Origin Bancorp

Second Quarter 2021 Earnings

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CORPORATE PARTICIPANTS

Chris Reigelman – *Head of Investor Relations*

Drake Mills – *Chairman, President, and CEO*

Steve Brolly – *Chief Financial Officer*

Lance Hall – *President Origin Bank*

Jim Crotwell – *Chief Risk Officer*

PRESENTATION

Operator
Good day, and welcome to the Origin Bancorp Incorporated Second Quarter Earnings conference call. All participants will be in a 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 your 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 Mr. Chris Reigelman, Head of Investor Relations. Mr. Reigelman, the floor is yours, sir.

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 the slide presentation that we will refer to during this presentation.

Please refer to Slide 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 SESC 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, and CEO, Drake Mills; our Chief Financial Officer, Steve Brolly; President and CEO of Origin Bank, Lance Hall; our Chief Risk Officer, Jim Crotwell; and our Chief Credit and Banking Officer, Preston Moore. After the presentation, we'll be happy to address any questions you may have.

Now I'll turn the call over to you, Drake.

Drake Mills
Thanks, Chris, and good morning. This quarter marks three years of reporting as a public company. We'll get into the details of our performance over the period later, but first, I am pleased that our investment thesis that we introduced to the market during our roadshow has and continues to drive shareholder value. Our goals from our IPO on our target, as we maintain a long-term value creation strategy.

This quarter's results is a great example of maintaining a focus on our long-term objectives, as we took advantage of opportunities to strengthen our balance sheet and credit profile at the expense of reporting short-term growth. We have included a couple of slides that present the value being created for our shareholders, which continue to show positive trajectory and double-digit compound annual growth rights since our IPO.

Through the first half of 2021, we focused on efficiency as we continued to experience positive operating leverage while improving our credit metrics. And I'm proud of our results and the strategic focus we have as we move forward.

Looking at the results for the quarter, our diluted earnings per share was $1.17 for the second quarter, with net income over $27.7 million. Net interest income was $54.3 million, and noninterest income was $12.4 million. Noninterest expense was $37.8 million, and our efficiency ratio for the quarter came in at

56.7%. We had a provision release of $5.6 million, with total assets ended at $7.27 billion, with loans at $5.4 billion and deposits at $6.03 billion.

Lance, Jim, and Steve will dive into the numbers, but I think about these performance metrics for the quarter and what we have accomplished this year. I'm extremely proud of how our company has managed expenses, while we continue to invest in growing the bank and enhancing the customer experience. Our bankers are consistently communicating with our customers, and I'm excited about the pipelines that are being built throughout our footprint.

Throughout our markets, we are seeing a growing sense of optimism as economy continues to strengthen. Certainly there are some challenges with the competitive landscape, continues effects of COVID-19, and the levels of liquidity in the financial system. However, Origin is well-positioned to expand the foundation we've built over the past several years.

One of the primary contributors for our long-term success has been our continued growth within our Texas markets, as you can see on Slide 9. Our Texas markets now comprise 56% of our loans across the bank, excluding mortgage warehouse, and 48% of our deposits across the bank. In the past, we've talked about our strategy of adding key bankers and teams in our markets, and in 2021, we've continued this trend by taking advantage of dislocation by adding seven dynamic bankers in our Texas markets, seven.

As we have said, we continue to focus on dislocation within our markets, and further capitalizing on the right opportunities.

Now I'll turn it over to Lance.

Lance Hall
Thanks, Drake. In Q2, we were successful in continuing to set ourselves up for long-term success, and growing profitable loan relationships, improving our credit profile, and building out our production teams. On Slide 10, you can see an update on our PPP metrics. We have nearly 55% of our PPP loans forgiven at this point, with another 12% of the loans in the forgiveness process at June 30. We've collected over $26 million in fees through the PPP process, and still have over $9.2 million of those fees left to earn.

On Slide 11, you'll see we remain focused on the way we're using technology within our company. Our customers' post-COVID adoption rates of banking technology still continue to be extremely positive, and we're having ongoing conversations with fintech partners on streamlining processes, and continuing to add value and enhance the customer experience.

On Slide 12, you'll see an overview of deposit trends. Our average deposits for the quarter were $6.2 billion, an increase of $374 million over the first quarter of 2021. During the quarter, we reduced our broker deposits, as you can see in the top left, and ended the quarter with no broker funding.

Our total loans this quarter ended just shy of $5.4 billion, which was a decline from the prior quarter, but up year-over-year. During the quarter, and as we expected, we saw warehouse and PPP balances decline quarter-over-quarter. Absent those two drivers in our loan portfolio, our total loans held for investment were down $14 million in Q2, as compared to Q1. We've always been proactive when it comes to managing credit risk, and during the second quarter we reduced $47 million of loan balances that we chose to exit based on our continued focus on client selection. Without these factors, our annualized year-to-date loan growth is approximately 5.6%.

