

Hear ye, hear ye

# The Town Crier

OFFICIAL NEWSLETTER OF TOWN & COUNTRY BANK



Town & Country  
BANK

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## PROFITS RISE

*RETURN ON ASSETS HIGHER THAN 75% OF ALL U.S. BANKS*

Town & Country Bank announced net income of \$206,000 for the second quarter of 2012, and year-to-date net income of \$373,000. Earnings for the first six months of 2012 have exceeded 2011 full-year earnings by more than \$68,000. Second quarter net income was up 345% from the same period last year, and 123% from the first quarter of this year. Year-over-year assets grew by 2.7% to \$72.8 million. Net loans increased by 10.7% to \$57.7 million, while deposits climbed by 2.0% to \$64.0 million.

CEO Bruce Jensen said the bank's profits have resulted from general operations and cost control measures, and don't include any unusual or one-time gains. "We've benefited from improving economic conditions in Southern Utah over the past year," he said. "Though no one is forecasting unbridled expansion during the remainder of the year, we're cautiously optimistic about the future. There are distinct trouble spots in the economy, but looking forward, bank earnings should be helped by perceptible growth trends in our market." Bruce said that area loan demand has increased and that a growing number of financial institutions are becoming more aggressive in lending funds.

Town & Country Bank remains well capitalized, and has a total risk-based capital ratio of 15.41% as of June 30th. Though just 4½ years old and still developing economies of scale, the bank's annualized Return on Average Assets (ROAA) through June 30th was 1.06%,



CEO Bruce Jensen

ranking above three quarters of all banks in the United States, according to Spotlight Financial, Inc. Further, Town & Country's ROAA significantly exceeded the average ROAA for all community banks in Utah, which was 0.66%, according to data sourced from the 6/30/12 Uniform Bank Performance Reports and the Utah Department of Financial Institutions.

## Bank Co-Sponsors Summit With Federal Reserve

There was a whole lot of shakin' going on at the Snow Canyon Country Club Entrada Restaurant during an August 29th luncheon! That's because ten specially-invited community "movers and shakers" attended a community outreach noontime summit co-sponsored by Town & Country Bank and the Federal Reserve Bank of San Francisco. The Fed had asked Town & Country to assemble a group of diverse leaders to hear a brief presentation by senior Fed economist Gary Zimmerman, and then participate in discussing current business conditions affecting Southern Utah. Such community outreach partnerships provide a rich, two-way channel for information flow between the Federal Reserve and its Twelfth District constituents.



VIP attendees at Town & Country/Federal Reserve Summit

The roster of "Who's Who" attendees included: Mayor Dan McArthur, co-owner of McArthur Welding; Brad Rich, President, Skywest Airlines; Stephen Wade, President, Stephen Wade Auto Centers, and Chairman, National Auto

Dealers Association; Don Ipson, President & CEO, DATS Trucking, and Utah State Legislature Representative; Donnie Welch, Publisher, The Spectrum & Daily News; Scott Hirschi, Executive Director, Washington County Economic Development Council; Vardell Curtis, CEO, Washington County Board of Realtors; Darci Hansen, Editor-in-Chief, Élan Woman magazine and entrepreneur; Kerry Kastler Hepworth, President, Foundation of Dixie Regional Medical Center; and Denny Drake, Owner, Universal Business Services, and Washington County Commissioner (and Town & Country Bank Board member). Also attending from Town & Country Bank were co-moderator Bruce Jensen, President/CEO; West Martin, Executive VP and Senior Lending Officer; and Wendy Holt, Senior VP. Attending from the Federal Reserve Bank of San Francisco were co-moderator Robin Rockwood, VP & Branch Manager, Salt Lake City Branch; Paul Morley, Regional Program Manager, Economic Education; and Mr. Zimmerman.

## New Team Members Welcomed

Town & Country Bank recently hired Brook Benson as Chief Compliance Officer, and Debby Hamblin as a drive-through Concierge Teller.



