the
Independent Report
“Colorado banking at its best”
2017 - 2018 OFFICERS AND DIRECTORS

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Mary Marchun, The Capstone Group

Cover by Bob Kissel:
Beckworth Ranch, Custer County. Wetmore Valley historic preservation project about 5 miles north of Westcliffe. To see more of Bob’s photos visit his website at www.flickr.com/photos/rekissel/sets.
# Preferred Providers

IBC Preferred Providers are selected by bankers just like you, so give them special consideration when considering their proposals for your bank! To learn more about IBC’s Preferred Providers contact the IBC at 303.832.2000. Please note: IBC endorses the listed companies but not all products offered by the company.

<table>
<thead>
<tr>
<th>Provider</th>
<th>Contact</th>
<th>Description</th>
<th>Contact Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBC</td>
<td>Mary Ann Elliott-Supples</td>
<td>IBC Preferred Providers are selected by bankers just like you, so give them special consideration when considering their proposals for your bank! To learn more about IBC’s Preferred Providers contact the IBC at 303.832.2000. Please note: IBC endorses the listed companies but not all products offered by the company.</td>
<td><a href="mailto:msupples@bbwest.com">msupples@bbwest.com</a> 303.291.3700</td>
</tr>
<tr>
<td>DELUXE</td>
<td>Chuck Allor</td>
<td>Massive buying power and inventory expertise to help you consolidate, simplify, and save. By consolidating buying power you receive the best prices on the items you need. Use a single source to management inventory, a customized automated online ordering system and more!</td>
<td><a href="mailto:charles.allor@deluxe.com">charles.allor@deluxe.com</a> 719.599.4466</td>
</tr>
<tr>
<td>HARLAND CLARKE</td>
<td>Eddie Hook</td>
<td>Harland Clarke, a leading provider of best-in-class solutions, serves more than 11,000 financial institutions nationwide. Harland Clarke offers: Payment Solutions (checks, card services, forms, etc.); Integrated Multichannel Marketing Services and Security Solutions.</td>
<td><a href="mailto:eddie.hook@harlandclarke.com">eddie.hook@harlandclarke.com</a> 303.827.3649</td>
</tr>
<tr>
<td>IBT</td>
<td>Steve Thomas</td>
<td>IBT’s Core Processing platform enables you to meet the specific challenges of the marketplace efficiently and effectively. IBT’s Core Processing with i2 Suite is the right way to do business for you and your customers, reducing costs, improving efficiencies and enhancing compliance.</td>
<td><a href="mailto:sthomas@ibtapps.com">sthomas@ibtapps.com</a> 512.616.1100 ext. 110</td>
</tr>
<tr>
<td>iHELP</td>
<td>Jim Iannuzzi</td>
<td>An iHELP Private Student Loan helps families cover the gap between the cost of college and their financial resources. Students can also consolidate existing federal or private student loans with an iHELP Consolidation Loan. Funded by local community banks across the country, iHELP offers competitive fixed and variable rates, flexible repayment options and a single point of contact for borrowers.</td>
<td><a href="mailto:jianinnuzzi@ihelploan.com">jianinnuzzi@ihelploan.com</a> 610.234.0592</td>
</tr>
<tr>
<td>ICBA</td>
<td></td>
<td>The IBC supports and recommends the following products and services supplied by our national association, the ICBA: ICBA Bankcard and TCM Bank, N.A.; ICBA Compliance &amp; Risk Management; ICBA Mortgage; ICBA Reinsurance; and ICBA Securities.</td>
<td><a href="http://www.icba.org/servicesnetwork">www.icba.org/servicesnetwork</a> 866.843.4222</td>
</tr>
<tr>
<td>OnCourse Learning</td>
<td>Craig Johnson</td>
<td>At OnCourse Learning, formerly BankersEdge, our high-quality training is specifically tailored to the complex needs of banking institutions. We now offer four simplified training options that have been designed with employee-specific responsibilities in mind. Our courses have been repackaged into topic-specific series, with more than 550 courses and growing.</td>
<td><a href="mailto:cjohnson@oncourselearning.com">cjohnson@oncourselearning.com</a></td>
</tr>
<tr>
<td>SBS</td>
<td>Ryan Schremmer</td>
<td>SBS is your cybersecurity partner. Our offerings include: TRAC™ – Cybersecurity risk management software; Cyber-RISK™ – Automated FFIEC cybersecurity risk assessment software; IT and Network Security Audits; Consulting Services; Full Service Vendor Management; Role-Based Certifications; Vulnerability Assessments; Penetration Testing and More!</td>
<td><a href="mailto:ryan.schremmer@sbscyber.com">ryan.schremmer@sbscyber.com</a> 605.923.8722 x 416</td>
</tr>
<tr>
<td>S&amp;P Global</td>
<td>Stacy Sheehy</td>
<td>S&amp;P Global combines exclusive analysis and in-depth data in real time for the banking, financial services and insurance industries. From bank branch data and government assistance programs to executive compensation and league tables, S&amp;P is the final word in business intelligence on financial institutions.</td>
<td><a href="mailto:Stacy.Sheehy@spglobal.com">Stacy.Sheehy@spglobal.com</a></td>
</tr>
<tr>
<td>TRAVELERS</td>
<td>Brandon Tate</td>
<td>Offering a wide range of customized insurance protection, Travelers SelectOne® for financial institutions is designed to respond to the most recent trends in banking.</td>
<td><a href="mailto:btate2@travelers.com">btate2@travelers.com</a> 720.200.8465</td>
</tr>
<tr>
<td>Vantiv</td>
<td>Lauren Gonnella Copeland</td>
<td>Turn your card program into a growth opportunity. With 40 years in payments and card processing, we can quickly relieve you of the regulation and compliance burden. In the end, working with Vantiv, now Worldpay is a low risk, high return proposition because of our payments expertise and proven results. Worldpay drives the IBC’s 46 location ATM surcharge-free network.</td>
<td><a href="mailto:lauren.gonnella@vantiv.com">lauren.gonnella@vantiv.com</a> 513-900-4661</td>
</tr>
</tbody>
</table>
**SUPPORT THE IBC’S ASSOCIATE MEMBERS!**

**Accounting / Compliance**
- Anderson & Whitney 970-352-7990
- Bank Accounting and Consulting, LLC 303-916-2566
- BKD, LLP 303-861-4545
- Eide Bailly, LLP 303-770-5700
- FIS EGRC 720-325-4697
- Fortner, Bayens Levkulich & Garrison, PC 303-296-6033
- Garland Heart – Info Security | Compliance | Consulting 972-429-8200
- Iverson & Associates, LLC 303-949-7702
- Moss Adams, LLP 503-471-1277
- Stockman Kast Ryan & Co., LLP 719-630-1186

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- FF&S, Inc. 303-323-4341
- *Harland Clarke 800-525-8848*

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**Computer Products / Consulting**
- @Risk Technologies 800-426-0178
- AccuSystems 719-583-8004
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- DM Tech Solutions 214-883-4222
- FIS EGRC 720-325-4697
- Garland Heart – Info Security | Compliance | Consulting 972-429-8200
- *SBS CyberSecurity 785-594-0503*

**Consulting / Marketing / Strategic Planning**
- Bank Strategies 303-618-0056
- Bell State Bank 701-371-3355
- Expert Business Development 610-771-2121
- GLC Advisors 303-479-3840
- Kassasa 877-342-2557
- O'Connell Consulting Group 303-795-3539
- *Oncourse Learning 866-806-9900*
- The James Paul Group 877-584-6468
- *S&P Global 434-951-6948*

**Correspondent Banking Service**
- *Bankers’ Bank of the West 303-291-3700*
- Bell State Bank 701-371-3355
- CenterState Bank 303-773-0441
- TIB – The Independent BankersBank 972-650-6000
- INTRUST Bank 800-732-5120
- PCBB 888-399-1930

