

# Origin Bancorp, Inc. Fourth Quarter 2024 Earnings Call - Transcript

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## **Evercall Moderator**

Good morning, and welcome to the Origin Bancorp, Inc. Fourth 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 attendees 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.ir.origin.bank](http://www.ir.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 and thanks for being with us this morning.

I'm excited about where we are going as a company as we enter 2025. I want to start on Slide 4 and talk about what Optimize Origin means to us and all of our stakeholders. Our entire Executive Team has worked hard over the past year creating and implementing a strategy that is the basis for the next evolution of our company. The goal of Optimize Origin is to deliver sustainable elite-level financial performance.

Optimize Origin is built on three primary pillars - Productivity, Delivery & Efficiency, Balance Sheet Optimization, and Culture & Employee Engagement, which Lance and Wally will discuss in more detail later in the presentation.

The definition of Optimize is to make as perfect, as effective, or as functional as possible. Optimize Origin is more than a project, it's more than a point in time. It is the continual enhancement of our award-winning culture and the drive for elite financial performance.

We recently rolled out a new Performance Statement across our company that incorporates this drive for performance into our brand voice. It reads: "To enhance our dynamic culture and optimize financial performance to be the best bank in America and an extraordinary partner to our stakeholders."

This purpose statement perfectly aligns with Origin's vision and mission.

Origin has proven to be a dynamic leader of driving a unique corporate culture that emphasizes the employee experience and employee engagement. This philosophy has

created a competitive advantage by attracting and retaining best-in-class bankers in some of the best markets in the country to grow our customer base and serve our communities, but we can do more.

At a high level, we expect the strategic actions that we have taken and will continue to implement, will drive us to an ROA run rate of 1% or greater by the Q4 of this year. Our ultimate target is for our ROA to be in the top quartile of our peers. We believe the actions we have already taken will drive earnings improvement of approximately \$21M annually on a pre-tax pre-provision basis.

Now, I'll turn it over to Lance and the team.

## **Lance Hall**

Thanks and good morning.

The evolution into Optimize Origin has been a collective commitment from our leadership to invest in people and systems to create data driven insights to enhance our alignment and decision-making processes to drive sustainable high performance.

Through the Productivity, Delivery, and Efficiency pillar of Optimize Origin, we began the process of deeply analyzing branch and banker profitability.

The merger with BTH created branch efficiency opportunities in DFW. Analyzing branch profitability and return metrics, branch proximity and drive times, as well as client transactions, behaviors, and product mix led us to announce the closing of eight banking centers. The eight closures include five in our DFW market, one in Houston, one in North Louisiana and one in Mississippi. We are confident we can continue to deliver award-winning service to our valued clients and to grow communities through this decision while creating a run rate of approximately \$4.6M in annual expense reduction.

Our team also created a detailed banker profitability report that provides deeper insight into portfolio mix, yields, growth capacity, appropriate support levels, banker NIM, and banker ROA. This report has allowed our Presidents a clearer view past traditional loan growth into detailed and significant production and return metrics. This lens has provided the ability to sort and stack rank bankers and portfolios to understand where profitability is being created and where portfolio support was truly needed.

Using this data in an effort to efficiently enhance our return and growth profile, we have worked through the process of significantly repositioning our production teams and loan portfolios. We identified bankers and loan clients that did not optimize our desired portfolio production, mix, or return profile necessary to drive higher ROA's. We eliminated, moved into a different role, or did not replace the lower return profile bankers from our loan production teams. We also identified efficiency opportunities in our mortgage team as well as portfolio support areas to drive an annual expense reduction from these production groups of approximately \$6.7M annually. We were then able to use these cost saves of less profitable portfolios to reinvest into production by adding approximately 10 new production bankers in Texas and our new Southeast team throughout 2024. This reallocation into bankers with higher production and return opportunities along with Origin's footprint, talent and capacity have created a strong confidence around our ability to drive high single digit loan growth in 2025.

On top of these actions that have already been taken, we feel we have more opportunity for productivity, delivery, and efficiency. First, we are working with a reputable consulting firm on a benchmarking project driven by data analytics that we expect to complete in February, which we believe will reveal significant opportunities to improve processes, identify additional efficiencies and further enhance Origin's return profile. Secondly, we continue to invest in Argent Financial with the goal of getting over 20% ownership which will change our accounting methodology on this investment. Origin purchased additional shares in 2024 to increase our ownership to approximately 19%. We hope to identify and purchase additional shares in 2025 to achieve our goal. We remain very bullish in Argent's footprint, growth opportunities and EBITDA expansion. We are honored and appreciative to have such a strong wealth and trust partner. Third, we clearly understand we have an ROA lever in improving mortgage profitability. We are currently studying a mortgage delivery reimagination for our community banking model with the goal of significantly improving our returns on this business. We will provide additional details on this and other Optimize Origin production opportunities throughout 2025.

