

# BBW News

a publication of Bankers' Bank of the West ■ www.bbwest.com ■ January 2013

## A MESSAGE FROM THE PRESIDENT

### Sense of purpose endures even as times change

**B**ankers' Bank of the West entered 2012 with high expectations, confident that the aggressive actions taken the prior few years to shore up the balance sheet would bear results. In fact, we exceeded our expectations. I am pleased to report that the bank outperformed our performance goals in every area. More specifically, for 2012:

- ROAA for BBW was 1.42%. The bank did benefit from a loan loss reserve reversal and some tax advantages, but earnings from the prior years were negatively impacted by the same issues.
- Non-performing loans, including non-accrual loans and 30 to 89-day delinquent accounts, fell from 8.43% to 4.22% of total loans during the year, and they continue to decline.
- Non-accrual loans and OREO dropped by 63% and 49%, respectively.
- Classified loans to capital were below 50% at year-end for the first time in four years.
- Despite the loan loss reserve reversal, the ALLL remains high at 3.67% of loans at year-end.
- Tier 1 Leverage and Total Risk Based Capital were 9.28% and 19.67%, respectively, at year-end. The Tier 1 Leverage ratio reflects the fact that approximately a third of the bank's balance sheet is cash.
- The bank's Texas Ratio was 28.16% at year-end.
- A continued forward-thinking approach to liquidity management resulted in no negative consequences for BBW from the expiration of the Temporary Account Guarantee program.

As a result of these successes, the Written Agreement between BBW, the Federal Reserve Bank of Kansas City, and the Colorado Division of Banking was removed in November. In addition, BBW's parent company brought all TARP

dividend payments current; it is now working on an exit strategy from TARP.

I am proud that our staff, even when vigorously resolving tactical issues at the forefront, never lost sight of our primary strategic objective: being a facilitator for community banking in the states we serve. We worked through economic and



Bill Mitchell  
BBW President and CEO

regulatory adversity, always aware our prime objective is to help community banks compete, succeed and serve their communities. I ask you to think about that: We did not "pull the plug" on struggling customer banks as did some other correspondent banks and large vendors. Those same companies are now trying to apologize by buying business at reduced prices.

BBW's strategy is different. We support community banking during difficult and good times alike. We will not waver on this pledge. And we will **never compete with you**. Our pricing is consistent, fair, and competitive in keeping with our prime objective—supporting community banking, as we have done since 1980.

I commend the BBW staff for their steadfast, service-minded support of our customers, no matter which way the winds blow. We definitely expect to grow by being the best ally in the business for community banks for many years to come. I wish you all a happy and successful 2013!

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## Taking note

### ■ Longtime banker joins boards

At its regularly scheduled meeting held Jan. 20, 2013, the BBW Bancorp, Inc., and Bankers' Bank of the West board of directors unanimously appointed **Dawn Thompson** as a director, filling a vacancy having a term extending to spring 2014.

Dawn is chief credit officer and executive vice president for Steele Street Bank & Trust in Denver, an organization she joined in 2003 as an accomplished banker. Her responsibilities include handling Steele Street's compliance functions and chairing its loan committee. She holds a finance degree from the University of Northern Colorado.

### ■ Onward and upward

Two BBW employees have been awarded promotions. **Lynette Gregg**, a member of the Bank Card Division staff since 2000, is now a bank card product development and training officer. **Dan Morrow** became an assistant vice president-correspondent services. He joined BBW's Nebraska office in 2010.

Although their specific responsibilities are vastly different, Lynette and Dan both spend much of their time providing direct and indirect assistance to community bank customers, and each has a strong work ethic. Congratulations to these colleagues on their well-deserved promotions!

### ■ On-demand support from experts

The hefty obligation of regulatory compliance in a fluctuating environment affects community financial institutions more acutely than their larger counterparts. One response to this challenge is the Compliance **HelpDesk** offered by Chartwell Compliance, whose team of certified and seasoned experts provide on-demand assistance to bank subscribers. For a detailed description and menu of the scalable services available, visit the **Services** section of [www.chartwellcompliance.com](http://www.chartwellcompliance.com) and click on **Services**. You can also sign up for a free subscription to the Chartwell Compass, the firm's highly informative industry newsletter, on home page of the same site.

