



AMALFI
CONSULTING, LLC

Board & Director Evaluations: Survey Results

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Purposes

- ★ **Review Results from Recent Flash Survey**
- ★ **Get Your Input**
- ★ **Offer Best Practice Suggestions**
- ★ **Introduce Our Board Governance Services**

★ Surface Issues that Need to Be Addressed

- Merged Boards
- Too many directors
- Lifetime appointments
- Chairman/CEO role
- Friction between Board and leadership

★ Boards Want to Improve

- Challenges and demands are greater
- Need for specific expertise (compensation & financial)
- New approaches to governance

Drivers for Board & Director Assessments

★ Increasing Pressure from Regulators

- Sarbanes-Oxley Act
- Federal Reserve Board
- Securities & Exchange Commission

★ C&D Orders

- Board Assessment Is Often Mandated

Flash Survey – Executive Summary

- ★ **More than half of banks have done Board assessments**
 - ★ More than half do them regularly
- ★ **Less than half of banks have done individual Director evaluations**
 - ★ More than half do them regularly
- ★ **More than three-quarters report both Board and Director assessments as helpful**
 - ★ Zero reported them as not helpful

Flash Survey – Executive Summary

- ★ **Both outside consultants and internal approaches were effective**
- ★ **Care is required in assessment design, process, and facilitation**

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Flash Survey - Geographic Distribution

★ 96 Participants



Demographics

- Regional Representation:

Northeast	Southeast	North Central	South Central	West
31	17	21	9	18

- Coast vs. Non-coast Representation:

Coast	Non-Coast
55	41

- Ownership Type Participation:

Public Banks	Private Banks	Mutual Banks
44	35	17

- Asset Size Representation:

<\$500M	\$500M-\$1B	\$1B-\$5B	>\$5B
49	21	20	6

- TARP Participation:

