Origin Bancorp, Inc. First Quarter 2024 Earnings Call - Transcript

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Evercall Moderator

Good morning and welcome to the Origin Bancorp, Inc. First Quarter Earnings Conference Call. My name is David and I will be your Evercall coordinator.
The format of this call includes prepared remarks from the company, followed by a question and answer session. Please note this event is being recorded, and that all participants will be on a listen-only mode until the Q&A portion of the call.
I would now like to turn the conference call over to Chris Reigelman, Director of Investor Relations. Please go ahead. You may now begin.

Chris Reigelman

Good morning and thank you for joining us today. We issued our earnings press release yesterday afternoon, a copy of which is available on our website, along with a slide presentation that we will refer to during this call.

Please refer to page two of our slide presentation, which includes our safe harbor statements regarding forward looking statements and use of non-GAAP financial measures. For those joining by phone, please note the slide presentation is available on our website at www.ir.origin.bank. Please also note that our safe harbor statements are available on page five of our earnings release filed with the SEC yesterday.

All comments made during today's call are subject to the safe harbor statements in our slide presentation and earnings release.

I'm joined this morning by Origin Bancorp's Chairman, President & CEO, Drake Mills; President and CEO of Origin Bank, Lance Hall; our Chief Financial Officer, Wally Wallace; Chief Risk Officer, Jim Crotwell; our Chief Accounting Officer, Steve Brolly; and our Chief Credit and Banking Officer, Preston Moore. After the presentation, we will be happy to address any questions you may have. Drake, the call is yours.

Drake Mills

Thanks Chris.

This past quarter we showed good progress as our teams continued to improve efficiency and performance with a sharp focus on maximizing shareholder value. I'm very pleased with the production our teams showed across our footprint as each demonstrated resilience amidst challenging market conditions with good loan and deposit growth. Our continued organic growth reflects our strategy and progress in building long-term relationships with our customers.

We finished the quarter with pretax pre-provision earnings of $31.9M and diluted EPS of 0.73. Tangible Book Value grew 2%, to $29.24 and our TCE Ratio was 9.3% at the end of the quarter. Lance will get into more specifics, but I'm optimistic about our deposit growth. Excluding brokered deposits, we saw an increase of $102M for the quarter. This is a testament to our bankers understanding our strategy and delivering. While loan growth exceeded core deposit growth this quarter, deposit growth remains a top priority and will be the governor to loan growth for the year.

As we've discussed in previous calls, we continue to make investments and strategic decisions in preparation for crossing the $10B asset threshold. At the end of last year, we made the strategic decision to write down the value of our MSR asset and explore its potential sale. During the first quarter, we were successful in selling the MSR asset. This will remove volatility from our earnings stream and will reduce regulatory risk as we prepare to cross $10B in assets.

While we are pleased with the results this quarter, we are also strategically focused on improving our profitability. We continue to identify opportunities to drive revenue and better leverage our expense base. Whether it's investments in new markets like our recent entry into South Alabama and the Florida Panhandle, or the steps we have recently taken to revamp our mortgage business, Origin is committed to building a more efficient and more profitable company.

Now, I'll turn it over to Lance.

Lance Hall

Thanks and good morning.

Our bankers have been extremely focused on deposit growth throughout all of our markets and they understand our commitment to fully funding loan growth with customer deposits. I'm pleased with the efforts of our bankers to drive deposit growth in the first quarter, and based on the trends I'm seeing across our markets, I remain confident that we will achieve this goal for the year.

As a strategic differentiator, we continue to believe that our geographic management model is the most effective structure to deliver for our clients, to build communities, and to have empowered leaders and decision makers throughout our organization.

To this point, this past quarter we made the strategic decision to realign our treasury management model to better serve our geographic strategy. This will more effectively scale our dynamic treasury management team for the future when there are additional markets built, banking teams hired, or banks acquired. While our treasury management team has been highly successful, we believe this will expand our ability to drive additional deposit and fee income growth, while being more efficient.

