



INCENTIVE PROGRAM

Restructuring Apple Bank's Retail
Banking Sales Incentive Program



ABA STONIER GRADUATE SCHOOL OF BANKING

Joelle Gonzalez | FVP, Retail Sales Managing Director | Apple Bank

Banker Capstone Project | March 1, 2023

Table of Contents

I. Introduction/Background.....	1
Current Program Parameters.....	3
Total Annual Budget.....	3
Program Objectives.....	3
Participant Eligibility	3
Performance Goals.....	4
Measurement and Goal Weighting	4
Incentive Awards and Point Calculation.....	5
Quarterly Incentive Awards.....	6
Audit and BSA/AML Performance Incentive.....	6
Annual Incentive Awards	7
Special Campaigns.....	9
President's Club for Branch Managers.....	9
Safeguards.....	10
II. Strategy/Implementation	11
Strategy Framework.....	13
New Program Structure - The Core Incentive Compensation Program	13
Program Overview and Effective Date	14
Program Objectives.....	14
Program Goals	15
Program Participant Eligibility	16
Incentive Program Reporting and Discrepancies.....	17
Performance Goal Setting	18
Key Performance Indicators (KPIs) and Performance Goal Categories	18
Key Performance Indicators (KPIs) and Performance Goal Weighting	19
Point Calculation Example	19
Quarterly Incentive Award Qualification	20
Quarterly Incentive Award Payouts.....	20
Annual Incentive Award Payouts	21
Special Campaigns.....	22

III. Financial Impact.....	23
Project Scope	23
Expense Analysis	24
Quarterly Top Performers	24
Annual Top Performer Awards.....	25
Sales Leader Supplement.....	25
Special Campaigns.....	26
Other Operating Expenses	27
IV. Non-Financial Impact	28
Logistical and Organizational Considerations	28
Plan to Overcome Hurdles	29
Measures to Evaluate Non-Financial Impact.....	31
V. Conclusion	34
VI. Bibliography	36

Executive Summary

The Apple Bank Retail Sales Incentive Program has proven to be an effective tool that fosters and encourages the appropriate employee sales and service behaviors while recognizing successful performance. The program's conservative structure has consistently remained compliant with all regulatory laws and guidelines inclusive of safety, soundness, risk-management and corporate governance. The program was intended to be dynamic with revisions and enhancements made along the way that would keep the program fresh, up-to-date, and aligned with evolving product, service and technological investments that were at the forefront of Apple's reimagined retail strategy. Although the program had achieved network-wide popularity and had shown indications of delivering on its original promise, enhancements have been nominal and its design has become stale, with the resources necessary to address its redesign having been directed to other pressing infrastructure priorities. This has resulted in what is now a less-than-competitive compensation supplement, performance metrics that need to be realigned with Bank objectives, and a program that could potentially erode the enthusiasm and motivation of high performing employees over time.

As the Bank continues its aggressive transformation strategy, attention has now turned to restructuring the existing Retail Sales Incentive Program. The plan outlined in this Capstone has been carefully devised to ensure that the program will not be over-engineered or too complicated. The recommendations are comprised of three components -- financial growth, customer focus and improved efficiencies. The restructuring of the program places an emphasis on realigning the program's Key Performance Indicators (KPI) to measure financial solutions that generate revenue, expand customer relationships and contribute to the Bank's profitability. The new program will measure KPIs in the following eight categories: Deposit Growth, Non-Deposit Investment Product

Growth, Consumer Checking Account Growth, Business Checking Account Growth, Credit Card Application Approvals, Customer Relationship Growth, Personal Loan Growth and Online Banking Enrollments.

Each of these KPIs will continue to be weighted based on its degree of importance to the Bank. Branch teams will be assigned annual goals for all KPIs and an equivalent point value to each product category. Points will be calculated for all eight KPIs and totaled. Branches with the highest points will achieve quarterly and annual award levels provided that they meet the minimum criteria outlined in the new program. Special campaigns will continue to be developed, however campaigns will be solely focused on KPIs that are revenue generating. These campaigns will also entail individual and/or role specific incentive payouts and less team based incentives.

The program's restructuring will involve a moderate financial investment that is not substantial enough to invite unethical behaviors, however it will be significant enough to encourage and reward sales activities that generate growth and profitability.

Implementation of the plan will require new policies, procedures, manuals, reports and a risk-based governance review. The overall processes will present challenges associated with time constraints and efficiency. However, the Bank will overcome these hurdles by leveraging a dedicated Project Management team and the People, Process and Performance (PPP) framework. Upon finalization of the new program and the associated documents, a large-scale effort will be deployed to communicate, train and introduce the new incentive program to the retail branch network.

The new program is designed to increase goal achievement and Bank revenue, while ensuring a positive response from the dedicated retail employees who will have a renewed sense of appreciation and acknowledgement as a result of increased monetary awards and recognition.

I. Introduction and Background:

Apple Bank is a New York chartered privately-owned institution and is the second largest state-chartered savings bank in New York, with over \$16 billion in assets and eighty-four branches. The Bank's history of conservative financial management and careful adherence to credit quality has ensured almost three decades of profitable performance. Apple Bank's business model is to generate profits through a combination of strict adherence to credit quality and liquidity while leveraging a commanding presence in the Retail Banking arena, focusing on deepening household penetration and primary consumer and business banking relationships to source deposits.

Apple Bank has been a strong regional Bank in the five boroughs of New York City, Long Island, Westchester and Rockland Counties since 1863. In September 2022, Apple Bank opened two new locations in Iselin and Englewood New Jersey. Many of the Bank's customers live in the state of New Jersey. This strategic move was a natural extension of the Bank's branch footprint and provides a more convenient way to serve New Jersey residents who work in New York and bank with Apple Bank. Adding locations in New Jersey will also allow Apple Bank to form new relationships with longtime residents of the neighboring Garden State.

Apple Bank is positioned amidst a diverse group of Money Center Banks, similar sized regional banks and a growing number of smaller banks and startups. As such, the Bank takes a calculated and competitive approach with every strategic decision, including how to further invest in infrastructure, product offerings, expansion, technology, innovation and the continued creation, cultivation and retention of its target customers. Additionally, to effectively support these strategies, the Bank must ensure that it is able to attract and retain top talent. Therefore, developing plans to drive employee engagement remains a continued focus of the Bank.

For many companies, including financial institutions that are direct competitors of Apple Bank, maintaining a robust and equitable incentive program (or variable compensation plan) is a key component to successful talent acquisition. In the financial industry, incentive programs are often leveraged to motivate employees and are directly tied to achievement of measurable and specific performance goals. Incentive programs provide employees with an opportunity to earn income in addition to their base salary. Incentive programs should be designed with comprehensive parameters, include achievable goals, financially justify the extra efforts employees exhibit and remain competitive. According to The Business News Daily, "employee incentive programs can boost profitability, reward the best workers, support business values, improve teamwork and morale, and attract (as well as retain) top talent."¹

The framework of Apple Bank's current sales incentive program has been in place for many years. Although the program has evolved since inception, revisions have been largely based on a conservative financial budget and careful adherence to applicable regulatory laws. The current program covers an estimated 700 retail banking employees and 12 Financial Consultants of ABS Associates². For the purpose of this project, any recommendations to revise the incentive program will continue to apply to this same population of employees. The Bank's Sales Department is responsible for the development, management and administration of the incentive program³. The program is governed by the Compliance, Human Resources, Internal Audit and Enterprise Risk Management Departments.

¹ Quote sourced from a Business News Daily article: Workplace Incentives That Your Employees Want by Adryan Corcione, August 12, 2022.

² ABS Associates is a wholly owned subsidiary of Apple Bank. All Financial Consultants are employed by ABS Associates. All investment and insurance products and services are made available through Infinex and are not insured by the FDIC or any other agency of the United States and are not deposits or obligations of nor guaranteed or insured by any bank or bank affiliate. These products are subject to investment risk, including the possible loss of value.

