

Hear ye, hear ye

The Town Crier

OFFICIAL NEWSLETTER OF TOWN & COUNTRY BANK



Town & Country
BANK

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BANK MOVES INTO PROFIT MODE

Having completed the last of its start-up expensing, Town & Country Bank became profitable in April, and has registered year-to-date earnings through May of \$53,000. Brad Hales, Executive Vice President and Chief Financial Officer says, "Barring any surprises, we're expecting a solid year of profits. Our loan portfolio is performing, and we continue to attract clientele by way of our premium customer service." He's right. The number of bank customers has increased by 50% over the past twelve months.



Brad says that while the bank is performing well, the weak economy and regulatory-mandated curbs on growth will have an impact on full year earnings. "Looking forward, we'll have to see what our rate of profitability will be," he says. "In the current business climate, however, we're at least fortunate that our train appears to be gaining steam."



Brad Hales

CEO Elected To Utah Bankers Board

Bruce Jensen, President/CEO of Town & Country Bank was recently elected by his industry peers to the Board of Directors of the Utah Bankers Association. Bruce is a 35-year veteran in the banking world and has guided Town & Country since its opening in February 2008.

The Utah Bankers Association is the professional

and trade association for Utah's commercial banks, savings banks and industrial loan corporations. Established in 1908, the UBA serves, represents and advocates the interests of its members.



Bruce Jensen

Bankers Serve As Student Consultants

At the invitation of Pine View High School business teacher, Mrs. Bracken, three Town & Country team members were recruited to evaluate business plans her students had spent eight weeks creating. VP John Jones, VP Wendy Holt and Assistant VP Shannon Walker cheerfully volunteered to visit the class and help the students on May 12th.

Students were required to form a company, give it a name, create a business and marketing plan, as well as a budget for a loan presentation. Detailed pro forma plans with a five-year budget projection were submitted. With John, Wendy and Shannon present, each student then made a presentation of their plan, which was evaluated for style, substance and feasibility.



John Jones, Wendy Holt and Shannon Walker

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"I think it is wonderful that Pine View High School is teaching students about business," said John Jones. Teaching students the fundamentals of business will provide them with a head start in their entrepreneurial endeavors." Wendy Holt also commented, "This will be valuable information they can use after high school in the 'real world'."

New Loan Product Available

In May, the Bank introduced its Parents Club™ Home Equity Line, designed for middle-aged or senior parents whose adult kids are "bleeding them dry".



Many parents want to assist their grown children with certain financial needs—medical, education, housing or that once in a lifetime opportunity. The Parents Club™ Home Equity Line allows homeowners to tap the unused equity in their home and let their children make the payments, while they (the parents) take the tax deduction. It's a win-win solution for parents and kids! The home equity line is competitively priced and application is simple.

Bank Closed On July Holidays

In observance of Independence Day and Pioneer Day, Town & Country Bank will be closed on Monday, July 4th and Monday, July 25th respectively. The bank will reopen on the following Tuesdays at 8 AM at the drive-thru window and 9 AM at the main office.

Little known facts about Independence Day: Both John Adams and Thomas Jefferson, the only signers of the Declaration of Independence later to serve as Presidents of the United States, died on the same day: July 4, 1826, which



was the 50th anniversary of the Declaration. Although not a signer of the Declaration of Independence, James Monroe, the Fifth President of the United States, died on July 4, 1831. Calvin Coolidge Thirtieth President, was born on July 4, 1872, and thus was the only President to be born on Independence Day.



Little known facts about Pioneer Day: The earliest precursor to Pioneer Day celebrations in Utah occurred on July 24, 1849, when the Nauvoo Brass Band led a commemoration on the second anniversary of the Latter-day Saints entering the Salt Lake Valley. The first official celebration of Pioneer Day in 1857 was interrupted with news of the approach of Johnston's Army, heralding the beginning of the Utah War. During the following occupation of the Utah Territory by federal troops, Pioneer Day was not celebrated.

Message From The President

"Coming of Age"

The rites of passage from youth to adulthood include some pretty strange customs. According to internet sources, to become men in the Amazon's Satere-Mawé tribe, boys as young as twelve have to first wear ceremonial gloves filled with stinging bullet ants. They're not called bullet ants without good reason: being stung by these babies feels very much like getting shot. Each ant packs neurotoxins that cause pain 30 times more agonizing than the sting of a common wasp. And if you think that's bad enough, wearing the gloves once just doesn't cut it—you have to wear them for 10 minutes 20 times to become a man.

As Town & Country Bank transitions from an unprofitable start-up bank to a performing bank with sustainable earnings power, I will admit that the first three



start-up years were somewhat akin to wearing the ant-filled gloves. When we conceived the bank in 2006, our national and local economies were humming along. With a population increase of nearly 40% from 2000 to 2006, St. George was the fastest growing metro area in the USA, according to

the Census Bureau. All the economic activity at the time seemed to shout for another local financial institution that could continue fueling growth. And based on prior history, all one seemingly had to do was start a bank, add water (make a few loans) and voilà—shareholders and bankers were quickly enriched. Anyway, that was the plan in launching Town & Country Bank.

