

GOVERNMENT RELATIONS

PROACTIVE – CBA strives to be proactive; usually initiating several new bills for banking. In 2008 we intentionally initiated no bills and focused exclusively on defense. Our “proactively defensive” work includes advance research and preparation on battles where we anticipate reacting to others’ bad ideas. 2008 results on 17 priorities had 14 wins, 3 ties, and no losses.

CBA fights for banks on priority issues:

Mortgage Brokers – Despite clear bank exemptions in several 2007 foreclosure laws, the state Division of Real Estate took action to regulate bank employees as “mortgage brokers” even when originating loans for their bank! At the behest of CBA (and IBC and the credit union association), Governor Ritter recently requested an opinion from Attorney General Suthers to settle the issue.

Foreclosures – Media saturation on subprime lending created a hostile environment for banks. For example, foreclosure protests in May in Denver touted a moratorium. CBA preemptively killed it with key public officials, avoiding banks’ costly legal/PR battles.



Foreclosure Bill – With a mere two weeks left in the session a horrible bill HB08-1402 was fast-tracked before CBA killed practically all of it. It would have extended the current 230+ day foreclosure process by another 90 days (time-consuming, expensive, and court-clogging judicial finding), prompted an economy-damaging Colorado credit crunch due to secondary market jitters, increased mortgage loan rates... CBA rallied 18 associations to oppose it, and did extensive research and all testimony to gut the bill so that it simply required two items banks already provide in notices (bank customer contact info, and Colorado Foreclosure Hotline number).

Interest on Escrow – SB08-162 was designed to benefit affordable housing for which banking already is the biggest supporter: \$1B/year in rate-reduced loans by banks in CO; \$10M/year donated directly to affordable housing by Colorado banks. It would have heaped costly and frustrating burdens while raising little for the cause. CBA was the primary opponent and worked with title companies to kill it.

CHFA – Concern about CHFA expanded powers launched a CBA task force that met many times throughout 2007 – finally concluding in a CBA/CHFA agreement precluding direct commercial lending by CHFA from being a material amount. CBA and CHFA have planned 2008 joint programs to inform lenders of good financing options.



REITs – Another bill late in the session attacked Wal-Mart's use of REITs. CBA obtained numerous amendments (re some banks' use of REITs for mortgage loans). Problems discovered late in this rushed process prompted CBA to request a veto which we obtained.

Credit Unions (Norlarco) – With recollections of the 1980s S&L collapse, CBA documented atrocious failings of the credit union regulatory system – which allowed Fort Collins' Norlarco Credit Union to implode from inadequate capital and reserves, violations of law, and soaring delinquencies from loans to nonmembers who invested in no-



money-down homes near the Everglades, which then plummeted in value. CBA had numerous sessions with Colorado public officials and Members of Congress to educate them on these abuses and regulatory failings.

Farm Credit System – Rural and ag banks, and urban banks would have faced more tax-subsidized competition with the Farm Credit System allowed to make commercial loans. CBA made many Congressional contacts (and organized hundreds of letters from Colorado bankers), and produced an attention-grabbing brochure documenting FCS lending abuses in CO. This bill was blocked in Congress but the fight continues in the regulatory environment.



Amendment 41 – CBA opposed 2006's Amendment 41 (“Ethics in Government” poor drafting means major compliance issues for banks/businesses). CBA helped launch the First Amendment Council which obtained an injunction the Supreme Court later negated launching a new court fight continuing in 2008.

Trust Litigation – Despite initial legal victories CBA and several banks lost in the Colorado Supreme Court regarding donor intent on the custody of trust assets (Denver Foundation v. Wells Fargo).

Fraud Efforts – CBA's 2006 HB1347 was implemented in 2007 to create the Colorado Fraud Investigators unit within the CBI for investigating and prosecuting financial fraud crimes. Its amazing results were featured in a July 2007 CNBC feature story.



Economic Outlook – Kansas City Fed Pres Tom Hoenig presented CBA's Annual Economic Outlook to 100 key Colorado public officials, plus bankers and guests in the Capitol. Attending were Governor Ritter who spoke, Attorney General Suthers, State Treasurer Kennedy, most Cabinet members, two-thirds of the State Senate, and half of the State House.

Legislative Luncheon – Despite Amendment 41 CBA set the record for public official attendance at such events (40 Legislators, 2 ½ times any other group). Most events were canceled outright. CBA's daily lunches with individual legislators at CBA continue to be a hit.

#2 in Tort Reform – CBA helped lead Colorado Civil Justice League's successful tort reform efforts (#2 in reform in U.S.) in previous years, and helped oppose partial rollback in a hostile 2007 Legislature.

