

BBW News

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A MESSAGE FROM THE PRESIDENT

How partnership plays a role in shaping the future



Bill Mitchell
BBW President & CEO

West Bancorp, Inc.

This common equity offering is the fifth for our company since its founding in 1980. Prior offerings were very successful, and we believe the most recent private placement will meet with similar success. Feedback received in the first couple of weeks of the offering supports this belief.

Providing a good return for shareholders is important to us. In fact, investments of shareholders over time have reported a sound return on investment. Specifically, shareholders that purchased stock at one of the previous offerings in 1980, 1993, 1997, and 2000 witnessed an annualized return on their investment of 27.07%, 12.56%, 9.86%, or 6.51%, depending on which of the four years the investment was made.

Return on investment is something we take seriously. At the same time, using ROI as the sole factor in weighing whether to invest in Bankers' Bank of the West Bancorp, Inc. fails to take into account one pivotal fact: An investment in BBW by a community bank is really a reinvestment in the community bank itself.

What makes this true? BBW was founded 30 years ago on the belief that community banks are the backbones of the communities they serve, and community banking needs support. Like other independent bankers' banks, Bankers' Bank of the West provides products and services that greatly enhance the community bank's ability to meet the

By now chief executive officers at banks in the Bankers' Bank of the West service area have received a private placement memorandum that creates an opportunity to invest in our holding company, Bankers' Bank of the

needs of its community. BBW affords your bank access to the tools it needs to compete against the mega banks—entities that grow bigger with each passing year. By investing in BBW, you ensure your bank's continued access to the products, services and economies of scale you need to serve your customers and stay competitive.

Bear in mind that we are making our stock available at a time when our capital ratios are reasonably strong. As of Sept. 30, our Total Risk Based Capital and Tier I Leverage ratio were 13.44% and 7.31%, respectively. Furthermore, our Tier I Leverage ratio minus cash above reserve requirements was 9.25% at September month-end. So our effort to raise capital was not prompted by desperation—far from it. We anticipate the additional capital will create a buffer for maintaining strong capital levels, which will, in turn, bolster BBW's long-term capacity for providing first-rate products and services to hundreds of customer banks.

This echoes back to the idea I suggested earlier: In reality, **an investment in Bankers' Bank of the West Bancorp, Inc. is a reinvestment in your own bank.** Today more than ever, supportive partners are essential to the success of independent financial institutions. BBW's 30-year history of service reflects our commitment to your success, and we deeply appreciate your partnership. Most of all, we value the opportunity to champion the cause we value so much—keeping community banking strong. ▲

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Taking note

■ Recommendations for risk management

The Bank Cards Division at BBW has detected a growing trend that could put bank cash advance locations at risk—specifically, more credit card declines are occurring at bank locations. As part of its effort to maintain high levels of service and good counsel, the Bank Cards staff recommends that merchant clients take the following precautions:

- For cash advance requests, always require identification from the cardholder (driver's license, passport, or official ID card).
- If the first transaction is declined (assuming the transaction was entered correctly), ask the cardholder for a different form of payment.
- It is acceptable to run the card a second time upon the cardholder's insistence. However, a third attempt is strongly discouraged because of the risk involved.
- Courteously advise any cardholder whose properly entered transactions have been declined twice to contact his or her issuing bank to determine the reason for the decline; no further attempts to use the card should be made until the following day.

Keep in mind that your bank will be unable to dispute a chargeback on a cash advance transaction that was initially declined. To protect the interests of the banks we serve, BBW encourages strict adherence to the risk-mitigation procedures outlined above.

Feel free to call **Jack Hitt** or **Michael Wells** in the Bank Cards Division (800-601-8630 or 303-313-8150) with questions or concerns.

■ Small Business Jobs and Credit Act

A small-business lending bill (HR 5297) signed into law last month includes provisions that:

- Permanently raise the Small Business Administration 7(a) loan limit from \$2 million to \$5 million.
- Provide \$505 million to extend the temporary 90% SBA loan guarantee through Dec. 31 of this year.

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BBW forms cash letter partnership to attain cost savings, simplicity, and control over product development

In the two months since Bankers' Bank of the West named LendingTools.com as its new partner for image cash letter services, the BBW Operations team has made ample headway on its implementation plan. The partnership will be fully realized in early January 2011.

"At this point, we're farther along than expected," said Vice President **Debbie Wendt**, who oversees the Operations area at BBW. "Feedback from our cash letter customers has been enthusiastic across the board, and that means a lot to us."

The working relationship between BBW and LendingTools.com, creator of the Bankers' Internet Data System (BIDS), dates back to 2001. Currently used by more than 200 of BBW's client banks, BIDS has evolved into one of the most robust, efficient, economical, and user-friendly web-based tools available to community banks—a factor that tipped the scales in favor of a cash letter partnership with LendingTools.com.