Brook Benson



Debby Hamblin

Brook manages the bank's 2-person team charged with ensuring conformity with the ever increasing amount of federal regulation. She is a Certified Regulatory Compliance Manager who has worked at several financial institutions, most recently Zions Bancorporation. Born in Colorado, Brook spent most of her youth and early adult years in New Mexico before moving with her husband, Kelly, to Las Vegas in 2000—where Kelly took a stage technician job at the Mirage for Siegfried and Roy (he now does technical theater work at the Bellagio for Cirque du Soliel). Brook and Kelly have been married for 14 years. They are the proud guardians of Mischief, a spry cat who lives up to her name. Says Brook, "I am so happy to be back in the community banking

environment! And having grown up in a small town, I'm also enjoying the blissful lifestyle here in St. George." Brook likes music, classic cars, theater and other performing arts, travel for pleasure and SCUBA diving.

Debby represents the bank as a Concierge Teller at the drive-through window. Raised in Casper, Wyoming, Debby has been in the banking profession for over 30 years. She's been in St. George since 1978. Debby tells *The Town Crier*, "I've worked at many institutions, but none have the atmosphere of Town & Country Bank. Not only is it a beautiful place to work, it's like working with family." Speaking of family, Debby is married to husband, Ken, who owned Ken Hamblin Land Surveying in St. George and is now semi-retired. They have two children—Jamie and Bryce—and four grandchildren. Debby's interests include reading, crocheting, NASCAR, traveling to Vietnam veteran reunions with Ken, and cheering on the Denver Broncos. She'll even be attending a Broncos game in September!

## Bank Website Re-designed

On July 2nd, Town & Country Bank's website began sporting a new, warmer look and a few new features. The "Home" page underwent several changes. New graphics, a message board and a prominent link to the bank's current newsletter have been added. The "About Us" page now features a video testimonial from various bank customers. The old Media page has been divided into two pages—the first, still called "Media", retains the bank's archive of print, radio and television advertisements; the second page, called "News", provides access to print, radio and television stories about Town & Country Bank, as well as archiving the bank's newsletters and financial reports. Several other web pages have been added, enhancing the user's ability to learn about the bank and better navigate through information.



Trace Butler of Image 13 coordinated the Town & Country Bank website redesign. Referring to the bank's brand, he said, "It wasn't difficult to get my arms around the bank's identity. It had already been established as a first class, friendly provider of financial services. I aimed for creating a cyber-based look and feel that could match up with the inviting atmosphere and warm physical presence of Town & Country."

## Labor Day Holiday Observed

On Monday, September 3rd, Town & Country Bank will be closed in observance of Labor Day. The bank will re-open on Tuesday at 8:00 AM at the drive-through window, and at 9:00 AM in the main office.



Most government offices, including the U.S. Postal Service, will also be closed on Labor Day.

## West's World: Status Of Local Lending

*By West Martin, Executive Vice President & Chief Lending Officer*

In our last newsletter, I reported that we were going through the seasonal, summer commercial loan lull. But I also reported that residential construction loan activity was picking up. I am glad to report that in July we had one of our best loan production months, and that the bank surged above \$60 million in outstanding loans for the first time. August continues to show the same momentum.



I just returned from a one-day credit seminar conducted by the FDIC. The good news: FDIC economists report that: 1) Utah has seen positive job growth and a falling unemployment rate; and 2) housing prices have started to increase, and residential construction activity is growing. They enlarged their employment statement by saying that every job sector—except leisure—added jobs in the last year. They also shared Utah employment forecasts from Moody's Analytics and Western Blue Chip Forecast that both estimate year-over-year job growth from 2012 to

2013 at approximately 2.5%.

As to the banking industry, the FDIC reported that Utah's banks have the strongest Tier 1 Leverage Ratios and Return on Asset Ratios in the country. They also said that delinquency rates (>30 days) have improved from March 2011 to March 2012.

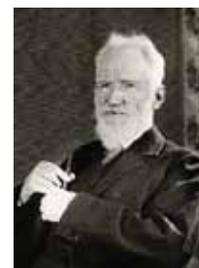
Now for the bad news. The emphasis of the conference was to train Utah bank lenders on the increased pressure regulators will bring to bear on banks nationally in the following areas: 1) underwriting, analysis and calculation of loan loss reserves; and 2) future treatment by regulators concerning the restructuring of troubled term debts. The initial consensus of the bankers in attendance was that both measures will disrupt earnings because of increased reserves and lower interest income resulting from a greater number of non-accrual loans. These are directly the result of changes in regulatory guidance.

