

Pearl Meyer

Quick Poll



**Fintech Compensation: Evaluating
and Rewarding Innovation in
Banking**



Table of Contents

▪ Introduction	3
▪ Key Findings	4
▪ What do you believe will be the level of change in banking over the next three to five years?	5
▪ Do you feel your bank is currently at a disadvantage relative to innovation and/or fintech?	6
▪ How is innovation supported or encouraged and rewarded at your bank?	7
▪ What is the most effective way to recognize innovation?	8
▪ Describe your bank's approach to identification/evaluation of fintech offerings	9
▪ Where is your bank in the process of integrating fintech into the business?	10
▪ What is the barrier to implementing fintech in your bank?	11
▪ Which component of your bank's business is currently most affected by fintech and what component of the industry will be most affected in the future?	12
▪ About the Survey	13
▪ About Pearl Meyer	14



Introduction

Our Pearl Meyer Quick Polls are designed to provide organizations with the most current data and insight into trends affecting their industry or the business climate at large.

The recent poll on views and opinions related to fintech and innovation in the banking industry resulted in some interesting take-aways. We hope you find this information useful as you evaluate your bank's near- and long-term fintech strategy and make compensation-related decisions for the coming year. If you have any questions or are interested in discussing these findings, please contact:

David Seitz
Managing Director
David.seitz@pearlmeyer.com
214.543.7678



Key Findings

- More than two-thirds of banks surveyed (68%) believe the industry will experience a high level of transitional change over the next three to five years, where business will be conducted through both traditional and non-traditional channels, and institutions will need to compete equally with existing banks and new entrants.
- Sixty percent of banks surveyed feel that they are currently at some level of disadvantage when it comes to innovation and/or fintech. Eighty-seven percent are having discussions about integrating fintech into their organization, almost one-third (32%) are actively evaluating, and almost a quarter (23%) are actively implementing fintech solutions.
- More than three quarters of banks are going to considerable effort in multiple ways to support innovation. However, more than half (52%) are not rewarding employees for innovation in any way and only 5% have an incentive or reward program for innovation, even though 84% indicate that some form of monetary compensation is the most effective way to recognize innovation.
- Finding the right talent and expertise (52%) is a bigger challenge than the cost of implementation (46%).
- Retail banking followed by lending are seen as the two business areas most affected by fintech, now and in the future.

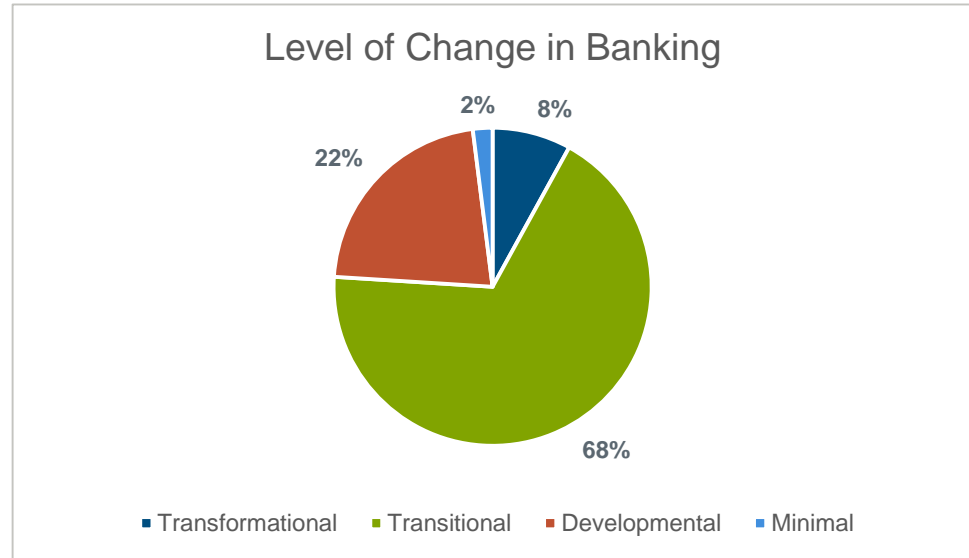
What do you believe will be the level of change in banking over the next three to five years?