## BBW Bancorp, Inc. Board of Directors

Richard J. Fulkerson..... Chairman of the Board  
*Betzer, Call, Lausten & Schwartz LLC* ▪ *Denver, Colo.*

Chad S. Adams..... Director  
*Adams Bank & Trust* ▪ *Ogallala, Neb.*

Mike C. Daly..... Director  
*First State Bank* ▪ *Wheatland, Wyo.*

R. William Isham..... Director  
*First Nat'l Bank of Gordon* ▪ *Gordon, Neb.*

Larry W. Martin..... Director  
*Bank Strategies, LLC* ▪ *Denver, Colo.*

Byron E. Maynes..... Director  
*First National Bank* ▪ *Cortez, Colo.*

William A. Mitchell Jr..... Director  
*Bankers' Bank of the West* ▪ *Denver, Colo.*

Roger R. Reiling..... Director  
*Bankers' Bank of the West (ret.)* ▪ *Denver, Colo.*

Dennis Schardt..... Director  
*Exchange Bank* ▪ *Gibbon, Neb.*

Kent C. Shurtleff..... Director  
*Wyoming National Bank* ▪ *Riverton, Wyo.*

Dawn Thompson..... Director  
*Steele Street Bank & Trust* ▪ *Denver, Colo.*

Alan D. "Pete" Wilson..... Director  
*Wray State Bank* ▪ *Wray, Colo.*

## ◆ RECOGNITION AND GRATITUDE ◆

On Dec. 29, 2012, BBW Bancorp, Inc., and BBW suffered a significant loss with the unexpected passing of board member **Michael (Mike) Bass**, longtime CEO of First National Bank of Hugo in Colorado.

Each of the directors makes a powerful contribution of time and talent to BBW and its holding company. Working relationships among the directors are friendly as well as professional, and the group valued not just Mike's industry experience but also his warm humor and balanced optimism.

Mike served two full terms—the first starting in 1997 and the second in 2003—prior to his most recent election in 2010. His generous service is deeply appreciated.

## BANKERS' BANK OF THE WEST PRESENTS

Bank Operations Conference 2013:

### Knowledge and Strategies for Managing Operational Risk and Fueling Profitability

#### **TWO** locations:

- Wednesday, April 10  
in Denver, Colorado
- Wednesday, April 17  
in La Vista, Nebraska

#### Who should attend:

- OPERATIONS MANAGERS
- CASHIERS
- CHIEF FINANCIAL OFFICERS



#### Topics to include

- ACH Risk—Understanding the Issues to Keep Your Bank Out of Trouble  
*Vienpointe, LLC*
- What You Need to Know About Rules 8 and 9 and Electronic Endorsements  
*Electronic Check Clearing House Organization*
- Adapting to the Times:  
Feasible Approaches to Optimizing Operational Efficiencies and Profitability  
*Bank Strategies, LLC*

#### Also presenting:

- First Data™, a global leader in payments processing

More details and registration form at [www.bbwest.com](http://www.bbwest.com)

Questions? Call 303-313-8108.

### Is Facebook right for your bank?

*Lauren O'Connell, President  
O'Connell Consulting Group, Inc.*

**If** you follow bank and social media experts, you'll hear you **must** have a Facebook page and engage with your customers using this social media channel. You'll also hear the exact opposite—you **don't** need to be there, it's not worth the time, energy, potential risk, or resources.

If you're on the fence or evaluating your current efforts, here are some things to think about as you explore this interesting and oftentimes confusing channel.

The first thing to do is define your Facebook strategy.

1. What do you want to accomplish by having a Facebook page? For example, are you hoping it will help you save money, make money, retain customers, get new customers, communicate what makes you special, or build a community forum?
2. How will you measure your results—how will you know if you're happy? Is that even possible to do?

3. Who do you want to focus your communications on—your business customers, retail customers, both?
4. How will you engage people to follow, like, or comment on your site?
5. What will your key brand message be—the one you'll carry through every communication? What about your visual and page design?
6. How will you fill your page with interesting and relevant information—what topics are appropriate? Updates on bankers and community support may not be enough. Plan ahead so you don't get stale and ultimately ignored.
7. How will you use the feedback you'll receive from your readers? Done correctly, Facebook can provide a wealth of information on how to improve your overall service, products, and even Facebook strategy.

