the
Independent Report
“Colorado banking at its best”
2016 - 2017 Officers and Directors

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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.

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<thead>
<tr>
<th><strong>Contact:</strong></th>
<th>Mary Ann Elliott-Supplies</th>
<th><a href="mailto:msupplies@bbwest.com">msupplies@bbwest.com</a></th>
<th>303.291.3700</th>
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<tr>
<td><strong>Grow your customer relationship with mobile payments technology; highly competitive unbundled pricing; quick approvals and startups and high-touch training and support from Bankers’ Bank of the West’s Merchant Services Program.</strong></td>
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<th><strong>Contact:</strong></th>
<th>Chuck Allor</th>
<th><a href="mailto:charles.allor@deluxe.com">charles.allor@deluxe.com</a></th>
<th>719.599.4466</th>
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<tr>
<td><strong>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 automated online ordering system and more!</strong></td>
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<tr>
<th><strong>Contact:</strong></th>
<th>Michael Palmer</th>
<th><a href="mailto:michael.palmer@harlandclarke.com">michael.palmer@harlandclarke.com</a></th>
<th>303.827.3649</th>
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<tr>
<td><strong>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.</strong></td>
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<th><strong>Contact:</strong></th>
<th>Steve Thomas</th>
<th><a href="mailto:sthomas@ibtapps.com">sthomas@ibtapps.com</a></th>
<th>512.616.1100 ext. 110</th>
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<tr>
<td><strong>IBT’s Core Processing platform enables you to meet the specific challenges of the marketplace efficiently and effectively. IBT’s Core Processing with i2Suite is the right way to do business for you and your customers, reducing costs, improving efficiencies and enhancing compliance.</strong></td>
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<tr>
<th><strong>Contact:</strong></th>
<th>Jim Iannuzzi, <a href="mailto:jimannuzzi@ihelploan.com">jimannuzzi@ihelploan.com</a>, or 610.234.0592</th>
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<td><strong>iHELP loans help families cover the gap between the cost of college and other forms of financial aid a family receives. The iHELP Refinancing loan helps families combine multiple federal and private student loans into a fixed-rate or variable rate loan with one easy and affordable payment monthly. The Referral Partner program enables Colorado community banks to simply refer their customers to iHELP for a private student loan or a fixed-rate or variable rate refinancing loan.</strong></td>
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<th><strong>Contact:</strong></th>
<th><a href="http://www.icba.org/servicesnetwork/">www.icba.org/servicesnetwork/</a></th>
<th>866.843.4222</th>
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<td><strong>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.</strong></td>
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<th><strong>Contact:</strong></th>
<th>Tony Ferguson</th>
<th><a href="mailto:tony.ferguson@protectmybank.com">tony.ferguson@protectmybank.com</a></th>
<th>605.923.8722</th>
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<tr>
<td><strong>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!</strong></td>
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<th><strong>Contact:</strong></th>
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<td><strong>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.</strong></td>
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<th><strong>Contact:</strong></th>
<th>Janu Cambrelen</th>
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<th>720.200.8447</th>
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<td><strong>Offering a wide range of customized insurance protection, Travelers SelectOne® for financial institutions is designed to respond to the most recent trends in banking.</strong></td>
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<th><strong>Contact:</strong></th>
<th>Heidi Shipp Saba</th>
<th><a href="mailto:heidi.saba@vantiv.com">heidi.saba@vantiv.com</a></th>
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<tr>
<td><strong>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 is a low risk, high return proposition because of our payments expertise and proven results. Vantiv drives the IBC’s 78 location ATM surcharge-free network.</strong></td>
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One Mission. Community Banks.
COMMUNITY BANKS: THE ODDS ON FAVORITE

Save the date!

Wednesday - Friday, September 20-22, 2017
Vail Marriott Mountain Resort
IBC’S DAY AT THE CAPITOL

By Maelynn Lewis, Administration Director, Independent Bankers of Colorado

The IBC’s Day at the Capitol was held on Wednesday, March 1. More than 20 community bankers and IBC Associate Members joined us for an outstanding day!

Barbara Walker, IBC Executive Director, welcomed the group to the Capitol. Barbara explained how and why the IBC protects community bank interests through the legislative process. She referenced a number of key legislative initiatives the IBC is tracking. Barbara noted that each bill is graded dependent upon its impact to the community banking industry.

Senator Chris Holbert, Senate Majority Leader, then kicked off our day with a rousing introduction of why it is critical to get to know your legislators and why grassroots efforts work! He remarked and how accessible legislators are and encouraged attendees not put their legislators on a pedestal. Reach out and get connected was his message!

The legislative process can be daunting. How does it work? Where do ideas from bills come from? How can I get be involved? Cathy Eslinger, Research Manager, Colorado Legislative Counsel, explained all the ins and outs for us.

It was then off to the chamber floors. Half of our group visited the Senate chamber and the other half the House chamber. We thank our sponsors Representative Dan Nordberg and Senator Chris Holbert for allowing us this wonderful opportunity. It’s amazing how anything is accomplished with all the chatter on the floors.

Following our visit to the chambers we were joined by House Majority Leader KC Becker. Representative Becker shared her background with us, why and how she became a legislator and her role as House Majority Leader. She indicated the largest funding challenges facing Colorado this year is transportation and balancing the budget.

We didn’t stop there! Joe Neguse, Executive Director, DORA, provided an update on DORA and the Division of Banking. He thanked the bankers for the important role they play in their communities. He also noted the best legislative initiatives come from bankers themselves and encouraged the group to become more involved in the process.

Representative Dan Nordberg also spoke to the group about the many issues he is facing—serving on four legislative committees, including the Transportation Committee—a very hot topic for Colorado.

We then headed to the Federal Reserve Bank of Kansas City, Denver Branch for lunch. Alison Felix, Vice President and Denver Branch Executive, presented a U.S. and Colorado Economic Update. Invaluable information! We thank Alison for her time. We also thank Stacee Martin, Director of Public Affairs, for providing a guide tour of the Federal Reserve Bank.

At lunch we were joined by: Senate Majority Leader Holbert, Senator Crowder, Representative Rosenthal, Representative Navarro, Representative T. Neville, Representative P. Neville, Representative Lundeen, Representative Nordberg, Representative Don Valdez, Representative Fields, Senator Angela Williams and Senator Larry Crowder, including staffers of three additional state lawmakers.

A big thank you to IBC lobbyists Mary Marchun and Jeannie Vanderburg, The Capstone Group, for their assistance in planning this fabulous day!
We knew this was going to happen. When Congress passed the Durbin Amendment, ICBA and community bankers said government price controls on debit interchange fees would dramatically harm our industry. Well, six years later, we are witnessing the unfortunate effects of this retailer-promoted government intervention in the payments marketplace. Despite the law’s exemption for financial institutions with $10 billion or less in assets, community bankers repeatedly told Congress that we were never going to be spared the effects of this market intrusion. As ICBA noted at the time, community banks have no real protection from the price ceilings because retailers can now control the routing of debit card transactions, allowing them to bypass smaller institutions. Further, large retailers can now steer customers to use the rate-controlled cards issued by the largest financial institutions.

Retailers—not consumers—were always going to be the beneficiaries of the Durbin Amendment. And once Congress unleashed the heavy hand of government on the scales of the marketplace, they could not protect community banks from the consequences. A close look at the evidence today shows that policymakers should have heeded our warnings and should now repeal Durbin, as proposed by House Financial Services Committee Chairman Jeb Hensarling (R-Texas).

First of all, consumers are not benefiting from the funding transfer to retailers. The Electronic Payments Coalition estimates that retailers are pocketing up to $8 billion per year—totaling more than $36 billion since the rules were adopted in October 2011. The retailers even admit as much, with a Federal Reserve Bank of
Dismantling Durbin
Continued from prior page

Richmond survey finding that 98 percent of merchants said they have either maintained or raised prices since debit interchange controls took effect.

Second, community banks are experiencing lower net debit interchange revenues because—as we warned—retailers can steer customers to the lowest-cost network. Not only are community banks receiving lower interchange rates while customers lose choice at the point of sale; retailers are also bypassing the network agreements that allow them to use the electronic payment system in the first place. So merchants get to enjoy the benefits of the payments system while community banks and financial institutions pay an unfair share of the cost to maintain the system.

Last, but certainly not least, community banks are being harmed by network routing and exclusivity provisions that require issuers to add an “unaffiliated” payment network to their debit cards. This involves substantial and recurring administrative costs for local institutions. Here’s why: As interchange revenues at the largest financial institutions shrink, more of the burden for funding the payments system is being shouldered by the community banks that were supposed to be exempt.

All of this is why ICBA strongly supports Chairman Hensarling’s Financial CHOICE Act, which does away with Durbin while enacting significant regulatory relief. All in all, the evidence clearly indicates that government price controls are failing consumers, community banks and the financial system as a whole. Anyone who says otherwise—whether on Capitol Hill or in your own backyard—doesn’t have the interests of community banks at heart.

Follow Camden R. Fine on Twitter, @Cam_Fine.

The IBC Legal Hotline

Free Legal Advice for IBC Member Banks

As a member of the Independent Bankers of Colorado, your bank can receive free legal advice through our Legal Hotline. Attorneys at the law firm of Shapiro Bieging Barber Otteson LLP staff the Legal Hotline as a benefit to member banks.

Member banks can defray a significant amount of their IBC membership dues by taking advantage of this exceptional free member bank service!

Member banks are permitted to contact Shapiro Bieging Barber Otteson LLP on simple legal-related questions involving the member bank.* Services provided through the Legal Hotline include responding to inquiries on the following issues:

- Regulatory
- Consumer Audit
- Compliance
- Uniform Commercial Code
- Uniform Consumer Credit Code

Shapiro Bieging Shapiro Otteson will also review agreements and provide recommendations in conjunction with the Legal Hotline.