Transformational – Banking will be performed according to new business models.

Transitional – A high level of change. Banking will be performed through traditional and non-traditional channels. Banks will need to compete equally with existing banks and new entrants.

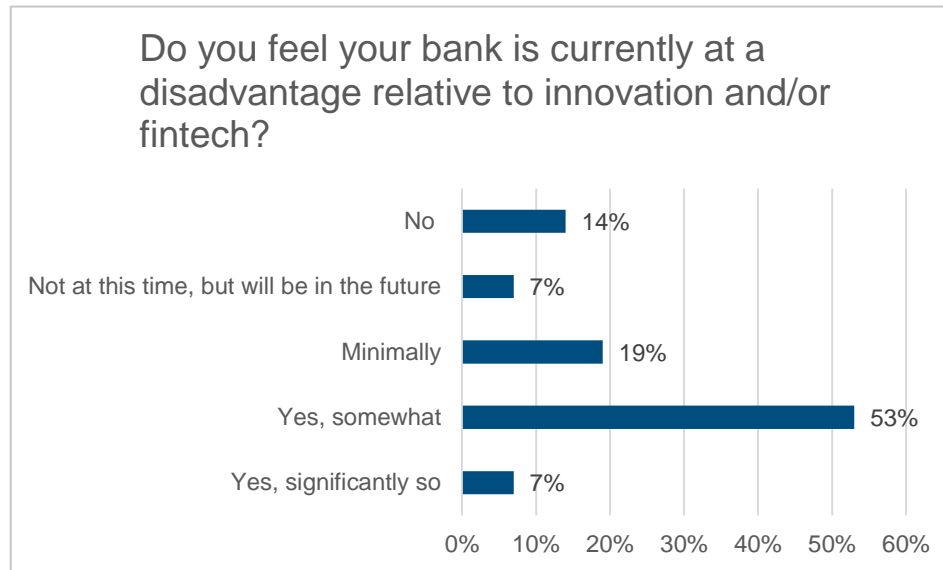
Developmental – A moderate level of change. Banking will continue to be performed primarily through traditional channels along with some new channels. Banks will continue to compete with existing competitors and some new entrants.

Minimal – Low level of change. Banking will be performed as it is now with some minor changes. Banks will primarily continue to compete with other existing banks.