We also remain strategically committed to our client selection philosophy. We talk often with our bankers about being trusted advisors and building unwavering loyalty with our clients. This applies to the full relationship and the need to drive deposit and loan growth.

I've talked often about how we are using technology to enhance the client experience and drive efficiencies across our company. We continue to see positive results, one of which is with our Robotic Process Automation Team. Through the use of bots, we have saved approximately 3,100 hours of manual work in the first quarter of 2024. That's about 50% of what we saved for the entire year in 2023. These efforts not only save time and make us more efficient, but also reduce risk to the company. As an example, we have prevented thousands of dollars in fraud loss while delivering for our clients using our Mobile Deposit Bot. Since we began using this bot, we have reduced mobile deposit fraud loss by 84% year over year. Currently, we have approximately 50 automation processes in production with our RPA team, and I'm very optimistic about what they will continue to do as we move forward.

Before I turn it over to Jim, I want to acknowledge our employees and their commitment to our culture. Every year, we designate March as Culture Month. Where, as a company, we celebrate our culture, reflect on our accomplishments, and lay-out our

strategic plan for the year. The passion and energy that our employees have right now across all of our markets is impressive. We talk about our culture often. It has become a competitive differentiator for us in driving employee engagement and attracting best-in-class bankers. We will never lose sight of our commitment to our culture and building long-term relationships.

Now, I'll turn it over to Jim.

Jim Crotwell

Thanks Lance.

As reflected on slide 13, I am pleased to report continued sound credit metrics for the quarter.

Past Due Loans Held for investment came in at .42% at quarter end, up eight basis points from the prior quarter and continue to be within historically acceptable levels.

Non-performing Loans increased $10.3M for the quarter, coming in at .51% as a percentage of total loans held for investment, up from .39% at year-end while Classified Loans increased only $3.7M, coming in at 1.07% as a percentage of total loans held for investment, up only 2 basis points from the prior quarter and down 10 basis points from Q1 2023 levels. The $10.3M increase in non-performing was primarily driven by 12 relationships being placed on non-accrual during the quarter, including seven C&I borrowers contributing $4.7M and five CRE borrowers contributing $3.7M. The current levels of both nonperforming and classified loans also continue to be within historically acceptable levels.

Net Charge-offs totaled .13% for the quarter compared to .10% for the prior quarter and benefitted from $4.1M in recoveries during Q1. Of note, as part of an agreed upon workout plan for one relationship, we applied $2.8M of recoveries from one loan against another loan in the same relationship. As such, adjusted charge-offs and recoveries would be $3.8M and $1.2M, respectively, with no impact to net charge-offs for the quarter. Our level of charge-offs continue to be in line with our expectations.

For the quarter, our Allowance for Credit losses increased $1.5M to $98.4M; resulting in a slight percentage change from the prior quarter to 1.25% from 1.26% as a percentage of total Loans Held for Investments. Net of Mortgage Warehouse, our reserve ratio also reflected a slight percentage change from the prior quarter to 1.30% from 1.31%. The dollar increase in the reserve for the quarter was driven by loan growth as well as the required reserves attributed to the increase in nonperforming loans. The stable level of our allowance mirrors the balancing of our continued sound credit metrics with the ongoing economic headwinds.

On slide 14, we have updated the additional information on our CRE Office portfolio. As of quarter end, this segment of our portfolio totaled $377.8M, with an average loan size of only $2.3M.

Weighted average debt service coverage was 1.34x while weighted average loan to value was 59.5%. We had no past dues, no classifieds, no non-performing, and no charge-offs. This sector continues its strong financial performance.

In summary, while we are experiencing normalization in our credit metrics, our portfolio continues its overall sound performance, driven by our constant focus on relationship banking.

I'll now turn it over to Wally.

Wally Wallace

Thanks Jim and good morning everyone. Turning to the financial highlights, in Q1 we reported diluted earnings per share of $0.73. On an adjusted basis, Q1 EPS were also $0.73 after excluding a $410 thousand gain on sale of our MSR and a $403 thousand loss on securities sold during the quarter.

