

BBW News

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A MESSAGE FROM THE PRESIDENT

Convention season—ideal for mixing business with pleasure

As a bankers' bank providing services to banks in 11 states, Bankers' Bank of the West is a proud member of a dozen state trade associations.

To demonstrate support for these trade groups, we send representatives to banking conventions throughout the spring and summer months. Given that some state associations join forces to present multi-state events, BBW employees will attend 11 single- and multi-state conventions this season. Of those, I will have attended at least half of them by the end of September.

I strongly recommend attending state conventions, which provide opportunities to visit with peers, hear from well-informed

presenters, get a sense of where banking is headed, and prepare for the challenges on the horizon. What's more, conventions allow us to include our families in our profession.



Bill Mitchell
BBW President and CEO

Last month I drove to Rapid City for the Quad States Convention organized by the state associations of Montana, North Dakota, South Dakota, and Wyoming. I mention this event because it's the one that my three children were able to attend.

Spending time as a family—on the road, exploring the exhibit hall, and sightseeing—deepened our appreciation of our great country, and of the unique contribution community banks make to the nation.

I took part in many worthwhile Quad States Convention activities, but there was plenty of time for fun, too. My kids and I cooled off on water slides, visited Mount Rushmore, rode a zipline and an alpine slide, and even saw bears close-up (from the safety of our car) in a wildlife preserve. Together we made lifelong memories in and around Rapid City—a great place to visit, by the way.

Summers and childhoods both pass much too quickly. That's why I encourage you to participate in as many association conventions as have time for—and bring your family when you can.

Jewelry entrepreneur takes a shine to mobile payment acceptance

Soon after jewelry designer **Kelly Wintenburg** held her first Premier Designs Jewelry show, she turned to her local community bank for a credit card processing solution. There she signed up for a merchant services account that included card processing.

Kelly received her scanner within two days. Then came a follow-up call from **Lynette Gregg**, a bank card product development and training officer with Bankers' Bank of the West—the merchant services provider for Kelly's bank.

"Lynette was a dream to work with," Kelly said. "She called to walk me through downloading the software to my iPhone™ and made sure I did a test charge for \$1 to ensure I had a well-functioning scanner."

Kelly said another reason she enjoys working with Bankers' Bank of the West is the scanner itself. She knows of other people in her business who

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Taking note

■ Extra details can accompany wires

Keep in mind that BIDS users with domestic wire rights can access Customer Transfer Plus (CTP) wire transfer templates through BIDS from the **Transaction Requests** menu.

The CTP wire format is capable of including more data in wire transfer payment orders, a feature that corporate originators find helpful. A CTP message can incorporate up to 9,000 characters of remittance information in a wire transfer payment order—details that can facilitate end-to-end processing.

If you want personal assistance in using this feature in BIDS, contact any of BBW's wire transfer specialists at **800-318-8393**.

■ As vacation season heats up

Helping you serve your customers is the crux of BBW's mission. Did you know we can support you with convenient products and services for your customers' travel needs?

For example, our **travel cards** offer point-of-sale acceptance, unlimited reloadability, and convenience. They can be used internationally, too. Learn more about our flexible prepaid bank card program by calling **800-601-8630**.

We also provide essential **international services** including currency orders. And our foreign exchange rates are competitive. To inquire about our menu of international services, please call **800-873-4722** or email bbwadjustments@bbwest.com.

■ A tip of the hat

Bankers' Bank of the West staffer **Tara Rosenbaum**, a University of Nebraska-Lincoln graduate, was promoted in June to vice president. A primary calling officer for banks in Colorado and western Nebraska, Tara was hired by BBW as a credit analyst in 2007 before taking on calling responsibilities two years later. Congratulations, Tara, on your well-earned promotion!

"Tomorrow: One of the great labor-saving devices of today."

Author unknown

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Seminar stresses skills that enable the lender to become a financial quarterback

The popular program for commercial lenders known as “Loan Officer Financial Management Training” is returning to Denver this fall.

Led by its co-creator, **Kyle Enger** of BBI Financial, LLC, it focuses on financial tools that can be quickly and effectively used by loan officers to benefit both their banks and their business clients. The seminar is recommended for lenders of all experience levels as well as bank executives and business development officers.



Kyle Enger

The course uses hands-on practice, case studies, and interactive discussions to build loan officers’ skills and confidence.

With many community banks intent on expanding business in general, and good credits in particular, the **Oct. 23-24** session is well-timed. Class size is limited to ensure individual attention, so early registration is advised. Download the course brochure and sign-up form at www.bbwest.com (Newsroom section).

In new role, correspondent officer aims to listen more than talk

Since joining Bankers’ Bank of the West in May, **Lee Anderbery** has been seeing his career from a whole new angle—and appreciating the view.

Lee, a vice president of correspondent services for BBW, feels a strong connection with Nebraska’s bankers and the customers they serve. He’s keen on using his three decades of community banking experience to benefit them.