**Data Processing / EFT / ATM / Card Processing / Merchant Services**
- *Bankers’ Bank of the West 303-291-3700*
- BMA Banking Systems 801-887-0122
- D+H 800-815-5592
- *IBT 512-606-1100*
- *ICBA Bancard / TCM Bank 800-242-4770*

**Data Processing / EFT / ATM / Card Processing / Merchant Services Continued**
- Jack Henry & Associates 417-235-6652
- NuSource Financial, LLC 952-942-9191
- SHAZAM 515-288-2828
- *Fintiv Corp 513-900-4661*

**Insurance / Benefit Services**
- Bank Financial Services Group 267-291-2130
- Corrigan & Company 805-963-2090
- Equias Alliance 469-252-1037
- Financial Designs Ltd. 303-832-6100
- Haas & Wilkerson Insurance 913-676-9259
- *ICBA Reinsurance 888-790-6615*
- *Travelers 720-200-8416*

**Investments / Funding and Lending Partners**
- 1st Mortgage Solution USA 303-651-7800
- The Baker Group 405-415-7200
- Colorado Enterprise Fund 303-860-0242
- Colorado Housing and Finance Authority 303-297-7329
- Colorado Lending Source 303-657-0010
- Community Reinvestment Fund, USA 303-870-9795
- Crescent Mortgage 970-278-9328
- D.A. Davidson 303-764-6000
- FHLBank Topeka – Denver Office 303-893-3452
- Gill Capital Partners 303-296-6260
- Hayden Outdoors 970-674-1990
- *ICBA Mortgage 800-253-5356*
- *ICBA Securities 800-422-6442*
- *Help Student Loans 610-234-0592*
- Northland Securities, Inc. 303-801-3380
- Promontory Interfinancial Network 303-706-9265

**Law Firms**
- Coan Payton & Payne, LLC 970-225-6700
- Fairfield and Woods, PC 303-894-4416
- Jones & Keller 303-573-1600
- Lathrop & Gage, LLP 720-931-3228
- Lewis Roca Rothgerber Christie, LLP 303-623-9000
- Lindquist & Vennum, LLP 303-573-5900
- Markus Williams Young Zimmerman 303-830-0800
- Move White, LLP 303-292-2900
- Shapiro Bieging Barber Otteson, LLP (IBC Counsel) 720-488-0220
- Spencer Fane, LLP 303-839-3838
- Stinson Leonard Street, LLP 303-376-8400

**Loan Review Services**
- Eide Bailly, LLP 303-770-5700
- Fortner, Bayens Levkulich & Garrison, PC 303-296-6033
- Iverson & Associates, LLC 303-949-7702

**IBC Lobbying and Public Relations**
- The Capstone Group (IBC Lobbyists) 303-860-0555

**SBS CyberSecurity** 785-594-0503

**IBC Preferred Providers**
Helping Your Customers Invest in Education

Strengthening Your Community and Your Bottom Line

✔ **Profitable** - earn an average net return of 4.5% while building a relationship with prime customers

✔ **Safe** - 100% of principal and interest are insured; no startup costs and no minimum commitment

✔ **Hassle Free** - all administration and compliance managed by RSLFC

✔ **Convenient** - continue to help customers finance their education with an insured, low risk student loan product

Build a banking relationship with tomorrow’s top earners, today.

Learn More at [www.iHELPloan.com](http://www.iHELPloan.com)

(800) 745-3509
partner@ihelploan.com
With the new year in full swing, community bankers are obliged to do everything we can to make 2018 as good as possible for our institutions and local communities. That means planning how we can not only meet the banking needs of our friends and neighbors but also defend them in an era of rising security risks.

From natural disasters to cybercrime, the community banking industry must protect itself and the integrity of the customers it proudly serves. Fortunately, our nationwide reach is our strength, offering us the option of cooperative and collective security and recovery. And that is precisely how Sheltered Harbor aims to improve the overall resiliency of our industry.

Sheltered Harbor is a financial-services sector initiative that enables financial institutions to securely store and rapidly reconstitute account information while recovering from a cyber incident or natural disaster. The aim is to allow continued customer access through a service provider or another financial institution. Sheltered Harbor provides standards and processes for the daily storage and backup of customer deposit information in an offline data vault so it remains available in the case of a debilitating incident.

Here’s how it works. All participating institutions make a daily copy of account data in a standard format that is archived in a secure, decentralized data vault. The data remains intact and, if needed, is accessible exactly as it was when it was archived. All participating institutions update their adherence reviews to ensure that the Sheltered Harbor standards are exercised consistently.

This data storage allows a peer institution or core service provider to restore account information in case of a major cyber event or other disaster, minimizing the impact to customers. If your disaster recovery and business continuity plans fail, your restoring partner can service your customers in a relatively short time period. In other words, Sheltered Harbor participants have each other’s backs.

Consumer data stored in a Sheltered Harbor data vault is encrypted, cannot be altered and is strictly confidential. While a community bank would hope not to have to use the program, it offers all the insurance necessary should a breach or other incident occur. Sheltered Harbor is the answer if all other disaster recovery options have been exhausted—an fallout shelter for customer data.

Operated by the Financial Services Information Sharing and Analysis Center (FS-ISAC), Sheltered Harbor is led by a 34-member board of directors broadly representative of the financial services industry. ICBA has had a seat at the table since the inception of the initiative, is a member of the board of directors and collaborates with other industry associations on the initiative.

While Sheltered Harbor is a voluntary industry initiative, I hope that all community banks will participate over time. With security risks at an all-time high, this is a necessary step for the well-being of the community banking industry and its customers. Together, we will do whatever it takes to plan ahead, protect our customers and ensure our beloved community banking industry continues to flourish.

Visit icba.org/shelteredharbor to learn more about or join Sheltered Harbor.
HELPING TO MAKE COLLEGE BUDGETING EASIER

By Spencer Aberle, Chief Executive Officer, iHELP Student Loans, an IBC Preferred Provider

Aberdeen, SD, January 17, 2018– While all parents wish success for their children on the college journey, how they define that success varies. The #WhatIWish scholarship asks parents to share a photo and what they wish for their college-bound student; doing so enters their child for a chance to win a $2500 scholarship. Last year’s winner was Janett Oxendine, whose daughter is attending Bennett College in North Carolina.

“I have to admit, I’m super surprised and thrilled. I’ve never won anything, and I filled out the application fully expecting not to win!”
– Janett Oxendine, Parent, Scholarship Winner

The deadline to apply is March 31st, 2018 and the contest can be found at iHELPloan.com. In April, there will be a live announcement of the drawing on the iHELP Student Loan Facebook page.

“College is a big step for many students and we try to make that transition as easy as possible. This scholarship is one of the many resources we offer to help students pursue their goals.”
– Maria Severeid, RSLFC Marketing Manager

Based in Aberdeen, South Dakota, iHELP gives students and their families an opportunity to work with a real person, who knows student loan financing inside and out. The iHELP student loan is designed to cover the gap between the cost of education and a financial aid package, generally consisting of scholarships, grants and federal student loans. Administered by RSLFC, student loans are made affordable by leveraging the financial strength of thousands of community banks. For more information on the iHELP private student loan, please visit ihelploan.com.

# # #

If you would like more information about this topic, please contact Maria Sevareid at (605) 622-4507 or email at marias@slfc.com.
The IBC’s **Free** Legal Hotline

*Free Legal Advice for IBC Member Banks*

IBC Member Banks are permitted to contact Shapiro Bieging Barber Otteson LLP concerning simple legal questions involving the member bank.*

**Our Free** Legal Hotline services include responding to inquiries on the following issues:

- Regulatory
- Consumer Compliance
- Account Opening
- Probate
- Powers of Attorney
- Conservatorship/Guardianship
- Uniform Commercial Code
- Uniform Consumer Credit Code
- UTMA
- Mechanic’s Liens
- Loan Documentation
- Foreclosures
- Garnishment/Levy
- Subpoenas

*The hotline service does not include responding to questions that require extensive review or research or that involve specialized areas of practice such as tax, ERISA, labor, municipalities, securities or anti-trust law; general review and/or revision of legal documents; or drafting or providing particular legal forms. The responding attorney will advise you if the matter about which you seek assistance is not included in this service.*

**Take advantage of this free value added service!**

**Receive the information you need when you need it.**

Contact the IBC for additional information at 303.832.2000.
The IBC's mission is to provide high-quality educational programs in a timely manner to you and your employees with all levels of banking experience. We believe that the knowledge gained through these programs can result in success for you, your employees and your bank.

