

# BBW News

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## A MESSAGE FROM THE PRESIDENT

### The season calls to mind connections and reflections

**B**y time you receive this newsletter, Thanksgiving will be upon us. I want to take this opportunity to wish you and your families the happiest of holidays over the coming weeks, whichever occasions you celebrate and whatever traditions you value most. All of us have a great deal to be grateful for; it's especially important to reflect on this—and to honor family traditions (or begin new ones) this time of year.

Besides wishing you a joyful holiday season, I'm using this occasion to update our stakeholders on the performance of Bankers' Bank of the West.

In brief, your bankers' bank is doing very well. Without a doubt, we encountered some challenges a few years back. But our aggressive approach toward resolving issues has brought about a healthy improvement in bank performance. BBW is budgeted for a 1.07% return on assets for 2013, and I expect the bank to exceed our budget at year-end. If that proves true, we will exceed 1% return on average assets for the second consecutive year.

Moving forward, though, I think an ROAA of 60 to 70 points could be expected. This would be consistent with other independent bankers' banks—correspondents that don't compete with community banks. One reason for the eventual leveling off of ROAA is that the "enhancement effect" of being over-reserved as in 2012 and 2013 will fade. Another is that on the whole, bankers' banks adopt a "co-op" approach to providing services to community banks: Some of the essential functions performed by a bankers' bank add little to its own bottom line but nevertheless are deemed important because of the value they provide to the community banks using them.



Bill Mitchell  
BBW President and CEO

In the past 24 months, nonperforming loans to total loans have decreased from 11.56% to 0.66%, and owned real estate has been reduced by two-thirds. As a result, the Texas Ratio for the bank has declined from 85% three years ago to 8% as of October 2013. In addition, classified loans to capital have decreased from over 100% three years ago, to less than 25% at the end of October. We expect these trends to continue.

We continue to maintain a strong loan loss reserve, with ALLL remaining over 3%. And while our highly conservative approach to liquidity management and our persistent elimination of troubled assets have come at some cost, we are more than pleased with the path we've pursued—and bullish about the future of both BBW and community banking.

As you can imagine, I feel justifiably proud of the people I'm privileged to work with—the BBW staff, our wise and diligent directors, and our many loyal customers. The progress of this bank speaks to the quality of everyone involved.

Especially during this season, I'm thankful for my family, the great country we live in, and the opportunity to work side by side with people I admire. Happy holidays!

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## Taking note

### ■ Customer's view of a versatile tool

Bankers' Bank of the West can function as your agent for FedPayments® Reporter, a service that allows your bank to efficiently search ACH files for desired ACH information and pull reports in a variety of formats.

**Home State Bank** in Louisville, Neb., uses the BBW product. **Barb Meyer** explained that the routine replacement of an old computer with a new one prompted the bank to sign up for the service. Previously, she mailed reports to customers, but since getting access to FedPayments Reporter, she sends the information, encrypted, by email.

"I think it's a better way," Barb said. "It saves time, and it's easier on the environment."

### ■ Bankers revving up for Jackson

**Bankers and Bikes**, a loosely organized group of people with a penchant for motorcycle adventures, will make a road trip to the Teton Range in 2014, departing June 8 from St. Joseph, Mo., and staying through June 13 at the historic Wort Hotel in Jackson, Wyo.

The first such outing was taken in 2006; other destinations have included the north woods of Wisconsin, the Black Hills, and Dragon's Tail road in Tennessee. The 2014 trip organizers are seeking travelers' commitments by mid-December. All bankers, spouses and pals are welcome to join this sociable group. For details, email [jford@theinsurancegrp.com](mailto:jford@theinsurancegrp.com).



Above: Lee Anderbery (Bankers' Bank of the West), left, and Chris Johnson take a break in San Miguel County, N.M., during the Bankers and Bikes trip to Santa Fe last summer.

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## New staffer pursues passion for learning, both at work and in school

Since launching his banking career in 2007, **David Philippi** has welcomed myriad opportunities to broaden his industry knowledge and perspective. Late last month, he joined BBW's Bank Card Division in Denver as a project coordinator, a position that will build on his background with Wyoming State Bank and develop his expertise in the realm of bank cards—especially ATM and debit.

“One of the great things about working for a smaller community bank was having a chance to do a little bit of everything,” David said. “Managing the operations, helping the CFO with variance reports, handling sales and marketing functions, getting involved in the community—I couldn't have asked for a more well-rounded experience.”



**David Philippi** against a view of Coors Stadium, home field of the Colorado Rockies baseball team.

In addition to working full-time supporting community banks as part of the Bank Card team, he is taking online classes through the University of Wyoming. He expects to receive a bachelor's

degree in business administration in December 2014, having earned his associate degree from Laramie County Community College a few years ago.