*Read the remainder of this article along with details on how to get started or ensure you're making the most of Facebook at [www.bbwest.com/nl/1\\_13.pdf](http://www.bbwest.com/nl/1_13.pdf).*

*The O'Connell Consulting Group is a professional marketing firm that specializes in customized marketing and communication solutions to help financial institutions acquire, retain and cross-sell profitable customers and evaluate and enhance product suites.*

## The significance of loan participations to the community bank

*from the Bankers' Bank of the West Lending Team*

Loan participations have long been a big component of community banking due to competition and legal lending limits imposed by capital levels. In recent years, loan participations have been misidentified as high-risk and the cause of losses for banks. A bank trade publication recently ran an article identifying some of the issues that banks need to be aware of when buying or selling participations. In summary, the article focused on making sure that the participation agreement and all parties correctly documented the process for funding, accounting for payments, and the ways other relationships could impact the loan.

At Bankers' Bank of the West, where loan participations make up most of our loan portfolio, we have always focused on one of the most important aspects that any lender should: **know your borrower**. In the case of a bankers' bank like ours, that principle is extended to include the lead bank. The history and reputation of the lead bank and the loan officer are vital to any successful loan participation. It is essential that a bank considering the purchase of a participation use the normal underwriting and due diligence process, the same as it would for its regular portfolio. This should be independent of the lead bank's analysis.

The community bank with participations to sell is smart to consider the future when deciding who to work with. The bank should realize that the information it shares about **its** customer when doing a participation is no longer completely in its control. Simply put, at some point the bank (or loan officer) you are selling participations to might become your competition.

Loan participations are the primary source of credits for BBW. We do some direct lending to bank holding companies and to officers and directors of banks. But the demand for most of our lending stems from community bank's need to compete with large banks and non-bank lenders such as Farm Credit. BBW fulfills those needs by purchasing participations. Also fueling the demand for participations is the desire for diversification of the community bank's portfolio.

BBW is a state-chartered, Fed-member bank that does no business with the public. We will **never compete** with community banks for loans or deposits. All of BBW's corresponding banking officers spent time as credit analysts before taking on calling responsibilities. Having made hundreds of calls on banks, they draw on deep and broad experience when visiting about opportunities for your bank to retain its best loan customers. Yes, we may ask more questions today than we did in the past, but our motive for asking is to help community bankers.

By selling loan participations to BBW, you not only protect your customer but also support the other operational services provided by BBW. This full complement of lending and operational services—backed by topnotch customer service—is what enables your community bank to compete with larger institutions. BBW is making loans, and we ask you for the opportunity to help your bank.

To discuss how we can assist you with your lending needs, contact your BBW correspondent banking officer directly or call our main line at **303-291-3700** (800-873-4722).

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### Viewpointe and Bankers' Bank of the West to resume joint effort in 2013

A mutual interest in empowering bank operations staff to perform at their highest level brought about a joint effort between Bankers' Bank of the West and the Viewpointe® payments association during the final four months of 2012. The goal was to involve more bank employees in web-based training—especially in the important areas of ACH, check and risk.

Encouraged by the level of participation among BBW's bank customers over that four-month

period, the two organizations have decided to undertake a similar effort this year.

While some details must be worked out, a few general decisions have been made—for instance, the offerings will include Viewpointe's esteemed **ACH Certificate at your Desk** program as well as the **Check Certificate at Your Desk** program.

Information on these and other special 2013 training opportunities for BBW customers will be released when the schedule is finalized.

## THE BUZZ ON BIDS — Bankers Internet Data System:

### Reports section is the go-to trove of essential information

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

**A**s banks strive to do more with less, the importance of reducing time spent on routine or redundant tasks is obvious. One of BIDS' most important functions is keeping information well-organized and accessible as needed, saving you the effort and expense of printing documents you don't need while improving the efficiency of your operations.

With this in mind, last month we added BBW's International rates to the reports published to BIDS. The availability of up-to-the-minute rates through BIDS' **Reports** section makes your staff



more self-sufficient, facilitating quick and accurate international check deposits and currency orders. You have the ability to archive and retrieve reports as well.