### IBC On-Site Conferences

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<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Location</th>
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<tbody>
<tr>
<td>IRA Institute</td>
<td>Tuesday and Wednesday</td>
<td>Eide Bailly Training Center, Denver</td>
</tr>
<tr>
<td>Ag and Natural Resource Conference</td>
<td>Thursday and Friday, April 19 and 20</td>
<td>DoubleTree Hotel, Denver</td>
</tr>
<tr>
<td>Analyzing Financial Statements</td>
<td>Wednesday, May 30</td>
<td>Eide Bailly Training Center, Denver</td>
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<tr>
<td>Cash Flow Analysis</td>
<td>Thursday, May 31</td>
<td>Eide Bailly Training Center, Denver</td>
</tr>
<tr>
<td>How to Write an Effective Credit Memo</td>
<td>Friday, June 1</td>
<td>Eide Bailly Training Center, Denver</td>
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<tr>
<td>Community Banker Roundtables</td>
<td>Wednesday, June 13, June 19, June 20</td>
<td>First National Bank, Durango, FMS Bank, Greeley, Bankers’ Bank of the West, Denver, United Methodist Church, Wiley</td>
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<tr>
<td>BSA/AML Mile High Summit</td>
<td>Tuesday, July 24</td>
<td>Federal Reserve Bank, Denver</td>
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<tr>
<td>45th Annual Convention</td>
<td>Wednesday – Friday, September 19 – 21</td>
<td>Vail Marriott Mountain Resort 715 West Lionshead Circle, Vail</td>
</tr>
<tr>
<td>IT and Operations Conference</td>
<td>Thursday and Friday, November 1 and 2</td>
<td>Denver</td>
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### IBC and ProBank Austin Co-Sponsored Live Seminars

<table>
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<tr>
<th>Event</th>
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<tbody>
<tr>
<td>2018 Loan Products Workshop</td>
<td>Monday, April 23</td>
<td>Aurora</td>
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<tr>
<td>2018 Real Estate Lending Compliance</td>
<td>Tuesday – Thursday, April 24-26</td>
<td>Aurora</td>
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<tr>
<td>Mortgage Lending – Start to Finish</td>
<td>Tuesday, June 26</td>
<td>Aurora</td>
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<tr>
<td>2018 TRID Compliance: The Final Frontier</td>
<td>Wednesday, June 27</td>
<td>Aurora</td>
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<tr>
<td>2018 Mastering HMDA</td>
<td>Thursday, June 28</td>
<td>Aurora</td>
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<tr>
<td>2018 Bank Secrecy Act Two Day School</td>
<td>Thursday and Friday, August 23-24</td>
<td>Aurora</td>
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**Director**

<table>
<thead>
<tr>
<th>Series</th>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>Director Series</td>
<td>Strategic Planning Years 1, 3 &amp; 5: Scope, Techniques &amp; Drafting Your Plan</td>
<td>Wednesday, April 11</td>
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<tr>
<td>Director Series</td>
<td>Regulator Expectations in Capital Planning</td>
<td>Wednesday, June 6</td>
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<tr>
<td>Director Series</td>
<td>Assessing Credit Risk for Directors</td>
<td>Thursday, July 26</td>
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<tr>
<td>Compliance Series</td>
<td>Regulatory Requirements for the Board &amp; Senior Management</td>
<td>Tuesday, August 28</td>
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<tr>
<td>Roles, Responsibilities &amp; Liabilities of Community Bank Directors</td>
<td></td>
<td>Tuesday, October 23</td>
</tr>
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<td>* Please note: Director Series is presented from 9:00 – 10:30am</td>
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**Frontline and New Accounts**

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<tr>
<th>Series</th>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>IRA Series</td>
<td>IRA Overview: Traditional, Roth IRA &amp; SEP Plans</td>
<td>Thursday, March 15</td>
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<tr>
<td>New Accounts Series</td>
<td>Opening Deposit Accounts for Nonprofit Organization</td>
<td>Tuesday, March 27</td>
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<tr>
<td>Compliance Series</td>
<td>Compliance Rules All Staff Must Know: Red Flags for Identify Theft, Bribery, Privacy &amp; Ethical Considerations</td>
<td>Tuesday, April 17</td>
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<tr>
<td>Top 25 things to Know About Reg CC Changes Before July 1</td>
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<td>Wednesday, April 18</td>
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<tr>
<td>Handling Powers-of-Attorney &amp; Living Trust Documents for Deposit Accounts &amp; Loans</td>
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<td>Thursday, May 3</td>
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<tr>
<td>New Accounts Series</td>
<td>Opening Business Accounts: Entities, Documentation, Authority &amp; Regulatory Requirements</td>
<td>Tuesday, May 8</td>
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<tr>
<td>IRA Series</td>
<td>Current IRA Issues, Including Divorce, IRS Levies, Bankruptcies &amp; Creditor Claims</td>
<td>Wednesday, May 16</td>
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<td>Overdraft Disclosure Requirements: Regulations, UDAAP &amp; Legal Risks</td>
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<td>Thursday, June 14</td>
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<tr>
<td>Safe Deposit Issues: Drilling, Unpaid Rent, Death &amp; Unclaimed Property</td>
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<td>Wednesday, June 20</td>
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<tr>
<td>New Accounts Series</td>
<td>Opening Trust Accounts: Compliance, Documentation, Signing Authority &amp; Deposit Insurance Issues</td>
<td>Tuesday, June 26</td>
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<tr>
<td>Notary Essentials, Legalities &amp; Best Practices</td>
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<td>Thursday, June 28</td>
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<tr>
<td>IRA Series</td>
<td>Understanding IRA Beneficiary Designations, Death Distributions &amp; Required Minimum Distributions</td>
<td>Wednesday, July 11</td>
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<tr>
<td>New Accounts Series</td>
<td>Opening Minor Accounts: Signature Cards, Access &amp; Ownership</td>
<td>Tuesday, August 21</td>
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<tr>
<td>IRA Series</td>
<td>IRA Conversions, Recharacterizations &amp; Excess Contributions</td>
<td>Thursday, September 27</td>
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<tr>
<td>Medallion &amp; Signature Guarantee Rules &amp; Risks</td>
<td></td>
<td>Thursday, October 4</td>
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<tr>
<td>New Accounts Series</td>
<td>Opening Accounts for Nonresident Aliens</td>
<td>Wednesday, October 10</td>
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<tr>
<td>Improving Teller Performance: Head Teller Development</td>
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<td>Tuesday, December 4</td>
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<tr>
<td>Your Depositor Has Died: Actions to Take &amp; Mistakes to Avoid</td>
<td></td>
<td>Wednesday, December 12</td>
</tr>
<tr>
<td>Closing or Changing Deposit Accounts for Consumers &amp; Businesses</td>
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<td>Wednesday, December 19</td>
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**Human Resources**

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<th>Topic</th>
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<tbody>
<tr>
<td>Developing &amp; Managing Employee Performance Through Effective Recruiting, Onboarding &amp; Coaching</td>
<td>Wednesday, March 14</td>
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<tr>
<td>Understanding Employee Leave Policies</td>
<td>Wednesday, June 27</td>
</tr>
<tr>
<td>Managing the Employment Termination Process: Before, During &amp; After</td>
<td>Tuesday, September 25</td>
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<tr>
<td>The Fair Labor Standards Act: Do’s &amp; Don’ts of Exempt &amp; Nonexempt Pay Issues</td>
<td>Wednesday, October 3</td>
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<tr>
<td>IRA Series</td>
<td>IRA Overview: Traditional, Roth IRA &amp; SEP Plans</td>
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<tr>
<td>IRA Series</td>
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- Tuesday, June 19, Greeley
- Wednesday, June 20, Denver and
- Thursday, June 21, Wiley

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BRINGING NEW GRADS ON BOARD
SEVEN WAYS TO OFFER TRAINING, SKILLS NEEDED FOR SUCCESS
By Jeff Kelly, Vice President of Governance, Risk & Compliance, OnCourse Learning, an IBC Associate Member

For most banks and credit unions, a year doesn’t go by without hiring recent college graduates. When bringing in the next generation of employees, how they are integrated into the organization is the difference between success and failure. What are the best ways to reduce turnover and improve performance?

