

BBW News

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A MESSAGE FROM THE PRESIDENT

The deliberate climb toward incremental progress

No one understands how the economy is performing—whether at the local, state or national level—better than we bankers do. The economy is our ecosystem, in a way, and we're naturally interested in its health.

Of course bankers read plenty of trade journals and financial forecasts. But far and away the most reliable "reporters" on your local economy are your customers. Builders and developers. Small-business owners. Farmers and ranchers. Retailers. Service sector workers. Retirees and young families.

And how your customers are affected by the economy directly affects the performance of your bank.

As you'd expect, we've been listening closely to what **our** customers have to say. Most of you are reporting improvements in your local economies. Others describe a more or less consistent, level economy—as seen in much of agriculture, which escaped a downturn during the recent recession. In the urban and suburban communities in our service area, real estate values are increasing.

All of this evidence is encouraging. It's also grounds for cautious optimism, in that the current economy can be fairly defined as "better"—not "strong."

Recently, I attended a Federal Reserve Bank of Kansas City annual regulatory update. The agenda included an economic update on the Tenth District. The economist from the Kansas City Fed presented data that reflect state economies are improving in the Tenth District. Discussions with

bankers from states west of the Tenth District have echoed the same message: The economy is improving, albeit slowly in some areas.

One reflection of the improved economy, especially at local and state levels in BBW's footprint, has been a climb in loan demand from

our customers. Many community banks with ample liquidity are starting to offset their excess liquidity with new loans.

This is a positive sign. Even though many small businesses will probably wait on the sidelines to see how the decisions coming out of Washington, D.C. will play out, loan demand is picking up in general.

You need to know that helping banks manage their lending limit or loan concentrations through the purchase of participations is a core function of Bankers' Bank of the West.

We've been leveraging resources, expertise and relationships for the mutual benefit of community banks (and the customers they serve) since 1980. We'll be honored to help **you** with your lending needs.

Thank you for keeping the communication channels open—and for allowing us to serve you.



Bill Mitchell
BBW President and CEO

“Management is doing things right; leadership is doing the right things.”

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Taking note

■ Tools of the trade for business lenders

Registration has opened for the **October 22-23** seminar for seasoned loan officers with any combination of portfolio, underwriting, or calling responsibilities.

Led by **Kyle Enger** of **BBI Financial**, the **Loan Officer Financial Management Training** program has been a perennial favorite of commercial lenders since Bankers' Bank of the West first sponsored the program in Denver in 2008.

In fact, lenders from nine states—from Idaho to Arizona to Nebraska—have completed the seminar in Denver, and several community banks have enrolled numerous loan officers over the years. The interactive, hands-on seminar stresses techniques, strategies and tools that bankers can deploy immediately for the benefit of both their business customers and their banks.

Early registration is recommended as class size is limited to allow for individual attention. Logistical details, the course outline, and a sign-up form are posted at www.bbwest.com in the Newsroom section under the “Classes and Events” listing.

■ CFPB rule to take effect in October

The rule establishing safeguards for consumers who send money internationally was revised by the Consumer Financial Protection Bureau last month. Links to the final rule and the related CFPB press release can be found in the Newsroom section at www.bbwest.com.

■ Program for executives and directors

The annual **Western States Director's Education Symposium** will be held **November 10** through **12**, 2013, at the JW Marriott Tucson Starr Pass Resort and Spa.

The program will include, among other things, an economic outlook; a presentation on strategic planning; and a panel of regulators with representation from the OCC, FDIC, and the Federal Reserve Bank.

Complete information will be mailed when details are confirmed.

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Directorate meeting efficiency suggestions for the community bank

Debbie L. Meyers, Senior Consultant
Bank Strategies LLC

Directors play an integral role in establishing a risk appetite and assessing key risks facing the community bank. Oftentimes, however, board packets and reporting to the board is so overwhelming that board members “get lost” in the details. While disclosure is very important, as a result of the extent of the information provided in board packets, most boards find themselves focusing on the more detailed and tactical issues as opposed to providing comprehensive guidance and important strategic direction to bank management.

What steps can community bankers and directorates take to improve the focus of board members and board meeting efficiency?

One initiative the organization should strongly consider is undertaking an assessment of the current board packet to determine how the information provided to the board supports directorate decision-making and facilitates oversight responsibilities. When completing this assessment, the organization’s goal should be to find the proper balance between providing details and specifics to ensure proper disclosure to the board to one that allows the board members to fulfill corporate governance expectations. Specifically, the review should result in a board packet that facilitates the board’s effective monitoring of management’s compliance with overall risk parameters established by the board, and should lead to the

Through a menu of strategic planning, profit improvement, corporate governance, and other services, Bank Strategies, LLC, has consistently demonstrated the ability to generate superior performance and profitability for its clients while allowing them to continue to operate in a safe and sound manner. Find more information on this bank consulting firm at www.bankstrategiesllc.com.

measurement of the progress in achieving key strategic goals and objectives.

