

# BBW News

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## A MESSAGE FROM THE PRESIDENT

### Different by design, unified in purpose

**B**ankers' Bank of the West continues to make significant progress toward complete resolution of all issues related to the economic downturn that started in 2007-08. Undoubtedly some work remains to be done, but our headway thus far has been substantial: BBW has exceeded all mid-year budgeted goals in terms of profitability, capital levels, loan concentration levels, liquidity, and asset quality.

Through the end of July, BBW reported ROAA of 0.73% versus our budget target of 0.28%, with total risk-based capital and leverage capital ratios of 17.92% and 8.55% on July 31.

Commercial real estate concentrations were 75% and 248% for Level 1 and 2 as of July 31, well within our guidelines of 100% and 300%, respectively. In addition, we have sharply reduced our exposure for stock loans to banks that are struggling. BBW also remains an active lender and continues to approve new credit requests. As you know, credit standards today are tighter—both in general and at BBW—than was typical some three years ago. Still, BBW is extremely receptive to approving creditworthy loan requests.

Concerning liquidity, on a daily basis it is rare when more than 5% of our assets are funded by a single depositor. Our funding mix is highly diversified. We are, in fact, setting the stage for future diversification by aggressively working to grow our cash letter business. Over the next couple of years, we aim to add banks to the 100+ current customers that utilize BBW for image cash letter. Similarly, we have set our sights on increasing the number of banks settling through BBW beyond the 128 banks that currently settle through us.

This seems a good opportunity to reiterate what BBW is not. We are not an arm of the govern-

ment. We are not in competition with our customers either, which makes us markedly different from larger banks with correspondent divisions. Because these distinctions in our “design” are both meaningful and advantageous to community banks, I think BBW has an opportunity to substantially increase cash letter and settlement business over the next three to five years. We intend to grow our customer base by demonstrating the benefits of our cash management, safekeeping, capital markets, card programs, loan generation, and lending support services going forward.

BBW has made huge strides in improving asset quality in just three years. The impact from land development and stock loans to troubled institutions has been greatly reduced since the fourth quarter of 2008. Even though we are still working through a few land and corporate bank stock loans, at the moment it appears the loss potential associated with those loans is unlikely to prevent BBW from breaking even for the year. Our aggressive stance toward liquidating troubled loans has not changed, and we are holding a loan loss reserve over 6.5% as a buffer to absorb future losses.

I am very pleased with the progress BBW has made over the past three years. Our team looks forward to carrying out our mission of providing best-in-class products and services to you—and to many more community banks we have yet to welcome as customers.



Bill Mitchell  
BBW President & CEO

## Inside

Bank execs from Iowa, Nebraska on the board .....	3
Trends among senior population suggest greater need for financial alternatives .....	4
Seminar to zero in on concrete skills that move commercial lenders beyond good, to great .....	5
Loyalty-building service enhances relationships with businesses .....	5
Technology pointers for banking generalists .....	6

## Taking note

### ■ Accolades

**Jeff Benson**, a member of the Bankers' Bank of the West team since 2001, was promoted in June to the position of senior vice president-loan officer.

Originally hired as a credit analyst, Jeff worked for nine years as a BBW lender and calling officer for banks in Colorado, Wyoming, Montana, and South Dakota. His responsibilities expanded over time to include leadership roles in the lending department as well as company-wide strategic direction and product development.

As he has done informally in the past, Jeff will also serve as a mentor and resource to BBW's calling team going forward. BBW congratulates Jeff on this well-earned promotion.

### ■ Expertise, dependability at your service

Whether your bank needs international services frequently or only occasionally, BBW has the knowledge and customer service skills to fulfill your requirements. Services include foreign drafts, currency orders, and international cash letters.

Our foreign exchange rates are competitive, and you'll receive VIP service from reliable professionals. To learn more, call **800-873-4722** or email [operations@bbwest.com](mailto:operations@bbwest.com).

