



ANNUAL REPORT

2023





Where Community Banks Bank

ABOUT BANKERS' BANK OF THE WEST

Established in 1980 as a noncompeting service provider and partner for community banks, Bankers' Bank of the West is focused on keeping community bank clients across the Great Plains and Western States strong and relevant.

While the services provided and technologies used have evolved over the decades, other significant relationship benefits remain unchanged. Our community bank customers enjoy access to professional expertise and responsive customer service, as most of our employees have extensive experience working for banks and in financial services. We strive to remain competitive with products and solutions that benefit not only your bank, but also your customers.

Our purpose has been clear and steadfast from the start: we champion community banking. It is our privilege to carry this mission forward as you drive the economic vitality of your communities.

OUR MISSION

We champion community banking.



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CORE VALUES

- **PEOPLE** *The well-being and success of our team and the people we serve.*
- **INTEGRITY** *Our rule of conduct: Do the right thing.*
- **PROGRESS** *Change that drives success.*



LETTER FROM THE PRESIDENT

To our shareholders, customers, partners, and friends:

For Bankers' Bank of the West Bancorp, Inc. ("Company") and its primary subsidiary, Bankers' Bank of the West ("BBW" or "Bank"), 2023 was another strong year concerning capital levels and asset quality, although earnings were reduced because of the changing rate environment. However, earnings results were consistent with the bankers' bank peer group.

The Company reported earnings of \$2,297,000 in 2023 following earnings of \$4,097,000 in 2022.

The 2023 earnings translate to \$11.17 per common share, with the Company paying a dividend of \$4.85 per common share in January 2023. A common dividend of \$2.45 per share was paid in January 2024 with the aim of reinstating the practice of paying semi-annual payments to balance cash flow at the Company throughout the year. The book value per share of common stock increased by 1.1% in 2023, ending the year at \$233.34, and the Company reported a return on average equity of 4.27%.

To date, \$6,646,000 of the \$13,271,000 (50.1%) of the Series B Preferred Stock—purchased from the Treasury Department by 28 community banks and holding companies in 2014—has been redeemed. The Company paid \$547,000 in preferred dividends in 2023. The shares were amended in May 2016 to pay dividends at a lower, floating rate, which has saved the Company \$1,712,000 since that time.

BBW reported earnings of \$2,455,000 in 2023, resulting in a return on average assets of 0.60%, versus earnings of \$4,329,000, or a return on average assets of 0.99%, in 2022,

a year that benefited from accelerated income recognized over the year from terminated contracts due to acquisitions or processor changes.

The past year was strengthened by a continuation of strong loan demand, with average balances increasing 9.9%, which, coupled with the rising rate environment, caused interest income to increase \$4,872,000 (32.7%). Increased community bank liquidity needs were reflected in a 74.7% increase in average federal funds sold to customer community banks, helping to improve overall interest income, which increased \$6,533,000 (8.7%) in aggregate.

While loans were growing, customer community bank deposit balances continued to decrease, with average balances down 21.9%. However, the Bank's ability to shed its own excess liquidity also allowed it to reduce its use of certificates of deposits and federal funds purchased. Despite lower average balances, the higher rate environment drove interest expenses higher,

increasing \$7,153,000 (204.8%) for the year, and compressing the net interest margin.

The volume seen in other core services such as cash management, foreign exchange, wire transfer, safekeeping, and bank card services remained robust. However, higher earnings credit rates offsetting service charges were a factor in non-interest income reducing 11.7% from the prior year. With costs continuing to rise, non-interest expenses increased 3.6% in 2023. BBW did execute a renewal of its existing lease, previously set to mature in 2025, that locks in long-term favorable pricing until 2031.



On average, cash or cash equivalents were 9.7% of the Bank's assets in 2023 while investments accounted for 5.5% of assets. This is down from the elevated levels of cash and equivalents held the prior three years but is in line with the Bank's balance sheet prior to 2020, reflecting the Bank's ongoing conservative approach to liquidity management.