Our bankers have been proactive in building pipelines, and as you know from our past calls, we continue to be optimistic about our 2021 loan growth outlook. We believe timing was a big factor in the second quarter, as some larger loan deals with long-term relationships have closed or are set to close in the third quarter. Also, as Drake mentioned, we have several new additions to our Texas markets that will continue to build out their portfolios in the coming months, as well as bankers across our footprint with capacity to drive future growth.

Based on all those factors, we remain optimistic about high-single digit loan growth throughout the rest of the year.

Now I'll turn it over to Jim to go through our credit quality metrics.

Jim Crotwell
Thanks, Lance. We are extremely pleased with the performance of our loan portfolio through the pandemic. I firmly believe that the resiliency of our portfolio is a direct result of our focus on relationship banking and sound client selection, resulting in the well-diversified loan portfolio that we have.

During the quarter, we experienced stable levels of past due loans at 0.61%, net of PPP loans, as well as stable levels of nonperforming loans also at 0.61%, net of PPP loans. I am pleased with our stable level of charge-offs of only 0.23% annualized for the quarter, and the $11.9 million reduction in classified loans during the quarter, resulting in total classified loans of 1.66% of average loans held for investment, net of PPP loans.

As Lance mentioned, during the quarter we proactively reduced a total of $47 million of outstanding loan balances, and credits that no longer fit our client selection criteria. As such, we feel that we significantly enhanced our overall portfolio strength during the quarter.

Based on improving credit metrics and forecasted economic conditions, our allowance for loan credit losses declined by $8 million, to $77.1 million, which represents 1.43% of loans held for investment, and 1.84% net of PPP and mortgage warehouse loans. We will continue to closely monitor economic forecast, keeping a close watch on the impact of recent increases in COVID cases, as well as inflationary and labor pressures, and continued supply chain disruptions. Again, we are extremely pleased with the performance and resiliency of our loan portfolio.

I'll now turn it over to Steve.

Steve Brolly
Thanks, Jim. On Slide 15, you could see trending information for our yields and cost. After more significant declines in loan yields in prior quarters, this quarter our yields on loans held for investment, both with and without PPP, have stabilized. During the second quarter, we saw cost of total deposits decline by 4 basis points, with a quarterly cost of total deposits and borrowings at 38 basis points. With a weighted average rate of 72 basis points, our CD book still provides an opportunity to lower our cost of deposits even more.

On Slide 16, our quarterly net interest income was $54.3 million, slightly lower than Q1, driven by anticipated declines in mortgage warehouse volumes. NIM for the quarter on a fully tax equivalent basis came in at 3.12%, down from 3.22% in Q1. Main contributor of our decreased NIM, as you could see in the bottom right, was the increase in average cash balances.

During the second quarter, we reduced more than $500 million of broker deposit balances to offset the anticipated declines in mortgage warehouse and PPP balances. Our bankers continued to do a great job with a core deposit growth, and we believe we are well-positioned to fund future loan growth.

Slide 17, you could see a longer term trend of our net revenue distribution. For Q2 2021, we generated over $12.4 million of noninterest income, or about 19% of total net revenue for the quarter. When you look at the longer term trend since early 2018, the year of our IPO, we have seen a consistent increase in noninterest revenue dollars. In Q2 2020, as mentioned earlier, we recorded historically high mortgage banking revenues, with the second quarter 2021 results lower than that historic high. Community banking mortgage model we built has done a great job protecting our earnings, as interest rates declined in 2020.

Moving to Slide 18, our noninterest expense for the quarter was $37.8 million, down $1.6 million from Q1. The driver of this decline was because of the $1.6 million prepayment penalty from the Federal Home Loan Bank advance from the prior quarter, and prudent expense management.

Slide 19 shows our continued strong trends with capital, ending the quarter with a total capital ratio of 14.85%. Our strong earnings continue to be a significant driver of capital enhancement, and will support future loan growth.

Now I'll turn it back to Drake.

Drake Mills
Thanks, Steve. We have a solid quarter with record net income, improving credit trends, excellent expense control, impressive core deposit growth, a strong loan pipeline, and our capital is in a good position to support further growth. We continue to make purposeful and strategic decisions in building this company, to put us in a strong position to capitalize on opportunities.

I thank you for your time, and will now open the call for questions.

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 your 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. Again, it is star then one to ask a question. 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
Great, thanks. Good morning, guys.

Drake Mills
Good morning, Matt.

Matt Olney
Lance, I think it was you that mentioned that the bank exited around $47 million of loans this quarter. Would love to hear more about these credits, and what was it that ultimately drove the decision to exit these? And are there other credits that could fit this profile that could be exited in the future? Thanks.

Lance Hall
Yes, hi. Thanks, Matt. Good morning. For us, we have really, really focused, and Drake's used this term the last couple quarters around client selection. And so, for us, it's not necessarily around credit all

the time. There's other factors about deposit balances and secondary repayment sources, and succession in these companies, and some things like that. So, this particular, for us, was concerns about the future operation capacity of this company and where they were going. It wasn't purely a short-term credit issue. And I think for the long-term benefit of us, we made a really good decision.

