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# Colorado's largest bank grew by nearly \$10 billion in assets in 10 years. Here's how they did it.

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[Jim Reuter](#) took his first job at Lakewood-based FirstBank more than 30 years ago in order to cover his truck payments. At the time, FirstBank had more than \$1 billion in assets under management. He vowed to never work for a big bank.

Reuter, now CEO of FirstBank, laughs at his feelings about big banks now. FirstBank, which is the largest bank headquartered in [Colorado](#), is currently the [75th-largest bank](#) in the country based on assets. And the bank recently celebrated a major milestone. In the 10 years since the Great Recession, FirstBank has nearly doubled its assets from just more than \$10.1 billion at the end of 2009 to just shy of \$20 billion at the end of last year.

And it's not just the bank's asset growth that impressed [Robert T. Browne](#), president and CEO of Kansas City-based banking consulting firm Cedar Creek Consulting. His analysis of Federal Deposit Insurance Corporation data for the quarter ending on Dec. 31, 2019, found that FirstBank — the bank, not the holding company — is a standout across several bank-health reporting measures.

FirstBank recorded an 18.05% return on equity, a measure of profitability, in the fourth quarter of 2019, which is nearly double the 10.9% average return on equity for banks throughout the country. Browne added that FirstBank's Q4 efficiency ratio, or measure of how much businesses must spend to earn a dollar, was 50.05%, which he said is considered "very healthy" for banks.



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John Ikard is former CEO, Emily Robinson is COO and Jim Reuter is CEO at FirstBank. Reuter said the bank is not just focused on short-term loans gains, which can lead to a lack of stability.

And equally impressive, Browne said, is FirstBank's Texas ratio, which is a measure of a bank's credit troubles. A bank typically is at risk of failure when the ratio is 100% or greater and federal regulators start becoming concerned when the ratio reaches over 10%. FirstBank's Texas ratio for the fourth quarter of 2019 was just over 1%. Even at the height of the Great Recession in 2009, FirstBank's ratio only exceeded 10% while most banks saw much higher ratios.

"They are in very good shape," Browne said.

What makes FirstBank such a model of success? Denver Business Journal spoke with Reuter, two other FirstBank executives and six Denver-area finance leaders and learned that the bank's success has in part hinged on the bank embracing a number of conflicting goals.

For example, FirstBank executives profess to be prudent in loan decisions, yet the bank is also known for its risk-taking when it comes to real estate loans and technology offerings. The bank aims for longevity above all else in its employee base, which could create an insular culture, but FirstBank leaders also pride themselves on the innovative and diverse culture that they've created. And the bank's execs pride themselves on maintaining their strong community connections while still getting involved with controversial issues such as affordable housing.

Jim Swanson, president and CEO of Denver-based banking consultant group Bank Strategies, said these somewhat contradictory policies appear to be working for the bank.

"They are certainly a local success story," Swanson said. "They've had an upward trajectory for a long time."

### **A practice of prudence**

Much of FirstBank's success after the Great Recession had to do with the fact that the bank did not issue subprime loans to homebuyers in the early 2000s unlike their competitors, said Fred Taylor, co-founder and president of Denver-based registered investment advisor firm Northstar Investment Advisors, which is the 17th-largest investment manager in Colorado.

"They stayed out of the subprime mortgage mess, which was pretty impressive," Taylor said.

Emily Robinson, chief operating officer at FirstBank, said the bank saw an increase in customers during the years immediately after 2009. She believes these new customers were seeking the safety and stability that FirstBank offered.

Additionally, Reuter, the CEO, said FirstBank's status as a private bank means it is not just focused on short-term loans gains, which can lead to a lack of stability.

"We're not thinking just next quarter or this year's bonus," Reuter said.

Browne, of Cedar Creek Consulting, said his analysis of the bank's loans found that the bank continues to be very quick to get rid of bad assets, unlike many of its competitors throughout the country.

"They seem to know how to handle these things. So many banks get attached to their bad assets instead of getting rid of them," Browne said. "They [First Bank] take the loss when it's necessary and

move on.”

Reuter added that his team is in constant contact with customers to see what their needs are. For instance, FirstBank has long been known for its retail and real estate lending, but only decided to increase its commercial and industrial lending after extensive conversations with customers, Reuter said.

“They’ve strategically become more aggressive in pursuit of diversity in their lending portfolio,” said Swanson, of Bank Strategies.

