



Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks
September/October 2014

PRESIDENT'S MESSAGE

Thoughts on stability, stewardship and support

Stability has always been a core value of Bankers' Bank of the West, and a quality we strive to maintain. A recent demonstration of this stability was our execution of a six-year lease renewal for the space we've occupied in downtown Denver since 1988. The agreement allows us to renew the lease for another five years if we wish.

I admit the views from our headquarters on the 27th floor—a birds-eye perspective bookended by Pikes Peak to the south and Longs Peak to the north—made our decision to stay very popular. Our Denver-based employees have favored this central location for its commuting convenience.

In an effort to sweeten the lease terms, our landlord provided a tenant finish allowance for a complete gutting and subsequent upgrade of our offices. So in the process of extending our 26-year lease, at a reasonable cost, by at least 6 years, we also secured a flexible, modern, technology-friendly workplace that underscores our commitment to our stakeholders for many years to come.

When this bank was founded in 1980, BBW served only Colorado banks. It is now our privilege to serve community banks in the Rocky Mountains, the Great Plains, the Southwest, **and** the Pacific Northwest.

We feel it's important to make it convenient for you to do business with us, which is why we regularly visit you on your turf rather

than ask you to travel to our location. Still, sometimes customers like to visit our facilities—and we're pleased to schedule a VIP tour at the request of any customer.

The most exciting outcome of the renovation is that the tenant finish allowance covered a board room suitable for functions beyond

board meetings—training sessions or larger meetings, for example. Now that this multi-purpose room is ready to use, we are offering it to our customers for meetings requiring a larger space. Should your bank ever have a need for a room that holds up to 40 people, please let me know and we'll reserve the room for you on a space-available basis.



Bill Mitchell
BBW President and CEO

Consider this an open invitation.

Keep in mind Denver is an accessible city served by an international airport that's a major carrier hub. By 2016, travelers will be able to take light rail from the airport to the heart of downtown—our neighborhood.

We envision a bright future for community banking and feel our stability will benefit those we serve. If you find yourself in Denver, stop by and let us show you around.

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TAKING NOTE

CONTEMPORARY TOPICS FOR BANK DIRECTORS

Bank directors and top bank executives will convene in **Arizona** for the **2014 Western States Director Education Foundation Symposium** Nov. 2-4 at the Hyatt Regency Scottsdale Resort and Spa at Gainey Ranch.

At this time, additional registrations are being accepted. Presenters and panel members will bring perspectives from various disciplines including law, finance, risk management, regulatory compliance, and economics.

What could your board members and other strategic leaders gain from this informative symposium? Find all the logistical details, topics, schedule, list of presenters, and registration form at www.wsdef.org.

LAST CALL FOR COMMERCIAL LENDER SEMINAR

If your commercial lenders could use an edge in this competitive loan environment, consider enrolling them in Kyle Enger's **Loan Officer Financial Management Training** to be held **Oct. 16-17** in **Denver**.

Besides reinforcing fundamental lending skills and principles, the course addresses sales skills, strategies for retaining business, tips to share with clients for the benefit of their business, and a set of practical tools. Go to www.bbwest.com for details, or email jtall@bbwest.com.

HAPPY TRAILS

After 15 years of service at Bankers' Bank of the West, **Sandy Hess** has retired from her customer service specialist role in the Operations Department. Sandy's co-workers in Denver held a celebratory potluck lunch featuring her favorite fare—Mexican food. Congratulations and best wishes, Sandy!

ABOUT

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STAFF INTRODUCTION

New member of the sales team discovers it's a small world

When meeting someone for the first time, the latest addition to BBW's sales team almost invariably finds she and her new acquaintance have something in common. The joy of forming relationships with Nebraska bankers—and discovering commonalities—holds a lot of appeal for **Traci Oliver**, who joined BBW's Lincoln office as a vice president of correspondent services on Aug. 20.

"This role seems like a good fit for many reasons. And I'm excited to work with Nebraska bankers again," said Traci, a lifelong Nebraskan who grew up in Chester.

Three assets she'll draw on are her extensive knowledge of financial products, background in retail banking, and sales experience.

Before deciding on a career in financial services, Traci earned her degree in secondary education from Nebraska Wesleyan University and completed her student teaching outside of Lincoln.

