

UPSCALE UPSTART

IN SOUTHWESTERN UTAH, TOWN & COUNTRY BANK FINDS ITS
DE NOVO NICHE WITH SOPHISTICATED SERVICES EVERYDAY FOLKS ENJOY

BY ROBERT HEUER

Former U.S. Marine Darin Stanley walked into the Town & Country Bank wearing a cowboy hat on his head and a .45-caliber pistol in his holster. While his friend opened a checking account, this broad-shouldered, twenty-something scanned what looks more like a living room than a community bank lobby.

There are book shelves, a colonial fireplace, brass chandeliers, wall sconces, wing-back chairs and a huge antique rug. Stanley's eyes were drawn to the Grand piano in a corner.

He asked permission to play, but the bank's officials were a bit reluctant. Promising not to bang the keys too loudly, Stanley sat down and began playing a fine rendition of Beethoven's Moonlight Sonata.

Stanley's new nickname about town is the "Classical Cowboy." You can search for this moniker on YouTube to see for yourself what miracles can happen when a grown man sticks with something his mother made him do in the first grade.

Or, if you're in the vicinity of St. George, Utah, on a Friday, you can stop by the community bank just before noon. Twenty or 30 people fill the lobby for performances from amateur musicians like Stanley. In fact, a local

magazine has rated Town & Country Bank's weekly recital as the second best music venue in town.

Keys to success

This little three-year-old upstart community bank has used its inviting atmosphere and country-inn charm to gain a foothold in a difficult marketplace. Town & Country's officials say that 5 percent of its concert attendees become customers—all part of a robust set of differentiators that has helped grow the customer base by nearly 50 percent over the past 12 months. The bank's third-quarter call report showed \$200,400 in year-to-date earnings and \$64.8 million in assets.

Business is looking up for the bank, despite the wheezing economy and difficult regulatory climate. CEO Bruce Jensen is developing a growth plan that includes accessing additional capital as well as more diverse and populous markets.

Jensen attributes success to several factors—the first related to fortuitous timing. Town & Country opened in February 2008, just prior to when financial markets seized up. It wasn't badly hurt by devaluation in loan collateral that blindsided more established banks in town and around the country.

"We had fresh, lendable capital, and we decided to mitigate credit risk early on by putting very conservative lending standards in place," Jensen explains. Loan-to-value ratios in the community bank's real estate-oriented portfolio have ranged from 20 to 60 percent.

Another key factor was a function of planning. In 2006, long before securing the capital and regulatory approvals to open for business, Jensen and his management team developed a brand that was truly founded on what customers want, not what bankers think customers should want.

Before leaving his previous position with another local community bank, chief lending officer West Martin and Jensen talked to approximately 30 of their existing customers. "We asked in general what they would want to see in a bank," Martin recalls. "The number one thing was 'I hate standing in teller lines.'"

Town & Country has no tellers. Its "conierge bankers" offer one-on-one, "sit-down" service for virtually any type of transaction in the privacy of a three-walled space.

One might still have to wait, but there are plenty of comfortable places to lounge inside a new downtown



PHOTO: MIKE & DEBORAH OUZTS

BANKS *to* WATCH

TOWN & COUNTRY BANK,
ST. GEORGE, UTAH

building that was designed to look like a 200-year-old country inn.

Walk inside and be greeted by one of the 19-person staff. The main qualification for getting hired is people skills. “You can teach the principles of banking, but it’s impossible to teach personality,” Jensen says.

Most banks have one differentiator. Town & Country opened for business offering many unique features. (See sidebar on opposite page.)

Palm Springs of Utah

St. George is located 120 miles north of Las Vegas amidst the sweeping vistas of the red rock country near Zion National Park. A temperate climate offers the prospect for year-round golf. St. George has become a magnet for retirees and snowbirds escaping Canada and Salt Lake City which is 300 miles north. But the place

also has second-home appeal for affluent folks from suburban New York City or Europe. St. George is home to Utah’s 10 top golf courses and Sky West Airlines, the biggest private sector employer.

In recent years, residential and commercial real estate has fueled the economy. The U.S. Census Bureau named St. George the fastest-growing metro area between 2000 and 2006, with a growth rate of nearly 40 percent during that period. Over the last 16 years, the local Washington County’s population rose from 45,000 to nearly 140,000 people.