### ■ November symposium announced

Registrations are being taken for the Western States Director Education Foundation Symposium to be held Nov. 13-15 at the Intercontinental Montelucia Resort & Spa in Paradise Valley, Ariz. To register or obtain program information and logistics, visit [www.wsdef.org/symposium.cfm](http://www.wsdef.org/symposium.cfm).

### ■ Bear in mind

Bankers' Bank of the West will no longer use a post office box to receive mail. Please change your records, if necessary, to show only the physical address for our Denver office, which is:

**1099 18th St • Ste 2700 Denver, CO 80202.**

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### BBW Bancorp, Inc. Board of Directors

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R. William Isham..... Director  
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*Bank Strategies, LLC • Denver, Colo.*

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*Bankers' Bank of the West • Denver, Colo.*

Mark D. Pingrey..... Director  
*First Trust & Savings Bank • Marcus, Iowa*

Roger R. Reiling..... Director  
*Bankers' Bank of the West (ret.) • Denver, Colo.*

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*Fort Morgan State Bank • Fort Morgan, Colo.*

James W. Wyss..... Director  
*Integrity Bank and Trust • Monument, Colo.*

## Get acquainted with the newest directors of BBW Bancorp, Inc.

**T**wo new directors—**Mark D. Pingrey** and **R. William (Will) Isham**—were elected to Bankers’ Bank of the West Bancorp, Inc. (Bancorp), the holding company for BBW, at the 2011 annual shareholder meeting held April 15. While both new board members felt the influence of banking early in their lives, their careers were launched in different ways.

Since the founding of BBW, the diverse makeup of the Bancorp board has added strength and complementary expertise to the strategic leadership of BBW’s executive team. The two most recent additions to the board enhance leadership team’s geographic diversity and the representation of smaller banks.

**Mark Pingrey’s** current position as chairman, president and CEO of 1<sup>st</sup> Trust and Savings Bank in Marcus, Iowa, would seem a natural and foreseeable path for the son of a 55-year banker. Yet at one time, Mark had set his sights on a different career.

“Quite frankly, I often used to think banking was the last thing I ever wanted to do,” he quipped.

While in graduate school and teaching, Mark found he enjoyed the academic life. He said he would have become a college professor if a year-long Air National

Guard deployment to Vietnam in hadn’t stalled his plans from 1968 to 1969. The regular hours of his military assignment there—patching bullet holes in planes—allowed him to take on part-time work at the Chase-Manhattan branch on base.

That experience redirected him toward banking, which became his career from that point forward.

“I’m a huge proponent of bankers’ banks,” Mark said. “What they bring to us really is unique in that they have products and services we can all utilize—but unlike large banks with correspondent divisions, bankers’ banks don’t compete with community banks.”

Mark said he considers the variety of types, sizes and geographical locations of financial institutions that are represented on the current Bancorp board an asset that will bring a broad range of viewpoints to bear on the discussions and decisions ahead.



Mark Pingrey

Northwest Nebraska has always been home to **Will Isham**, whose great-grandfather settled there in 1884, before the railroad came to the then-village of Gordon. The Ishams have been active ranchers for generations, and ownership of The First National Bank of Gordon has been in the family since the 1960s.

“If I wasn’t on a tractor, you could find me in the bank when school wasn’t in session,” Will recalled. “When I was in junior high, I spent a lot of time sorting checks at the bank between the Christmas and New Year holidays.”

Today he is president of The First National Bank of Gordon, which employs 35 people in a community with a population of 1,612 according to the 2010 census. Because the bank is situated in a regional center, its geographical reach is larger than might be expected: Its service area extends east and west into two adjacent Nebraska counties, and northward into South Dakota.



Will Isham

Will said he is both honored to serve on the Bancorp board and impressed with the time and attention to detail invested by BBW executives and staff in preparing for each meeting. He described his fellow directors as highly qualified and singled out Brian Esch (McCook National

Bank), who retired as board chairman in April, as having done a “super job.”