³ The Bank's Sales Department is a component of Branch Administration and under the Consumer Banking Division.

Current Program Outline and Parameters:

The Bank's incentive program provides a quarterly and annual financial reward for Retail Banking employees and, as applicable, the Bank's Financial Consultants responsible for sales of non-deposit investment products that contribute to the success of the company. The program offers eligible employees an opportunity to earn compensation in addition to their salaries, based upon their individual participation towards overall branch and Bank goals. The program measures performance in the following five categories: Deposit Growth, Checking Account Acquisitions, Credit Card Application Submissions, Apple Edge Enrollments and Non-Deposit Investment Product (NDIP) Revenue (Bank revenue from investment sales and approved insurance applications). Each product category is weighted based on its degree of importance to the Bank.

Total Annual Program Budget: \$270,000

Program Objectives:

- Provide employee incentives based on overall branch performance that fosters team involvement and collaboration.
- Generate revenue in a responsible and prudent manner that aligns with the Board of Directors expectations and is in compliance with applicable laws, regulations and guidance.
- Motivate and engage employees while supporting employee retention.
- Support an engaged, attentive customer experience with a sharp focus on meeting the financial needs of all customers.

Participant Eligibility:

The majority of Apple Bank's retail banking employees are eligible to participate in the incentive program. Full-time and part-time/hourly employees are eligible to earn an incentive award. Any employee receiving a sales incentive award must be actively employed by Apple Bank. Eligible

Positions include: Branch Manager, Assistant Branch Manager, Executive Assistant, Management Associate, Operations/Assistant Operations Supervisor, Customer Service Representative, Customer Service Representative Supervisor, Universal Banker, Teller and Safe Deposit Vault Attendants. Floor personnel are not eligible for incentives. Bank Financial Consultants are eligible to participate in the incentive program, as applicable. Branch employees must be at the winning branch for at least one (1) month during the quarter to qualify for the quarterly payout. If a branch employee is transferred from a winning branch to another branch within the quarter, the employee will receive the incentive if he or she was in the winning branch for one (1) month of the quarter.

Performance Goals:

Goals in the five categories stated above are established collaboratively with District and Branch Management, with input and approval from the Regional Sales Manager, the ABS Sales Manager and Senior Management. Production goals must be attainable, taking into consideration past performance, market opportunity, existing customer segmentations, current regulatory standards, and present marketing/advertising strategies. Goals are tracked and measured in the Bank's production report.

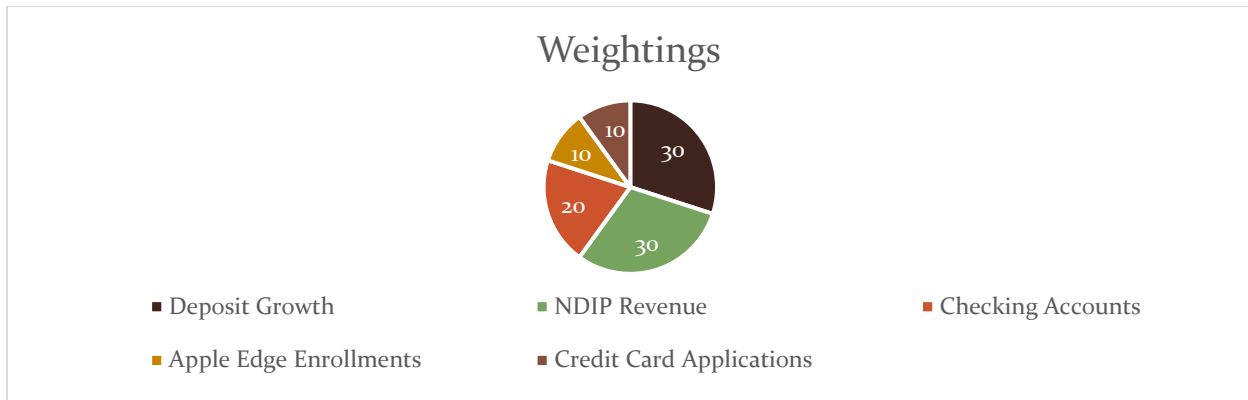
Measurement and Goal Weighting:

Each product category is weighted based on its degree of importance to the Bank's overall growth strategy. Each branch is assigned an annual goal for all product categories as set forth below. Quarterly branch performance is measured on the overall percentage to annual goal within each category. An equivalent point value is assigned to each product category. Points are calculated for all five (5) product categories and totaled. Product categories consist of the following metrics:

- **Deposit Growth:** Total branch liability inclusive of all deposits from every account type.
- **Checking Accounts:** All newly opened Consumer and Business Checking Accounts, minus

Checking Accounts opened, then subsequently closed within the past three (3) months.

- **Non-Deposit Investment Product (NDIP) Revenue:** Total bank revenue received from each specific branch's NDIP sales and approved life insurance applications.
- **Credit Card Applications:** Applications for Consumer and Business credit card products. The credit card application does not have to result in an approval.
- **Apple Edge Enrollments:** New company enrollments in the Apple Edge Program.



Incentive Awards and Point Calculation:

Incentive Qualifiers	
Quarterly	Annually
To qualify for the quarterly incentive, branch teams must have some production within each category for the year.	To qualify for the annual incentive, branch teams must meet their goal by a minimum of 25% YTD within each category.

Points Calculation Example			
Product	Goal	Actual Production	Points
Deposit Growth	\$500,000	\$750,000	$(750/500 \times 30) = 45$
Checking Accounts	50	30	$(30/50 \times 20) = 12$
NDIP Revenue	\$50,000	\$40,000	$(40/50 \times 30) = 24$
Credit Cards	100	20	$(20/100 \times 10) = 2$
Apple Edge	12	12	$(12/12 \times 10) = 10$
			TOTAL POINTS = 93

Quarterly Incentive Awards: The top three branches within each district, based on the highest total number of points, will receive a quarterly incentive as outlined below.

Quarterly Incentives	
Branch Managers in the top three (3) branches within each district will receive a monetary incentive of four hundred dollars (\$400).	
Assistant Branch Managers and Executive Assistants in the top three (3) branches within each district will receive a monetary incentive of two hundred dollars (\$200).	
Management Associates in the top three (3) branches within each district will receive a monetary incentive of one hundred seventy-five dollars (\$175).	
All platform employees in the top three (3) branches within each district will receive a monetary incentive of one hundred fifty dollars (\$150).	
All unit and safe deposit employees in the top three (3) branches within each district will receive a monetary incentive of one hundred dollars (\$100).	

Eligible Positions - Role Distinction	
Platform	Unit & Safe Deposit
Customer Service Representative	Teller
Customer Service Representative Sup.	Assistant Operations Supervisor
Universal Banker	Operations Supervisor
	Safe Deposit Vault Attendant

Audit and BSA/AML Performance Incentive:

Branch Management who placed in the top three (3) branches within each district for the quarter are eligible to receive an additional incentive based on the branch's current audit rating and BSA/AML performance metrics. The performance incentive is allocated in the following increments:

Performance Incentive: Audit & BSA/AML Rating	
Title	Incentive Amount
Branch Manager	\$100
Assistant Branch Manager	\$100

The performance incentive is only awarded when both the audit rating and current BSA/AML metrics are met in accordance with the standards set below.

Audit Metric: Branch Management earn the performance incentive if the branch's most recent audit examination received a satisfactory rating or higher.

BSA/AML Metric: Branch Management earn the performance incentive provided that the branch's current onboarding BSA/AML metrics (YTD %) are passing for both consumer and business. A passing rating is defined as achieving a YTD score of 85% or better. If a branch receives less than a satisfactory audit rating and/or a failing BSA/AML Metric Score (below 85%) on consumer or business accounts, the Branch Management team is not eligible for the Audit & BSA/AML Performance Incentive.

