Origin Bancorp, Inc.

Q3 2019 Earnings Conference

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CORPORATE PARTICIPANTS

Chris Reigelman – *Investor Relations*

Drake Mills – *President and Chief Executive Officer*

Stephen Brolly – *Chief Financial Officer*

Lance Hall – *President of Origin Bank*

PRESENTATION

Operator
Good day, and welcome to the Origin Bancorp Incorporated 2019 Third Quarter Conference Call and Webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Chris Reigelman, Investor Relations. Mr. Reigelman, the floor is yours, sir.

Chris Reigelman
Good morning and thank you for being with us. We issued our earnings press release yesterday afternoon, a copy of which is available on our website along with the slide presentation that we will refer to during today's call. Before we begin, I'd like to remind you that this presentation may include information about our management's views of our future performance, business and growth strategy, projected plans and objectives and various other matters that constitute forward-looking statements under federal securities laws. Due to various risks and uncertainties, actual results may differ materially from historical results or any results implied or indicated by any forward-looking statements.

For a discussion of these risks and uncertainties, please refer to the forward-looking statement section of our earnings release and the risk factors included in our most recent annual report on Form 10-K filed with the SEC as well as any update set forth in other documents we periodically file with the SEC. Forward-looking statements speak as of the date they are made, and Origin undertakes no obligation to publicly update or revise any forward-looking statement. If you're logged onto our webcast, please also refer to slide 2 of the slide presentation, which includes our forward-looking statement Safe Harbor statement. Those joining by phone, please note the slide presentation is available on our website at www.origin.bank. All comments made during today's call are subject to the forward-looking statement Safe Harbors in our slide presentation and earnings release.

Finally, in this presentation, we may discuss certain financial measures that are not calculated in accordance with US GAAP. Please refer to the reconciliations of these non-GAAP financial measures to their closest comparable GAAP metrics in our earnings release and slide presentation, which are available on our website at www.origin.bank. We believe that certain non-GAAP financial measures can provide meaningful information to investors. However, these non-GAAP financial measures are supplemental and should not be viewed as a substitute for operating results determined in accordance with GAAP, nor they necessarily comparable to non-GAAP financial measures that may be presented by other companies.

I'm joined this morning by Origin Bancorp's Chairman, President and CEO, Drake Mills; our Chief Financial Officer, Steve Brolly; and Lance Hall, President of Origin Bank. After the presentation, we'll be happy to address any questions you may have.

At this time, I'll turn the call over to Drake.

Drake Mills
Thanks, Chris. And thanks to everyone for being on the call today. As I consider our goals for the third quarter, while taking into consideration strong competition in our current interest rate environment. I'm

proud of what we have accomplished and our team is committed to building profitable relationships. Our team believes in and remains focused on our strategies, which is evident to the success we had this quarter, in particular, driving profitable loan deposit growth.

We said in the past our loan growth will be governed by deposit growth and I'm very pleased with the momentum we've seen on the deposit side especially with non-interest bearing deposits growing over $200 million year-to-date. We reported record net interest income and record net income for the quarter, which was impacted by a number of factors that Steve and Lance will discuss.

Our net interest income was $44.6 million for the quarter, which is up 3.8% in prior quarter. Our net income for the quarter was $14.6 million or $0.62 per share. You know, while interest rates have created a headwind for our company for much at 2019, our bankers have been diligent and disciplined in pricing new and renewed relationship utilizing relationship profitability versus only loan pricing. The loan growth we saw in the third quarter was over 5% and our loan yields were in line with our expectations. Year-to-date we've seen loan growth north of 13% on annualized basis.

Our expenses for the quarter were also in line with our expectations, even with the interest rate environment; our bankers have found opportunities to add value to our customers and to enhance performance.

Now, Steve will discuss more details around the performance of the quarter.

Stephen Brolly
Thanks, Drake. I'll start with financial highlights on slide 4. We ended the quarter with $4.2 billion in loans held for investment, an increase of 5.1% from the prior quarter, and a year-over-year increase of 16.3%. Our deposits ended at $4.3 billion, an increase of close to 15% on a year-over-year basis.

As Drake mentioned, we had record net interest income for the quarter of $44.6 million, up 3.8% from the linked quarter. Our provisional expense for the quarter was $4.2 million, an increase from the linked quarter and prior year same quarter. Lance will cover more about this later in our presentation.

