



# Correspondent Views

**BANKERS' BANK OF THE WEST** newsletter for community banks

## PRESIDENT'S MESSAGE

Second Quarter 2023

### **A rational, balanced approach to business has served community banks well**

The president's message on page one of BBW's first-quarter 2023 customer newsletter centered on the most recent economic event at that time: the hysteria that had been driven and further fueled by social and mainstream media around certain large regional banks, ultimately leading to a run on deposits for some of those institutions. Fortunately, the hype seems to have diminished. For now, at least, social media and mainstream news outlets seem disinclined to create financial panic.

Regarding deposit levels for community banks, Bankers' Bank of the West, like all of our bankers' bank counterparts, is a reflection of our community bank customer base. We have seen a decline in the deposit levels maintained at BBW by our customers over the past year. As excess liquidity has been redeployed, current deposits at BBW are consistent with pre-Covid levels, and we anticipate those levels will remain steady moving forward.

As was the case when the pandemic first struck our country in 2020, asset quality for community banks remains strong. This holds true for Bankers' Bank of the West as well: We reported a May end-of-month Texas Ratio of zero percent, classified loans to capital of 0.77%, and a loan loss reserve of 1.91%. As of May 31, BBW maintained Tier 1 Leverage Capital and Tangible Common Equity of 13.05% and 12.57%, respectively.

Some of our customers have mentioned that earnings this year are more challenging, with banks feeling the full brunt of the Federal Reserve's dramatic and historic increase in the overnight borrowing rate. For a bankers' bank, a significant increase in rates not only raises cost of funding but also temporarily reduces noninterest income. Although these are short-

term issues, I anticipate Bankers' Bank of the West's earnings will be lower this year than the strong levels we had typically seen over the past decade. Fortunately, strong asset quality and capital levels should buffer the impact of the past year's unique rate environment.



Bill Mitchell  
President & CEO

As summer rolls in, many BBW relationship managers are out in full force, doing what they enjoy most: visiting with community bankers on their own turf and attending trade association conventions. Bankers' Bank of the West is a proud member of 14 state associations in our market area—and visiting with executives from our customer banks

during convention season is the highlight of our year. We're grateful to the state trade associations for doing a tremendous job of protecting the legacy of community banking.

I join the entire BBW team in wishing you and your families a safe and enjoyable summer!

### **Have you heard . . .**

**Esther George** is on the list of distinguished speakers at the **Western States Director Education Foundation's 46th Annual Symposium** to be held at the Westin Kierland Resort in Spa in **Scottsdale, Arizona, October 29-31, 2023.**

This education-focused event features panel discussions, presentations by top professionals and industry leaders, and built-in opportunities for networking with board members and executives from other states.

Early registration is recommended. Find details and sign up at **WSDEF.ORG.**

**REGISTER NOW!**

## TAKING NOTE

### IN APPRECIATION FOR DIRECTORS' SERVICE

With the addition of four newly elected board members as part of the BBW Bancorp, Inc. annual meeting held in April, four directors rotated off the board.

The Bancorp recognizes and thanks the following past directors for their dedication as well as the industry experience and wisdom they generously shared during their service:

**Gary Crum** (Western States Bank)

**Mark Daigle** (TBK Bank)

**John V. (JV) Evans** (D.L. Evans Bank)

**Max T. Wake** (Jones Bank)

A warm welcome to the following additions to the Board: **Mandy Hoover**; **Jay Rickstrew**; **Wes Veach**; and **Michael Williams**. (See the right column for a complete listing of current directors.)

### RAMP UP NOW FOR THE APPROACHING CHANGE



The FedNow<sup>SM</sup> service is just around the corner. Are your people prepared for what's ahead?

We invite you to visit <https://www.bbwest.info/educational-resources>, where you can review brief, easy-to-follow educational videos by **Kevin Olsen**, the Payments Professor. The titles of his videos range from "What Features Will be in the FedNow Launch?" to "How Will You Access Fed Now?"

At the site, you'll be prompted to complete a no-fee signup. This will provide you with direct access to relevant resources from the Federal Reserve Bank. Get ready for the next major advance in banking!

