

BBW News

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A MESSAGE FROM THE PRESIDENT

Importance of spotting opportunity disguised as adversity



Bill Mitchell
BBW President and CEO

The ability to recognize opportunity behind adversity is a great advantage in business, especially during difficult times like the recent two years we've lived through. It's not about word-spinning. It's about taking a frank, courageous look at all the

options and then pursuing—with confidence and determination—the ones with the best potential.

Adversity and opportunity are really two sides of the same coin. For bankers, adversity today is a chance to successfully confront the tough regulatory and economic environment. Adversity can become the cornerstone for improvement as well.

I've watched a number of outstanding colleagues apply this principle to both their professional and personal lives during my 25 years in the financial industry. I admire some of those individuals for their knowledge, some for their wisdom, some for their never-give-up attitude, and some for their perseverance and general outlook on life.

One notable example—I'll call him Henry—served for ten years as the information technology director for a community bank with a relatively large branch network. What was unusual about Henry was that he'd already acquired about two decades of experience as a banker with lending and management responsibilities before discovering bank technology as an area of interest.

In the early 1990s, upon losing the original lending position he loved due to a bank sale, Henry used his time off to educate himself for a newly chosen career as a bank technology expert. The judgment, breadth of experience and technical aptitude he then applied to his role as IT director proved the

wisdom of Henry's career change. The bank where he served as head of IT was sold a few years back, and once again Henry viewed his job loss as another opportunity in life.

As expected, an opportunity is exactly what appeared for my friend. Henry landed on his feet running the IT department for another bank, where he continues to acquire and excel at new responsibilities. He and I get together for lunch every few months and I continue to appreciate his outlook on life: *Adversity is an opportunity.*

Like Henry, we bankers are capable of pursuing the viable opportunities that go hand-in-hand with adversity. The best possibilities may not be obvious at first, but they always exist.

We can start by assessing our organizations. Can we pinpoint areas for cutting costs? Become more efficient? Create ways to improve customer service? Improve market share? Better leverage our strengths? The point is, unless we've already reached the pinnacle of perfection, there's no better time than the present to improve our franchises. I'm convinced that banks in our region are up to the task of turning adversity into advantage—and that they'll emerge stronger because of the experience. ▲

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Notes and news

■ Walking the talk for community banks

Bankers' Bank of the West, as a fed funds agent for some 300 community banks, can gain efficiencies, obtain better rates, and diversify sales of fed funds to large upstream banks on your behalf. BBW can hold unsold fed funds in an Excess Balance Account on behalf of its customers as well. The EBA program enhances our fed funds agency operations, benefitting community banks by providing a higher return on fed funds sold and reducing risk exposure. Contact your BBW calling officer to learn how to participate.

■ Remote deposit capture webcast

BBW and Lending Tools.com invite you to an informative preview of one of the financial industry's leading solutions for remote deposit capture, Commercial Capture Express (CCX). The **free webcast**, to be held **Sept. 25 at 1 p.m. Mountain Time**, will focus on the importance of commercial remote deposit capture to your commercial customers. In addition, the webcast will include a demonstration of CCX capabilities. CCX is part of the sophisticated yet easy-to-master set of online cash management tools available through LendingTools.com.

The webcast will be especially helpful to banks with plans to offer remote deposit capture in the near future. **To register, call Debbie Wendt at 303-313-8115 by Sept. 24.**

■ News from international services

Electronic versions of international cash letter deposit blanks are available as downloads through the Bankers' Internet Data System (BIDS). You may also request the files by emailing bbwadjustments@bbwest.com.

The electronic form enables you to fill in the information onscreen. What's more, the "smart" file populates all three copies of the deposit slip simultaneously as you type, and you decide on a case-by-case basis whether to go paperless or print a copy for your records. The electronic files have replaced the commercially printed versions entirely.

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When your best offense is a good defense

Generally, when a software vendor learns about a security gap in its product, it quickly creates and distributes a remedy for the problem. Computer scientists are growing increasingly anxious over the susceptibility of flawed software to threats or attacks before such security holes become known to the vendor.

The root of this concern is the discovery of numerous so-called zero-day threats in recent months. If security holes are found by cyber-criminals before the vendor has time to deliver a patch, the criminals could exploit the vulnerabilities and launch an attack. An unsuspecting computer user could then become the victim of a zero-day attack by visiting a booby-trapped rogue website or opening a virus-contaminated email attachment, among other things.

An abundance of information on current developments and software advisories is available online. The most important precaution you can take is checking with your IT staff or consultant to ensure proper security practices are being followed in every corner of your bank. ▲

Enhanced lockbox services attractive to commercial customers

*Susan Milberger
First Data Corporation*

First Data, an established strategic service provider for Bankers' Bank of the West, has more than 20 years experience in the lockbox business through the First Data REMITCO remittance processing division. As a leader in lockbox processing, First Data REMITCO enjoys a reputation for innovation and quality with large and small clients across numerous industries.

