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NEWS RELEASE

For Immediate Release

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Department of Finance Reports Fiscal Year Highlights and Record Business Filings
Securities Industry Filings Break Record for Seventh Consecutive Year

Boise, Idaho . . . Gavin Gee, director of the Idaho Department of Finance, released numbers for fiscal year 2016 that continue to point towards a robust financial services industry in Idaho. The Department processed nearly 182,000 business filings, licenses and registrations in fiscal year 2016, an increase of nearly 6 percent when compared to fiscal year 2015 - and the sixth consecutive year of record filings. "The continuing growth in filings demonstrates the desirability of doing business in Idaho and creates ever more choices for Idaho consumers," Gee said. New filings include applications and renewals by the state banking, credit union, mortgage, consumer lending and securities industries, under 23 financial service laws. On a fiscal year basis, the securities bureau reported a record 124,596 securities filings and professionals licensing to do business in Idaho. This is the seventh consecutive year of record high securities industry filings. The mortgage industry continued its recent growth in Idaho with a 23 percent growth in combined mortgage broker/lender and loan originator licenses outstanding. The Department's bank and credit union programs were reaccredited by their respective national accreditation authorities, certifying that these programs maintain the high standards and practices established for financial regulatory agencies.

Continued Participation in Initiatives to Support Community Banks and Credit Unions - The Department participated in the third annual **Community Banking Research and Policy Conference**, hosted by the **Conference of State Bank Supervisors** and the **Federal Reserve System** in October 2015, and has started to prepare for the fourth conference, to be held in September 2016. The conference brings together academics, community bankers, and federal and state policymakers from across the country to discuss the latest research and trends in community banking. To include the voice of Idaho community bankers in the meetings, the Department conducted an Idaho community bank town hall meeting in 2015. In June 2016, the Department solicited the bankers' answers to "Five Questions" posed by the conference organizers. Bankers provided valuable feedback on local and national economies; small business, real estate, and agriculture lending; and the significant regulatory burden on community banks. These efforts underscore the critical role of community banks in the communities they serve.

In connection with this year's event, a team from **Idaho State University** competed in the **Community Bank Case Study Competition** and was voted finalists, and **D.L. Evans Bank** was chosen as one of only a few banks in the country to be featured in a video on community banking to be presented at the 2016 conference.

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In support of Idaho credit unions and in coordination with the **National Association of State Credit Union Supervisors** and the **Idaho Credit Union League**, the Department hosted and participated in the “**Idaho Credit Union Outreach**,” a day of discussion and training. The Outreach was attended by credit union executives and board members along with representatives from supporting organizations. Issues discussed included cyber security, legislative and regulatory updates, and examination hot topics.

Critical On-Going Efforts in Cyber Security – Recent years have seen a notable increase in the breaches or hacking of national merchants, financial institutions, government entities and others. The Department has launched several initiatives to educate consumers and industry about cyber security and identity theft risks, and to assess their preparedness to mitigate or respond to these risks. The Department offered educational materials and seminars to assist industry, investors and consumers to better combat cyber risks. The most recent seminar, “**Executive Leadership on CyberSecurity**,” was hosted and co-sponsored by the Department in Coeur d’Alene earlier this month for community bank executives and board members in conjunction with the **Idaho/Nevada/Oregon Bankers Association** and the **Idaho Community Bankers Association** Annual Meetings. The program featured expert speakers from the **U.S. Secret Service**, the **Financial Services Information Sharing and Analysis Center**, the **Conference of State Bank Supervisors**, the **Federal Deposit Insurance Corporation**, and the **Texas** and **Idaho** Banking Departments. The Department has also conducted continued training on cyber security to its entire staff and specifically field examiners; and enhanced the information technology examinations of banks and credit unions to assess their efforts to maintain the security of customer information. The Department also increased its efforts to educate financial institutions, retail businesses, and consumers on the importance of transitioning to “EMV” chip credit and debit cards to reduce fraud and create safer and better payment options.