OnCourse Learning spoke with three experts who have spent their entire careers onboarding and training financial services employees — including new grads. Jack Hubbard is Chairman & Chief Experience Officer and Bob St. Meyer is President and COO at St. Meyer & Hubbard, a company that focuses on improving sales performance. Tom Carlin is Managing Partner at Eensight, an OnCourse Learning partner that provides lending training solutions for financial services organizations. They provided time-tested ways financial institutions can ensure their new class of hires thrives.

The following practices can help onboard new grads from day one. These techniques are designed to improve workplace performance, boost morale and ultimately help retain the talent financial institutions work so hard to hire.

Choose the right people
Identify candidates in the interview process who are malleable enough to blend into the banking or credit union environment. To do so, refine the organization’s interviewing techniques and consider the use of hiring tests, such as a predictive index, to help the hiring manager understand behavioral tendencies related to the open position.

Know who you are hiring and be sure they are coachable enough to be able to do the job,” Hubbard said. “While many things have changed in the industry over the years, banking is still a conservative business — and it’s important to find people who are the right fit for your culture.”

Teach the company’s culture
After new employees are hired, teach them about the organization’s culture. This includes explaining the dress code and behavior expectations so these new hires, fresh out of college, understand the importance of business etiquette and its impact on career development.

“Younger people who have been in school don’t learn about this by osmosis,” St. Meyer said. “They typically don’t know how to dress and what topics are appropriate to talk about in business meetings.”

Spell out role responsibilities
In order for new employees to meet the organization’s objectives, they need to fully understand what is expected of them. Their job description should clearly state all the components of the job, as well as be flexible enough to accommodate additional tasks that come up on the fly.

“Managers need to clarify their priorities and provide expectations of what job duties need to be completed and by what date,” Carlin said.

Identify skill gaps
Even if a finance or accounting major is hired, it is likely the new graduate arrives with skill gaps. The best way to find these gaps is by administering a diagnostic skill assessment. This helps measure competency across the organization so an employer can take steps to remediate skill deficiencies. For example, a credit skills diagnostic assessment can show where gaps exist in areas such as financial analysis, the credit management process, risk mitigation and commercial and consumer lending.

“When we’ve given skill tests, we’ve found that the average score is in the 35% range — and if you consider that a passing grade is a 70 out of 100, then fewer than 5% pass,” Carlin said. “Most recent college grads have forgotten what they learned in a class such as Accounting 101.”

Provide training through e-learning
Once the skill gaps have been identified, it’s time to fill them with on-target training. With the rise of on-demand content and digital devices in schools, this generation is highly comfortable with online courses.

“Younger audiences, in particular, are more receptive to e-learning,” Carlin said.

Today, organizations can choose from a wide array of learning programs, including approved pre-licensing and continuing education programs, accredited course content, exam prep tools, publications, e-books and customizable learning management systems — it’s just a matter of finding the right methods for the company.

Continued on next page
BRINGING NEW GRADS ON BOARD

SEVEN WAYS TO OFFER TRAINING, SKILLS NEEDED FOR SUCCESS

Continued from prior page

Hands-on training is also key. An excellent way to reinforce training is to offer rotations. By spending time in areas such as operations, branches, corporate and retail, new hires can experience what happens in all aspects of the organization.

Reinforce training with practice

Immerse people where they can practice and hone their skills away from customers. A huge benefit of e-learning is that it provides the ability to role play. That enables new hires to try out skills and do in it a place where it’s OK to make mistakes. This is especially important for employees in client-facing positions.

“One mistake most of us make when we hire someone is we put them in front of the customer too quickly,” Hubbard said. “Instead, we need to be confident that when that person is in front of the customer, they’re ready to be there.”

Mentor employees

Employees will lose up to 83% of what they learned in training if it is not reinforced. Regularly scheduled coaching shows new hires the organization is serious about ensuring employees retain and use the skills they were taught. Regular check-ins with a coach provide crucial accountability.

“Anyone’s skills can go away if they aren’t coached or reinforced,” Hubbard said.

While banks and credit unions can’t expect the majority of the new graduates hired to become lifelong employees, the right training makes a world of difference to both the organization and employees. It helps new hires feel like a valued part of the organization – and gives them the tools needed to be a success in the new job.

OnCourse Learning Financial Services is a full-service education and regulatory compliance provider in the banking, credit union, MSB, mortgage, insurance and gaming industries. To learn more about how OnCourse Learning can help your organization remain compliant, please email Craig Johnson at cjohnson@oncourselearning.com or by calling 803-238-1010.
Come Celebrate with Us!
45th Annual Convention
Wednesday – Friday, September 19 – 21, 2018
Vail Marriott Mountain Resort, Vail, CO
DON’T BE THE CODFISH
By Lauren O’Connell, past director of the IBCEF and president of O’Connell Consulting Group, Inc., a professional marketing firm that specializes in developing customized marketing solutions for community banks to help them acquire new profitable customers and motivate existing customers to buy more and refer your bank more often. O’Connell Consulting Group is an Associate Member of the IBC.

The codfish lays 10,000 eggs
The homely hen just one

The codfish never cackles, to tell you what she’s done
And so we scorn the codfish, and the homely hen we prize

Which just goes to show you that
It pays to advertise.
– Unknown

In a perfect world you wouldn’t need to advertise. Everyone you would like to have as a customer knows you, what you offer, what makes you special, and knows that if they ever have a specific need, you are the best choice to help them.

So in our less than perfect world – how do you figure out where and when you should cackle in your market, to share the benefits of doing business with you – and announce new products, services and special offers?

Sometimes the best approach is an ad. But make sure your ad strategy is well thought out or you run the risk of wasting your money and reflecting poorly on your brand and reputation. Build your ad strategy carefully, before you start writing the ad. For example, think through:

- Who you want to read your ad – your target audience
- What your offer is – make sure it is compelling
- When the ad should launch for maximum impact
- Where you should place the ad – the appropriate media outlet and where within that media
- Why your target audience would be interested in reading the ad, let alone respond to your offer
- How you want a reader to respond

Think through the where – your media choices carefully. Would your local newspaper work or is radio the better option? How about a billboard, bus bench, high school stadium, various social media, Google, etc.? Evaluate your choices – you probably have plenty to choose from – and make your picks based on which ones will be the most effective in reaching your goals and the appropriate audience.

Once you’ve defined your goals and strategy, make sure your ads are designed and written to not only communicate your offer but to do so persuasively. Remember – use copy that addresses benefits and statements that support what you’re doing for the readers – and avoid copy that focuses only on you. So when you see the opportunity to cackle, be smart and strategic about how you do it to protect your brand and get the most out of your investment!

And as always we can help you with your cackle – contact me at 303-795-3539 or lauren@oconnellconsultinggroup.com.

The Colorado Agricultural Development Authority (CADA) Beginning Farmer Program is available to assist beginning farmers and ranchers in Colorado with purchases of land, breeding stock, or equipment.

This program provides tax-exempt bonds to lenders who provide low-interest financing for approved purchases. Individuals who own insubstantial amounts or no farm land may qualify for up to $520,000 in tax exempt bonds under this program. Parent-child and other directly related person transactions are now allowed under this program.