Annual Incentive Awards:

Incentive: Trophy

Points

Top ten (10) branches with the highest number of points and a minimum of 25% of goal in every category. This is a team award.

Incentive: Trophy with \$500 Award

Deposit Growth

Top five (5) Branch Managers bank wide with the highest deposit growth.

Top non-deposit investment representative (Dedicated Agent) with the highest deposits referred to branches from outside funds. Minimum of \$500,000 in referral deposits to qualify.

Sales Leader

Top Sales Leaders within each district, based on the branch's overall performance and the completion of the responsibilities outlined in the Sales Leader Supplement. The Sales Leader's branch must have placed within the top three (3) of their district in any of the four (4) quarters. The Sales Department will identify the eligible Sales Leader based on the criteria above and will request final approval from the SVP, Director of Branch Administration.

Apple Edge

Top employee within each district with the highest number of companies enrolled. Minimum of five (5) Apple Edge enrollments.

Tellers

Top Teller in each district based on overall performance, nominated by their Branch Manager and approved by their District Manager. Selected Tellers must have actively referred and participated in the branch's overall growth. The Branch Manager and District Manager will submit nominations in writing to the Regional Sales Manager and Senior Vice President of Branch Administration for review and final approval.

Customer Service Representatives

Top Customer Service Representative in each district based on overall performance, nominated by their Branch Manager and approved by their District Manager. Selected Customer Service Representatives must have participated in the overall success of their branch including operational excellence and participation in sales activities. The Branch Manager and District Manager will submit nominations in writing to the Regional Sales Manager and SVP, Director of Branch Administration for review and final approval.

Non-Deposit Investments

Licensed Bank Employee (Dual Agent) with the **highest** dollar amount of qualified referrals for NDIP sales to a Dedicated Representative.

Dedicated Representative with the **highest** dollar amount of investment sales.

Life Insurance

Licensed Bank Employee (Dual Agent) with the **highest** number of qualified insurance referrals to a Dedicated Representative which resulted in an insurance application.

Dedicated Representative with the **highest** number of insurance applications.

Incentive: Trophy with \$300 award

Non-Deposit Investments

Licensed Bank Employee (Dual Agent) with the **second highest** dollar amount of qualified referrals for NDIP sales to a Dedicated Representative.

Dedicated Representative with the **second highest** dollar amount of NDIP sales.

Life Insurance

Licensed Bank Employee (Dual Agent) with the **second highest** number of qualified insurance referrals to a Dedicated Representative which resulted in an insurance application.

Dedicated Representative with the **second highest** number of insurance applications.

Incentive: Trophy with \$200 Award

Non-Deposit Investments

Licensed Bank Employee (Dual Agent) with the **third highest** dollar amount of qualified referrals for NDIP sales to a Dedicated Representative.

Dedicated Representative with the **third highest** dollar amount of NDIP sales.

Life Insurance

Licensed Bank Employee (Dual Agent) with the **third highest** number of qualified insurance applications. Includes referrals to a Dedicated Representative which resulted in an application.

Dedicated Representative with the **third highest** number of insurance applications.

Special Campaigns:

Special campaigns for various product lines are launched from time to time and are based on corporate strategy. These campaigns are outside of the regular incentive program and may entail team and/or individual employee incentives.

President's Club for Branch Managers:

The President's Club is designed to acknowledge and celebrate the Branch Managers who consistently lead their team to success for two or more quarters. To qualify, the branch must place as a quarterly top performer for two or more consecutive quarters. President's Club inductees will receive a special invitation from Senior Management to attend an annual celebration honoring their leadership, success and overall achievements.

Examples:

A branch places among Top Performers in the 1st, 2nd, 3rd and 4th quarter = Eligible

A branch places among Top Performers in the 2nd, 3rd and 4th quarter = Eligible

A branch places among Top Performers in the 1st and 2nd quarters = Eligible

A branch places among top performers in the 1st and 4th quarters = Not Eligible

A branch places among top performers in the 2nd and 4th quarters = Not Eligible

In order to qualify for the President's Club, a Branch Manager must have managed the winning branch for two complete consecutive quarters. There is no monetary award provided to individuals succeeding in this category. However, if there are extenuating circumstances that prevent a ceremony from occurring, the Sales Department may purchase gift cards up to \$250 for each President's Club honoree with approval from the SVP, Director of Branch Administration and SVP, Chief Compliance Officer.

President's Club Incentives	
Award Level	Criteria
Bronze	Branch must place among the Top Performers for two (2) consecutive quarters.
Silver	Branch must place among the Top Performers for three (3) consecutive quarters.
Gold	Branch must place among the Top Performers for four (4) consecutive quarters.

Safeguards:

- Individual sales incentive compensation must be reasonable and may not reach quarterly sums greater than two thousand dollars (\$2,000) or annual sums greater than forty-five hundred dollars (\$4,500). These thresholds are set in order to discourage employees from taking undue risks in their selling or referral activities.
- Employee performance evaluations will not be solely linked to sales performance.
- The incentive program categories must always stand alone and may not be combined to measure cross sell ratios. Furthermore, the Bank will not measure or incentivize employees on multiple product relationships per household/per customer.
- The incentive program does not compensate for individual sales as it pertains to quarterly awards. The team must first place as a top performing branch as indicated in the Quarterly Incentives section of this Policy.
- All employees must adhere to ethical selling practices as outlined in the Sales Code of Ethics and Conduct.
- All employees must follow policies, procedures and applicable laws when performing sales initiatives.

II: Strategy/Implementation:

The conceptual aspects of Apple Bank's strategic direction -- our Values, Mission, Strengths, Weaknesses, Opportunities and Threats, have been set forth in previous sections. The sections below will take us from high level strategic planning to a more specific look at the tactical plans that will be utilized to realize the Bank's vision. With an incentive budget equaling 0.65% of its retail salary budget, Apple Bank has taken an approach that recognizes the advantages and potential pitfalls of an incentive program.

Below is an examination of Apple Bank's Goals, Objectives, Performance Targets and Actionable Steps, and the Incentive Program that has been developed to reward and recognize the Bank's employees for their achievements in reaching these targets. As the FVP, Regional Sales Manager, it is my responsibility to research, develop and implement this program at Apple Bank.

Prior to 2016, Wells Fargo Bank enjoyed a reputation for its industry-leading cross sell ratio as well as other retail sales milestones that were the envy of the highly competitive retail banking sales community. But beginning in late 2016 and in the ensuing years, the Retail Division's reputation took a nosedive as news of fraudulent creation of checking, savings and credit card accounts were revealed. The fraud encompassed a wide range of guilty parties, from the executives who applied undue pressure on its employees to achieve unreasonable goals, to middle management applying unethical sales tactics in an attempt to reach those goals, to customer-facing employees who acted out of desperation and "created" accounts for customers without their knowledge or consent. The various regulatory bodies involved ultimately combined to fine Wells Fargo over \$180 million, and included the resignations and termination of executives, managers and branch employees.

The ramifications of the Wells Fargo scandal were pervasive throughout the industry and included more intense scrutiny by government regulators, and a rethinking on the part of banks throughout the country regarding the oversight and design of incentive programs in general.

At Apple Bank, the modest payout for goal achievements are by design. The recognition aspect of the incentive program has received greater emphasis, including special campaigns designed to highlight team efforts (not individual goal achievement), award ceremonies and individual recognition for significant success. The Bank's salaries are competitive. Salaries are not "at risk". Goals are set with high achievement in mind, but are tempered with past performance considerations and purposely designed to be met by a planned percentage of the population without having to resort to desperate measures to achieve them. Ethical safeguards and accountabilities are communicated. Account balances, activity and duration of the accounts are measured and flagged.

The result of conservative design, modest but welcome rewards and enthusiastic recognition has been a retail culture that can believe in what it is doing for its customers. In doing so, the culture also is able to embrace and follow the ethics and leadership capabilities of its executive management.