Besides the responsiveness and support that distinguishes LendingTools.com as a provider of solutions for financial institutions, the expanded partnership represents three major advantages:

1. Cost savings.

Banks using BBW for image cash letter processing will enjoy a per-item cost reduction. The exact amount of savings will be determined after the new service is launched.

2. One system/one login simplicity.

BIDS users will no longer need to connect to a second system to submit or receive an image cash letter. All transactions will be done through BIDS.

3. Influence over product development.

BBW will have a higher degree of control over its cash letter services and back-office support as well as over negotiations affecting the participants. By placing a high priority on benefits to its community bank clients, BBW will be able to achieve short- and long-range improvements in cash letter services.

Substantial work has been done to prepare for full implementation at the start of 2011. For example:

- System setup has been completed at LendingTools.com.
- Weekly conference calls are taking place with LendingTools.com and exchange partners.
- Testing of the clearing exchange network is in progress.
- BBW is in the process of certifying all banks.

Even as preparations are well under way in her department, Debbie noted that BBW's cash letter customers will notice almost no change.

"Their settlement will remain here. Our cash letter customers will also continue to use BIDS as their portal and to interface with us, just as they do now," she said. "What we're doing on our end is moving the cash letter depositing in-house instead of outsourcing it to a third party."

As expected, this means an increased workload for BBW's Operations team. To gear up for its larger role, the department has added another position—a position filled by **Stephanie Balltrip** (formerly Anderson).

Initially hired by BBW in 1999, Stephanie was later rehired on a part-time basis when family responsibilities required a more flexible schedule. As a flex employee, she gained experience in operations, safekeeping, federal funds, and loans. Stephanie's ability to acquire new skills, adapt to change, and contribute in a variety of ways made her an ideal fit for her new job.

The seven-member Operations team boasts an exceptionally high level of cooperation and camaraderie. Their tenure with BBW ranges from 4 to 13 years.

"This is a great place to work. It's exciting to be part of the positive changes in store for our customers," Stephanie said. "And boredom just hasn't been an issue—not at all."▲

A group photo and more about members of the Operations group can be found on p. 6.

The Five P's of an effective BSA/AML program

Gregory D. Benson, Principal
Ascella Compliance

As a Bank Secrecy Act officer, are you envious of the loan officers who have their Five C's of Credit to rely on? Has your marketing department been touting the Four P's of Marketing? Isn't it about time you have your alphabet letters, too?

Don't despair. I propose the following Five P's of Bank Secrecy Act/Anti-Money Laundering:

Policies

1 The four pillars of the BSA are internal controls, designation of a compliance officer, independent review, and training. The applicable regulation, 31 CFR 103.120 (and for MSBs 31 CFR 103.125), requires that financial institutions implement an effective AML program that is reasonably designed to prevent them from being used to facilitate money laundering and terrorist financing. To accomplish this, certain policies need to be in place. Policies set a course of action at the highest level, i.e., CEO and the board of directors. Policies are the big picture. Keep policies simple. They should not be dozens of pages. Save the detail for the procedures. It is recommended that policies be reviewed and approved by the board of directors. If you "borrow" a policy from an outside source—such as the Internet or a fellow bank compliance officer—make sure that the policy fits your bank. Remember to change the name on the policy to your bank's name. This is a common violation cited by regulators.

Procedures

2 Procedures are road maps that implement the policies. Procedures are typically the hardest to write and implement. They contain the nitty-gritty details that may change frequently. Procedures must be responsive to changes in the law, regulations, rules, and internal system changes. To maintain adequate BSA/AML procedures you must solicit the help of other departments to make sure your procedures are always up to date.

Practices

3 Practices involve putting theory into reality. You must "practice what you preach." The financial institution must closely follow what the

policies and procedures require. This is a rubber-meets-the-road test. Your bank practices should mirror your written policies and procedures.

Processes

4 Whether automated or manual, processes reflect how things get done and assist the BSA/AML risk function to ensure compliance with statutory and regulatory obligations. It is not a regulatory requirement that you have an automated process in place to monitor BSA/AML activities, but if you use one, it is important to review the reports and exceptions generated and to clear the exceptions. Just having a stack of reports from your automated system will not get you a passing grade with the regulators.

Patterns

5 Using the systems and processes described in the program, the centralized BSA/AML investigative and analytical unit will look for deviations from expected financial behavior. This will take into account weekly and seasonal patterns, occupational trends, and institution-wide knowledge of its customers and products.