For information on this program contact participating agricultural lenders or the:

Colorado Agricultural Development Authority
305 Interlocken Parkway
Broomfield, CO 80021
Tel: (303) 815-9543
Fax: (303) 466-8515

www.cadafarmloan.com
2018 Independent Bankers of Colorado
On-Site Conferences

Ag and Natural Resources Conference
Thursday and Friday, April 19 – 20, 2018
DoubleTree DTC Hotel, 7801 East Orchard Road,
Greenwood Village, CO

Commercial Lending Institute –
Analyzing Financial Statements, Cash Flow
Analysis and Writing an Effective Credit Memo
Wednesday – Friday, May 30-31 and June 1, 2018
Eide Bailly Training Center, 7001 East Belleview,
Denver, CO

BSA/AML Mile High Summit
Tuesday, July 24, 2018
Federal Reserve Bank, Denver Branch, 1020 16th
Street, Denver, CO

IT/Operations Conference
Thursday and Friday, November 1-2, 2018
Location TBD
Slightly fewer than two-thirds of the nation’s banks reported an increase in competition for deposits over the past 12 months. And an even larger fraction – nearly 75% – expect deposit competition to intensify over the next year. While this may not surprise industry leaders, it may interest folks to know that banks in the Northeast are bracing themselves for far more competition than their counterparts in the Midwest, South, and West. Expectations vary by asset size as well.

<table>
<thead>
<tr>
<th>What are your expectations for deposit competition for your bank 12 months from now?</th>
<th>Expect Deposit Competition to INCREASE</th>
<th>Expect Deposit Competition to REMAIN THE SAME</th>
<th>Expect Deposit Competition to DECREASE</th>
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<tr>
<td>All bank respondents</td>
<td>77%</td>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>Respondents from Banks with assets of $1 billion or less</td>
<td>76%</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>Respondents from Banks with assets of $1 billion - $10 billion</td>
<td>84%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Respondents from Banks in the Northeast</td>
<td>93%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Respondents from Banks in the Midwest</td>
<td>70%</td>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>Respondents from Banks in the South</td>
<td>75%</td>
<td>24%</td>
<td>1%</td>
</tr>
<tr>
<td>Respondents from Banks in the West</td>
<td>70%</td>
<td>25%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Promontory Interfinancial Network Bank Executive Business Outlook Survey, Q3 2017

These statistics are brought to you by Promontory Interfinancial Network’s Bank Executive Business Outlook Survey, published quarterly. To download the complete survey, go to promnetwork.com/bank-surveys/Q32017.
When INTEGRATION makes way for INNOVATION, why not be a part of the IN-crowd?

IBT offers a fully integrated platform that gives community bankers the resources they need to grow in an ever-evolving market.

IBT - The difference
WHEN IT COMES TO YOUR DEBIT CARD PROGRAM, IT’S HARDLY A LEVEL PLAYING FIELD
By Steve Heston, Executive Vice President and Chief Sales and Marketing Officer at SHAZAM, an IBC Associate Member

Early in 2018, a lot of us spend at least part of the weekend watching professional football playoffs and then, of course, the big game. But I want you to think about those competitions a little differently.

So, the Philadelphia Eagles and the New England Patriots end up playing for all the marbles. While the Eagles have a storied history and a loyal fan base, the Patriots have become one of the best-known football brands around the world — partly because of success, and partly because they have a great product. One could say that the New England Patriots have established “brand dominance.”

Now, imagine that game is getting ready to start and the officials gather captains at the 50-yard line. The officials explain to the Eagles that the Patriots have had more Super Bowl wins than anyone else in the league over the last decade, they’ve been wildly successful, and their coaching staff really sets the standard for strategy and tactics. The refs go on to explain that because of the Patriots’ market reach and dominance in football over the last decade, New England gets to make the rules for the game.

Not excited, Eagles fans? Why would anyone in an important competition accept that deal?

Well, it turns out … you already have. When it comes to the payments ecosystem, this is exactly what’s happening to community bankers across the country.

Increasingly, the rules and circumstances for the use and cost of your debit card program are being dictated to you. A small group of very large and very powerful companies are setting the terms for when and how your cardholders can access their money, and how much the whole transaction is going to cost. They can do it because they own the technology, they control the rule-making, and they certify how almost all forms of electronic payment are taken. There’s a lot of influence wielded by a group of public companies that have shareholders to answer to.

Thankfully, in football, teams don’t have to worry about the rules or how the game will be played because a third party controls the rules and how they’re enforced. Everyone in the league has a say in making new rules or amending old ones as the game changes, and every team operates under the same rules and has the chance to compete. Sound fair?

So, why not advocate for the same thing in payments? As new technology and new and better forms of security come out, they should be subject to a set of standards that are agreed upon by everyone in the payments ecosystem and managed by a neutral third party. Innovation would flourish, and you’d have the flexibility to choose the solutions that make sense for your institution. Competition would flourish, and as providers competed for your business, costs would stay low and your debit interchange would have a chance to grow, without expenses consuming all of the growth.

One team shouldn’t be able to dictate the rules.

A level playing field is just the right way to play the game — any game.

About the Author: Steve Heston
As a 23-year veteran of financial services technology, Steve has served in a variety of sales and marketing leadership roles with Fiserv, Metavante / FIS and Acxiom Corp., among others. At SHAZAM, he’s responsible for setting strategies and leading SHAZAM’s sales, client engagement, marketing and public relations functions.

Prior to joining SHAZAM, Steve was the chief revenue officer at BancVue / Kasasa in Austin, Texas. He’s also the founding principal of The Heston Group, LLC, a strategic consulting firm specializing in strategy, leadership development and recruitment. In addition, Steve has served on a number of private company boards, as well as on charitable / not-for-profit boards and advisory panels.

Steve is married with three children. A native of Fairfield, Iowa, he is an avid golfer, amateur chef and wine collector. He enjoys reading, writing and mentoring and is the No. 1 fan for the Heston kids’ activities, including sports, theatre, etc.

About SHAZAM
The SHAZAM Network, founded in 1976, is a national member-owned and -controlled financial services and payments processing company. SHAZAM provides choice and flexibility to community financial institutions throughout the U.S. SHAZAM is a single-source provider of the following services: debit card, core, fraud, ATM, merchant, marketing, training, risk and automated clearing house (ACH). To learn more, visit shazam.net and follow @SHAZAMNetwork.
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Different versions of a bank simulation have been used at WSSB for over 35 years. Even through the evolutions of bank simulations, the ABA BankExec banking simulation remains the capstone course of the school. The seven-day simulation allows students to bring together their freshman course offerings with the intersession assignments to manage a bank in a changing economy which resembles real-world challenges of today. Using teamwork and negotiation skills, teams navigate the management of a bank through a two-year period.

-- Charles Ewing

Charles Ewing has been an instructor of the BankSim course at WSSB since 1981. He was the top graduate of the WSSB class of 1980. A banking professional for over 40 years, Charles was most recently the Director of Wholesale Portfolio Management and Credit Risk Monitoring at BBVA Compass Bank in Dallas, Texas.
3 PAYMENT TRENDS FINANCIAL INSTITUTIONS CAN EXPECT IN 2018

By Lauren Gonnella Copeland, Leader, Financial Institution Services Partner Channel for Vantiv, now Worldpay
An IBC Preferred Provider

There is an opportunity to update the payments technologies employed at your financial institution – whether it’s a smarter cybersecurity system or faster processing software, there are new advancements that can improve your teams’ processes and increase cardholder satisfaction. This is increasingly important as emerging fintech players are trying to seize control of the industry. To stay competitive in an ever disrupted field, understanding and planning for these three emerging trends will give your bank or credit union the best chances for success:

Mobile Wallet:
The mobile wallet ecosystem is getting crowded with players from technology companies, financial institutions, retailers, mobile carriers and payments processors. While the adoption was slow at first, mobile wallets are increasing in popularity; and as technologies improve, the adoption rate is sure to follow in step. Financial institutions can reap great benefits by providing its own mobile payments offerings, particularly with a seamless experience and proven security system.