“I’ve felt their pain in so many ways, especially in the area of regulation,” he said. “The regulatory burden coming down on banks is cumbersome.”

Lee acknowledged that nobody has a perfect cure for such challenges, but he thinks a good place to start is by asking questions—and listening closely to what bankers are saying.

“I want to find out what they need,” he said. “What barriers are standing in their way? What would help them become more profitable?”

As a University of Nebraska student, Lee gave serious thought to returning to work on his family’s farm in Axtell. Instead, he majored in agribusiness and took a position with Omaha National Bank soon after receiving his degree.

“Community banking has been a good fit for me. Now I get to approach it from a different direction,” he said.

Lee’s role at BBW will give him plenty of opportunities to meet—and also partner with—bankers.

He and his wife—who also works in banking, as a chief financial officer—raised both of their children in Lincoln. Their daughter recently moved to St. Louis, where she accepted a job with a law firm upon graduation from the Case Western Reserve University School of Law. Their son, a member of the U.S. Marine Corps Reserves, will soon finish his training at Fort Lee, Virginia. Following that, he’ll resume his studies at the University of Nebraska at Lincoln.



Lee Anderbery got his start in banking through an internship program the Nebraska Bankers Association offered.

Lee described his outside interests as “not hobbies you’d necessarily associate with bankers.” Just last month he took a motorcycle ride to Santa Fe with a Bankers and Bikes

contingent, his eighth such trip with that group. He’s a scuba diver. And at various points in his life, Lee has also enjoyed snowmobiling, skiing, trail biking, jet-ski racing, and riding an ATV through the Sandhills.

“Basically, if it’s got handle bars, it’s got my attention,” he quipped.

His main priority over the summer is to visit banks in his Nebraska territory—much of which falls into an irregular “reverse-L” pattern on the state map. He’s met a number of bankers already, and he expects to find plenty in common with those he’s yet to visit.

“It seems to me that community bankers share one big goal,” Lee said. “They all want to be good stewards of the resources they’ve been blessed with.”

Management succession—a key responsibility of the community bank directorate

Debbie L. Meyers, Senior Consultant
Bank Strategies, LLC

One of the most fundamental responsibilities of a bank's directorate is to select competent management and monitor their performance and contributions to the bank.

There is a growing need, however, for the community bank directorate to plan more comprehensively for contingencies to ensure the bank can continue to successfully operate the bank even under adverse staffing situations, including turnover and illness, and other situations, especially retirements. Unfortunately, for smaller community banks, the absence of attention to succession management has ultimately contributed to further consolidation of the industry as aging management teams depart the institutions and turnover and illness has exposed the bank to key operating risks.

To formulate a comprehensive management succession policy and program, the following steps should be considered:

Determine those positions critical to the bank operations and performance. Succession plans should always include the CEO/president as a key position critical to the future bank operations. Further consideration should be given to including any position responsible for a business line important to the performance of the bank. This could include roles in the lending, IT and operations areas, and in fee-based services, among others.

Investigate options to fill critical positions. Succession plans often determine that an existing staff member can be promoted to fill positions vacated by key management personnel. When this opportunity exists, a formal training and succession gap assessment for those candidates should be established and used as a guide for the development of the candidate's succession preparation strategy.

This strategy should note the mentoring program and performance management goals established for the candidate, and outline a disciplined training program. It must be continually reviewed and modified as necessary as the candidate progresses, and monitored by the board to ensure proper preparation of the candidate for the position, should the need arise.

When suitable internal candidates are not available, the directorate must find alternatives to fill possible position vacancies, including interim replacements, until a suitable candidate is retained.

Review and update the succession plan annually. Annual strategic planning sessions for the bank should address current staffing and allow the board to assess the status of the management succession program. Ideally, though, the board should review the plan routinely, especially as changes occur in key positions at the bank.

About Bank Strategies, LLC

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

Mobile payment acceptance works for jewelry entrepreneur

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use different devices for their card processing needs.

"They get this tiny device that twists and turns on them as they're trying to swipe the card, and they normally wind up having to swipe the card at least twice, if not three or four times, before they get a good read from the card," Kelly said.

"With merchant services through Bankers' Bank of the West, I got a nice-sized scanner with a steady bar on it. I don't have to worry about the card spinning when I swipe it, so I normally need to swipe it just once."

After the credit card goes through, Kelly has the customer sign her iPhone with a "blinged-out" stylus—because, she added, "You can't sell jewelry without the bling!"

Once the transaction is complete, her customer receives an emailed receipt.

"The scanner, Lynette, and Bankers' Bank of the West have made my shows so much easier, I can't thank them enough," Kelly said.

“Right tool for the right job” principle can be applied to risk management, too

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

Knowing the rules, policies and procedures for managing risk is one thing. But following them is not always easy when you're under pressure to make one-off decisions or take shortcuts.