Next month we plan on publishing BBW's wire rates on a daily basis. An announcement will be posted to BIDS once that report is posted.

To enroll your bank in this or any other BIDS services, call us at **303-291-3700** and ask to speak with any operations specialist. And if you have a BIDS-related question we might help with, email us at [bbwadjustments@bbwest.com](mailto:bbwadjustments@bbwest.com).

### Where to learn about new rules covering surcharge fees on credit cards

*from the Bankers' Bank of the West Bank Card Division*

As a result of a class action litigation settlement, merchants in the U.S. and its territories are allowed, as of Jan. 27, 2013, to add an extra fee, also known as a surcharge or checkout fee, to certain credit card transactions. Merchants electing to add a surcharge are required to adhere to rules that are explained in detail on both Visa®'s website and MasterCard®'s.

A community bank with merchant customers would be smart to have resources ready for those important business customers who come with questions. Your front-line staff can't be expected to have all the answers. But it might help them to know, for instance, that if the state in which the merchant does business forbids surcharging, the merchant is prohibited from doing so. (Surcharging is **not** allowed at Colorado merchants.)

Other rules dictate, among other things, whom merchants must notify (and when) before surcharging, the amount of allowable surcharge, and the disclosures required.

A helpful set of materials for merchants is cataloged, together with links to printable files, at [www.visa.com/merchantsurcharging](http://www.visa.com/merchantsurcharging). In particular, a one-sheet overview entitled "Considerations and Requirements for Merchant Surcharging" lays out some of the key decision criteria in a logical, understandable way. The document

entitled "Surcharging Credit Cards—Q&A for Merchants" goes into more detail.

As you might imagine, the compliance burden will be heavy for merchants who decide to assess a surcharge fee on credit card transactions

And aside from the compliance aspects of the "to charge or not to charge" question are a number of repercussions the wise business owner will think through. Might a surcharge destroy the good will of established customers? Could a surcharge result in a loss of customers to competitors? Reaching a decision may be harder than it seems at first.

**Coming this summer—  
Mark your calendar!**



**BANKERS' BANK OF THE WEST'S ANNUAL**

**BANK CARD CONFERENCE**

**June 13 and 14, 2013**

**Watch for details by email  
and at [www.bbwest.com](http://www.bbwest.com)**

## Best practices for business continuity

Anne Benigsen

*Inflection Point Consulting, a disaster and recovery and risk management consulting business*

**S**ervice disruptions are on the rise due to human-caused activities and natural disasters. Having a comprehensive and well-maintained business continuity plan is essential to ensuring that your bank is prepared for anything from a simple phone outage to a worst-case scenario.

The first step in this process is to create a business impact analysis that identifies all critical systems and processes for every department. If the system or organization being analyzed is extensive, a thorough risk assessment should be conducted that includes an inventory of the business's people, facilities, software, and equipment.

Second, the data must be analyzed under a variety of scenarios. If the phone system is unavailable, staff may be aware they cannot send and receive calls, but will fax lines work without the phone system? Will automated calls or faxes sent to businesses or individuals in the normal course of business need to be resent? What information does each communication contain? Where is it stored? Are the fax machines programmed with stored numbers for one-touch dialing? If the fax machine were unavailable, are the stored numbers listed

anywhere else so your workflow can continue uninterrupted?

After mapping out all such fundamental chains of events, detail which systems overlap and which must be given priority in case of a small or catastrophic interruption—a vital component of every comprehensive and useful plan.

It is then time to draft the overall business continuity document. While detailed, it also needs to be usable by all levels of staff, complete with prioritized items and checklists for each job function that may be involved with the recovery.

Here's the catch: The document must be regularly maintained, as businesses and systems change often. The business continuity document should be thoroughly reviewed and a tabletop test performed at least annually to verify the accuracy of the information before executive management signs off.

Business continuity planning requires a long-term commitment, but your investment of time and effort could well ensure your bank has an effective response instead of a financial or reputational loss.

*Contact Inflection Point Consulting at [anne@inflection-pt.com](mailto:anne@inflection-pt.com).*



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