

Fostering Competition and Free Enterprise in the Banking System

Before the innovation of the bankers' bank model as a non-competing correspondent service provider, community banks often found themselves competing with their big-bank service providers for their own customers' deposits and loans. The formation of bankers' banks more than 30 years ago made possible a more level playing field, giving smaller institutions access to volume pricing, technology, and large-network advantages that no single community bank could secure alone.

Community banks today compete against ever-larger regional and national entities in a fast-changing, highly complex environment. Ordinarily, the community bank is at a distinct disadvantage relative to much larger institutions when (1) acquiring sophisticated products and services at competitive prices, and (2) obtaining customer service, problem-solving assistance, and industry expertise on par with that available to big competitors.

Non-competing bankers' banks fulfill these and other needs for thousands of the country's community financial institutions.

Partnerships That Yield Results

Founded in 1980, Bankers' Bank of the West currently serves 321 community banks in an 11-state service area. Its holding company, Bankers' Bank of the West Bancorp, Inc., is owned entirely by 155 community banks, making partnership the cornerstone of BBW's relationships with its clients. BBW helps its clients compete effectively by providing industry expertise and favorably priced solutions that work.

BBW gives community banks access to sophisticated products and services at competitive prices.

▶ A secure online portal known as BIDS connects BBW clients with many critical operational tools—including wire transfers, ACH, and account statements. At year-end 2009, client institutions enrolled in this system numbered 220, for a total of more than 2,500 individual users. Moreover, BBW's pricing for BIDS and other operational products is structured to boost earnings credits and minimize service charges.

▶ Relationships with technology-driven partners enable BBW to provide high-quality merchant processing, credit card processing, and ATM and debit processing services at prices negotiated for our client pool. In 2009, when two major merchant service providers discontinued direct service to independent banks in sections of our market area—notably Nebraska—BBW filled the void for banks whose services had been curtailed.

▶ Use of BBW's loan participation services enables the community bank, whose lending capacity is limited by its institution's size, to meet the credit needs of its community.

▶ With 116 client institutions, the Safekeeping Department at BBW is Colorado's leading provider of custodial securities for community banks. Securities held at par value amounted to more than \$3.3 billion at year-end 2009.

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▶ Expansion of BBW's on-we check clearing network is ongoing, as are its partnerships with national check networks. And being a sponsoring organization with the Electronic Check Clearing House Organization, BBW is able to provide its cash letter clients ECCHO membership at the most economical level.

▶ By aggregating the excess funds of clients as a federal funds agent, BBW gains efficiencies, obtains better rates for its clients, and helps diversify sales of fed funds to large upstream banks thereby reducing credit risk. BBW's purchase rate for fed funds typically reflects a discount of 50 basis points for client banks.

▶ Experience in serving a broad spectrum of banks enables BBW to deliver important value-added services at no extra cost. Among other things, BBW conducts training for client bank staff on bank card programs and assists clients with specialized functions, e.g. international wires, used infrequently by small banks.

Conclusion: Formed by and for community banks, bankers' banks help ensure diversity and competition in the U.S. banking system.