* Shapiro Bieging Barber Otteson reserves the right to charge the member bank for services required to respond to complex or time consuming inquiries. This will not be done without prior notice to the member bank.

Take advantage of this free member value added service! Receive the information you need when you need it.

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IBC Benefits
Purchasing Guide 2017

The Independent Bankers of Colorado (IBC) is the largest banker trade association in Colorado, providing a common voice exclusively for community banks across Colorado. Community banks serve our state’s local communities online and through over 750 locations. The IBC is an advocate for community banks and seeks to influence legislative and policy decisions at the state and federal levels. The IBC offers an extensive selection of onsite, webinar, and teleconference education and training programs for all aspects of banking. The IBC also has scholarships for advanced community banker degrees and graduating high school seniors. We provide timely and important information to our members through our compliance alerts, federal regulatory updates, newsletter, website, social media pages and state legislative updates. We also have more than 70 Associate Members who actively support the IBC through the products and services they offer to Colorado’s banking industry and their participation in our many programs. Through our Preferred Provider Program, we offer quality products and services at reduced rates to members.

Independent Bankers of Colorado
One Mission. Community Banks.

To check out our 2017 Benefits & Purchasing Guide Click on the image.
I remember the very first ICBA convention I attended like it was yesterday. It was 20 years ago this March, and I had just made the decision to return to Taos to work with my parents at the bank. I was a senior in college and so excited about the possibilities of returning to my hometown to make a difference and to engage in investing in the future of my community. ICBA’s national convention was an inspiration at this point in my career, as I was unaware of the community banking industry, yet so excited to engage with thousands of other people just as passionate and excited about what they were doing.

Fast-forward 21 years, and 21 conventions later, I’m now preparing to attend ICBA Community Banking LIVE next month as ICBA chairman. Wow—what an honor, to say the least! As I gear up for what I know will be the best convention yet, I encourage us all to think about how we utilize this event and other ICBA educational offerings throughout the year to engage and inspire those young bankers considering a career in our industry.

With education sessions ranging from leadership and FinTech to cybersecurity and compliance, we community bankers will have all of our bases covered. We’ll get to know the latest issues facing our industry and, more importantly, explore opportunities that we can take back to our community banks and begin instituting right now.

As always, ICBA has some amazing general-session speakers lined up for us. This year, we’re lucky enough to hear from three American heroes.

I can’t wait to hear what NASA astronauts and twin brothers Mark and Scott Kelly have to say. If my travels across the country have left me inspired and given me new perspective, I have no doubt that two people who have orbited Earth will have something profound to share with all of us. Also, we’ll have the chance to hear from Carey Lohrenz, the first female F-14 Tomcat fighter pilot in the U.S. Navy. I’m inspired already!

And inspiration is so important. We give so much of ourselves as community bankers, and ICBA Community Banking LIVE is a time when we can fill ourselves full of inspiration and invest in ourselves once again. We spend so much of our time in our banks thinking about investing in our communities, the loans we make and the organizations we support. It is up to us to ensure the sustainability of these efforts by also investing in our future, the future leadership and future owners of our community banks.

Now is the time to engage and inspire the next generation, and ICBA Community Banking LIVE is the perfect venue in which to do so.

I look forward to seeing you in San Antonio!

Rebeca Romero Rainey is chairman and CEO of Centinel Bank of Taos, in Taos, N.M.

Follow her on Twitter at @romerorainey.
Lessons Learned from Verizon Data Breach Report
By: Chad Knutson, President of SBS Institute, SBS CyberSecurity, an IBC Preferred Provider

There is no doubt that 2017 will be a challenging year for cybersecurity. SBS wanted to reflect on the knowledge obtained in 2016, to better understand how cybercrime will affect financial institutions. This crimeware can collect data and upload it to the internet, allow remote access and control of systems, or encrypt data and ransom money for its safe return. It was reported that 39% of crimeware attacks involved Ransomware.

Verizon suggests promptly patching vulnerabilities on systems, backing up data regularly and keep it safe from crimeware, implement configuration change monitoring to see if systems are being altered by crimeware, and participate in information sharing resources to earn about new crimeware threats.

In summary, cybercriminals are taking the easiest opportunities in our institutions. It is usually our people who are targeted with phishing, which installs crimeware on our systems to steal data or money. These crimeware programs try to exploit vulnerabilities in our systems to spread the infection. Institutions must insure they do basic and intermediate security with near perfection and look at innovative solutions to get an edge back against cybercrime.

Cybercrime continues to focus on the easiest method of compromise. Most of us would assume data breaches happen by compromising the most recent nasty vulnerability in the news, but Verizon’s research suggests the vulnerabilities are months or years old. Frequent patching of all Microsoft and third party programs on critical systems or systems used by employees is a necessity. When the Top 10 Common Vulnerabilities and Exposures (CVE’s) are patched, it would address 85% of the successfully exploited vulnerabilities, according to the report. Verizon also states that 63% of breaches involved weak, default or stolen passwords. Continuing to focus on stronger password standards and eliminating employee reuse of passwords outside of the institution is critical.

We suggest institutions also continue to evaluate innovative solutions, such as those from Auth0, which offer breached password detection services. Beyond passwords and vulnerabilities, phishing is considered the easiest methods of compromise today. New results from Verizon suggest that 30% of employees will open a phishing message, a 6% increase from the previous year. These are human vulnerabilities that are tough to patch and this research suggest we are losing ground.

Just think of how many unpatched employees you have checking hundreds of emails each day. These employees need continual training on phishing attacks and the institution needs continual testing to ensure the 30% begins to decrease. KnowBe4 suggest this as leading attack vector by stating that 91% of successful data breaches start with phishing. The KnowBe4 product allows you to perform phishing tests on employees as often as you want. KnowBe4 will then train employees if they fail the test.

Verizon also identifies three specific patterns in the financial services industry which accounted for 88% of incidents and breaches. Web Applications were attacked to extract data or further the attack against the institution. Most of these compromises happened with phishing campaigns or successful exploitation of vulnerabilities. Verizon suggests using two-factor authentication to add an additional layer of security, timely patching of vulnerabilities, and monitoring of logs for early indicators of compromise.

Denial of service was also a common type of incident that financial institutions frequency saw last year. Verizon suggests improving third party management to ensure they have robust environment and to ensure anti-DDOS services are used and tested. SBS suggests incident response programs are improved to ensure clear customer notification procedures have been created for DDOS scenarios. The third area Verizon mentions is Crimeware; malicious software used by criminals in compromised

To learn more about how to address these issues and implement these controls, please leverage the resource on our website www.sbscyber.com
The Colorado State University Career Fair gives an excellent opportunity for employers to engage with students and speak about career trends, potential employment opportunities and brand our organization.

Also on the same day was the 2017 Colorado State University Business School Expo. The Expo provided the opportunity to students specifically enrolled at the CSU Business School to interact with employers about opportunities for internships and employment.

Thanks to IBC’s Next Generation Bank Leader members Megan Harmon, Quentin Leighty and Deana Von Alman for volunteering to speak with the students.

IBC over 35 resumes from students looking for internships and employment in community banking and many interested in locations across the state!
2017 IBC Training Schedule

Next Generation of Bank Leaders – 
*Designed by Bankers for Bankers*

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<th>Event</th>
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<td><strong>Ag and Natural Resources</strong></td>
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<td>Ag and Natural Resource Conference</td>
<td>April 27 and 28</td>
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<td><strong>Compliance</strong></td>
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<td>Denver – June 6</td>
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<td>FMS Bank</td>
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<tr>
<td><strong>Convention</strong></td>
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<tr>
<td>44th Annual Convention</td>
<td>September 20 – 22</td>
<td>Vail Marriott Mountain Resort</td>
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<td>715 West Lionshead Circle, Vail</td>
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<tr>
<td><strong>IT, Operations and Security</strong></td>
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<tr>
<td>IT and Operations Conference</td>
<td>November 2 and 3</td>
<td>Denver</td>
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**IBC and Professional Bank Services**

**Co-Sponsored Live Seminars**

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<td>2017 TRID Compliance: Issues and Solutions</td>
<td>May 31</td>
<td>Hilton Garden Inn Denver Airport, 16475 East 40th Circle, Aurora</td>
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<tr>
<td>2017 Mastering HMDA: Transitioning to the New Rules</td>
<td>June 2</td>
<td>Hilton Garden Inn Denver Airport, 16475 East 40th Circle, Aurora</td>
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<tr>
<td>2016 Real Estate Lending Compliance</td>
<td>September 20 – 22</td>
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<td>2016 ACH Processing Compliance</td>
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<td>2016 Colorado Deposit Documentation</td>
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<td>2016 Colorado Deposit Documentation</td>
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<tr>
<td>Loan Products Workshop</td>
<td>December 12, 2016</td>
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<tr>
<td>2016 Real Estate Lending Compliance</td>
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**Webinar Offerings**

**Auditing & Accounting**

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<tr>
<td>Compliance, Regulator Expectations &amp; Best Practices</td>
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<tr>
<td>CECL Loss Estimation Methodologies: Using Your Bank’s Data History to Create Workable Options</td>
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<td><strong>Regulation E Series</strong></td>
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<td>Auditing for Regulation E Compliance</td>
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### Collections

- Reporting Customer Credit & Effectively Managing Credit Disputes  
  Tuesday, June 13
- My Borrower Filed Chapter 11 Bankruptcy – Now What?  
  Friday, June 28
- Conducting a Collections Risk Assessment  
  Wednesday, December 6