Capital levels at BBW remained strong in 2023, which is noteworthy as dividends were paid from the Bank to the Company to pay common and preferred dividends and provide capital in supporting growth of the non-bank subsidiaries. The Total Risk-Based Capital ratio at BBW ended the year at 15.67%, up from 15.13% at the end of 2022, driven by a 4.5% decrease in risk-weighted assets. At the same time, the Tier I Leverage Capital ratio increased to 13.3% compared to 12.77% for the prior year-end due to a 7.0% decrease in average assets for 2023, predominantly in excess cash.

Consistent with the approach over the past several years, CRE concentration levels at BBW are managed carefully: The Bank maintained levels in line with the regulatory guidelines of 100% for CRE I and 300% for CRE II. As of December 31, 2023, BBW's CRE I and II levels were 75.8% and 263.8%, respectively. Loans finished the year at \$301,472,000, with BBW servicing another \$62,308,000 in sub-participations sold to customer community banks at year-end.

BBW had no non-performing loans at the end of both 2023 and 2022, and overall credit quality remains strong.

The owned real estate has held no book balance since April 2019, with the residential, recreational lots sold between 2019 and 2023 generating a total of \$1,454,000 in gains,



plus an additional \$232,000 in rental income. One lot remains as of year-end that will be recognized as a gain when sold. BBW's Texas Ratio was 0.00% as of December 31, 2023, as it was at the end of 2022.

The Company's initiatives and plans are further outlined in this report, but all shareholders can be assured that Bankers' Bank of the West and its affiliates, Bank Strategies and CivITAS Bank Solutions, remain committed to their role as a champion for community banking as the marketplace continues to evolve.

Handwritten signature of William A. Mitchell Jr. in blue ink.

William A. Mitchell Jr.
President & Chief Executive Officer

EXECUTIVE TEAM



BILL MITCHELL

PRESIDENT & CHIEF EXECUTIVE OFFICER

Bill has been president and chief executive officer of BBW since 2007. Earlier in his career, he was president of two community banks and a branch manager for a national financial services firm. Bill served on the governor-appointed Colorado State Banking Board for 16 years, two of those years as chairman. He was involved with the Independent Community Bankers of Colorado for ten years, including in the role of board chairman. An active proponent of the nation's community banks and the industry associations that support them, Bill is a member of the Pacific Bankers Management Institute Board and a participant on the American Bankers Association correspondent bank working group. He served as board chairman of the Western States Director Education Foundation before assuming his present role as that organization's secretary/treasurer. In addition, Bill is currently an advisory director for the Independent Community Bankers of Colorado and recently served as an advisory director for the Colorado Bankers Association. He holds a bachelor's degree in business administration from the University of Texas at Austin and a master's degree in management and organization from the University of Colorado at Denver.

ANNE BENIGSEN

*SVP-CHIEF INFORMATION OFFICER & CHIEF INFORMATION SECURITY OFFICER
PRESIDENT-CIVITAS BANK SOLUTIONS, LLC*

Drawing on three decades of experience in the fields of technology, cybersecurity, privacy, and risk management, Anne leads the Bank's information security and technology initiatives, along with its affiliate, CivITas Bank Solutions, which has helped community banks with their cybersecurity and technology needs since 2020. Anne's earlier work in the private and public sectors gave her the depth of experience needed to aid BBW and its customer banks. She holds several certifications in cybersecurity, technology, and privacy. Anne regularly speaks at regional and national banking and technology conferences; in addition, she is often asked to consult with private and public organizations on issues involving cybersecurity, technology, innovation, and regulation.



JEFF BENSON

SVP & CHIEF OPERATING OFFICER

In his current role at Bankers' Bank of the West, Jeff leads new product development and directs strategic initiatives for the organization. His 21-year tenure with BBW, experience in lending and correspondent services, understanding of community banks, and knowledge of BBW functions make him uniquely qualified for this leadership role. Jeff's bachelor's degree is from Montana State University; he is a graduate of the Graduate School of Banking at Colorado. In addition, he is a graduate of the GSBC Executive Development Institute program for C-suite bank officers and a former GSBC Alumni Advisory Board member. Jeff represents Bankers' Bank of the West Bancorp, Inc. on its board seat for Aptys Solutions, LLC which operates the BRIDGE cash management platform.