## ABOUT

*Correspondent Views* is published by Bankers' Bank of the West for independent community banks in our service area. To add yourself or others at your bank to our newsletter distribution list, email your request to [info@bbwest.com](mailto:info@bbwest.com).



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### BBW Bancorp, Inc. Board of Directors

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**Megan Harmon** ..... Director  
The Eastern Colorado Bank ▪ Colorado Springs, Colo.

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**Mandy A. Hoover** ..... Director  
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**Michael E. Williams**..... Director  
Jonah Bank of Wyoming ▪ Cheyenne, Wyo.

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## Don't be bamboozled: a whimsical journey into business email compromise

Anne Benigsen, SVP-CIO & CISO ▪ Bankers' Bank of the West | President, CivITas Bank Solutions, LLC

Welcome, readers, to a whimsical exploration into the treacherous realm of business email compromise (BEC). Don your detective hat and grab a magnifying glass as we prepare to unravel the secrets to safeguarding your hard-earned money and private data. Let's embark on this adventure together.

In recent months, numerous financial institutions have fallen victim to cunning BEC schemes. The scammers breach the defenses of reputable banks, exploit vulnerabilities in email systems, and trick employees into revealing passwords.

Even bank vendors have become targets—a trend that highlights the interconnected nature of the financial ecosystem. Around 10% of such breaches have resulted in significant disruptions, impacting operations and customer service. These statistics underscore the urgency for banks to fortify their defenses and stay at least one step ahead of devious culprits.

Imagine sipping your morning coffee at your desk when a \*ping!\* signals the arrival of an email. Unbeknownst to you, an evil genius has disguised itself as a trusted client or vendor with the intent of pilfering your funds. Welcome to the devious world of BEC, in which swindlers impersonate

CEOs, colleagues, and others you trust, using wily wordsmithery to deceive you into wiring money to their secret hideout.

BEC is not just a simple scam; it's an intricate web of deception that preys on trust. Hackers meticulously study their targets, gathering information from public sources and social media to make their impersonations more convincing. They replicate logos, signatures, and email formats to create the illusion of legitimacy. These scammers blend into our digital lives, poised to strike when we least expect it.

The era of obvious and amateurish scams involving Nigerian princes and typo-ridden messages are gone. Today's phishing attempts usually appear legitimate. They can even originate from trusted sources that have themselves been compromised. Perpetrators employ psychological tricks, leveraging urgency, authority, or sympathy to lure victims. They often impersonate high-ranking executives, pressuring employees to transfer funds.

Alas, the hackers' schemes know no bounds: They seek to infiltrate networks and steal valuable

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## Milestones, transitions, and anticipation of opportunities on the horizon

Chris Hill, SVP & Chief Financial Officer ▪ Bankers' Bank of the West

With the goal of keeping our customers in the communication loop, Bankers' Bank of the West is announcing that **Sandy Gerk**, VP-Safe-keeping, will retire from her role at the end of 2023. Safekeeping Officer **Karen Milano**—who has served as a backup and worked directly with Sandy for the past six months—is in the process of assuming all Safekeeping responsibilities.

Sandy has been integral to our safekeeping business since she helped form it more than 25 years ago. Since then, BBW's Safekeeping Department has grown significantly: It currently holds \$7.8 billion in custodial holdings.

From the start, Sandy's keen eye for securities, level of dedication, and helpful

demeanor made her nearly indispensable. Her work ethic has inspired us all to do our best every day.

Karen is a veteran of Bankers' Bank of the West as well, having joined in 2008 to manage loan operations. She later migrated over to the finance and risk group, where she trained as a backup to Sandy before moving to Safekeeping full-time in 2022. Karen was promoted to Safekeeping Officer in April 2023 as part of this planned transition.

We're thankful to Sandy for her many contributions to Bankers' Bank of the West, and also confident she's leaving the department in good hands under Karen.

Congratulations and best wishes to you both!



BBW's Safekeeping duo Karen Milano (left) and Sandy Gerk are working together through year-end 2023.

## Introducing Andre Johnson

Before applying for the position of Senior IT Support Specialist with BBW, **Andre Johnson** had most recently worked for a managed service provider. In that capacity, he gained experience in various industries—real estate, manufacturing, and others. After meeting BBW’s IT team, Andre identified the bank as the place he wanted to work next.