With that in mind, one of the most critical steps in this process will be to refine the program with the same careful and diligent strategy, but to focus the program's performance management objectives to ensure that all of the Key Performance Indicators (KPIs) impact the Bank's financial performance and support the Bank's long-term strategic plan. The recommended timeline for development and implementation of this initiative will take place over a two-year period, beginning in 2023.

Strategy Framework:

1. **Financial Growth:** All KPIs must include products and services that increase revenue and strengthen the Bank financially. The current program includes KPIs that are less impactful in this area (outlined below).
2. **Customer Centric:** KPIs must include products and services that enhance the customer experience or expand customer relationships. Branches will be measured on the growth of new customer relationships to the Bank. Customer satisfaction and retention will be a critical component.
3. **Improve Internal Efficiencies & Process:** Processes for the current program are manual and require significant quality control. There will be a focus on streamlining and automating these workflows using the Bank's new core processing system to lessen manual data extraction and input, and the addition of operational and administrative processes to ensure fairness and consider all risks.

New Program Structure: "The CORE Incentive Program"



- Customer Relationship Management
- Oppportunity
- Revenue
- Employee Engagement

Program Overview and Effective Date:

The CORE Incentive Program will be a revenue-based incentive program designed for eligible employees who contribute to the success of the Bank. This program will continue to have a straightforward team approach. The program will continue with a quarterly and annual incentive structure and payment frequency. The program will be effective January 1 (Year TBD) and will remain in effect until amended, modified or terminated⁴. The program offers eligible employees an opportunity to earn compensation in addition to their salaries, based upon their participation towards overall branch and Bank goals.

Program Objectives:

The program supports Apple Bank's corporate strategy by:

- Aligning to revenue growth in a responsible and prudent manner that supports the Board's expectations and is in compliance with applicable laws, regulations and guidance.
- Creating opportunity and rewarding balanced team performance.
- Driving the appropriate employee business development behaviors and results.
- Motivating and rewarding employees while retaining top talent.
- Fostering a customer centric culture that ensures employees begin all customer interactions by having meaningful conversations to understand customer needs and life stages.

⁴ Apple Bank shall have full authority to administer the Program and any applicable rules and regulations. Apple Bank reserves the right to amend, cancel or suspend the Program or any part thereof, at its sole discretion, at any time with or without notice. The terms and conditions of the program are subject to periodic review by the Bank and may be adjusted by the Bank at any time for any reason, including but not limited to not keeping incentive criteria and methods consistent with the objectives and goals of the program and the Bank or to comply with applicable laws, rules, or regulations as same may be amended at any time. - Legal language developed to insert into new program.

- Providing an excellent customer experience by adhering to the Bank's Customer Service Standards.⁵

Program Goals:



⁵ The Bank's Customer Service Standards are defined and outlined in a separate document. These standards clearly outline what excellent customer service is and define the actions/behaviors that employees must exhibit in their customer interactions. The Bank defines these standards using a 4 pillar approach - 1) Excellent Delivery 2) Know Your Customer & Satisfy Needs 3) Timeliness & Efficiency and 4) Integrity & Responsibility. At this time, customer satisfaction is not measured for in-branch interactions. When this process is implemented, it will be recommended to include Customer Service Satisfaction (CSAT) scores and Net Promoter Scores (NPS) into the Retail Incentive Program KPIs.

Program Participant Eligibility:

The full-time and part-time/hourly Positions listed below are eligible to participate in the Plan and will be held accountable to key performance indicators (KPIs), used to determine incentive eligibility.

Eligible Positions⁶:

Eligible Positions
Branch Manager
Assistant Branch Manager
Executive Assistant
Management Associate
Operations/Assistant Operations Supervisor
Customer Service Representative
Customer Service Representative Supervisor
Universal Banker
Teller
Safe Deposit Vault Attendants
Infinex Financial Consultants ⁷

- Applicable employees holding a position listed above become eligible for the program on their date of hire.
- Any employee receiving a sales incentive award must be actively employed by Apple Bank.
- Employees who are terminated or resigning from Apple Bank before the full completion of a

⁶ Floor personnel are not eligible for incentives.

⁷ Infinex Financial Consultants are eligible to participate in the Sales Incentive Program, as applicable.

quarter are not eligible for a quarterly incentive. If the employee is terminated or resigns from Apple Bank after the full completion of a quarter, the employee is eligible to receive the quarterly incentive provided they were active⁸, held an eligible position and were assigned to a winning branch for at least one full month of the quarter.

- Employees who transfer to another branch or department within Apple Bank are eligible to receive an incentive provided they held an eligible position and were assigned to a winning branch for at least one full month of the quarter.
- Employees on leave of absence or disability at the time the quarterly incentive is paid are eligible to receive the incentive earned provided they were active, held an eligible position and were assigned to a winning branch for at least one full month of the quarter.
- All employees are expected to adhere to the Bank's Sales Code of Ethics and Conduct. Eligible employees who violate any of the requirements outlined within the Sales Code of Ethics and Conduct may be deemed ineligible and temporarily/permanently disqualified from the program.

Incentive Program Reporting and Discrepancies⁹:

The Sales Department will publish a monthly Production Report indicating branch performance to target results in each of the KPIs. All eligible employees will have access to this report in the Sales Department's shared folder.

Discrepancies regarding Production and Incentive reporting must be reported to the Sales Department within seven calendar days of the report distribution date. The Bank will review all discrepancy notifications and will remediate issues as applicable.

⁸ "Active" shall include all approved leaves.

⁹ Procedures on the administration and operational workflows regarding the Production Report are outlined in the Bank's Sales Incentive Program Procedure and Sales Department Operating Manual. The details of data extraction, QC and report validation will not be outlined in this Capstone paper.

Performance Goal Setting:

Employees are expected to understand their incentive compensation and performance/KPI targets. It is important to engage the respective Retail Sales and Service Manager, District Manager or Sales Department personnel with questions relating to performance goals and incentive compensation.

KPIs and Performance Goal Categories:

The new program will measure KPIs in the following eight (8) categories:

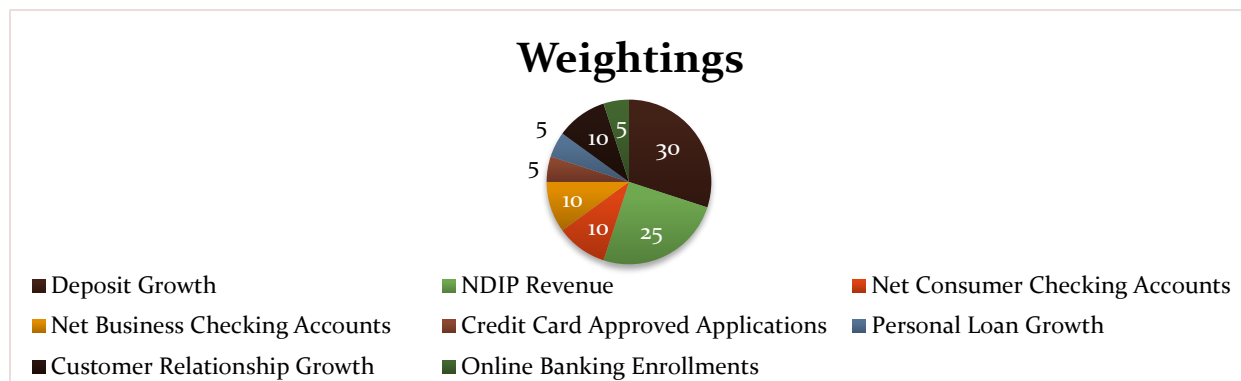
- **Deposit Growth:** This KPI will not change. Total branch deposit liability inclusive of all deposit totals from every account type assigned to the respective branch.
- **Non-Deposit Investment Product Growth:** This KPI will not change. Total bank revenue from investment sales and approved insurance applications.
- **Consumer Checking Account Growth:** This KPI will change. Consumer and Business Checking Accounts will be measured separately and weighted differently. This will also include net number of Consumer Checking Accounts and not total of newly opened checking accounts.
- **Business Checking Account Growth:** This KPI will change. Consumer and Business Checking Accounts will be measured separately and weighted differently. This will also include net number of Business Checking Accounts and not total of newly opened checking accounts.
- **Credit Card Application Approvals:**¹⁰ This KPI will change. Total number of approved consumer and business credit card applications combined vs current measurement of total credit card applications whether approved or not.