Town & Country is glad to report that we compare favorably to our Utah and national peers regarding earnings and ROA. We also feel that, considering our current economic environment, our loan portfolio compares favorably to our peers. For this we are very grateful. It is the result of the strong efforts of the Board of Directors, management and team members.

## Message From The President

Irish playwright George Bernard Shaw once quipped, "It is the mark of a truly intelligent person to be moved by statistics." Shaw should know. He was also co-founder the London School of Economics, where high value is placed on statistical analysis. Because readers of this blog most certainly constitute Southern Utah's intelligentsia, I thought I'd move you with some statistics here. Specifically, I'll present some statistical data that has directly contributed to Town & Country Bank's Return on Average Assets (ROAA) as of June 30, 2012.

But first, a word or two about the ROAA itself. At quarter-end, the bank's ROAA stood at 1.06%. While that figure isn't exactly Apple-esque, it is noteworthy in today's world of banking. Town & Country's ROAA ranks ahead of three quarters of all banks in the country. We're excited



*George Bernard Shaw*

about that because, as a de novo (start-up) bank still working on developing economies of scale, our ROAA stacks up well against mature banks with deeper pockets. And we're especially pleased because our year-to-date net income, the principal driver of ROAA, is comprised solely of normal operating revenue and does not include any one-time gains or extraordinary income. (The trick, of course, will be in perpetuating continued performance in the face of expanding regulatory mandates.)

In addition to net income, three other statistical components have contributed greatly to our ROAA performance. The first is our Loan-to-Deposit Ratio, which stood at 91.57% on June 30th. The fact that nearly all of our deposits have been matched with loans means that we are optimizing return. Loans, by far, represent the bank's chief income generator. While high Loan-to-Deposit ratios clearly bolster return, they also constrict liquidity. We have therefore structured various backup funding alternatives that can be tapped at any time. And FYI, as of this writing, our Loan-to-Deposit ratio now exceeds 95%, which should help the bank in sustaining above-average ROAA. It also shatters the myth that community banks aren't out there lending money.

The second statistical component that's helped ROAA is the bank's Net Interest Income (NII), a subset of net income. Our NII ranks in the 96th percentile of an 81-bank peer group measured in the 6/30/12 Uniform Bank Performance Report. Our strong NII means that, compared with peers, our proportion of income after subtracting interest expense is very high. This has been accomplished principally through applying aggressive loan pricing while sourcing funds at a very low cost. Illustrative of our funding efforts, our Cost of Funds ratio ranked in the 20th percentile (lower percentile is better in this case) as of quarter-end. So we're doing a good job of generating healthy margins. Overall, our broader Net Income performance also ranked in the 96th percentile.

Finally, our June 30th Loan Loss Reserve allocation was virtually non-existent at 0.04%. When a bank makes a new loan, it must set aside a certain percentage of the total as a reserve in case the loan turns sour. And, when existing loans *do* become severely troubled, a bank must then set aside additional reserves. Because Town & Country Bank had previously over-reserved the required percentage of reserves through an abundance of caution, new loan reserve

allocations were taken against that overage and did not directly impact ROAA.

Of course there are other statistical factors I have left out that contributed to the bank's solid ROAA (e.g. we didn't have bad loans to charge off, and we were frugal with general expenditures), but it's my belief that too many statistics can be superfluous, confuse the reader or appear as some sort of subterfuge. And I certainly don't want to be linked to the theorem put forth by Disraeli and popularized by Mark Twain: "There are three kinds of lies: lies, damned lies, and statistics." That said, in the end, the only statistic that really matters is the bottom line itself, which ROAA measures—and that particular stat pretty much tells the whole story.