PAUL HARRISON

SVP & CHIEF CREDIT OFFICER

Paul has played a critical role managing credit administration, special assets, and loan underwriting for BBW since 2009. A veteran banker with strong background in lending and leadership, Paul holds the position of chief credit officer at the Bank as well as the relationship manager for Arizona-based banks. He is the chairman of the loan committee and member of ALCO. In addition, he serves on the board of directors of the Bankers Foundation of Colorado, a charitable organization established for community banks. Paul has a bachelor's degree in finance from the University of Northern Colorado.





CHRIS HILL

SVP & CHIEF FINANCIAL OFFICER

Chris oversees financial reporting, liquidity and funding, and compliance and audit for BBW and its affiliates. Chris launched his community banking career after college, gaining experience in credit, lending, and bank information technology. Today he represents BBW's seat on the Colorado Bankers Association board of directors and chairs the ABA's Correspondent Bank Working Group. He previously served on the boards for Young Americans Education Foundation and Young Americans Bank and continues as an Advisory Board member. He is actively involved with the ABA Risk Management School and its Advisory Board. Chris has a bachelor's degree in finance from Colorado State University and master's degree in business administration from the University of Colorado; in addition, he completed the Graduate School of Banking at Colorado and the ABA Advanced Risk Management programs.

JIM SWANSON

*SVP-BANKERS' BANK OF THE WEST
PRESIDENT-BANK STRATEGIES, LLC*

Before becoming president of Bank Strategies LLC, Jim Swanson held the positions of community bank chief credit officer, a director of compliance and manager of loan services for an accounting and bank consulting firm, and a commissioned bank examiner with the Federal Reserve Bank of Kansas City. In his current role as head of Bank Strategies, which became a Bankers' Bank of the West affiliate in 2018, Jim brings decades of banking experience, a balanced perspective, and highly developed skills to every consulting assignment he undertakes for community bank clients. Jim holds a master's degree in business administration from the University of Denver and a bachelor's degree in accounting from the University of Nebraska.



DEBBIE WENDT

SVP & CHIEF PAYMENTS OFFICER

Debbie's responsibilities include oversight of the bank's federal funds and cash management operations. She serves as the security officer for BBW as well as a member of its senior management team and ALCO. Debbie has played a key role in the Bank's involvement in the Federal Reserve's FedNow® pilot program and Real-Time Payments settlement with The Clearing House. A longtime member of the Wespay payments association board of directors, she is a past chairperson of the association. Debbie is a 2014 graduate of the Graduate School of Banking at Colorado.

SCOTT WINTENBURG

SVP-BANK CARD & CHIEF GROWTH OFFICER

With a decade of experience in financial consulting and account management, Scott joined BBW in 2006 as a credit analyst. He was promoted less than two years later to correspondent lender and mentor for the bank's relationship management team. He became head of BBW's Bank Card Division in 2019, subsequently taking on the additional duties of chief growth officer, overseeing business development and production. Scott holds a bachelor's degree in business administration from Regis University; he graduated with honors from the Graduate School of Banking at Colorado.



CONSOLIDATED BALANCE SHEETS

BANKERS' BANK OF THE WEST BANCORP, INC. AND SUBSIDIARIES

| | DECEMBER 31, | |
|---|-------------------|-------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| ASSETS | | |
| Cash and due from banks | \$ 1,184 | \$ 6,121 |
| Interest-bearing deposits | 26,041 | 28,484 |
| Federal funds sold | 10,101 | 42,993 |
| Cash and cash equivalents | 37,326 | 77,598 |
| Securities available for sale | 20,988 | 23,134 |
| Securities held to maturity | 19 | 51 |
| Nonmarketable equity securities | 2,412 | 2,390 |
| Loans and leases | 301,472 | 301,688 |
| Less allowance for loan and lease losses | 5,617 | 5,576 |
| Net loans and leases | 295,855 | 296,112 |
| Leasehold improvements and equipment, net | 5,135 | 2,732 |
| Accrued interest receivable | 1,824 | 1,645 |
| Company owned life insurance | 15,354 | 13,229 |
| Other assets | 5,141 | 4,770 |
| TOTAL ASSETS | \$ 384,054 | \$ 421,661 |
| LIABILITIES | | |
| Noninterest-bearing deposits | \$ 101,740 | \$ 131,643 |
| Interest-bearing deposits | 156,399 | 131,792 |
| Total deposits | 258,139 | 263,435 |
| Federal funds purchased | 54,918 | 91,981 |
| Accrued interest payable | 246 | 168 |
| Other liabilities | 16,117 | 12,038 |
| TOTAL LIABILITIES | 329,420 | 367,622 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock - \$20 par value, 5% cumulative 250,000 shares authorized, 6,625 shares issued and outstanding in 2023 and 2022. Liquidation preference \$1,000 per share | 6,625 | 6,625 |
| Common stock - \$10 par value, 750,000 shares authorized, 205,750 shares issued and outstanding in 2023 and 2022 | 2,058 | 2,058 |
| Capital surplus | 13,256 | 13,256 |
| Retained earnings | 34,870 | 34,249 |
| Accumulated other comprehensive income | (2,175) | (2,149) |
| TOTAL STOCKHOLDERS' EQUITY | 54,634 | 54,039 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 384,054 | \$ 421,661 |