The nationwide remittance network processes more than 50 million payments per month. As an add-on benefit for respondent banks, First Data has supported a handful of clients' remittance needs through the Denver site.

To accommodate growing client outsourcing demands and requests for lockbox services, the Denver remittance systems have been upgraded to provide the full complement of remittance options available to clients across the First Data REMITCO processing network. Current clients are now being migrated to the new platform.

Seminar to boost lending skills

When this newsletter went to press, a few spaces remained available in a training program targeted at developing the skills of commercial loans officers who work with small-business clients. The seminar, **Loan Officer Financial Management Training**, will be held in Denver **Sept. 29 and 30**.

The creator and leader of the course is **Kyle Enger**, a top-ranked instructor at graduate-level banking schools around the country. Drawing on extensive experience as a bank and business consultant, he shares a set of practical tools lenders can use immediately for the benefit of their banks and clients. By involving and interacting with students, Kyle helps them grasp and apply complex financial concepts that are fundamental to prudent lending practices.

The course (\$559 tuition) is geared to lenders with portfolio, underwriting or calling responsibilities. Download complete details from the **Classes & Events** section of our website, **www.bbwest.com**, or call Jackie at **303-313-8108** to find out whether last-minute registrations are possible. ▲

Advantages for community banks

What do these enhanced remittance options mean to you? Using First Data REMITCO, your bank can offer your business customers full image capture, extensive transaction edits, customized client workflow, accounts receivable file generation, and a variety of payment tools to aid them with their receivables processing.

As transactions are processed, the checks are truncated and credited to your account with BBW through an image cash letter. Payment details are recorded according to your client processing rules, and deposit totals are reported to your bank for credit to your client. Transaction details, reports and images are available through a web portal for client inquiry.

To learn more about these remittance services, contact one of BBW's cash management officers or email info@bbwest.com. ▲

The future of executive compensation and retirement benefits

Bob Costello, Managing Director
BBW Capital Advisors

In recent years, a great deal of executive compensation was driven solely by annual performance. Escalating bonus payouts to financial service company executives that were simply tied to short-term results played a role in the current financial crisis. Congress and the White House are currently seeking ways to change that compensation paradigm.

So what is the future for executive retirement plans, and how will banks set about updating and restructuring their executive benefit plans in ways that reflect new industry standards?

Many banks are already adjusting to the market by offering longer-term, performance-based payouts—some of which include clawback provisions—in addition to gradual vesting schedules and more subjective and limited bonuses. Creative, long-term incentive benefit programs represent an essential component of compensation.

For executive retirement plans, the trend to a more defined contribution model puts increased responsibility for retirement on the executive, and places a greater focus on bank performance. Tied to longer-term performance, these plans have the ability to offer stronger incentives, encourage retention, and appeal to boards and shareholders alike.

As they devise these benefit plans, progressive banks will likely need to consider longer-term performance targets, revised vesting schedules, and crediting rates. A bank could measure performance with regard to a combination of individual, departmental or branch, and overall bank goals by requiring, for instance, that employees reach specific individual milestones in order to benefit from total departmental or bank performance.

Goals, performance, and crediting rates will likely differ from year to year, as business conditions and professional circumstances change. Total benefits rest on those changing circumstances. The bank does not guarantee what an executive will be paid, and the executive does not know the total projected amount until at or near the end of the

compensation process, though it is possible to reach approximate projections to help executives plan for retirement. Banks consistently use long-term plans alongside bonus plans or equity plans, tapping all these elements to create a competitive total benefit package.

For more information on instituting a performance-based executive retirement plan or modifying existing executive retirement programs to a performance-based model, call **Bob Costello** at BBW Capital Advisors, **303-864-1212**. ▲

BBW Capital Advisors, an SEC-registered investment advisor, specializes in bank investment portfolio management to community banks of all sizes.

BBW Capital expands to serve bank clients through both offices

BBW Capital Advisors has announced the addition of **William M. Arth** to its staff. His time will be split between the firm's Denver and Lincoln offices.

Bill began his career with Union Bank and Trust of Lincoln, focusing his work in the investment fund area. He created and delivered training presentations to a wide array of financial professionals throughout the Midwest and along the East Coast.

Born and raised in Lincoln, Bill graduated from the University of Nebraska in 2001. He earned a master's degree in financial analysis from DePaul University in Chicago.

Bill is currently a level 2 Chartered Financial Analyst® candidate. He can be reached at 800-997-0718. ▲



Bill Arth

A spectrum of solutions created to protect sensitive customer data

First Data Corporation

Although controlling costs continues to be key for most financial institutions, it pays to spare no expense in one area: protecting customers from fraud. Fraud experts warn that criminals worldwide are constantly probing for weaknesses, which means financial institutions must be vigilant in protecting sensitive customer data. While the loss of cash in a robbery can be covered by insurance, a bank suffering a data breach will face a much harder battle recovering the loss of reputation.