So it's not surprising to see more and more banks adopting tools that automate ACH risk management. An ideal risk management solution reduces the potential for inconsistency and human error. In addition, it helps ensure regulatory compliance.



The ACH risk management solution available through BIDS is comprehensive. It's loaded with essential capabilities including **real-time notification of limit exceptions**. At the same time, the BIDS risk management solution is priced **lower** than the Fed's product, making it a budget-friendly choice as well.

If your bank is relying on manual processes—or if your current automated solution isn't performing the way you'd like—consider how the full complement of BIDS ACH risk management features

could enhance your control over ACH origination activities. Among the most essential are:

- Instant exception notification.
- Detailed information about transactions.
- Integration with your current transaction and reporting platform.
- Ability to set a daily limit for the dollar value transactions of a single customer.
- Ability to limit origination by specific Standard Entry Class (SEC).
- Monitoring of daily ACH return activity.
- Monitoring of multiple originators.
- Ability to set and monitor credit and debit caps at company level.
- Access to ACH monitoring information for people you authorize.

The BIDS ACH risk management solution is, of course, backed by superior customer support from BBW. For further information, contact us at **800-873-4722** or bbwadjustments@bbwest.com.

Corporate account takeover at our doorstep ... now what?

When this newsletter went to print, two community banks in the mountain states and Great Plains region—and their customers—had recently become victims of a crime commonly referred to as corporate account takeover.

What makes this form of fraud different from cyber crime committed prior to 2005? It targets corporate customers rather than banks themselves.

This shift in focus—toward more vulnerable targets (corporate account holders) and away from relatively well-secured banks—is consistent with cyber criminals' expected behavior. Predictably, they will pursue the most profitable path of least resistance.

With cyber thieves perpetrating corporate account takeovers in our region with some success, community bankers are left to shore up their customer education and risk mitigation efforts.

Providing guidance to corporate customers on the dangers of social engineering and the importance of following secure practices should rank high on every bank's priority list. A notice listing other recommendations for community bankers is posted to the bulletin board section of BBW's website (www.bbwest.com).

The value of staying current on developments affecting banks, especially in the area of cyber security, cannot be overstated, as criminals regularly adapt their tactics to the environment. Don't allow yourself to become complacent.

Many relevant resources are available through the Internet—among them, www.fincen.gov; the members-only section of the American Bankers Association website (www.aba.com); blogs such as www.arstechnica.com (specifically, the information technology section); and a Federal Reserve Bank resource, <http://riskradar.frb.services.org>.

Trains of thought to pursue in a climate of rising interest rates

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

The recent spike in rates has put community bankers, typically wary of rising interest rates in any climate, on guard against adverse movements in funding costs. With the squeeze on net interest margin due to the Federal Reserve Bank's zero interest rate policy, combined with the results of their serial bond buying efforts of "quantitative easing," concerns about funding longer-term fixed rate loans with demand deposits are understandable.

A "solution" currently being aggressively marketed to smaller banks is to enter into a swap transaction, wherein banks agree to pay a fixed rate—and receive a floating rate—in the amount of the loan to be "hedged." Some vendors are offering a derivation of this common transaction by holding the interest rate swap on their books, and allowing the bank to retain servicing and up-front fees.

The devil, as always, is in the details. For notwithstanding the apparent efficiency of receiving a fixed rate versus a floating rate, there are several basic issues to consider when evaluating any swap proposal:

ISSUE ... Do you really need to swap from a fixed rate to a floating rate asset?

More often than not, as detailed deposit studies consistently reveal, core deposits are stickier than is presumed, especially in high-service community banks. Additionally, focusing on the swapping of a single loan, or a pipeline of loans, is often less efficient than evaluating and hedging the entire balance sheet in one transaction.

ISSUE ... How much current income are you conceding when you agree to the (lower rate) floating stream of payments?

In a swap, the bank will receive a lower floating rate coupon in exchange for the higher fixed rate coupon. It is a matter of simple math to show how high and how fast rates must rise to compensate for the lower coupon received while waiting.

ISSUE ... What index is your floating rate asset tied to?

Commonly, banks will receive a floating rate tied to the LIBOR (London Interbank Offered Rate) index. LIBOR does not necessarily—or frequently—move higher when long rates move, such as in the recent bond market sell-off. Instead, it is much more positively correlated with overnight rates, which tend only to move with higher federal funds targets. Assess whether the index received does what you expect, e.g. move higher when your deposit rates move higher. Basis risk is a central and often unappreciated risk of the interest rate markets.

BBW Capital Markets can help you assess the various moving parts of any interest rate risk concerns, whether with a specific loan, or throughout your balance sheet. If after thorough analysis the decision is made to alter interest rate risk, we are ready and eager to help you do so. Call us at 303-864-1213 to discuss.

BBW Capital Advisors is an alliance partner of Bankers' Bank of the West.



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