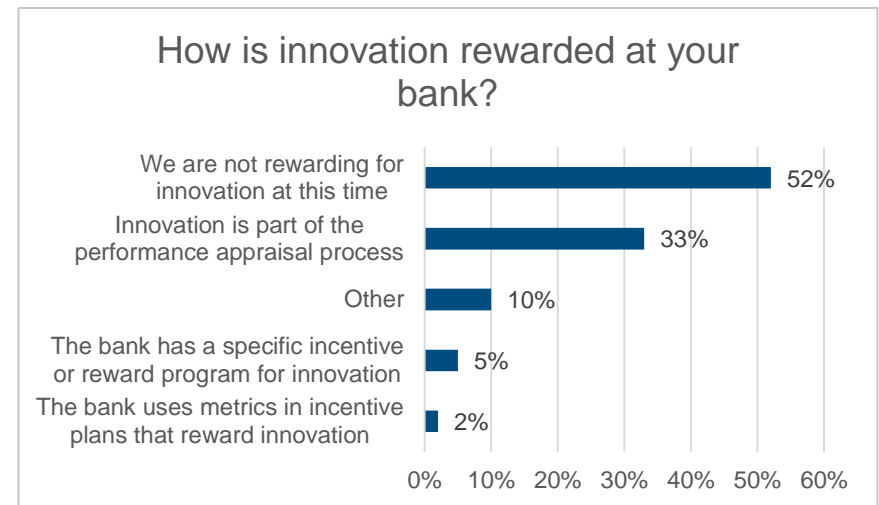
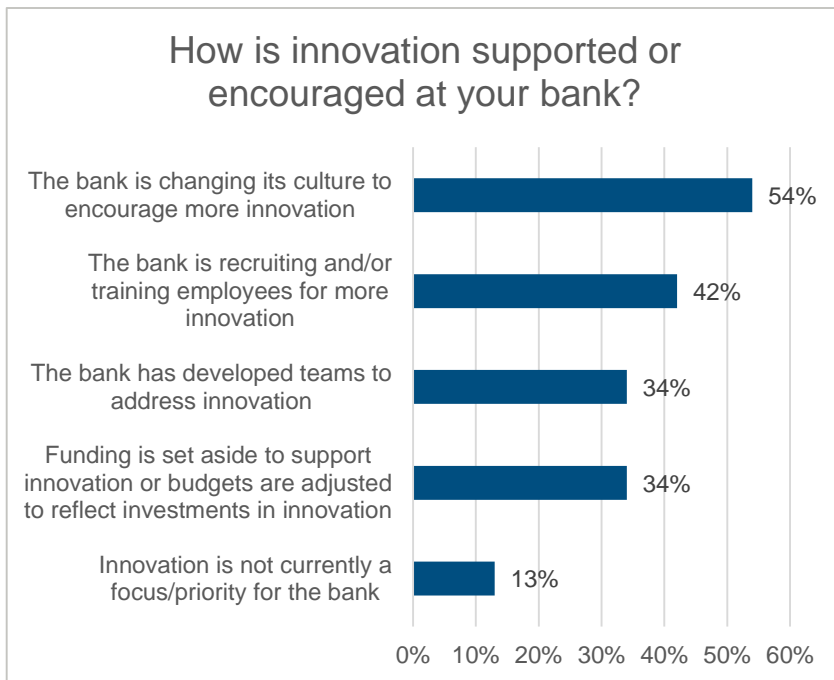
- More than two-thirds of banks surveyed (68%) believe banking will experience a high level of change over the next three to five years, needing to compete equally with existing banks and new entrants.

Do you feel your bank is currently at a disadvantage relative to innovation and/or fintech?



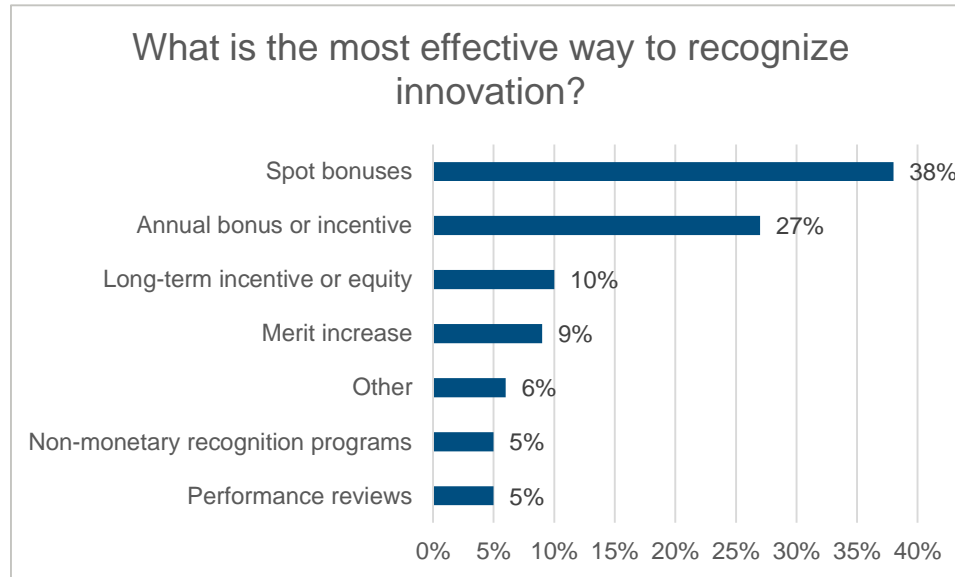
- Sixty percent of banks surveyed feel that they are currently at some level of disadvantage when it comes to innovation and/or fintech.

