

Economic Outlook and Revenue Assessment Committee

January 4, 2018
Boise, Idaho

Dan Price
Community Banking President

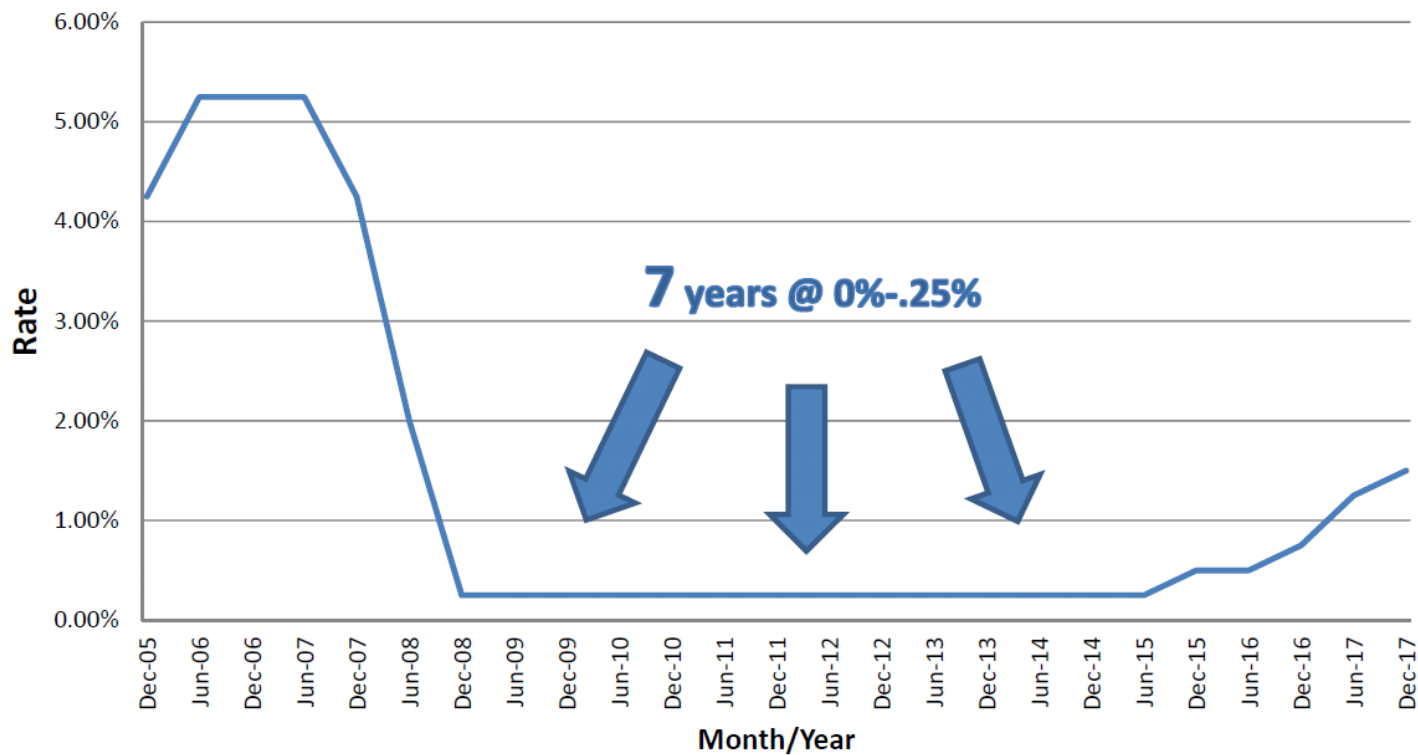


National Community Banking Trends

- Average Return on Assets of 1.14% - highest in 10 years
- Community bank net income increased 8.5% from the year-earlier quarter
- Community bank loan balances increased 7.8% during the year
- Deposit insurance fund increased by \$2.7 billion
- Two interest rate increases in 2017
- Continued consolidation in the industry, at a slower level
- Overall good year for the banking industry. Vast improvement over a few years ago