However, the local building boom has stopped, driving the unemployment rate to nearly 10 percent. Home sales were higher in 2010 than the previous two years, but a large percentage of those were short sales and bank-owned sales. Default notices are down, but foreclosure numbers continues to rise.

Jensen himself concedes: “A broad-based, local recovery is slow in coming.”

Timing, timing, timing

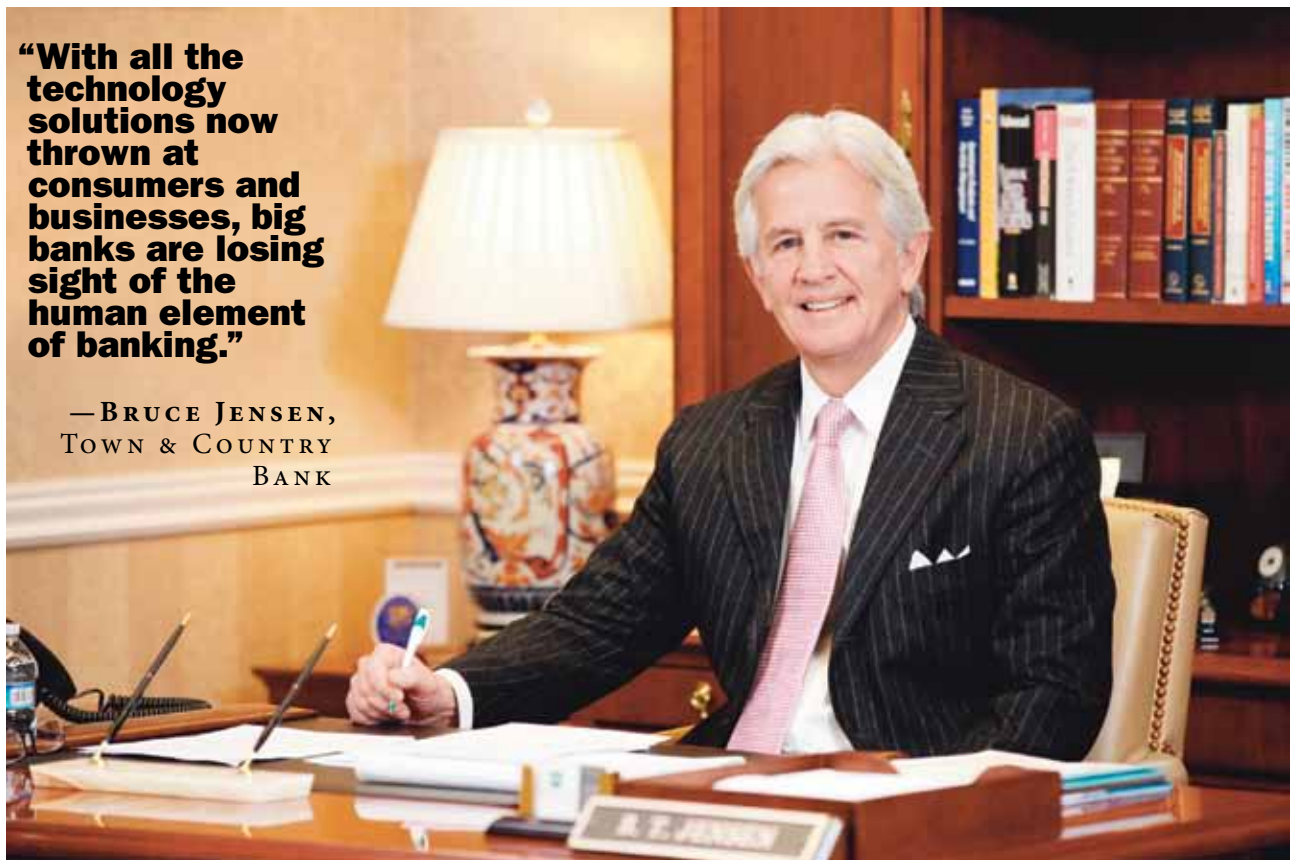
Community bankers nationwide realize there’s no how-to book for profiting in the current economy. Town & Country benefits by having entered the Great Recession with a clean balance sheet.

In 2006, a group of local investors hired Jensen—a former fixed-income portfolio manager—to assemble a team of veteran community bankers. The plan was to build a profitable business and sell it to a regional or national banking within five to 10 years.