Wally will provide more detail on the balance sheet optimization pillar, so I want to touch on Culture and Employee Engagement. I have a deep belief that we have the unique opportunity to be great at both Culture and Performance. Our investment and commitment to employee engagement, our geographic management model and our systems to deliver an elite customer experience have created a strong foundation that allows us to hire best in class banking teams across our footprint. We are incredibly proud to be identified by American Banker as the #1 Best Bank to Work For of the banks \$2B in asset size and greater. Combined with our extraordinary client Net Promotor scores and

employee engagement survey results, we truly believe Origin is unique in how our tangible corporate culture creates competitive advantages for us.

When you combine this culture with our footprint from Texas to the Southeast, the strategy of rural deposits in North LA, East TX and MS to support funding of dynamic loan growth in Dallas, Fort Worth, Houston and in our new Southeast Market, as well as our geographic management model, we feel Origin is well positioned to drive sustainable elite financial performance.

Now, I'll turn it over to Jim.

### **Jim Crotwell**

Thanks Lance.

We take a great deal of pride in the credit culture we have created at Origin. We have talked often about client selection, which is paramount to our process in optimizing our loan portfolio. While we experienced continued normalization within our loan portfolio, we are pleased with our level of charge-offs, the positive results from our client selection initiative, and the provision release for the quarter.

We reported a net-recovery for the quarter, driven by actual recoveries of \$2.6M. On a year-to-date basis, net charge-offs came in at .18%, a metric we are pleased with.

Our continued focus on client selection resulted in an additional \$55M in desired reductions, \$19.6M of which were Classified Loans. Since we began this initiative in Q2 of this year, we have achieved desired reductions of approximately \$149M, of which \$100M were non-criticized loans. We will continue this focus of enhancing the quality of our portfolio.

Past Due Loans Held for investment came in at .56% at year-end, up from .49% as of 9/30 and remain within acceptable levels.

Classified Loans increased \$11M to 1.57% of loans as of December 31st, up from 1.35% as of the prior quarter-end, while non-performing loans also increased \$11M for the quarter to .99% from .81%. The increase in classified loans was primarily driven by the downgrade in 8 relationships partially offset by the upgrade of 1 relationship and the exit of 6 relationships. As to non-accruals, the increase was primarily driven by 5 relationships

offset by the exit of 2. As we mentioned in our earnings release, the levels of both classified loans and non-accruals were positively impacted as a result of the establishment of contingency reserves related to the questioned banker activity.

For Q4, we reported a provision release for outstanding loans of \$5.5M, driven by a \$1.7M decrease in the collectively evaluated portion of the reserve and a \$3.2M decrease in the individually evaluated portion of the reserve. The provision was also positively impacted by the \$560M net recovery mentioned earlier. The decline in the collectively evaluated portion of the reserve was primarily driven by the \$3.1M reduction in previously required reserves associated with loans that paid off during the quarter. As to the decrease in the individually evaluated portion of the reserve, \$2.1M was attributed to the establishment of contingency reserves related to the questioned banker activity, \$846M related to charge-offs, with \$642M related to paid-off loans. We did not make any material changes to the underlying assumptions in our ACL model during the quarter. The above reductions exceeded the amount of reserves required on the downgrades mentioned previously, resulting in the provision decrease.

On a percentage basis, our allowance decreased from 1.21% to 1.20% as a percentage of total Loans Held for Investments and from 1.28% to 1.25%, net of Mortgage Warehouse.

With the markets continued focus on non-owner occupied CRE Office, we continue to provide added detail on Slide 15, which shows the resiliency and performance of this sector within our portfolio. As of quarter end, this segment totaled \$351M, average loan size of only \$2.2M, a weighted average debt service coverage of 1.43x and a weighted average loan to value of 58%. We continue to have no past dues, no classifieds, no non-performing loans, and no charge-offs within this sector.

Lastly, total funded ADC and CRE to total risk based capital at quarter end was 63% and 225%, which puts us in a great position to support our customers and provide strategic growth.

I'll now turn it over to Wally.