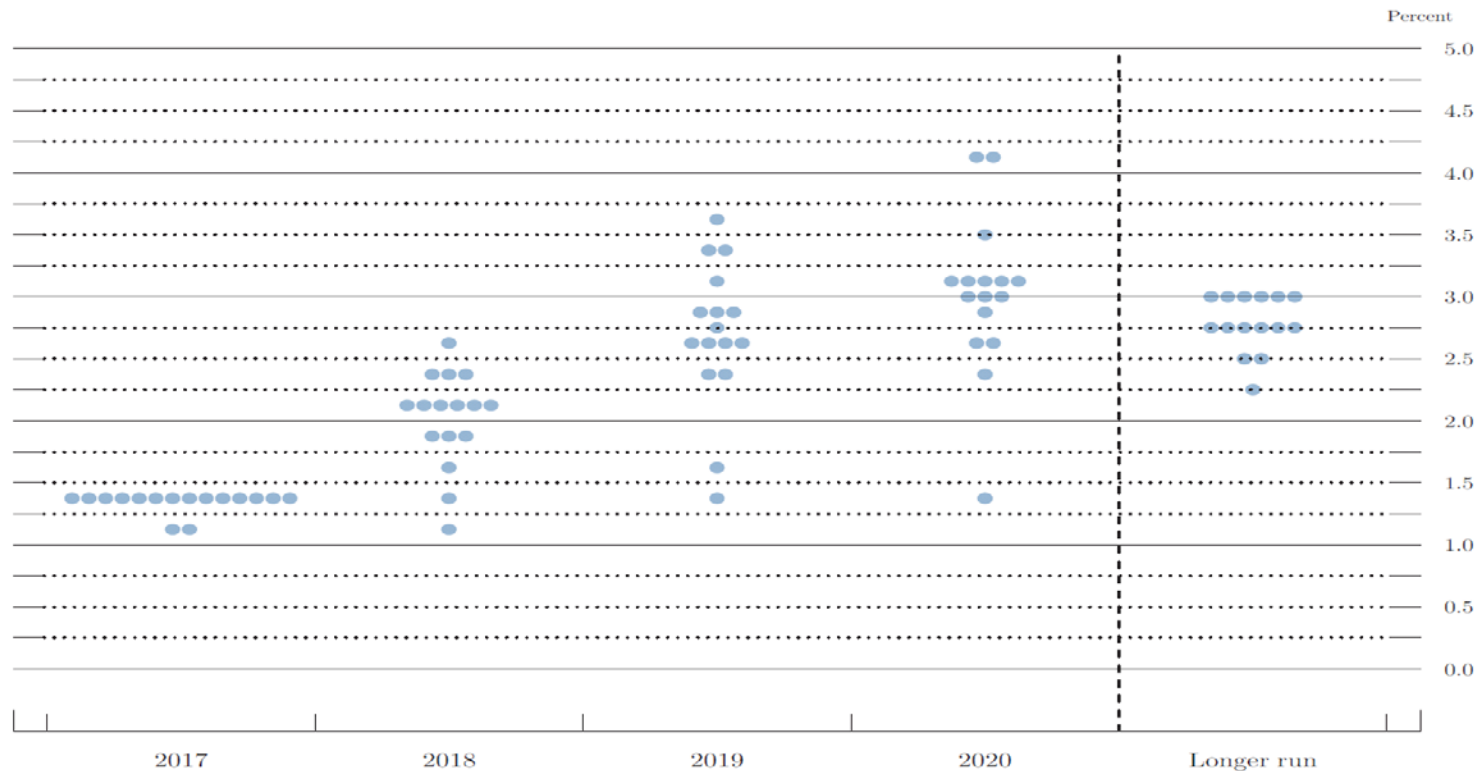
Interest Rates – A Quick Look Back

Fed Funds Rate History 2005-2017