Fintechs:
Fintech startups and tech giants are disrupting the financial services ecosystem by providing innovative, agile solutions that are cheaper, more flexible and easier to implement and use. The accelerating pace of the innovation cycle in financial services means that a financial institution’s success is predicated on business model agility and the ability to rapidly deploy strategic partnerships. Ultimately, partnering with fintechs to leverage each other’s strengths and resources provides the biggest benefit for financial institutions.

Blockchain:
First and foremost, in 2018, it will be essential to understand blockchain technology. Given that it is a confusing topic, your best bet is beginning with some introductory educational offerings for your employees, C-suite included. The World Economic Forum estimates that more than 25 countries are investing in blockchain technology, filing more than 2,500 patents and investing $1.3 billion.

Rather than fighting the fintech emergence, embrace their innovative technologies through partnership to retain and expand your customer base as a leading edge competitor. New commerce ecosystems with integrated, multi-channel, fast and frictionless payment solutions will benefit your consumers and attract new ones in droves. By building strategic partnerships with savvy leaders pioneering in the fields of mobile payments, blockchain and fintech, you will not only ensure success in 2018, but continued success in the digital payments revolution.

Vantiv, now Worldpay, is a Preferred Partner with Independent Bankers of Colorado and are the engine behind the IBC SC Free ATM Network. As a leading provider of payment processing services and technology solutions, Vantiv works with financial institutions of all sizes to develop programs that simplify card and mobile payments. For more information contact Lauren Gonnella Copeland at lauren.gonnella@vantiv.com
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WHO MOVED MY STEP-UPS?
POPULATION OF AGENCY BONDS IS EVOLVING
By Jim Reber, President and CEO of ICBA Securities,
an IBC Preferred Provider

Not so long ago, a wildly popular variety of government agency bonds was struggling to get to market fast enough to meet investor demand. Chances are your community bank owned some, or a lot, of these bonds, known as “step-ups.” Lately, the ever-changing dynamics of supply and demand have made the build-out more difficult and the attractiveness less so. Since we’re in the community banking business, and most everything we touch is somehow cyclical in nature, it bears examining why step-ups are at least temporarily on hiatus and what could spark their triumphant return.

But before we do, let us revisit the basic structure. These step-ups are issued by the usual suspects: Fannie Mae, Freddie Mac and the Federal Home Loan Bank. They have good liquidity, are pledgeable and are 20 percent risk weighted, so they meet all those safety and soundness criteria. Their maturities can vary from three years to 15. Their “lockouts,” which are the periods from issue until the first call date, can be as short as three months and as long as three years. The one thing they have in common: a stated interest rate, or coupon, that will rise in the future if the bond isn’t called by the issuer.

Comparison shopping

Beyond the promise of a higher rate in the future (if the bond still exists), step-ups can have very different structures. For one, the steps can be one-time-only (which is comparatively rare), or they can be multi-steps. For another, the height of the steps can be miniscule (as small as 12.5 basis points, or .125 percent, annually) or as large as two percent annually. For still another, most step-ups can be called at any interest payment date, but a few have one only call date. Your broker should show you all the possible outcomes during the pre-purchase phase.

In the end, the reason step-ups have appeal to community banks is that they provide protection against rising rates. Portfolio managers realize that they are sacrificing yield today for some potential upside later. The trick is to buy enough yield in the future to make up for the lost revenue today, which involves guesswork, as the following illustrates.

In March 2017, Fannie Mae issued a fixed rate bond that matured 3/29/2021 with a coupon of 2.125 percent. It also issued a step-up that matured 3/29/2022 with a beginning coupon of 1.75 percent. Both bonds were callable in six months, which meant September 2017. In fact, both were called, so the first investor’s holding period yield was 37.5 basis points higher for the same six months. The breakeven date was March 2020, which now will never happen.

Market headwinds

With that as a background, let’s examine the difficulty in launching step-ups in today’s market. As short rates rise relative to longer rates, the underwriters struggle to rob enough coupon from the front end of the cash flows to make the back coupons attractive to risk-averse investors. Remember that portfolio managers are comparing fixed rate callables with step-ups, as we saw in our example. In the two years between January 2016 and January 2018, the yield curve between one and 10 years flattened 100 basis points.

To demonstrate, we can refer back to our Fannie Mae step-up from 2017. That bond, which you remember was called in September 2017, would have had a terminal coupon of 4.00 percent had it lasted five years. Today, in a much higher short-term rate environment, a similar step-up would begin with a coupon of about 2.00 percent but would have a terminal coupon of only 3.00 percent. Plenty of portfolio managers are deciding that a fixed rate callable is a better option at the moment.

Proof in the underwriting

Now let’s look at some more numbers for evidence. Back in the steep curve days of say, 2011, nearly half of all agency issues had some type of stepped-up coupon structure. Even as late as a year ago, nearly a quarter of the new bonds had built-in yield protection. In December 2017, step-ups accounted for less than five percent of newly hatched bonds.

Community banks in general own fewer agencies than before. In the past six years, the sector’s weightings have gone from about 18 percent of the total portfolio to about 11 percent today. I would suspect that given the continued rising demand for well-structured mortgage products and high-quality municipal bonds, and their attendant shrinking spreads, agency bonds can make a comeback among community banks—especially when we see the yield curve begin to steepen. The evolution of the agency bond market will continue to respond to investor demand, and that will include step-ups.

* * * * *

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Jim Reber is President and CEO of ICBA Securities and can be reached at (800) 422-6442 or jreber@icbasecurities.com.
3 Trends Impacting Financial Institutions in 2018

Embracing payments innovations will lend a competitive edge

1. You cannot afford to ignore mobile payments in 2018.

47% of consumers prefer to pay via a digital app vs. cash.¹

Mobile payments in the U.S. are expected to exceed $140 billion in revenue by 2019.²

While the adoption was slow at first, mobile wallets are increasing in popularity; and as technologies improve, the adoption rate is sure to follow. The mobile wallet ecosystem is getting crowded with players from technology companies, financial institutions, retailers, mobile carriers and payments processors. Cardholders prefer an offering from their own financial institution, which provides a great opportunity you won’t want to miss.

2. Fintech continues to be the great disruptor, but falls short in some areas.

Financial institutions that can find effective ways to compete with fintech companies could enjoy a 9-14% return on equity by 2025.³

Fintechs provide solutions that are cheaper, more flexible, and easier to implement and use. But financial institutions have the upper hand when it comes to consumer trust, regulatory compliance, operating at scale, and access to meaningful data. Rather than fighting the fintech emergence, embrace their innovative technologies through partnership, allowing your financial institution to retain and expand its cardholder base while maintaining a competitive edge.

3. Blockchain is the next big thing in payments.

More than 25 countries are investing $1.3 billion in blockchain technology.⁴

The predictions continue to be 10% of GDP to be stored on blockchains or related technology by 2025.⁵

In order to utilize blockchain technology at a large scale, several hurdles still need to be cleared, including trust, security and regulatory compliance. As blockchain evolves, financial institutions will need to evaluate new opportunities through a technical lens, from a holistic perspective and stay informed on how the technology is developing; allocating resources toward researching and understanding the technology so they can take advantage of opportunities as they emerge.


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RISK MANAGEMENT TIPS IN AN EVER-CHANGING LANDSCAPE

By Debi Ferguson, SVP, Regional Manager – Northwest, an IBC Associate Member

With interest rates on the rise and talk of regulatory reform in the air, bankers should think in terms of short-term adjustments, tactics and technological advancements that will boost their long-term strategic position in managing and mitigating credit risk. Here are some areas to ponder:

TIP #1 - Clean Data
First of all, ask yourself if your data is flawlessly pure, consistent and accurate. Certainly, few banks think this in context of the totality of bank data, but let’s examine this a bit more. Is the data even in your own department or is the data used when underwriting a loan pure and clean? Given so many sources of lending streams out there available to customers in both the online and offline worlds, it is likely no matter how carefully your teams are in collecting data to support lending decisions, that some of it is probably incorrect or even invalid.

