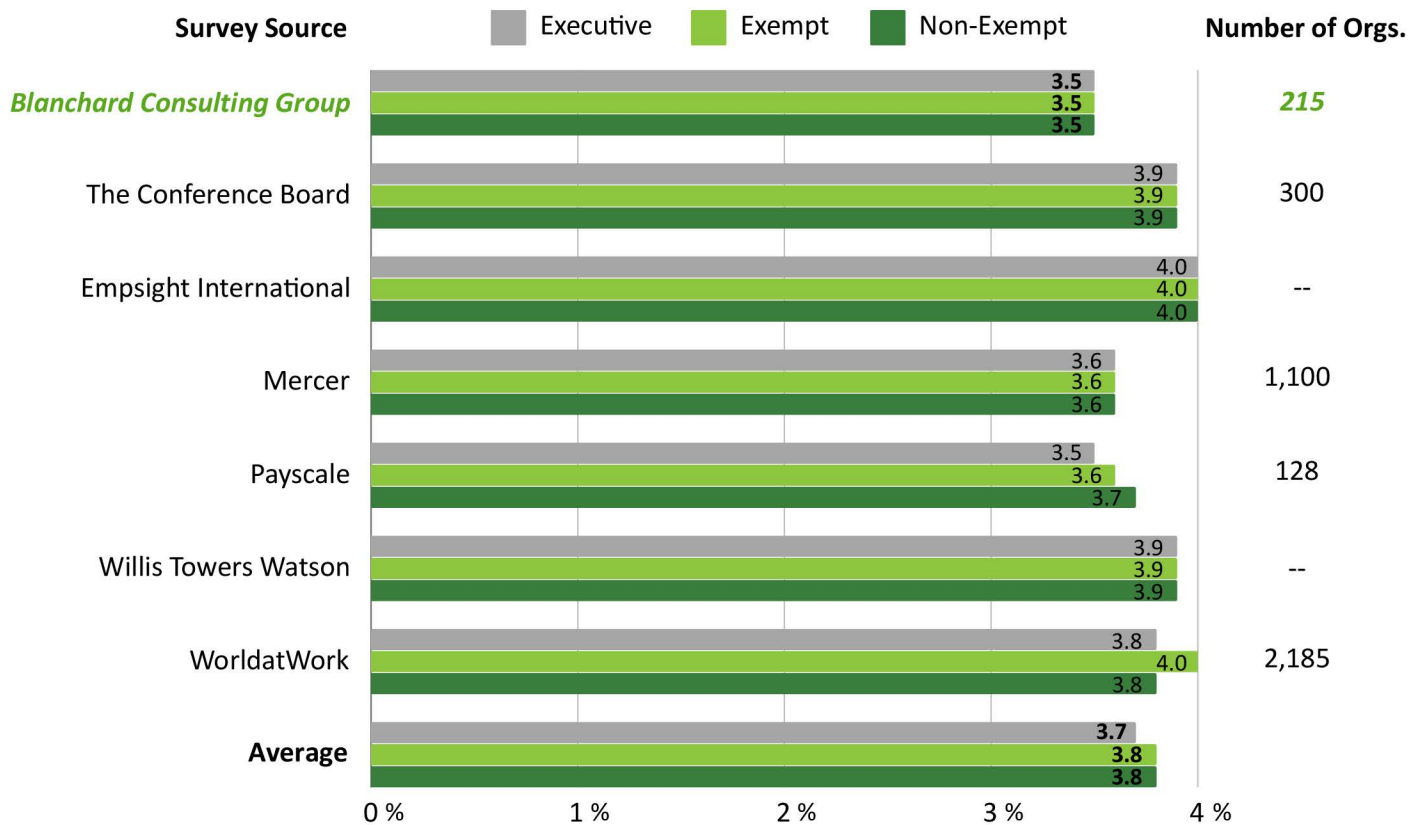




Projected 2025 Median Salary Increase Budget

The salary increase budget reflects the annual pool of dollars to be used to increase employee wages. Typically, these dollars are distributed to individual employees using their performance and placement within their salary grade. The annual salary increase is also meant to compensate for employees' acquisition of skills, competencies, and experience since their last increase.

Projected 2025 Median Salary Increase Budget



The projected salary increase budget has slightly lowered from 2024 (4%) to 2025 (3.7% for executives and 3.8% for exempt and non-exempt employees) in both the general industry and in financial institutions. The salary increase budget (average salary increase given to all employees as a group) should be used strategically to reward high performers and high potential employees for their contributions as part of a pay-for-performance philosophy. Banks should differentiate merit increases based on performance and salary grade positioning.

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Salary Increase Guide – Best Practice Example

Example Salary Increase Matrix

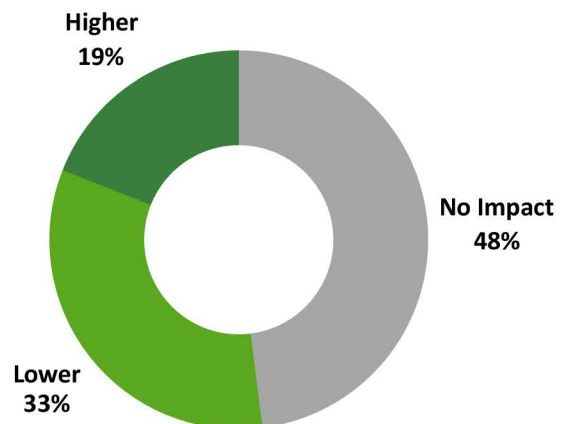
Individual Performance Rating	Recommended Salary Increase Percentage		
	Low in Salary Range (11-20% below range midpoint)	Middle of Salary Range	High in Salary Range (11-20% above the range midpoint)
Far Exceeds Expectations	8.5%	6%	4.5%
Exceeds Expectations	7%	5%	3.5%
Meets Expectations	5.5%	4%	2.5%
Does Not Meet Expectations	0%	0%	0%

Note: this matrix is an example and the actual numbers could/should vary based on affordability and budget at the Bank. The concept, however, should remain consistent.

