Origin Bancorp, Inc. Third Quarter 2023 Earnings Call - Transcript

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Evercall Moderator

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

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 2 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.origin.bank. Please also note that our safe harbor statements are available on page 5 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.

Origin reported solid earnings this quarter as our team remained focused on executing our strategic plan and delivering for our customers and communities. Economic activity is robust throughout our markets and our credit metrics remain clean. As we've seen throughout the industry, the deposit environment remains extremely competitive. Even with that, I am optimistic that our bankers will continue to bring new deposit relationships to the bank.

This quarter's results exceeded our expectations, as pre-tax, pre-provision upside was driven by margin stability. We executed a trade in our securities portfolio late in the quarter that will benefit our net interest margin and EPS moving forward, and allowed us to pay down borrowings, which reduced our asset size. As I discussed last quarter, we remain strategic in managing below $10B through this year, and finished the third quarter with total assets of $9.7B.

I am also extremely proud of our credit trends as classified assets decreased 20% from the linked quarter and NPAs were stable. Both Tangible Book Value and our tangible common equity ratio grew again this quarter, ending the quarter at $26.78 and 8.7%.

Even with broad uncertainty from a macro perspective, I'm confident in Origin's ability to deliver value for our stakeholders. We have strategic options to drive positive financial results and our increased focus on pricing discipline is paying off. We are effectively managing our operating expenses, which will have additional benefits moving forward.

As I've consistently communicated, we are uniquely positioned throughout our footprint to capitalize on growth opportunities in the major metros and expand market share in our more rural markets. We have the right bankers in the right markets to drive long-term value for this company, and I am very confident in our ability to be successful.

Now, I'll turn it over to Lance.

Lance Hall

Thanks and good morning.

Drake is correct that the battle of deposits is fiercely competitive throughout our markets. Origin's mix of rural deposits, as well as our deposit focused incentive plans, coupled with treasury management-deposit focused calling officers benefits us in a powerful way.

We are competing every day to protect valuable relationships and are doing a good job of driving new deposit clients to the bank. The 6/30/2023 FDIC Annual Deposit Market Share Report highlights our value proposition and strength throughout our dynamic markets. Origin's ability to maintain deposits has been dramatically better than the banking industry as a whole in our footprint. During the 12-month period where industry deposits declined 8.7% year over year, even backing out our brokered deposits, Origin's deposits declined by just 0.8% over the same period.

Digging deeper into those numbers, the Louisiana results continue to show the value and strength of our rural deposit base. With #1 market share across our 6 parishes combined, we were able to show growth of $24M excluding brokered deposits, while overall deposits in these parishes dropped $1.1B. I'm proud of our team for these results and what they continue to do to drive value for this company.

To help further strengthen these positive trends, this past quarter we implemented a new deposit initiative that incents our bankers on core deposit growth. This is in addition to our existing incentive plan that is already weighted towards deposits. With this new initiative, we have seen success throughout our lending and retail teams, as our net new account openings continue to grow, up 8.2% year over year. Also, new customer acquisition accelerated in the third quarter, up 35% year over year.

We continue to target a loan to deposit ratio of 90% or less, excluding mortgage warehouse, and ended the quarter at 87%. We remain focused on client selection and have been disciplined in our loan pricing with new loans yielding over 8% throughout the quarter. Our focus on deposit gathering and loan pricing should continue to support our efforts to stabilize our margin moving forward.

Now, I'll turn it over to Jim.

Jim Crotwell

Thanks Lance.

As reflected on slide 12, I am pleased to report solid credit metrics for the quarter as evidenced by stable levels of both past dues and nonperforming loans and a decrease in our level of classified loans.

Past Due Loans Held for investment came in at .27% as of 9/30 which is right in line with the .26% reflected for the prior quarter-end. Non-performing Loans as a percentage of Loans Held for Investment declined slightly, coming in at .42% as of 9/30 compared to .44% as of 6/30 of this year.

I am especially pleased in the reduction reported in Classified Loans Held for Investment from 1.11% last quarter to .85% as of 9/30. As we discussed last quarter, we continue to diligently monitor our loan portfolio and proactively address any identified issues. As a result of these efforts, for the quarter we were able to achieve a $20M reduction in classified loans which was primarily due to payoffs with upgrades providing additional benefit. I would also like to mention that during the third quarter we completed our annual third party loan review. The outcome of this review was only one rating adjustment, in the "Pass" category, on a $250K credit. As such, I continue to be very pleased with the effectiveness of our internal loan rating process and portfolio management.