CBA Guests – Included Governor Ritter, various Members of Congress, Treasurer Kennedy, Attorney General Suthers, Senate Pres Groff, House Speaker Romanoff, and U.S. House Financial Services Chairman Barney Frank on July 21, 2008.



ILCs – At CBA urging six of our seven U.S. House members cosponsored the federal ILC bill and six of the seven voted for it.

Other Key State Bills: construction prompt pay, 1031 exchanges, financial literacy content standards for schools, UCC lien filings, payday loans, wages by paycard, private trust companies, credit card number disclosure, credit scores, probate code, institutional fund prudent mgt, single factor taxation (multistate companies)...

Other Key Federal Bills: credit union bills, bank regulatory relief, FHA for distressed borrowers, GSE reform, FHA modernization, farm bill & FCS Horizons Project, credit cards, overdrafts, interchange fees, industrial loan

companies (ILCs), Fannie Mae/Freddie Mac/OFHEO agreement, home loan banks & REFCORP...

Washington Visit – Our annual trip to Washington, DC was augmented this last year by a dozen other key trips targeted on Farm Credit System, credit unions and other topics.

How does CBA juggle all of this? With dedicated bankers who provide great guidance, broad talented staff who react quickly in a fast paced world, another record year for our PAC, and energetic bankers who call & write public officials when asked.

Year ahead: Numerous contentious issues are headed for the November ballot where banks have a lot at stake. Term limits also will cost us many friends in the Legislature, where we again will face many proposals hostile to banks.

COMMUNITY RELATIONS

- CBA's public relations program proactively promotes the image of Colorado banking on targeted issues and reacts to defend the industry or individual members (when requested) on tough issues. This has been a challenging year. Subprime worries prompted CBA to do a proactive graphic education piece on this topic in August of 2007, later copied throughout the country.
- **Financial Education Forum** – CBA organized and hosted at the Denver Fed a February summit on financial education that drew 100 (twice what we expected). After Governor Ritter spoke, the group developed a consensus action plan for advancing the cause. This positioned banks nicely and produced lobbying benefits too.
- www.financialinfo.org – CBA reorganized its www.financialinfo.org website to provide the public with consumer financial information, refreshing it with 50 brief articles on consumer finance topics.
- Other issues – Our industry's image on many of the above government relations issues was defended/promoted in the last year.



INFORMATION – CBA's information vehicles include:

- Our bi-monthly magazine, *Colorado Banker*, sent to over 1,600 bankers.
- *CBA Executive Update*, timely alerts
- www.coloradobankers.org member website www.financialinfo.org public website
- Timely *Legislative Status Sheet* summaries and alerts
- Telephone briefings on numerous subjects
- Five other western states join CBA in Denver June 2009 for a joint convention – AZ, NM, NV, MT & WY

EDUCATION

• **Bank Leaders of Tomorrow** – CBA launched the Bank Leaders of Tomorrow peer group as a 12-event career enhancement program for leadership training, education and networking. Its first class is drawing rave reviews. **(continued on back panel)**

Thanks for Great Leadership

CBA Officers		
Chairman DAN GODEC – COMMUNITY BANKS OF COLORADO	Chairman-Elect DAVE BAKER – FIRSTBANK	Treasurer ED SAUER – BANK AT BROADMOOR
Past Chair NORM FRANKE – ALPINE BANK	President DON CHILDEARS – non-voting	

CBA Board of Directors

- BILL BERENZ – AMERICAN NATIONAL BANK
- MARK BOWER – HOME STATE BANK
- JED BURNHAM – VECTRA BANK
- RAFAEL BUSTILLO – COMPASS BANK
- JOE COLEMAN – CHASE BANK
- PAT CORTEZ – WELLS FARGO BANK
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- CHRIS OSBORN – FIRST NATIONAL BANK COLORADO
- BOB OSTERTAG – COLORADO BUSINESS BANK
- STUART PATTISON – KEY BANK
- DONNA PETROCCO – VALLEY BANK
- JIM REUTER – FIRSTBANK
- HASSAN SALEM – US BANK
- JEFF SCHMITZ – CITYWIDE BANKS
- SCOT WETZEL – UNITED WESTERN BANK (2008-09 Treasurer)
- MARGO YOUNG-GARDEY – ALPINE BANK

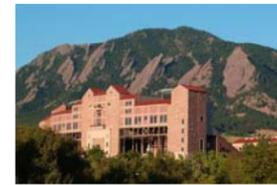
Experienced Professional Staff

- Don Childears, CBA President/CEO – serving CBA since 1975
- Jenifer Saltzman, CBA Sr. Vice President – bank and bank regulatory experience since 1987
- Amanda Rogowski, CBA Director of Marketing
- Tim Powers, CBA Director of Communications
- Jenna Spendlove, CBA Executive Assistant
- Craig Umbaugh, Hogan & Hartson, CBA Legal Counsel – serving CBA since 1989
- Melanie Layton, Jim Cole, & Garin Vorthmann, CBA's lobbyists – since 1982
- Margie Mellenbruch, Bookkeeper

Volunteers – CBA could not operate without the great guidance we receive from 100+ volunteers who make policy decisions for us. We owe each of them many thanks.