To further enhance the board packet, the organization might also consider the option of using a “corporate scorecard” or “heat map.” Often, these types of reports provide a reference tool for determining those areas where the organization may be falling outside of risk parameters, performance targets, and strategic goals and could quickly focus directorate attention on key issues emerging within the organization.

Revamping the board packet of the community bank may take considerable time and effort. However, sound management information systems for board reporting leads to better decision-making for an important governing and oversight body intended to control organizational risk. When undertaking this effort, the organization may wish to consider review of portions of the packet over time to make the project more manageable.

In future editions of BBW News, Bank Strategies LLC will share more ideas for increasing the effectiveness of board management and oversight including strategies to improve board meeting management, methods to enhance strategic planning efforts, suggestions for routine directorate training, and the basics of sound management compensation systems, among others.

Get your smarts on: Power hitters to report on the payments revolution

Last month a speaker asked some 70 bankers, “Who’s doing about four more jobs than you were five years ago?” Hands shot up across the room.

How many duties are **you** juggling today?

If any aspect of bank cards falls under your umbrella, take heart. Spending just two days with a team of bank card experts will get you up to speed on the payments front.

The 2013 **Bank Card Conference in Denver** (June 13 and 14) will tackle questions that keep

community bankers up at night. Questions like *What should we know about fraud management? Will we be ready for EMV? Can we package services to attract customers **and** grow our bottom line?*

Afraid you’re too busy to attend? All the more reason to take a deep breath and focus—for two satisfying days—on replenishing your knowledge of bank cards and their role in your product mix.

Get the scoop from industry experts. Trade tips with your peers. Sign up now. Sleep better tonight.

Visit www.bbwest.com for registration details.

What is the cost of your capital?

*Kendrik de Koning, Senior Managing Director
BBW Capital Advisors*

Community banks across the country continue to fight difficult macro conditions that make generating historically typical returns on equity easier.

A recent article in *American Banker* noted that while the cost of equity capital is generally estimated to be 9% for a bank, returns on that equity are nowhere close these days. In fact, more than 95% of banks are generating returns of less than that 9% figure on any sort of consistent basis.

This means that unless we start to see some relief, we may see further erosion in our industry's committed capital base. Of course there is no rule that particular banks will be shut out of the equity markets. In particular, community institutions tend to get more favorable reviews from local investors—but nothing ought to be taken for granted.

The opportunity here is for community banks to put themselves in the high end of their peer groups, so that when capital is needed, prospective investors can easily determine relative value.

As many of our readers are well aware, non-interest income is generally a big differentiator

here. A review of opportunities to generate such revenue is well worth the time for most community banks. On the other hand, trimming expenses can be an easier thing to do. Still, if you are a believer in your core business model, then cutting your way to your goals can be a difficult thing to do.

At BBW Capital, we all too often see banks underutilizing the capital that they have been entrusted with, from a balance sheet optimization perspective. Investors in your equity are looking forward to growth, dividends, and the like. In this environment, complacency can be a killer, as rates decline and costs escalate.

The leverage afforded to bank capital is a powerful thing; it often doesn't take much to prudently and significantly grow income through better balance sheet management.

BBW Capital is in the business of helping bankers across the Great Plains and western states region with such things.

Please call us at **303-864-1213** (402-476-0400 in Lincoln), or visit www.BBWcapital.com for more information.

What your trusting customers might not know (but probably should)

Rip-offs have existed as long as commerce itself, but even experienced shoppers can fall for new spins on old schemes. Hoping to prevent your customers from becoming victims, BBW's wire transfer specialists are sharing this story:

A scammer advertised a vehicle for sale online. An interested buyer responded to the ad, which he believed had been posted on eBay. In response to the inquiry, the scammer told the buyer to wire a large sum of money to a specified account, claiming the funds would be held there in escrow until the sale could be completed.

The buyer instructed his bank to wire those funds to the account the "seller" had specified. The receiving bank froze the funds because the account had been flagged as fraudulent.

In this case, the would-be buyer is waiting for the receiving bank's fraud department complete its work. Exactly how long it will take to recover the funds, assuming they are recoverable, is unknown.

Sadly, this hoax is not the only one of its kind, and it's reasonable to assume that similar attempts to bilk consumers have been successful.

In a best-case scenario, the shopper would have immediately questioned the fishy aspects of the transaction, checked them out, and then run in the opposite direction. That's what you'd want **your** customers to do.

Short of using heavy-handed scare tactics, what can you do to support your customers' ability to make well-informed decisions—and avoid being victimized?

Continued on the next page.

THE BUZZ ON BIDS — Bankers Internet Data System:

A practical mix of user-friendly upgrades (with compliments)

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

Everyone likes an “extra” once in a while—a dessert, free of charge, with your restaurant meal, a thirteenth donut when you asked for a dozen, or a no-cost tire rotation with an oil change.