Not Participating	Participating	Applied-Approved	Applied	Redeemed
65	24	1	3	3

Prevalence of Formal Assessments

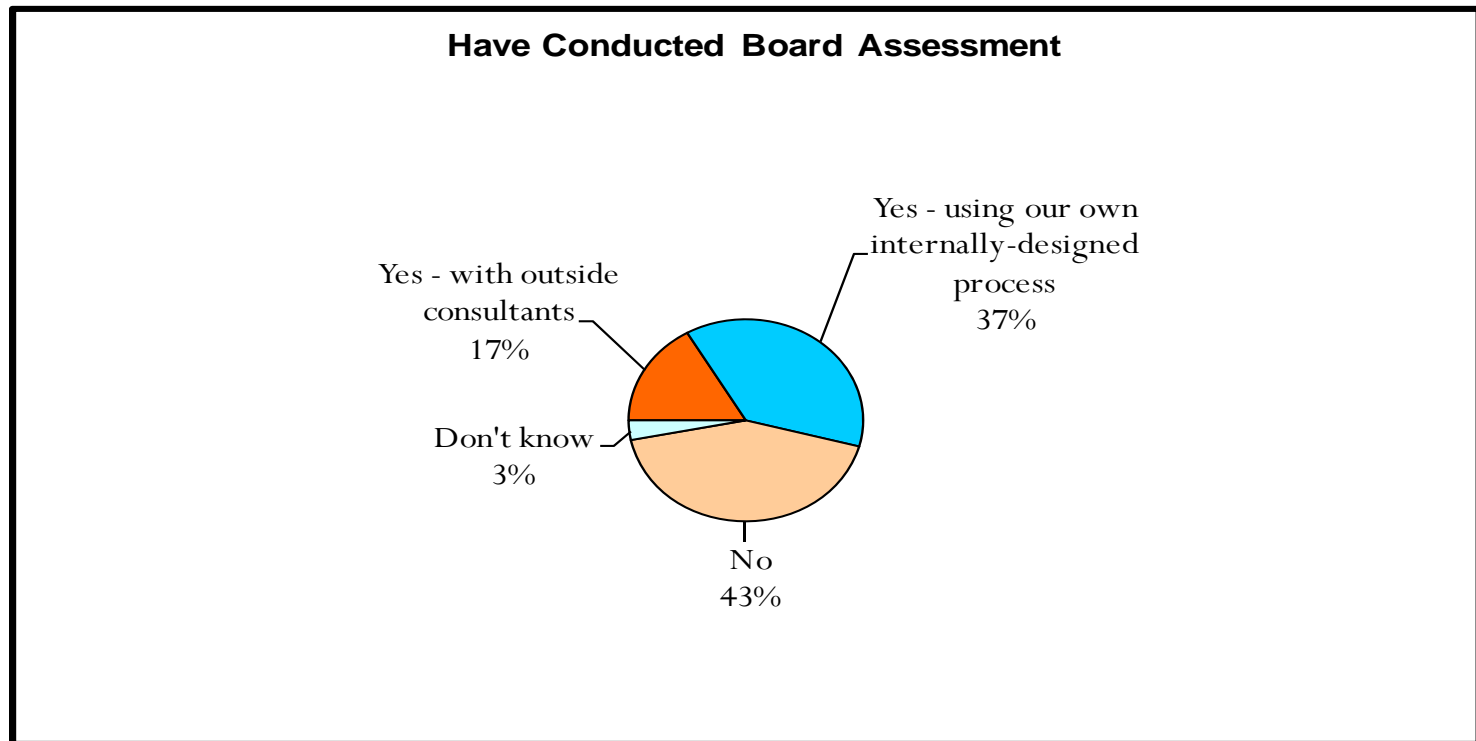
Of All 96 Survey Participants

- ★ **Both Board and Directors: 36%**
- ★ **Board Only: 18%**
- ★ **Individual Directors Only: 4%**
- ★ **Neither: 42%**

