

SOURCE: Idaho Bancorp



Jan 23, 2009 09:09 ET

## Idaho Bancorp Reports Annual Results for 2008 and Receipt of TARP Capital

BOISE, ID--(Marketwire - January 23, 2009) - Today Idaho Bancorp (OTCBB: [IDBC](#)) reported a net loss for the year ended December 31, 2008 of (\$232,000) or (\$0.13)/share, compared to \$1,441,000 or \$0.78/diluted share for 2007. The largest contributing factors responsible for these results included a decline in the net interest margin between 2008 and 2007, an increased provision for loan losses due to a weakening economy, expenses related to management changes at Idaho Banking Company, and a favorable tax expense variance.

Since the Federal Open Market Committee lowered the fed funds rate by 400 basis points during 2008, the Bank's average tax equivalent net interest margin decreased only 41 basis points from the 2007 level to 3.83% for 2008. As a result, a 2008 unfavorable net interest income rate variance of approximately \$919,000 was recognized compared to 2007. Average earning assets increased during 2008 by 4.74% or \$10,314,000, which led to a favorable net interest income volume variance of approximately \$437,000, offsetting the unfavorable rate variance.

The Company is focused on improving its tax equivalent net interest margin with the introduction of the Perfectly Free Business Checking product during the third quarter 2008. The Bank has been accepted into the Certificate of Deposit Account Registry Service (CDARS) program and can offer fully insured certificates of deposit up to \$50 million under this program. The Bank also introduced the Picture Perfect Treasury Money Market Account in early 2008.

Due to the weakening economy, the Company has increased its allowance for loan losses to 1.46% of outstanding loans from 1.38% at December 31, 2007. This increase, combined with net charge-offs of \$1,395,000, led to a provision in the income statement of \$1,845,000, an increase of \$1,535,000 compared to 2007. The annualized year-to-date net charge-offs to loans ratio is 0.71%. Nonperforming loans consist of nineteen accounts totaling \$9,350,000, or 4.43% of loans outstanding as of December 31, 2008 compared to \$911,000 in nonperforming loans at the end of 2007. The Company believes it has an adequate reserve for these loans.

As previously reported, the Company was one of the first non-SEC reporting companies to receive preliminary approval for TARP capital from the U.S. Treasury. Idaho Bancorp is pleased to announce that it did receive final approval to receive \$6.9 million of TARP capital, which was funded to the Bank on January 16, 2009 and will be recorded as preferred stock on the Bank's balance sheet. Until the preferred stock is redeemed, the Bank will pay cumulative dividends of 5% to the U.S. Treasury for the use of this capital. The cumulative dividend rate increases to 9% after five years. One of the purposes, as stated in the legislation allowing qualifying institutions to purchase TARP capital, is that the funds are to be used in a manner that "maximizes overall returns to the taxpayers of the United States." This indicates the U.S. Treasury will only allow safe and sound institutions to purchase TARP capital. Jim Latta, President and CEO of Idaho Bancorp's subsidiary, Idaho Banking Company, said, "We appreciate the faith the U.S. Treasury has shown in our bank. This investment will allow us additional flexibility to manage our business in the challenging current market environment. The capital will also give us the opportunity to increase our active relationship lending within the Treasure Valley."

The Bank's noninterest expenses increased by \$478,000 or 6% compared to 2007 levels, largely due to one time charges of approximately \$453,000 due to changes in management personnel. Idaho Banking Company, the primary subsidiary of Idaho Bancorp, continues to look for ways to become more efficient and to reduce its noninterest expenses in relation to its operating revenue.

Idaho Bancorp President and CEO James C. Latta commented, "2008 was a turbulent year for all banks in the Treasure Valley. The Bank is very fortunate to have employees dedicated to providing lasting impressions of trust and service, while building strong loan and deposit relationships with businesses and individuals within

our market area. Our employees' genuine concern for the success of the Bank's customers will reap rewards for the Bank's shareholders."

Idaho Bancorp is the parent company of Idaho Banking Company, a state-chartered commercial bank and member of the Federal Reserve, which was organized in 1996 and operates four branch offices, and a construction & mortgage home loan center. The Bank serves clients throughout southwestern Idaho.

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected, including but not limited to the following: the concentration of loans of the company's banking subsidiary, particularly with respect to commercial and residential real estate lending; a continued decline in the housing and real estate market, changes in the regulatory environment and increases in associated costs, particularly ongoing compliance expenses and resource allocation needs in response to regulatory rules and guidelines; vendor quality and efficiency; employee recruitment and retention; the company's ability to control risks associated with rapidly changing technology both from an internal perspective as well as for external providers; increased competition among financial institutions; fluctuating interest rate environments; a tightening of available credit, and similar matters. Readers are cautioned not to place undue reliance on the forward-looking statements. Idaho Bancorp undertakes no obligation to publicly revise or update the forward-looking statements to reflect events or circumstances that arise after the date of this release. This statement is included for the express purpose of invoking PSLRA's safe harbor provisions.