Recently, LendingTools rolled out a variety of BIDS improvements to make your job easier and save you time. These “extras”—upgrades, to be exact—won’t make your tires wear more evenly or satisfy your sweet tooth, but they won’t spoil your diet, either.

Here’s a summary of the improvements you now have at your fingertips:

- View unsent ACH and ACH origination files from the Unapproved Transactions Page. On a single screen you’ll see which transactions need approval before the processing day ends.
- Save time and keystrokes by using vault cash templates for repetitive use.



- Boost your efficiency with the help of the new large dollar return templates.
- Make documentation simpler for your end customer to understand: Use the “save only” option to create consistent, reusable international wire templates without having to submit a transaction.
- Use an “attach files” function to easily add files or documents to transactions—detail to support wire transfer authorizations, check adjustments, and so on.
- More easily detect which wires had OFAC hits (and which did not) from the revamped Wire Transfers section.
- Quickly spot ACH and ACH origination activity now that it appears in its own section on the Account Activity page.

Be sure to check out these changes, which can save you time later. And time, after all, is priceless.

What your customers should know

Continued from the previous page.

Make sure customers understand these basics:

- ▶ Wires are **guaranteed** funds. Once money is sent by wire, it **can’t be recovered**. Legitimate online sellers won’t ask for payment by wire.
- ▶ **Knowing the seller** is essential. Check out the seller’s track record. Read customer feedback.
- ▶ **“Spoof”** (counterfeit) emails can be made to look real; for instance, the shopper in the previous story was tricked into thinking he was buying a vehicle on eBay. He was not.
- ▶ **Never** include personal information—account or credit card numbers, passwords, or Social Security numbers—in an email, or to someone calling you. When in doubt, **don’t give it out**.
- ▶ Aggressive sales tactics are often **red flags**. Be suspicious of sellers making “exclusive” offers or suggesting unusual payment channels.
- ▶ If a deal seems **too good to be true**, it usually is—no matter the source.

CONSUMER RESOURCES

- ▶ The AARP website (www.aarp.org) posts online shopping and Internet safety tips: see the **Money** section.
- ▶ Read current eBay alerts at the bottom of the **Welcome** section (<http://pages.ebay.com/securitycenter/Index.html>). From the same page, access tutorials on avoiding fraud, creating passwords, and other security-related topics.
- ▶ In many states, the secretary of state’s website is an informed source of pointers and descriptions of reported scams.
- ▶ Notes on some frequently reported scams are published on the Better Business Bureau website (www.bbb.org/us/business-alerts/).
- ▶ The Federal Trade Commission publishes several single-sheet handouts on scams and identity theft. One entitled “Money Wiring Scams” can be downloaded and printed from www.consumer.gov (click on the **Scams and Identity Theft** tab).

TECH CORNER

Simplifying the IT budget with managed services

*Joseph Hornsey, Vice President, Network and Internet Services
Dominion Technology Group, Inc.*

One of the challenges that most small- to medium-sized banks encounter regularly is the seemingly haphazard cost associated with IT support. One month it may cost a few hundred dollars, and the next, several thousand. One way to manage this seemingly uncontrollable expense is to consider a Managed Services Agreement (MSA).

At its core, an MSA is extremely simple: the bank pays a flat monthly fee per computer and server, and the managed services provider (MSP) actively monitors those systems and provides support for the monitored systems.

An MSA can provide the bank with benefits that can make managing IT simpler:

- A flat monthly fee, making budgeting for IT support far easier.
- Fewer surprises in your IT environment as systems are monitored 24/7.
- Less downtime as the monitoring may predict failures before they occur.
- Peace of mind knowing support is available when a problem does occur.

If you are considering going the managed services route, make sure your MSA includes the following:

Dominion Technology Group, an independently owned IT consulting firm based in Colorado, has been an endorsed vendor of Bankers' Bank of the West since 2007. Questions? Feel free to contact Joseph Hornsey at joseph@dtginc.net.

- Anti-virus management and reporting
- Hardware monitoring and reporting
- Operating system and application patching and reporting
- Automatic maintenance on all systems
- Telephone support
- Remote support (accessing the computer or server remotely)

You'll also want to examine the list of services and scenarios **not** covered by the MSA. Typically, things like software licenses and parts are not covered by MSAs; however, the labor to install the software or parts generally are.

In addition, agreements usually include a catch-all category such as "projects" or "miscellaneous tasks" to include anything not covered by the MSA. Most providers will charge an hourly rate for this type of work, which can be a real surprise if you don't communicate clearly and set expectations from the start.

Finally, you'll also want a provider with experience in dealing with regulatory requirements—one willing to tailor the MSA to address the unique needs of financial institutions.



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Payments Revolution:
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