Annualized Net Charge-offs for the quarter came in at .14% compared to a level of .10% for the prior quarter and was in line with expectations.

For the quarter, our Allowance for Credit losses increased $824M to $94.2M; increasing from 1.24% to 1.26% as a percentage of total Loans Held for Investments. Net of Mortgage Warehouse, our reserve ratio reduced slightly from 1.32% as of 6/30 to 1.30% as of quarter end. This reduction was primarily driven by the improvement in levels of classified loans mentioned previously. As to reserve levels and as discussed in previous quarters, we continue to balance our sound credit quality and the resiliency of our loan portfolio with continued economic headwinds.

On slide 13, we have updated the additional information on our CRE Office portfolio that we have shared for the last 2 quarters. As of 9/30, this segment of our portfolio totaled $363.5M, with an average loan size of only $2.1M. The credit profile of this segment continues to be sound, reflecting a weighted average loan to value of 60.3%, no past dues, no classifieds, no non-performing, and no charge-offs. This segment of our portfolio continues its sound performance, driven by our constant focus on relationship banking.

In summary, we continue to be pleased with our credit performance and our strong and stable credit profile.

I'll now turn it over to Wally.

Wally Wallace

Thanks Jim and good morning everyone. Turning to the financial highlights, in Q3 we reported diluted earnings per share of $0.79. On an adjusted basis, Q3 EPS were $0.71 after excluding a $10.1M write-up on an equity investment and a $7.2M loss on securities sold during the quarter.

Starting with deposits, total deposits declined 1.4% during the quarter. We continue to see a shift of non-interest bearing deposits into interest bearing accounts. Non-interest bearing deposits declined 5.4% this quarter, and the mix fell to 24% of total deposits in Q3 from 25% in Q2, and 28% in Q1. Importantly, the pace of the decline in Q3 was a slight deceleration from the pace we saw in the first half of the year and was better than our expectations, though we do continue to forecast some additional mix pressure over the next couple of quarters to our non-interest bearing deposit mix. Ultimately, combined with a continued need to price up interest bearing deposits, our total deposit beta increased again, though at a slowing rate, from 35% in Q1, to 42% in Q2, and 47% in Q3. We continue to expect our deposit beta will increase in the fourth quarter.

Importantly, loan pricing discipline and a positive shift in the earning asset mix helped offset funding cost pressures and drove stabilization in our Net Interest Margin, which contracted just 2-bps during the quarter to 3.14%. Excluding net purchase accounting accretion of $530K in Q2 and purchase accounting amortization of $38K in Q3, our adjusted NIM was flat at 3.14% for both quarters, better than our expectations.

As Drake mentioned earlier, at the end of the quarter we decided to execute a strategic trade in our securities portfolio. We sold securities with a book value of $182M at a realized loss of $7.2M , and we paid down FHLB Advances with the proceeds. This strategy served a dual purpose of one, boosting forward margin and EPS results in a financially attractive manner, and two, providing ample balance sheet room to manage our assets below the important $10B threshold through year end. With the Net Interest Income benefit we receive from the trade, we estimate a standalone NIM benefit of 11-basis points and a 1.7 year earn-back period on the realized loss. While our continued expectation of deposit mix and pricing pressures will eat away at some of the 11-basis point NIM benefit provided by the trade, our current expectations are that 3Q NIM of 3.14% may represent the trough.

Shifting to fee income, we reported $18.1M in Q3. Excluding the previously mentioned $10.1M write-up on an equity investment and $7.2M loss on securities sold, our adjusted fee income was $15.2M in Q3, flat from $15.2M in Q2, which excluded a $471K gain on the retirement of sub-debt.

Our noninterest expense also remained relatively stable at $58.7M in Q3, down slightly from $58.9M in Q2. We remain focused on operating expense management and continue to expect relatively stable expense levels in the fourth quarter.

Turning to capital, we note that our TCE ratio remained above 8% for the fourth consecutive quarter, ending at 8.7% as slight growth in Tangible Common Equity coupled with a decline in Tangible Assets due to the securities trade at the end of the quarter. Furthermore, as shown on slide 22 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.

Our story is unique and we have proven throughout our history that we can successfully navigate cycles. We operate in thriving growth markets with diverse economies. We have a seasoned management team that is committed to our culture and has a shared vision of who we are and what we can be. Our credit profile is strong, and our rural deposit base has provided the foundation to capitalize on growth opportunities.