Over the next two years, management and the board put together the prospectus, secured all the regulatory approvals and constructed a build-to-suit one-story downtown headquarters that looks like a 200-year-old country inn.

“With all the technology solutions now thrown at consumers and businesses, big banks are losing sight of the human element of banking.”

—BRUCE JENSEN,
TOWN & COUNTRY
BANK



Differentiators Boost the Brand

Special features reinforce Town & Country Bank's tagline—"Where banking is a simple pleasure."

- 1. Concierge banking**—sit-down, tellerless customer service for all retail customers—in addition to technology. The human touch is important for the area's large over-40 demographic.
- 2. Building architecture**—Passersby take pictures of the exterior, come inside and feel like they're at home.
- 3. Personal touch**—customers are greeted at the door and escorted to an employee for assistance
- 4. Free Friday concert series**—contributes to the community bank's reputation as a destination.
- 5. Proprietary ATM card**—your "Town Card" helps drive business to 250 participating local merchants
- 6. Free courier service**—provides banking services for busy local business owners who don't have time to leave their shop.
- 7. Women's banking group**—provides seminars for the 22 percent of businesses owned by women proprietors.
- 8. 24-person advisory board**—meet monthly to take up issues that broaden the bank's community-wide base of support.
- 9. Big boss blitz**—a management calling program in which four senior staff take the time once a week to go meet with a customer.
- 10. Customer newsletter**—presents useful news and widely read information to the community.
- 11. Powerful brand**—the bank's Town and Country name appeals to the local image of creating the Palm Springs of Utah.

The capital raise began in September 2007. About 225 investors—mostly county residents—kicked in \$12 million in a matter of months.

"We had to shut off the capital influx to open the bank," Martin says. "Had we delayed the start of the capital raise to first-quarter 2008, we might not have gotten what we needed. Within the last year, a second stock offering that intended to raise \$2 million generated only \$400,000."

Finding right balance

Town & Country—the most recent de novo bank approved by Utah regulators—is chief operating officer Don Boshard's fourth startup in his 40-year career. "This one has been the most grueling because of the regulatory environment," he says. Yet, the community bank's practice of hiring people-friendly staff has created a family-like atmosphere that makes this job the most fun of the four.

"People walk in the door and feel at ease," he explains.

Unless you plan to remodel, Boshard doesn't recommend expensive conversion to a new theme. He observes: "Banks will be able to return to profitability if they make sure they have what customers need."

During the planning stages, Jensen envisioned a community bank that in

both names and demographics could be compared to post-World War II era's Chrysler Town & Country automobile. Back then, Chrysler was successful at generating "cross appeal to both country folks and urban sophisticates," he explains. "Until very recently this was a rural community. So we wanted to create a bank that would feel right to both southwestern Utah's old guard and well-heeled, second-homeowners from Westchester County, New York."

The economic downturn created another parallel for Town & Country and the mighty car maker. In the 1940s, Chrysler buyers had been deprived of new cars throughout the four-year war. Town & Country opened for business when the financial crisis "deprived" borrowers of credit at other institutions.

Community banking's value

As CEO of Slater Transfer and Storage, Craig Slater has owned and operated the Allied Van Line franchise in both St. George and Las Vegas since 1995. When the market crashed, his 18-truck, \$6 million Slater Transfer and Storage couldn't make monthly payments on five expensive rigs. Teetering on the edge of bankruptcy, he sought to restructure his loan.

He'd looked "strictly at the numbers" when borrowing money from Wells

Fargo, and he discovered that they were doing the same. "I really didn't know anybody there," he recalls.

Slater was relieved to discover that Town & Country's lenders "trusted in my ability to keep my business going. They gave me breathing room at a time when businesses were closing up and down the street. They didn't have any bad loan fallout but were able to learn from the mistakes of those that did."

Town & Country helped Slater to consolidate his loans. Today, his \$2.5 million company generates healthy profits and has a business model that's primed to grow. One reason is because his community bank understands how its own success depends on the success of St. George entrepreneurs like him.

"With all the technology solutions now thrown at consumers and businesses, big banks are losing sight of the human element of banking," Jensen observes. "In markets like ours, a significant demographic wants a relationship where they sense they're appreciated, and where they can quickly reach decision-makers when an urgent banking need arises. We treat our customers as people, not simply account balances." ■

Robert Heuer is a financial writer in Evanston, Ill.