

Executive Compensation Guide SME Financial Services 2023-2024

Executive Summary

The compensation data within this report has been gathered from searches that Sayer Haworth have been engaged on, supported by data within annual reports in the public domain. The comparison to our 2022-2023 guide has shown that there has been stability within the base salaries for Executives. The main change that we have seen is the starting salary range has risen. Analysis has shown that this is due to the increased demand for proven SMCR executives, the key roles we have seen in demand in 2023 has been the Chief Financial Officer (SMF2) and the Chief Risk Officer (SMF4).

Base Salary Ranges

	New Start-up Bank	Established SME Bank	Foreign Subsidiary Bank	Large Building Society	Small Building Society	Publicly Listed SME Bank
Chief Executive Officer (SMF1,19)	250,000 - 350,000	325,000 - 450,000	275,000 - 460,000	315,000 - 667,000	235,000 - 263,000	425,000 - 900,000
Chief Financial Officer (SMF 2)	180,000 - 250,000	210,000 - 265,000	180,000 - 240,000	242,000 - 357,000	153,000 - 215,000	275,000 - 355,000
Chief Operating Officer (SMF 24)	175,000 - 235,000	185,000 - 240,000	180,000 - 245,000	185,000 - 292,000	144,000 - 178,000	210,000 - 310,000
Chief Commercial Officer (SMF 6)	180,000 - 220,000	180,000 - 244,000	170,000 - 210,000	145,000 - 190,000	132,000 - 157,000	190,000 - 275,000
Chief Risk Officer (SMF 4)	200,000 - 245,000	220,000 - 276,000	180,000 - 250,000	185,000 - 265,000	142,000 - 165,000	220,000 - 326,000
Chief People Officer (SMF 18)	90,000 – 120,000	125,000 - 187,000	85,000 - 128,000	110,000 - 176,000	68,000 – 113,000	165,000 - 190,000
Chief Technology Officer (SMF 18,24)	180,000 - 225,000	180,000 - 240,000	110,000 - 195,000	130,000 - 195,000	90,000 – 120,000	180,000 - 230,000

* All figures are in £

Bonus

- The average bonus range was 35 – 72% of the individuals base salary
- The bonus achieved within the different firms varied widely. The bonus policy on the whole is based on personal and company performance.
- **Publicly Listed Banks** – the average range is from 40 – 100% of base salary, there were examples of no cash bonus and there was an award in the form of shares. Typically there is an award that is a mix of Cash and Shares to EXCO members.
- **Established SME Banks** – the average range is from 30 – 70% of base salary. LTIP was offered within Banks, however, it was dependent on the ownership structure of the business. Where an LTIP was not offered, there would be a higher cash bonus achieved.
- **New Start Up Banks** - on the whole offered an LTIP to the EXCO members, with a cash bonus achievable on a successful launch. In some examples a cash bonus was achievable during the build phase where the Bank was building towards launching. These ranged from 10-50% on base salary. There are examples of cash bonuses being achieved on the successful launch of the bank. On launch of the Bank an annual cash bonus is achieved based on achieving set milestones, these were on average up to 50% of base salary.
- **Building Societies** - Cash bonuses ranged from 0 – 35% on average of base salary.
- **Foreign Subsidiary Banks** – Cash bonuses ranged from 10 – 80% on average of base salary

Pension

- **Pension** – The average range is 10-15% non-contributory
- A number of EXCO members had reached lifetime allowance, in this scenario the pension contribution was paid in cash through PAYE

Main benefits

- **Holidays** – 28 – 30 Days
- **Private Medical Insurance** – Multiple examples of also covering dependents – Generally an enhanced policy which covers pre-existing conditions, Dental and optical
- **Life Insurance/Death in-service** – Average of a 4 – 6 multiple of base salary
- **Critical Illness Cover** – Dependent on the individual Policies

Shares / Long Term Incentive Plan (LTIP)

- There was no typical trend on schemes offered, this is very much dependent on the businesses ownership structure and the discretion of the shareholders to incentivise the EXCO.
- **All Cash LTIP** - A trend that is starting to be seen in the market is an all cash LTIP. This is where a lump sum is awarded and then realised after a set number of years service. An example of this would be one years salary, paid equally over a three year period, or paid after three years service. This type of LTIP is deemed to be straight forward, and avoids the complications of share awards. More trust is also gained from employees with this model.
- **Publicly Listed Banks** – Typical practice for EXCO members to receive an annual award of shares. Example of 50 – 140% value of base salary awarded.
- **Established SME Banks/Start-up Banks** – Banks that are not listed, there are examples to offer an LTIP to the Executive Team. The value of the LTIP is a % of the base salary in shares based on the valuation of the business. The average award is 50 – 100% of Base salary on joining the business. Annual awards would be dependent on the available capital to be distributed.
- **New Start-up Bank Shares** – There are examples of the CEO and the wider EXCO receiving a % of the company. CEO's on average are awarded 1-3%. EXCO members 0.5 – 1%.

Hybrid working

- The market trend for the majority is moving to an average of 3 days a week in the office, there are however plenty of examples of business that are 1-2 days a week in the office. This is really down to each business and their priorities, or even challenges that they are experiencing which dictates the number of days in the office. This continues to be topic for debate in most businesses.

Summary

The remuneration of the EXCO within the different segments is all dependent on the size of the business and the balance sheet. Individuals within Publicly Listed firms command a higher level of remuneration with the increased responsibilities associated with this structure. Overall each segment is consistent on Base Salary pay for each of the key executive roles. The location of the business can affect the level of pay for an EXCO member, there is a London weighting applied to roles that are based in London.

To discuss any details on a particular role please contact James Sayer who leads the executive search practice for Sayer Haworth.



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