To say I'm pleased is an understatement as I think about our company's trends and the overall performance of our people in the midst of the current conditions. Thank you for being on the call today. Now we'll open the call for questions.

Evercall Moderator

Thank you. At this time, we will conduct the question and answer session. If you would like to ask a question, please press * 1 on your telephone keypad to enter the queue. Or if you've joined via web, please press the raise hand icon on the right hand side of your Deal Roadshow screen. Again, that's * 1 on your telephone keypad key, or the raise hand icon on the right hand side of your Deal Roadshow screen. Our first question comes from Matt, at Stephens. Matt, your line is open.

Matt Olney (Stephens, Inc.)

Hey, thanks good morning everybody.

Lance Hall

Good morning, Matt.

Matt Olney (Stephens, Inc.)

I want to start on loan growth, saw some really good trends in the third quarter. And it sounds like some of the long growth trends and third quarter may even surprise you guys. Anything to note there, especially in the utilization, rates, any shift there and then as you look at the pipeline, how are you thinking about loan growth in the fourth quarter into 2024? Thanks.

Lance Hall

Yeah, Hey, Matt. Good morning. This is Lance. I think it was a little bit of timing. We picked up probably a little bit more in Q3 that we thought would be in Q4. I looked at the land utilization is right at 50%. So it was a 1% change from 49 to 50. So not a big shift there. Think it's just the timing around some projects. Wally and his team have already forecast in Q4 and we're looking at about 1.2% growth in the quarter four for which would be right under 5% annualized, whatever you're kind of right in line with where we thought we would be.

Matt Olney (Stephens, Inc.)

And Lance, as you think about 2024 any shift or updates from that count that mid single digit range, that for the fourth quarter, can we assume that trend could hold maybe for a few more quarters beyond that?

Lance Hall

Yeah, I would, as I sit here today, I think that's what we're going to think about for '24. And again, as we've talked about, for us, it's all about our ability to maintain the right loan to deposit ratio, making sure we're getting the right loan yields and manage into the appropriate NIM. You know, it's a challenge in the fact that we have dynamic markets, and we continue to see growth opportunities and in Texas, that are attractive. But we've got to be very strategic and smart in the way that we manage our loan to deposit ratio.

Drake Mills

And Matt this is Drake, I really- I would like to point again, I did last quarter that strategically, we are committed to and are focused on managing sub 90% loan deposit ratio, X mortgage warehouse. So that's, as I've said, in the past, for years, we had to run higher levels in that because of our expansion into the newer markets. But we do feel like long haul multiples are better in that space. And we're going to commit to that strategy.

Matt Olney (Stephens, Inc.)

Yep. Okay. I appreciate that Drake. And on the credit front, really good report on the classify loans coming down this quarter, I think while your peers are going the opposite direction. So that's great to see. Jim, I think you mentioned that the payoffs were a big part of that - any more color on that? Did those borrowers pay off and belongs themselves with a refinance at a separate bank just kind of any color on that drop a classify loan?

Jim Crotwell

By most of that was, I would say a bit split between just refinancing into other financial institutions. And also, we had one relationship where they actually sold a portion of their business and so it results in proceeds from the sale. So just really good results, Matt, from a lot of work, you know, over the last several quarters, it came to fruition for us in the third quarter. And we saw some nice reductions in some credits that we would like to see some reductions in so worked out well.

Matt Olney (Stephens, Inc.)

Okay, appreciate that. And then just lastly, I heard Wally's comments there at the end about being ready for capital deployment opportunities, kind of a broader comment, didn't know if, Wally or Drake or anybody else want to kind of just stack order or kind of update us on the kind of capital strategy deployment thoughts here. Thanks.

Drake Mills

Yeah Matt, Drake - there's a number of opportunities that continue to present themselves. You know, and I'm not going to stack rank these opportunities, but we certainly have conversations around M&A that continue disconnected from a couple. We also have market expansion opportunities through lift out scenarios that could come our way that are very attractive. We also are starting to look at sub-debt as an opportunity to deploy excess capital as we look at the burn off rates of the capital utilization and those opportunities and also looking towards '25 and '26, as we see some of the sub debts start to reprice. So we think there's a number of opportunities that we are going to make the best effort to deploy that capital that's most beneficial to our stockholders at this point, but really pleased with the overall opportunities as a whole.

Matt Olney (Stephens, Inc.)

Okay, that's all for me. Thanks, guys.

Drake Mills

Thank you, Matt.

Evercall Moderator

Thank you. Our next question comes from Michael at Raymond James. Michael, your line is open.