### Compliance

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<td><strong>BSA Compliance Series</strong> BSA Compliance Hotspots: Regulators, Litigation, Policies &amp; Procedures</td>
<td>Tuesday, April 25</td>
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<tr>
<td>BSA Compliance Series: New BSA Officer Training</td>
<td>Thursday, June 8</td>
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<tr>
<td>Creating an Effective Suspicious Activity Program: Efficiency, Examinations &amp; Fraud</td>
<td>Wednesday, July 19</td>
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<tr>
<td>E-Compliance Rules, Policies &amp; Best Practices for Email, Web, Mobile &amp; Social Media</td>
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<td>Advertising Compliance: Website, Print, TV &amp; Radio</td>
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<tr>
<td><strong>BSA Compliance Series</strong> Job-Specific BSA for Deposit Operations: SAR Monitoring, 314(a) Requests &amp; CIP</td>
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<tr>
<td>New Compliance Officer Boot Camp</td>
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<tr>
<td><strong>BSA Compliance Series</strong> Job-Specific BSA for Frontline: CTRs, SARs, CIP &amp; More</td>
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<tr>
<td>OFAC Sanctions Compliance: Update, Expectations &amp; Best Practices</td>
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<tr>
<td><strong>BSA Compliance Series</strong> Job-Specific BSA for Lenders</td>
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### Director

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<td>*Director Series: What the Board needs to Know About Vendor Management</td>
<td>Thursday, May 11</td>
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<tr>
<td>*Director Series: Raising Capital as an Independent Community Bank</td>
<td>Thursday, July 6</td>
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<tr>
<td>*Director Series: Rules &amp; Trends in Executive Compensation</td>
<td>Wednesday, September 27</td>
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<tr>
<td>*Director Series: Required Compliance for the Board &amp; Senior Management</td>
<td>Tuesday, November 21</td>
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* Please note: Director Series is presented from 9:00 – 10:30am

### Frontline, IRA and New Accounts

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<tr>
<td><strong>Account Documentation Series</strong> Nonresident Alien Accounts: Opening, Tax ID Numbers, IRS Issues &amp; More</td>
<td>Tuesday, May 23</td>
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<tr>
<td><strong>Account Documentation Series</strong> Closing or Changing Deposit Accounts for Consumers &amp; Businesses</td>
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<tr>
<td>20 UCC Provisions You Must Know When Cashing or Depositing Checks</td>
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<td>Business Signature Cards &amp; Resolutions: Entities, Authority &amp; Documentation</td>
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<tr>
<td><strong>Account Documentation Series</strong> Minor Accounts: Ownership, Documentation &amp; Access</td>
<td>Tuesday, September 12</td>
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<tr>
<td>Step-by-Step SAR Completion: Dos &amp; Don’ts</td>
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<td>When A Depositor Dies: Next Steps &amp; Best Practices</td>
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<tr>
<td><strong>Account Documentation Series</strong> Accepting Powers-of-Attorney on Deposit Accounts</td>
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*Please note: Session is from 9:00 – 10:30am

### Human Resources

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<tr>
<td>Regulatory Requirements When Employees Work from Home: Overtime, FMLA, ADA, Safety &amp; More</td>
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<tr>
<td>Dealing with Employee Discipline, Complaints, Performance Issues &amp; More</td>
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<td>Keys to Effective Employee Recruitment, Onboarding &amp; Retention</td>
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<td>Avoiding Employee Job Misclassification Issues: Getting It Right!</td>
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### IRA

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<td>Understanding &amp; Processing IRA Rollovers &amp; Transfers</td>
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<td>Website &amp; Social Media Common Compliance Violations</td>
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<td>Surviving an FFIEC IT Security Exam</td>
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<tr>
<td>12 Key Elements of an Effective Digital Marketing Strategy</td>
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<td>Developing an Effective process for Change Control: Shared Responsibilities, Implementation &amp; Monitoring</td>
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<tr>
<td>Managing &amp; Mitigation Data Breaches: Fraud, Forensics &amp; Incident Response</td>
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<td>Lending</td>
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<td>Using the APRWIN Calculator Effectively to Avoid &amp; Correct Violations</td>
<td>Wednesday, March 1</td>
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<td>Qualifying Borrowers Using Personal Tax Returns Part 2: Schedules E &amp; F</td>
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<td>Flood Compliance in Lending Part 2: Post Loan Closing</td>
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<td>Securing Collateral Part 1: Form UCC-1 – Initial Filing &amp; Perfection</td>
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<td>UDAAP Changes: Practices, Risk Mitigation, Regulator Expectations &amp;</td>
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<td>Managing TDRs Start to Finish: Initial Identification to Rewriting to</td>
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<td>Agricultural Credit Risk 2017: Answers to Critical Questions</td>
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<td>Compliance in Handling Private Mortgage Insurance (PMI), Including</td>
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<td>Recent Rule Changes</td>
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<td>Revisiting TRID Line-by-Line Part 1: Loan Application</td>
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<td>HMDA Data Collection Rules: Preparing for the Extensive January 1,</td>
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<td>Securing Collateral Part 3: Legal &amp; Compliance Issues in Obtaining</td>
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<td>Credit Analyst Training Part 1: Basic Small Business Lending</td>
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<td>Real Estate Series: Adverse Action in Mortgage Lending: Are You in</td>
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<td>Credit Analyst Training Part 2: Analyzing Financial Statements</td>
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<td>The Top 10 Things You Need to Know About the CFPB’s Amendments to</td>
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<td>Getting Started with SBA Lending</td>
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<td>Line-by-Line Review of the New Fannie Mae &amp; Freddie Mac Uniform</td>
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<td>Risk Management Series: Conducting a Fair Lending Risk Assessment</td>
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<td>Introduction to Call Report Loan Classifications</td>
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<td>*Revisiting Your HMDA Policies to Include Comprehensive Changes</td>
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<td>High-Risk Transaction Case Studies in Commercial Property Appraisals,</td>
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<td>Workout &amp; Liquidation of an SBA Loan</td>
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<td>Supporting Documentation for the ALLL: Current Rules &amp; Future</td>
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<td>Surviving a TRID Compliance Exam</td>
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<td>Countdown to the New HMDA Rules Effective January 1, 2018</td>
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<td>Real Estate Series: ARM &amp; Balloon Payments: Clarifying the Confusion</td>
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<td>Call Reports: Regulatory Capital Requirements</td>
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<td>*Are You Ready to Launch the New Fannie Mae &amp; Freddie Mac Uniform</td>
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<td>Residential Loan Application by the January 1, 2018 Deadline?</td>
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<td>Understanding Loan Participations &amp; Syndications Part 2: Documentation</td>
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<td>Advanced Commercial Loan Documentation</td>
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<td>Required Compliance for Commercial Loans Secured by Real Estate</td>
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<td>Real Estate Series: Mortgage Loan Disclosure Timing Issues</td>
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<td>Debit Card Chargebacks: Rules, Rights, Challenges &amp; Best Practices</td>
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ACH Specialist Series: Same-Day ACH: Preparing for Processing Debits, Effective September 15
Responding to Official Demands for Customer Funds: Subpoenas, Garnishments, Summons & Levies
ACH Specialist Series: RDIF Returns: 2 Day vs. 60 Calendar Days – Understanding the Difference
1099 Reporting Part 1: Forms 1099-A & 1099-C: Foreclosures, Repossessions & Debt Settlements
ACH Specialist Series: Federal Government ACH Payments: Reclamations & Garnishments
All About 1099 Reporting Part 2: Forms 1099-INT & 1099-MISC: Vendor Payments, Prizes & Interest on Deposit Accounts
Risk Management Series: ACH Risk Management & Assessment: Risks, Controls & Ratings
Preparation Plan for CDD Changes to Beneficial Ownership Rules: Effective May 11, 2018

Security & Fraud
Security Officer Reports to the Board: Fulfiling Your Annual requirement
Robbery Preparedness for All Staff
Disaster Preparedness, Recovery & Business Continuity
New Security Officer Training: Responsibilities, Best Practices & Skill-Building Tools

Senior Management
Developing & Managing a Consumer Complaint Program – Avoiding Reputational Damage
The Future of FinTech and Blockchain/Bitcoin: A Look at New Technologies Reshaping Financial Services
Analyzing the UBPR: How Does Your Bank Compare to Peers?
How to Legally Compensate Mortgage Loan Originators
Vendor Problem Resolution: A Five-Step Approach
Proven Steps to Successful Business Development: Defining Prospects, Engagement Scripts, Overcoming Objections & Measuring Performance
Beyond EMV: Trends in Payments & What It Means for Community Banks
Risk Management Series: Establishing or Maturing Your Vendor Risk Management Program

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What your peers are saying...

When I was offered the opportunity to further my banking knowledge and skill set through the Western States School of Banking, it was something I could not pass up. I knew WSSB was a catalyst for community bankers and that through its program I would become more of an asset to our bank. Being able to make decisions and see the outcomes during the bank simulation was an invaluable experience and definitely helped boost my confidence level within our bank. I would highly recommend WSSB to those who have an opportunity for advancement and want to put themselves in a position to succeed.”

Tyler Thrall, Regional Branch Manager
Colorado East Bank & Trust

about the Western States School of Banking at Fort Lewis College, Durango.

“I am very grateful for the opportunity to attend the Western States School of Banking. The Intersession Project papers were a challenge, but they were also the most valuable piece. The Project requires that you get to know your own institution and community in ways that most bankers don’t get to. Delving into the economic drivers, the finances, and the strategic plan helped me understand the decisions being made and the direction of our bank and my future.”

Amy Deming, Vice President
First National Bank of Durango

Western States School of Banking alumni can enter the Colorado Graduate School of Banking at Boulder as a second-year student.

ABA BankExec at WSSB
ABA BankExec is the industry’s most powerful teaching tool for developing the banking expertise of newly hired managers and expanding the skills of seasoned ones.