Board Assessments

Have Conducted a Board Assessment: 54%

Do So Regularly: 67%



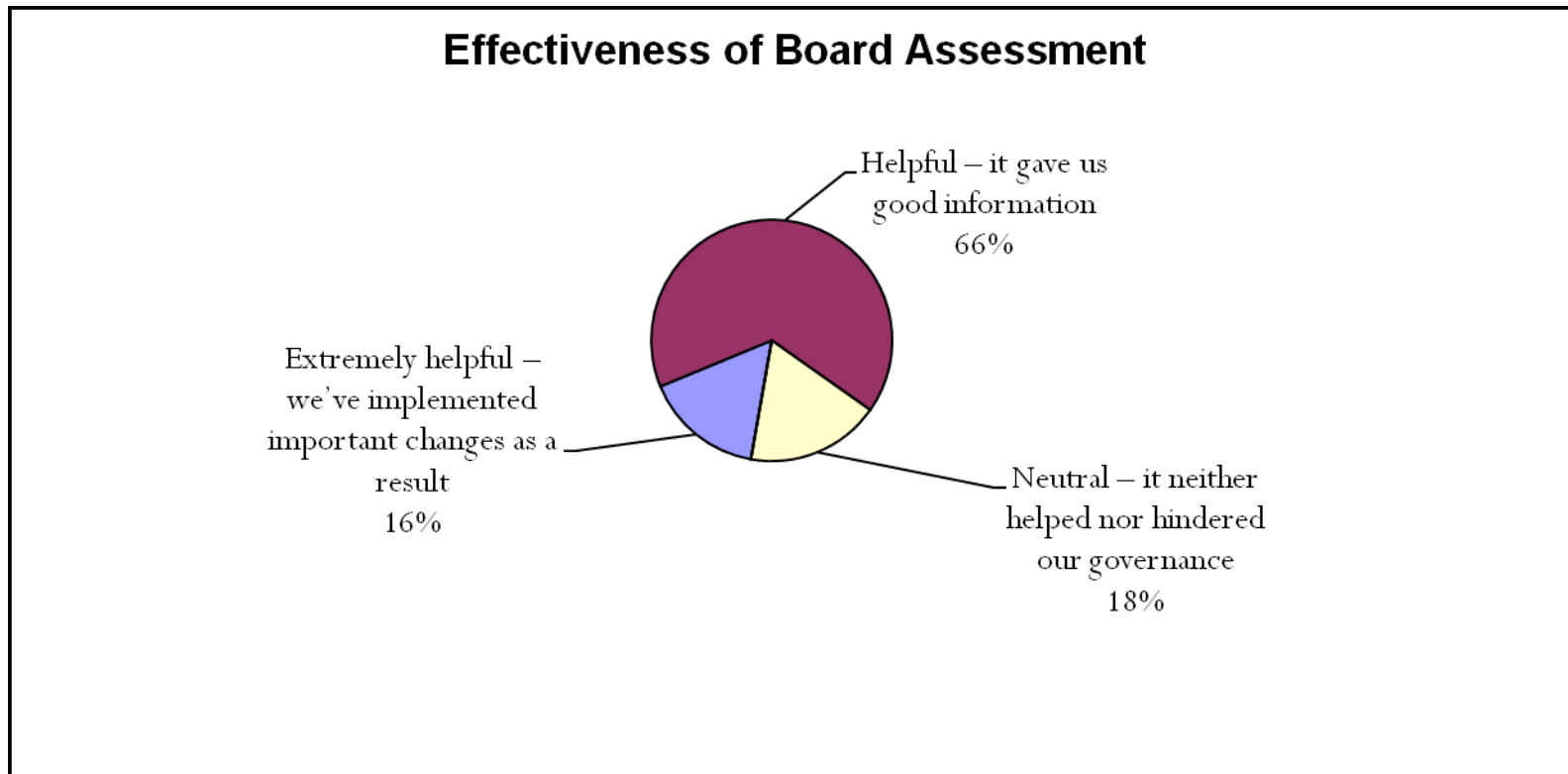
Banks Conducting Board Assessments

- ★ **Public: 65%**
- ★ **Prevalence :**
 - 83% of Banks > \$5 Billion**
 - 75% of Banks \$1 - \$5 Billion**
 - 62% of Banks \$500M - \$1 Billion**
 - 39% of Banks < \$500 Million**
- ★ **TARP: 51%** **Non-TARP: 67%**
- ★ **Coastal: 64%** **Non-Coastal: 41%**