Michael Rose (Raymond James)

Hey, good morning, guys. Thanks for taking my questions.

Drake Mills

Good morning Michael.

Michael Rose (Raymond James)

That you said- good morning - that third quarter may be the trough for, the NEM. I just wanted to get a sense if that was inclusive or exclusive of the, of all the restructuring quarter and then maybe separately, just on the betas? I think you guys had kind of talked about, you know, 50%, you know, beta by the end of the year? Is that still kind of in the thinking and kind of what your, are your expectations for kind of NIV mix as we move forward? Thanks.

Wally Wallace

Yep, morning Mike. So, maybe the way to think about this is take the securities trade out of the equation right now. In that scenario, we do- we are modeling that the non-interest bearing deposit mix will continue to decline, we're going to stick around the same level that we said last quarter, which is low 20s. That, on a standalone basis would add pressure to the net interest margin, but then you add in the 11 basis points from the securities trade and we think net interest margin expands in the fourth quarter, probably get more than half of that 11 basis points. And then I think we're in the process of bottoming and we don't see the pressure going down further than where we reported in the third quarter. So we think the third quarter could be the bottom for us because of the benefits of the securities trade.

Michael Rose (Raymond James)

Very clear. Thanks, Wally. And then just maybe as a separate- I know Matt asked about loan growth, but I just wanted to talk about the warehouse, specifically and what the expectations might be you know, as we move forward.

Drake Mills

Hey this is Drake, Mike how y'all doing? We ended up with the quarter I think around $286M and where we think in the fourth quarter will come in between 225 and 250, based on a couple of scenarios. We're still looking very closely at quality of those relationships, and we at one point had a height of I think 43 relationships or clients now we have 35, so our team has done an excellent job as one of our better ROA in our in our organization. So they reduced that, like I said it's 35 clients. I'd say the bottom was 225 and maybe the upside is 250.

Michael Rose (Raymond James)

Very helpful. Thanks, Drake. And maybe just finally, for me, you guys have an insurance business. We've seen a couple of sales here. Just doing some back of the envelope math looks like you can get about $120M bucks if you sold it at a 5x revenue multiple. Just wanted to get your thoughts there and you know, just general, what you think about the insurance business? Thanks.

Drake Mills

You know, I still believe there's a lot of value in non interest income and continue to push. We have some opportunities to, I think in '24 potentially enhance our levels of non-interest income. I like that business a lot, I like the relationships we have within those agencies. I love the fact that we are able to cross-sale those relationships. We have a great relationship out of Shreveport Bossier in the Pulley-White group that does a great job. We're going through a potential branding opportunity here. So you know, for me long haul I love the business. I love what it does for this organization. And I just wouldn't say that's something that we're truly considering at this point.

Michael Rose (Raymond James)

All right. Thanks for the call. I appreciate you taking my question.

Evercall Moderator

Thank you. Our next question comes from Kevin at DA Davidson. Kevin, your line is open.

Kevin Fitzsimmons (DA Davidson)

Hey, good morning, guys. I'm just curious about, you know, you mentioned earlier about one of the considerations with paying down borrowings with the bond restructuring proceeds was that keeping the balance sheet size below 10B as you cross year end. As you look out with one quarter left, do you, do you feel incrementally more comfortable at coming in below that or are there other kind of things you need to be looking at this next quarter in terms of, you know, does it limit the amount of loan growth you put on? Does it, just trying to think through what restraints you might have this next quarter to ensure you meet that goal? Thanks.

Wally Wallace

Good morning, Kevin. I think if you look at the size of our balance sheet at 9/30, after we pay down the FHLB, we feel highly confident that we can stay under 10B without having to make any decisions that would limit growth in the loan portfolio or anything like that. We feel pretty comfortable where we are.

Kevin Fitzsimmons (DA Davidson)

Okay, that's what I thought I just wanted to to make sure. And you mentioned earlier, I think Drake might have mentioned earlier that, you know, expenses are a priority, and you're looking at that. And, you know, when revenues are under pressure, obviously, you want to limit that growth. Are there any specific initiatives that you have going on right now, or are contemplating that you can give any color on for that? Thanks.

Drake Mills

Yeah, we are. There's no stone, we're not turning over to look at opportunities, right now, from an expense standpoint. Lance and his team, I think, are doing an awesome job of everything from personnel or non-productive people to other different things that we're doing; and our focus here is to try to create a flat expense environment over the next several quarters. What I mean by that, is we have opportunities to do a few things that would increase expenses, but yet long-haul, significantly increase revenue opportunities for us. So if we can mind the expenses at this point, and create this environment moving forward and flight environment, that's a big win for us, because we are creating what I think our ROE opportunities for us, utilizing expenses, but yet on the back end, cutting out non-productive expenses.