“I’m very pleased to have found such a good fit,” he said. “I have strong desire to grow.”

Andre noted that because banks are often a target of bad actors, the need for security in banking is more acute than in many other businesses, but added there are many tools and safeguards to aid the cause.



Born and raised in Colorado, Andre and his wife, an elementary school teacher, attended the University of Northern Colorado. The two met in high school, married seven years after they started dating, and the couple now has three children—two sons (ages 16 and 11) and a three-year-old daughter.

Andre said he relishes his role as a father and, having been an only child himself, he is fascinated to watch the sibling dynamics play out. “I’m blessed with the opportunity to instill values in our children as they mature,” he added.

The family is heavily involved in their church. Andre is an ordained elder, and his wife is active as well. Their oldest son, a percussionist and trombone player who envisions earning a degree from his parents’ alma mater, started playing in the church when he was just three years old.

## Welcome, Adam Lynott

After working for 10 years helping City and County of Denver employees during their transition to retirement, **Adam Lynott** decided in 2017 to take on a new challenge to satisfy his voracious appetite for learning.

With that objective in focus, Adam earned a cybersecurity degree in 2022 from Red Rocks Community College and subsequently landed his first job in the financial services industry—as an Information Security & Compliance Specialist for Bankers’ Bank of the West and its sister company, CivITas Bank Solutions, in April 2023.



“At first I wasn’t sure what to expect in a banking environment, but I’ve been pleasantly surprised and impressed by the warm welcome and offers of help I received from all corners of the organization,” he said.

“BBW is a great place to work. And beyond that, I’m learning and growing every day, which is just what I’d hoped for.”

Music is among Adam’s favorite interests: He plays the bass, taught himself the ukulele—and, in his words, “never turns down a karaoke challenge.”

Adam’s go-to outdoor pursuits are hiking and playing tennis. He and his wife have one son, age 12.

## Former Federal Reserve leader to speak at October WSEF Symposium

**Esther George**’s tenure with the Federal Reserve bank spanned more than 40 years, during which she held a variety of roles including commissioned examiner, chief regulator, and—in 2009 during the Great Financial Crisis—acting director of Banking Supervision and Regulation in Washington D.C.

Ms. George will speak at the **2023 Western States Director Education Foundation Symposium** to be held Oct. 29-31 at the Westin Kierland Resort & Spa in Scottsdale.



*Presentation Synopsis:*

**“The U.S. Economy and Banking Conditions”**  
*Today’s complex economic and financial landscape has important implications for community banks, and the role of bank directors has never been more vital to the future of community banking.*

*Understanding the influence of economic policy and regulatory demands can position bank leaders to continue serving the critical needs of communities across the United States.*

**PROGRAM DETAILS & REGISTRATION AT [WSEF.ORG](https://www.wsef.org)**

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## Is tomorrow's growth opportunity sitting across from you today?

Bankers' Bank of the West colleagues **David Philippi** (VP–Correspondent Services) and **Eric Hallman** (VP–Bank Card Sales & Support) conducted a joint presentation at the Bankers' Bank of the West Payments Conference in April. Attendees' feedback on that session was positive and enthusiastic. Several of the participants suggested that the theme—**making more of what you have**—be explained and explored more fully. Following is a summary of the ideas Eric and David shared with those who took part.

Growth is a top priority for all financial institutions. Over the decades, many banks' strategies relied on attracting "net-new" business. On the whole, those efforts yielded mixed results. A bank could, for example, offer a special promotion or lower its fees in an effort to pick up customers from a competitor. But even if that promotion were to succeed in the short run, the bank must commit to actively developing its newly acquired business. Otherwise, the results are sure to be disappointing.

It's time for a new mindset. Many community banks stand to gain by getting additional business from their existing customer base. First, we must recognize the value of what we already have—and focus on making inroads there.

Consider that an ATM/debit card is the single most used and expandable product your bank offers. On

average, it's used between 15 and 20 times a month. It ties the customer to your bank in a significant way: Many cardholders set up regular transfers or payments from their card.

Traditionally, it's been common for a community bank to think of an assertive sales culture as outside its wheelhouse. Yet today, with primary markets expanding, a consistent and assertive sales culture is critical to long-term success. To make headway with current customers, your front-facing staff will require ongoing training, practice, encouragement, and rewards. (It's true: incentives are what will change behavior.) Finally, accept that growing your business by making more of your current customer base will require a long-term commitment, leadership, and follow-through.