Alarmed by incidents of mass data breaches and stories of hackers infiltrating bank databases, many financial institutions are wisely choosing to invest heavily in security-related technology such as fraud detection software and multifactor authentication systems for their websites.

For financial institutions looking to replace their fraud detection technology but not sure where to start, First Data's fraud mitigation and risk management solutions enable financial institutions to respond quickly to fraud at the cardholder level and manage extensive fraud parameters. These solutions are flexible and fully customizable.

First Data consultants can help financial institutions determine which of the many solutions are right for their organization, depending on their cardholder and transaction demographics and budget. For institutions unsure of where to start, the Fraud/Risk Premium Package is a great entry point. This turnkey solution—affordable for institutions of all sizes—offers real-time neural network scoring services, card validation for PIN and comprehensive card management tools.

Investing in fraud solutions is a financial institution's best first line of defense against fraud. It's just as important, of course, to educate cardholders on how to protect their own accounts. In the end, it's up to every financial institution to decide when and how much to invest in security. But as financial institutions caught on the wrong side of a data breach have learned, when considering the value of protecting sensitive customer data, there really is no choice at all. ▲

▪ THE HIGH COST OF FRAUD ▪

Using an industry average of \$1,100 loss per card, an issuer with 300 compromised cards could experience a net fraud loss of \$165,000 with a 50 percent fraudster usage rate (150 cards used).

Source: American Bankers Association and Fair Isaac Corp.

Replacing just 25 "lost" customers can cost a financial institution \$30,400—using industry averages of \$1,016 revenue value and \$200 new account acquisition cost.

Source: American Bankers Association

Image is important, so give your ATMs get the attention they deserve

ValueTec Financial Equipment

Now take a few moments to grade your ATMs:

- Can your ATM screen be seen at all hours of the day and night?
- Is your uptime on your ATM over 98 percent?
- Is your ATM down at prime usage times?
- Is your ATM more than eight years old and unable to take advantage of new "advanced marketing functions"?
- Are you paying too much for maintenance on your older machines because of difficulty in getting parts?
- Have your maintenance agreements been consolidated to yield volume discounts?

Keep in mind that ATMs are one of your bank's most important interfaces with customers. Are you putting your best foot forward? In these trying economic times, your customers look to you for state-of-the-art conveniences. Just as your building exterior and lobby reflect your institution's professional image, so do your ATMs. In fact, the ATM is one of your bank's most important and hard-working "faces" in the community.

For a free analysis of your ATM program, contact **Dalene Smith** at 720-785-0572 (dalene@valuetecfe.com). Dalene has 15 years of experience in running a network of over 800 ATMs, and her complimentary consultation will be well worth a little of your time. ▲

Go directly to the source for balanced look at reverse mortgages

Tim Harder, Vice President
1st Reverse Mortgage USA

Over the years, we've received thank-you letters from older homeowners—and their adult children—for helping to secure a reverse mortgage. Common messages are “this loan saved my home” and “until now, I thought I was out of options to stay in my house.”

Recently we took delivery of a bouquet of flowers from a grown daughter who was grateful to have fulfilled a promise to her dad. Years earlier, she explained, she'd assured her father that she would not put him in a nursing home but instead would find a way for him to live out his final days at home. This father and his wife now have a reverse mortgage that enables the couple to receive direct-deposit payments in their checking account every month—funds to cover the in-home care he needs.

Being passionate about what we do, we pride ourselves not on selling reverse mortgages but on educating anyone interested in the well-being of seniors. Fortunately, we get to see every day how reverse mortgages positively affect the lives of aging homeowners. We see seniors using a reverse mortgage to create a financial safety net or move to a new home that's more suitable for their lifestyle. We're also passionate about our platform, which allows community banks to be a reverse mortgage resource for their customers.

If you want a more complete picture of reverse mortgages than what's portrayed in the media, I encourage you to contact either me or any other reverse mortgage lender that consistently funds 20 to 30 reverse mortgages a month. I'll gladly bring you up to date on the safeguards built in to these loans and walk you through our turnkey program.

For a personal perspective, consider talking with a senior who has a reverse mortgage. I've found that FHA has done a very good job with this program for 20 years. They monitor the program, periodically adding new safeguards and options to maintain the high integrity of reverse mortgages.

Becoming a member of the 1st Reverse Mortgage USA® Lender Network will enable you to provide a value-added service to older customers. You'll have the platform to attract their deposits and earn the loyalty of the adult children who often oversee the loan process for mom and dad. With reverse mortgages as part of your product mix, you'll enhance your ability to cross-sell traditional mortgages and other products your bank offers. ▲

Ask your BBW correspondent officer about this reverse mortgage program, or request information from info@bbwest.com. 1st Reverse Mortgage USA will have a booth at the Independent Bankers of Colorado convention Sept. 17 and 18.

Please route to: Head of Operations Loan Officers Cashier Inv. Officer



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