Kevin Fitzsimmons (DA Davidson)

And Drake those opportunities, I'm assuming are kind of like lift out, potential like you said it before.

Drake Mills

Yes.

Kevin Fitzsimmons (DA Davidson)

Okay. And one last one for me, just and I apologize if you've covered this already earlier. But just in terms of credit quality, we've had some, you know, instances of banks seeing some problems spike up; granted, we're coming off a low base. So maybe if you could just address, are there any areas you're specifically concerned with and limiting your exposure to, and if you could also address, your SNC exposure, and what that is as a percent of loans, just given that we've had some larger banks report? Or, you know, if we're involved in a problem loan there? Thanks.

Drake Mills

Okay, thanks. Yeah, you know, I wish there was, in a more precise way to tell you this is where I'm very concerned about credit. It's amazing how resilient, I said **[INAUDIBLE]** was a big concern of mine. Certainly, for us, we're not seeing any deterioration in that area, and we continue to stress those levels pretty heavily. We're fortunate that we don't have a lot of concentration in Metro, you know, office. I said anything that had to do with consumer spending and retail, especially around the restaurant and motel I'd be concerned about, we're not seeing deterioration there, which is surprising. We are seeing a little bit of not a little bit, a lot of weakness in the automobile area, our dealerships are holding up well, we don't have a tremendous number of those. Had a conversation with a dealer, and it is really impacting those sales. But overall, there's not a single area, with the exception, and we clean that up of assisted living, and we just have a couple of credits left in that portfolio. So I'm very pleased with not only what we're seeing as far as quality, but the depth of analysis that we're doing from a stress standpoint in our portfolios, and how well those cash flows are holding up, you know, as we continue to stretch them up, but from that, I think Jim was going to address the SNC percentages, because we just don't have a big SNC portfolio. Jim.

Jim Crotwell

Good morning, Kevin Right now, we only have 11 relationships, about $153M in the SNC portfolio. And I would say these are really relationship driven opportunities that we have. So while they meet that criteria, we have relationships with all of these. So you know, and to echo what Drake said as we go through the portfolio and look at the various areas obviously, we're relationship focused and you know, I've shared before when you know the analysis, you know, when we look at sectors and look at the overall guarantor support, you know, it just really, really does point out the, I think the resiliency of the portfolio and, the relationship focus that we've had. So, be happy to address any other questions you might have. But right now we feel really good about the resiliency of our portfolio.

Kevin Fitzsimmons (D.A. Davidson)

That's great. Thanks very much.

Evercall Moderator

Thank you. Once again, if you would like to ask a question, please press * 1 on your telephone keypad to enter the key. And if you have joined via web, please press the raise hand icon on the right hand side of your DealRoadShow screen. So pause briefly to allow any questions to generate. Our next question comes from Graham at Piper Sandler. Graham, your line is open.

Graham Dick (Piper Sandler)

Hey, good morning, guys.

Drake Mills

Morning, Graham.

Graham Dick (Piper Sandler)

I just wanted to circle back to the bond transaction quickly. Obviously, pretty attractive financially, there's a little bit of a capital hit, but you guys have plenty of that right now. Would you consider doing any more of this or similar transaction in the future? I know borrowings aren't huge anymore. But maybe you could pay down some brokered or reinvest the cash flows elsewhere. What are your thoughts on I guess, additional transactions like this one?

Wally Wallace

Graham, the way we're approaching that decision strategically, is purely around the period of time it takes to pay back the realized loss. We believe that if we have the opportunity to deploy capital in a manner that would pay back a loss, less than two years, that is an attractive period that we should consider. Rates have obviously moved against us, so far this quarter, but if we see opportunity, we will jump on it.

Graham Dick (Piper Sandler)

Okay, that's helpful. And then I guess, just Drake, I think you mentioned some Liftout opportunities, and maybe some market expansion opportunities. What sort of markets are you interested in today? And what would be the size or the scale of the level of team you'd want to bring on?

Drake Mills

Yeah, you know, that's kind of open. As you know, we're highly interested in Texas, investing in Texas and continue to see significant growth, I think 90% of our loan growth this past quarter was Texas. So there are Texas opportunities that we will continue to look at. And, you know, it's the size of these teams aren't going to be something to the point to where we look at many people, we really look at the deposit portfolio and also their relationships on the loan side. Do they fit with us? Is it C&I, that's what we look for. And in these cases, I would think if I was an investor and I am that it's much easier to look at a billion dollar team that has less side deposits and C&I loans and be able to manage through that to the M&A deal. So we've got a couple opportunities that might add up to that, but again, we're still in negotiation process.