At the same time, the bank hasn’t strayed too far away from its roots as a retail and real estate lender. Taylor, of Northstar Investment Advisors, said FirstBank is known for staying laser-focused on its desired loan base and not offering other services just because other banks are. Taylor said that FirstBank hasn’t added wealth management or investment services to its business model, while many other banks have done so.

“They don’t try to be all things to all people,” Taylor said.

Additionally, despite even Colorado Gov. Jared Polis’ push for more banks to serve cannabis companies, John Ikard, the former CEO and current board chairman of FirstBank, said he doesn’t see the bank serving that industry anytime soon. This is despite the fact that some banks have made a large profit off of cannabis customers by charging them more to cover the risk of banking a federally illegal industry.

“My sense is if a bank our size were to bank the cannabis industry at this point, we would draw a lot more scrutiny ... It’s just not prudent to do,” Ikard said. He used the word “prudent” several times during an hour-long interview with DBJ to describe FirstBank’s strategy.

### **Real estate, technology investing**

But in direct contrast to FirstBank’s prudent strategy is its history of investing in high-risk real estate projects such as Union Station and The Ramble Hotel, as well as its decision to invest in early-stage technology, like when it offered its customers the digital payment service Zelle.

FirstBank was one of the key lenders behind the redevelopment of Union Station. While Union Station is now a centerpiece of downtown Denver, the project faced hurdles coming together. In 2012, the National Park Service rejected Union Station’s development team’s initial request for tax credits that would come with a “historic preservation certification,” although they were later able to receive approval.

FirstBank also served as a key lender for The Ramble Hotel, which was the first hotel constructed in the River North Art District neighborhood. Developer Ryan Diggins previously told DBJ that “bank after bank” rejected his requests for loans until FirstBank stepped in and lent him money.

Ikard said he didn’t consider such loans risky even if other banks in the community did. Rather, he saw them as projects that would revitalize their respective neighborhoods, which he believes they both did.

“We’re able to make loans in the community with a vision because we’re part of the community. ...

We just knew that RiNo neighborhood. We know the players,” Ikard said. “I mean, if you pick the right players, they will make their banker look good.”

Similarly, Reuter, the current CEO, didn't see joining digital payment company Zelle's predecessor, clearXchange, in 2014 with FirstBank competitors JPMorgan Chase, Bank of America and Wells Fargo as a risk, despite many community banking experts seeing it as such. Rather, he saw it as a necessary investment in digital technology that FirstBank needed in order to stay a dominant Colorado bank.

“We studied our customers' utilization of Venmo and Square and that told us that this was a service they valued,” Reuter said.

The group later paved the way for FirstBank to be among a small group of banks in 2017 to use Zelle, which now directly competes with Venmo and Square. In order to compete in the digital age, Reuter said FirstBank is constantly aiming to balance innovation with security for customers.

“Fintechs ... may have an interesting story, but they don't have 55+ years of performance stability,” Reuter said.

### **Retention versus poaching**

Reuter admits that the war for banking talent has become more fierce in recent years with the rise of financial technology startups — and job-hopping in general becoming more acceptable. Despite the growing trend of banks poaching talent from competitors, FirstBank leaders said they remain dedicated to promoting from within.

“They've historically hired and developed staff internally. ... A lot of banks hire externally,” Swanson, of Bank Strategies, said.

Robinson, the COO, said this strategy has paid off by increasing office morale. She said that when employees see their coworkers recognized and compensated for hard work, they see the value in working hard.

“We promote from within, so we make sure if there's an opportunity, it goes to someone currently on our team,” Robinson said. “I think that resonates still with every generation.”

FirstBank also has a well-known management training program that seeks to prepare early-career bankers for positions in the bank's leadership. Ikard, Reuter and Robinson all took part in the program.

Furthermore, FirstBank is employee-owned and aims to give stock to employees early on in their career.

Robinson, FirstBank's COO, cited the bank's employee ownership as another reason for the bank's success.

“We get stock into the hands of our officers very early, so they make decisions as an owner and not just as an employee,” Robinson said.

Taylor, of Northstar Investment Advisers, said employee ownership of finance companies is

becoming rarer and rarer.

In order to avoid becoming too insular, Robinson added that the bank has increased its diversity recruiting efforts. Additionally, the bank just opened a branch in Lakewood that it calls a “multicultural banking center” and has employees who speak Cantonese, Mandarin, Vietnamese, Khmer and Spanish.

“We now exceed the Colorado Census Bureau on every measure of diversity, whether it’s gender, ethnicity, veteran status with employees,” Reuter, FirstBank’s CEO, said. “... Customers like to bank with people that understand their culture. It’s not just a language issue. It’s a culture issue.”