## **Wally Wallace**

Thanks Jim and good morning everyone. Turning to the financial highlights, in Q4 we reported diluted earnings per share of \$0.46. As you can see on Slide 26, the combined financial impact of notable items during the quarter equated to a net expense of \$14.7M,

equivalent to \$0.37 in EPS pressure.

On the balance sheet side, deposits were down 3.1% during the quarter; however, excluding brokered, deposits grew 1.1% linked quarter. Furthermore, noninterest bearing deposits grew for the second consecutive quarter, up 0.4%. On an average basis, deposits, ex-brokered, increased 2.8% 4Q24 compared to 3Q24, and average noninterest bearing deposits grew 4.9% linked quarter. Noninterest bearing deposits, as a percent of total deposits ex brokered, were relatively flat at 23.3% compared to 23.5% last quarter.

Loans, excluding mortgage warehouse, were down 3.2% linked quarter. While somewhat unexpected, these declines were driven by a combination of our continued strategic focus on client selection resulting in planned reductions as Jim discussed, elevated paydowns and lower new loan production, which was driven in part by our strategic decision to stay under \$10B in assets. Our loan to deposit ratio, ex mortgage warehouse, remains below our 90% target, at 87.9%, and our deposit and liquidity trends remain strong. We were able to use excess liquidity to allow brokered deposits to roll off of our balance sheet during the quarter with brokered deposits declining 81%. Given the strong deposit trends we have experienced in the latter part of 2024, our bankers across our markets are laser focused on growth. We are excited to broaden our focus in 2025 to re-accelerate our loan growth with an expectation of mid- to high-single digit loan growth in 2025. We anticipate this growth will be funded by new deposit growth and existing on balance sheet liquidity.

Turning to the Income Statement, Net Interest Margin expanded 15 basis points during the quarter to 3.33%; well above our expectations for roughly 10-bps of margin compression. While slightly elevated interest recapture on a nonaccrual loan payoff and the partial impact of our securities optimization trade both benefited margin during the quarter, the primary drivers of upside relative to our expectations were better than expected loan yields and deposit costs. Loan yields benefited from a combination of our continued focus on disciplined pricing, and a steeper yield curve during the quarter, while deposit costs trended in line with our historical beta trends compared to our conservatively estimated zero beta on non-indexed deposits. Moving forward, as you can see in our outlook we expect margin expansion to 3.45% in 4Q25 and 3.40% for the full year, +/- 10-bps. In this outlook we assume two 25-bp Fed rate cuts but a relatively stable shape of the yield curve, and a deposit beta in line with our historical trends; we also expect benefit to the margin from our Optimize Origin efforts from the remaining benefit of the 4Q24 securities optimization trade, the planned repurchase of our \$70M in bank level sub-debt during 1Q25, and more efficient liquidity management practices that were implemented in 4Q24. Combined with our loan growth outlook discussed earlier, these

expectations help drive our net interest income outlook of mid- to high-single digit growth for the year.

Shifting to noninterest income, we reported negative \$330K in Q4. As highlighted in our Notable Items slide, the quarter included a \$14.6M loss on sale of securities that was only partially offset by gains of \$198K on asset sales and valuation adjustments. Excluding these notable items, and the \$221K net benefit of notable items in Q3, noninterest income declined to \$14.1M from \$15.8M in Q3, due primarily to normal seasonality in our insurance business.

Our noninterest expense increased to \$65.4M in Q4 from \$62.5M in Q3. Excluding \$3.5M of notable items in Q4 and \$0.8M in Q3, noninterest expense was up just slightly to \$61.9M from \$61.7M. Q4 expense was better than we had anticipated; however, it did include the partial benefit of branch consolidation and banker profitability decisions that were made as part of Optimize Origin during the quarter. Importantly, these decisions are anticipated to drive additional expense benefits in both 1Q25 and 2Q25. Moving forward, our current outlook calls for 4Q25 noninterest expense to be flat to down slightly when compared to 4Q24 and 2025 expense to be up low-single digits compared to 2024, after excluding notable items as discussed above.

Lastly, our financial outlook for 4Q25 and 2025 includes the roughly \$21M in pre-tax, pre-provision benefits that we highlight on Slide 5 as part of our Optimize Origin efforts which started in 3Q24 but began in earnest during 4Q24, combined with the benefits to net interest income from our loan growth target discussed earlier. Importantly, our ultimate goal is to deliver an ROA in the top quartile of our peer group. To this end, we are currently working actively on other initiatives as part of Optimize Origin around both revenue and expense optimization that, while likely launched during 2025, are not considered in our 2025 financial outlook. Furthermore, as Lance mentioned, we are looking forward to the third-party benchmarking study to help management identify additional areas of opportunity towards achievement of our ultimate goal, and we anticipate delivery of those results in the coming weeks. We are excited about the opportunities in front of us and will look forward to reporting on our progress as 2025 unfolds.