"There's definitely an educational component to sales," she noted. "Part of my job is

to make bankers' jobs easier by sharing knowledge, and teaching just feels natural to me."

When calling on Nebraska banks, Traci will focus primarily on operational services. **Lee Anderbery**, her counterpart in the Lincoln sales office, will concentrate on the lending side. The two quickly learned they have much in common, and they're eager to put their complementary skills to work for Nebraska's community banks.

"It's all about service—and teamwork," Traci said.

She has plenty of experience as a team player, too. An avid sports fan, Traci was given the opportunity to try a variety of sports at the small high school she attended. In addition, she played on her college volleyball team.

When the subject turned to football, and the Big Ten in particular, Traci's sense of humor kicked in.

"Is it even possible to live in Nebraska without being a Husker fan?" she asked.



Traci Oliver worked part-time for Kenexa while attending college.

PAYMENTS TECHNOLOGY SENSATION

BBW Bank Card Division poised to support one-touch payments solution

BBW Bank Card Services—through its partnership with First Data—is able to support the newly launched payment solution known as Apple Pay™.

BBW already deploys and supports devices capable of accepting payments from NFC (contactless) devices. Bank Card Services staff will help prepare its merchant and

ATM/debit banks with technology and equipment information as well as merchant education guidance.

Ease of use and increased security features are expected to speed Apple Pay's adoption by consumers in advance of the holidays. Get in touch with the Bank Card staff at **800-601-8630** or **bankcards@bbwest.com**.

Characteristics of higher-performing banks

*Jim Swanson, President/CEO
Bank Strategies LLC*

Prior to the Great Recession, the formula for many higher-performing community banks was pretty straight forward: generate enough loans to have a decent net interest margin, supplement that with fee and other noninterest income sources, control noninterest expenses, and avoid significant asset quality problems. Today this formula remains valid yet arguably more difficult to achieve for a variety of reasons impacting both sides of the income statement. On the revenue side, the sustained ultra-low interest rate environment, tepid loan demand (in some markets), and strong competition for loans seemingly across all markets have combined to put downward pressure on net interest margins, the lifeblood of most community banks' earning streams.

However, some banks have had success sustaining higher performance within the changing landscape in recent years. Others have found ways to overcome challenges or to reinvent themselves to find success. While there is no cookie-cutter recipe for success, higher-performing community banks typically possess many, if not all, of the following characteristics:

They are opportunistic: Higher-performing banks stay abreast of which geographies or market sectors are active, and find ways to capitalize on those without taking undue risk. They are also proactive in looking at ways to overcome traditional geographic and distribution hurdles that can limit opportunities and success.

They satisfy customer needs: Higher-performing banks actually deliver on (not just promote) what customers value,

including strong customer service, quick turnaround in decisions, flexibility in lending activities, and ease of doing business. By satisfying customer needs, high-performing banks are better able to build and maintain customer relationships, not just transactions.

They have the right people: Establishing and maintaining strong and profitable customer relationships requires good talent. Higher-performing banks hire carefully and strategically for the longer term, and they are not slow in weeding out nonperformers or those that don't fit their culture.

They maintain effective performance management and compensation systems: In addition to hiring good talent, higher-performing banks create compensation and performance management systems that develop, motivate and reward actions consistent with identified organizational goals and longer-term success.

They create a robust credit culture: Higher-performing banks define and reinforce a sound credit culture by establishing meaningful policies, procedures and risk tolerances. They also maintain both appropriate controls to monitor activities and exposures against established guidelines and the oversight needed to make adjustments when and where needed to keep credit risk exposure at a manageable level.

To learn how the **BBW Consulting Solutions** team can put more than 100 years of collective industry experience to work in helping your institution reach its potential as a high-performing bank, call **303-903-9369**, or email Jim Swanson at jim@bankstrategiesllc.com.

Of rates and reasons

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

The story last summer was “Taper Tantrum,” when then Fed Chairman Bernanke hinted that the “taper,” i.e. slowdown in the increase of the Fed’s balance sheet, might not take place as early as many anticipated. Recall: The Fed has been buying longer dated bonds in an effort to push yields down (aka “Quantitative Easing”); the pace of these purchases peaked at \$85 billion per month, before reducing that figure by \$10 billion per month (tapering), although continuing to add to the net size of the balance sheet every month; the thought that the Fed would not slow its pace of increase as soon as conventionally expected sent long term rates *soaring*, resulting in a dramatic steepening of the yield curve.