Idaho Bancorp and Subsidiary  
Consolidated Financial Highlights (unaudited)  
(Dollars in thousands, except per share)

For the year ended December 31:	2008	2007	\$ Change	% Change
	-----	-----	-----	-----
Net interest income	\$ 8,598	\$ 9,080	\$ (482)	-5%
Provision for loan losses	1,845	310	1,535	495%
Mortgage banking income	643	715	(72)	-10%
Other noninterest income	509	625	(116)	-19%
Noninterest expense	8,339	7,860	479	6%
Net income before taxes	(434)	2,250	(2,684)	-119%
Income taxes	(202)	809	(1,011)	-125%
Net income (loss)	(232)	1,441	(1,673)	-116%
 Earnings per share				
Basic	(0.13)	0.79	(0.92)	-116%
Diluted	(0.13)	0.78	(0.91)	-117%
 At December 31:	2008	2007	\$ Change	% Change
	-----	-----	-----	-----
Loans	\$ 211,133	\$ 190,366	\$ 20,767	11%
Allowance for loan losses	3,073	2,623	450	17%
Assets	249,285	234,502	14,783	6%
Deposits	185,467	189,226	(3,759)	-2%
Shareholders' equity	16,743	17,438	(695)	-4%
Nonperforming loans	9,350	911	8,439	926%
Other real estate owned *	380	0	380	N/A
 Book value per share	9.10	9.61	(0.51)	-5%
Shares of common stock outstanding	1,839,860	1,814,222	25,638	1%
 Allowance to loan ratio	1.46%	1.38%		
Allowance to nonperforming loans	33%	288%		
Nonperforming loans to total loans	4.43%	0.48%		
 Averages for the year ended December 31:	2008	2007	\$ Change	% Change
	-----	-----	-----	-----

Loans	\$ 195,998	\$ 181,719	\$ 14,279	8%
Earning assets	227,866	217,553	10,313	5%
Assets	238,069	229,412	8,657	4%
Deposits	182,004	186,789	(4,785)	-3%
Shareholders' equity	17,755	16,779	976	6%

For the year ended December 31:

Return on average assets	-0.10%	0.63%
Return on average equity	-1.31%	8.59%
Average loans to deposits	107.69%	97.29%
Net interest margin - tax equivalent	3.83%	4.24%
Net loan charge-offs (recoveries)	1,395	106
Net charge-offs (recoveries) to loans (annualized)	0.71%	0.06%

\* Includes only retaken property.

Idaho Bancorp and Subsidiary  
Quarterly Consolidated Financial Highlights (unaudited)  
(Dollars in thousands, except per share)

	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4
	-----	-----	-----	-----	-----
Net interest income	\$ 2,112	\$ 2,250	\$ 2,122	\$ 2,114	\$ 2,325
Provision for loan losses	1,240	260	200	145	125
Mortgage banking income	100	168	161	214	197
Other noninterest income	118	135	123	133	217
Noninterest expense	1,718	2,044	2,443	2,134	1,955
Net income before taxes	(628)	249	(237)	182	659
Income taxes	(237)	80	(98)	53	278
Net income (loss)	(391)	169	(139)	129	381
Earnings per share					
Basic	(0.21)	0.09	(0.08)	0.07	0.21
Diluted	(0.21)	0.09	(0.08)	0.07	0.21
Average loans	202,924	197,948	193,323	189,698	194,381
Average earning assets	231,825	227,730	228,614	223,253	227,257
Average assets	242,057	238,021	238,248	233,908	238,798
Average deposits	180,689	176,924	185,846	184,627	191,565
Average shareholders' equity	17,730	17,763	17,985	17,541	17,439
Return on average assets	-0.64%	0.28%	-0.23%	0.22%	0.63%
Return on average equity	-8.77%	3.78%	-3.11%	2.96%	8.67%
Average loans to deposits	112.31%	111.88%	104.02%	102.75%	101.47%
Net interest margin - tax equivalent	3.68%	3.99%	3.79%	3.87%	4.13%
Nonperforming loans - period end	\$ 9,350	\$ 2,158	\$ 60	\$ 316	\$ 911
Other real estate owned - period end *	380	336	206	-	-
Loans - period end	211,133	199,788	196,894	189,284	190,366
Allowance for loan losses - period end	3,073	3,024	2,868	2,662	2,623
Net charge-offs (recoveries) - quarterly	1,191	104	(6)	106	91

Allowance to loans	1.46%	1.51%	1.46%	1.41%	1.38%
Allowance to nonperforming loans	33%	140%	4780%	842%	288%
Nonperforming loans to total loans	4.43%	1.08%	0.03%	0.17%	0.48%
Net charge-offs to loans - annualized	2.33%	0.21%	-0.01%	0.22%	0.19%

\* Includes only retaken property.

Contacts:

James C. Latta  
 President and CEO  
 208-472-4702

Bruce W. Barfuss  
 Executive Vice President and CFO  
 208-947-1873

Mary E. Brimson  
 Senior Vice President, Shareholder Relations  
 208-472-4705