Starting with deposits, total deposits grew 3.1% during the quarter. Excluding brokered, deposits grew 1.3%, which is in line with last quarter's 1.3% growth. We continue to see a shift of non-interest bearing deposits into interest bearing accounts, though we believe this trend is stabilizing. We still forecast some continued pressure to our non-interest bearing deposit mix over the next couple of quarters and we currently forecast it to remain above 20%. Notably, while pricing pressures still exist, they are easing, which we expect will remain a stabilizing factor in our Net Interest Margin forecasts.

Gross loans held for investment grew 3.1% during the quarter. Excluding mortgage warehouse, loans grew 2.3%. This growth was above our expectations, but was driven in large part by construction projects funding, which should abate as the year progresses. While this growth drove loan growth greater than ex-brokered deposit growth, we continue to expect loan growth in the mid-single digits for the year with deposit growth essentially matching.

Net Interest Margin was flat for the quarter at 3.19%, in line with our guidance of +/- 1-bp. Moving forward, we anticipate Net Interest Margin should be flat to up slightly with momentum for margin expansion building as the year progresses due to asset repricing benefits. We believe these benefits are enough to offset two to three 25-bp Fed rate cuts, even assuming a zero deposit beta on our non-indexed interest bearing deposits. As a reminder, in an environment where the Fed is easing, we still expect we can run

our business at a NIM above 3% with a longer term, full cycle target over 3.5%.

Shifting to noninterest income, we reported $17.3M in Q1. Excluding the previously mentioned $410K gain on sale of our MSR and $403K loss on securities sold, our adjusted noninterest income was $17.2M in Q1, up from $14.6M in Q4, which excluded a $1.8M write-down of our MSR and a $4.6M loss on securities sold. Seasonal strength in our insurance business and increased production in our mortgage segment were the primary drivers of this increase.

Our noninterest expense decreased to $58.7M in Q1 from $60.9M in Q4. The quarter benefitted by a net of roughly $1.1M in items that, while normal in the course of business, are non-recurring in nature. As such, while we remain laser-focused on managing our operating expense levels, we continue to expect expense growth in 2024, in the mid-single digit range compared to 2023.

Turning to capital, we note that our TCE ratio remained above 9% in Q1, ending flat to Q4 at 9.3%. Furthermore, as shown on slide 24 of our investor presentation, all of our regulatory capital levels, at both the bank and holding company levels, remain above levels considered well-capitalized even if we were to include our AOCI loss in the calculations. As such, we remain confident that we have the capital flexibility to take advantage of any potential future capital deployment opportunities to drive value for our shareholders.

With that, I will now turn it back to Drake.

Drake Mills

Thanks Wally.

I like the momentum we have as a company. Our efforts are pointed towards our goal of being a high performing financial institution whose culture and client experience are unmatched. We remain focused on our plan of achieving that goal. We acknowledge the challenges within our industry, but we also acknowledge that we have the production teams and management to overcome any challenges we may face and have built a company that our employees, customers, communities and shareholders can be proud of.

Thank you for being on the call. We'll open it up for questions.

Evercall Moderator

Thank you team. Ladies and gentlemen, at this time we will conduct the question and

answer session. If you would like to ask a question, please press either *1 on your telephone keypad, or if you've joined via web, press the raise hand icon on the right side of your DRS screen. Once again, that will be *1 on your telephone keypad to enter the queue, or the raise hand icon on the right side of your Deal Roadshow screen. We'll pause here briefly to allow any questions to generate. Our first question comes from Matt from Stephens. Your line is open.

Matt Olney (Stephens Inc.)

Hey, thanks. Good morning, everybody.

Drake Mills

Good morning, Matt.

Matt Olney (Stephens Inc.)

I want to make sure I understand the impact of the MSR sale. I assume within that mortgage line item, it will now just include the income from the sale of mortgage loans and origination fees is that right? And any color on what that's looked like over the last few quarters just trying to get a better idea of what the mortgage line could look like now without that the servicing volatility?