On the non-interest income and expense front, we saw some really positive developments. Non-interest income was up 15.2% quarter-over-quarter, ending at $12.9 million. This was driven by strong quarter swap fee income with our bankers being able to really create value for our customers in the bank with back-to-back swaps.

Non-interest expense was down over 5% on a quarter-over-quarter basis, ending at just over $35 million. There were several factors impacting our non-interest expenses quarter, which we will discuss later.

Our non-interest margin on a tax equivalent basis for the quarter decreased one basis point to 3.69%. Our efficiency ratio for the quarter also decreased to 60.98% compared to 68.51% in the linked quarter and year-to-date was near 65%. Our results for the quarter also drove linked quarter improvement in the ROA and ROE at 1.12% and now 9.85%, respectively.

Looking at our net interest income and net interest margin trends over the next slide, you could see that our net interest income has increased steadily over the past five quarters. Given the loan growth and increase in yields shown over the same periods, our income trends are in line with our expectations.

As I mentioned, our margin declined one basis point from prior quarter on a tax equivalent basis. In a pre-tax equivalent basis, margin was flat at 3.65% quarter-over-quarter.

During the third quarter increased loan fees driven by pre-payments had a positive impact of 2.5 basis points when compared to the linked quarter. As we look into the fourth quarter, we will have a full quarter impact of the two most recent Federal Reserve interest rate cuts, as well as whatever impact we see from any potential rate cut that comes from the Fed meeting later next week or later this quarter.

However, we remain focused on optimizing our funding mix, and the rates we pay on that mix to help offset the potential negative impact falling rates will have on our asset yields.

Now, Lance will cover more about loans, deposits and credit quality.

Lance Hall
Thanks, Steve. As Drake and Steve mentioned previously, we've seen fantastic loan growth this quarter. We were up over 5% quarter-over-quarter and over 10.5% year-to-date. As we look at the composition of our portfolio as shown in the presentation, we continue to be focused on C&I relationships with approximately 50% of the total loan portfolio at quarter end focused on C&I, owner occupied CRE, the mortgage warehouse.

We ended the quarter with 30% of our total loan mix concentrated in non-owner occupied CRE, a significant portion of this loan growth continues to come from the Texas market. While I'm proud of the loan growth throughout the markets, I continue to be impressed with a deep relationships our bankers are building, which is evidenced by the deposit growth we have experienced. Our total deposits have grown $501 million or 13.2% year-to-date. And as Drake mentioned, our NIBs have grown $203 million or 21% year-to-date.

With this outstanding performance by our bankers our NIBs ended the quarter at 27% of total deposits. As Steve mentioned earlier, our provision for the quarter was $4.2 million due to net charge-offs of $3 million with the remainder due to loan growth. Charge-offs for the quarter were primarily driven by the claim of three credits. The most significant being in the restaurant industry with the other two in healthcare.

Aside from the restaurant credit mentioned, we have exposure to the restaurant industry totaling $73 million, which is 1.7% of our total loans at quarter end. We do not view these charge-offs as indicative of any trend in the portfolio. Past due loans remain at positive levels with 72 basis points at quarter end, and the level of non-performing loans remain stable.

While the quarter’s net charge-offs were higher compared to net charge-offs for Q1 and Q2, our year-to-date annualized net charge-off ratio of 11 basis points is right in line with our expected annual net charge-offs in the 12 to 14 basis point range. I'm very pleased with the production we have seen from the markets as our bankers have continued to focus on building meaningful relationships that are very profitable.

I'm going to turn it back over to Steve now to cover a little bit more on expenses.

Stephen Brolly
Thanks, Lance. I just wanted to cover our non-interest expense and operating efficiency a little bit. When we look at the non-interest expense for the quarter, we ended up with $35.1 million. There were a couple things in there that we need to unpack, so we adjusted those to create clarity in the presentation.

In Q3, we were able to utilize all the FDIC assessment credit we have been awarded previously, which was a one-time benefit of just over $1 million. We also had a benefit of $570,000 from self-insured medical expense reserves that were released during the quarter that were accrued during second quarter. This created a quarter-over-quarter swing of nearly $1.2 million.

We talked last quarter about the transition of our telecom providers and we record an expense reduction in Q3 of $150,000 due to this transition. Going forward, we don't expect to have any further significant impacts from this transition. We also had an additional true up of $213,000 in franchise tax expense associated with a filing of our 2018 tax returns, which we recorded in Q3 and we don't expect this to impact a run rate of franchise tax expense in any significant way.

We also had $441,000 of additional loan related expenses, due to legal costs associated with the loan workout, one being the bad debt Lance touched on earlier.

