

BBW News

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A MESSAGE FROM THE PRESIDENT

This window of opportunity will close at year-end

As you know, the Transaction Account Guarantee (TAG) program is set to expire December 31, 2012, unless Congress passes legislation extending the program. Bankers' Bank of the West supports the five-year extension of the program proposed by the Independent Community Bankers of America.

The establishment of TAG in late 2008 helped calm the liquidity concerns evident at the peak of the recent financial downturn. Along with an increase in FDIC insurance coverage to \$250M for individual demand deposits, the establishment of full FDIC coverage on noninterest-bearing commercial accounts alleviated much of the strain on community bank balance sheets. The additional deposit coverage restored some measure of balance to the playing field where Main Street banks compete against the giant "too big to fail" banks and their perceived government backing.

In fact, the attempt to eliminate "too big to fail" has been a failure itself, as evidenced by giant banks that have grown substantially larger and more complex than before the Great Recession. But under these conditions, TAG has played a major role in creating an environment in which community banks now thrive with deposit growth.

While some markets show signs of emerging loan demand, the overall demand is still slow. As a result of generally sluggish loan activity, community banks are flush with liquidity and struggling to determine how to put the liability side of the balance sheet to work. This will take care of itself as loan demand picks up over time assuming TAG is extended. If TAG were to expire at year-end, however, community banks could see a quick and dramatic shrinkage in deposits, and therefore lose the opportunity to benefit from future loan demand.

Community banks had no hand in the dramatic economic downturn we recently suffered. The

existence of larger-than-ever "too big to fail" banks is the result of legislative failures to address this serious problem—a problem that could cause liquidity issues for community banks after December 31. Bankers' Bank of the West stands in firm support of the extension of TAG, believing it is in the best interest of community banking and our customer base.

Still, we at Bankers' Bank of the West believe in controlling our own destiny. We have taken a very conservative approach to our balance sheet, so we're well-prepared for the potential expiration of TAG.

In the meantime, we urge you to join us in working to prevent that scenario. Congress needs to be told that a five-year TAG extension, at minimum, is vital to ensuring community banks are able to compete against the "too big to fail" giants. Our representatives need to know that Main Street banks have historically been a crucial source of capital for small businesses and farmers. Most of all, they have to understand that the expiration of TAG would bring more economic uncertainty—which is the last thing this country needs.



Bill Mitchell

I suggest that you take every available opportunity to educate our elected officials for the remainder of this year. While you're at it, you might also remind them that "too big to fail" remains a monumental failure for our country.

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Taking note

■ Lender training set for October

For the fifth consecutive year, Bankers' Bank of the West will sponsor the popular **Loan Officer Financial Management Training** program in Denver. The two-day seminar, which is led by **Kyle Enger** of BBI Financial, LLC, will be held at the Hampton Inn & Suites near the Denver International Airport on Oct. 10 and 11.

The program takes a systematic approach to the client-banker relationship with an emphasis on building the skills and knowledge that distinguish an exceptional commercial loan officer. The interactive seminar uses a mix of sales and credit training to equip lenders with a set of deployable tools they can immediately put to work on behalf of their banks and business clients.

The training is intended for seasoned commercial lenders with portfolio, underwriting, or calling responsibilities. Registration is open to all community bankers in BBW's service area, whether current clients or not.

Because this session is expected to fill quickly, early enrollment is recommended. Class size is limited to 35 participants to allow time for individualized attention and discussion of specific cases. Download the brochure, including course outline and logistics, at www.bbwest.com (under the **Newsroom** heading on the **Events and Classes** page.)

■ Final call for the Bank Card Conference

If you've been waiting on the sidelines to register for the 2012 Bank Card Conference, one look at the agenda (www.bbwest.com) should persuade you to sign up before it's too late. In addition to security news, industry and market trends, presentations by popular speakers, vendor exhibits, and pre-conference training sessions, the program will devote an afternoon to the impending domestic deployment of EMV.

The conference will be held in Black Hawk, Colo., **June 14 and 15** with pre-conference events scheduled June 13. Questions? Call the Bank Card Division at **800-601-8630**.

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New chairman contributes complementary experience, outside perspective

Two years ago, Richard Fulkerson accepted an invitation to join Bankers' Bank of the West Bancorp's board of directors on one condition: that he be allowed to serve on the audit committee. Coming from a former state banking examiner with a penchant for first-line-of-defense strategic thinking, his request was not surprising. And it was cheerfully honored.

Richard was elected chairman of the bank and the holding company on April 20, 2012. What he has added to the board, in terms of insight and experience, proves the value of involving directors with broad, varied professional backgrounds—not to mention their differing perspectives—in the corporate governance of any financial institution.

Richard's involvement in bank exams from the standpoint of a bank director as well as a former examiner has shaped his pragmatic and holistic views on the process.

"The fact of the matter is that you [community banks] have a partnership with your examiners. Improving the efficiency of the regulatory process and working constructively with examiners just makes life simpler," he said. "You can disagree with their findings sometimes, but not with the requirements. So you might as well make the best of it."