CONSOLIDATED INCOME STATEMENTS

BANKERS' BANK OF THE WEST BANCORP, INC. AND SUBSIDIARIES

| | DECEMBER 31, | |
|---|----------------|-----------|
| | 2023 | 2022 |
| | (in thousands) | |
| INTEREST INCOME | | |
| Interest and fees on loans and leases | \$ 19,777 | \$ 14,905 |
| Interest on taxable investment securities | 684 | 543 |
| Interest on deposits and federal funds sold | 2,971 | 1,451 |
| Total interest income | 23,432 | 16,899 |
| INTEREST EXPENSE | | |
| Deposits | 6,046 | 1,646 |
| Federal funds purchased | 4,600 | 1,847 |
| Note payable | 0 | 9 |
| Total interest expense | 10,646 | 3,502 |
| NET INTEREST INCOME | 12,786 | 13,397 |
| Provision for loan and lease losses | 0 | 582 |
| Net interest income after provision for loan and lease losses | 12,786 | 12,815 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | 948 | 1,599 |
| Merchant processing program | 9,217 | 8,764 |
| Correspondent services | 1,973 | 3,619 |
| Other income | 992 | 758 |
| Total noninterest income | 13,130 | 14,740 |
| NONINTEREST EXPENSES | | |
| Salaries and employee benefits | 8,198 | 7,858 |
| Occupancy expense of premises | 1,226 | 1,205 |
| Data processing and software | 1,058 | 1,020 |
| Merchant processing program | 8,456 | 8,056 |
| Service charges | 1,971 | 2,035 |
| Other expenses | 2,035 | 1,987 |
| Total noninterest expenses | 22,944 | 22,161 |
| INCOME BEFORE INCOME TAXES | 2,972 | 5,394 |
| Income tax expense | 675 | 1,297 |
| NET INCOME | 2,297 | 4,097 |



ASSETS UNDER MANAGEMENT AND TRANSACTION VOLUME

BANKERS' BANK OF THE WEST

ASSETS UNDER MANAGEMENT

| | 2023 | 2022 |
|---|----------------|----------------|
| Total assets of Bankers' Bank of the West | \$ 402,279,000 | \$ 420,737,000 |
| Balance of loan participations sold to respondent banks | 62,308,000 | 42,169,000 |
| Safekeeping (par value) | 7,221,779,000 | 8,457,763,000 |
| Agent federal funds and EBA (YTD daily average) | 865,078,000 | 1,250,561,000 |

TOTAL ASSETS UNDER MANAGEMENT

| | |
|-------------------------|-------------------------|
| \$ 8,551,444,000 | \$10,171,230,000 |
|-------------------------|-------------------------|