Helpfulness of Board Assessments

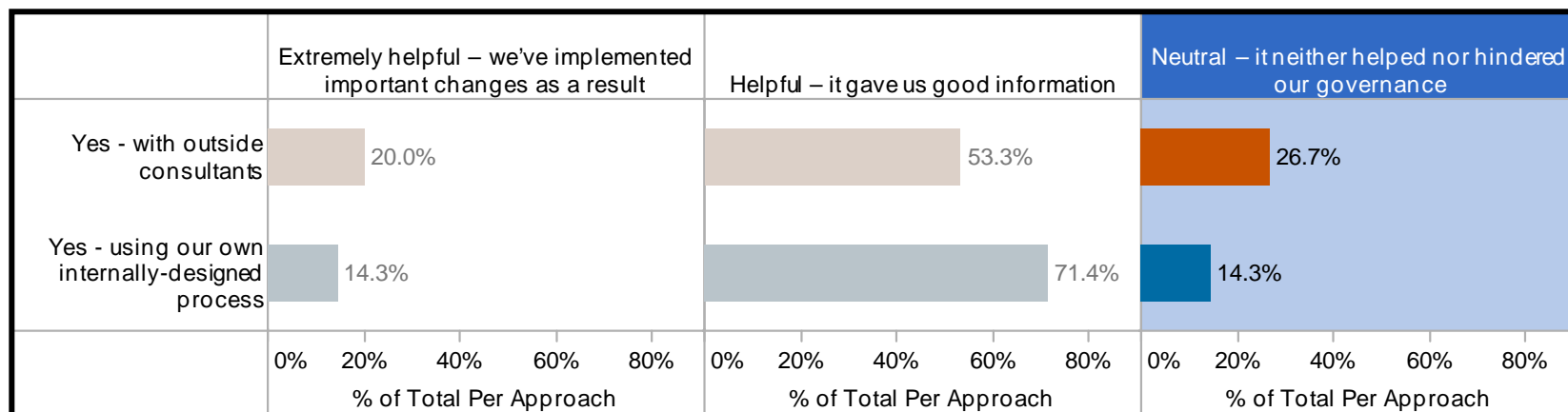
Reported Assessment as Positive: 82%

Reported Assessment as Not Helpful: 0%



Effectiveness Based on Approach

Both Internal and Outside Consultants Reported As Effective



Causes of “Neutral” Ratings

- ★ **Small Sample Size: N = 9**
- ★ **Process Design Was Most Frequent Cause: 44%**
 - ★ All were internally designed
 - ★ All were <\$500 Million

Causes of “Neutral” Ratings

- ★ **Way the Information Was Used: 33%**
 - ★ One attributed to internal approach
 - ★ Two attributed to outside consultant

- ★ **Outside Facilitator: 11%**
 - ★ N = 1

- ★ **Unwillingness of Directors to Be Forthcoming: 11%**
 - ★ N = 1

Causes of “Neutral” Ratings

Data Suggest

- ★ **Outside Consultant May Provide Greater Positive Effect**
 - ★ Careful selection of independent consultant
 - ★ Thoughtfully designed assessment process
- ★ **Internally-Designed Approach Can Be Effective**
 - ★ Design and process are important

Helpful Dealing with Regulators?

- ★ **Good Idea or Self-Defense Necessity: 64%**
- ★ **No Opinion: 17%**
- ★ **Wouldn't Make a Difference: 19%**

