



2012-13 Annual Report: Review and preview

Executive Summary

Under attack and pushing back. That's the summary of banking this past year. Whether it is mountains of new constricting federal regulations, proposed expansions for subsidized competitors (credit unions), stifling foreclosure bills, proposed ballot initiatives for a state owned bank, federal court review of our foreclosure law, or any number of other subjects, banks are under the gun. CBA is here to push back. And we've done so with remarkable success. And we'll keep doing so.

It has been and will be another year full of challenge for our industry. Despite good success in the 2013 Colorado Legislature, our challenges in Congress and with regulators and a distrusting public are great. The unknown implications of the DFA – unintended consequences – are most troubling. The additional pressure they and the rules rolling out of CFPB put on banks is distressing.

If banking is not heard it will be trampled, so CBA focuses on advocacy. We try to outwork and outthink adversaries. In short, we act ethically, work smart and work hard – to produce sustained excellence. In the West, "if you don't make dust, you eat dust." CBA creates dust by pressure relentlessly applied. We take our role of being your advocate very seriously.

We are proud to enjoy a reputation for being good at advocacy: a strong track record in state legislative matters, and national recognition as a creative leader on DFA, Basel III, regulatory burden, Regulatory Feedback Initiative among others. We resourcefully defend banks in general about key issues including foreclosures and small business lending and initiate efforts like our web site addressing small business lending (www.SmallBizLending.org). We've added to our information services for bankers (www.ColoradoBankers.org) and our education for bankers, ranging from the American Institute of Banking and seminars on key current topics to the CBA-founded and sponsored Graduate School of Banking at Colorado (www.GSBcolorado.org). This year we introduced Compliance Alliance (www.ComplianceAlliance.com) to provide voluminous resources for bank compliance. To enhance banking's advocacy effort, we created and launched the Center for Bank Advocacy: a training practicum – to develop skilled banking advocates.

We thank our members for vital continued support and precious input. We know you are busy resolving issues within your own bank just as we face industry challenges that continue and even accelerate – and especially exacerbate. We promise to continue our intense CBA efforts to be "ahead of the curve" and produce the results you need. We focus on the right issues with positions determined by you. We strive to deliver key services to help you survive and thrive in this hostile environment. But most of all, our commitment to our member banks is unwavering.

A handwritten signature in black ink, appearing to read 'Don', is written in a cursive style.

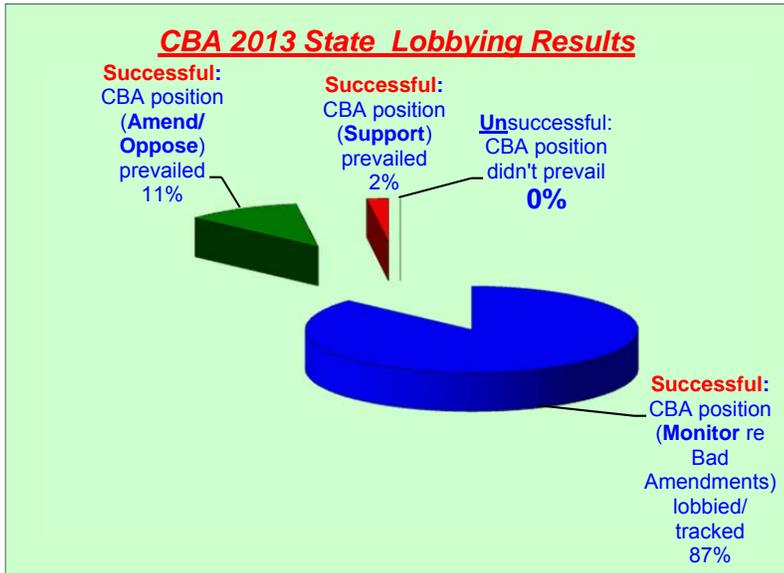
Government Relations

CBA’s advocacy on your behalf involves both government relations and public relations. In government relations our roles are to: ●protect banks from many attacks ●advocate new opportunities for banks ●inform members about issues and results ●elect better public officials ●block bad ballot initiatives ●increase banker involvement ●build better relationships with public officials ●oppose unnecessary redundant or excessively burdensome legislation and regulation and ●work proactively and positively with legislators, regulators, advocacy groups and others to produce efficient, effective results.