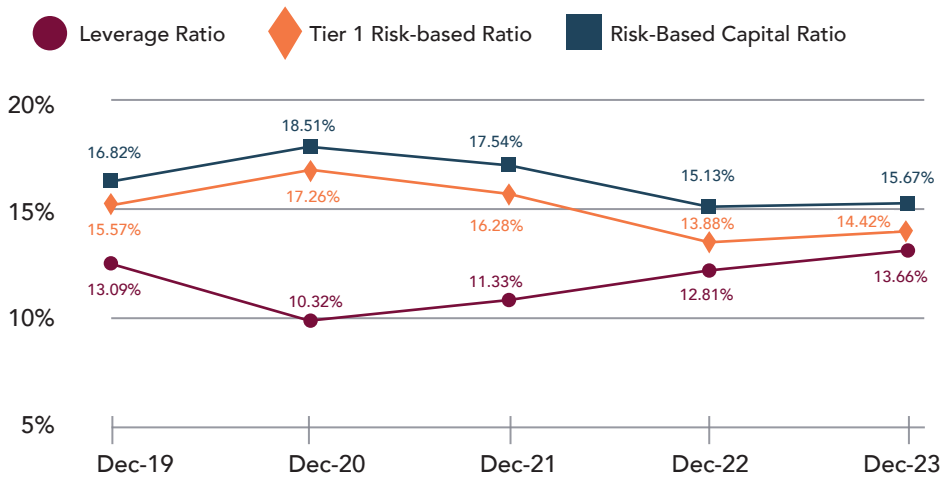
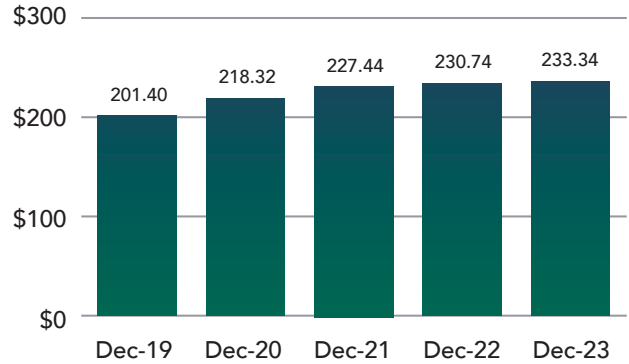
YTD TRANSACTIONAL VOLUME

| | | |
|--|------------------|------------------|
| Domestic and international wires sent and received | \$ 766.1 Billion | \$ 1.2 Trillion |
| Principal federal funds sold | \$ 7.6 Billion | \$ 4.2 Billion |
| Direct partner merchant volume | \$ 354.3 Million | \$ 341.7 Million |
| Partner credit card program | \$ 4.9 Million | \$ 23.2 Million |
| ATM / debit network—transactions processed | 7.4 Million | 9.2 Million |

OTHER FINANCIAL HIGHLIGHTS

BOOK VALUE (per Common Share)

The Company's book value has steadily increased since 2010 and eclipsed its pre-recession peak. During this time, the Company resumed annual dividends on common stock, serviced required quarterly dividends on preferred stock, and redeemed over \$6.6 million of the preferred stock.

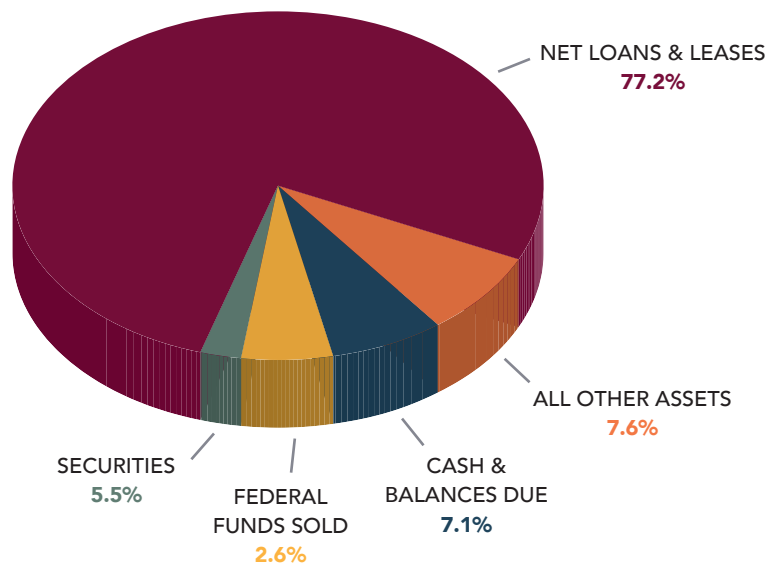


CAPITAL RATIOS

Capital levels remain strong with risk-based and leverage ratios converging following the reallocation of the excess liquidity that came in during the pandemic to grow loans and provide liquidity to community banks.