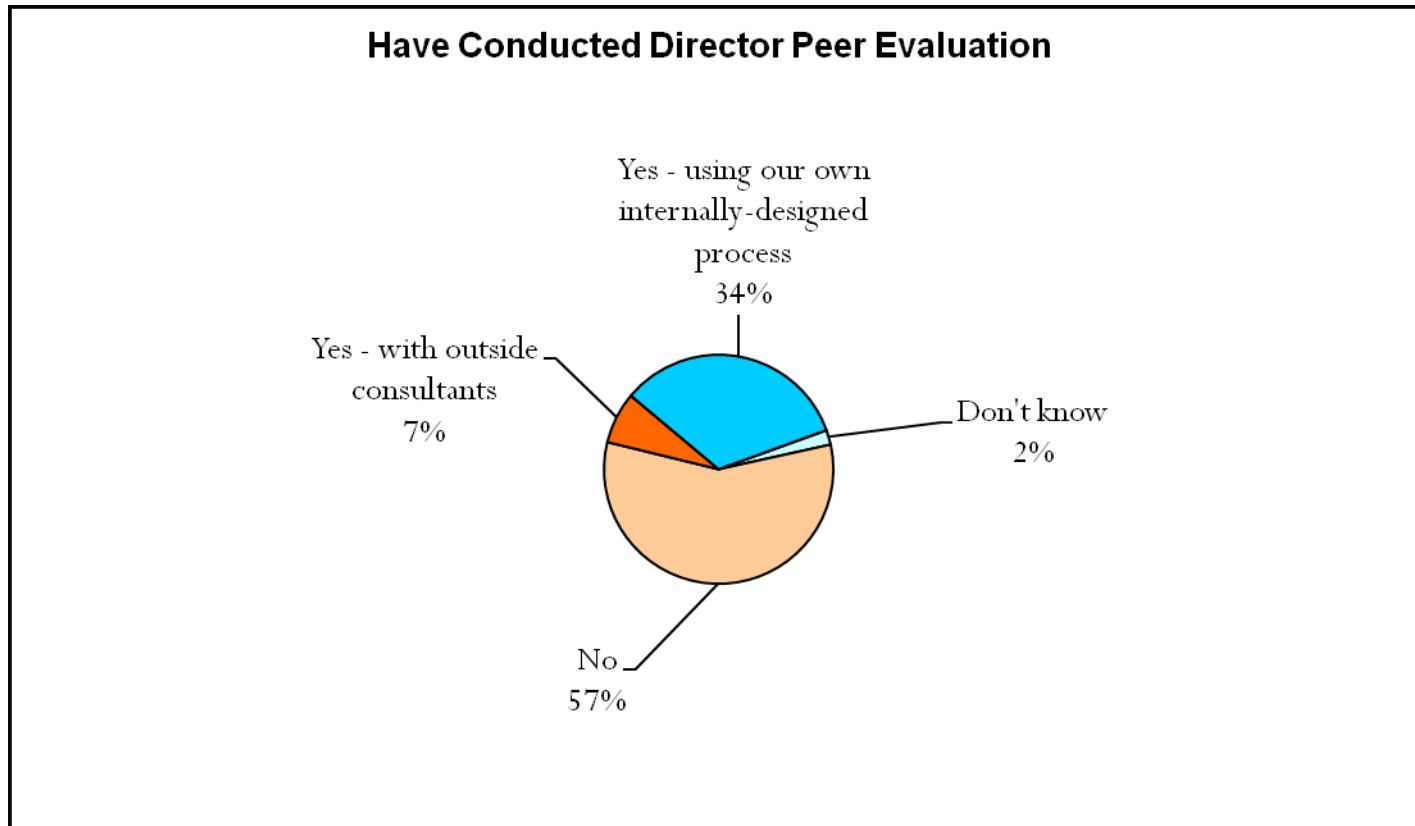
Need for Board Assessment

Of Those Not Having Done Assessment

- ★ **“Desperately Needed” or “Beneficial”:** 57%
- ★ **Would Not Object:** 34%
- ★ **Don’t Think It Would Help:** 9%

Prevalence of Director Peer Evaluations

Have Evaluated Directors: 41%



Banks Conducting Director Evaluations

- ★ **Public: 50%**
- ★ **Prevalence: 50% of Banks > \$5 Billion**
 - 60% of Banks \$1 - \$5 Billion**
 - 43% of Banks \$500M - \$1 Billion**
 - 31% of Banks < \$500 Million**
- ★ **TARP: 33% Non-TARP: 45%**
- ★ **Coastal: 36% Non-Coastal: 46%**