¹⁰ The Bank partners with a third-party credit card provider for consumer and business credit cards. The Bank and the third-party provider have a contractual arrangement in place. The Bank receives a specific finder's fee for all approved applications, interchange fees and financial charges.

- **Customer Relationship Growth:** Total number of new customer consumer and business relationships combined.
- **Personal Loan Growth:** Total number of new Personal Loan accounts booked.
- **Online Banking Enrollments:** Number of new Online Banking Enrollments. Adding in Online Banking Enrollments will further focus branch employees on the increasingly important digital adoption by customers. This will also encourage the customer to use Apple Bank as their primary bank.

KPIs and Performance Goal Weighting:

In the new program, each KPI will be weighted based on its degree of importance to the Bank. Each branch is assigned an annual goal for all KPIs. Quarterly branch performance is measured on the overall percentage to annual goal within each product category. An equivalent point value is assigned to each product category. Points are calculated for all eight (8) KPIs and totaled.



Point Calculation Example:

Points Calculation Example Based on Weightings (Q1)			
Product	Goal	Actual Production	Points
Deposit Growth	\$500,000	\$750,000	$(750/500 \times 30) = 45$
NDIP Revenue	\$50,000	\$40,000	$(40/50 \times 25) = 20$
Net Consumer Checking Accounts	100	40	$(40/100 \times 10) = 4$
Net Business Checking Accounts	100	60	$(60/100 \times 10) = 6$

The Bank favors moving away from measuring credit card applications and will begin measuring approved applications that will result in booked accounts that generate fee income.

Credit Card Approved Applications	15	15	$(15/15 \times 5) = 5$
Personal Loan Growth	10	10	$(10/10 \times 5) = 5$
Customer Relationship Growth	500	200	$(200/500 \times 10) = 4$
Online Banking Enrollments	100	80	$(80/100 \times 5) = 4$
			Total Q1 Points = 93

Quarterly Incentive Award Qualification:

Branch teams must attain the following annual percentage to goal in each KPI for the respective quarter to be eligible for a quarterly incentive.

Key Performance Indicators	Q1	Q2	Q3	Q4
Deposit Growth	25%	50%	75%	100%
NDIP Revenue	15%	25%	40%	50%
Net Consumer Checking Accounts	25%	50%	75%	100%
Net Business Checking Accounts	25%	50%	75%	100%
Credit Card Approved Applications	10%	20%	30%	50%
Personal Loan Growth	10%	20%	30%	50%
Customer Relationship Growth	25%	50%	75%	75%
Online Banking Enrollments	10%	20%	30%	50%

Quarterly Incentive Award Payouts¹¹:

The top three (3) branches in each district with the highest total number of points and having attained the percentage qualifications outlined above are eligible for a quarterly incentive. If attained, employees will receive the below incentive amount:

Role/Position	Incentive Payout
Branch Manager	\$1,000
Assistant Branch Manager and Executive Assistant	\$1,000
Management Associate	\$750
Customer Service Representative	\$500
Customer Service Representative Supervisor	\$500
Universal Banker	\$500
Operations/Assistant Operations Supervisor	\$250
Teller	\$250
Safe Deposit Vault Attendants	\$250

¹¹ Infinex Financial Consultants are not eligible to participate in quarterly incentives.

Annual Incentive Awards:

Incentive - Trophy Only (team award): Top ten (10) branches with the highest number of points and have met the minimum annual percentage to goal in each KPI.

Key Performance Indicators	Minimum Annual Percentage to Goal
Deposit Growth	100%
NDIP Revenue	50%
Net Consumer Checking Accounts	100%
Net Business Checking Accounts	100%
Credit Card Approved Applications	50%
Personal Loan Growth	50%
Customer Relationship Growth	75%
Online Banking Enrollments	50%

Incentive: Trophy with \$1000 Award

Deposit Growth
Top five (5) Branch Managers bank wide with the highest deposit growth.
Top Infinex Financial Consultant with the highest deposits referred to branches from outside funds. Minimum of \$500,000 in referral deposits to qualify.
Non-Deposit Investments
Licensed Bank Employee with the highest dollar amount of NDIP revenue for the year from referrals to an Infinex Financial Consultant.
Infinex Financial Consultant with the highest dollar amount of NDIP revenue for the year.

Incentive: Trophy with \$750 Award

Sales Leaders
Top Sales Leaders within each district, based on the branch's overall performance and the completion of the responsibilities outlined in the Sales Leader Supplement. The Sales Leader's respective branch must have placed within the top three (3) of their district in any of the four (4) quarters. The Sales Department will identify the eligible Sales Leader based on the criteria above and will request final approval from the SVP, Director of Branch Administration.
Tellers
Top Teller in each district based on overall performance, nominated by their Branch Manager and approved by their District Manager. Selected Tellers must have actively referred and participated in the branch's overall growth. The Branch Manager and District Manager will submit nominations in writing to the Regional Sales Manager and Senior Vice President of Branch Administration for review and final approval.

Customer Service Representatives/Universal Bankers

Top Customer Service Representative/Universal Banker in each district based on overall performance, nominated by their Branch Manager and approved by their District Manager. Selected Customer Service Representatives/Universal Bankers must have participated in the overall success of their branch including operational excellence and participation in sales activities. The Branch Manager and District Manager will submit nominations in writing to the Regional Sales Manager and SVP, Director of Branch Administration for review and final approval.

Incentive: Trophy with \$500 award

Non-Deposit Investments

Licensed Bank Employee with the **second highest** dollar amount of NDIP revenue for the year from referrals to an Infinex Financial Consultant.

Infinex Financial Consultant with the **second highest** dollar amount of NDIP revenue for the year.

Incentive: Trophy with \$250 Award

Non-Deposit Investments

Licensed Bank Employee with the **third highest** dollar amount of NDIP revenue for the year from referrals to an Infinex Financial Consultant.

Infinex Financial Consultant with the **third highest** dollar amount of NDIP revenue for the year.

Special Campaigns:

Special campaigns for various product lines may be launched from time to time based on corporate strategy and revenue based metrics. These campaigns will be outside of the regular incentive program and may entail team and/or individual/role specific employee incentives. Special campaigns with individual employee incentives are contingent upon approval from the Compliance Department. All special campaigns will be reviewed and approved by the Compliance Department prior to launch and will be reported to the Compliance Management Committee. Sales Blitzes and ongoing quarterly campaigns that have been previously approved do not require compliance approval.¹²

¹² Campaign examples: Deposit Growth, NDIP Production, Checking Account Production, Apple Edge Employee Banking Benefits Program (Bank at Work), Life Insurance Production, Credit Card Applications/Approvals, Promotion of New Products or Services, Vendor/Partner Production, Blitzes and others that may not be specified here. Special campaigns vary in scope, structure and compensation amounts.

III: Financial Impact

Project Scope:

The purpose of implementing a substantial enhancement to the Bank's already successful but fledgling incentive program is to further drive employee engagement, capitalize on a supporting means for recognition and continue to reward and encourage the desired employee behaviors. A successful incentive program at Apple Bank will be structured to incent behaviors that are a reflection of its institutional values. These values, when communicated clearly and consistently, create beliefs. Beliefs encourage actions that create results.