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

**Drake Mills**

Thanks Wally.

I am bullish on Origin as we enter 2025. I feel that way because I know what we are capable of and how committed we are to delivering results. For my 40 years at Origin, we have been a growth machine. That mentality is what led us into Dallas and Houston. It's what has led us to sustained growth in Louisiana and Mississippi, and it's what drove our expansion into East Texas and the Southeast.

I acknowledge that it was a challenge to stay under \$10B in assets the past two years, but it was the proper strategy. Origin has proven throughout our history that we have come out of challenges as a stronger and better company, and that is the case today. We have strengthened our team and refocused our strategy to drive elite level financial performance as we accelerate into this next evolution of our company. I am passionate about our future as we Optimize Origin.

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

#### **Evercall Moderator**

Thank you.

At this time, we will now 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. And if you have joined view web, please press the raise hand icon on the right side of your Deal Roadshow screen. Again, press \*1 on your telephone keypad to enter the queue, or the raise hand icon on the right side of your Deal Roadshow screen. We will pause here briefly to allow any questions to generate.

Our first question comes from Matt at Stephens. Matt, your line is now open.

#### **Matt Olney (Stephens Inc)**

Hey, thanks. Good morning, everybody.

#### **Drake Mills**

Good morning, Matt.

#### **Matt Olney (Stephens Inc)**

I appreciate all the good disclosures around this optimization plan. Want to dig in on a few of the items; maybe first off on the loan growth front? I think we're now talking about this loan growth in '25. In the mid to high single digit range, that's quite the inflection from what we saw in 2024. What else can you tell us about, just how cautious you were about growing the balance sheet last year, and why you expect to grow the loan balance more meaningfully in 2025?

### **Drake Mills**

Matt, that goes back to, you know, kudos to Lance and his team at the bank; because we talked about what it took to keep us under \$10B, and it certainly isn't a strategy that I'm used to, you know, working through. But you know, through that process, we really focused on limiting CRE, we looked at the client selection process, and I can't tell you how hard we worked to take loans, because if you look at the \$149M loans that we pushed out; \$100M + of those were performing loans, but they just didn't fit. We didn't have the confidence in those loans or relationships moving forward, or they just weren't creating what we expect from a relationship. So, you take that impact and the process of preparing for \$10B and really looking closely at what it is and how we are going to structure our loan categories as a whole. It was a tough process to go but we were able to look at each one of the markets and I, and look and determine exactly what it was that we're going to focus on moving in '25. So, through the Q4, we really got busy with the markets to look at what pipelines were doing and the direction we were going and feel extremely confident about our ability to prove and return to what is typical growth for us; but I don't think there's going to be any major changes in the categories of loans. We're still going to focus on CNI. We're going to focus heavily on owner occupied CRE and projects that we have relationships with now. So if you put all that together, we feel pretty confident that the growth is certainly going to accelerate in the third and fourth quarter or the back end of the year more so, but we feel like we got a very good start going into this year.

### **Matt Olney (Stephens Inc)**

Okay, I appreciate that Drake. And then, I guess within that optimization plan on page five, you give us those five components that give us the \$21M of the pre tax saving. So if I'm interpreting that right, it sounds like the implementation of those five specific items can get the bank back to that 1% ROA, give or take that was called out, and you think you can get there by the Q4 of '25. And then those two remaining items on page five, the Argent and the third party benchmarking; it sounds like those two items have not been implemented, but if and when they are implemented, it would be further improvement

beyond that 1% our ROA, is that the right interpretation?

### **Drake Mills**

Exactly right. I mean, we're extremely confident in our ability to deliver that 1+ ROA at the Q4 run rate. Really pleased with the team for how much work and effort went in a very short period of time to not only create the plan, but to implement and execute, keep morale and culture intact and be highly successful. So we, as you can tell, have a tremendous amount of confidence in our ability to deliver but 1% is just the first step. We understand that we have to be peer to even continue to stay in the game; but for us moving above here and getting back to where we were at Q4 '22 when we had about a 130 run rate, ROA is what the focus is.