Frequency of Director Peer Evaluations

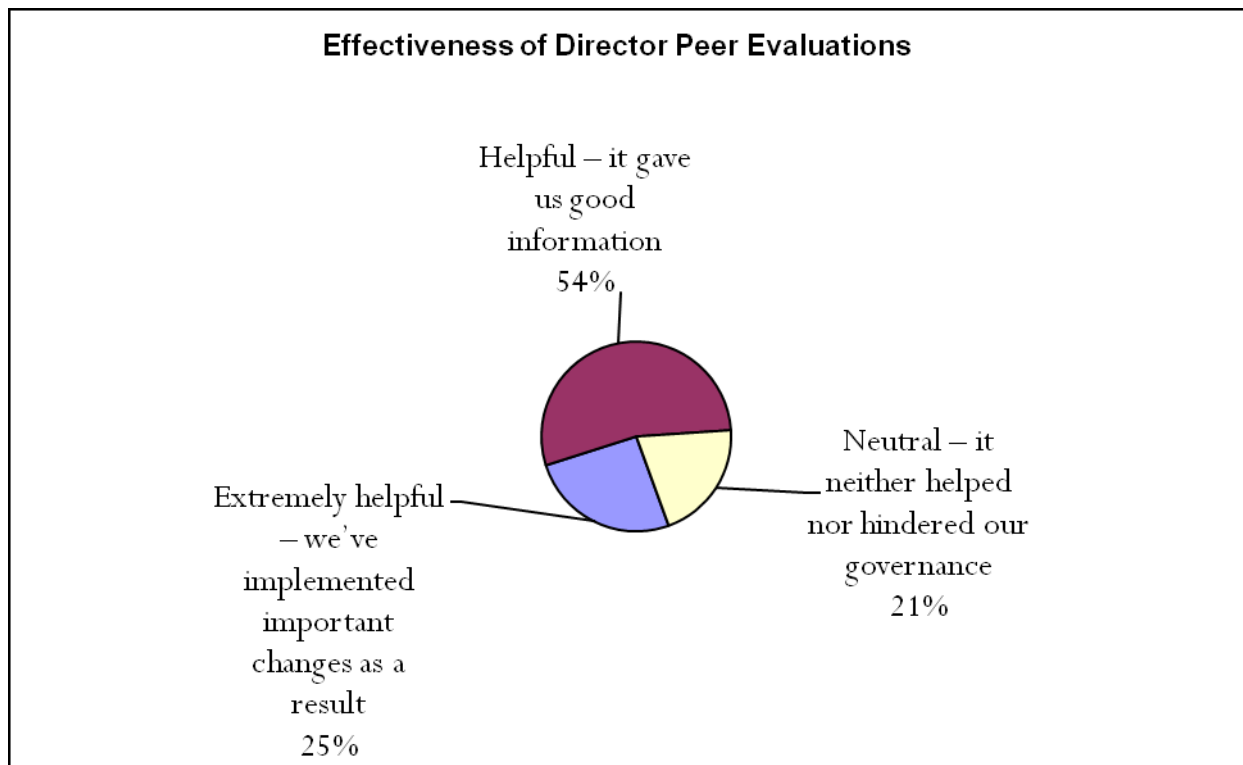
Of Those Who Have Done Peer Evaluations:

- ★ **Conduct Regularly: 54%**
- ★ **Have Done More than Once: 23%**
- ★ **Have Done Only Once: 23%**

Helpfulness of Director Evaluations

Reported Evaluations as Positive: 79%

Reported Evaluations as Not Helpful: 0%



Helpful Dealing with Regulators?

Director Peer Evaluations

- ★ **Good Idea or Self-Defense Necessity: 56%**
- ★ **No Opinion: 18%**
- ★ **Wouldn't Make a Difference: 26%**

Assessments: Common Themes

★ Board Role

- Managing instead of governing
- Improve strategic focus

★ Board Structure

- Too many directors

★ Board Expertise

- Need more and/or different type

★ Director Responsibility

- Uneven preparation, participation, decision making

Assessments: Common Themes

★ CEO

- Need more open, two-way communication
- Formalize goal setting and performance evaluation

★ Succession Planning

- Both board and CEO – formalized and strategic

★ Board Development

- Performance assessment
- Education

Best Practices for Assessments

Do:

- ★ **Keep it objective**
- ★ **Focus on governance practices**
- ★ **Word questions carefully**

Best Practices

Do:

- ★ **Be consistent**
 - ★ From person-to-person
 - ★ Year-over-year
- ★ **Ensure confidentiality**
- ★ **Use skilled and independent facilitator**

Best Practices for Assessments

Avoid:

- ★ **Skewing Results**
 - ★ Interview bias
 - ★ Designing around one person's agenda
- ★ **Making it personal**
- ★ **Making it feel unsafe**
- ★ **Not implementing change**

Amalfi Consulting Assessments

★ Board Governance Assessment

- ★ Proprietary internet–based technology
- ★ Objective & consistent

★ Director Peer Evaluation

- ★ Paper–based
- ★ Objective & consistent

★ Aggregate Results Only

- ★ No attribution to any individual
- ★ Individual responses discarded securely

★ Amalfi Consulting Website – Board Governance

www.amalficonsulting.com/bgaanddirector.html

- ★ Demo Board Governance Assessment
- ★ Sample Board Governance Assessment report
- ★ Sample graphs of supporting data
- ★ Access to flash survey report
- ★ Webinar replay

★ Contact

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★ Your Amalfi Consulting consultant