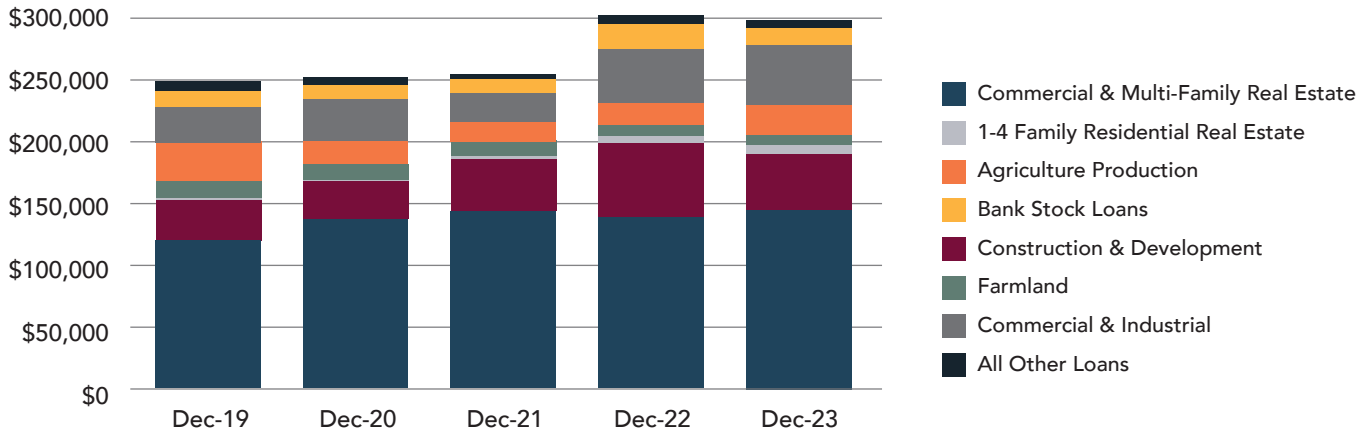
ASSET MIX

Community bank liquidity fell considerably during the year, including new loan opportunities, which is mirrored in the Bank's balance sheet with net loans and leases and Federal Funds Sold to respondent customers making up roughly 80% of total assets at year-end.



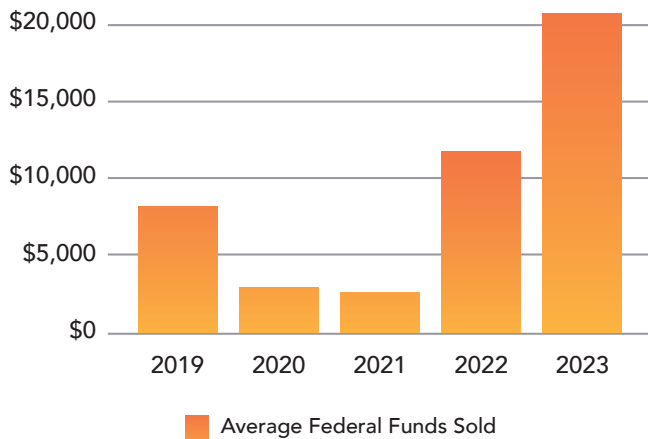
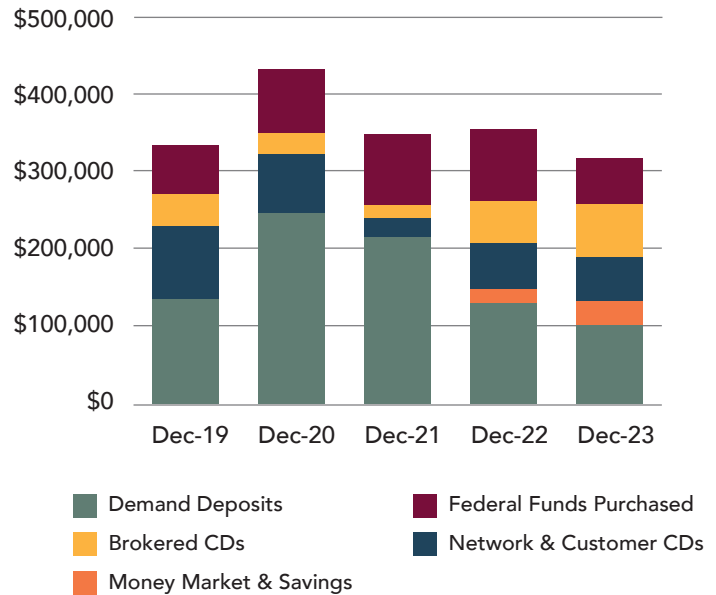
LOAN MIX (000's)