This widely-used educational tool simulates the activities of a mid-sized commercial bank with exercises in asset/liability management, capital formation and dividend policy, gap analysis, accounting/tax planning, marketing and resource allocation, forecasting and planning economics, pricing bank services, strategic analysis, policy formation/forecasting, organizational structure, and much more.

The Western States School of Banking offers a bachelor-level intensive and condensed curriculum for students to advance their industry competency and education. While maintaining employment, students have quality interaction with a national faculty and regional colleagues while developing academically and professionally.

WSSB’s two-year Certificate Program strengthens your holistic understanding of your bank and the banking industry. Our advanced training prepares you to face industry challenges and gives you the edge you need to strengthen your bank, increase confidence, and grow as you apply what you learn at WSSB.

“Preparting our Future Banking and Community Leaders”

THE WESTERN STATES SCHOOL OF BANKING®
www.wssbonline.org

“ABA BankExec at WSSB helped me understand banking in ways I wouldn’t have been able to in my current position.”

George Medina, Regional Branch Manager
Colorado East Bank & Trust
Choosing the Right Loan Correspondent Partner

By Gary Keller, SVP of Correspondent Banking Business Development for Bell Bank, an IBC Associate Member

As interest rates continue to rise, it can be increasingly difficult to originate loan deals. But the right correspondent banking partner can help you better help your customers. Healthy competition is good for all of us, but it can also be difficult, especially when competitors offer impossibly low rates. Correspondent banking partners can help community banks compete against the big guys in your market by partnering with you to enhance your bank’s competitiveness, profitability and ability to serve your commercial and agricultural customers.

More people are investing their money in the stock market than they are into CDs. That makes liquidity even more difficult for community banks. A correspondent banking partner can help with that by expanding your customer prospect list to include larger relationships in your markets. Correspondent banks can help you target customers who are too large to handle on your own.

In addition to buying and selling loan participations, correspondent banking partners can provide bank stock loan funding for the purchase of acquisitions, refinancing, restructuring and regulatory capital requirements. A correspondent bank can also offer business and personal loans to bank owners, insiders, directors, managers and officers.

Correspondent banking partners can help in the underwriting process, and they can offer expertise on loans that might not be as commonplace at smaller, rural banks.

When working with a correspondent bank, it’s important to make sure you have a strong partner on your side. To do so, there are a few questions you should ask:

- **Is the correspondent bank large enough to take the entire participation?**
  Working with only one correspondent makes your staff more efficient. You’ll also want to make sure the bank can take larger portions of your credits to allow you to keep within your asset-liability committee (ALCO) limits.

- **Does the correspondent offer longer fixed terms?**
  Make sure the correspondent you decide to work with can give you the flexibility you need.

- **How much experience does the correspondent have?**
  During the recession of 2007 - 2009, many banks stopped purchasing loans from community banks. They might have since re-entered the game, but if they got out once, think about what might happen the next time a recession hits. When looking for a correspondent banking partner, make sure the bank has a strong commitment to correspondent banking. Banks experienced in correspondent banking look to do more than either decline or approve a loan. They find ways to work with community banks to make a participation deal better. Their job is to help the correspondent make the loan more solid.

- **Does the bank offer participations on agricultural loans?**
  It’s a challenging time in the ag industry, so it’s especially important to look for a banking partner experienced in ag lending and committed to helping you take care of your ag customers. Experienced ag lenders know that the ag economy is cyclical, and many of them have been through harder times than this. A correspondent banking partner with ag lending experience can help you compete for and retain larger, high-quality agri-business customers.

Correspondent banks are not in competition with you, but work as your business partner. Regardless of whether you are a bank with few or many shareholders, if you want to sell your institution or purchase another, it’s important to keep your organization strong through a solid balance sheet and great earnings. It’s also crucial to have a strong customer base. A correspondent bank with a strong, experienced correspondent banking department can help.

For more information, contact Gary Keller at 701-371-3355 or gkeller@bellbanks.com. Gary is senior vice president of correspondent banking business development for Bell Bank, the largest independently owned bank in North Dakota, South Dakota and Minnesota, with more than $4 billion in assets. Bell handles close to $500 million in bank stock loans and participations. Gary has worked in banking for more than 40 years and has been with Bell since 2007. Bell Bank is an equal housing lender, member FDIC.
Save the Date
You cannot afford to miss these upcoming IBC events!

29th Annual Ag and Natural Resources Conference
Thursday and Friday, April 27 – 28
DoubleTree Hotel by Hilton, Englewood

Community Banker Roundtable Meetings
This year our Roundtable meetings will include lunch, a regulatory update panel, one additional speaker and time to network with your colleagues.

Denver – Tuesday, June 6
Bankers’ Bank of the West

Greeley – Thursday, June 8
FMS Bank

Cortez – Thursday, June 15
First National Bank Cortez

Wiley – Thursday, June 22
Wiley Methodist Church

3rd Annual BSA/AML Mile High Summit
Tuesday, August 1
Federal Reserve Bank of Kansas City, Denver Branch, Denver

44th Annual Convention Community Banks: The Odds on Favorite!
Wednesday – Friday, September 20 – 22
Vail Marriott Mountain Resort, Vail

IT and Operations Conference
Thursday and Friday, November 2 and 3
Denver

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
The American Institute of CPAs (AICPA) recently held its annual National Conference on Banks & Savings Institutions in Washington, D.C., with nearly 1,400 attendees from public accounting firms, public and privately held banks and regulatory agencies. The conference focused on accounting, regulatory and industry issues affecting banks. Here are some themes of particular interest to community banks from this year’s conference.

**Current Expected Credit Loss**
One focus was the current expected credit loss (CECL) model, as the new standard was finalized in 2016. CECL was covered by eight sessions, including various industry panels and presentations by the federal regulators’ chief accountants, representatives from the U.S. Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board.

Institutions were encouraged to start moving forward with implementation planning; this requires a group of individuals representing various aspects of the bank’s operations, not just the accounting and loan departments. It was suggested that banks start by taking a data inventory: What available information does your organization have, and what additional information is needed? Banks also were encouraged to consider the best approach for each loan type, i.e., CECL methodologies implemented for the commercial real estate portfolio aren’t necessarily the best approach for the consumer loan portfolio.

In addition, potential changes to qualitative factors were discussed. New considerations in the factors may need to be added due to CECL, such as:
- Loan term
- Maturity date
- Fixed versus variable rate
- Credit rating
- Vintages
- Economic cycle

A consistent concern expressed by smaller community banks is the magnitude of modeling required for CECL. Representatives from each federal regulator stated their examiners were told CECL is scalable depending on the bank’s size. Federal regulators also pointed out that they’ll work through this new methodology along with everyone else and address issues as they arise. Banks were encouraged to discuss proposed changes with external auditors, peer banks and regulators.

On a related topic, banks were encouraged to take a more robust approach to documenting their qualitative factors within the current Allowance for Loan and Lease Losses (ALLL) model. The qualitative factors are becoming a larger, more significant part of the ALLL balance. Qualitative adjustments to the historical charge-off experience should reflect current conditions differing from those that existed during the look-back period.

Identified practice issues for supporting these qualitative adjustments include:
- Failing to document the starting point
- Not identifying the loss drivers
- Compounding qualitative-factor adjustments
- Relying solely on subjective narrative, i.e., not quantifying the qualitative

**Cybersecurity**
An interesting presentation examined cyberattack trends and statistics, recent regulatory and compliance drivers and perspectives on cybersecurity risk management. The average number of malware per week in the financial services industry is staggering. Statistically, 50 percent of phishing attack emails are opened within the first hour of receiving them.

Presenters encouraged organizations to constantly remind employees of cybersecurity risk management by focusing on three themes. First, are controls in place to guard against known and emerging threats? Second, banks need to remain vigilant against such attacks: Can the bank detect malicious or unauthorized activity? Finally, banks must be resilient: Can the bank quickly act to reduce the effect?

Additional suggestions for organizations included:
- Focus on risks from third parties that access critical systems and sensitive information, use cloud providers or engage subcontractors
- Prioritize security controls for critical areas
- Test readiness by simulating attacks in a business scenario

**Proposed Call Report Changes**
The Federal Deposit Insurance Corporation chief accountant discussed the “Community Bank Call Report Burden-Reduction Initiative.” The proposed new streamlined Federal Financial Institution Examination Council 051 Call Report for small institutions comment deadline was October 13, 2016. The proposed effective date is March 31, 2017. The initial proposed changes focus on removing data items no longer necessary for
collection on smaller institutions and reducing the frequency of reporting other data items. Additional changes already were identified by ongoing interagency reviews and are anticipated to be included in future proposals with a March 31, 2018, effective date.

Other Topics
Public Business Entity
There still is some confusion in the financial institution industry regarding public business entities. The definition covers more than just entities that file with the SEC. The distinction is gaining importance because of differences for:

- Effective dates
- Disclosures
- Recognition and measurement alternatives

Leases
New lease standards will go into effect soon. Prior to the effective date, institutions need to consider:

- Updating policies and procedures as necessary
- How new standards will affect financial statement presentations and/or regulatory capital calculations
- Sale leaseback arrangements
- How the standards will affect borrowers’ calculations of ratios and covenants

Deferred Tax Assets
Tax law isn’t governed and, therefore, isn’t affected by changes to generally accepted accounting principles. Banks need to consider how the implementation of the new standards will affect their deferred tax assets (DTA) balance. For example, if the adoption of CECL significantly increases a bank’s ALLL, the related DTAs also will increase. The effect of this change could affect the bank’s Common Equity Tier 1 capital to the extent the increased DTAs are subject to calculation limitations. Other new standards, including Accounting Standards Update 2016-02—Leases, will have an effect on the net DTA balance. Proposed corporate tax rate cuts planned by President-elect Trump, if passed, could significantly decrease a bank’s DTA. If a bank’s capital requirement is negatively affected, tax planning opportunities should be considered to reduce the effects.