### **Lance Hall**

Yeah. Hey, Matt. This is Lance. I might add a little color to Drake's point. Clearly a challenge staying under \$10B, but if we think about the economics of pushing Durbin back to 2026- I think it was a really smart strategy. So for the back half of the year, I mean, our whole thought was around, what do we want our balance sheet to be positioned at on 01/01, to be able to launch forward. And so as Drake talked about that came in through client selection. That came through a really good push of our bankers on increasing Core Liquidity. We had really nice Core Deposit growth of about 4% for the year. It's a little covered up because we then took that, those Core Deposits and paid down about \$360M in broker deposits. So where we're positioned now is in a really strong place. We also have- we feel we have a tremendous amount of runway now with our liquidity, with our loan to deposit ratio, with our low percentage of brokered, but then also the way that we've managed our portfolio. I mean, with a 63% ADC ratio and a 225% CRE ratio, we really can take the shackles off of the bankers that we've arbitrarily held on. So when you look at the opportunity in the markets, when I look at what our pipeline looks at which is solid but really building- for us, we see clearly the opportunity to do, you know, 7-8% loan growth this year as we think through it. Now, because one of the places that we had sort of put a slowdown on was on construction lending. You know, that takes a little bit of time to sort of get that ramp back up. We're presently doing them; we're seeing that pipeline build, but some of that, obviously, the funding doesn't kick into the Q3 or Q4. Also want to kind of go back to your comment about the levers we feel like we've pulled. I mean, this is for us, clearly not a project. This is the evolution of this company to be a top quartile performer. And so you said it exactly right. Those things get us to the one; but then with the benchmarking project with Argent, but also as we really dive into enhanced profitability in our mortgage business, and how we're going to deliver on that, but then

just the continued natural evolution of East Texas and the Southeast, I mean, we expect really strong growth out of the Southeast this year, couldn't be more pleased with that team. That is going to turn out to be a home run hire for us, so we feel like we've got a tremendous amount of tailwinds here. New administration, hopefully better economy, more growth opportunities, and then the luxury of Texas.

### **Matt Olney (Stephens Inc)**

Okay, appreciate that Lance. And I guess, one of the things that struck me, I guess in this discussion, is that many of these initiatives that we've highlighted on optimization: these are already underway, and, in some cases, already made good progress on a number of these. So help us just appreciate, I guess, the timing of that \$21M of annualized benefit that was called out. Is this something that's going to be even throughout the year, or kind of more back half loaded? Just how do you think about the timing of when you could see the benefit of many of these savings?

### **Wally Wallace**

Hey, Matt, it's Wally. So on slide five, the items that have numbers with them, with the annualized benefit. I'll go through each one of those, the branch consolidation is going to occur in the middle of the Q1, so we'll see about half of that benefit and the Q1, and you should see the full run rate benefit in the Q2. The banker optimization, profitability optimization, those numbers that you see were a result of actions that were taken during the Q4. So some of that's already in the run rate, but you'll see the full impact of that in the Q1 we did the securities optimization trade right about the middle of the Q4. So we got about half of that, a little bit less than half of that benefit in the Q4, and the rest will get in the Q1, the bank level sub debt. We will redeem that in the middle of February. So we'll get, we'll avoid, half of that excess expense in the Q1, but then, you know, it's already in the run rate. So really, that's an avoidance of what we were anticipating was an increased cost. And then the cash and liquidity management opportunities that we quantify occurred late, the latter half of Q4. So you'll see the full benefit of that, and there's some ongoing efforts there, so hopefully we can exceed that benefit as well. Hopefully that helps.

### **Matt Olney (Stephens)**

Yep, that's perfect. Appreciate the color there, Wally. I'll step back now, but appreciate all the good details guys.

## **Evercall Moderator**

Thank you, Matt.

Our next question comes from Michael at Raymond James Financial Incorporated. Michael, your line is now open.

## **Michael Rose (Raymond James)**

Hey. Thanks everyone. Thanks for taking my questions. Just a couple follow ups to the outlook that was rolled out with all the efforts, you know, obviously a pretty big range on the margin. Wally, if you can just help us appreciate the confidence in betas, which I think you mentioned, expected to perform in line with history, you know, on the way up, I think, if I recall correctly, you were a little surprised by how strong things were on the way up. What gives you confidence that they'll perform the same on the way down? And then, if you could just give some color around the incentive program and the ability to drive core deposit growth as we move forward. Thanks.