Asked what he wants to contribute to the board, Will condensed his own goals into a single sentence: “I’m here to be any help I can.”

# Percentage of “economically insecure” seniors surges

Tim Harder • Vice President, Business Development  
1<sup>st</sup> Reverse Mortgage USA

**A** July 2011 research and policy brief<sup>1</sup> by the Institute on Assets & Social Policy (IASP) examines a distressing drop in financial security among senior-aged American households within the past decade. It points to three factors as prime contributors to the economic deterioration of elder households: diminishing assets, deficient budgets, and the rising cost of housing.

Overall, the brief, “From Bad to Worse: Senior Economic Insecurity on the Rise,” lends credence to present-day concerns over outliving resources. That the period covered by the analysis predates the Great Recession is especially unsettling, given the consequent erosion of many retirement nest eggs.

Using an analysis tool known as the Senior Financial Stability Index,<sup>2</sup> the IASP found that “[e]conomic security among senior households increased by one-third between 2004 and 2008, from 27% to 36%.”

Further, according to the IASP, “37% of senior households in 2008 had a zero or negative balance after paying for essential needs.”

The researchers calculated as well that three out of four elder households have only a meager financial cushion, if any, to keep them afloat in case of emergency such as severe illness, death of a spouse, or natural disaster. The potential for ripple effects is considerable, as the costs of such crises may, in turn, fall to the extended family of the elder.

## Reverse mortgages: providing relief for elders

For many seniors who own a home, that home is their largest asset. The reverse mortgage product is designed to provide older homeowners with a

financial alternative—and in some cases, much-needed relief. A reverse mortgage gives the senior homeowner economic flexibility by turning a portion of the equity in the property into cash.

The benefits of a reverse mortgage of special interest to potential borrowers include:

- Tax-free funds for as long as you live in your home.
- No restrictions apply to how the funds may be used.
- You may sell your home at any time, repay the loan, and receive the remaining equity as cash.
- Generally, your Social Security benefits and Medicare are not affected by a reverse mortgage; consult your tax advisor, an attorney, or both.
- You have no monthly loan repayment burden during the remainder of your lifetime while you live in the home.
- Your accountant can explain how a reverse mortgage can allow you pass on part of your estate today in a tax-advantaged way.
- When the loan is due, your heirs will have choices: repay the loan and keep the house, or sell the home and repay the loan, receiving any remaining equity as cash.



Tim Harder

To request more information about the turnkey program available through 1<sup>st</sup> Reverse Mortgage USA, a Bankers' Bank of the West-endorsed service provider, call your BBW correspondent officer or email [info@bbwest.com](mailto:info@bbwest.com).

<sup>1</sup> Tatjana Meschede, Laura Sullivan and Thomas Shapiro, “From Bad to Worse: Senior Economic Insecurity on the Rise,” Research and Policy Brief [Living Longer on Less Series]; Institute on Assets & Social Policy and Demos (July 2011). Link at <http://iasp.brandeis.edu/pdfs/FromBadtoWorse.pdf>.

<sup>2</sup> The Senior Financial Stability Index was developed at the Institute on Assets and Social Policy.



## Seminar ratchets up commercial lending skills to a new level

**R**ule of thumb: Behind every successful business is an exceptional banker.

Mastery of the knowledge and skills that define an exceptional commercial loan officer is the focus of a seminar, **Loan Officer Financial Management Training**, to be held in Denver Oct. 17 and 18.

Led by **Kyle Enger**, the program fosters a systematic approach toward the banker-client relationship. The highly interactive seminar uses a combination of sales and credit training to develop essential skills that bankers can immediately put to work on behalf of their banks and business clients.