Graham Dick (Piper Sandler)

Okay, appreciate it for all my other questions have been asked. Thanks, guys. nice quarter.

Evercall Moderator

Thank you. And, once more, if you would like to ask a question, please press *1 on your telephone keypad to enter the queue. Or if you joined via web, please press the raise hand icon on the right hand side of your Deal Roadshow screen. And next question is a follow up from Matt at Stevens. Matt, your line is open.

Matt Olney (Stephens, Inc.)

Yeah, thanks for taking the follow up. I want to make sure I understand these new disclosures around repricing the loan and securities portfolio on slide 15. It looks like you're expecting the cash flows and securities portfolio around $290M dollars over the next year. I guess the first question is can we just assume that these maturities will continue to help fund the organic loan growth during this time?

Drake Mills

Yeah, Matt, that is exactly what our expectation is. We, as you know, the deposit side of the institution, is where the battle is, and we're basically governing our loan growth, and a lot of excellent opportunities in our footprint, and we don't see that necessarily slowing down. So any opportunity we have to redeploy, you know, 2%, you know, instrument into eight, nine, 10% loan, we're going to take advantage of that. And that's our plans at this point.

Wally Wallace

Matt, you bring up a good point. I think it's important to remember the asset side of the NIM equation. You know, as we continue to have the positive pricing pressures, we have been extraordinarily focused on the pricing of new loans, and we're pretty proud at how disciplined our lenders have been. New and renewed loan yields are coming in in the mid eights, as Lance mentioned in his prepared remarks. And, and obviously, as Drake mentioned, as securities roll off in the twos, you know, that's a pretty attractive redeployment opportunity. So if you look at the fourth quarter, and next year, we have a sizable amount of principal coming out of the securities portfolio and principal coming out of the loan portfolio that will give us the opportunity to reprice, you know, on an average basis, the price coming off is in the fours and it's coming back on in the, in the eights. So that's what gives us a pretty good comfort in our commentary around the margin moving forward.

Matt Olney (Stephens, Inc.)

Yep, good points Wally, thanks, appreciate that. And I want to make sure I understand the disclosures on the loan repricing side. I think we're all trying to appreciate for Origin and other banks, to level up the fixed asset repricing, we should anticipate going forward. And looking at Slide 15. I see there's about $3.4B of loans are pricing over the next year. And on the right hand part of that slide, it looks like there's about $3.3B of loans that are floating. So I guess the question is, you know, trying to appreciate kind of how much of those loans that are repricing but are not floating. Is it just the 3.4? My 3.3. So call it $100M of fixed rate loans set to reprice over the next year? Is that the right way to look at that?

Wally Wallace

I'll make it easier for you, Matt. Over the next five quarters. We've got $500M to $600M, in principle coming out of securities and loan portfolio.

Matt Olney (Stephens, Inc.)

500 to 600 and that includes loans and securities.

Wally Wallace

Yes.

Matt Olney (Stephens, Inc.)

Perfect. Okay. That's all I'm looking for. Appreciate that Wally, and everybody else and thanks for your time.

Drake Mills

Thank you, Matt.

Evercall Moderator

Thank you. This concludes the Q&A. Handing it back to Drake Mills for any final remarks.

Drake Mills

I want to thank everybody for the time today. I want to close with saying that I am extremely positive about the outlook for our company. When you look at, we are in the process of really getting the first year behind us with our BTH's transaction. What a wonderful group of people that we brought on. What they bring to us in East Texas, Dallas, Fort Worth has been extremely valuable. We appreciate the process we've gone through there. We've been very successful with that. Our geography, strong economies, attractive demographics, our team, I've never been more proud of the experience, the cohesive, you know, work that we have, just a true love for each other that we work through, our credit profiles strong, client selection is really good. We're focused on yields. Our teams are doing extremely well. Deposit based, rule deposits continue to show their value. We're deepening relationships on every side of each one of our markets. The opportunities we have in our geography and the opportunities we have to for expansion continue to impress me. So I appreciate very much the investments you have, the time today, and we're open for questions at any time. Appreciate the relationships and thank you for being on the call.

Evercall Moderator

This concludes today's Evercall. Thank you. Have a great day.