David and his wife, Miranda, have two children—Brecken (7) and Alivia (5). The Philippis have put their Laramie house on the market with the goal of settling in Colorado, where David was born. Until then, they are enjoying weekend get-togethers and looking forward to setting down new roots.

## A few dos and don'ts for developing your marketing budget

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

**T**hat time again: falling leaves, basting turkey, and budgeting. If you're like many bankers, you struggle with how to confidently build or review a proposed marketing budget. With 20-plus years developing marketing plans as a bank marketing director, I have some pointers to share:

**Don't** take last year's marketing budget as the benchmark. Don't just make up a percent to increase or decrease it and book it. (Come on, you're better than that.)

**Don't** define your budget without reviewing the results of your past marketing efforts. Ask your marketing team or a qualified third party to determine which strategies make sense to continue, stop, or evaluate more closely. Review how you prioritized your marketing dollars in the past. Did the dollars you spent reflect the right priorities?

**Don't** create a budget without a marketing plan to support it. Reach agreement on your goals and key strategies before throwing time and money at tactics. Then define the tactics, spelling out:

- ✓ What the marketing team is planning to do
- ✓ What they expect to accomplish

- ✓ How much they think it will cost
- ✓ How they will measure success

**Do** clearly define what will be treated as a marketing expense for your bank. Are sponsorships and donations included? Events? Should letters and brochures fall in a different category? Define what is, and is not, included in your marketing GL.

**Don't** spread your marketing expense authority across a mix of people with varied roles and different GLs. If you do, nobody will own the brand or accountability for your marketing success, and your results will reflect that.

**Don't** create a marketing committee with authority to approve or withhold dollars. Marketing committees are best used in an advisory role, and they can be quite valuable for many reasons. But a committee with decision-making authority (versus influence) bogs down every discussion and delays execution of your tactics.

Applying these dos and don'ts toward developing your marketing budget for 2014 could take you a step closer to a successful new year. *Want help with your marketing plan and budget? Contact me at 303-795-3539 or [lauren@oconnellconsultinggroup.com](mailto:lauren@oconnellconsultinggroup.com).*

## Sound board committee structure for the community bank

Debbie Meyers, Senior Consultant  
Bank Strategies, LLC

The community bank must establish a board structure that supports sound corporate governance and comprehensive oversight. One of the best ways to meet this challenge is to consider the opportunities that exist in committee design and composition.

Most community banks have committees that address key operational functions, typically including an executive committee, audit committee, ALCO committee, and loan committee. Other committees can be established for special responsibilities—for example, a compensation committee or investment committee, among others. In most cases, the composition for each committee—with the exception of the audit committee, which will

be addressed in a future article—can include both representatives of the board and active management. Not only do these committees provide the board the ability to delve deeper into various bank functions, but committee membership can also provide the added benefit of allowing individual directors to become more familiar with their bank's day-to-day management.

To support and effectively manage the committee structure, the board needs to ensure each committee has a clear understanding of its mission and responsibilities, which is often included in a committee charter.\* Moreover, each committee needs to prepare minutes for its meetings,

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\*To receive a sample committee charter, email your request to [debbie@bankstrategiesllc.com](mailto:debbie@bankstrategiesllc.com).

### REBRANDING ANNOUNCEMENT:

## Letter to Bankers' Bank of the West stakeholders

We at BBW Capital are very proud of our close relationship with Bankers' Bank of the West. Our strategic alliance for capital markets products and services has been going strong for five years now. We are excited about the future, and the ever-changing opportunities to serve Bankers' Bank shareholder and customer banks throughout our home region of the Great Plains and Rocky Mountain West.

BBW Capital Advisors has seen significant growth during these past few years, and we have expanded our coverage of community banks beyond the core states served by Bankers' Bank of the West. Consequently, we are pleased to announce the **rebranding of BBW Capital Advisors to TransWestern Capital Advisors.**

The evolution to the TransWestern brand is a milestone in our growth, but also a gesture that respects the cordial relationships maintained among Bankers' Bank of the West and some of its fellow bankers' banks in neighboring states. This change will in no way affect our partnership with BBW, as we will continue to remunerate BBW for

the business we do with its customer base, and continue our close working relationship with BBW management and calling officers to provide the best in capital markets and investment services for community bankers.



Kendrik de Koning

For an up-to-date description of our products and services, please visit **[www.TransWesternCapital.com](http://www.TransWesternCapital.com)**. And as always, contact us with any thoughts or questions you may have regarding our ability to serve your particular needs.

Thank you for your support the past years. We are looking forward to helping you thrive in the years ahead.

Very cordially,  
Kendrik de Koning  
Founder & Sr. Managing Director

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

### Added functions facilitate healthcare data reporting, avoidance of duplicate returns

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

**BIDS** users recently added two hard-working tools to their operational arsenal—one to enable streamlined reporting of electronic healthcare payments, and one to reduce the risk of duplicate returns.