Wally Wallace

Yep. Thanks, Matt. So the reason that we sold the servicing business was because that, while on an underlying basis, it ran at slight profitability over time, it was very volatile, from quarter to quarter due to hedging of the MSR. We don't like that volatility in our earnings stream. And so that was really what drove the decision to sell the asset. So rather than give you the numbers over the back half, you know, looking back, why don't we just say that with the way we're running our mortgage business now, which is really a community bank mortgage model, we made some changes to the right sides of the business at the end of last year. And we anticipate running in the $1m to $1.5m in revenue per quarter, which would be kind of a break even run rate. We think running breakeven right now at this point in the cycle is acceptable with the anticipation that when mortgage rates come back in and we'll be there for whatever volume comes and we'll accept the break-even run rate. So on the expense side, we would anticipate we take out about $400k or $500k a quarter. But we anticipated the sale of this business in our guidance. So we're not encouraging you to reduce your expenses from where you were before.

Matt Olney (Stephens Inc.)

Okay, perfect. Thanks for that Wally. And I also want to ask about just overall capital. We're seeing a nice build of capital levels of the last few quarters of last year. I think that CET1 ratio is now close to 12%. I would think that would give you a lot more flexibility to do something, I'd love to get your thoughts on deployment of capital. You know how you're thinking about M&A, securities restructuring, buybacks, it just seems like you got a lot of flexibility. Just curious kind of, what your thoughts are. Thanks.

Drake Mills

Thank you, Matt, it's Drake. You know, for us, we announced early in the year our expansion into South Alabama and the Florida Panhandle and where they have high expectations, what an awesome team we've been able to put together and just really pleased with the start of their business and what they're going to do, so we have that. We also feel that as you look at things starting to, as we see some momentum on the deposit side, and certainly our teams are focused on growing deposit, we think we can get back to growth numbers, you know, going into '25 that have been historical for us. And if you look at those opportunities, with the thought that as multiples, as we do take care of our business and focus on performance, and we start to see multiple return that with relationships we have that those are going to be opportunities for us and as we focus on. And I think this is important internally, as we say, who are we today, and what are we going to do? There's certainly pressure as you cross over $10B to get to a point of an asset base that allows you to get back to profitability and focus. So we've worked really hard internally on the expense side as we start to build up or complete the build up to cross over $10B. So we understand that we need to get to that $15B number you know fairly quickly to be able to recognize performance we expect. So that's certainly going to have to come through some M&A activity where that's not front of mind right this moment, we think that our ability to use capital through M&A and growth in our expansion markets, plus what we are seeing in Texas, that I would like to focus on capital use that way.

Matt Olney (Stephens Inc.)

Okay, thanks Drake for the commentary there. And then just lastly, for me on the deposit cost, I think the interest bearing deposit costs were up 13 BPS this quarter. I think the commentary included some additional pressure but easing from more recent levels, any other color you can add as far as what your expectations are on deposit costs from here. Thanks.

Lance Hall

Yeah. Hey, Matt, good morning, this is Lance. I think some of it's going to be timing and some of us going to be which markets we're seeing the growth and I'm really proud of our presidents. We challenged all of our markets to make sure they could sell fund in 2024. So, you know, one of the reasons between a little bit of higher cost is tougher competition, you know, in Dallas and Houston, and that's where we saw the majority of our growth. Some of that is seasonal based on what we see in North Louisiana, we're still seeing a competitive advantage where in North Louisiana interest bearing deposits were able to get at about 50 BPS lower than we are in Texas. So that's great for us. But I would agree with what Wally's commentary it feels like the market is being a little more receptive to normalizing deposit cost. But for us, we feel there's short and long term value in maintaining a franchise that has sub 90% loan to deposit ratios excluding mortgage warehouse so continuing to grow liquidity, continue to grow deposits is job number one. The offset is we've done a really good job with discipline loan pricing, and our ability to continue to maintain and not see reduction in NIM and, we've actually we think we'll see, potentially a little bit of NIM expansion as we go forward. So our deposit franchise is paying off and I'm proud of what we're doing.