With that, I'll turn it back over to Drake for closing remarks.

Drake Mills
Thanks, Steve. Steve, Lance, thank you for walking the call through the results of the quarter. I'm very pleased with our company's recent decisions affecting our shareholders. We repurchased 300,000 shares of stock during the third quarter, and we increased our quarterly dividend from $0.0325 per share to $0.0925 per share. Through dividends and share repurchase, we have returned $13.8 million to our shareholders in 2019 with $12.3 million of that in the third quarter alone.

Earlier I mentioned the challenging environment we face which is requiring our team to be efficient with growth moving forward. Overall, I'm pleased with the direction of our company and the way our bankers are executing on our strategic plan. As we move through the fourth quarter of 2019, we will remain focused on continue to drive deposit growth with meaningful and profitable relationships.

QUESTIONS AND ANSWERS

Operator
Thank you, sir. We will now begin the question and answer session. To ask a question, you may press star then one on a touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time we will just pause momentarily to assemble our roster.

And the first question we have will come from Matt Olney of Stephens. Please go ahead.

Matt Olney
Hi. Thanks. Good morning, guys.

Drake Mills
Good morning, Matt.

Matt Olney
So I want to start on expenses. And it sounds like the $35 million was a little bit light. And if I take into account some of those items that Steve mentioned, the FDIC assessment and the lower healthcare expense and if I think about a 4Q run rate, is about $37 million in the fourth quarter, is that about the right place to start for a fourth quarter run rate?

Drake Mills
Matt, we've done a lot of work on this since our second quarter call to try to create clarity, especially for the analyst and we believe at this point that 36 or 37 or 38 number is probably reasonable for the fourth quarter

Matt Olney
Got it. Okay. That's helpful. And then on the credit side, it sounds like there was the write-off of the restaurant loan created, moved to higher charge offs in the quarter. What else can you tell us about that loan? Did you write it all off? Is there any remaining exposure? Or is there still some amount of that in non-accrual?

Drake Mills
Yeah. We wrote off the exposure of that credit and I want to talk about that just for a few seconds, if I could. But we have a $3 million balance remaining, which is the bid that we have in hand for that business and we feel pretty confident that will hold up at this point.

I want to make sure that I clarify this, that we have $71 million remaining in our restaurant portfolio and have really scrubbed that portfolio real deep down and that portfolio feel extremely comfortable. And I know that we've heard a lot of the term use one-off, for us this loan is truly a one-off. It does not look like any other restaurant loan that we have. We're very comfortable with the portfolio and I've said that in most of our calls with our investors that I'm extremely comfortable with our investment, I mean, our portfolio overall.

We estimated between 12 basis points and 14 basis points of loss on our portfolio for 2019. We're at 11 right now, we feel like we're going to come in with that range. Nothing else out there that we currently know of should impact that significantly. But very comfortable with the remaining part of our portfolio, I think, it's 1.3% of our portfolio at this point. So truly one-off. We've worked with it. This is a relationship that we began dealing with in 2013, 2016 we expanded; they expanded pretty quickly into some southern states. And at this point, we are where we are with it.

Matt Olney
Okay, thank you for that, Drake. And then just generally, on credit quality, any discussion or any views as far as the overall past-due list or classifieds criticize? Any migrations, or any themes that you saw in the third quarter?

Drake Mills
Absolutely not. Past dues continued to inch down well under 1%, substandards continued to move south and we just feel very good about a credit quality. Just finished up an external loan review, they went through about 54% of the portfolio. Very, very tough review came out with just a minor downgrade. Very complimentary on the credit quality, especially when we look at the industries that we want to concentrate on. So as I've been saying the last couple quarters, as we took a deep dive in some of our industries and concerns, I think we're in very good shape. Like we said, we projected 12 basis points, 14 basis points we will come in within that at this point.

Matt Olney
Okay. Great. Alright guys. Nice quarter, I'll step back in the queue.

Drake Mills
Thank you, Matt.

Operator

Next we will have William Wallace with Raymond James.

William Wallace
Thanks. Good morning, guys.

Drake Mills
Good morning. Wally, how are you today?

William Wallace
Very good. Thank you. Maybe a quick follow up on the restaurant loan and the exposure there. Did I hear you say that you already have a bid of $3 million for the entire business?

Drake Mills
Yes.

William Wallace
Okay. What kind of restaurant was it? Is it like a fast casual?

Drake Mills
Yes. It was a fast casual in the southern states.