Loan balances remained stable through 2023, predominantly remaining in construction & development, commercial real estate, and commercial & industrial loans. Most notably, asset quality has remained very strong throughout this period.



FUNDING MIX (000's)

The Bank was able to reduce overall funding by lowering the excess liquidity it previously held. In doing so, it has diversified these funding sources, remaining agile to meet respondent liquidity needs while managing overall interest rate risk as margins have compressed.



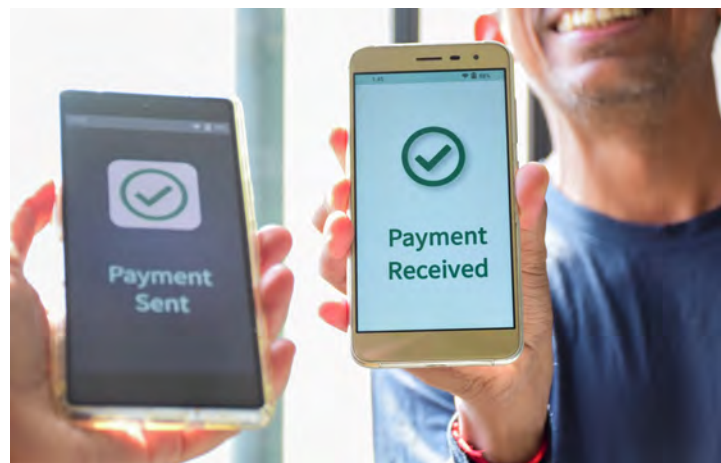
AVERAGE FEDERAL FUNDS SOLD

Respondent bank liquidity needs have shifted following the influx of cash in 2020 and 2021. The Average Federal Funds Sold to respondents has exceeded pre-pandemic levels as other short-term funding sources have been restricted, reinforcing BBW's commitment to community banking.



2023 SERVICE HIGHLIGHTS: ADAPTING TO SHIFTING MARKETS, NEW PAYMENT RAILS, AND EXPANDING COMMUNITY BANK NEEDS

INSTANT PAYMENTS. We are actively settling payments on behalf of our customer banks for both the FedNow and RTP instant payment services. While instant payment activity is just beginning, the number of institutions joining the networks is increasing substantially each month. We continue to be bullish on the value of these services as more banks, and their customers, adopt them. Further, we believe this will be a key deposit retention strategy for many community banks. In working with our technology partners to expand solutions beyond settlement, we see a path to make connections with our customers' core systems, which will, in turn, enable us to provide a more turnkey solution for those looking to offer instant payments to their customers.



In addition to the launch of instant payment services, ACH volumes have grown through the expansion of same-day timeframes. Wire transfer and bank card transaction volumes remain robust.

LOANS. Loan demand started and remained strong through 2023. Although deposit costs were high, new loans helped combat the impact of funding costs on net interest margins. Loan quality continues to be resilient with both agriculture and real estate lending performing well. Bank stock loan balances have remained stable and been valuable for customers making acquisitions. We are cautiously optimistic about the year ahead in terms of loan opportunities and asset quality.

FEDERAL FUNDS. Our Federal Funds and EBA Agent Pools collectively remained over \$865 million throughout the year. Additionally, we created a hybrid EBA capability for the Federal Funds Agent Pool that allows us to direct a portion of customer overnight funds to the EBA for those Agent Pool customers with the proper agreements in place. This gives us more flexibility in reducing customer risk when the regional and money

center banks face turbulence or simply are not in the market to purchase funds. Turbulence in the market also caused some correspondent banks to cut Federal Funds lines to their customer banks in 2023. We did not take that approach, saw increased borrowing from our customer banks, and continued to meet their funding needs

SAFEKEEPING. Our safekeeping department continues to manage more than \$7 billion worth of community bank securities. Pledging activity and securities transfers were abundant due to the implementation of the Federal Reserve's Bank Term Funding Program. Safekeeping services remain a valuable core service for community banks, and we continue to make technological enhancements to keep pace with the changing technologies. The safekeeping program is further complemented by trade and investment portfolio accounting services offered through First Bankers Banc Securities.