The redesign of the Bank's incentive program will be just one component of a larger strategic advancement. The new program should not be perceived as an isolated initiative in terms of its financial costs and benefits. It will not in and of itself yield transformative ROI. The simultaneous implementation of other changes, such as a revised and targeted marketing plan, additions to sales staffing, changes in sales roles, organizational realignment, improved employee development programs and core deposit product redesigns are all critical components of a sales overhaul that needs to be considered in the calculus of true ROI.

The restructuring of the Bank's incentive program will require a moderate financial investment. Increased regulatory scrutiny of retail sale practices has created a well-deserved cautionary approach throughout the industry. With this factor in mind, and considering the Bank's conservative culture, the new compensation structure will be designed carefully. The additional dollars injected into the program must not be substantial enough to invite unethical behaviors. At the same time, they must be meaningful enough to drive needs-based sales activities that put the best interests of the customer before any other consideration.

Additionally, there are no added salary costs required since the program administration and

monitoring structure is already in place, operating effectively and will be able to handle additional activity with the existing staff and resources. In order to launch the new program, Apple Bank will need to invest and allocate \$463,000, an additional \$193,000 per year to the existing incentive program budget of \$270,000 or 1.12% of total branch network salary expense.

The first process in assessing the financial impact is to holistically understand and correctly identify the annual cost to redesign the incentive program as previously outlined. The information collected is from annual budget reports distributed by the Bank's Sales Department which is responsible for administering the program end to end.

Expense Analysis:

Quarterly Top Performers¹³:

The restructuring of the program did not change the number of branches that can and/or will qualify for this incentive category. Therefore, the calculations that were made in the modeling assumed the same number of winning branches, employees and their respective Positions for the 2022 calendar year. However, the actual incentive amounts were revised to align with the new recommended incentive amounts (by position) for the 2023/2024 program.

The table below outlines the Quarterly Top Performer costs for the past four years and includes the 2023/2024 projections based on the methodology and incentive amounts outlined in the proposed program.

Quarterly Top Performer Cost					
	2019	2020	2021	2022	2023/2024 Projections*
Q1	\$21,100	\$8,700	\$30,200	\$25,550	\$76,000
Q2	\$29,150	\$18,800	\$30,400	\$23,650	\$70,500
Q3	\$27,200	\$32,175	\$24,925	\$27,700	\$81,750
Q4	\$27,450	\$31,000	\$20,495	\$26,315	\$61,500
Total Annual Cost	\$104,900	\$90,675	\$106,020	\$103,215	\$289,750
*Projections include program compensation redesign					
Q4 2022 is an average estimate based on prior 4th quarter results					

¹³ Largest and reoccurring expense of the incentive program.

Based on the above projections, there would be an average additional yearly cost of \$188,000 needed for the Quarterly Top Performer category as shown in the table below.

Additional Cost	Quarterly Top Performer Yearly Change				
	2019 vs. 2023/2024	2020 vs. 2023/2024	2021 vs. 2023/2024	2022 vs. 2023/2024	Average Additional Cost for 2023/2024 Projections
	184,850	199,075	183,730	186,535	\$188,548

The current Quarterly Top Performer Annual Cost is \$101,000 (average of 4 years). For the restructured program, the yearly total projected Quarterly Top Performer Cost is **\$289,750**.

Annual Top Performers:

In addition to the Quarterly Top Performer incentives, there are Annual Top Performers incentive awards which will require additional expense for the proposed program. The restructuring of the program did not significantly alter the actual award categories and components for the Annual Top Performers. Therefore, the assumptions that were made in the modeling took into account the same criteria for the 2021 calendar year,¹⁴ however the actual incentive amounts were revised to align with the new recommended incentive amounts for the 2023/2024 program. For the restructured program, the yearly total projected Annual Top Performer Cost is **\$25,000**.

Annual Top Performer Cost					
	2019	2020	2021	2022	2023/2024 Projections*
Total Annual Cost	\$20,200	\$20,000	\$19,300	\$20,000	\$25,000
*Projections include program annual compensation redesign					
2022 is an average estimate based on previous year results					

Sales Leader Supplement:

There is a Sales Leader supplement that is paid to all Bank Sales Leaders on a quarterly basis.

Each of the eighty-four branches has one employee that assumes the role of a Sales Leader.¹⁵

¹⁴ 2022 results cannot be used as the Annual Top Performers have not been finalized at the time this expense analysis was completed.

¹⁵ The purpose of the Sales Leader role is to assist Branch Management in executing on business development and customer service-related initiatives. The branch Sales Leader partners with the Sales Department in completing varying tasks intended to positively impact customers and Retail Banking employees. Sales Leaders have a unique opportunity to showcase their talent through the effective implementation of new products, execution of Bank initiatives, branch production results and individual leadership.

All Sales Leaders receive a quarterly one hundred dollar (\$100) supplement which is deducted from the Bank's incentive program budget. While the cost of the Sales Leader supplement is applied to the overall incentive program budget, it is not considered an essential component of the incentive program that requires restructuring, therefore this expense is not expected to change. However, to properly calculate the total cost of the restructured program, the Sales Leader supplement must be factored into the modeling. The table below reflects actual cost totals from 2019 through 2022 and the annual projected cost of **\$34,000** for the 2023/2024 Sales Leader Supplement.

Sales Leader Supplement Costs					
	2019	2020	2021	2022	2023/2024 Projections*
Q1	\$7,600	\$7,733	\$7,500	\$7,467	\$8,500
Q2	\$7,433	\$7,500	\$7,383	\$7,767	\$8,500
Q3	\$7,483	\$7,217	\$7,600	\$7,767	\$8,500
Q4	\$7,583	\$7,467	\$7,600	\$7,533	\$8,500
Total Annual Cost	\$30,100	\$29,917	\$30,083	\$30,533	\$34,000
*Projections are based on \$100 X 85 branches which includes a new Sheepshead Bay branch in 2023					
Q4 2022 is an average estimate based on prior quarter results					

Special Campaigns:

Special campaigns will continue to be integrated into the incentive program. Special campaigns are implemented periodically and as a result of the success of recent year's campaigns, they are expected to increase in both volume and cost¹⁶. The table below reflects the annual projected cost of **\$65,000** for 2023/2024. This increase accounts for developing and implementing campaigns that target specific objectives outlined in the Bank's strategic plan as it relates to product positioning and growth, including products/services that are not tied directly to the incentive program.

¹⁶ Increases in cost of special campaigns can be attributed to higher incentive amounts per employee.

Other Special Campaign Costs					
	2019	2020	2021	2022	2023/2024 Projections
Total Annual Cost	\$6,000	\$25,725	\$39,200	\$61,475	\$65,000
Special incentive campaigns are implemented periodically and described on page 10 & 23.					

Other Operating Expenses:

There are several operating costs factored into the Bank's incentive program budget. This includes cost of sales related events, annual award ceremonies, trophies, gift card purchases, recognition events, promotional giveaways and venue costs. This expense is expected to increase from the prior four years as a result of limited in-person events due to COVID-19 restrictions. Sales events and ceremonies are expected to resume in 2023. The table below reflects the annual projected cost of **\$50,000** for other operating costs associated with the 2023/2024 program. While the basis of this calculation is on prior year average totals, additional cost has been added for venue and DJ costs which were quoted in 2022 ¹⁷ and will be needed in 2023/2024 and beyond.

Other Incentive Costs					
	2019	2020	2021	2022	2023/2024 Projections
Total Annual Cost	\$26,126	\$28,748	\$22,727	\$18,952	\$50,000

¹⁷ While planned, the Bank did not host any large in-person events in 2022 as a result of continued concerns related to COVID. Venue estimate was \$22,000 and the DJ estimate was \$1,800.