*Learn what your current program offers and find out how to educate both your frontline staff and your customers on the features and benefits of your debit card. The BBW Bank Card team provides this support to our customers. To better understand your options with your debit program, contact*

**Eric Hallman at 402-440-7210 or [ehallman@bbwest.com](mailto:ehallman@bbwest.com).**



Eric Hallman

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## Discussion of CAMELS components suggests a balance of approaches for achieving goals

Bankers' Bank of the West was proud to be a Marquis Sponsor for the recent Arizona and Colorado Bankers Associations' Summit in Marana, Arizona. At the event, Chris Hill, BBW's CFO, participated on a panel regarding the CAMELS rating system along with Marcus Williams (Buchalter) and David Messina (FHLBank of San Francisco).

It opened with a riddle: A man leaves his three sons 17 camels to be divided with the eldest receiving half of the camels, the middle son one-third of the camels, and the youngest one-ninth of the camels.

The presenters addressed each of the CAMELS components, with personal insights and experiences shaping the speakers' perception and importance of each.

- Capital plays a central role in how a bank manages its risks.
- Asset quality remains strong but bubbles up as the leading concern in an economic crisis.
- Management has improved at identifying stronger and more resilient risk-management systems.

- Earnings did not warrant as robust a discussion as the other categories.
- Liquidity rapidly inflated balance sheets in 2020. As it moved out, banks have scrambled, and paid a premium on, new funding sources.
- Sensitivity to market risk has been demonstrated in a practical sense over the past year.
- Other non-rating factors include the evolution of technology and cybersecurity, the speed of information and rise of social media, and a disconnect in investment performance compared to financial performance.

The panel returned to the riddle, which was solved as: The brothers borrowed a neighbor's camel, bringing their total to 18. At this point the eldest son received 9 camels, the middle son 6 camels, and the youngest 2 camels. The remaining camel was then returned to the neighbor.

The lesson was that while CAMELS ratings have subjective elements, achieving your bank's rating goals requires a balance of sound, practical management and occasional outside-the-box thinking.

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## Don't be bamboozled: a whimsical journey into business email compromise

*Continued from page 3*

loot like contact lists and email signatures. For the crooks, these treasures constitute a roadmap to your digital kingdom. Studying network workings, they understand hierarchies, communication patterns, and vulnerabilities. They target individuals with more access or influence. To protect yourself from falling into such a trap, contact the sender through a different communication channel.

Misfortunes in the interconnected web of businesses and partnerships can reverberate to your doorstep. You must brace yourself for an influx of spam and phishing

attempts. Scammers manipulate compromised contacts and relationships to launch deceitful campaigns. They exploit trust by using names and addresses familiar to you. Thus begins a never-ending game of whack-a-mole. Stay alert, double-check email authenticity, and hone your phishing detection skills. Collaborate with business partners to strengthen your collective defenses.

Communication plays a pivotal role in the battle against BEC. Maintain open lines of communication about compromises to protect yourself and others. Promptly notify all affected parties to enhance protection measures. In sharing information, legitimate businesses can identify patterns and develop strategies to defend against



cunning scammers. Together, we can stay a step ahead.

By maintaining a high degree of skepticism, applying robust cybersecurity measures, and leveraging digital savviness, you can thwart scammers' plans. Implement all recommended safeguards and verify email authenticity. When you take such precautions, you become a formidable opponent. Stay vigilant, trust your instincts, and keep your digital fortress secure. Let's outsmart these scammers and maintain peace of mind in our email exchanges.

Prevention is key in the fight against BEC. Educate yourself and your colleagues about the risks, warning signs, and best practices for email security. Update passwords regularly, enable multifactor authentication, and stay informed about the latest phishing techniques. Staying proactive and vigilant, we can protect ourselves and our organizations from falling victim to malicious schemes.



*Plan to attend our **2023 banking-centric workshop for IT and IS professionals** to be held in Denver October 4-6. (To receive event updates, sign up at <https://www.acivitas.com>.)*

*Also visit <https://www.acivitas.com/training> to access educational webinars and resources.*

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