CIVITAS BANK SOLUTIONS. CivITas was founded in response to feedback from customer banks in need of information technology and cybersecurity assistance. Since its inception, CivITas has expanded its customer base and proven valuable to its customers. Penetration testing, vulnerability assessments, and phishing tests have been popular core services; larger consulting projects ebb and flow but provide community banks with tailored solutions to meet their needs. Given the speed at which technology and cybersecurity change, we expect our services to evolve.

BANK STRATEGIES. Jim Swanson was actively engaged on multiple services and consulting projects throughout the year. Activity increased in Nebraska, and opportunities in other BBW markets have increased. Loan review services remain a community bank need, and we anticipate more opportunity on this front. As the banking environment evolves, demand is picking up steam for other services offered, such as strategic planning, branch studies, management studies, and credit review.





BOARD OF DIRECTORS

Copper W. France
Chairman of the Board
President & CEO
Bank of Commerce
Rawlins, Wyoming

William A. Mitchell Jr.
Vice Chairman of the Board
President & CEO
Bankers' Bank of the West
Denver, Colorado

Kristin S. Godfrey, Esq.
Founder & Attorney
Godfrey Law Group LLC
Denver, Colorado

Megan Harmon
Chief Operations Officer & Branch President
The Eastern Colorado Bank
Colorado Springs, Colorado

Bruce A. Hellbaum
President & CEO
RNB State Bank
& Front Range State Bank
Longmont, Colorado

Amanda A. Hoover
Chief Financial Officer
Adams Bank & Trust
Ogallala, Nebraska

Quentin D. Leighty
President & CFO
& President of Monument Office
First National Bank Colorado
Monument, Colorado

David A. Ochsner
President, CEO & Chairman
Commercial Bank
Nelson, Nebraska

Sean D. Ormand
CEO
First New Mexico Bank of Silver City
Silver City, New Mexico

Jay Rickstrew
Chief Retail Officer
Alpine Bank
Rifle, Colorado

Wes Veach
President & CEO
bankcda
Coeur d'Alene, Idaho

John E. (PJ) Wharton V
President & CEO
Yampa Valley Bank
Steamboat Springs, Colorado

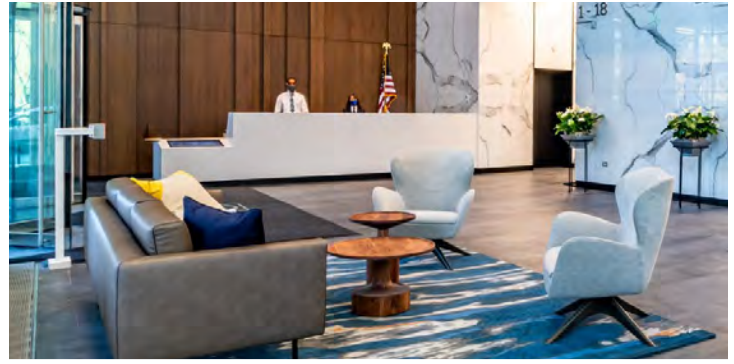
Michael E. Williams
Executive Vice President
Jonah Bank of Wyoming
Cheyenne, Wyoming

ADVISORY TEAM

Brian Esch
Advisory Director—Loan Committee
MNB Bank

Zak Karpf
Director Emeritus/Past Chairman
Platte Valley Bank

Dallas Kiburz
Advisory Director—Loan Committee
Bankers' Bank of the West (Ret)



1099 18th Street, Suite 2700 | Denver, Colorado 80202
303-291-3700 | 800-873-4722 | fax 303-291-3714

2935 Pine Lake Road, Suite B | Lincoln, Nebraska 68516
402-476-0400 | 888-467-5544 | fax 402-476-4533

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www.bbwest.com