Similarly, he urged directors of community banks to be highly attentive to examiners' exit comments: "You're hearing something from an objective third party, and it's best to take their advice seriously."

Last month Richard addressed the topic of working effectively with examiners at the 2012 Bank Operations Conference events in Lincoln and Denver. When asked afterward whether smaller institutions could look forward to regulatory relief in the near-term, he reluctantly answered no.

"The burden of regulation will continue to increase," he said, noting that many of the Dodd-Frank requirements affect small banks even though most are aimed at institutions of \$10 billion and up. "As those mandates take effect, we'll probably see an expansion of resource-sharing among community banks as a way to handle the additional implementation and compliance workload."

At the same time, he was quick to bring up several factors working in favor of independent banks.

"Thanks to rapid advancements in technology, community banks can now offer products that they were unable to offer 10 to 15 years ago," he said. "Previously, outside technology providers developed one-size-fits-all operating systems, and smaller financial institutions chose from a limited menu of options—solutions that got the job done but didn't offer much in the way of choice or flexibility.

"As costs continue to decline in the future, community banks will be able to adapt more quickly. They have a competitive edge against the regionals, which can't react as fast because of their size."

Along the same vein, he pointed out that community banks enjoy an advantage in providing customers with service that cannot be fulfilled through technology: "Face-to-face time is something technology can't do. Community banks empower their people to make decisions. Big banks can't compete in that arena."

Richard described Bankers' Bank of the West as a strong and supportive ally of community banks.

"The board and bank have made great progress together over the last two years, and we're now able to focus more on building and growing business."



Richard Fulkerson is with Patten MacPhee & Assoc. in Denver

Richard J. Fulkerson

- ✓ 12 years as Colorado State Bank Commissioner; prior director of examinations for the Division of Banking
- ✓ Previously worked for the Federal Home Loan Bank of Topeka and Office of Thrift Supervision in Kansas City

PARTNER SPOTLIGHT: BBW CAPITAL ADVISORS

Discussion of the major factors at play in the current bond market

*Kendrik de Koning, President
BBW Capital Advisors*

In early 2011, BBW Capital Advisors, Bankers' Bank of the West's capital markets partner, launched the TransWestern Institutional Short Duration Government Bond Fund (ticker: TWSGX), a registered mutual fund that provides community banks with a powerful tool to invest in today's difficult fixed income environment. Last month, BBW Capital hosted an investor-only conference call. As a courtesy to Bankers' Bank of the West newsletter readers, following are select excerpts from the introductory part of the call, which address the major factors at play in today's bond market. To read the full remarks, go to www.bbwest.com/bbwcaptw.pdf.

...

"What we'd like to cover in this call is a recap of the Fund's 2011 performance; a description of the economic and market conditions as we see them; and a discussion of what we're doing on the fund side, to optimize returns for you—given the conservative risk profile of the Fund—in this environment."

...

"As you all know, your Fund deliberately has very tight restrictions on the types of instruments that it can own, as well as the risk profile of the portfolio as a whole. This mandate was not designed for home run hitters, but rather for those who have liquidity that they would like to invest for at least 30 days, and have a risk/return exposure that is superior to the alternatives available in today's market.

Given that conservative mandate, we are pleased to observe that your Fund generated a net total rate of return of 2.90% in 2011."

...

"What we have today are bond prices, and consequently interest rates, which reflect the fact that the Fed is the largest investor in the world. ...

So if we cut to the chase and look at the labor markets, what we see is very anemic private payroll growth. The math tells us that this economy needs to add nearly 300,000 private jobs per month—for five years—60 months in a row—in order for us to get back to pre-recession employment levels. ...

And that means, simply, that the Fed is going to do whatever it can (whether or not any of us agree with the burden they are shouldering) to foster job growth. And that means low rates for a long time, just as they've been telling us for the past few years now, and what they've now recently forecast to be into late 2014."

...

"... If anything, things are getting more complicated, particularly with the French elections, Portugal's looming debt maturity, Spain's budget fights, and a status quo in Greece ...

What this means for us, at least in the short-term, is that ..."

(More at www.bbwest.com/bbwcaptw.pdf)

For additional information on the TransWestern Fund, visit www.TransWesternFunds.com; call BBW Capital at 303-864-1213; email admin@bbwcapital.com; or speak with your Bankers' Bank of the West officer.

Bank Card Division expands product menu through new relationships

This month, Bankers' Bank of the West SVP **MaryAnn Elliott-Supples** (Bank Card Division) announced two new partnerships. UMB was selected to provide a **risk-free credit card program** for BBW customer banks, and Convenient Cards, Inc., was chosen as BBW's preferred provider of **prepaid card programs**.

"Both of these nationally known partners come to us with excellent credentials and top-notch products," MaryAnn said.

"The match between our community bank clients' needs and UMB's risk-free program is ideal, and we've received a lot of requests for the product," she added. "So we're spreading the news quickly."

The prepaid product offerings by Convenient Cards include general purpose reloadable cards, gift cards, TravelMoney cards, and corporate incentive cards.

