



BANKERS' BANK OF THE WEST

January 2012

Dear Stakeholders:

Like some of our customers, Bankers' Bank of the West has had to work through some adversity over the past four years. And, like many community banks that have persisted through challenging times, we have dealt with issues head-on. I am pleased to report our efforts met with very positive results in 2011.

As bankers, we have all developed thick skin in dealing with criticism that has come our way, and from every direction, in the past few years. Because there is much public misperception about what community bankers do to help this country, it is important that we "toot our own horn" from time to time. I am taking this opportunity to do just that for BBW. Preliminary figures indicate:

1. Earnings improved from (\$17MM) in 2009 and (\$68M) in 2010, to \$1.5MM in 2011. Even though a 40 basis point ROAA is below our standard, it reflects marked improvement. We expect to see earnings normalize further in 2012.
2. Non-accrual loans were reduced from \$25.7MM to \$13.1MM during 2011, a 49% reduction. The remaining non-accruing loans have been written down to appraised values.
3. Tier 1 Leverage and Total Risk Based Capital increased from 7.4% and 14.9% to 8.8% and 18.3%, respectively.
4. BBW continues to maintain a strong loan loss reserve at 4.4%.
5. The stock loan to the BBW holding company from customer banks has been reduced from a high of \$8.5MM in 2008 to \$900M at year-end 2011. It will be paid off in full in 2012.
6. At this point it appears all bank stock loan exposure on BBW's books has been recognized. This could change, but we feel good about what we have accomplished in cleaning up this portfolio.
7. CRE Level I and II have been reduced from a high of 275% and 510% three years ago to 65% and 219%, respectively, at year-end 2011.

The list above addresses the difficulties we have resolved. Yet our sustained effort to clean up our balance sheet never detracted from our core focus, which is to help our customers succeed in the communities they serve.

Bankers' Bank of the West was formed by banks more than 30 years ago, and today we remain as committed to community banking as ever. We did, of course, place a high priority on resolving asset quality issues; it was both prudent and the right thing to do. But at the same time, we focused on providing high-quality products and services to our customer banks.

We are now approaching home stretch on our asset cleanup efforts and, in fact, I believe we have a significant opportunity to increase market share in many states we serve. So we continue looking for ways to help our customers help themselves, adding value wherever we can. I am confident that BBW will maintain strong relationships with current customers in the years ahead while adding new customers along the way.

I understand that several of you have faced, and overcome, adversities of your own in recent years. Congratulations—you deserve recognition for your progress. Be sure to “toot your own horn.”

Sincerely,

A handwritten signature in blue ink that reads "William A. Mitchell Jr." with a stylized flourish at the end.

William A. Mitchell Jr.
President and CEO