Matt Olney (Stephens Inc.)

Okay, thanks for that. Lance. I'll go back in the queue. Congrats on the quarter.

Drake Mills

Thank you, Matt.

Evercall Moderator

Thank you, Matt. Our next question comes from Michael from Raymond James. Your line is open.

Michael Rose (Raymond James)

Hey, good morning, everyone. Thanks for taking my questions. Just wanted to start off on this quarter's loan and deposit growth. So if I look at x warehouse, you guys annualized to a little over 9%. And then deposit growth was double digit, annualized. I know you talked about, you know, reiterating the guidance, what's driving the projected slowdown, is it just less funds up of construction loans, which ought to be a big driver

this quarter. And then on the deposit side, just given the stronger start, should we expect, you know, higher than what you've gotten before, which is essentially matching loan growth? Thanks.

Lance Hall

Yeah. Hey, this, Lance. Thanks a lot for that. No, I still think we still believe guidance is the accurate way to look at it. There is no question that we have done a really good job, in my opinion, in the last few years of onboarding through our clients selection process, and really good customers, Texas is such a competitive advantage for us. And that's where we continue to see the long growth opportunities, we really benefited in Q1 in two ways. One was the funding up of some construction projects that we feel really strongly about. But also we had utilization on our CNI lines increase from what was a little bit sub normal to a more normal usage, which created some of our funding a little bit quicker than we thought it was going to be. You know, it's a little bit of a balance for us in the sense that we feel like, because of our locations, because of the bankers, we have in Texas, we have great loan growth opportunity, but we're disciplined on this. And you can, going to continue to govern that by smart and strategic deposit growth. So that's the driver for us is making sure that we can fund it the appropriate way.

Michael Rose (Raymond James)

Very helpful. And then maybe for Wally, just looking at the margin, I think you said two to three cuts this year is now the expectation you expect the margin can grind higher. But if I go back to your comments from last quarter, I don't think you were assuming any cuts. And if we did get cuts, you could see, at least for the first 100 basis points around 15 to 20 basis points of new pressure. So this seems to be a nice step up. Can you just walk us through, maybe you know, what's changed in your modeling, whether it's the positive betas, you know, growth assumptions, etc. thanks?

Wally Wallace

Yep. Thanks, Mike. We actually haven't changed any expectations in our model as it relates to Fed cuts, we've put one cut in our own forecast. The commentary that we provide, since it seems like expectations are; one, all over the place, and two, changing constantly. I just don't know what people are going to put in their models. So we think that we can offset two maybe three cuts and still see margin expansion if the Fed were to cut. As far as the puts and takes in our model. Our deposit cost expectations were a little bit higher than we had anticipated. However, to Lance's point, we have asked our markets to be very conscious about how they price their loans, and we're seeing our loan yields have also been coming in better than our expectations. So net, the margin

has been performing as we had anticipated, so there's some puts and takes in there, but our expectations really haven't changed.

Michael Rose (Raymond James)

Okay, great. I'll sit back. Thanks for taking my question.

Wally Wallace

Thank you.

Evercall Moderator

Thank you, Michael. Our next question comes from Woody from KBW. Your line is open.

Woody Lay (Keefe Bruyette & Woods (KBW)

Hey, good morning, guys.

Drake Mills

Good morning Woody.

Woody Lay (Keefe Bruyette & Woods (KBW)

Wanted to start out with non-interest bearing deposits, it looks like that remix is beginning to slow, and you sounded pretty optimistic in your opening comments, but any color you can give on monthly trends you're seeing in the non-interest bearing segment?