State Government Relations

- Our Colorado priorities remained on playing defense to block bad legislation.
- **143 bills** were monitored/tracked/lobbied with 100% success rate in 2013.
- We resoundingly defeated a very damaging foreclosure bill in the legislature by a 10-1 vote.
- CBA amended numerous bills to protect lenders’ lien priority.
- We also were in new venues. At the Title Board and in the Supreme Court, we worked to block five ballot initiatives in 2012 (foreclosures, state bank) and the state-owned bank initiative in 2013.
- That ballot initiative would have used all state tax and other revenues and state assets to create a state-owned bank.
- CBA was in court to protect key banking laws that were under attack including representations of authority by public entities and construction defects protection for lenders as well as homeowners.
- The foreclosure “due process” challenges in U.S. District court need to be resolved soon. CBA is confident the Colorado law provides due process; we are frustrated by the added legal actions, PR problems and legislative challenges it has spawned.
- We represented banking interests on numerous state-wide task forces (Elder Abuse, Amendment 64 (marijuana) Implementation Task Force Tax/Funding and Civil Law Working Group, and Wildfire).
- Bankers dined and discussed current issues with 51 of the 100 state legislators in 2013, during weekly private lunches and board dinners and at CBA’s annual Legislative Luncheon.

Results continue for bankers in 2013
CBA maintains 100% success rate



Foreclosures Plummet in Colorado

2012 Foreclosures in Colorado Drop to Six-Year Low

Colorado filings drop to 2006 level

At the start of the New Year, Colorado is beginning to feel a sense of hope about our economy for the first time in quite a while, and it's big reason for that is a rebounding housing market.

Colorado Attorney General John Suthers January 10, 2013

Percentage of Loans in Foreclosure by Year

Federal Government Relations

- A few simple words constitute CBA’s priorities at the federal level: regulation/compliance, capital and competition. The specific issues include Basel III, regulatory pressure, QM and QRM and related regulations, disparate impact, overdraft revenue and TBTF. These issues impact the economy and banks and we are pressing Members of Congress on these and others including exam appeals, credit union member business loans, privacy notices, pressures pushing bank consolidation and Freddie and Fannie reform.
- CBA organized early and strong opposition to the Basel III capital proposals: wrote a 15-page CBA comment letter (9,200 words, 19 separate issues); orchestrated the first letter to regulators from an entire Congressional delegation (later copied by 17 other states); urged Colorado bankers to provide comments to regulators (and hundreds did); obtained opposition from many other business groups due to the impact we explained it would have on them. We expect movement in June/July but there appear to be continuing differences between regulators. In Congress, we are promoting the “stop and study” bill to block implementation of Basel III until further study of its consequences.
- CBA is studying the impact of various DFA rules on the economy and bank customers and collecting real examples – to bolster our arguments to provide relief from excess regulation.
- Banks are struggling under QM & QRM: rules, policies/procedures, origination system changes, training, audits, loan officer compensation... The Mortgage Bankers Association estimates huge negative impact on customers’ ability to qualify for mortgages under various QM & QRM scenarios.
- CFPB’s Ability-to-Repay rule runs directly into HUD’s fair housing mandate under their “disparate impact” view. We’re voicing concerns about compliance with ability to pay causing noncompliance on prohibited discrimination.
- CBA initiated several lengthy meetings with Senator Mark Udall who previously sponsored credit union member business loan expansion legislation in order to discourage him from doing so again. He did so anyway.
- We spearheaded the national Regulatory Feedback Initiative to gather survey information about the examination process. It was tailored in 2011 after the original Colorado Bank Regulatory Issues Survey created by CBA in 2008. More than 1,700 surveys have been completed nationwide (more than 25% of all banks in U.S. have responded). CBA is leading enhancements like “flash surveys” on hot topics.
- CBA met with or formally contacted our Colorado Members of Congress 12-19 times for each of our nine Members of Congress in 2012-13 on topics including: DFA regulations, CFPB, regulatory burden, Basel III, banking marijuana businesses, credit union member business loans and bank examinations.
- CBA established a coalition of local groups to help in opposing Basel III including the Colorado Association of Commerce and Industry, Denver Metro Chamber of Commerce, Colorado Concern, Colorado Competitive Council and others
- Since January 2011, CBA’s Dodd Frank Task Force has reviewed the specific rules being proposed as a result of the 2010 legislation. Its goal is to provide Colorado banks with guidance regarding various rules and identify concerns that should be addressed through comment letter or banker involvement.



Reasons to oppose the expansion of Credit union member business loans

Below are reasons to oppose any bill to expand credit unions’ business lending authority, such as raising the credit union member business lending (CMBL) cap from the Congressionally mandated 12.5% of assets to 27.5% of assets.