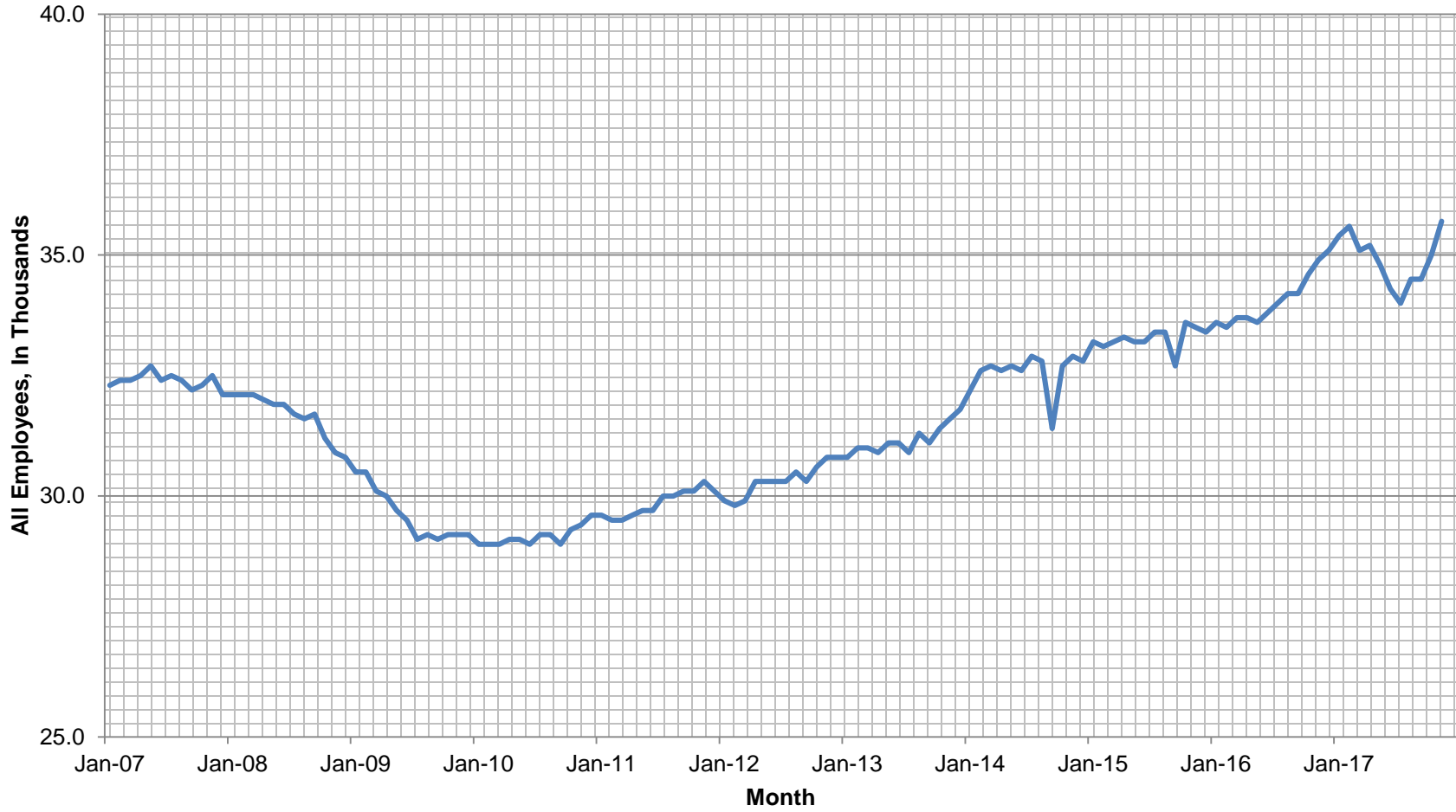
Interest Rate Outlook – Best Guess

Current Fed Funds – Dec 2017: 1.25% - 1.50% (Prime = 4.50%)