Wally Wallace

Morning Woody. You know, for the last five quarters, we have been building an expectation that we'd see a shift in our non-interest bearing mix. We had done a study where we went back and looked at our portfolio. The last time Fed funds was near rates where we are today and the last time we'd seen a kind of a meaningful period of tightening. Our expectations have pretty consistently been that we would see that mix. Start to kind of stay stabilized in the low 20% range, the deterioration or the change in that mix has moved exactly as we expected. However, every quarter, it's done a little bit

better than we were modeling. So we're still modeling and anticipating the mix bottom and that low 20% range. And we were pleased this quarter to see it come in at, you know, right around 22%, we were closer to 21.5%. So, that trend is we're seeing stabilizing, just like we're seeing the stabilization and the rate of change of our deposit costs increasing. So the trends that we're seeing give us some, I guess, increased confidence in our own forecasts. Hopefully that helps answer your question.

Woody Lay (Keefe Bruyette & Woods (KBW)

Yeah, that's helpful. And then could you just remind me how you think about funding the mortgage warehouse? What was the increase in the warehouse in the quarter part of the reason what drove the higher broker deposits?

Wally Wallace

Yeah, so yes, what we will fund the mortgage warehouse with whatever wholesale funding is at our disposal, and is the cheapest. So right now, brokered funding is the more optimal use of funding that business. But if the FHLB market improves relative to broker, then we would shift to FHLB. Also note, though, that we target, you know, 90s, or sub loan to deposit ratio. And that's important to us as well. It's worth noting that right now, the mortgage warehouse business is actually our most profitable business just because we can fund it with wholesale, but it turns so quickly. And we did a lot of work last year working with our customers on how we price that business. And it is a very strong and profitable business for us today.

Woody Lay (Keefe Bruyette & Woods (KBW)

All right. And last for me, I wanted to touch on expenses. I think in your opening comments, you call out sort of a million of non-recurring items in the quarter, just any color you can give on sort of what those items were.

Wally Wallace

Yeah, look, you know, we had, there's just a handful of things that happened from quarter to quarter and year to year, and we just happened to have a handful of them this quarter, there was a legal recovery, we had a fraud recovery, we had a reversal of an accrual related to incentives. And so it's just a, it was a kind of combination of a lot of little things. That added up to about $1.1M. So as you think about your model, I would still look at that fourth quarter run rate and think about, you know, kind of a growth rate off of that I wouldn't use the first quarter as your base for your growth expectations in

the back half of the year. So we took our forecast and kept our second, third and fourth quarter the same. Our full year came down by that $1.1M that we exceeded our expectations with

Woody Lay (Keefe Bruyette & Woods (KBW)

Alright, that's all for me. Thanks for taking my questions.

Evercall Moderator

Thank you, Woody. And our next question comes from Manuel at D.A. Davidson. Your line is open.

Manuel Navas (D.A. Davidson & Co)

Hey, I think you kind of covered the, my question on unexpensive I was gonna lean towards, could you come in at the low end of the guide, but it sounds like you're taking out these one-time expense items. And it just works out that it doesn't really change the guide. That's the right way to take this?

Wally Wallace

Yes Manuel, we're one quarter into the year, we were pleased with our expense management in the first quarter. But we don't want to use that and get over-exuberant and have expectations dropped to the low end of the range. We think that the guidance we gave is appropriate. Still at this point?

Manuel Navas (D.A. Davidson & Co)

Could you expand on your comments on getting a little bit better loan yields, that you're pushing to get better loan yields? And just how is that working out competitively? Is that, any issues at this point? I mean, growth is really strong. So you're still It can't be that big of a deal. But just kind of thoughts on loan pricing and loan yield development across the year.

Lance Hall

Yeah, this is Lance. Yeah, I think through really clearly understanding our strategic plan,

understanding where sort of the banking is, from a cycle perspective, we've just got some dynamic presidents that understand sort of running their markets, kind of what what the message is, and what their primary goal is right now, which is grow core deposit clients, you know, take very minimal risk in the credit portfolio, and really focus on margin.