Contact BKD for more information on how these and other issues could affect your institution.

This article is for general information purposes only and is not to be considered as legal advice. This information was written by qualified, experienced BKD professionals, but applying this information to your particular situation requires careful consideration of your specific facts and circumstances. Consult your BKD advisor or legal counsel before acting on any matter covered in this update.

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BFC
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Bowling Tournament Fundraiser
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Bring your family and friends!
Fun for the kids!
Sunday, April 30th from 1 to 4:30 p.m.

Registration includes 3 games, shoe rental, a large pizza, a pitcher of soft drinks, and prizes all for just $65 per person! Sponsorships available!

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Everything you love about Jackson’s Sports Grill is at Celebrity Lanes, serving 40 tap beers, including Colorado's top craft beers! Want to take it outside? Jackson’s connecting patio makes for the perfect fresh-air relaxation destination.

Join us at Celebrity Lanes / 15755 East Arapahoe Road in Centennial 303-779-0155
Registration at 1:00 p.m. / Tournament Starts at 1:30 p.m., followed by our Awards Ceremony at 4:30 p.m.

Please visit www.bankersfoundationofcolorado.org for registration and sponsorship information.
On September 28, 2016, the New York Department of Financial Services ("NYDFS") published proposed cybersecurity regulations (the "Proposed Regulations") applicable to banks, insurance companies, and other financial services institutions regulated by the NYDFS ("Covered Entities"). The Proposed Regulations would require Covered Entities to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State’s financial services industry. The Proposed Regulations, if adopted, would be the first such cybersecurity regulations adopted by a state banking regulator in the United States.

During the public comment period, the NYDFS received over 150 comments from members of the financial industry. In response to those comments, on December 28, 2016, the NYDFS issued updates to the Proposed Regulations. In addition to updating the Proposed Regulations, NYDFS has also delayed their effective date until March 1, 2017.

This article summarizes the key requirements of the Proposed Regulations, and the transition periods applicable to certain provisions.

Risk Assessment
The Proposed Regulations state that the design of a Covered Entity’s cybersecurity program and policy is to be based upon the Covered Entity’s required periodic risk assessment. Specifically the Proposed Regulations provide that:

- Covered Entities are required to conduct monitoring and testing of the effectiveness of their cybersecurity programs, developed in accordance with the Covered Entity’s periodic risk assessment.
- Covered Entities are required to design audit trail systems, based on the periodic risk assessment.
- Covered Entities are required to limit access privileges to systems that provide access to Nonpublic Information based on the periodic risk assessment.
- Covered Entities are required to implement written policies and procedures regarding the security of Nonpublic Information accessed or held by third party service providers, in consultation with the periodic risk assessment.
- Covered Entities are required to use effective controls, which may include Multi-Factor Authentication or Risk-Based Authentication, to protect Nonpublic Information and their information systems from unauthorized access. Multi-Factor Authentication is required for users accessing internal systems from external systems, unless the Covered Entity’s Chief Information Security Officer ("CISO") approves the use of equivalent or more secure access controls in writing.
- The implementation of encryption and other controls to protect Nonpublic Information is to be determined based on the Covered Entity’s periodic risk assessment.

NYDFS emphasizes that, in modeling its cybersecurity program on its periodic risk assessment, a Covered Entity is not permitted to engage in a "cost-benefit" analysis of acceptable losses with respect to cybersecurity risk.

Definition of "Nonpublic Information"
The Proposed Regulations define “Nonpublic Information” as all electronic information that is not publicly available that satisfies one of three elements. The first and third elements apply to business related information of a Covered Entity and information or data created or derived from a health care provider, respectively. The second element, which is relevant for Covered Entities that are financial institutions, includes as Nonpublic Information:

Any information concerning an individual which because of name, number, personal mark, or other identifier can be used to identify such individual, in combination with any one or more of the following data elements: (i) social security number, (ii) driver’s license number or non-driver identification card number, (iii) account number, credit or debit card number, (iv) any security code, access code or password that would permit access to an individual’s financial account; or (v) biometric records.

This formulaic structure, consisting of identifying information plus an additional data element, is similar to definitions used in data breach notification laws.

Chief Information Security Officer
All Covered Entities are required to designate a qualified person to serve as CISO. The responsibilities of the person designated as the Covered Entity’s CISO are not required to be solely dedicated to CISO activity, and no specific title is required. Covered Entities may satisfy the CISO requirement by designating an existing employee, or may also utilize a third party to meet this requirement.

Encryption
As discussed above, the Proposed Regulations permit Covered Entities to select controls, including encryption to protect Nonpublic Information in transit and at rest, in consultation with their periodic risk assessments. Alternative compensating controls may be implemented upon review and approval of the CISO in the event the Covered Entity determines that encryption of Nonpublic Information in transit or at rest is not feasible. If alternative compensating controls are used instead of encryption, the feasibility of encryption and effectiveness of the compensating controls must be reviewed by the CISO at least annually.

Audit Trail
As mentioned above, the design of the audit trail system is to be based on the Covered Entity’s periodic risk assessment. The specific functions of the audit trail system are qualified by materiality. Audit trail systems must be capable of reconstructing material financial transactions and detect and respond to Cybersecurity Events that have a reasonable likelihood of harming a material part of the Covered Entity’s operations. Records produced as part of the audit trail must be maintained for a period of not fewer than five years.

Data Retention
Covered Entities are required to securely dispose of Nonpublic Information that is no longer necessary for business operations or other legitimate business purposes of the Covered Entity on a periodic basis.
Third Party Service Providers
The Proposed Regulations require Covered Entities to adopt policies and procedures to ensure the security of information systems and Nonpublic Information accessed by third party service providers, based upon the Covered Entity’s periodic risk assessment. In addition, Covered Entities are required to conduct periodic assessments of the cybersecurity practices of third party service providers based upon the risk presented by a given third party service provider. Additionally, Covered Entities must either establish preferred contractual provisions to be included in contracts with third party service providers or develop due diligence guidelines applicable to their engagement of third party service providers.

Notices to Superintendent
Covered Entities are required to notify the NYDFS Superintendent as promptly as possible, but in no event later than 72 hours from determination of the occurrence of a Cybersecurity Event meeting the following characteristics: (1) notice is required to be provided to any government body, self-regulatory agency, or any other supervisory body; and (2) there is a reasonable likelihood of material harm to any material part of the normal operations of the Covered Entity. Additionally, Covered Entities will be required to prepare and submit annual certifications of compliance to NYDFS by February 15 of each year, beginning on February 15, 2018.

Transition Periods
As mentioned above, the effective date of the Proposed Regulations has been delayed until March 1, 2017. Covered Entities must still comply with most of the Proposed Regulations within 180 days of the effective date; however, several requirements are permitted to be phased in over twelve, eighteen or twenty-four month transition periods.

Conclusion
The NYDFS is one of the most sophisticated and important financial regulators in the United States, with supervisory authority over 1,900 financial institutions with assets of more than $2.9 trillion. Many financial institutions regulated by the NYDFS have operations far beyond New York State. The Proposed Regulations are significant because they are the first cybersecurity regulations to be proposed by a state banking regulator. Once adopted, other state banking regulators may view the Proposed Regulations as standard-setting, and follow suit in adopting similar standards. Additionally, under the Safeguards Rule adopted pursuant to the Gramm-Leach-Bliley Act, financial institutions are required to have security programs that are consistent with what is reasonable in the financial industry. If the standards contained in the Proposed Regulations are widely adopted, they could shift this reasonableness standard for the industry.

Christopher Johnson is an associate attorney in Jones & Keller’s Banking, Lending & Financial Institutions practice group. Christopher specializes in the representation of financial institutions with regard to regulatory matters, mergers and acquisitions, commercial and consumer lending transactions, as well as bank operations and general corporate matters.

If you have questions about the regulatory landscape with respect to cybersecurity and its impact on your organization, or if your institution has experienced a cybersecurity threat, please contact Jones & Keller’s Banking, Lending & Financial Institutions practice group at (303) 573-1600.

4 Updated Proposed Regulations at §500.21.
5 Updated Proposed Regulations at §500.02(b).
6 Id. at §500.03(a).
7 Id.
8 Updated Proposed Regulations at §500.06(a).
9 Updated Proposed Regulations at §500.07.
10 Updated Proposed Regulations at §500.11(a).
11 Updated Proposed Regulations at §500.12(a)(9).
12 Updated Proposed Regulations at §500.15.
13 Assessment of Public Comments at 1.
14 Updated Proposed Regulations at §500.01(g).1
15 Id.
16 Original Proposed Regulations at §500.01(g).1
17 Updated Proposed Regulations at §500.04(a).1
18 Id.
19 Id.
20 Updated Proposed Regulations at §500.15(a).
21 Id.
22 Updated Proposed Regulations at §500.15(b).
23 Updated Proposed Regulations at §500.15(c).
24 Updated Proposed Regulations at §500.06(a)(1)(C).
25 Id.
26 Updated Proposed Regulations at §500.06(b).
27 Updated Proposed Regulations at §500.13.
28 Updated Proposed Regulations at §500.13.
29 Updated Proposed Regulations at §500.11(a)7
30 Id.
31 Updated Proposed Regulations at §500.11(b).
32 Updated Proposed Regulations at §500.17(c).
33 Updated Proposed Regulations at §500.17(b).
34 Updated Proposed Regulations at §500.22.
Each year, CSI puts forth its Banking Priorities Study—a benchmarking survey in which banking executives from across the country share their thoughts on a range of topics, and shed light on their strategies and plans for the coming year.