Net Income and Loans Grow at Idaho Banks and Credit Unions - Idaho-based banks continued to exhibit improved performance and financial condition. For the first three quarters of 2016, the aggregate net income generated from Idaho based-banks totaled \$13.76 million compared to \$10.17 million for the first three quarters one year ago. The Return on Assets (ROA) improved from 0.82 percent to 0.92 percent. Asset growth of 4.81 percent for all Idaho-based banks was driven by continued loan growth of 9.55 percent. The interest rate environment remains a challenge for all banks, but Idaho-based banks reported an improved net interest margin, from 3.66 percent to 3.93 percent, which compared favorably to the national average of 3.10 percent. The ratio of noncurrent loans to total loans declined from 1.01 percent to 0.52 percent, which was lower than the 1.58 percent reported for all banks nationally. Annualized net loan losses of negative 0.03 percent compared favorably to the national charge-off rate of 0.46 percent. Core capital ratio for Idaho-based banks also improved from 11.59 percent to 11.79 percent and remained stronger than the national average of 9.61 percent. Every bank headquartered in Idaho was considered well-capitalized as of March 31, 2016.

Idaho-based credit unions continued to exhibit strong financial performance in the first three quarters of fiscal year 2016, as well. Although the average total Net Worth ratio for Idaho-based credit unions declined from 9.79 percent to 9.58 percent, and is below the national average 10.78 percent, credit unions in Idaho outperformed national averages in other measures. The Net Worth ratio for Idaho-based credit unions declined due to the strong 13.12 percent growth in total assets, while total net worth increased 10.69 percent. Idaho-based credit unions’ aggregate net income as of March 31, 2016, was \$14.06 million, an increase from \$13.92 million earned one year ago. The annualized Return on

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Average Assets (ROAA) was 0.81 percent, as compared to the national average of 0.75 percent. Idaho-based credit union asset quality indicators continue to compare favorably to the national averages with an aggregate Delinquent Loans to Total Loans ratio of 0.35 percent, compared to the national average of 0.71 percent, and an annualized Net Loan Charge-Off ratio of 0.29 percent, compared to the national average of 0.52 percent. Annualized total loan growth was 8.37 percent, as compared to 6.32 percent for the national average, and annualized share growth was reported at 20.96 percent as compared to 13.74 percent nationally. Two Idaho credit unions merged during fiscal year 2016, decreasing the total number of credit unions headquartered in Idaho to 38. There were no bank or credit union failures in Idaho during the fiscal year; however, nationally, 6 banks and 23 credit unions failed, compared to 18 banks and 10 credit unions in fiscal year 2015.

Financial Fraud Remains a Concern – Although financial fraud investigations conducted by the Department during the year continued to decline from record highs after the great recession; they suggest a potential financial impact of just over \$9 million. The Department processed more than 350 consumer complaints, initiated or completed 28 enforcement actions, and assisted in one completed criminal prosecution while working with criminal prosecutors on several other cases. As a result, Idahoans were the beneficiaries of refunds or orders of restitution of more than \$400,000. One significant enforcement action of note included “**Operation Collection Protection**,” where a coalition of federal, state and local law enforcement and regulatory agencies brought actions against firms engaging in illegal collection practices. Overall, 75 organizations brought 115 enforcement actions, which included 5 enforcement actions brought by the Department.

Financial Education Efforts – Consumer and investor education continues to be an important part of the Department’s mission and this past year’s highlights included the Department’s participation and/or sponsorship of America and Military Saves Week, the 17th Annual Financial Literacy Month, “Bank On Treasure Valley,” Idaho Scam Jam Alliance’s McCall and Coeur d’Alene Scam Jams, two “Smart Women Smart Money” Financial Conferences in Boise and Moscow, as well as educational efforts directed at members of the military and financial fairs and presentations in concert with the Idaho Commission of Libraries.

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The Department of Finance receives no state or federal tax dollars. Regulated entities fund its operations. Department Press Releases and other information can be found on the Department’s website at: <http://finance.idaho.gov/PR/PressRelease.aspx> or by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.