We recommend utilizing a salary increase matrix based on performance and position in the salary range (as mentioned previously). The combination of both these variables ultimately impacts each employee’s annual salary increase. In addition, a salary increase matrix acts as a guide for human resources and supervisors/managers to guarantee that pay increases across departments are fair and align with the business's objectives. In the table above, we present an example matrix which provides four different overall performance ratings and three categories for determining salary increase percentages, with a salary increase budget of 4.0%. These percentages will vary based on proximity to midpoint and whether the incumbent is above or below the midpoint value. If your bank does not have a salary structure in place, a similar matrix can be used with performance as the only variable.

INFLATION/MARKET PRESSURE IMPACT

Participants were asked if inflation and/or market pressure has impacted their projected salary increase budget for 2025. As shown in the chart below, **48% of participants are reporting that inflation and/or market pressure has had no impact on their projected salary increase budget.** The remaining participants are divided on whether their salary increase budgets are higher (19%) or lower (33%) due to inflation and/or market pressure.

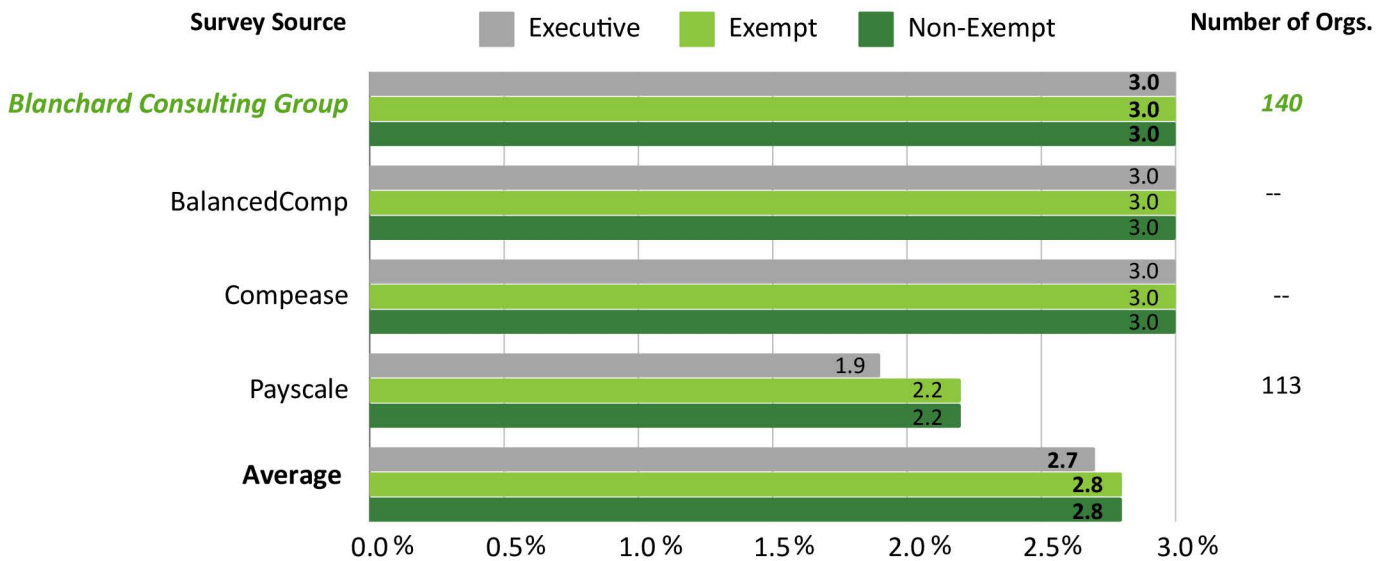


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Projected 2025 Median Salary Structure Increase



Over half (65%) of the survey participants have a salary grade/range system in place. The salary structure increase is the amount of adjustment made to each salary grade’s minimum, midpoint, and maximum to maintain competitiveness in the market. The salary structure increase reflects the typical annual increase in cost of wages. **The 2025 projected structure increase is 2.7% for executives and 2.8% for exempt and non-exempt employees in financial institutions and general industry as summarized above.**

KEY TAKEAWAYS:

The projected salary increase budget is 3.7% for executives and 3.8% for exempt and non-exempt employees

48% of participants are reporting that inflation and/or market pressure has had no impact on their projected salary increase budget

The projected salary structure increase is 2.7% for executives and 2.8% for exempt and non-exempt employees

About Blanchard Consulting Group

Blanchard Consulting Group (founded in 2011) is a national compensation consulting firm with offices in Atlanta, GA, Minneapolis, MN and Orlando, FL. We deliver independent compensation guidance to public and private community/regional banks to help them attract, motivate, and retain their key employees and directors. With an exclusive focus on the banking marketplace, and lead consultants with over 20 years of experience, we have a unique industry perspective and expertise to offer.

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