For this year’s survey, 163 banking executives, representing institutions of various asset sizes and geographic locations, answered 10 questions on what they expect will be their greatest challenges, top opportunities and foremost concerns for 2017.

The study annually reveals the most pressing issues facing the industry at that particular point in time: four years ago, a good portion of the respondents indicated a growing confidence in cloud adoption, which was just coming to prominence at the time. And last year, respondents ranked mortgage-related regulations as their greatest compliance concern heading into 2016, as banks were busy digesting the Consumer Financial Protection Bureau (CFPB)’s final rule on the Home Mortgage Disclosure Act (HMDA).

And this year? When asked about their greatest challenges going into 2017, a whopping 72 percent of respondents named driving growth and profitability as their No. 1 challenge.

That’s no surprise, as this has been and will continue to be a trying issue for financial institutions across the country. As consumers increasingly use digital channels to access their personal finances and execute transactions, institutions must provide their customers with the most seamless and efficient banking experience across all channels. Doing so is one crucial way to help ensure growth and profitability.

Accordingly, there seemed to be a pervading focus in this year’s study: creating an omnichannel experience. In fact, almost a quarter of respondents (23 percent) listed pursuing an omnichannel experience as their biggest challenge in 2017. It’s a very telling statistic regarding the strategic road map that banks could follow in 2017; the notion of implementing omnichannel banking to improve the customer experience figured prominently in responses throughout the report.

So why is omnichannel banking so important? Because it’s what your customers expect.

We are entrenched in a culture shift, brought on by the digital age, that has fostered a consumer base having high expectations for products and services—namely, consistency and cohesion across a product’s platforms and points of service, and an interface that uses consumers’ habits and history to anticipate future needs. Many components of our day-to-day routines like shopping, entertainment and news already are immediately accessible and inherently linked.

The growing availability and accessibility of technology that meets consumer needs and expectations means customers can and will abandon products and services that fall short. So, just as customers can easily search for the best price on a sweater, they also can comparison shop for a financial institution that provides them with the most seamless and helpful experience.

Elsewhere in the survey, when asked about the areas in which they expect to increase spending over the next 12 months, 56 percent of respondents named Information Technology, while 55 percent answered that they expect to increase spending on customer service initiatives. Increased spending in both of these areas is another telltale sign that banks this year will be spending on, and working toward implementing, omnichannel initiatives.

In fact, for the first time, Banking Priorities respondents were asked about specific omnichannel strategies they plan to pursue in the coming year. More than half of those surveyed (57 percent) stated that implementing customer relationship management (CRM) software was their No. 1 omnichannel strategy.

A core-integrated CRM opens up communication and streamlines coordination between all business lines and banking channels, enabling banks to hone in on the channels their customers prefer. In addition, integrated CRM software helps financial institutions proactively anticipate individual customers’ product and service needs.

Other answers to the omnichannel question included mobile banking adoption (47 percent) and online account opening/funding (46 percent). Both of these strategies are important for banks that wish to retain their current customers, as well as attract new, younger consumers who expect a full suite of digital banking solutions.

According to Millennials and Banking, a survey from the American Bankers Association (ABA), 61 percent of millennials say that mobile has made tracking and spending their money better. Also, almost a quarter of respondents (23 percent) cite lack of a mobile app as the main barrier to bank engagement.

In the end, financial institutions must strive to provide their customers with integrated services without sacrificing the unique functionalities of each channel. According to a Celent report on the omnichannel topic, “multiple channels — digital channels in particular — influence the consumer’s choice of banking relationship. Banks therefore need to close the deal whenever and wherever customers make the decision to onboard. To do otherwise is not just inconvenient for potentially profitable prospects, it is bad business.”

Through the Executive Report: Banking Priorities 2017, we see that banks have taken this concept to heart. And the responses prove they’re placing a heavier emphasis on pursuing omnichannel initiatives this year. Will you?

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.
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BEWARE OF TAX PHISHING SEASON

By Cole Ponto, Information Security Consultant, SBS CyberSecurity, LLC, IBC Preferred Provider

Tax Season = Increased Risk
With the new year and all that it entails behind us, holiday season for bad guys is now upon us: tax season. As you may know, tax season is one of the most popular time of year for scammers to start sending out phishing email campaigns targeting personal and company-wide tax information. One of the most common methods a social engineer will use when sending out emails around tax season is to impersonate the IRS. Tax scam emails could direct recipients to fake tax forms, request fake tax payments, or attempt to confirm tax submissions. We also need to keep an eye out for less obvious attacks. In the previous years’ tax season, we saw many companies fall prey to CEO (or upper management) fraud, meaning the social engineer impersonated the target company’s CEO or another member of upper management, requesting tax information for all employees. The tricky part of this type of email is that attackers often spoof the CEO's exact email address, making the email even more difficult to identify as fraudulent.

How to Protect Yourself (and Your Customers)
There are several things to consider when trying to protect ourselves from these types of phishing campaigns. Our first resource comes straight from the official IRS website here: https://www.irs.gov/uac/tax-scams-consumer-alerts. The IRS states: "REMEMBER: The IRS doesn't initiate contact with taxpayers by email, text messages or social media channels to request personal or financial information. In addition, IRS does not threaten taxpayers with lawsuits, imprisonment or other enforcement action. Being able to recognize these tell-tale signs of a phishing or tax scam could save you from becoming a victim." Knowing the IRS does not initiate contact via email, text, or social media allows us to easily identify a great number of phishing campaigns that we could potentially receive during this time of the year. Some other items to consider when trying to prevent yourself from falling prey to a phishing scam is to:

1. **Beware of typos, bad grammar and misspellings.** A common theme in phishing campaigns are typos, misspellings, and grammatical mistakes; these items may be one of your simplest identifiers.
2. **Be hesitant when following provided links.** If possible, type the address you know into your address bar, as the address you see in your email is not always where you end up. Even better, navigate to the website as you normally would by either typing in the regular URL into your browser or by using a bookmark.
3. **Report phishing emails that you have identified.** Notifying your IT Department and other employees is an often overlooked step. If you have received a phishing email, there is a good chance that someone else in the organization has received that same email. Just because you have identified that email as a phishing email, does not mean everyone else will. The best method to assure everyone is safe is to report the email to management (take a snapshot, do not forward live phishing emails).
4. **Verify the email is legitimate through a phone call to the sender.** Pictured below is a phishing email received by our friends at KnowBe4 during last year’s tax season. While it spoofed the CEO's actual email address, even if we are unable to identify any obvious mistakes, we can acknowledge this is a lot of information to request through email. A 20-second phone call for confirmation is well worth the effort.
5. **When in doubt, click the “Reply” button.** If you receive an email from “yourCEO@yourbank.com” that seems suspicious, clicking the “Reply” button will show your reply will be sent to “badguy@hackyou.com,” revealing the email address has been spoofed.

How SBS Can Help
At SBS, we want to help make sure you are building a culture of security at your organization. SBS has always had a training and education focus, and we’d be happy to help provide some cybersecurity training. Additionally, SBS has partnered with KnowBe4 to provide your organization with the ability to test your staff through automated phishing email assessments. For more information about SBS and KnowBe4, please visit: https://sbscyber.com/products/sbsknowbe4/. For additional training, or assistance with anything else cybersecurity related, visit us at https://sbscyber.com.
Independent Bankers of Colorado’s
29th Annual
Ag and Natural Resources Conference
Thursday and Friday, April 27 and 28, 2017
DoubleTree Hotel by Hilton,
Greenwood Village, CO

Cattle and Grains Markets Update
Agricultural Economic Update
State Oil, Gas and Grazing Leases Update
Federal Legislative Update
And More!

Dr. David Kohl – Friday
Professor Emeritus, AAEC, Virginia Tech
Credit Risk: Answers to Critical Questions

Meet Our Featured Attorneys

Reid A. Godbolt
Adam J. Fogosos
Samuel E. Wing

Reid, Adam, and Sam support the firm’s banking and financial institution transactions practice. They have assisted in finding bank merger candidates, including bank holding companies, and regularly act as lead counsel in merger negotiations and transactions, advising on federal and state banking and securities laws.

Please do not hesitate to contact us for any legal issue affecting your financial institution.
The challenge is not all transactions require a PIN. If they did, much of this complexity could’ve been avoided. The security improvements of the chip technology are valuable and, combined with a PIN, make the card a much more secure payment device.

When payments are based on widely accepted standards, the system runs smoothly, competition for payments flourishes and the environment is ripe for innovation. When payments solutions are based on proprietary technology, controlled choice and flexibility and, ultimately, interoperability and competition are impacted.

Unfortunately, 2017 holds more of the same. We’ll find out more about the legal challenges surrounding where and how consumers are allowed to use their cards, how merchants are allowed to protect those transactions and how that may impact you as the issuer. You’re REQUIRED to participate in more programs without any control of the what or the how. It’s also likely we’ll see more consumer frustration.

The news isn’t all bad though. The year 2017 also holds opportunities to expand choice and flexibility for merchants and issuers.

The traditional PIN debit networks are providing new opportunities by extending their existing capabilities into traditionally signature-only market segments like online retail, restaurants and hotels.

PINless and new signature transactions can provide significant benefits to issuers and merchants by extending routing choice and payment competition. We think this may be the first of many instances to come where synergies emerge between the merchants and issuers. Future collaboration between these groups can lead to a better payments system for everyone.

It’s been a bumpy migration as payments solutions continue to evolve. The choices we make as an industry and how well we learn from experience will largely determine how much we smooth the way forward in 2017 and beyond.

In 2014, Paul Waltz was named Executive Vice President and Chief Operating Officer of SHAZAM/ITS, Inc. He’s since been named President and Chief Executive Officer. Paul Waltz previously served on the board of directors for the Iowa Bankers Mortgage Corporation and was the founding president of the Progressive Bankers of Southwest Iowa.