## **Wally Wallace**

So Mike, we feel like we have a significantly better understanding of how our deposit betas trend. In 2023, we invested in a new system when we brought our ALM efforts in house. Prior to that, we outsourced it and betas that were used for NII modeling were based on industry trends, on the software that we brought in. We included an investment in a deposit module, which included, basically a study of our historical deposit betas by product type. Conservatively, in my guidance, all last year, I was estimating essentially a zero deposit beta on the first couple of Fed moves. We felt like the pricing on deposits lagged on the way up. So we thought it was a conservative expectation to assume that the pricing on deposits would lag on the way down. In the Q4, following the September cut, we and kudos to our retail staff and our market presidents, we were very conscious of how our customer deposits were priced, and we underwent a very specific strategy, product by product, to try to manage those costs in line with the industry. And the outcome in the Q4 was that our deposit betas, instead of being zero, were right in line with what our historical trends were, which is about a 50% beta on non maturity deposits. So I would tell you that the experience we have with these first 100 basis points of cuts from the Fed, give us confidence that we can continue to have the same experience, if the Fed should continue to cut. Obviously, that's going to be dictated by what we see in

market trends and what liquidity trends we're seeing on our balance sheet. And I think if you just look at the fact that not only were we able to manage our deposit costs appropriately, we also were growing our deposits, if you exclude brokered. So I think that combined, that gives us confidence in our model for 2025. And I'll let Lance.

## **Lance Hall**

Yeah, hey, I'll jump, that's a really good question about the incentive plan, because that is the way that we drive behaviors, if you and I'll kind of give you some detail around the way the banker incentive plan is created, so you can kind of see the how strategy is implemented throughout. But bankers are really paid out for us in three areas. One is a corporate bank, ROA, so we want to make sure we align our bankers with the top of the house driver. That's critically important, especially as we move forward into this top quartile performance. Secondly, there's a market piece from which they work. There were no growth metrics associated with the markets this year. There those payouts were around market ROAs and then a loan to deposit ratio for that market. It was as we built it out this year that it was critical for us, for the markets to self fund, because, again, we were so focused on the positioning of where we were going to be in 2025. And then as we got into individual production per banker, we actually paid more for deposits than we paid for loans in 2024. We use those weights. We use caps inside of those to emphasize the specific areas of production where we desire. So, you know, the bankers were aligned with us and pushed out credits that we felt like didn't have the appropriate structure or the appropriate secondary payment source for certain industries. So for 2025 we actually spent a lot of time on that last week. You know, this year, shift there will be back to sort of a 50/50, payout on loans and deposits, making sure, opening up some caps on growth, getting back aggressive, sort of taking the shackles off the bankers again, create the runway, but then also create the behaviors through the incentive plans. And we feel like we've got the right structure to do that.

## **Michael Rose (Raymond James)**

It's a very thorough response. Thanks for that. One thing I picked up on in the prepared comments was just potential restructure of the mortgage business. And I know you guys have a warehouse. And I know we've seen a lot of banks actually get out of that business with that in the cards. And then if you can give us some, maybe some greater detail on what you'd be looking to do to enhance performance there. Thanks.

## **Drake Mills**

Yeah, Michael. I mean, first off, we love warehouses, and we continue, we will continue to, I mean, the customer base we have in our warehouse, the relationships, even shareholders, in that business, something that we will continue to focus on. And we see slight growth in that for '25. You know, from the mortgage business, I don't think I could look at a shareholder and say today that the mortgage business is the same as it was five years ago, 10 years ago. So we are looking very closely at how we deliver those products in the right way, respond to our responsibilities in these markets, but yet return to shareholders what expectation would be. So running through several different models, it's early for us to commit to exactly how we manage that, but the mortgage business and making mortgages provide mortgages for our clients is very important to us. We just have to do it in a much more efficient way.

### **Michael Rose (Raymond James)**

Very helpful. And then maybe just last one for me just on capital. Still really strong here. I know, I don't think you guys have used the buyback recently, but even with the sub debt, I mean, it looks like capital will still be strong. Any reason that you wouldn't look to use the buyback? And then, Drake, now that the new administration is in, and you guys are on this Profitability Enhancement Program, which, you know, I hope you'll be successful with, does M&A become part of the conversation again at some point, would you look to maybe just retain capital for that purpose? Thanks.