How is innovation supported or encouraged and rewarded at your bank?



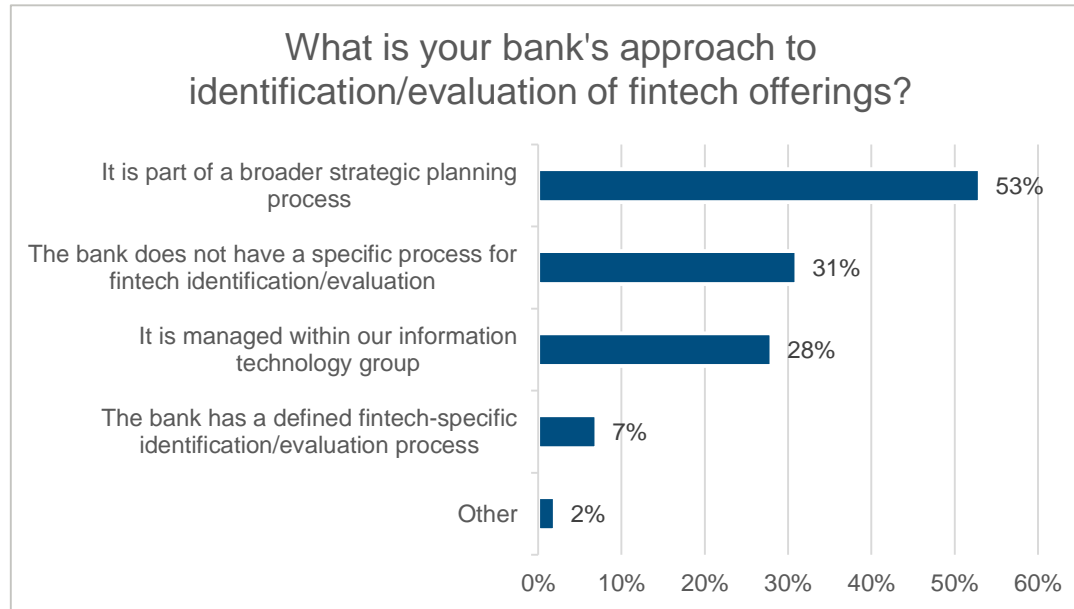
- More than three quarters of banks are going to considerable effort to support innovation, including shifting the culture, targeted recruiting, creating teams, and/or setting aside funding.
- However, more than half (52%) are not rewarding employees for innovation and only one third include innovation assessment as part of the performance appraisal process.
- Only 5% have an incentive or reward program for innovation.

What is the most effective way to recognize innovation?