In closing, your AML program should be designed to follow the Five P's of BSA. Now when the loan and marketing officers tout their alphabet letters, you may join in. ▲

*Gregory D. Benson has more than 30 years of financial service industry experience at commercial banks, savings and loans, private consulting, and trade association work, with special emphasis on compliance and security issues. He is the former SVP, Senior Compliance and BSA Officer of \$650 million asset NOVA Bank; VP and Chief Compliance Officer of \$1.5 billion Burke and Herbert Bank and Trust Company; and Director, Compliance & Security at E*TRADE Bank. Mr. Benson served on the U.S. Treasury's Financial Crimes Enforcement Network's Bank Secrecy Act Advisory Group for five years. He can be reached at 703-231-6392.*

This article is reprinted with permission from the July 2010 issue of ComplianceWatch, a technical publication by Ascella Compliance. To know more, email compliancewatch@ascellacompliance.com.

As deadline looms, BIDS facilitates compliance with Treasury mandate

Bankers often lament that the final quarter of the year seems to race by at the speed of light—probably because finishing all required fourth-quarter assignments is a huge challenge.

To help BBW's customers accomplish one important task before January, Vice President **Rosemary Fuentes-Malone**, head of BBW's Federal Funds Department, urged community banks to prepare now for the year-end transition to all-electronic Treasury Tax & Loan (TT&L) payments as mandated by a U.S. Treasury initiative.

Banks will be unable to accept TT&L paper coupons after Dec. 31, 2010. You can help ease your customers' transition to paperless payments by taking either or both of these steps:

- Urge customers currently using TT&L coupons to enroll in the Treasury's free Electronic Federal Tax Payment System (www.eftps.gov/eftps).

- Inform your customers that your bank can submit their tax payments by wire transfer through the Federal Reserve Electronic Tax Application (FR-ETA) available within BIDS.

To learn more about using FR-ETA to serve and retain your customers, contact Rosemary at 303-313-8112 (800-318-8393). ▲

TT&L payments can be submitted easily and accurately on BIDS.

Technology for the times, tailored for the community bank's needs

Ever-mounting reporting requirements, coupled with the complexity of the markets, are inducing many community bankers to search for an informative, dependable, easy-to-use investment accounting solution.

BBW Capital Advisors, with its partners at Bancmetrics, provides an outsourced bond accounting service that offers high-level expertise, software, and pricing sources to community banks at a fraction of the cost of similar in-house solutions.

Because the platform is entirely web-based, there is no software to install, maintain or upgrade. As a result, users incur no large upfront expense to have their portfolios on the latest version of the portfolio accounting system.

Integration with pricing and investment data is done entirely within the Bancmetrics environment, freeing bankers to concentrate on results rather than setup and details.

Clients have online access to current reports and up to the last 12 months of historical reports. Users are able to download data files and executive reports with the touch of a button, choosing to print from the browser or save selected reports directly to their computer. Those reports cover an array of valuable information for portfolio management and analysis.

In their role as partners to community banks in the Great Plains and western states region, the principals at BBW Capital Advisors can provide your bank with an in-depth overview of this bond accounting solution as well as assistance with all aspects of balance sheet, interest rate risk, and investment portfolio management. For more information, call **303-864-1213**. ▲

BBW Capital Advisors, an exclusive alliance partner of Bankers' Bank of the West since 2008, is a Denver-based institutional investment advisor and broker/dealer. The firm also has an office in Lincoln, Neb.

Bankers' Bank of the West Operations Department—a team with lots to smile about

While each member of the BBW Operations group brings a unique mix of experience to the team, all have received training in more than one area. As a result, the staff is efficient, professional, and equipped with the skills needed to deliver outstanding customer service.

The Operations team, from left: Stephanie Balltrip; Beverly Jennings; Debbie Wendt; Christine Lash; Pilar Balatbat; Sandy Hess; and Mary Naslund.



On page 3 of this newsletter is an update on the bright future of BBW's image cash letter services. Pictured above are the behind-the-scenes people who provide great service to all operational clients day-in and day-out. We introduce, in alphabetical order:

Pilar Balatbat. BBW's International specialist for 13 years, Pilar likes playing with her grandsons.

Stephanie Balltrip. On staff since 1999, Stephanie moved to Operations recently. When at home, she races to keep up with her four-year-old daughter.

Sandy Hess. A 12-year employee, Sandy spends a lot of free time watching her grandsons play sports.

Beverly Jennings. Beverly joined BBW eight years ago; she enjoys taking train rides.

Christine Lash. On BBW's staff four years, she is assistant coach of her daughter's volleyball team.

Mary Naslund. This 13-year employee looks forward to trying all the new restaurants in town.

Debbie Wendt. Many customers are familiar with the problem-solving ability Debbie brings to the position she's held 10 years; she loves traveling.

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