### **Drake Mills**

Yeah, obviously we do have a buyback plan in place. I think it's \$50M. That is a tool for me personally, and I would say this, I hope for the team. The capital, where we are today, is a runway. We see significant growth opportunities in the Southeast, East Texas. We love East Texas. I mean, it's just, it's been a great opportunity for us. What Nate has in the Southeast, and opportunity to grow that through lift-outs, I believe we have a path for capital utilization between sub debt opportunities, and we'll have another opportunity in November, and where capital is today, also crossing the 10B mark. Capital is a focus. We want our regulators to feel very comfortable that we're not only prepared to be a 10B organization, but we have the capital to do, to go forward. So I would say, if I had lined it up, execution from an organic growth strategy, that that's how we apply the runway of capital, I think, for the next 12 to 18 months. We also have the redemption of sub debt that, I think, from an EPS standpoint, drives more value. And then from there, we are going to continue to maximize organic growth opportunities, but continue to build

relationships also in these markets with M&A opportunities, but I think for this institution, how we are positioned, if the M&A opportunities, if M&A really heats up and dislocation creates, we win either way, whether we're successful with an M&A opportunity, or we're successful continuing our organic lift-out strategy. I am so bullish on our opportunities to expand and grow, whether it's through M&A or lift-out strategy. So pretty excited about how we utilize excess capital day, but I look at capital as a runway for us.

**Michael Rose (Raymond James)**

Very helpful guys, thanks for taking all my questions.

**Drake Mills**

Thank you, Mike.

**Evercall Moderator**

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

**Woody Lay (KBW)**

Hey, good morning, guys.

**Drake Mills**

Morning Woody.

**Woody Lay (KBW)**

I did want to follow up real quick on that hiring comment. I mean, you know, you've been very successful in the past on the team without strategy. Is there a hiring opportunity in 2025 and is that baked into the expense guide?

**Drake Mills**

It's not baked into the expense guidance, but I will tell you that there is a significant opportunity for us. We're going to allow our market leaders to grow their business the

way they see fit, based on our focus, on what we want our loan portfolio to look like. So what that means to me is we're going to be heavily focused. If there's a CNI team that comes along that fits our culture, we are going to jump on that opportunity. I mean, that's how we've grown through years. That's where our real values increase. So we think that's the true opportunity for us, as dislocation starts to heat up.

### **Woody Lay (KBW)**

Got it. And then I wanted to touch on Argent. It sounds like that investment will go over the 20% ownership mark in 2025. Can you just remind us how that changes the accounting treatment and how it could impact the income statement?

### **Wally Wallace**

Woody, I don't think that we're prepared to answer the latter part of that question, but when we get to 20% ownership, we would essentially trip an accounting standard that would require the equity method of accounting, where we would represent our own portion of their earnings. The way we're looking at it, is an opportunity to help offset the ultimate impact of the Durbin Amendment when that kicks in. So that kind of might help you get a general sense of the earnings impact.

### **Lance Hall**

Yeah, hey, this is Lance. I might jump in a little bit. Oh, I'm sorry, I was gonna say I might jump in a little bit on the timing of that, too. I mean, obviously we've made a lot of progress to get to about 19% ownership. Management of Argent has been incredibly helpful in helping us identify shares when they become available. I would love to do it as quickly as possible. The reality is, at this point, any seller on the Argent side, at this point, will probably want to wait till they get their current valuation back, which would probably be about April. So I would think that would probably be a Q2 event,

### **Woody Lay (KBW)**

Okay, that's helpful. And then, yeah, well you sort of touched on that last question, but it was going to be on Durbin, and just any update on how you're thinking about the Durbin impact, which I guess will be a back half of 2026 event?

### **Wally Wallace**

Correct. Yeah, assuming we cross \$10B this year, which we do assume, it would, it would kick in in Q3 of 2026 and our current estimates that that'd be a roughly \$5.5M to \$6M pre-tax impact annually.

**Woody Lay (KBW)**

All right, thanks for taking my questions.

**Evercall Moderator**

Thank you, Woody.

Once again, ladies and gentlemen, if you would like to ask a question, please press \*1 on your telephone keypad to enter the queue, and if you have joined via web, please press the raise hand icon on the right side of your Deal Roadshow screen. Again, press \*1 on your telephone keypad to enter the queue or the raise hand icon on the right side of your Deal Roadshow screen.

Our next question comes from Manuel at D.A. Davidson. Your line is now open.

**Manuel Navas (D.A. Davidson & Co)**

Hey, good morning. I appreciate the commentary this morning. Just wanted to follow up on Argent a little bit. I understand that a lot is up in the air, but if we assume it replaces Durbin, is there also an assumption that it could potentially grow faster than what your fees were growing previously? Is there any other color you can add to Argent's potential?

**Wally Wallace**

Hey, Manuel, just to clarify, I said partially offset urban and then I mean Argent has been an extraordinary growth story, and we're not - we don't, we don't run the company, and I couldn't tell you what their future growth expectations are, but if past is precedent, then I think you could say that there could be a meaningful growth opportunity from that investment.