IV: Non-Financial Impact

Logistical and Organizational Considerations:

As previously indicated, it is imperative that the restructured program be carefully designed to consider all relevant regulatory laws and requirements. Key stakeholders from the audit, compliance, risk management and legal departments have a responsibility to review and verify that the changes made to the Bank's incentive program will not encourage unethical selling practices and will not expose the Bank to financial loss as a result of misleading or abusive behaviors. This necessitates a thorough internal risk assessment of the restructured incentive program. This risk assessment must ensure all related manuals, policies and procedures are updated to contain essential components pertaining to ongoing oversight, quality assurance and governance. It will evaluate potential risks, identify critical monitoring components and recommend mitigation considerations as needed. Once complete, all documents and the proposed incentive program will be presented to the Bank's Board of Directors for final review and approval. Upon finalization, a large-scale effort must be developed and implemented to introduce the new incentive program to the retail branch network. This includes consistent top-down communications, program branding and comprehensive training involving new KPIs, reporting components and compensation structure. The risk assessment, training and the processes leading up to implementation will require significant cross-functional support and will take time to develop, implement and execute.

Additionally, as the Bank seeks to enhance the incentive program, we must consider the measures we will take to ensure accurate incentive calculations and verify that the model operates efficiently. Reporting is a critical part of any financial services sales incentive program. The information must be understandable, comprehensive and clearly defined. Therefore, the Bank must consider the resources, technology and data elements needed to develop and validate sufficient reporting for

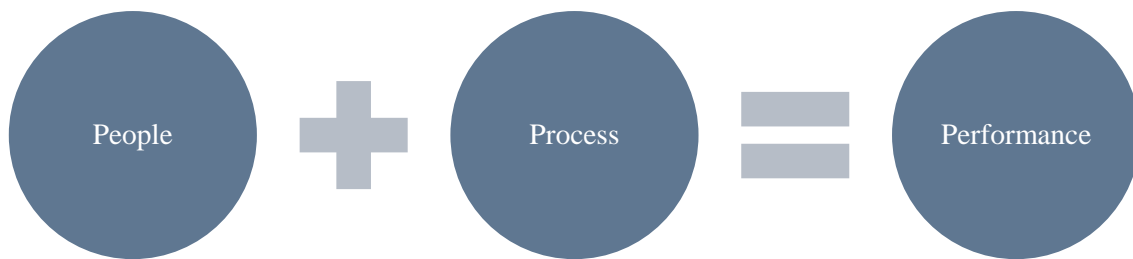
the proposed incentive program. It is also important to assess how well the end-user absorbs and processes the data. If calculations for KPIs are accurate but the data is difficult to understand, then the Bank could lose efficiency, buy-in and employee enthusiasm.

At present, there are minimal standard or automated reports that can be utilized for the proposed incentive program calculations. With the Bank's recent core conversion in Q3 2022, a new Customer Relationship Management (CRM) system was implemented. However, system adoption, training and report development remains a work-in-progress. Consequently, the Bank's new incentive program will rely heavily on custom core-derived reports developed by the Enterprise Data Warehouse (EDW) team. These reports must be accurate, provide automation and include real-time data. Currently, there are staffing and resource constraints within the EDW team. These challenges have impeded report development. There are a number of essential custom reports that remain on the Bank's post conversion roadmap, the majority of them designated as high-priority. Since the restructuring of the Bank's incentive program is isolated and would not be considered an ongoing project, additional staffing will not be considered to assist in the development of reporting. Therefore, it is important that all stakeholders involved in the planning and execution of this project take proactive measures when gathering the reporting requirements described above and communicate tasks effectively.

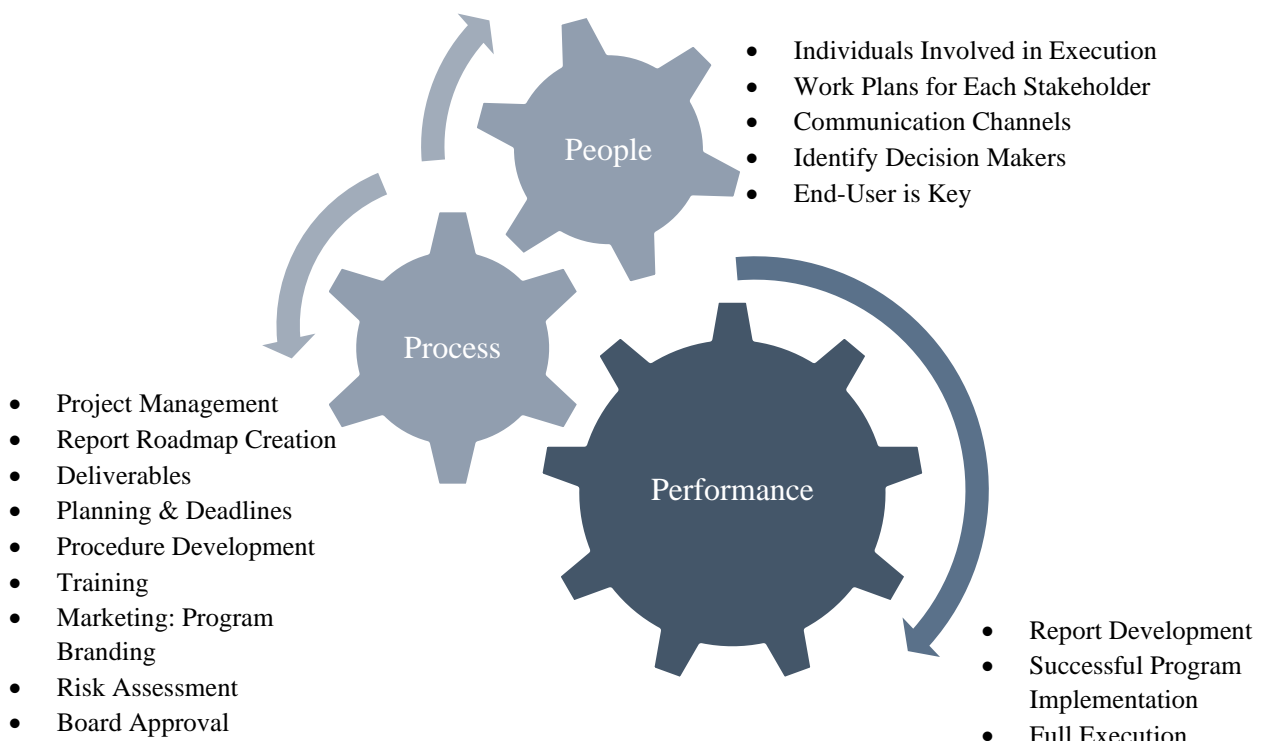
Plan to Overcome Hurdles:

The risk assessment, report development and overall processes required to implement the new incentive program presents hurdles associated with time constraints and efficiency. The Bank will overcome these hurdles using the People, Process and Performance (PPP) framework. This well-known framework is broadly leveraged across numerous industries when executing on sales, change or process management. The PPP framework will be integrated into the Bank's Project

Management plans to ensure all critical components previously outlined are achieved. This will require tailored work plans, collaboration, transparency and communication across multiple departments.

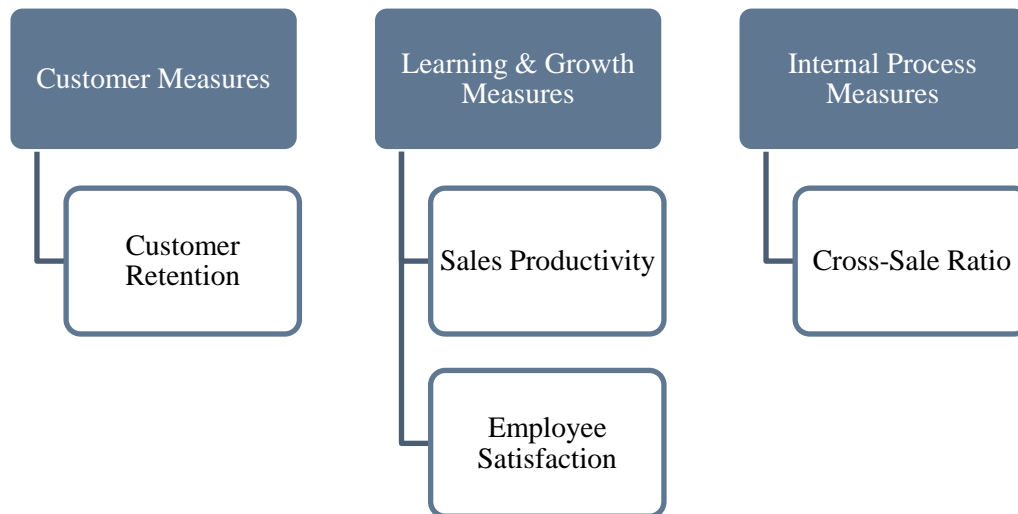


The graphic below outlines the PPP framework and how it correlates to the new incentive program.