William Wallace
Okay. And then you said you've done a deep dive into the remaining portfolio. I'm curious if you happen to have any information on hand as to maybe some of the breakout of types of restaurants in your portfolio and anything like that that you can share with us?

Drake Mills
We actually out of the $71 million, I'm actually looking at the list at this point. I would say that, it's pretty much 50/50 it appears between fast casual and then fast food. We have a couple of real strong Sonic operators. We have a Burger King operators, really strong with Popeye's also. And just I think well positioned, and the other thing about our restaurant portfolio we have significant sponsorship behind that portfolio and strong operators.

Like this one that we talked about on a loss, this was a 2013. This was a new relationship we just brought in, had significant investors behind this restaurant and there was a lot more money lost in the investment side than it was on the bank side. I feel very good. And as you know, I'm extremely transparent, if we had issues around the restaurant portfolio I would tell you. But again, it's 1.3% of our portfolio, which we're very good where we are at this point.

William Wallace
Thanks. And one last question on that before I move on. Do you know the average loan size or relationship size in that portfolio?

Drake Mills
Looking at this list, I'm going to say, is probably in the $3 million to $5 million range.

William Wallace
Okay. Great, thanks. You talked about a expense of 36.7 to 36.8 in the fourth quarter. Last quarter, we spoke about some changes that you've made in the mortgage business around servicing. I'm wondering if you can help us think about what we might look at on the expense side maybe in the first quarter of 2020 once we start to see the impact of changes that you've made on mortgage.

Drake Mills
We're finishing our conversion to subservice our mortgage servicing portfolio level and that will be on November 1st. We expect to reduce expenses around $1 million for 2020 from the subservicing perspective. We continue to look at servicing strategically the direction we're headed. As you know, we have focused on reducing the size of our mortgage operation to retail footprint operation that you'd expect in the community bank. Subservicing I believe is the first step in us addressing the volatility in servicing and we believe that at some point, we could potentially even exit the servicing business and just focus on mortgage production and that's something that we've had some success here recently on attracting and continuing to add what we think are very strong mortgage bankers.

We had a real success here recently in our core market and with an individual we think is going to be a game-changer for us. So, we're really focused, Wally, on mortgage production and starting to diminish the impact that servicing will have in the future. I like thinking about not having that compliance risk, not having the volatility. And so from a run rate perspective, to answer your question, I think you can reduce that run rate over four quarters by $1 million in 2020. And we're going to work hard. We have, for instance, we are going through a health insurance rebid right now; that's a big issue for us to try to understand where costs are, but overall from an infrastructure standpoint we feel very good that we have a pretty good cost structure moving forward.

William Wallace
And just to clarify when you say it could be $1 million lower, do you mean it could be $1 million per quarter or $250,000?

Drake Mills
No, no, $1 million for the year.

William Wallace
Okay. Okay.

Drake Mills
I think to put this in perspective, at this point, we're projecting about 3% to 5% expense increase for 2020.

William Wallace
Okay.

Drake Mills
And we're in the midst of working on that as we speak.

William Wallace
Okay, great. And then my last question is on the net interest margin. We had to cut in September, you guys have a lot of floating rate loans, but you've had pretty strong deposit growth. I'm wondering if you could just kind of help us think about how we might model net interest margin compression with Fed moves.

Drake Mills
They're doing a lot of work around that. At this point, we're baking in a Fed move for this quarter and really feel that we're going to be pretty comfortable in that with the move 10 to 12 basis points impact in NIM.

One upside to that we've seen a somewhat of a decline in the percentage of our floating right loan from 62% to 59% and feel that that trend could continue and it's, again, something that we're working on. Not to really position ourselves more neutral necessarily because we're not going to be in this environment forever, but we are working to lessen the impact of that, but our deposit growth has been strong.

We feel in the fourth quarter that that we're not going to see the level we saw in deposit growth in the third quarter, but we're going to see strong deposit growth. So, again, we're going to stay focused on that. I'm going to say, 7%, 8% loan growth and 8% to 10% deposit growth moving forward.

William Wallace
Okay, great. And to clarify, you said we could see 10 basis points to 12 basis points of pressure in the fourth quarter, that assumes that the Fed cuts next week, that include—

Drake Mills
Yeah, we baked in a cut. I thought about giving it without the cut, but we're pretty sure the cuts going to be there. So we're giving you one number. And that's probably, if you want to know 2 basis points to 4 basis points added with a cut.