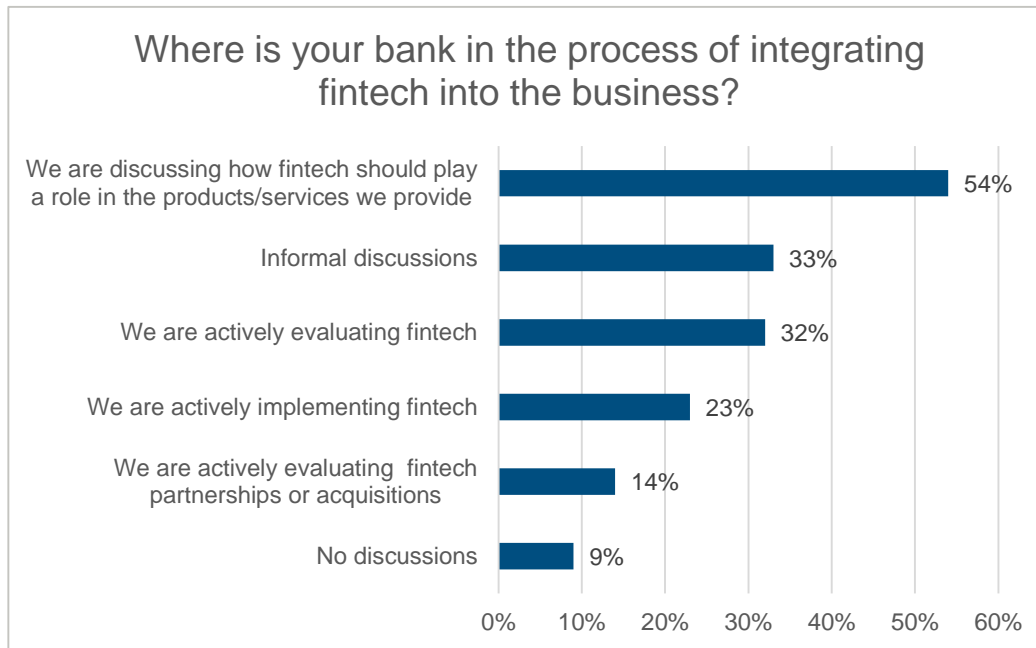
- Despite the fact that almost no banks are actively incentivizing innovation, most (84%) indicate that some form of monetary compensation is the most effective way to recognize innovation.
- Short-term recognition is preferred, as more than one-third (38%) of banks surveyed see spot bonuses as an effective method, while 27% believe an annual bonus or incentive is effective.

Which of the following describe your bank's approach to identification/evaluation of fintech offerings?



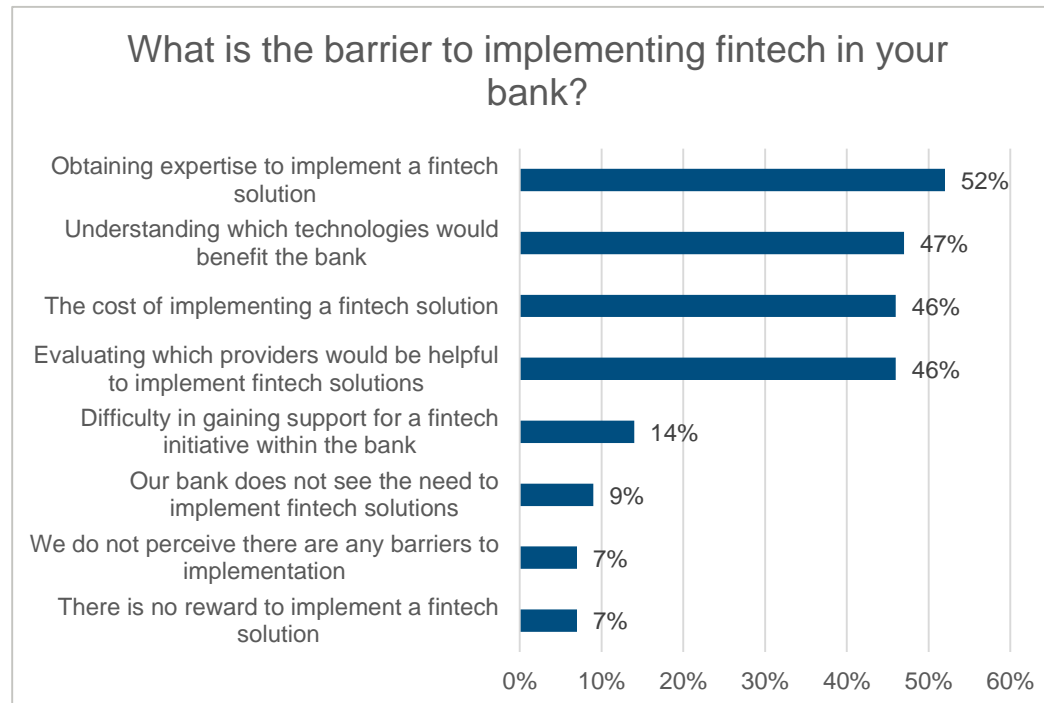
- More than a quarter (28%) of banks rely on their IT department to identify fintech offerings, but 31% do not have a specific process for evaluating or identifying fintech opportunities.
- However, more than half (53%) indicate that identification and evaluation of fintech offerings falls under the bank's broader strategic planning process.