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.
A tradition of excellence passed to the next generation.

“When management offered in 1987, I jumped at the chance to attend a school that would enable me to be prepared to be a part of bank management one day. It also created many lifelong friends and colleagues in banking around the state that offers a social network to lean on to get answers when needed.

I’m very proud to mention that my son Adam Parrott, now a vice president in his bank also graduated from the school and I attended his graduation ceremony as the first father/son graduates.

Our bank has sent many other employees to the school that enabled them to become a more vital part of our bank. All my employees come back from the school energized and ready to use the skills learned.”

Doug Parrott, CBS Inaugural Class

July 16-21, 2017
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For more information, contact IBC at 303/832-2000 or visit www.cbai.com.
“The supreme quality for leadership is unquestionably integrity. Without it, no real success is possible no matter whether it is on a football field, in an army, or in an office.” Dwight D. Eisenhower. The definition of integrity according to Merriam-Webster is “(a) a firm adherence to a code of especially moral or artistic values; (2) an unimpaired condition; or (3) the quality or state of being complete or undivided.” https://www.merriam-webster.com/dictionary/integrity (last visited February 17, 2017).

I have the privilege and honor of working with businesses and individuals who are often in dire economic straits. The conversation, for many, centers on what others did to them and how they were the honest and moral party to the dispute. While this may be true, there is another component which is often overlooked. It is the quality of being sound and complete. This article grapples with the latter question and our responsibility to ensure integrity in this domain.

What do I mean by the integrity of being sound and complete? Ask yourself these questions:

- Have you ever been late for a meeting?
- Have you ever procrastinated to prepare a project?
- Have you ever cut corners here and there to save money?
- Have you ever taken on a project you truly were not competent to perform, but took on the project anyway?

These questions reflect a lack of integrity. That is, these actions (or lack thereof) produce results more often than not that are contrary to your true intentions. Chronic “lateness” will often have the impact on others that you are not trustworthy or reliable. Being late can further disrupt your career by causing others to interpret your actions as uncaring for their needs and concerns.

Procrastination also disrupts integrity. Reflect on the projects you may have completed in the last seconds before they were due. Were those as complete and thorough as you would like? Did your audience (client, customer, contact) interpret the project as sufficient?

Cutting corners often has catastrophic impacts, which may not be seen until far into the future. Just look at the news and see where businesses have cut corners which have injured or even killed people. But, when we are in the process of cutting the corners, we are only looking to the immediate goal of saving money or time, ignoring the impact such corner cutting may have on a project or a business concern.

When you take on projects you know you are not competent or qualified to do and when you do so without either declaring the same or seeking other wisdom and guidance, how did that go? We live in a culture of “self-made” this and that. Truth is, being mentored and working with others makes you become or be qualified. Do not disrespect that reality.

My encouragement and my charge to the reader is think about your integrity in a new way. Yes, there must be a moral compass to live a full and complete life. However, you cannot ignore or turn away from certain fundamentals like soundness and completeness with the result of producing projects that limit imperfection and produce great satisfaction to your customers, clients, and associates.

Robert D. Lantz can be reached at 303-861-8888 or rlantz@cp2law.com
Upcoming Webinars

3/16/2017  Flood Compliance in Lending Part 2: Post Loan Closing
            Ann Brode-Harner, Brode Consulting Services, Inc.

3/21/2017  ACH Specialist Series:
            ACH Rules Update 2017
            Jen Kirk, EPCOR

3/22/2017  Account Documentation Series:
            Opening Deposit Accounts Online: Rules, Risks & Best Practices
            Susan Costonis, Compliance Consulting and Training for Financial Institutions

3/23/2017  Securing Collateral Part 1:
            Form UCC-1 – Initial Filing & Perfection of Security Interests
            Elizabeth Fast, Spencer Fane LLP

3/29/2017  Director Series:
            The Board Evaluation Process: Steps, Tools & More
            Jeffrey C. Gerrish, Gerrish Smith Tuck, PC, Consultants & Attorneys

3/30/2017  UDAAP Challenges: Practices, Risk Mitigation, Regulator Expectations & Case Studies
            Adam Witmer, Young & Associates, Inc.

4/4/2017   Website & Social Media Common Compliance Violations
            John Zasada, CliftonLarsonAllen LLP

4/5/2017   Human Resource Dos & Don’ts for Supervisors
            Kay Robinson, Robinson HR Consulting, LLC

4/6/2017   Real Estate Series:
            CFPB Real Estate Loan Collection Rules for Mortgage Servicers & Your Bank
            Elizabeth Fast, Spencer Fane LLP

4/11/2017  Managing TDRs Start to Finish:
            Initial Identification to Rewriting to Non-TDR Status
            Tommy Troyer, Young & Associates, Inc.

Visit financiedinc.com/a/ibc
to see the full webinar schedule
Pick One - Only One

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.

It's just about allergy season and I am of course dreading the usual effects of those awful pollens that attack me. Can you relate? And one of the symptoms I hate the most is the bags under my eyes. They get huge – and I look very tired even though I’m not.

So when I saw a certain display for eye crème it screamed out to me to try it. Why - because it focused on one symptom with a great headline "Tired of looking tired?" Heck yes I bought some of that stuff!

It was all about the copy describing the pain from my allergies- not a long list of symptoms but a focus on one symptom that resonated with me.

So why am I telling you this? Because focused messages in your ads and communications that speak to a single yet very important challenge for your prospects or customers can be so much more powerful and effective than a laundry list of the products you offer. Capture a reader's heart by showing you can relate to their pain, and if it resonates, you have a shot that they'll buy what you offer.

Try it - choose carefully and identify the pain you want as your focus. Resist adding in additional messages and use the art and science of copywriting to craft persuasive messages that sell. We can help – as always contact me at 303-795-3539 or lauren@oconnellconsultinggroup.com.
Colorado Lending Source Reveals 2016 Economic Impact
And Welcomes the 2017 Board of Directors, and Announces Small Business and Lender Awards during the 2016 Annual Meeting
By: Lauren Kloock, Colorado Lending Source, an IBC Associate member

Colorado Lending Source, the state’s not-for-profit small business lender, shared the organization’s economic impact and revealed their small business and top lender awards during the 2016 Annual Meeting on January 26, 2017. Also announced during the luncheon was their 2017 Board of Directors.

Every year, Colorado Lending Source hosts their Annual Meeting to help spread awareness of the importance of small business lending, and to highlight the incredible businesses and partner lenders they have worked with throughout the year. In 2016, the positive impact Colorado Lending Source had on the economy included approving a total of 270 small business loans (across four lending programs), which helped create 1,845 jobs, and inject $345,988,124.21 into the state's economy. Specifically, loans were approved in 15 different industry categories spanning 130 unique types of businesses in 65 Colorado cities and 27 Colorado counties.

Executive Director, Mike O’Donnell expressed the purpose of Colorado Lending Source’s Annual Meeting:

"The Annual Meeting is our celebration of Colorado small businesses, the lenders we partner with, the U.S. Small Business Administration, the USDA, and all the other organizations who assist us in our goal of helping incredible small businesses do so much for our economy. Colorado is the best place in the world to live, work, play and start or grow a small business. Our entrepreneurs are all amazing and we were thrilled to see so many people come out to celebrate our success and all small business achievement in 2016. We can't wait to see what 2017 has in store for us!"

Small Business Excellence Awards were presented to five entrepreneurs that included Clear Intentions, Maria Empanada, Sample Supports, Sweet Action Ice Cream, and Vortic Watch Co. Juana Gonzales from Mile High Delights was awarded the Ice House Entrepreneurship Achievement Award for effectively implementing strategies taught in the Ice House Entrepreneurship Program and for launching her business as a result of the program.

Two banks walked away with awards; FirstBank received the Top SBA 504 Partner Bank Award for having partnered with Colorado Lending Source on 23 SBA 504 loans totaling $45.9 million in financing, while First National Denver received the Top SBA 7(a) Partner Bank Award for their partnership on 10 loans resulting in $9.1 million in financing. Both Rick McMann from U.S. Bank and Chris Cerveny from Citywide Banks received the Top SBA 504 Partner Lender Award, after tying for the most SBA 504 loan approvals in FY 2016.

The event also welcomed the 2017 Board of Directors, which include:

**Board Officers:**
- **President**
  Frank Gray, Castle Rock Economic Development Council
- **Vice President**
  Niall Mooney, Commerce Bank N.A.
- **Treasurer**
  Erin Beckstein, Crazy Good Marketing
- **Secretary**
  Valerie Bromley, Messner Reeves LLP
- **Past President**
  Rick Bruno, FirstBank

**Board Members:**
- Yuiry Gorlov, Aurora Economic Development Council
- Todd Guymon, Verus Bank of Commerce
- Timothy Kraich, Stockmens Bank
- Nancy Sheridan, JPMorgan Chase Bank
- Greg Boushelle, BBVA Compass Bank
- Gil Selinger, Fairfield and Woods, P.C.
- Bryan Blakely, Turn Corps
- John Adair, Micro-Imaging Solutions, LLC

To learn more about the Colorado Lending Source, visit their website at www.coloradolendingsource.org.

Mark your calendar to attend the

**Independent Bankers of Colorado Advanced Lending Compliance School**

**Monday–Wednesday, July 24–26, 2017**

IBC is partnering with ProBank Austin (formerly Professional Bank Services) to present this outstanding program.

