

BBW News

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A MESSAGE FROM THE PRESIDENT

What can happen when intentions lead to action

Value-added has become an everyday term. Yet if you ask ten randomly selected people what it means, you'll probably get ten radically different responses.

Because many of our employees once worked at community banks, we at Bankers' Bank of the West share a common definition of "value-added." To us it means seeing things from the customer's point of view, going the extra mile with customer service, and creating win-win results. "Value-added" is not a hazy concept here; it's our standard operating procedure.

Like our community bank customers, BBW is a regulated bank, subject to observing banking fundamentals such as generating an adequate profit to ensure our capital level remains strong. At the same time, our primary purpose — which is to support community banks' efforts to support **their** local communities — drives every function we perform and each decision we make. Having been a customer of BBW in a prior position, I think this is as it should be, with our mission taking center stage over profitability.

Of course BBW provides products that generate revenue for this organization. Profitability is a priority for any regulated financial institution — and it is certainly important for our shareholders, all of which are either community banks or holding companies for community banks.

That said, we understand it is also critical to provide community banks with services that do not necessarily augment the bottom line for this organization, but instead provide value-added benefits to our customer base.

With this in mind, I want to make you aware of several upcoming initiatives and programs aimed entirely at adding value for our customers. Those 2013 efforts are:

- ▶ Our 2013 **Bank Operations Conference** (p. 2), which focuses on topics of concern to today's bank cashiers, chief financial officers, and operations managers.
- ▶ Our 2013 **Bank Card Conference** (p. 5), a powerful forum for staying current on evolving trends, products, regulations, and fraud-prevention tactics affecting the sphere of electronic payments (download complete details at www.bbwest.com).
- ▶ A series of web-based **training sessions for bank operations professionals** (p. 4) on various aspects of risk management and compliance
- ▶ The popular and interactive **Loan Officer Financial Management Training** seminar (p. 2), sponsored by BBW and presented its dynamic co-creator, **Kyle Enger**, in Denver.



Bill Mitchell
BBW President and CEO

Our purpose in organizing, supporting and promoting these events is to give community bank partners like you access to industry expertise and education — ingredients essential to your continued success.

And whenever you reinvest these value-added benefits in your community, you create the conditions for economic prosperity in your own backyard.

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Taking note

■ Salute to a longtime team player

After more than 14 years of devoted service to Bankers' Bank of the West, **Donna Urness** retired Feb. 28. She worked in various capacities during her tenure—most recently in the Loan Operations area. The BBW team is grateful to Donna for exemplifying the highest standards of customer service, and we join many customers in wishing her the very best ahead.

■ Conference to zero in on bank operations

Five topics of distinct interest to operations professionals—including cashiers, operations managers and CFOs—will be the focus of BBW's 2013 **Bank Operations Conference** next month. Space is limited at both venues, but registrations for the **April 10** session in Denver and the **April 17** session in La Vista, Neb., will be accepted until rosters are full. Be sure to sign up soon.

The information/registration packet is posted at www.bbwest.com under the **Quick Links** section as "Operations Conference 2013."

■ Dates set for commercial lender training

The skill-building seminar known as **Loan Officer Financial Management Training** will return to Denver **Oct. 22 and 23**. Leading the interactive program will be its co-creator, **Kyle Enger**, of Bellevue-based BBI Financial, LLC.

The aim of the course is to equip loan officers with knowledge, techniques and tools they can put to work immediately for the benefit of their bank as well as their commercial clients. To date, nearly 150 loan officers have come to Denver to complete the program, which has been sponsored annually by BBW since 2008.

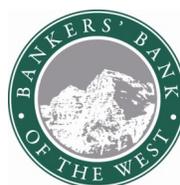
Check www.bbwest.com next month to download the fall 2013 program brochure and registration form.

■ Shareholder meeting in April

Bankers' Bank of the West Bancorp, Inc. will hold its annual shareholder meeting April 19 at BBW's administrative offices in Denver, Colo. Shareholders will receive a complete packet of related materials in advance by postal mail.

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Veteran banker welcomed in February to the BBW team

Late last month, Bankers' Bank of the West added career banker **Steve Hogan** to its team of correspondent banking officers. His extensive list of qualifications includes experience in the roles of both community bank president and correspondent banker, leader of a Federal Home Loan Bank correspondent team, and an FHLB-Topeka board member.