The course, which has been sponsored annually by Bankers' Bank of the West since 2008, is geared toward seasoned lenders with portfolio, underwriting or calling responsibilities. The main topics to be addressed are:

- Understanding the entrepreneur
- Building bank sales culture
- Communicating financial information
- Valuation of the business entity

- Using cash flow
- Financial forecasting

Believing that people are more successful in mastering skills they deem directly relevant to their work, Kyle encourages participants to raise questions, interact with other bankers in the class, and draw on their own experiences when discussing case studies.



**Kyle Enger** is a top presenter at many of the nation's leading banking schools

Course objectives include:

- Conveying the tools needed to bank businesses in a challenging economic environment.
- Helping lenders understand how to structure and finance debt in a way that positions the business for sustainable growth.
- Plotting strategy to capture and retain business during times of transition.
- Discussing tips lenders can share with clients to benefit their businesses.

To download a course brochure, including logistical details, seminar outline, speaker bio, and registration form, visit the **Newsroom** (Events and Classes section) at [www.bbwest.com](http://www.bbwest.com), or email an inquiry to [info@bbwest.com](mailto:info@bbwest.com).

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## Cash management for businesses well-suited for shoring up commercial customer base

**B**usiness customers make up an important and profitable segment of an ideal customer base for many community banks. But as a rule, big banks compete aggressively for those business customers, too.

How can your bank win over and retain the valuable business customers you've set your sights on?

For starters, it's smart to evaluate your product line, reinforcing it, as necessary, with solutions that improve your commercial customers' bottom line or efficiency.

One such solution is the powerful online business cash management solution known as BIDS-CM *Quick Connect*. Using *Quick Connect*, an Internet-based application, empowers your business

customers to generate, validate and transmit ACH and wire transactions in a single secure platform.

By integrating with BIDS-CM, *Quick Connect* enables an efficient and seamless transaction flow from your business customer, to your bank, to Bankers' Bank of the West, making it easy to support and maintain throughout the origination process.

Additionally, because *Quick Connect* is modular and priced accordingly, your bank deploys only the services you need, as you need them. That makes the module affordable as well as convenient.

For an in-depth explanation of how BIDS-CM *Quick Connect* can help you win the loyalty of business customers, call any BBW cash management officer at **800-873-4722**.

## TECH CORNER:

*Tips from BBW's Information Technology Staff*

**Question: Somebody sent me a PDF form to complete, but for some reason I'm not able to fill it out. What's going on?**

**Answer:** The fix could be simple.

Most likely, you're seeing a message in a blue bar at the top saying something to the effect that the document is a PDF/A document that can't be typed on.

To fix this peculiarity, open up Adobe® Acrobat Reader by double-clicking on the PDF. Next, click in the upper-left under **Edit** and then go to the bottom of that drop-down menu to click on **Preferences**.

From the window that loads, go to the upper-left area of the screen and click on **Documents**. At the

bottom of the subsequent screen, change the **View documents in PDF/A mode** drop-down choice to **Never**. Finally, click on **OK** in the bottom-right section of that screen. From this point on, you should have no problems filling out PDF forms.

This fix needs to be performed only once per user per computer. That means if more than one person logs into a shared computer, each user will have to perform the fix—only one time per person, though. The setting will stay once set.

*You'll find the latest versions of BBW forms in BIDS. If you do not have access to BIDS, you can obtain the most recent forms from the Operations Department: Email [bbwadjustments@bbwest.com](mailto:bbwadjustments@bbwest.com).*

**Question: Why should my bank care about whether we have a listing on Google or Yahoo? And if it's truly important for even a small bank like ours, where do we start?**

**Answer:** In 2011, an Internet presence is comparable to a phone-book listing of 20 years ago.

So assuming you want customers to reach you easily (or prospects to find you), you really should assure your bank its rightful place online.

Fortunately, creating a basic (or even enhanced) local listing won't consume much time or money. As a service to community banks, BBW has posted two step-by-step guides to creating and editing your company's listings. Find them here:

<http://www.bbwest.com/seo1.pdf> —Google how-to  
<http://www.bbwest.com/seo2.pdf> —Yahoo! how-to



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