Now it’s 2014, and virtually since the first day of the year, as the tapering has indeed been affected, and at least the pace of buying by our central bank has slowed, rates have actually *decreased*. In fact, as of this writing, the yield on the 10-year Treasury note is approximately 0.60% *lower* than when the year began.

Recently the bond market has been driven by two central topics: (1) when will the Fed begin to raise the overnight Fed Funds target rate, and (2) the “flight to quality” trade, wherein foreign investors, stock market investors, and others flee to the relative safety of the U.S. Treasury market. As to the former concern, conventional wisdom—and market-reflected sentiment—is that mid-2015 is a safe bet. As to the latter, there seems no end to the numbers of hot



Kendrik de Koning

spots around the world, to put it mildly. And whether or not missiles, tanks, or

bloodshed do in fact lead to lower interest rates, that seems to be the cover taken by buyers lately.

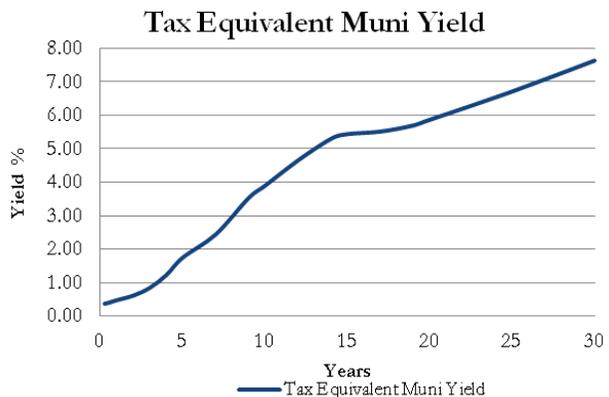
Please call us at the TransWestern Capital offices in either Denver or Lincoln to discuss your investment strategy and how your institution might be best positioned to thrive in these uncertain times. To that end, please also see municipal trader Brian Moran’s

take on the BQ market below.

Municipal market insight

*Brian Moran, VP of Trading
TransWestern Capital Markets*

So far this year, contrary to popular expectations, we have seen municipal and Treasury yields continue to grind lower in yield. With the municipal market seeing stronger technicals in place from the summer, and low supply still on the horizon, municipal yields should continue to follow Treasury yields. Ending Aug. 31 the long bond is 3.08%, approaching the level many thought the ten-year would be at year-end.



Continued on the following page

NEW SERVICE ANNOUNCEMENT

Now your central source for safekeeping, pledging, and accounting

This spring, the Bankers' Bank of the West Safekeeping Department introduced a modernized system to give customers access to all of their reports and receipts on BIDS.

Furthering the effort to expand services for safekeeping customers, BBW has added an excellent complement of investment portfolio accounting services, affording a single point of contact for safekeeping, pledging, and accounting.

BBW processes transactions and provides support using the SunGard InTrader system in partnership with another bankers' bank. The system affords consistent and timely monthly pricing using a third party, Interactive Data Pricing & Reference Data Inc., to prevent conflict of interest among

securities dealers. InTrader generates month-end projection figures a week prior to month-end; these are followed by final reports run on the last business day of the month to reflect current market values and changes since the time of projection.

BBW Safekeeping clients seeking more extensive information—for instance, details on bond holdings or sophisticated analytic reports—can elect to receive auxiliary reports that suit their needs.

For a more in-depth discussion of BBW's safekeeping services as well as our related investment portfolio accounting services, contact your BBW calling officer, or reach **Chris Hill** (vice-president—finance) directly at **303-313-8106**.

TRANSWESTERN CAPITAL ADVISORS

Municipal market insight

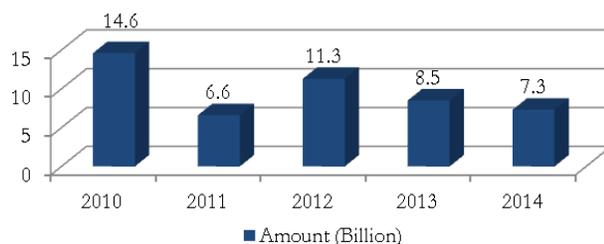
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With that in mind, those who have bought municipals back in January and again in April, when some looked to capture gains, have reaped the most out of this eight-month rally. Inflows continue into the sector, which has only driven prices higher. The biggest issue going forward is the response of the banks to the federal regulation regarding the status of municipal bonds not being considered “easily

sellable assets” by regulators. However, the proposed implementation called for in 2017 was toughest on banks with more than \$250 billion in assets.