The extra pair of "boots on the ground" coincides with BBW's plans to more fully develop the organization's current service area as well as expand market share in South Dakota and Montana.

From Steve's perspective, BBW is a great fit because "there's nothing I enjoy more than traveling, meeting bankers face to face, and passing along ideas that have been successful elsewhere. That makes for a symbiotic relationship." He went

on to say he thinks the work of community banks is generally under-appreciated by the public.



Steve Hogan officially joined the bank on Feb. 25 as a vice president.

"The challenges of the community banker are far beyond what anybody on the outside could appreciate," Steve said. "The backlash from the Wall Street and too-big-to-fail debacle took a toll on the smaller players, too, even though they had no hand in it. Sadly, the good guys have suffered due to the sins of the bad guys."

Steve said he's eager to get acquainted with the bankers in his assigned territory, which encompasses Wyoming and part of Colorado along with the newer markets.

He lives with his family—Cynthia, his wife of 22 years, and their son and daughter—in Fort Collins, Colo., which will double as his home office when he's not on the road.

Improving bill pay: a win-win for financial institutions and consumers

Mary Heffernan, Director, Product Development, First Data™
Published with permission: ©2013 First Data Corporation

Without a doubt, consumers are increasingly adopting a digital lifestyle. Driven largely by the proliferation of smartphones and tablets, the growth of online activities like shopping and social networking continues unabated. In spite of this dramatic growth, however, the adoption of financial institution bill payment services appears to be leveling off. According to Javelin Research, the use of financial institution (FI) bill pay has plateaued, and users are predicted to increase only modestly during the next five years.¹ However, Javelin believes that institutions can reverse this trend by providing greater functionality that will streamline and simplify the bill-pay process, laying the groundwork for the digital financial lifestyle of the future.² As a consequence, financial institutions seeking to increase their base of bill pay users should target the 22 million Americans who are "only one step away from converting to FI bill pay": online consumers who already pay

bills online, but through biller direct websites rather than through their financial institutions.³

This segment of consumers has already shown a preference for paying bills online, so FIs need not convince them of the benefits of online bill pay. They must only persuade them of the advantages of using FI bill pay instead of various biller websites. To do this, institutions can immediately begin targeting this audience with promotional tactics, but they must supplement this with a longer term strategic investment in enhanced bill pay services.

Convert new users through better communication

The simplest way for financial institutions to increase usage of their bill pay services is to persuade their most tech-savvy customers—those who already pay bills and bank online—to use

Continued on p. 6.

¹ Javelin Strategy and Research. First Data-sponsored webinar, "Online Banking Insights 2012: Maximizing Your Investment." September 18, 2012.

² Ibid.

³ Ibid.

Thoughts on the fountainhead of the future

Kendrik de Koning, Senior Managing Director
BBW Capital Advisors

With spring training under way, the phrase “squeeze play” comes to mind when contemplating the fortunes of traditional spread banking models. Among the many unintended consequences of the Federal Reserve Bank’s current monetary policy is a squeeze on net interest margins, as a result of both the zero rate policy on overnight rates, and the now infinite plans to continue buying \$85 billion in Treasury and mortgage bonds—a policy known as QE 3.

While many of us have been in the banking and investing business through periods of rising interest rates, and most other than the youngest among us have experienced falling rates, there is not a living soul who has operated in an environment such as this. What we at BBW Capital Advisors refer to as “bouncing along the bottom,” is the phenomenon felt all too painfully by many bankers wherein asset rates continue to fall while funding costs have hit rock bottom. The consequent squeeze in net interest margin is a challenge we haven’t dealt with before, and which makes the job of the ALCO a particularly important one for the foreseeable future.

A look at FDIC data for the fourth quarter of 2012 confirms that the easy monetary policy has done exactly as we expected: asset prices (specifically real estate) have been buoyed by low rates, and consequently have fueled earnings in recent months; the number of “troubled institutions” has fallen, happily, as improving asset quality has similarly helped many marginal banks; and fee income is up, as bankers react by doing what they can to adapt to the conditions presented to them.

