

## Carrollton retains lenders with employee ownership

BY GREG EDWARDS

When the owners of Carrollton Bank say they're in it for the long haul, they aren't kidding. Founded in 1877, the bank has been owned and operated by the same family for five generations.

Tom Hough, chief executive and great-great-grandson of the founder, is looking to add a branch or two — possibly in West County, South County or Clayton — in 2010. And he's on the prowl for a few — very few — bankers willing to make Carrollton their career.

"We open branches if and when we have the right people," Hough said, "and we're very careful about whom we add."

That's because the bank's key hires become shareholders in the bank, which is attractive to top commercial lenders such as James McGauley, president of the bank's Des Peres location, who joined Carrollton three years ago. "I'm at the last bank I'll ever work for, and I don't have to worry about the next acquisition," McGauley said.

Carrollton, which has 13 commercial lenders, has lost only one since 1976. "Almost everyone who joins the bank as a partner stays with us for their career," Hough said.

Parkside Financial Bank & Trust, a startup that opened recently in Clayton, has a similar strategy. "Like Tom, we believe that employee ownership is key to attracting and retaining — especially retaining — employees because they feel pride of ownership."

Based in Carrollton, Ill., population 2,600, the bank currently has seven locations, including three in the St. Louis area, in Des Peres, St. Charles and Hampton Village, and assets of \$700 million.

Carrollton prides itself on operating efficiencies, slow but steady growth, and solid financial metrics.

Through the first quarter this year, ended March 31, Carrollton had no charge-offs, \$123,000 in loan recoveries, a ratio of non-current loans to total loans of 0.19 percent, \$204,000 in other real estate owned, and net income of \$2.059 million — its best quarter ever, Hough said.

The bank's net interest margin was 3.12 percent; return on assets was 1.19 percent; return on equity was 17.62 percent; and the efficiency ratio was 50.7 percent — all good numbers in today's banking environment.

"Because we're so efficient, we can live off a 3 percent to 3.2 percent net-interest margin spread," McGauley said. "We don't have to be greedy," Hough added. "We don't have to satisfy shareholders, or a headquarters earnings goal, or the next quarterly earnings report."

The bank has 45 shareholders, up from 11 in 1990. The original shareholders have remained the same, and the additional shareholders are employees.

Carrollton has 115 employees in all. Carrollton grew assets 50 percent, from \$440 million to \$660

million, during 18 months in 2005 and 2006, in large part because it added two branches and made strategic hires, such as McGauley and Larry Newberry, a senior vice president who had been at Southern Commercial Bank.

During the last 18 months, it has been satisfied to grow more slowly. "We decided it's time to slow down and digest it," Hough said.



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Carrollton's latest hire is Eric Messmer, a former Missouri State lender. "It's our version of buying a bank. We try to get the next good banker to join us," Hough said. "He'll bring us more growth in loans and deposits."

And a sixth generation is on the way. Hough has sons, ages 17 and 14.