- We have been fortunate this year to have our own Pete Waller, First National Bank/Rockies, Grand Junction, serve on the ABA Board of Directors. He represents us well and with fervor.

- **Graduate School of Banking at Colorado** (GSBC) was started by CBA over 50 years ago, Its three-year program on the Boulder campus of the University of Colorado draws 450 students annually from 42 states. A new GSBC/CBA lecture series will feature U.S. House Financial Services Chairman Frank on July 21 – open to all CBA members.
- **Schools** – GSBC, Graduate School of Banking (University of Wisconsin, Madison), and the Schools of Banking all provide continuing banker education critical to competing in today's changing industry.
- **AIB** – CBA offers American Institute of Banking (AIB) courses from the fundamentals, to strategic courses for bank executives. AIB's 60+ courses can be self-guided or done online, and courses can lead to industry-recognized AIB diplomas and certificates.
- **CFT** – CBA offers classes via the Center for Financial Training to augment CBA's online offerings, including the Western States Commercial Lending School.
- **Conferences & Seminars** – CBA hosts seminars on timely topics, management conferences, legislative briefings, and an Annual Meeting as well as online training, BBCon webinars, and teleconferences. Designed to provide training when and where wanted, many offerings minimize travel hassle and time out of the bank.
- **Other** – CBA recently added offering the programs of BAI Learning & Development provided by Bank Administration Institute (BAI) and CBA is exploring doing the same with the Risk Management Association (RMA).



PRODUCTS & SERVICES

In addition to 50 associate members who provide services to banks, CBA has a full line of products and services offering banks proven fee-income and cost-cutting opportunities. Examples include:

- **Bancinsure** has offered bond and D&O for 20 years, is A rated by Best, and has a reputation as an innovative leader in financial security for banks. It offers insurance products designed by bankers to address their specific needs, is the Cadillac in bank insurance at competitive rates, and insures 1,600 banks (20% of U.S. banks)
- **Fraud-Net's** hundreds of alerts were posted last year dealing with dozens of voluminous incidents and dozens of types of fraud schemes. To access www.Fraud-net.com, bankers may self-register at the web site or contact CBA. It is a free antifraud database for law enforcement and CBA members.



CBA EFFICIENT OPERATIONS, SOLID CONDITION

CBA operates economically, often with dues cuts.

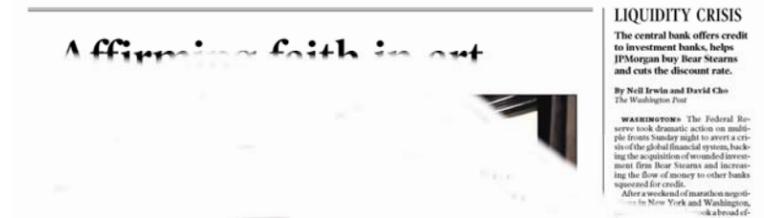
- **Net** – We estimate this fiscal year will end June 30 with a net income for CBA of \$41,000.
- **Dues/Fees** – CBA funds government relations, public relations and some administration with member dues, and offers conferences, insurance and other services on a user-pay self-supporting basis.
- **Members** – A number of banks (10 banks, \$10B in assets) joined CBA this year strengthening it in many ways. This means CBA members hold over 90% of the \$90 billion in assets in the 180 banks in Colorado.
- **Endowment** – Our CBA has a specific plan for preserving and growing our endowment for unanticipated emergencies and to benefit members via services and reduced dues. CBA's equity currently exceeds \$1.8M.



Advocating Banks in a Challenging Environment



Fed acts to avert run on banks



2007-08 Highlights: “102% success” in 2007 Legislature, 100% in 2008 – successfully advocated, effectively amended or defeated dozens of bills (out of 150 CBA lobbied in 2007, 120 in 2008) winning every legislative issue in a very challenging environment

Mission – CBA's mission is to improve the high quality of the Colorado banking industry and to enhance its ability to compete effectively and profitably.