The Fed ought not, in our opinion, be shouldering so much of the responsibility for turning around our nation’s economic fortunes. Crippling public debts and resources misallocated by the government are holding the recovery back, and the Fed should perhaps use its position to draw more attention to that fact, rather than try to make up for it by accelerating demand via incrementally lower interest rates. Chairman Bernanke views the risks worth the reward, and this rate environment is admittedly causing buyers of cars, real estate—and anything else typically purchased with borrowed money—to act sooner or go bigger than

they might otherwise. But the effects on pension funds that need 6-8% or better to meet their obligations, retirees forced to live on the miniscule returns offered by the bond market, and the community banks so critical to making the free market credit allocation decisions that made this country’s economy great, are too great a price to pay in return.

That said, there isn’t too much any of us can do in the near term to change things, and an ALCO that spends most every meeting speculating as to when rates will rise may be fiddling while Rome burns. Contrary to the popular view, a rising rate environment is not one to be feared for most community banks. When we think about what sort of economy will produce higher rates, it is likely to be one rife with opportunities to book more and higher-yielding loans, and the tradeoff of having some fixed rate assets earning less than the current market will be worthwhile. Now is the time for action, not hope, and that means taking a hard look at every bit of earnings generating capacity on the balance sheet that can be (prudently) unlocked, as the real risk lies in the squeeze of persistently lower rates.

Find out more about BBW Capital Advisors, an alliance partner of Bankers’ Bank of the West, at www.bbwcapital.com, or call 800-997-0718.

Training topics and dates determined

As part of a joint effort to encourage bank operations professionals to pursue ongoing education, the Viewpointe® payments association has agreed to lead the following five web-based training sessions exclusively for customers of Bankers’ Bank of the West. Here is the schedule:

Introduction to ACH.....	May 8 @ 1pm MST
ACH Origination Risk Management ..	June 20 @ 1pm MST
ACH Exceptions	September 17 @ 1pm MST
ACH Rules Update.....	October 17 @ 1pm MST
Regulation E	November 19 @ 1pm MST

BBW customers will receive course descriptions and registration details by email in the next few weeks, and reminders will be posted to BIDS. To add other contacts at your bank to the notification list, email your request to webmaster@bbwest.com.

Ever heard a business client say “I have too much time on my hands”?

Lauren O’Connell, President
O’Connell Consulting Group, Inc.

Probably not. One of the services we provide is to personally interview our clients’ customers and referral sources. What we hear repeatedly from owners of small- to medium-sized businesses is that there *isn’t enough time* in the day to run their businesses, manage their employees, and explore the opportunities that could improve their business. Probably not news to you.

What does that mean to you as a banker trying to get or keep their business? Business owners say they know there are probably better, more efficient solutions for their businesses’ financial needs, but they don’t have time to look into them. And although their bank’s relationship manager says “let me know how I can help you,” that banker usually waits for the client to ask—which normally happens only when an immediate need comes up.

But what if the client doesn’t initiate the conversation, or doesn’t know you can help with a specific challenge? If you’re not asking and probing about their business challenges, what happens?

Certainly you know most of your clients also have a relationship with one of your competitors. What happens when that competitor suggests a great solution to a problem your client wasn’t aware you could have helped with?

Our advice: Be proactive.

Communicate with business customers in the way *they* want to hear about other services you offer. For some clients, that will be a personal discussion; for others it could be a newsletter or email. You have to determine their preference and then build a communication process to deliver the information that way. Here’s a sample communication process:

- 1 First, prioritize your clients to make sure you have a process for communicating with your top 20%.
- 2 If you know how and how often these clients want to hear from you, you’re ready to proceed. If not, don’t guess; ask them.
- 3 Understand what constitutes a valid relationship-building contact. Although asking for updated financials can generate interesting discussions, that request is focused on the

bank’s needs—*not* the client’s. It doesn’t build warmth in the relationship. For this reason, don’t count such a request as a relationship-building contact. Running into a client at the gas station doesn’t count, either. The contact must be perceived as planned and thoughtful on your part, and the conversation needs to be deeper than a chance encounter allows.

- 4 Do your homework: Define some of your client’s common industry challenges, and match your capabilities to those needs.
- 5 Using the client’s preferred communication channel, start a conversation—on a common challenge in her industry, for example—and find out if your client faces it. Figure out what she’s doing to address the issue. If she hasn’t found a solution, then—and *only* then—suggest how you might help. Ask lots of questions, and listen.
- 6 Track contacts, follow-ups and conversations so you can strengthen client relationships over time. This will prove you’ve listened and genuinely care about the client’s needs.