Where is your bank in the process of integrating fintech into the business?



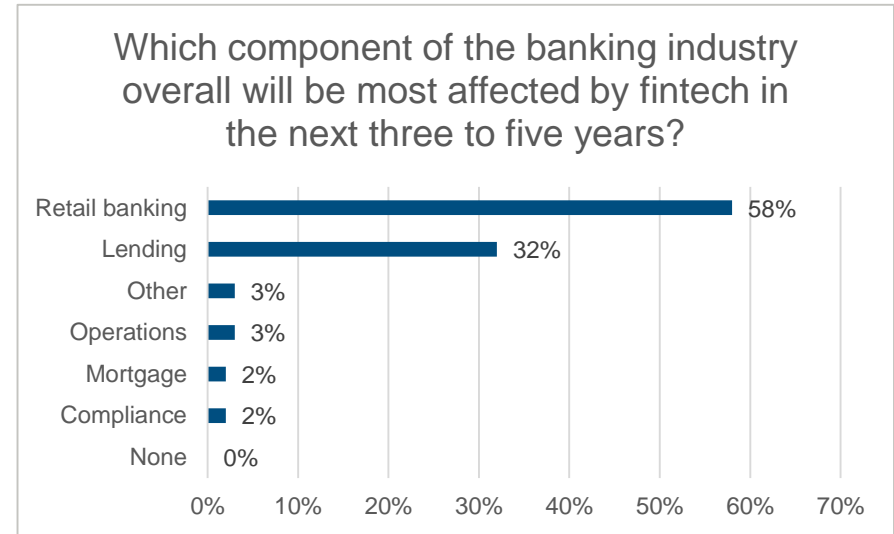
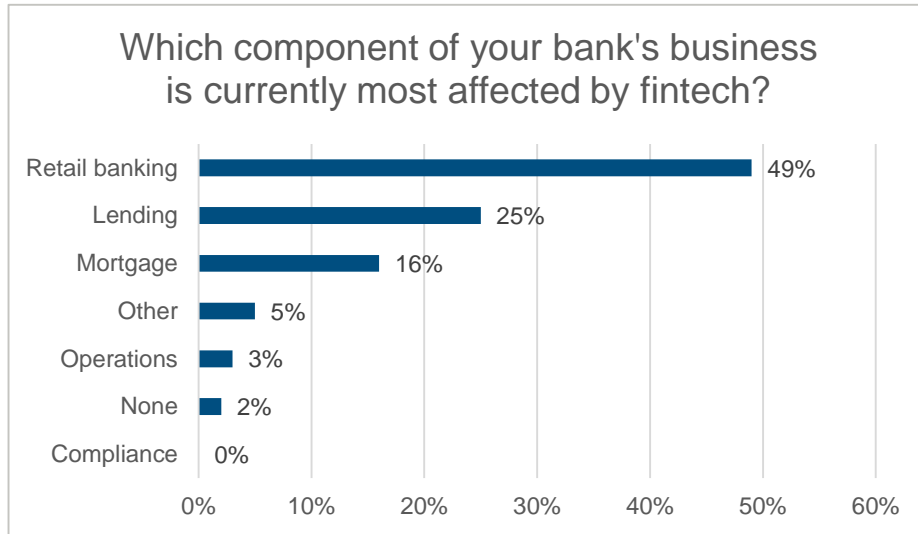
- Eighty-seven percent of banks are having discussions about integrating fintech into their organization.
- Almost one-third (32%) are actively evaluating fintech solutions, while almost a quarter (23%) are actively implementing fintech solutions.
- Fourteen percent of banks surveyed are evaluating a fintech-related partnership or acquisition.