As if that weren’t enough to deal with, consider that the new expectations from Current Expected Credit Loss standard (CECL) alone bring to bear greater requirements for data integrity. That is because it requires bankers to rely increasingly on analytics. Further, those analytics will only be as good as the data analyzed.

Knowing this, you will want to ensure that your IT department is aware of the requirements under CECL too. Having a plan now will help ensure you have consistent, reliable data warehouses so your risk teams can leverage that data.

Another thing to think about is around CRE lending. Here, consider the best way to ensure your data is of high enough quality so the resulting analysis is just as good. Regulators are cracking down on such concentrations, so bankers should be confident in the results of testing in this area.

TIP #2 - Underwriting Standards
Yet another area to monitor is around underwriting standards. The OCC recently highlighted concerns that bankers are loosening standards to capture and retain customers and have been doing so for the past few years. No matter your bank’s own situation or regulator, you can expect to see more scrutiny here given it is now on regulatory radar screens, so be prepared.

Community banks should also be carefully considering which high-growth loan products could exacerbate relaxed underwriting, and which ones do not. Doing analyses now gives your team actionable information that could help you better identify and manage any risks around more volatile industries.

TIP #3 - Human Factor
Finally, it’s important not to take for granted the “human” factor. Staffing has become an increasing concern as it relates to credit risk. Many community banks have been forced to cut or limit training programs for new employees, hiring in many markets is difficult and demographic changes are also taking a toll on experience levels around the industry. The other side of the coin is that less experienced team members can unintentionally lead to taking unnecessary risks. For banks facing budget constraints, look to enhance training and mentoring programs, allow retiring lenders to work part-time perhaps and focus on managing risk as your team transitions over time.

There will always be many risks to manage in the banking industry. The key is to have a risk management process covering all areas of risk, manage that process and update that process regularly as new risks arise. When this works well, you can easily focus on growing the business and keeping your customers happy.

For more information on risk management, contact Debi Ferguson.

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CUSTOMER EXPERIENCE: THE GREAT DIFFERENTIATOR

By Steve DuPerrieu, Vice President of channels and analytics at CSI, an IBC Associate Member

Observe the modern banking landscape, and discover a fierce battleground: institution pitted against institution—all vying for the consumer’s attention in a continuous struggle defined by new technology and flashy innovation.

Look closer, however, and at the core of all the fluff lies a basic truth: banking as a service is still very much a commodity. How, then, can bankers escape this position of commodity and break free of the status quo?

The answer lies not in standalone innovations, but in an enhanced overall customer experience.

This comes according to CSI’s 2018 Banking Priorities Study, which polls banking executives from across the country. This year’s survey captured feedback from 236 bankers nationwide, all sharing their perspective on which issues, technologies and strategies would affect the financial industry the most during 2018.

Here’s what they had to say:

A Fine-tuned Customer Experience

48% of bankers plan to increase spending on customer experience initiatives in 2018

Based on the study, bankers obviously find value in the customer experience—they are willing to spend more to enhance it, after all—but do they truly understand what it means? What value does your institution bring to your customers’ everyday lives? How do customers feel when they are at your bank or use your services? These questions help define the customer experience for your institution.

David Albertazzi, a senior analyst for Aite Group, weighed in on CSI’s survey results. As he puts it: “The only true differentiation today is around customer experience, and that’s where financial institutions have to compete.”

So how do bankers plan to improve the customer experience this year? The first step centers on digital enhancements.

The Digital Drive Intensifies

38% of bankers will improve the customer experience with digital enhancements

Today, more than ever, external forces shape customer expectations. Banks must realize that they are not solely competing with other financial institutions when it comes to customer experiences. Netflix and Amazon, among others, have ushered in an age of instant accessibility and gratification that have defined customer expectations.

Matching this expectation is no easy task. But, more and more, banks are focused on how they deliver products and services to their customers in a new era, where digital is the primary channel. They’re undertaking various projects that help them streamline their service delivery, accomplishing two feats: giving better products and services to their customers, and doing so in a more efficient and cost-effective manner that drives customer profitability.

Albertazzi agrees: “It makes a lot of sense that digital banking is at the top of the list, especially for community financial institutions. They’re looking at bridging any feature or functionality gaps that they have within their digital banking offerings, and that’s providing that more consistent experience and advanced functionality.

“We know that a lot of the transactions have migrated to the digital channels; and it’s a never-ending process around customer experience improvement, not a beginning and an end. I think you’ll be seeing that year over year.”

According to CSI’s poll, digital innovations for this year will center on:

- 39%: Branch transformation
- 35%: Mobile banking adoption
- 24%: Mobile wallet/tokenization

Digital enhancements, though vital to the success of financial institutions, cannot be isolated. They must interact and collaborate with other banking initiatives to formulate an omnichannel strategy.

A Concrete Omnichannel Strategy

At 48%, reaching new customers through an omnichannel strategy took the second spot for greatest opportunities in 2018

The idea behind omnichannel banking is consistency: creating a singular customer experience across all channels. For example, a feature-rich mobile app, though initially enticing, falls flat as a standalone innovation. If a functionality of that app—say, opening a new account—doesn’t integrate with other channels, the customer experience takes a hit.

Continued on next page
CUSTOMER EXPERIENCE: THE GREAT DIFFERENTIATOR

Continued from prior page

Banks’ increased interest in omnichannel strategies indicates that the industry is moving away from an early adopter phase and toward implementation, as omnichannel initiatives gather steam throughout the market. Aite’s Albertazzi concurs:

“This is in line with what we’re seeing; everything surrounds the customer experience, so pursuing omnichannel is obviously rising in importance. It’s all about providing a consistent experience between channels, so if I start a transaction in one channel I can complete it in another, and so on.”

But how will banks realize an omnichannel strategy? Although each institution must take stock of their unique customer base, CSI’s survey unearthed the three most sought-after omnichannel tactics:

- 53%: Customer relationship management (CRM) tools
- 50%: Online account opening/funding
- 39%: Interactive ATMs and self-service kiosks (combined)

Each on their own, these items cannot provide maximize value to your bank. However, use them in conjunction with other functionalities across your institution, and you have the ability to greatly enhance a customer’s experience—and thus, their loyalty.

To read the full results of this year’s survey, download CSI’s Banking Priorities Executive Report 2018.

Steve DuPerrieu is vice president of channels and analytics for CSI. In his role, he provides leadership for CSI’s delivery channel strategy, which includes digital banking, payment services, business and analytics software, and branch/retail delivery solutions. Steve is also a board member for the Association for Financial Technology (AFT).
TAX REFORM: BANK TAX ACCRUALS
By Eric Budreau and Lauren Taylor, Eide Bailly, an IBC Associate Member

The recently enacted tax reform legislation – informally called the Tax Cuts and Jobs Act – contains substantial changes to the taxation of businesses. Some of the Act’s changes will affect accruals of income tax expense for financial statement (Call Report) purposes and require changes to tax accrual worksheets used by many banks.

Tax Rate Change
Most calendar year banks that file tax returns as regular corporations have already made appropriate adjustments to their deferred tax assets and liabilities as of year-end 2017 to reflect the lower corporate tax rate of 21 percent under the Act. This lower rate also needs to be used for accruing income taxes on current year earnings. The 21 percent rate is a “flat” tax that will apply regardless of a regular corporation’s taxable income; the graduated rate schedule imposing a maximum 35 percent rate is eliminated. This should simplify the Federal income tax calculation on bank tax accrual worksheets.