Increasing the cap is unnecessary and would be ineffective, unwise and damaging, contrary to good fiscal sense, unfair to other taxpayers, unbalanced in competition... Expansion of the CMBL cap would be another step in the credit unions’ drift from their mission. Credit unions already have lost the justification for tax exemption.

Summary

- The existing cap was adopted for good reasons – to preclude unfair tax-subsidized competition with for-profit entities, and to protect the safety and soundness of credit unions. That rationale still is sound.
- The huge MBL increase just proposed would be unwise and the expansion doesn’t hold up.
- There are very large exceptions from the limit, credit unions are given a list of the authority cap and would lose a vital portion of current authority even for their outstanding loan portfolios.
- CMBLs grossly increase loan and job projections are met & avoid gradual slide in credit unions, and will be permitted by existing rules.
- This drastic credit union expansion increases the costs to the U.S. Treasury.
- Credit unions are not unified in support of the bill. Only big, aggressive CUs are seeking this.
- Contrary to 2012, it should not bypass the committee process and should not be a priority compared to U.S. fiscal issues.

Why the limit? ... There are reasons for the existing cap:

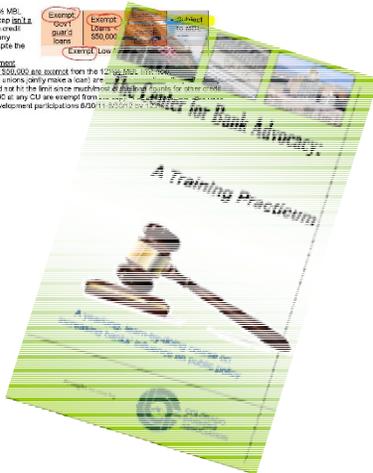
- When Congress allowed credit unions to serve multiple groups (the public) it imposed the cap to preclude full tax-subsidized competition with for-profit banks.
- The cap also was needed to limit growth to credit union safety and soundness, by restricting their movement in a lending area (commercial lending) where neither CU loan officers nor NCUA examiners have experience. This was designed specifically to prevent a repeat of the 1980s decade when S&L commercial lending was greatly expanded and they nor their regulators understood the risks in commercial lending.

What’s the limit cover? – The 12.5% MBL limit applies only to some loans, the new 27.5% limit would allow for... for Colorado credit unions and loan participations allow any restricted CU to continue lending despite the cap.

Example 1	Example 2	Example 3
100% \$500,000	Exempt \$500,000	Exempt \$500,000

Large Income Credit Unions, government-subsidized loans and loans under \$50,000 are exempt from the 12.5% MBL limit.

Participations with several credit unions only raise a cap line... allow them to serve customers and to hit the limit since much more of the loan funds for other credit unions or not at all (loans \$50,000 or any CU are exempt from CMBL cap).



Government Relations – Other

- The Center for Bank Advocacy: A Training Practicum – an inaugural class of 11 enthusiastic participants from banks of varying size. We launched this year-long leadership program this January, dedicated exclusively to creating better advocates among bankers. Participants complete numerous sessions and attend various banker meetings, legislative hearings and a trip to Washington, D.C. Speakers have included: Former Speakers of the House Terrance Carroll and Frank McNulty, Deputy Attorney General David Blake and prominent business lobbyists and PR consultants.
- We are focused on educating Members of Congress with an in-bank “Take Your Congressman to Work Day” and a state legislator counterpart. Curriculum will include overviews, problems for customers, financial statements, loan underwriting (various kinds of loans), regulatory restrictions/requirements and especially compliance. Messages will include Basel III hurts banks’ ability to finance small business and nonbanks caused the meltdown for which banks are wrongly being blamed – and punished.
- CBA is planning the next 18 months of proactive and reactive advocacy at the state and federal levels, and in legislation, regulation, ballot initiatives, courts, public perceptions and election campaigns.