#### Incoming ACH healthcare data report

In preparation for NACHA rules that take effect Jan. 1, LendingTools.com has enabled the entry of a new code—HCCLAIMPMT—in the company entry description field of the ACH batch header record.

BIDS users can access a healthcare data report when viewing an incoming ACH file. This report will sort and show the healthcare-associated transactions by entities receiving the payments. Reports will include the sender name and ID, the effective date, amount of payment, and the reassociation data in the accompanying record.

Your bank can print healthcare data reports so that information for each entity receiving healthcare-related payments is displayed on a separate page. Using this capability, you can easily provide printed reports to the appropriate customers.



Another option is to download the report into a comma-separated value (CSV) file. When viewing a report onscreen, you'll see the print command link to left, above the report header. To download as a CSV file, you'll use the button just below the report.

#### Duplicate ACH return notification

An enhancement to the ACH returns system will notify a BIDS user when an ACH entry he or she is returning has been returned already. The message indicating the possible duplicate return will appear on the initial screen of the return process, ensuring the user receives the warning quickly enough to cancel the return, if desired.

To give community bank ample decision-making flexibility, the warning message will not prevent the user from carrying out the return.

The system relies on the trace number, amount, and Julian settlement date to identify entries that have been created previously.

*To submit BIDS-related questions or advice, please email [ops@bbwest.com](mailto:ops@bbwest.com).*

## Sound board committee structure

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documenting the extent of their review and decision-making. Ultimately, these minutes should be provided to the full board, supporting the findings and the extent of the review of the committee, and offering any recommendations to the full board for consideration and approval.

While a committee structure can allow for the board to provide for a more in-depth review and understanding of bank operations and oversight, directors need to be mindful that the full board remains responsible for overall bank performance, risk management and controls. Therefore, the full board must be attentive to individual committee actions, conclusions and decisions.

Obtain information about Bank Strategies, LLC consulting services at [www.bankstrategiesllc.com](http://www.bankstrategiesllc.com).

## Modernization of technology used by BBW safekeeping now in progress

Work is under way on enhancing the technology used by BBW's Safekeeping Department.

Once implemented, the improvements will give safekeeping customers access to all their reports and statements on BIDS. Report layouts will also get a facelift in the process.

"The first quarter of 2014 is the target for having all the new reporting features up and running," said Assistant Vice President **Sandy Gerk**, head of BBW's safekeeping services since 1997.

"Customers have been looking forward to having everything available on BIDS," she said. "I'll keep them in the loop as implementation gets closer. The convenience factor will be tremendous."

## Shoring up your defenses means keeping end users smart . . . and cautious

Cyber-threats are evolving constantly, with new threats being discovered and created every minute. Consumers' appetite for newer, faster, more mobile computing devices is being satisfied with devices that are feature-rich and security-poor.

The software that runs those devices shares blame for the problem because it gives users a false sense of security. As consumers, we're told the right brand of anti-malware software will keep us safe. We're led to believe that certain brand-name devices are impervious to malware, and we want to believe that, too. In fact, neither of those claims is true.

Cyber-security is a complicated subject because of its dynamic nature. As consumers—and especially as bankers—we must also be dynamic in our efforts to fight cyber-crime.

A big step toward improved security is to avoid getting pulled into the race for the newest, fastest bleeding-edge technology we can get our hands on. When the latest-and-greatest miracle solution promises to give your marketing program an edge over the competition, the community banker needs to ask *“but at what cost?”* Is the potential gain great enough to put confidential information at risk? Of course not. The fact is, even if your bank properly deploys the best hardware and software to fight cyber-crime, you must still educate yourself and those around you.

An oblivious end user is both the weakest link in your security chain and the biggest target for cyber criminals. On the flip side, an informed, alert technology user can be the most effective barrier to cyber-crime. The following example illustrates why end users must be constantly re-educated about ever-evolving cyber dangers:

**“Don't click links”** was once tried-and-true cyber security advice. Today we often hear **“don't click links unless you trust the sender”** in its place. The problem with the unless-you-trust-the-sender approach is that the **true identity** of a malicious sender is often concealed. Actually, it's easy to spoof any email address. It's also easy to copy the look of a company email, or even duplicate an entire company web page. Many a regretful technology user has been fooled into clicking on a link that looked innocent and familiar on the surface but, in fact, turned out to be a shortcut to a virtual hornet's nest of malware.

Malware creators are great at masking their links, making the end user vulnerable. An easy way to avoid this threat is to follow the **“don't click links”** rule. Instead, use a link you've stored as a “favorite,” or type the known address into the URL (address) window of the browser. Be suspicious and cautious with every email you receive, even if it comes from trusted family members or vendors. After all, most breaches of private or company-controlled computers occur without the end user's knowledge.



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