This isn’t hard to do, but it requires organization and commitment.

Remember, your competitors are trying to connect with your clients—especially those with good credit. Don’t let your best clients think you’re complacent about the relationship. Don’t allow communication with your best customers to become haphazard.

Surely your customers are worth this investment of time and effort. So get organized, get help if you need it, and get going!

The O’Connell Consulting Group specializes in customized marketing and communication solutions. Call Lauren at 303-795-3539 or visit www.oconnellconsultinggroup.com.

Register SOON for
2013 Bank Card Conference • June 13 and 14

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download details at www.bbwest.com

The key to effective corporate governance at community banks—the directorate

Debbie L. Meyers, Senior Consultant
Bank Strategies, LLC

Given the number of bank failures over the past several years and the continuing number of banks in problem status, the regulatory agencies have escalated their attention to the quality of risk management techniques and corporate governance at community banks. In that regard, regulators have specifically focused on the performance of the directorate and have scrutinized their actions in fulfilling their responsibilities. While it is an honor to be selected to serve on the board of a community bank, there is considerable personal liability in serving, and oftentimes the newly appointed director has limited knowledge of the expectations and responsibilities of the position.

How do the regulators view the expectations and responsibilities of the directorate? Simply put, the regulatory agencies have indicated that the board of directors has ultimate responsibility for the bank. Regulators view the directorate as the body that establishes and approves the bank's strategic direction, outlines the risk appetite within bank policies, and hires qualified management and oversees performance of their duties in conducting the day-to-day operations of the bank. In addition to these responsibilities, the board also is to ensure the bank's compensation systems are effective and soundly crafted to incent management in a manner consistent with safe and sound banking. Finally, the directorate is to establish a corporate culture supported by a sound system of internal controls, and a set of corporate values documented within a code of conduct or ethics policy.

To perform their role effectively, board members must approach their position with the highest integrity. They need to demonstrate their ability to make decisions consistent with the best interest of the bank, and within the standards outlined in regulatory expectations. The effective director needs to remain abreast of banking conditions and issues affecting the industry and be aware of regulatory changes. Directors can achieve this knowledge through training, routinely provided by various industry experts and regulatory agencies presentations, or through agency and banking expert websites, which often contain up-to-date information and comprehensive training helpful to the community bank director. Finally, and likely the most important determinant of an effective

board member, is his or her ability to remain independent, be unafraid to ask questions of management, and be willing to adjust risk management systems accordingly when conditions require.

The consulting firm known as Bank Strategies, LLC has demonstrated the ability to generate superior performance and profitability for client banks while allowing them to operate in a safe and sound manner. More information at www.bankstrategiesllc.com.

Improving bill pay: a win-win

Continued from p. 3.

their services. FI bill pay has many inherent advantages over biller direct sites, but banks and credit unions must do a better job of communicating these benefits to encourage customers to make the switch. These advantages include:

- Time and cost savings. Customers save time by visiting one site to pay multiple bills instead of visiting individual biller websites to make payments.
- Consolidated recordkeeping. Having access to their bills and payments in one online location makes it easier to access payment records, review historical charges, etc.
- Reduced fraud. Visiting a single site to view bills and make payments reduces the likelihood of a consumer's payment information being stolen or otherwise compromised. Furthermore, it provides a secure avenue, as online banking products support multi-factor authentication.
- Better control. FI bill pay provides greater control over the timing of payments, and allows for easier management of payment sequencing and holistic scheduling to align with deposits and expenditures.
- Additional convenience. FI bill pay supports additional convenient features like e-bills (electronic delivery of a bill for review and remittance), same-day and expedited payment services, P2P payments, ability to schedule a pending recurring payment as far as one year out, and more.

To read the **full article** from which this excerpt was taken, go to www.bbwest.com/nl/3/13.pdf.

THE BUZZ ON BIDS — Bankers Internet Data System:

Tips for expanding your capabilities and shoring up security

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

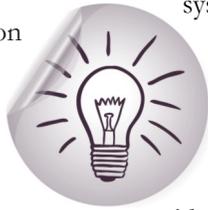
This column features two pointers—which, in a figurative sense, relate to both sides of the same coin.