And so, you know, there is no growth for growth's sake that's going on inside of Origin right now. It's very targeted, very focused. And so you know, as we govern growth with liquidity, we also are governing growth, through yield. And so you know, my hat's off to our presidents, because they have clearly understood and carry that message to the bankers. And so, again, I keep going back to it, Texas creates that opportunity for us. There's a lot of demand. There's a lot of great projects, as we highlighted in our investor deck. The migration of corporate clients and consumers into our marketplace continues to create opportunity for us that because of our footprint that other banks probably don't have the luxury of, which is allowing us to be more disciplined on low pricing.

Manuel Navas (D.A. Davidson & Co)

Okay, I appreciate the comment. Thank you.

Evercall Moderator

Thank you. And once again, ladies and gentlemen, if you'd like to ask a question, please press *1 on your telephone keypad or the raise hand icon on the right side of your Deal Roadshow screen. Our next question is a follow up from Matt from Stevens. Your line is open.

Matt Olney (Stephens Inc.)

Yeah, guys. Yeah, thanks for the follow up. Drake, earlier, you mentioned that the bank has strong momentum on the organic growth side. And there's a desire to return to growth numbers that have been more historical at the bank, once you get to 2025. Appreciate that 2025 still a ways away, but just remind us kind of how you think about history, historical growth numbers. And what's realistic as you as the new teams that you've hired, start to grow in 2025.

Drake Mills

I'm thinking man, you know, realistic growth for us is averaging 10% a year. And that's, that's, we feel like we build our infrastructure, we've everything from philosophy teams

we have is built to grow at 10% per year. And we think our capital, growth and current capital levels allow us to do so if we could return to that, we think the expansion opportunities and why we made the decision first off those, that team just exceptional, that exceptional people that their culture matched our culture and everything else. So if you apply that to historical growth rates and our ability to go into markets, we see the same opportunities in South Alabama and Florida Panhandle that we saw in Texas and 8, 9 and 10 and 13 and 14 and going into Houston.

So if I look at those opportunities, and believe that we see, you know, some liquidity coming back in the industry, and I think as rates come down, it certainly sets us up well, to be competitive and to be able to drive funding to where we could return to a 10% growth rate. If you look at current pipeline opportunities, even with slight slowdown, if we looked at everything the way we did, let's say in '19, '20, '21, we would be growing at a 10% clip today, we had that funding opportunity. So I look forward to getting back to those numbers. But we certainly have the infrastructure our teams are running about 50%, maybe 55% capacity. So we have a lot of capacity internally to be able to accomplish that.

Matt Olney (Stephens Inc.)

And just following up there, Drake, I think the guidance this year for loan and deposit growth is still that mid-single digit level that we talked about earlier. I think last time on the call in January, we said that did not include any impact or benefits from these from this newer team. Is that right? Is that still your expectation for 2024? Yes,

Drake Mills

That is correct, Matt. Exactly.

Matt Olney (Stephens Inc.)

Okay, perfect. Thanks for the follow up.

Drake Mills

Thank you.

Evercall Moderator

Thank you, Matt. Ladies and gentlemen, this concludes the question and answer session. I will now pass it back to Drake Mills for any additional remarks.

Drake Mills

Well, thank you so much for being on the call today. And we are very pleased and where we recognize we had a good quarter. But we still understand that we have to focus on performance. But that's performance without slowing momentum. And I'm pleased with the team's focus on performance. And I look forward to our as Matt, I was just talking with Matt, stronger growth as we go move into '25.

Our expansion in the South Alabama and Florida Panhandle is, has been exceptional for us to start off. But we do recognize that we have to earn our cost of capital plus. So the focus internally is truly on performance. And it's on the right type of performance. You know, as we prepare ourselves to cross over $10B, when we get to that point, I think we're going to be prepared and we're going to be in a position to be able to perform at a level that provides cost of capital plus, I appreciate everyone's confidence in us being on the call today. And if anyone has any other questions, we're open for comments. So appreciate everyone's opportunity to spend time with you today. Look forward to seeing you in the future.

Evercall Moderator

Ladies and gentlemen, this concludes today's Origin Bancorp Inc. First Quarter Earnings Conference Call. Thank you and have a great day.