



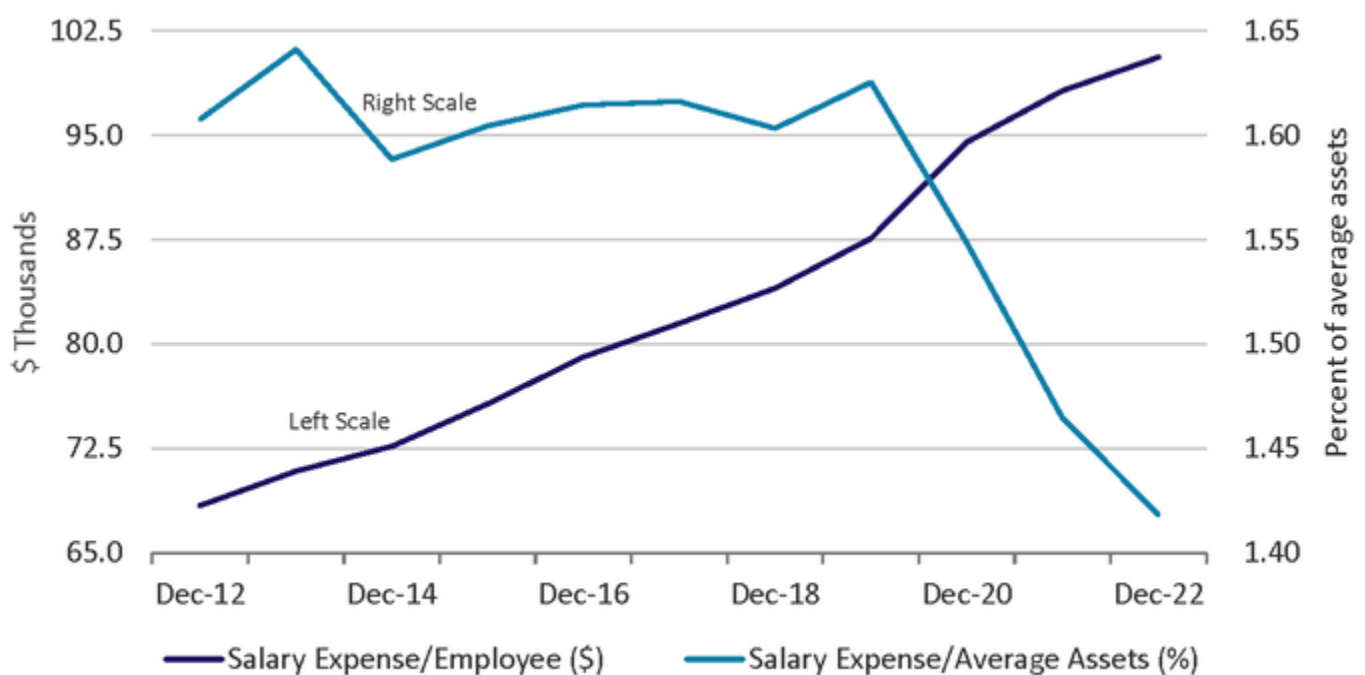
## Community Banking Bulletin

### Highlight: Rising salary expenses as balance sheets grow

April 19, 2023

Community banks are paying more in salary costs, despite lower staffing levels, but employees are managing more assets than ever before.

#### Salary Expenses



Source: Reports of Condition and Income.

- Overhead costs related to salaries have increased across community banking organizations<sup>[1]</sup> (CBOs) despite lower levels of full-time equivalent (FTE) employees.<sup>[2]</sup> The number of FTE employees at CBOs has steadily declined throughout time, reaching a record low in early 2022. At the same time, total bank spending on salaries is at record highs. The average salary per employee now totals nearly \$101,000.
- Although rising, total salary costs increased at a slower rate than the significant growth in total assets over the prior three years. As a result, salary expense as a percent of average assets declined to a record low of 1.4 percent in 2022.
- Significant asset growth and decreased FTE employee levels have also resulted in record-high asset-to-employee ratios. CBOs now hold \$7.3 million of assets per employee, up from \$5.6 million at year-end 2019. Increased asset-to-employee ratios

have been seen across all bank sizes, though smaller CBOs continue to hold less assets per employee than larger CBOs.

Questions or comments? Please contact [KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org](mailto:KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org)

## Endnotes

<sup>[1]</sup> Community banking organizations are defined as having less than \$10 billion in total assets.

<sup>[2]</sup> Salary expense also includes employee benefits.

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