① The first tip concerns the wire application on BIDS. The domestic wire template has been augmented to display a **Return Reference** field to be used expressly for wire returns. This gives BIDS users the ability to self-initiate return wire requests.

As always, you have the option of calling BBW's Electronic Funds Transfer specialists for wire assistance (**800-318-8393**) if you prefer.

② The second recommendation pertains to the need for a robust system for your bank's online transactions. In the case of community banks using BIDS through BBW, that protection takes the form of a multifactor authentication system that uses a biometric fingerprint reader available through BBW.

The solution adopted by BBW meets the most recent Internet banking guidelines put forth by the



FFIEC. In a nutshell, our multifactor authentication system discourages attacks on network security and provides more time for a monitoring system to uncover an attack.

The ability to transact business quickly and easily in the Internet environment has made today's banks far more efficient than in the past. As you know, this efficiency comes at a cost—the flip side of the coin mentioned earlier. It is the super-efficient, high-speed nature of the Internet environment that also puts financial institutions at risk of attack by cyber-criminals.

That's where multifactor authentication comes in. It is a precaution that helps protect your wire and ACH transactions—critical functions that are directly tied to the assets of your bank.

As your correspondent partner, we appreciate your cooperation and continued diligence in implementing secure technology and protocols. Please check BIDS and our website periodically for news and suggestions that can help you manage risk.

Make the most of word-of-mouth potential

Brittany Taylor, Marketing Team Leader
Optimum System Products

Referrals can build a community bank's pipeline of prospects and reward current customers. Is your bank utilizing the word-of-mouth effect to its full potential? Many businesses today are using online referral program solutions to leverage their current customer base to find new customers.

Referrals are crucial to bank growth, and online referral programs improve the efficiency of these efforts. Banks with a traditional referral program in place may find that, because of the administrative effort required, their programs are not generating the amount of growth desired. Often an increase in the number of referrals a through traditional program requires more staff time to monitor the program. The good news is many online referral programs do the monitoring for you.

These programs can also help you process customer information, track current customer

referrals through a points system, and track new customer growth. Many online programs integrate social media so that customers can reach many friends at once. When the customer refers more friends, you gain access to more prospects.

Making the referral process fun and easy for your accountholders is a smart way to grow your bank's program, strengthen ties with current customers, and gain new accountholders. Take advantage of current technology to grow your institution and show appreciation for your loyal customers. To learn about Optimum's online referral solution, call our Rocky Mountain area manager, **Pamela Grammer**, at **303-514-9396**, or email pgrammer@optimumcompanies.com.

Optimum System Products, Inc., is an award-winning national provider of essential bank supplies and services. We serve more than 1,500 financial institutions. Visit us at www.optimumsystem.com.

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

Question: Some of our customers want to use the QuickBooks or Quicken built-in online bill payment feature. What's involved?

The online bill payment feature you're referring to is a service offered by Intuit, the makers of Quicken® and QuickBooks® software. An agreement must be in place with Intuit to permit its use. To find out if your financial institution is already set up to interface with QuickBooks or Quicken, search using this link: <http://web.intuit.com/fisearchbasic>.

If you do not find your financial institution listed and want to offer this feature to your customers, you should go here next: <https://fi.intuit.com/whyconnect/getstarted/>.

That link takes you to the division of Intuit that works with financial institutions and service providers to allow connectivity for the Quicken and QuickBooks download service via the **Internet Banking platform**, a service offered by Intuit. An agreement for connectivity must be in place to provide this service. Some agreements are directly between the financial institution and Intuit; others are through third-party resellers and contract directly with the financial institution.

End users have the option of using either the bill payment solution within their financial institution's Internet banking solution, or the bill payment feature offered within Intuit's applications. That feature will be either FIS or CheckFree (Fiserv), depending on the application the bank customer is using—Quicken or QuickBooks.

To find out more, contact this department by email: OFXSales_Connect@intuit.com. They try to respond within three to five business days. Understand that patience is a must in this situation, as the normal response time **really is a full three to five days**. Once you get a response, you'll likely be able to request a phone number that will connect you with a representative directly.

The inspiration for this topic was a personal experience—a daylong series of dead-end attempts to navigate Intuit's phone support until the trial-and-error approach eventually resulted in someone giving me the website referenced above. If the information saves you some time and effort, so much the better!



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