For details about either product line, call BBW's Bank Card specialists at **800-601-8630**.

THE BUZZ ON BIDS — Bankers Internet Data System:

Get acquainted with an option that's often seen but seldom noticed

Debbie Wendt, Vice President of Operations
Bankers' Bank of the West

If you're focused on making the most of your time—and really, who isn't?—you never pass up an opportunity to gain a few spare minutes here and there. As it happens, BIDS has been “hiding” one such opportunity ... in plain sight.

This particular time-saving feature is available when you, as the reviewer of a wire created by someone else in your bank, discover a data-entry error within the original wire.

Instead of discarding the wire and starting over, look for an option just above the “approve” button—the one that reads **VOID THIS WIRE & MAKE CORRECTIONS**. Clicking on this option will void the wire while retaining all the wire data onscreen. In the process, you'll become the originator rather than the reviewer of the wire, enabling you to make the necessary changes.



After you've finished the corrections, your work will need to be approved and sent by another person at your bank, thereby maintaining proper dual-control procedures while boosting the productivity of your BIDS users.

The number of keystrokes your team could save by using the **VOID THIS WIRE & MAKE CORRECTIONS** feature to fix their original work instead of re-creating the entire wire should add up fast, giving you a little extra time to take care of other matters that need your attention.

ATTENTION, BIDS USERS:

Do you have a BIDS-related question? Have you discovered a useful feature that could benefit other users?

Please send them to us at adjustments@bbwest.com. We'll feature some of them in future newsletters!

Five tips to guide your bank's use of social media

Brittany Taylor, Marketing Team Leader
Optimum System Products

Social media has all but become a business necessity. Thousands of businesses have joined sites like Facebook and Twitter in hopes of reaching some 1.43 billion social network users across the globe. But many banks do not use social media, and those that do often post poor content.

What sets community banks apart from their larger counterparts is their ability to form relationships and connect on a personal level. Social media can facilitate exactly that. Many organizations struggle with social media, though. Five tips follow:

- ✓ Listen to your audience. Pay attention to their comments, posts, likes and dislikes.
- ✓ Engage others' content. Repost interesting information, comment on others' posts, and reply to the Tweets of your followers.
- ✓ Pay it forward (and backward). Follow those who follow you and comment on the blogs of people who comment on yours.

✓ Offer value to your followers. Whether the value consists of community updates, sports news, or humor, make your content engaging.

✓ Not everything you post must relate directly to your business. When engaging with customers, you ask them questions about their day. You might talk about kids, crops, or last weekend. You're not *always* plugging your bank; you're already “living” customer service. Try to limit the posts that are directly about you or your bank to one in ten.

Social media is about building relationships, which, in turn, builds your business. A lot of resources are available to help you get your social media campaign started, one good example being www.socialmediaexaminer.com. The key is to set some goals and find out what works for your bank.

You're welcome to send a Tweet my way at www.twitter.com/optimumprint or leave a comment at www.optimumsystem.blogspot.com. I'll do my best to answer any questions you may have.

Optimum System Products has been an endorsed service provider of Bankers' Bank of the West since 2003.

TECH CORNER: *Tips from BBW's Information Technology Staff*

Question: Should banks be any more concerned than other types of businesses about the movement toward a “BYOD” workplace?

Answer: The phenomenon dubbed BYOD—short for bring-your-own device—has snowballed in the workplace over the past few years. It’s a reference to employees bringing their own devices such as tablets, e-book readers, smart phones, MP3 players, and laptops into the office for connectivity and productivity. While the trend suggests many employees prefer using the tools they are most familiar with, banks in particular are left with the challenges of managing both the IT aspect of outside devices and potential compliance issues related to the Gramm-Leach-Bliley Act.

Chances are, most of your employees today want to stay connected with smart phones and handle bank business even while offsite. This presents a problem for the bank when the smart phone has no security on it. The prospect of a theft or accidental “leak” of contacts, emails, and stored documents on a bank officer’s smart phone is enough to keep a risk manager up at night.

In the past, banks typically favored a zero-tolerance policy for employee devices, refusing them access to the internal network and forbidding staff to store anything bank-related on their devices. But evolving lifestyles and widespread

reliance on electronics have now made those devices impossible for IT staff to ignore.

Ideally, your bank has established policies to manage this type of thing. You should also have a comprehensive anti-virus and intrusion detection system in place, one capable of blocking people from plugging in unsecure USB drives and copying proprietary information. In reality, though, not all banks have the resources to implement such a comprehensive set of safeguards. You must weigh the benefit of convenient access to information against the possible negative impact on your customers and your business in the event sensitive information is compromised, made public, or used to commit theft.

The main risks of BYOD are human-related, so be proactive in mitigating them. Start by redoubling your staff education efforts. Write common-sense policies. Be diligent and consistent in securing devices and determining what should and should not be stored on them. The fact that a device *can* perform a task doesn’t mean it *should be* allowed to. Consider a compromise like blocking access to non-essential features, and then gradually adding more functionality as security becomes available.



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**Last chance—
Sign up for the
Bank Card
Conference soon!**
(See p. 2)