Detailed information will be emailed to you soon.
THE PRODUCTS YOU NEED
WITH WHITE GLOVE SERVICE

ICBA Securities® brokers provide you with custom opportunities to fit your bank's individual investment needs. Our team’s primary focus is adding value by providing insight, analysis, and recommendations which are determined by our Performance Profile, a comprehensive study utilized by over 1,200 community banks. Our proprietary Risk Manager service can help identify your needs and determine which products and strategies will assist you in achieving optimum success to take your bank to the next level.

icbaSecurities.com
STACK CREDIT CARD FEATURES IN YOUR INSTITUTION’S FAVOR

By Vantiv Product Team, an IBC Preferred Provider

In a market where the competition is considerable, the ability to rise above the rest and entice consumers to pick up their plastic is paramount to the success of many financial institutions’ credit card programs. In order to attract cardholders, financial institutions should consider implementing the latest cardholder-preferred card features.

The following credit card features can help gain cardholder preference and move your card to the top of users’ wallets. Whether you choose to build upon your already fixed card features or start afresh, these five product features are well worth integrating into your institution’s credit card program.

1. **Card rewards**
   The challenge to reach, attract, and retain cardholders is now greater than ever. With a market awash in card alternatives and new generations of cardholders whose loyalty can be easily swayed, maintaining a consistent card rewards program can be invaluable. Compensating loyal card users helps keep your card top of mind – and top of wallet. Promote your card with rewards like travel miles and cash back, both favorites among top targeted demographics.

2. **SMS/email alerts**
   eCommunication is an innovation that truly resonates with cardholders, and one that can have a significant impact on loyalty. Sent directly to a cardholder’s mobile device, immediate text or email receipts can facilitate account management and can easily help identify fraudulent activity. Reinforced by card controls, card alerts can personalize the card/user relationship like no other.

3. **Card controls**
   Putting card controls in the hands of your cardholders is a proactive step towards empowering them to assume more responsibility for their card use and security. Card controls help limit the extent that fraud can wreak on a cardholder’s account and your institution by giving cardholders the ability to immediately put a hold on fraudulent activity. Additionally, card control apps like Vantiv’s MobiMoney allow cardholders to set spending limits and monitor purchase history, driving card usage with increased consumer confidence.

4. **Online management**
   The accessibility and insight that online management offers can help keep cardholders up to date and on the move, while eliminating the cost of physical monthly billing. Administering their own accounts online gives cardholders the freedom to check statements and make payments anywhere at any time, all from the convenience of their mobile devices.

5. **Card customization**
   A simple but effective feature, card customization can be a fun way to create loyalty amongst your cardholders. Your institution’s cards can be tailored to fit the personality of each cardholder by allowing them to choose from a gallery of approved images or by uploading one of their own personal photos.

As the industry landscape continues to change, credit cards remain a popular banking amenity for customers, and consumer banking is still a significant source of revenue for financial institutions. Add increased value and appeal to your card portfolio by reinforcing your program with the best card features for your institution’s card program and its cardholders. Contact Heidi Saba at Vantiv (heidi.saba@vantiv.com or 303.399.8929) to learn more about employing these effective strategies at your financial institution. Vantiv is an IBC Preferred Provider.
When it comes to funding and deposits, bankers are in a similar position to where they were 12 months ago. Just as it did at the end of 2015, the Federal Reserve decided to raise interest rates at the end of 2016, and now bankers face the question of what the funding future looks like.

According to the early November results from Promontory Interfinancial Network’s Bank Executive Business Outlook Survey—a quarterly survey that captures the expectations of bank CEOs, CFOs, and presidents on a range of economic and industry subjects—most bank leaders expect to see moderate growth in funding costs over the next year.

Despite the possibility that an increase in interest rates could impact bank net interest margins, bankers awaited the interest rate increase at the end of 2016 with some enthusiasm, just as they did at the end of 2015.

One reason for the general enthusiasm is that banks have been preparing for this for a while. Concerns about interest rate risk appear to be a thing of the past. The general expectation by bankers for an increase in funding costs has been consistent for more than 18 months, and bankers have been positioning their funding portfolios to dull the margin impact of a rise in rates accordingly. Asked to assess current and target funding durations, survey respondents indicated little difference between the expected duration of current funding sources and the duration of the funding that they are targeting going forward.

Now, with rates moving once again, what is the impact that banks can expect to see?

Even the single rate increase at the end of 2015 led many bankers to experience a notable shift in the cost of their banks’ funding in 2016. Nearly 40% of bankers that responded to the Bank Executive Business Outlook Survey in November 2016 reported that they had seen an increase in their funding costs over the past 12 months. With the December 2016 rate hike, it’s possible that higher funding costs will become the experience for a majority of bankers.

This could create greater issues for banks than in previous rising-rate cycles. Loan-to-deposit (LTD) ratios are still well below pre-crisis median levels at the country’s biggest banks. According to Call Report data, LTD at banks with more than $250 billion in assets is at 76%, well below the pre-crisis median of 98%. As these large banks continue to grow their assets, eventually they may need to push further into the deposit market, potentially driving funding costs upward. A deposit push from big banks may be a particular concern for community banks that currently hold a substantial amount of surge deposits, which have settled in banks awaiting yield from whoever is willing to offer it.\(^1\)

LOOKING BACK TO LOOK AHEAD

So what can banks expect to happen in 2017? Given the similarities between the end of 2015 and the end of 2016, it’s useful to consider recent history and how 2016 deviated from expectations with respect to the funding side of the balance sheet.

In the Q4 2015 edition of the Bank Executive Business Outlook Survey, which was taken in January 2016, nearly 40% of respondents indicated that their funding costs had worsened. That was double the percentage of respondents that had experienced higher funding costs just one quarter prior.

And expectations were high that increases would continue. More than 70% of respondents to the January survey reported that they expected to see their funding costs rise in the 12 months following the survey. Expectations were similar in the April edition of this same survey.

Then came a substantial shift. In the Q2 survey, taken in the final two weeks of July, there was a notable drop in expectations for a funding cost increase. By this time, barely half of all surveyed bank leaders expected to see an increase in funding costs over the coming year.

This shift in expectations may have been due, in part, to uncertainty following the June Brexit vote, which caused U.S. Treasury securities to fall sharply, U.S. equity prices to decline, and the foreign exchange value of the dollar to increase. Turmoil in Europe was also paired with mixed economic news in the United States.

The mid-year economic roller-coaster and the failure of the economy to hit the inflation and employment targets that the Fed had set at the end of 2015 delayed Fed action on interest rates and raised the possibility of a much longer wait for any future interest rate movement.
However, the eventual impact of the mid-year turmoil was less negative and shorter term than many industry observers expected. By August, acute, economic anxiety had mostly dissipated; Treasury yields were down only slightly, equity prices were higher, and the foreign exchange value of the dollar was little changed. Positive jobs numbers supported more economic optimism and revived belief in a December interest rate increase, which ultimately happened.

Reporting in November 2016, nearly 73% of respondents expected to experience a moderate increase in their funding costs within 12 months. This was three percentage points higher than reported for the same time one year prior. Less than 3% expect to see a significant increase in funding costs.

While interest rates finally appear primed to move, it’s worth noting that the expectation was in a similar place last year, and, as with last year, a range of economic factors could still impact the Fed’s decision-making on rates.

1 FDIC’s statistics on depository institutions

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Gary Koller
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Celebrating Community Bankers!
The Independent Bankers of Colorado Congratulates One of Our Own!

Community Banker Steve Short of Durango is Named Citizen of the Year by the Durango Chamber of Commerce!

The Durango Chamber of Commerce has named Steve Short the Citizen of the Year for his commitment to the well-being of Durango’s economy, schools and culture. Steve was honored along with 12 others at the annual awards event held at the Community Concert Hall at Fort Lewis College.

Steve has long been an active supporter of the IBC, serving two terms on the IBC Board of Directors, as well as having been elected by our member banks to serve as IBC President and Chairman. He continues to serve on IBC’s Government Relations Committee. Steve, former President and CEO of First National Bank of Durango, was honored for his work with numerous nonprofits and schools. He attributes his community activism to his deep roots in Colorado. His family came to Colorado 120 years ago as pioneers. Steve thanked his wife Jane and his former colleagues at the bank for their support. “Very little in life happens because of the efforts of one single individual,” he said. Steve is Chairman of the Fort Lewis College Board of Trustees and serves on the boards of the Durango Industrial Development Foundation and the Hundred Club of Durango, a group that donates to families of first responders who die or are injured on the job. He also serves on the boards of the Chamber, Durango School District 9-R, Fort Lewis College Foundation, Music in the Mountains, La Plata County Fair, Mercy Health Foundation and many other organizations.

Way to go Steve!

Please let IBC know if your bank is celebrating an anniversary, a community service acknowledgement, the public appointment of one of your team, … or any other great reason to celebrate.

IBC will share your celebration with Colorado’s community banking industry!
IBC will publish your announcement in our Independent Report e-newsletter, on IBC’s Facebook page, and e-notify community bankers throughout Colorado!

Please send your bank’s celebration announcement to bwalker@ibcbanks.org!

Thank you!
IBC’s 78-ATM SURCHARGE FREE NETWORK!

The Independent Bankers of Colorado’s alliance of community banks offers your customers access to 78 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.

**LOCATIONS**

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<thead>
<tr>
<th>Location</th>
<th>Bank</th>
<th>Address</th>
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<td>First Southwest Bank</td>
<td>720 Main Street</td>
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<td>Brighton</td>
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<td>TBK Bank</td>
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<td>Canon City</td>
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<td>816 Royal Gorge Blvd.</td>
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<td>3204 W. Colorado Avenue</td>
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<td>Hugo</td>
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### IBC’s 78-ATM SURCHARGE FREE NETWORK!

#### LOCATIONS

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<th>Location</th>
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For information about how your bank can join our network, please call Heidi Saba at 303-399-8929 or heidi.saba@vantiv.com!