2018 Forecast: 2-3 rate increases to 2.00% - 2.25% (Prime = 5.25%)

Idaho Employment Trend - Financial Services



Idaho Employment Estimated Growth by Sector

November 2017		Current Employment Statistics			Confidence Interval Bounds of Selected Month's Estimate					
Industry Title	Current Month	Estimated Change			1 Month		3 Month		12 Month	
		1 Month	3 Month	12 Month	+	-	+	-	+	-
Total Nonfarm	725,900	-1,400	8,100	17,067	1,874	-4,674	13,538	2,662	27,467	6,667
Total Private	597,200	-1,000	-2,800	14,041	2,168	-4,168	2,462	-8,062	24,100	3,982
Goods Producing	116,700	0	-1,400	4,646	1,405	-1,405	926	-3,726	9,033	259
Private Service Providing	480,500	-1,000	-1,400	9,395	1,839	-3,839	3,320	-6,120	18,447	343
Mining and Logging	3,700	-200	-300	-268	-4	-396	27	-627	390	-926
Construction	45,300	200	-1,400	2,713	1,347	-947	470	-3,270	6,286	-860
Manufacturing	67,700	0	300	2,201	788	-788	1,644	-1,044	4,660	-258
Durable Goods	39,100	-200	0	1,486	425	-825	1,061	-1,061	3,524	-552
Nondurable Goods	28,600	200	300	715	680	-280	1,124	-524	2,090	-660
Trade, Transportation, and Utilities	144,600	1,100	2,000	3,225	2,464	-264	4,285	-285	8,129	-1,679
Wholesale Trade	29,900	-500	-500	502	31	-1,031	387	-1,387	2,224	-1,220
Retail Trade	88,900	1,300	1,100	1,048	2,414	186	2,957	-757	4,746	-2,650
Transportation and Warehousing	25,800	300	1,400	1,675	879	-279	2,394	406	4,396	-1,046
Information	9,400	100	0	222	408	-208	521	-521	1,275	-831
Financial Activities	35,500	300	700	580	830	-230	1,615	-215	2,335	-1,175
Professional and Business Services	86,500	-1,600	-3,200	-1,546	-271	-2,929	-1,043	-5,357	2,761	-5,853
Education and Health Services	108,300	500	6,900	5,173	1,541	-541	8,532	5,268	7,789	2,557
Educational Services	13,900	200	4,700	900	815	-415	5,726	3,674	2,195	-395
Health Care and Social Assistance	94,400	300	2,200	4,273	1,141	-541	3,468	932	6,545	2,001
Leisure and Hospitality	70,900	-1,400	-7,800	807	164	-2,964	-5,084	-10,516	5,740	-4,126
Arts, Entertainment, and Recreation	8,300	-700	-4,000	-257	303	-1,703	-2,148	-5,852	2,979	-3,493
Accommodation and Food Services	62,600	-700	-3,800	1,064	499	-1,899	-1,813	-5,787	4,788	-2,660
Other Services	25,300	0	0	934	729	-729	1,119	-1,119	2,931	-1,063

For information on Bureau of Labor Statistic confidence interval calculations, please visit:

www.bls.gov/sae/790stderr.htm

2018 Challenges

- Short housing supply & shortage of sub-contractors – Continuing to drive up prices
- Federal banking regulations – Continue to drive increased expenses
- Uncertain future for the retail sector (strip malls, big box anchors), due to shift to online – Makes it more difficult to borrow \$\$ for these projects
- Employment market is tight. More difficult to attract good employees
- Cybersecurity – Reputation risk, we don't know what we don't know



2018 Opportunities

- High level of in-migration throughout the State = **GROWTH!!**
 - Good mix of retirees and younger demographic
- Continued media coverage as **THE** State to live in
- Continued commercial real estate projects and development throughout the State
- Federal tax cut should be good for many – Increased spending and investment?



2018 Outlook for Banks in Idaho

- Continued loan portfolio growth – RE, Commercial, Small Business, Consumer
- Continued focus on credit quality and low delinquencies
- Continued deposit growth – Disintermediation??
- Moderate growth in expenses – primarily labor and benefit costs
- Continued increase in efficiency and net income – Corporate tax rate reduction should definitely help

This should result in increased tax revenue from the banking industry to the State

Questions?

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