What is the barrier to implementing fintech in your bank?



- Talent is an issue. About half of surveyed banks find it difficult to obtain the necessary expertise (52%) or understanding of the technology (47%) to implement fintech, and 46% find it a challenge to evaluate providers.
- When it comes to implementing fintech, this knowledge gap can be as large a barrier as cost (46%).

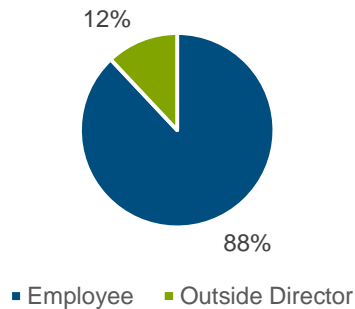
Which component of your bank's business is currently most affected by fintech?



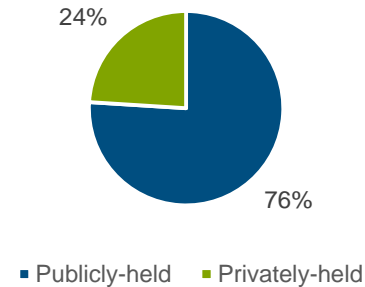
- Retail banking is viewed as most affected by fintech, both currently (49%) and as expected in the future (58%).
- Lending is also viewed as absorbing the effects of fintech, both now (25%) and slightly more so in the future (32%).
- Sixteen percent of banks currently see its effects in their mortgage departments, although only 2% view this as a concern three to five years out.

About the Survey

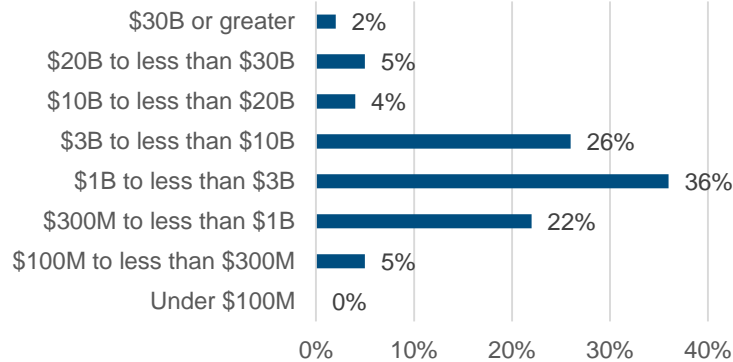
Respondents' Role



Form of Ownership



Asset Size of Organization



Our online survey was conducted between June 19 and August 14, 2017 and results presented are based on 57 responses, primarily from public institutions and banks between one and 10 billion in asset size.



About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, and San Francisco.



Pearl Meyer

NEW YORK

570 Lexington Avenue, 7th Floor
New York, NY 10022
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA

One Alliance Center
3500 Lenox Road, NE, Suite 1708
Atlanta, GA 30326
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON

93 Worcester Street, Suite 100
Wellesley, MA 02481
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE

3326 Siskey Parkway, Suite 330
Matthews, NC 28105
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO

123 N. Wacker Drive, Suite 860
Chicago, IL 60606
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON

Three Riverway, Suite 1575
Houston, TX 77056
(713) 568-2200
houston@pearlmeyer.com

LONDON

3rd Floor
58 Grosvenor Street
London W1K 3JB
+44 (0)20 3384 6711
london@pearlmeyer.com

LOS ANGELES

550 S. Hope Street, Suite 1600
Los Angeles, CA 90071
(213) 438-6500
losangeles@pearlmeyer.com

SAN FRANCISCO

1390 Market Street, Suite 200
San Francisco, CA 94102
(415) 651-4560
sanfrancisco@pearlmeyer.com

**For more information on
Pearl Meyer, visit us at
www.pearlmeyer.com or
contact us at (212) 644-2300.**