Public Relations and Information Services

- CBA’s public relations roles are to continue to: ●proactively and assertively defend and explain banking ●respond to media inquiries for the industry and ●maintain relationships with media and desirable partner organizations.
- As the representative voice of more than 90% of the Colorado banking industry’s assets, CBA takes seriously the role of educating the public and providing the industry with resources. 2012-13 was a time when unfounded resentment of banks continued and consumer trust had dropped. CBA met the heightened attention with increased public education, amplified resources for bankers and proactive media education.
- We launched a new CBA www.ColoradoBankers.org website with database connectivity, allowing CBA members additional access and information. Traffic to the site has increased 27% since its end of January launch, and our letter-generating system for government relations has been enhanced.
- Our industry is undergoing the most dramatic regulatory and structural changes in the past 80 years. CBA provided members with helpful talking points, position papers, stats and analysis that are meant to save you time, and educate your employees & customers.
- CBA continued promotion of www.SmallBizLending.org, launched in 2012. We are growing partnerships and social media visibility, as well as maintaining strong readership of the bi-monthly newsletter. Twitter followers have increased more than 30% since January 1.
- CBA is a sought-after resource for local and national journalists and is regularly quoted or mentioned in news coverage. That’s part of our role to explain banking.
- We posted at least two news updates daily on the CBA website as well as regular posts on Twitter.
- The CBA weekly newsletter was revamped to include a more thorough recap of the week’s news and details on information important to CBA members.
- We rebuilt www.Financialinfo.org, a CBA site to keep consumers financially savvy, and increased its traffic.



- Several times in 2012-13 CBA on request helped individual community banks deliver extremely sensitive messages to their community with success. CBA answered tough media questions that aren't in a bank's interest to handle. CBA's reputable media relationships can be a huge benefit when your bank needs to get a message out, and saves you headaches before they begin.
- CBA is planning an initiative, dubbed "Amplify," designed to enhance the industry's PR and grassroots efforts and results.
- Dozens of presentations were made by CBA on the banking industry with hundreds of attendees.
- We are exploring installing video conferencing at CBA so we can facilitate communications for meetings, seminars, and group discussions.

Educational Programs and Annual Meeting

- CBA hosted 250+ attendees at the 2012 Tri-State (CO, WY, MT) Meeting in Denver, which included 3 days of events and educational programming.
- We supported 10 education programs per month on average.
- CBA started a bi-monthly breakfast series, including topics on Mortgage Lending and QM & QRM.
- We held several special programs throughout the year, including how Basel III hurts banks, home buyers, small businesses and the economy and a fraud and robbery seminar for over 75 bankers and law enforcement individuals.
- The 2013 CBA annual meeting has been revamped to focus on issues key to Colorado bankers. More than 150 attendees will hear 24 speakers cover 18 topics in one and a half days.
- CBA's various training courses range in format from 10 week college-esque online courses to full day seminars, to multi-hour long webinars. Events are posted at the www.ColoradoBankers.org calendar and reminders are given often in CBA's *Education* correspondence.
- CBA hosted the Small Biz Lending Forum, including a chat with Governor Hickenlooper.
- CBA is adding programs and will provide an advance schedule of live and broadcast sessions. This will be supplemented with briefing "white papers" documents and videos.



FirstBank's David Kelly, a CBA board member, speaks at a CBA event on QM and QRM in February.



Graduate School of Banking at Colorado

- The CBA-founded and sponsored Graduate School of Banking at Colorado (www.GSBcolorado.org) attracted 427 students for its 2012 summer session – with 465 registered for 2013 as of May 20, 2013. GSBC remains the premier community banking school in the U.S.



Other

Compliance Alliance

- Designed to be the extra set of hands for your compliance department, Compliance Alliance provides the necessary tools and resources your bank needs. (www.ComplianceAlliance.com)

Membership and Organization

- CBA represents 90% of bank employees, branches and assets in Colorado.
- We added 7 new members this year – with ongoing efforts to increase that.
- We have more than 100 volunteer decision-makers.
- CBA operates with 5 staff members.

Finances

- CBA has a healthy balance sheet reflecting member equity of \$1.7 million.
- Despite unexpected expenses fighting court battles and ballot initiatives, we anticipate ending 2012-13 at breakeven.

Affiliate Members

CBA works with a number of Affiliate Members that offer services ranging from:

- Asset/Risk Management
- Accounting, Audit
- Tax Consulting
- ATM and Payment Cards
- Bank Operations
- Consulting Services
- Compensation/Retirement Services
- Correspondent Services
- Data Processing
- Fraud Protection
- Human Resources
- Insurance Products & Services
- Law Firms
- Lending Resources
- Resources
- Risk and Compliance
- Technology Management
- Training/Education
- Wealth and Trust Management

Preferred Vendors

CBA partners with and endorses 18 preferred vendors each operating in a different line of servicing that banks utilize.