The graph at left shows the declining trend of bank qualified municipal new issuance over the past five years. New issuance is down; however, demand is still very high. Even in this rate environment, most deals have gone very well and often are oversubscribed, especially in Montana, Wyoming, Colorado, and Nebraska.

Bank Qualified Muni New Issuance
Time Period: 1/1 - 8/31



For more information, call us in Denver (303-864-1213) or in Lincoln (402-476-0400). And please visit us at transwesterncapital.com.

Primer on recently released and newly relevant features

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

With back-to-school activities in full swing, we're turning this column into a lesson on some functional "accessories" available on BIDS.

① Viewable permissions.

BIDS administrators are now able to review the permissions for their own bank's BIDS users. The ability to monitor the rights and dollar limits granted to each individual makes it easier to adhere to your bank's policies and to request updates to rights as staff changes occur. If you're an administrator, look for this under the **Permissions** tab.



② Customized deadlines.

Need flexibility? If you like, you can move your ACH origination transmission deadline later into the evening – up until 8 p.m. Mountain Time. Each BIDS bank is free to set its own cutoff independently. Any member of the BBW Operations team can explain how to make a change.

③ Free ride for documents.

You can quickly attach a document to an outgoing transaction of any type. Here's how: On the **Account Activity** page, look for the column heading **Attach Files** to the far right. The ability to append relevant files can prove helpful to the recipient and also support your own research and archival efforts.

④ Delivery made easy.

The following question, which is asked by BIDS customers every so often, merits a public response: "Will Bankers' Bank of

the West accommodate an ACH file through our FedACH® SameDay Service?" The answer is certainly—if there's a file, BBW will deliver it.

Finally, although not specific to BIDS, another recent development deserves a mention here. In August, the Consumer Financial Protection Bureau amended its rule pertaining to international remittance transfers initiated by consumers. By extending for five years its stopgap rule exemption that would have otherwise expired in 2015, the CFPB is continuing—until July 21, 2020—to allow a sending institution to estimate certain pricing and fees when the exact charges to be assessed by participants in the transfer cannot be determined.

Keep in mind that BBW offers an easy-to-implement, CFPB-compliant solution for facilitating consumers' international money transfers. This international payments tool is the product of a working relationship between LendingTools.com and Western Union Global Payments, Inc. To request more information on this service or any other feature mentioned here, call the BBW Operations team at **800-873-4722**, or email ops@bbwest.com.

Data safety advisory

Please share this precaution: Customers should never use the "Tools— Export PDF to Excel/Word" option offered by Adobe®. Selecting this option sends the document to Adobe for translation.

If a customer were to use it regularly, they would be providing Adobe a catalog of their statements.

Eleven winning reasons to recruit this (automated) workhorse

You've probably heard of the FedPayments® Reporter Service (formerly FedEDI Plus). But are you aware of everything it can do both for your operations area and for your bank as a whole? It can:

- ★ Drastically shrink the time you spend pulling statistics and data for board packets.
- ★ Facilitate tracking of your transaction volumes over time.
- ★ Reduce the potential for receiving death benefits following death notice of an account holder.
- ★ Enable prompt monitoring of unauthorized and invalid ACH returns.
- ★ Foster relationships with business customers by providing more services, more promptly.
- ★ Expedite retrieval of information requested in advance of exams.
- ★ Minimize labor-intensive preparation for audits.
- ★ Automatically provide ACH reports to customers—health care providers included—by secure email.
- ★ Generate and internally distribute reports—international ACH transactions, notifications of change, and return items.
- ★ Support intelligent strategic and management decisions with accurate, understandable historical data.
- ★ Produce reports in your choice of file formats, leaving you the option of using software capable of sorting the data.

Bankers' Bank of the West, a registered agent for the FedPayments Reporter Service, facilitates pass-through of the service at no additional charge. To add or learn more about the service, call the BBW Operations Team at **800-873-4722** or email ops@bbwest.com.



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