Helen Young Hayes, founder and CEO of Denver-based professional placement and coaching firm Activate Workforce Solutions, works with FirstBank in placing her recruits, some of whom are first-generation professional workers. She said the company is well known for making all employees feel at home no matter their background.

“What our placements have experienced is a very welcoming and supportive culture and environment since day one of employment,” Hayes said.

Reuter admits that in order to retain employees and maintain employee longevity, the bank has had to transform its benefits and policies. FirstBank has offered education reimbursement for years in order to compete against technology companies. In 2016, the bank renovated its headquarters, adding an on-site gym and other amenities, including work-from-home schedules, with employee retention in mind.

“This campus is part of how we recruit. We have 400 people here in IT and if you walk this campus, it has the amenities you would see in a tech company,” Reuter said.

FirstBank’s shiny \$50 million headquarters contrasts with much of its surroundings on West Colfax Avenue in Lakewood. It would appear to be more at home in Lower Downtown or Cherry Creek. But Ikard said the bank’s late founder, Roger Reisher, insisted that the bank stay true to its Lakewood roots.

“I remember when we were building this, I told him, ‘Roger, we should move down to Cherry Creek. It looks a lot nicer there,’” Ikard said. “He said, ‘You know, John, you can move down there, but a job won’t be there for you.’”

## **Community outreach**

Banking experts say the future of FirstBank hinges on its ability to stay true to its local roots while continuing to expand its brand recognition.

“The only danger that I see is if they get too big, but I think nothing has changed as far as I can see,” Taylor said. “They are local, which makes them great because people want to do business with local banks ... We’ve used them and recommended them to people because there’s a real connection to people.”

Taylor said that consolidation in Denver’s banking industry means that more people want to do business with banks that have a personal touch. In the last three years alone, there have been at

least 16 attempted Colorado bank mergers and acquisitions, [according to previous DBJ research](#).

“Considering the 2018 and 2019 merger disruptions with a number of their competitors, and the fact that FirstBank is one of the largest privately owned banks in the country, it’s been a perfect storm to rapidly acquire assets,” Pendergast said.

An important part of FirstBank’s local strategy, even in its Arizona and California markets, is local branding. Reuter said FirstBank spends more on average than banking giants like Wells Fargo and Bank of America on marketing in order to compete against them.

“Branding has never become more important than it is today,” Reuter said.

Ikard said marketing can be a challenge for FirstBank due to the generic nature of its name. FirstBank’s name has also hindered its ability to grow in markets like Washington state, where there is another dominant, similarly named bank. It has also shifted from television advertisements to social media advertisements. Robinson said its goal is to have its consumers share content about the bank rather than have the bank share its own content.

“The FirstBank name doesn’t travel well,” Ikard said. “We have to kind of figure out the challenges of how to use that on a digital platform out of state. How do we minimize the brand confusion?”

### **Selective activism**

Part of being a local bank is also getting involved with local issues, Reuter said. And that’s even with controversial issues like housing affordability.

“It’s one of the No. 1 issues facing Colorado,” Reuter said. “We’ve had employees that have moved out of the state of Colorado because of the cost of housing. That’s why we’re so heavily involved.”

FirstBank offers its employees firsttime homebuyer assistance in order to help counter that trend, as well as offering it to customers under certain conditions. Bank employees also serve on housing authority boards throughout the region and the bank has its own in-house affordable housing committee.

“We recently added board members to that and they’ve given it a new energy,” Robinson said.

Jenifer Waller, president of Colorado Bankers Association, said FirstBank is known for its legislative efforts and community involvement.

“They have a huge focus on giving back to the community and ensuring all of their employees are involved with nonprofits,” Waller said. “They are very active in the trade organization and they have their own bank advocates group that teaches bankers every year about how legislation works. ... To their own bankers, they really stress the importance of being engaged.”

Robinson said the bank is always balancing its political activism with its desire to be a welcoming place for all of its employees.

“We have to be very careful about not saying this is a Democratic or Republican view, but this is good for banking,” Robinson said. “So we try to be very centered with our message without asking for anyone to believe a certain way.”

But even with the possible risks of political activism, Reuter said he believes it is necessary for the bank to advocate for itself and its community in order to truly be a local institution. Reuter added that FirstBank won't be able to grow by another \$10 billion in assets over the next decade without the right policies in place, so he feels the risk of getting involved with legislation is worth it.

"One stroke of the pen in Washington, D.C. can have a significant impact on what we can offer to our customers," Reuter said. "It's our responsibility."

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