH $100 MILLION + IN ASSETS 2011-2012

CUNA
Credit Union
National Association

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SENIOR EXECUTIVE TOTAL COMPENSATION SURVEY

CUs WITH $100 MILLION+ IN ASSETS 2011-2012

The 2011-2012 Senior Executive Compensation Survey (Stock No. 29898) is conducted by CUNA's market research department.

Written by:

- Beth Soltis, senior research analyst

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Survey Methods

This report summarizes the results of an online survey conducted by CUNA Research in Madison, Wis., between January 2011 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 unions' participation in the survey was included. As an incentive, credit unions were offered a discount on the report if they responded to the survey. Respondents could complete the surveys online or return them directly to CUNA Research in postage-paid envelopes.

Responses were monitored. After three weeks, credit unions that didn't respond to the initial mailing received 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.

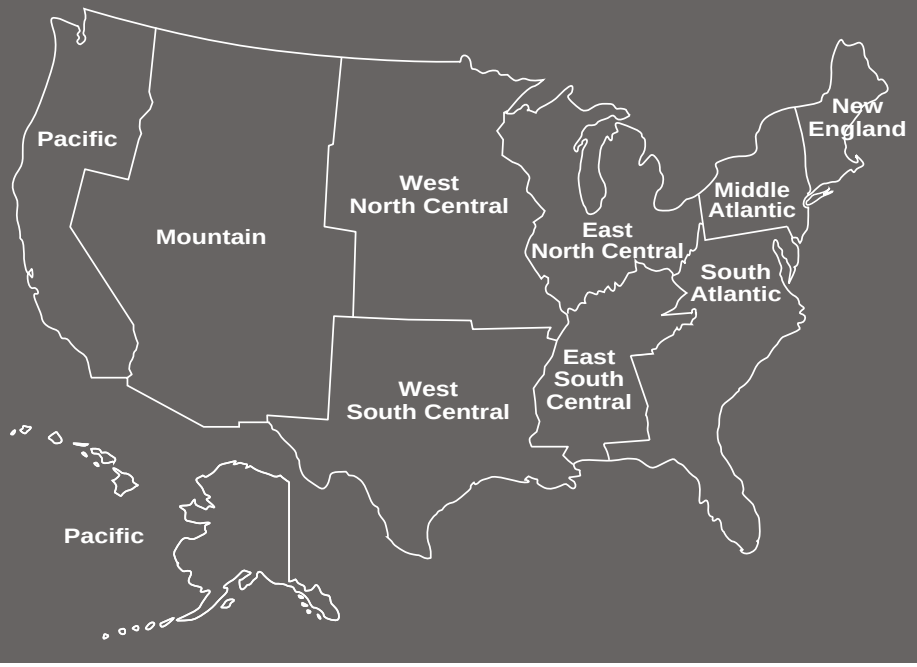
By May 2011, 304 usable questionnaires were completed, resulting in a response rate of 25%. The data was stratified by assets and weighted to adjust for the over- or under-representation of credit unions in any strata.

Weighting is a standard survey analysis procedure designed to increase the reliability of the survey results, done to ensure that the results are not biased by a specific group of credit unions.

Because the sample was 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 304 respondents, the maximum sampling error for the overall percentages is ±4.88% at a 95% confidence level. That is, in 95 of 100 similar samples, the overall percentages would fall within 4.88 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

Competition for high-performing executives is increasing, due to a lack of qualified applicants in the job market. Because of this, many organizations need a renewed focus on senior executive recruitment and retention.

Credit unions must examine their current executive compensation philosophies to ensure they're in line with industry standards and reflect members' and current or potential senior executives' interests.

This annual credit union senior executive compensation survey presents nationwide credit union figures categorized by assets, region, number of employees, and other comparisons.

While executive compensation reform so far has focused primarily on the CEO, some provisions include senior executives, and more provisions are expected to apply to senior executives in the future. The top five named executives for credit unions are the CEO, executive vice president (EVP), chief financial officer (CFO), chief operations officer (COO), and chief information officer (CIO).

Compensation reform

Regulatory oversight and scrutiny of executive compensation continues to increase. 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 the levels. These new regulations focus on risky and excessive compensation, including golden parachutes and incentive-based plans.

Golden parachutes are funds some executives receive when leaving 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.

But Dodd-Frank's 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 parachutes, 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, credit unions with at least $1 billion in assets would need to submit an annual report to NCUA detailing incentive-based compensation plans for executive officers/covered persons.

Credit unions with assets of $10 billion or more also must submit information on plans for any employees with the ability to expose the credit union to substantial losses. For example, a loan officer with approval authority below the executive officer level meets this qualification. NCUA would then use the compensation information to ensure that the incentive-based compensation plans don't expose the credit union to inappropriate risks.

Because of this increasing regulatory oversight, boards might want to review their credit unions' executive compensation plans to confirm they're tied to organizational strategy and goals, and to the current business outlook.

To design an executive compensation plan that supports and reflects your credit union's mission and business goals, ask what is/are its:

- **Mission**?
- **Business goals**—long-term and short-term?
- **Strategy** in meeting those goals?
- **Major challenges** in achieving those goals?
- **Competitive advantages** and disadvantages?

A risk assessment—an inventory and risk profile of each of the components in the executive compensation plan—also can be helpful. These assessments ensure that the various compensation components don't elicit any potential adverse effects on the credit union.

Regularly evaluating the strategic and operational effectiveness of the executive compensation plan, along with risk management assessment,

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 you compare from this report reflect your industry and competitive market.

Note: As with all data in this report, the averages for respondents' characteristics are weighted by asset size.

Asset size

Overall, credit unions responding to the survey average approximately $580 million in assets. At roughly $980 million, the average asset size of credit unions in the South Atlantic region is the highest of all regions. Credit unions in the East North Central region have the lowest average asset size, at about $380 million.

Region

Nearly 20% of credit unions completing the survey are located in the East North Central region. The South Atlantic and Pacific regions each account for 16% of responding 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 9.6 branch offices, including the main branch. Ten percent have only one or two offices other than the main branch, while the majority (68%) have at least five branch offices. Credit unions with $100 million to $150 million in assets average 4.3 branches, whereas those with assets of $1 billion or more have the highest average number of branch offices, at 28.1.

Number of full-time employees

On average, credit unions responding to this survey have 144.8 full-time employees. This figure averages 45 among credit unions with $100 million to $150 million in assets, and increases to 508.8 among those with assets of $1 billion or more.

Loans outstanding

Responding credit unions average roughly $370 million in loans outstanding, overall. Those with $100 million to $150 million in assets have the lowest average amount in loans outstanding, at approximately $80 million. Average loans outstanding are highest among those

ASSETS

Asset size ($ millions)	% of CUs	Average asset size
$100 – $150	26%	$125,465,432
150 – 200	13	172,551,508
200 – 300	17	246,422,034
300 – 400	10	353,368,137
400 – 600	11	503,955,456
600 – 1,000	11	786,880,263
$1,000+	13%	$2,457,786,744

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