For banks using a fiscal year-end in 2018 other than December 31, the new 21 percent rate is “blended” with the rates in place prior to January 1, 2018. For example, a bank subject to the 35 percent tax rate on 2017 income with a June 30, 2018, year-end would use a blended federal income tax rate for its fiscal year of 28.06 percent (based on the number of days before and after the effective date of the tax rate change). The tax rate calculation, in this case, would be \[(35\% \times 184/365) + (21\% \times 181/365)\].

Other Changes
In addition to the tax rate change, other changes made by the Act can affect the accrual of federal income taxes.

- **FDIC Premiums:** For the largest banks – those with total consolidated assets in excess of $10 billion – all or a portion of the FDIC premium will be non-deductible.

- **Entertainment and Meals Expenses:** After 2017 the Act eliminates deductions for entertainment, amusement or recreation expenses, membership dues for any club organized for business, pleasure, recreation, or other social purposes and facilities used in connection with these items (such as an airplane). While the 50 percent deduction remains in place for meals associated with business activities, such as meals during employee travel, the Act extends the 50 percent deduction limitation to employer-operated eating facilities through 2025 (after 2025, the costs will be fully non-deductible). Banks may want to revise their internal accounting procedures and general ledger accounts to capture those expenses that may have been fully, or partially, deductible prior to the Act, but now are subject to new limitations.

- **Excessive Executive Compensation:** Corporations treated as publicly held face stricter limitations on the deductibility of compensation paid to certain officers. The Act repeals exemptions that previously applied for performance-based compensation for executive and highly paid officers and expands the definitions of a “covered employee” and a “publicly held corporation.”

For these, and – potentially – other deductions limited by the Act, banks should modify their tax accrual worksheets to provide add-backs increasing taxable income if appropriate.

**S Corporation Banks**
While S corporations are not generally subject to corporate level income taxes, Act provisions will affect the calculation of taxable income allocated to shareholders and other income tax related computations. For example, most S corporation banks make special dividend distributions to shareholders that reflect the anticipated income tax expense shareholders will incur on their respective shares of the bank’s taxable income. The lower individual tax rates and limitations on deductions, such as the state income taxes, may warrant changes to the calculations supporting these distributions.

**Summary**
The Act includes many provisions, including lower tax rates and limitations on certain deductions, affecting the taxation of banks and their shareholders that may require changes to accounting procedures and internal worksheets used for estimating income tax expense. The changes needed can vary depending on each bank’s facts and circumstances. In addition, many states have yet to determine the impact of the federal changes to their income tax laws; so state income tax accrual worksheets should be reviewed, as well.

For more information on the Act and how it may affect your bank, please contact your Eide Bailly LLP professional.

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IS IT THE RIGHT TIME TO OUTSOURCE YOUR RESIDENTIAL MORTGAGES?

WE ARE YOUR LOCAL COLORADO PARTNER

By Jeff Ausman, Regional Market Manager at 1st Mortgage Solutions, an IBC Associate Member

Today’s environment includes increased compliance and regulatory requirements, constant uncertainty, a focus on quality, and customers who demand fast turn-times and prompt customer service. Community Banks and mortgage lenders have to incorporate the new disclosures into the daily flow of how loans are originated, processed and closed. These factors have led to a continual increase in expenses and the cost to originate a loan.

We are your local Colorado Partner. We have been working with Community Banks for over a decade, helping them save significant amounts of time and money in the processing of mortgage loans. Our Colorado based team of underwriters and loan processors has vast experience working with loans of every stripe and is thoroughly familiar with traditional and reverse mortgages.

Our Robust Line of Products. By outsourcing, you get the ability to offer mortgage products and programs that you otherwise may not be able to offer.

Our Suite of Products:

- FHA Loans
- VA Loans
- USDA
- Conventional Loans
- Reverse Mortgages

Community Banks have experienced mortgage loan processing as a painstaking and time-consuming procedure. It requires highly-trained underwriters (and a large support system) to work together to move a borrower’s application through the system and towards closing.

Yet, Community Banks still want to be able to offer their customers mortgage products while at the same time not lose the relationship to a competitor. Unfortunately, this comes with a price tag that many financial institutions just cannot afford.

Many Community Banks are outsourcing mortgage origination as part of a continuous drive to improve efficiency & reduce costs.

As the trend toward outsourcing mortgage processing continues, here are a few key benefits to outsourcing mortgage processing:

1. Risk Management and Flexibility: The mortgage industry is constantly changing which is largely due to an over-regulated atmosphere. We are current on the standards of risk management, loan processing and knowledge of mortgage regulations.

2. Marketing Support and Training: We assist you by providing marketing expertise, support, training and deliverables to help you achieve your goals and make your mortgage lending program a success. Even if you want to use your own marketing department to maintain ownership of marketing materials, you can take advantage of our marketing knowledge and experience.

3. Training and Support Scaled to Meet Demand. Outourcing gives you the ability to maintain the best operational support regardless of market and mortgage volume fluctuation. We constantly train and support loan officers to meet demand.

For more information visit www.1stmortgage.com or Toll Free (877) 217-0166. Direct contact Jeff Ausman, Director of Business Development jausman@1stmortgage.com (303) 854-3085.
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At the heart of every community is its bank. And at the heart of every bank are its people. That’s where our coverage starts, but it extends so much further. In one comprehensive package, we provide community banks with everything from traditional property and casualty to management liability insurance. The right policy is still only one part of your insurance carrier’s value. Travelers partners with you to help educate your bank on emerging and potential risks, and provides tools and solutions to better prepare your bank for the future. Contact your independent agent today.
Did you know that 60% of today’s sales organizations have no formal sales process? In banking, it is over 75%!

Why is having a sales process (a series of Stages, Selling / Customer Actions, Tools and Resources needed, and Go/No Go Actions that will tell you whether you can move to the next Stage) important?

A Harvard Business Review study revealed that sales organizations who followed a well-defined sales process …

… were more likely to grow revenue (90% vs. 72%)
… had higher win rates from proposal to close (54% vs. 45%)
… had lower undesired turnover in their sales force (27% vs. 39%)
… were more likely to have effective sales training (42% vs. 12%)
… had more calling officers who actively pursue top performance (85% vs. 50%)

In all, there were three key takeaways:

1. Sales process is important. The more mature it is, the more helpful it is to sellers, and the more it is adapted and improved over time, the more you will help your sellers achieve top performance.

2. Your sales process should align with how your customers move through their buying process. Too many sales teams use generic sales processes, and consequently get generic sales performance. Tailor your sales process to your customer’s buying process.

3. Having a strong sales process isn’t enough. Organizations must train the sales force on an ongoing basis to make best use of the sales process, and make sure that training is highly effective.

If you truly want to improve the effectiveness of your business development team, then invest the time in developing a unique sales process for your team, and make sure that they understand how to use it.

In part two of our series on Enhancing Business and Commercial Sales, we will begin to discuss the key elements of an effective sales process.

**IMPACT your customers – impact your bottom line.**

The James Paul Group helps community banks drive results by focusing on your most important asset: your people! If you are looking to improve your sales, customer service, leadership, coaching, or product knowledge in 2018, please contact Connie West at cwest@jamespaulgroup.com, or toll free at 877-584-6468, for a complimentary evaluation of your bank’s current customer experience skills and behaviors.
Custom cybersecurity solutions based on your needs.

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IBC’s 46-ATM SURCHARGE FREE NETWORK!

The Independent Bankers of Colorado’s alliance of community banks offers your customers access to 46 surcharge-free ATMs throughout Colorado and in Kansas.

As a member of the Independent Bankers of Colorado, you waive surcharges to the customers of banks belonging to our network, while retaining the option to charge non-member customers who use your ATMs.

Our alliance means that community bank customers will remain with their community-based banks, yet be able to access a broad choice of surcharge-free ATM locations.

<table>
<thead>
<tr>
<th>Location</th>
<th>Branch Name</th>
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For information about how your bank can join our network, please call Lauren Gonnella Copeland at 513-900-4661 or lauren.gonnella@vantiv.com!