Measures to Evaluate Non-Financial Impact:

The proposal to enhance and restructure the Bank's incentive program has several benefits. These benefits equate to four measures of non-financial impact.



1. Customer Retention:

Employees are the Bank's greatest asset. Investing in employees fosters an environment of engaged and motivated employees. Employees who are recognized, rewarded and appropriately incentivized are more likely to adopt the Bank's vision, execute on strategic initiatives and see the value in every customer relationship. If the Bank's front-line employees are delivering excellent customer experiences and building relationships with customers, then customer retention will increase. For that reason, net checking and customer relationship count KPIs have been incorporated into the restructuring of the new incentive program. These KPIs have been strategically implemented to ensure employees are not only focused on acquisition, but retention as well. Customer retention will be determined and analyzed using the below metrics.

- **Consumer Checking Account Growth:** Includes net number of Consumer Checking Accounts and not total of newly opened checking accounts.
- **Business Checking Account Growth:** Includes net number of Business Checking Accounts and

not total of newly opened checking accounts.

- Customer Relationship Growth: Total number of new customer consumer and business relationships combined.

2. Sales Productivity:

This non-financial measurement requires a comparison of the current and proposed incentive programs.

As previously mentioned, the Bank's salary structure is considered fair and competitive with the surrounding market. The existing sales incentives, special campaigns and related events serve simply as a tool to motivate and recognize employees/teams for strong performance. The incentive program has never been the sole contributor to sales productivity at Apple Bank. Additionally, the current program KPIs are simplistic, widget based and do not require some of the more complex sales process needed to drive true customer acquisition and growth.

Customer behaviors have changed, especially since COVID-19. Customers have become increasingly empowered to source the features and benefits of financial services products on their own. As a result, customers are relying on bankers for supplementary information at later stages in the sales cycle. Because of this, bankers do not consistently have the advantages of a full sales cycle which includes prospecting, needs analysis, presenting a recommendation/offer, overcoming objections and closing the sale. To address those changes, complex sales process that include very specific employee behaviors have been formed throughout the industry.

The Bank's new incentive program sets a certain standard that employees will try to fulfill. With each employee striving to reach their collective goals, productivity will increase. The restructured program aligns incentive compensation with more meaningful and value-added KPIs that focus on customer acquisition, retention and revenue generation. With sales processes becoming more

involved, the proposed incentive program has been developed to make certain employees elevate to higher standards, increase sales productivity and achieve more complex targets. Sales productivity will be determined and analyzed using the metrics reflected in the Bank's production report and pipeline reports.

3. Employee Satisfaction and Engagement:

The newly designed program is well positioned to build employee engagement, encourage teamwork and boost morale. The new structure will provide a straightforward path to success by incentivizing growth in KPIs that finically impact the Bank and offer more appealing rewards. This will create motivated employees that produce high-quality work for the organization overall. It is recommended that a section related to the incentive program be incorporated into the Bank's existing annual employee survey (retail banking employees only) in order to adequately measure employee satisfaction and engagement.

4. Cross-sell Ratio:

The proposed incentive program is structured to reward quality customer relationships. By design, the new program is not concentrated on cross-sell ratios. However, some of the new KPIs involve "stickier" products and services such as wealth management, checking accounts, online banking services, credit cards and personal loans. The objective is to ensure employees are focused on consultative selling techniques and relationship management. This entails exploring ways to address financial needs during all of the customer's life stages. By virtue of keeping the customer's needs at the forefront of what we do, the Bank will obtain sustainable primary relationships. This accomplishes three primary goals: customer retention, reduced costs associated with gaining new customers and increased wallet-share. To remain competitive in a largely saturated market where revenue opportunities from new customers are hard earned, deepening relationships with existing

customers remains a critical component. The proposed KPIs, along with customer focused initiatives, will contribute to deeper customer relationships without incentivizing unethical behaviors. Cross-sell will be determined and analyzed using the metrics reflected in the Bank's production report as well as customer relationship profitability models that are currently being developed.

V. Conclusion:

When the Apple Bank Retail Incentive Program was introduced several years ago, its original purpose was to satisfy what had become an industry expectation -- to have one. It would be developed and offered as a modest supplement to the Bank's existing salary structure, serve as a reward and recognition program for increased sales of targeted products and assist in shepherding the Bank's retail employees toward an improved sales focus.

In hindsight, what has happened since that humble introduction -- and is projected to continue to happen as a result of the enhancements contained in this report, is worthy of greater attention. In fact, the reasons for selecting this topic for my Capstone were not limited to a rigorous analysis of financial, logistical and operational components or even the successful rollout of the program. Those components have been worthy of examination. They required many dedicated hours of creative thought, industry research, trial and error, thinking and re-thinking, testing and re-testing. Rather, the impact of the evolving incentive program has begun to yield cultural dividends that far exceed its original vision and its intended place within the value proposition that resides at Apple Bank. Its evolution has yielded new insights into how teams are motivated, how competition improves results and how a culture is moved in a positive direction.

The program and the consistent communication it has necessarily required for its rollout is bringing about a cultural change at Apple that no one had imagined, but all have welcomed. The structure

of the program has necessitated more involvement and visibility for members of senior management, who have had compelling reasons to present and sell the plan and explain its value. It has become a point of reference for all involved, providing a forum to clarify objectives, reinforce company values, clarify right from wrong in its selling approach, and require structured progress reports, all resulting in a more informed, educated and focused team of employees. In so doing, the program has become the nexus of both local and centralized conversation. It has provided positive recognition and enthusiasm while simultaneously creating a service and compliance focus due to its baseline qualification requirements.

The cultural impact has been top down, from a senior management team drawn closer and more visible to its remote branch outposts, to a middle management team now faced with concrete, competitive and demanding performance measurements, to the branch employees who by virtue of increased communication and reporting, now feel like more of an engaged and purposeful team. From a strategic standpoint, the program will continue to evolve as a point of differentiation. The differentiation is from the inside-turned-out, due to the change in behaviors it has required, and the difference those behaviors have and will continue to make to the Bank's customers.

VI. Bibliography:

Apple Bank for Savings: *History & Vision*

Apple Bank for Savings: *CEO Message*

Apple Bank for Savings: *Financial Report (December 2021)*

Apple Bank for Savings: *ABS Associates - Invest*

Apple Bank for Savings: *News and Press Inquiries: Apple Bank Expands Into New Jersey New Branch Now Open in Englewood, New Jersey* (2022)

Apple Bank for Savings Customer Service Standards (2020): Proprietary

Apple Bank for Savings Sales Incentive Program Policy and Procedures (2022): Proprietary

Business News Daily article: *Workplace Incentives That Your Employees Want* by Adryan Corcione, (August 12, 2022).

LinkedIn: *People, Process, Performance....THE Winning Formula* by Ralph Hodges (2017)

LinkedIn: *Incentive Compensation in the Banking Industry* by Siddhanth S. Symbiosis Institute of Management Studies (2022)

Global Governance Advisors: *Investing in People, Processes & Performance* by GGA (2020)

McKinsey & Company: *Sales incentive that boost growth* by Homayoun Hatami, Isabel Huber, Vinay Murthy, and Candance Lun Plotkin