William Wallace
Okay, great. Alright, thanks. On a lighter note, I know you spent a lot of time in Houston but I just want to say, go Nat's. Thanks, guys.

Drake Mills
Okay.

Operator
The next question we have will come from Brad Milsaps of Sandler O'Neill.

Peter Ruiz
Hi, good morning guys. It's actually Peter Ruiz on for Brad.

Drake Mills
Hi Peter. How are you doing?

Peter Ruiz
Good. Most of the questions have been answered, but just maybe following up on the margin, really appreciate the color there that you gave on the expectations there, especially including an October cut. But kind of just taking a deeper dive, do you guys have a sense of what the spot rates were sort of for deposit cost maybe near the quarter end?

Stephen Brolly
Spot rates for the quarter, for the month of September was 156 for total interest bearing deposits.

Peter Ruiz
Okay, that's great.

Stephen Brolly
That does not include the non-interest bearing, so the spot rate 156 total interest bearing deposits. In July that number was 162.

Peter Ruiz
Okay.

Drake Mills
And again, we're going to focus a little bit here on significant growth in NIBs, we're very pleased with our continued incentives and the teams that we built around treasure management around deposit gathering teams in DFW and Houston markets and just seeing sound non-interest bearing deposit growth.

Lance Hall
Also, from our broker's perspective, obviously the majority of what we do there, we've talked a lot with everyone here about our relationship with Argent Financial. That has come down from 220 something range to 189 at the end of the quarter and we'll continue to see that money market rate go down

Peter Ruiz
Okay, great. Appreciate all that color. And maybe, Drake, if I heard you correctly, kind of got it to 8% to 10% loan growth here in the near term. Maybe just give a little bit of color on what you're seeing in your markets right now. Obviously, I'm sure Texas is a strength, but anything else you can provide?

Drake Mills
Yes, I want to go back to that because I said, 7% to 8% loan growth and then 8% to 10% deposit growth moving forward. And obviously, we're in such dynamic markets in Texas and seeing a lot of success they're. Starting to see some decent growth in Mississippi where it's been flat last year. Still surprised at Louisiana at 5.3% annualized growth year to date. So we have a decent growth in the market, but when you look at DFW and Houston, they certainly are the shining stars. Houston, 33.7% annualized loan growth. So those teams that we were fortunate to lift out and get in inside and they performed as expected, maybe even stronger than expected.

Peter Ruiz
That's great. That's it for me.

Drake Mills
Thank you.

Operator
And next we will have Brady Gailey of KBW.

Brady Gailey
Hi, thanks. Good morning, guys.

Drake Mills
Good morning, Brady.

Drake Mills
How are you today?

Brady Gailey
Good. So a nice loan growth quarter from you all. It sounds like a lot of it was Texas. Was any of it energy based loan growth?

Drake Mills

We have one credit that was energy based that was around, I want to, say $8 million to $10 million, but not E&P. And again, let me stress when we talk about energy, it doesn't have a solid E&P in it, it is services and midstream.

Brady Gailey
Alright.

Lance Hall
So Brady from a funding perspective, we're about 1.5% of our portfolio in total energy.

Brady Gailey
Okay.

Drake Mills
And Brady, this credit I just mentioned was a long-term strong relationship out of our Houston team.

Brady Gailey
Okay. So Drake, you got active with the buyback, you repurchased about a little over 1% of the company. Will that continue from here?

Drake Mills
Yes. I think it's an option for us. And we'll continue to look at those tools, depending on market and where we are, you know, we're having what we think is very strong organic growth. And each month, we look at where we are, what options we have, and certainly that's going to be an option and a tool that we'll use, if necessary.

Brady Gailey
Okay. Maybe an update on M&A, how conversations are going? Or are you closer further away from announcing a deal?

Drake Mills
It's staying active, very active, we are trying to find the right partner. And I don't want to say I'm picky, but it's going to be the right deal for us and we still have the same number of active opportunities. And it's tough to say, I'm closer, I'm farther way. And the other side of it is we're still we're certainly trying to understand the CECL impact of acquisitions moving forward and really how you adjust price based on that, and does it impact from that standpoint.

Brady Gailey
Okay. Then you added a little more FHLB in the quarter. I know you did some last quarter in the second quarter. But you know, can you just talk about if you plan to continue to do that and what the strategy is behind this kind of balance sheet remix?