**Manuel Navas (D.A. Davidson & Co)**

Okay, I appreciate that. I appreciate the color around the timing with April and the

valuation. There's a lot of moving parts there. In a separate direction, you're breaking out the southeast and Alabama and Florida on your slide deck. Can you talk about the growth potential there this year? How do you expect that ramp this year, after kind of getting everyone in last year? Just kind of talk about the opportunity there, especially near term.

### **Lance Hall**

Yeah, couldn't be more excited about Nate and the team that he has built. When they came on, we were very clear in our expectation for them to lead with deposits, which they did. We ended the year, I think about \$60M-ish and deposits and about \$35M in loan growth. We're projecting loans and deposits to be close to \$115M at the end of this year. So you see pretty significant growth in both loans and deposits. That could be enhanced with continued hires. We were a little bit slower and getting their permanent locations in Mobile and Fort Walton, so we were slightly behind our schedule on where we thought from that from a run rate perspective, but the client acquisition has been outstanding.

At this point, you know, the loan book they're building is exactly what we thought it would be. It's about 77% CNI, nice private, and only about 10 to 15% CRE. We knew that's what they were going to be when we grew them, their portfolio looks really strong. The pipeline looks really strong. So that's what I wanted to make sure that we talked about when we talk about levers to pull on going past the 1% ROA, I think the southeast is a giant key there.

### **Manuel Navas (D.A. Davidson & Co)**

I appreciate that. Shifting a little bit over to the NIM I think the answer here is going to be deposits, but there's a pretty wide range of NIM outcomes by Q4 of next year. Can you kind of walk through the biggest wild cards, positively and negatively for that NIM outcome? I believe it's deposits, but just kind of thinking, can you describe that a bit for me?

### **Wally Wallace**

Sure, Manuel, and it is, we do recognize that's, that's definitely a wide range, which is why we also gave you some guidance around our dollar NII growth expectations. On the NIM itself, liquidity impacts that pretty significantly. As you see in the Q4, the deposit beta has a very meaningful impact on quarters following Fed rate cuts, we saw roughly a 20 basis point swing in NIM from the deposit beta expectation versus reality. So liquidity, mix, loan

growth and deposit betas, I think, would be the three biggest impacts to where that actually settles out. So hopefully you'll look at that NII guidance to help kind of triangulate in your models where you think we end up based on your growth expectation.

**Manuel Navas (D.A. Davidson & Co)**

I appreciate that. Thank you.

**Evercall Moderator**

Thank you, Manuel. Our next question is a follow up from Matt at Stephens. Matt, your line is now open.

**Matt Olney (Stephens Inc)**

Thanks. Wally, back to you. And kind of similar to the last question around the NII guidance for 2025; I think that assumes you said two Fed cuts during the year. Just want to appreciate the sensitivity around that and if we didn't get to cuts, whether zero or one, how impactful that would be to the NII outlook? And then I guess the second part of that is around the yield curve steeping in recent months. A few banks have called this out within their outlook, just trying to appreciate how impactful the CPO curve is to the outlook for the bank's NII.

**Wally Wallace**

Thanks, Matt. It's a good question, so I'll take the second part first, the shape of the curve definitely impacts our guidance. We assume that the shape of the curve remains stable. So if we've seen volatility and that 3 to 10 year portion of the curve, and that impacts the pricing on our loans as they reprice out of our CRE portfolio. So continued volatility there could absolutely impact the ultimate performance on the loan pricing side, as far as fed cuts, we layer into in the first half of the year, and we remain asset sensitive. So in all honesty, I think the message that we've had pretty consistently for the past year or so, is that the best environment for us, and honestly, I think for the system, would be a period of time where we have stability in rates. So that would be the wish for outcome. But we are asset sensitive.

**Matt Olney (Stephens Inc)**

Okay. Appreciate that, Wally. Thanks again.

**Evercall Moderator**

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

**Drake Mills**

Thank everyone for being on a call today. I'm extremely pleased and proud of this team to be able to not only build a plan, but to execute and to make tough decisions in a very short period of time, while, on the other hand, maintaining what I think is strong morale and our strong culture. So I'm optimistic and very focused on what '25 looks like. I'm very pleased with the overall confidence in our organization to grow loans and to get back to a growth story that we traditionally are. But I'm even more pleased that our decisions are coming through focused analytics that will continue to drive other opportunities. So again, thank you for your confidence in Origin Bank, thank you for your partnerships, and thank you for being on the call today.

**Evercall Moderator**

Thank you. This concludes today's Evercall, a replay will be made available shortly after today's call.