*Bruce T. Jensen*  
President &  
Chief Executive Officer  
bjensen@tcbankutah.com

## Customer Spotlight

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### Senior Saver Guide

46 West St. George Boulevard  
St. George, UT 84790  
(435) 313-1294  
[www.myseniorsaver.com](http://www.myseniorsaver.com)



Nearly five years ago, an idea was born that grew into a business. "In September 2008, I was working with a Washington County retailer who needed to reach local seniors, so I created a marketing tool to help them achieve their goal." That's a quote from *Senior Saver Guide* owner Kevin Fry. While



*Kevin Fry*

consumer "senior discounts" have been around for years, older consumers often had to guess where they were found—that is, until Kevin launched his brainchild. "I always wanted to own my own business, and I thought to myself,

‘Why not match businesses with consumers who are currently enjoying their golden years?’” Thus the *Senior Saver Guide* came into being. It reaches seniors where they live and how they live.

The *Senior Saver Guide* has become a monthly publication and is mailed to seniors who claim Washington County as their year-round residence. It is designed to help seniors save money on a multitude of things that support their lifestyle. “The Seniors we reach are age 55 and better,



we are trying to help them save money on food and entertainment and on things for around the house,” says Kevin. The *Guide* has grown from a small 16-page mailer to a 48 page publication in its peak months. There are hundreds of local businesses that find new customers by offering senior discounts to those who are retired or approaching retirement. “We have an aging population, and with economic conditions changing constantly, it’s nice to have a way to help seniors stretch their hard earned savings and provide new customers to local businesses at the same time,” Kevin says. “The success we’ve had is directly related to the relationships we’ve fostered with local businesses and to the consumers who thank us every month for sending them the *Guide*.”

When the *Senior Saver Guide* got off the ground, they were using a different bank than Town & Country, but soon changed when they realized how personal and supportive Town & Country is to small business. “The Bank became a client,” Kevin explains. “I think they felt there was a lot of value in marketing their products and services to local

seniors—considering that the approach of the bank is so personal and customer-based.” He says it didn’t take long to realize that he wanted to be banking with people that understood him, his business and his goals. “Before moving my accounts to Town & Country, I had been banking with a large national bank. Although they had their strong points, Town & Country is locally oriented and incredibly responsive. I felt I wanted to deal with capable people I know and trust.”



The *Senior Saver Guide* will be approaching their fifth anniversary very soon. Town & Country will be happy to celebrate with this very fine customer and business partner. After all, we’re about the same age!



**Town & Country**  
BANK

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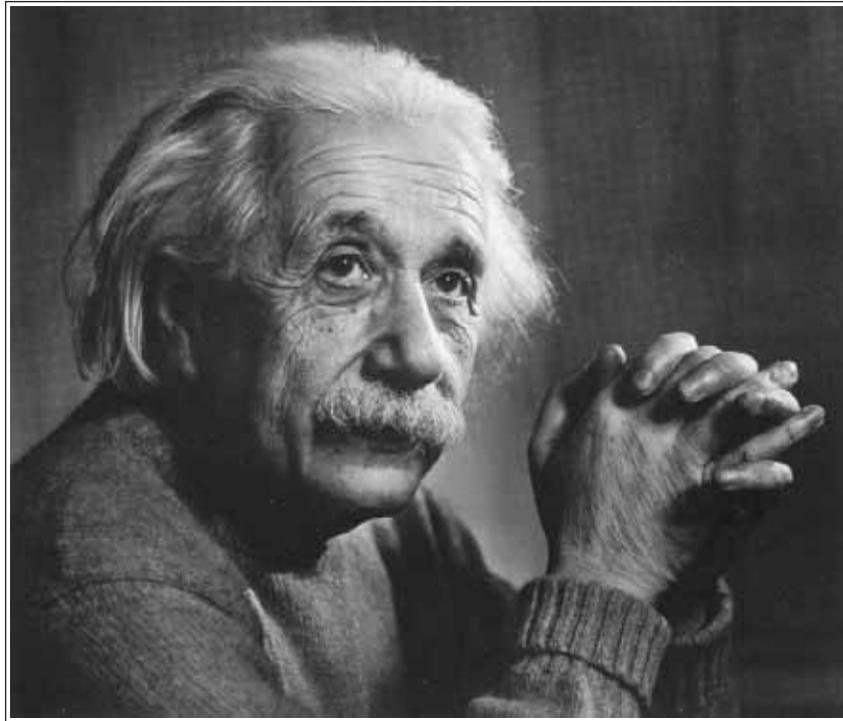


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