Stephen Brolly
Hi Brady, this is Steve. This past quarter we did do $100 million in a photo, which they have the option. And that was at 35 basis points. They have the option to call that in later November. Last year, we mentioned $250 million at 165. That was callable at their option in the summer and they did not call based on the rates. What we do is, we'll look at the Federal Home Loan Bank borrowings, we'll look at broker deposits, will look at a warehouse lines of credits that we fund. And it's a daily look where we are, where we're going to be. And it's not a will we do this continuously. It's a total mix.

The other thing we have to look at is the Federal Home Loan Bank will not do these LIBOR based lending as of a couple days ago after first quarter of next year, so we'll continue look at the Home Loan Bank, they'll be coming out with other products. And I hope that gives you comfort.

Drake Mills
This is Drake. I will say that with such a strong focus and drive on growing core deposits, we're starting to see less reliance on broker deposits and less reliance on borrowing. So, as I said earlier, we were successful with the lift out teams, the asset growth has been strong. I feel the momentum is catching and loan deposit ratio was slowly inching down as we expected it to.

Brady Gailey
Yes, that makes sense. Thanks for the color guys.

Operator
Again, as a reminder, if you'd like to participate on today's Q&A, please press star then one on a touchtone phone.

Next we have a follow-up from Matt Olney of Stephens.

Matt Olney
Thanks for taking the follow-up. I just want to revisit the discussion around the margin. And it sounds like you're expecting 10 bps to 12 bps of compression in the fourth quarter. I'm trying to reconcile why the third quarter margin held up so well, and why you're expecting more compression in 4Q.

It seems like the LIBOR headwinds could be similar, maybe a little bit more in the fourth quarter. Sounds like the fees were good in third quarter maybe you're assuming less fees in the fourth quarter? Anything else you can share that would help us understand why the margin will be down a lot more in 4Q then we saw in the third quarter?

Stephen Brolly
Matt, this Steve. Agree with what you said, we had 2 basis points to 3 basis points of extra prepayment fees. We do expect a normal prepayment but this last quarter had a large amount of prepayment fees which we do not expect going forward. So that's going to be 2 basis points to 3 basis points there.

Also, during the second quarter, we had those two rate cuts, but it was only durng partial, we will have the full impact during the fourth quarter. And then we expect another rate cut next week. So when you add all those together that gives you the 10 basis points to 12 basis points.

Matt Olney
And on the deposit side, and specifically the non-interest bearing deposits, that growth was very strong in the third quarter, can you talk about the pipeline for non-interest bearing deposit growth? And I guess some banks talk about seasonality of that business. Do you guys have any seasonality to speak of in that business?

Lance Hall
This is Lance. We will have some seasonality and we've had some nice lift in NIBs and our mortgage warehouse customers, Matt, we feel like we'll see some pull back in that. However, at the same time we have about $300 million in public funds. We bank a lot of the municipalities across North Louisiana, some of those are tax dollars. So we actually get a lift there in public funds in the fourth quarter from a seasonality perspective. So we feel like those will offset a little bit.

Matt Olney

Okay. Okay, that that clears that up. And then I think the effective tax rate was a little bit higher in the third quarter, I think you alluded to that in the prepared remarks. Any color you can give us as far as what kind of tax rate we should be assuming for 4Q and then 2020?

Stephen Brolly
19.5% to 20% effective going forward for this quarter. And then probably the same amount for 2020.

Matt Olney
Okay, guys, it's all for me. Thank you.

CONCLUSION

Operator
Well, so no further questions at this time. We'll go ahead and conclude our question and answer session. I would now like to turn the conference call back over to Mr. Drake Mills for any closing remarks. Sir?

Drake Mills
Thank you. And I appreciate everyone that's on the call. I want to make the point that we have continued to run this institution as we sold it in the IPO, we think we are in the most dynamic markets. We're having significant success in Texas, especially in the Houston market. There really is some momentum moving in DFW with the deposit team, I feel very comfortable that we can continue to perform within the strategies that we laid out. We feel extremely good about the team of people, the quality of the loans that we're bringing on and just think that we're well positioned.

I had a question the other day about where's our next market? Where's our next move? And my response was, I have one-third of 1% market share in DFW and Houston, I'm in the greatest markets, I have a lot of market to grow. And we have the infrastructure there and we just think that we have to continue to leverage this infrastructure and be successful in those Texas market.

So, appreciate everyone on the call. Thank you for your time. And we're always available for additional calls or questions if you need. Thank you.

Operator
We thank you, sir, also and to the rest of the management team for your time. The conference call is now concluded. At this time you may now disconnect your lines. Thank you again, everyone. Take care and have a wonderful day.