By the time we opened in February 2008, the air was beginning to leak from the party balloon. Quick to recognize the softening economy, our Directors' Loan Committee began to tighten prevailing lending standards. This was fortuitous. In September of that year, the U.S. economy experienced the infamous meltdown that saw in less than one week the spiraling nosedive in the stock market, the Lehman Brothers bankruptcy, the acquisition of troubled Merrill Lynch by Bank of America, the AIG bailout, infusions by the Federal Reserve into global liquidity markets, and rumors (that turned out to be true) of impending bank failures. The bottom dropped out of the real estate markets before you could say Jack Robinson (or even Barney Frank), and practically overnight, banks were left holding loan collateral that was appraised well below their original value. Simultaneously, borrowers began having difficulty making their loan payments. And since real estate had been the driver of our Washington County economy, the stage was quickly set for a very unpleasant ride forward.

Fortuitous as our decision to reign in lending was, Town & Country was not exempt from deteriorating conditions in our market area. Things got bad. Very bad. Even today, according to current Utah Department of Workforce Services numbers, unemployment in the County stands above the national average at 9.3%. Year-over-year job growth has been an anemic 0.7%. And the all important construction sector has seen a year-over-year net loss of 100 jobs. So while our lending practices have been conservative, we have not gone unscathed from the bloodbath. Sometimes it seemed as though going into our weekly loan committee meetings a year or so ago was equivalent to putting on the Amazon gloves. That said, our loan problems are fairly concentrated, and considerably smaller than banks that have been operating in our market prior to 2008.

The other stinging experience we have encountered in growing the bank has been in dealing with the stiff regulatory climate. Because so many banks have failed

since 2008 (367 as of this writing), regulators have had fingers pointed squarely at them for lax supervision and for not recognizing in advance the fragility of so many financial institutions. The regulators' response to the criticism, as well as that from Congress, has been what many analysts believe to be sheer overreaction and unwarranted infliction of "unnecessary roughness" upon banks. To be sure, there isn't a bank in the country that hasn't been affected by overzealous interpretation of existing regulations and the introduction of a host of new ones (Dodd-Frank Act). In our case, regulators decided to lengthen their standard two week examination period to three months, reacting to our miniscule and short-lived dabbling in third party payment processing (TPPP)—in which many banks have engaged and in which those banks have found to be a hidden agenda hot potato item with examiners. Causing further pain, the FDIC has extended from three to seven years the official "de novo" period when it dictates what a start-up bank can and can't do. The worst dictate is the restriction on asset growth—they won't tolerate much. Ah, the joys of modern banking!

Despite the perilous landscape and unpleasant journey to breakeven, Town & Country Bank has emerged as a profitable institution with a bright future ahead (economy permitting). Every key indicator is headed in the right direction at present. Our year-over-year improvement (through May 31st) includes a 12% increase in net interest income, a 62% increase in non-interest income, a 7% decrease in non-interest expense, a 46% decrease in cost of funds, a 10% decrease in efficiency ratio (yes, a decrease is good), a drop in provision for loan loss from \$366,642 to \$0, an increase in ROAE from -8.49% to 1.64% and an increase in ROAA from -2.32% to 0.20%.

While we have miles to go before we sleep, and a beleaguered borrower can always ambush us without warning, the foreseeable future holds promise. And for now, at least, the bullet ants aren't biting—or maybe we've just gotten used to them.



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Customer Spotlight

Talbot Recovery Solutions/Lion's Gate Recovery

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Talbot Recovery Solutions
Lion's Gate Recovery

Have you ever felt the need to pursue a dream? Have you ever known you were meant to do something really significant? Russ & Leslie Talbot did! And, on Tuesday, February 15, 2011 their dream became a reality—a Residential Treatment Facility for adults recovering from drug and alcohol addiction. John Jones with Town & Country Bank believed in and supported the Talbot's dream by pursuing the needed approval for a business loan, regardless of a tight economy. Despite numerous delays in obtaining City approvals and permits, Town & Country Bank corroborated the Talbot's endeavor, recognizing the need for a residential, home-like environment to assist individuals battling to break free from the grips of addiction.



This amazing 10-bed facility, known as Lion's Gate Recovery, is nestled in a secluded setting surrounded by mature cottonwood trees, a running mountain stream, and incredibly clean Southern Utah air. It offers 45, 60, and 90-day programs followed by intensive out-patient treatment and aftercare. The 1.25 acre facility boasts a quiet natural beauty and serene atmosphere near 3 national parks, perfect for the healing of the body, mind and soul.



Russ Talbot established the first structured outpatient drug and alcohol recovery program in the Southern Utah region in May of 1991. Prior to this time, the only outpatient program in town was preventative in nature. Russ is a skilled therapist whose education includes two Master Degrees, specifically Educational Psychology (Counseling & Guidance) and Clinical Social Work. In addition, he has

earned certificates in Addictions Therapy and Cognitive Restructuring. Russ is licensed in Utah and Nevada, as both a Clinical Social Worker and Addictions Counselor and recently earned NAADAC's highest level of addictions therapy by receiving a Master Addictions Counselor



Russ Talbot

certification. He has also obtained certification as a ROPES or Challenge Course therapist.

A former School District Psychologist and Trade School Administrator, Russ has more than 25 years of experience as a counselor and psycho-therapist for adolescents, adults and families. He enjoys working with substance abusing and/or addicted adults and their families in residential, intensive outpatient and educational treatment settings. Russ has considerable experience providing therapy for various issues including, but not limited to, medical and/or mental health social work and relationship counseling. He also provides "Intervention" services for families of treatment resistant individuals, and serves as an Educational Consultant and Program Advisor to families searching for the best out-of-home placement for their loved ones, be it adolescent, young adult, or adult.

Town & Country Bank salutes Lion's Gate Recovery and is proud to provide financial solutions to such a class act!



Town & Country
BANK

Where banking is a simple pleasure

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