- Affiniscap
- Ascensus
- BKD, LLP
- Carreker
- Compliance Alliance
- Computer Services, Inc.
- Corporation for American Banking
- Eide Bailly LLP
- Encounter Collaborative
- Everfi
- GlobalVision Systems
- Office Depot
- Pentegra
- REO Deedwagon
- TriNet
- ValueCheck
- Xerox

CBA Leadership**CBA Officers:**

2012-13 Chairman: Bruce Alexander – Vectra Bank Colorado

2012-13 Chairman Elect and 2013-14 Chairman: Koger Propst – Sturm Financial Group, ANB Bank

2012-13 Treasurer and 2013-14 Chairman Elect: Jeff Schmitz – Citywide Banks

2013-14 Treasurer: Mark Bower – Home State Bank

2012-13 Past Chair: Keith Dickelman – Home State Bank

2012-13 President/CEO: Don Childears – CBA (Non-voting)

CBA Board of Directors:

Chad Adams – Adams Bank & Trust

Bruce Alexander – Vectra Bank

Jim Basey – Centennial Bank

Mark Bower – Home State Bank

Nathan Christian – Wells Fargo

Keith Dickelman – Home State Bank

Mark Driscoll – First National Bank

Jonathan Fox – Fowler State Bank

Michael Hobbs – Guaranty Bank

David Kelly – FirstBank of Colorado

Michael League – Five Star Bank - AFBA

Robert Likos – Bank of America

Todd Munson – JPMorgan Chase

Bob Ostertag – Colorado Business Bank

Stuart Pattison – Colorado Community Bank

Koger Propst – Sturm Financial Group, ANB Bank

Michael Robinson – Bank of the West

Hassan Salem – US Bank

Jeff Schmitz – Citywide Banks

Bill Sullivan – Colorado State Bank and Trust

Craig Walker – First State Bank of Colorado

Margo Young-Gardey – Alpine Bank

CBA has enhanced its Board composition with new members starting in summer 2013 and is focused on getting more women and minorities involved.

Don Childears – CBA President/CEO – serving CBA since 1975

Jenifer Waller – CBA Sr. Vice President – bank and bank regulatory experience since 1987

Amanda Rogowski – CBA Director of Marketing – with CBA since 2000

Amanda Averch – CBA Director of Communications – with CBA since 2012

Fritz Mackey – Executive Assistant – with CBA Since 2012

Craig Umbaugh – Hogan Lovells, CBA Legal Counsel since 1989

Melanie Layton, Jim Cole, and Garin Vorthmann – CBA Lobbyists – since 1982

Margie Mellenbruch – Accountant



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CBA Scorecard			
CBA provides this simple scorecard to highlight what CBA does for the industry.			
Membership	90%+ of Employees, Branches and Assets in CO	Recent examples of hot topic programs	<ul style="list-style-type: none"> • 60+ – Fraud/Robbery • 50+ – Small Business Lending • 150+ – QM Seminar
Board Members	23	Information Updates	2 Updates/Day on Website, 1 Update/Week via Email
Banker volunteers on Committees	50+	Magazines	1 (6 Issues/Year), sent to 2,286
CBA bankers appointed to Business or Government Task Forces	Dozens	Attendance at Annual Legislative Luncheon	125
Employees	5	Annual Meeting attendance	150+
Bills worked in 2013 Legislature	143	Education Updates	Average 1/Week via Email
Colorado Lobbying success ratio	100%	Total Education Programs	Average 20+/Month
CO Members of Congress met with CBA on current issues	100% – and often	Examples: CBA estimates of banking's impact	<ul style="list-style-type: none"> • Colorado Banks' Voluntary Contributions • Affordable housing • Foreclosure facts • Colorado Credit Reserve program
Times CO Members of Congress were formally contacted by CBA	134 (for 9 Members of Congress from CO)	Media Interviews	160+/yr
Discussions with Senior Federal Banking Regulators (Fed Governors, FDIC V-Chair, CFPB Deputy Director...)	9	Public presentations on financial turmoil and condition	Dozens of presentations; thousands of attendees
Legislators to lunch at CBA with Bankers	11 key leaders	Sales in four months for CBA's new compliance service: Compliance Alliance	\$122,500 in signed contracts
Bankers to lunch at CBA with Legislators	70	Banks responding to CBA-created Regulatory Feedback Initiative (national survey based on CBA's previous work)	1,702 (25% of all banks in U.S.)
State Task Forces where CBA represents CO banking	3	Students at CBA's Graduate School of Banking at Colorado	427 in 2012, 465 in 2013
CBA Dodd/Frank Act explanation	45 pgs., copied by dozens of associations nationwide	CBA annual budget	\$1.1 Million
CBA's Basel III comment letter	15 pages, 9,200 words, 19 separate issues	CBA net worth	\$1.7 Million
ROI – CBA has been told that out of the countless investments a bank makes, the ROI from CBA greatly exceeds all others. We believe that's because CBA produces results – for banks.			