Matt Olney
Okay, thanks for that. And then, Drake, based on your commentary, it sounds like you brought over seven producers recently. Would love to hear more about those producers, what mortgage they're focused on, and kind of what's their sweet spot for loan production?

Drake Mills
Yes, Matt. I want to talk just for a second about this client selection process, because I think, for this institution, as we look at the liquidity in the markets, and we see some of the opportunities that we're passing on, and the reach that maybe the industry's making for loan volume, we are going to stay focused on client selection and what's best for this organization from a long-term growth perspective.

So, when you think about our Texas moves, I'm tickled to death with where our pipelines are right now and the direction things are going. So, the seven new lenders, four are in DFW, three are in Houston, two of them come out of [indiscernible], one BofA, one from Capital One, and one from Comerica, and then we also picked up the next market president in Houston that is a big-time name, that is going to really do some good things for us. So, we're excited about those. And they're focused in private banking, C&I, and some owner-occupied real estate, and some other real estate. But just really pleased with the size of these portfolios they have.

I've met with a couple of their clients, both in Fort Worth and Dallas, and then last week, a few in Houston. Have been extremely pleased with how quickly I think these portfolios will come over. So, not only is the engine really moving and revving in the direction from our producers, and what we're seeing in their pipelines. I mean, we closed two deals last month, they closed early this month. We have positive growth, and we still believe, from a loan growth perspective, that we're on target to do that high-single digit overall growth for the year, and feel very good about that. Our pipelines are outstanding right now.

Matt Olney.
Okay, perfect. Thanks for that, Drake. And then on the credit front, we saw the negative provision expense in 2Q, but the reserve ratio is still relatively high. I think we're still well above day-one levels. What are the updated thoughts around provision expense these next few quarters, and do you expect to get back towards day-one levels in the near term, or could it be a while? Thanks.

Drake Mills
Yes, and I'm going to let Jim Crotwell speak to that a little bit, because we're doing a lot of work around—and still with this delta variant and what we're seeing in the world of COVID, and the impact that could potentially have, certainly still feel good about where we are, and feel optimistic, and think that you're looking at probably three to four quarters to get back to day-one levels.

But, Jim, why don't you take them through some of the work we're doing and what we think at this point?

Jim Crotwell
Thank you, Drake. Yes, I agree with that. I really feel that we'll be walking down the reserve and taking a close look, based upon continued, really deep dives into the economic forecast that we're going to see over the next several quarters. And so, in some respects, what I hope to see is that we will, as we evaluate things, it'll walk down commensurate how we built the reserve, if you will, through the pandemic, but still a lot of uncertainty out there, particularly as it relates to the impact of the resurgence of the delta

variant. And also, we kind of have a better idea as we move to the latter part of this year, as these inflationary pressures that we're seeing right now. Hopefully that will subside in the second half of the year.

So, we're keeping a close eye on things. I think we have a very conservative reserve at this point in time, and we're in a really good place, from a fortress balance sheet that we talk about in previous calls. But I do continue to anticipate that we'll see some continued decline in the required level of our reserves.

Matt Olney
Okay. Thanks, Jim. I'll hop back in the queue.

Drake Mills
Thank you, Matt.

Operator
And next we have Brady Gailey of KBW.

Brady Gailey
Thanks. Good morning, guys.

Drake Mills
Good morning, Brady. How are you doing today?

Brady Gailey
Doing well. So, we saw mortgage start to normalize, which is no surprise. We're seeing that across everywhere. But $2.7 million of fees in the second quarter, how are we thinking about the outlook there? Do you think you could see a little more slippage, or is that kind of a new normalized run rate?

Drake Mills
No, I don't think you're going to see any further slippage from a—when you look at mortgage overall and where we see the pipeline for the third quarter, feel pretty good that we're stabilizing that business. It really talks a lot about, when you talk about the pretax, pre-provision miss we had. A big influencer there is that pipeline valuation, and when you look at the fourth quarter, where we originated $160 million and sold $125 million, obviously, had zero impact of valuation. In the first quarter, we saw $138 million of origination, with $185 million sold, so we had a pretty good mark, a negative mark to that pipeline valuation.

That continued in the second quarter, surprisingly, with $122 million of origination and $140 million of sales. So, that $2 million pipeline adjustment, our mark, was somewhat of a surprise, and certainly fueled the pretax, pre-provision miss. But when you look at the third quarter, we see the origination and the sales almost identical.

So, we do not expect to see that type of mark going into the third quarter.

Brady Gailey
And so, if you add that $2 million mark back, you're back up at $4.7 million, which is kind of in line with the first quarter. So, could we see that $4 million to $4.5 million level in the third quarter, assuming there's no marks that go against you?

Drake Mills
We could.

Brady Gailey
All right. And then, Drake, what's the latest on M&A? I know you guys have a pretty strong organic growth pipeline. I know the back half of the year is looking up. I feel like recently you've kind of downplayed M&A. We really don't need it. But what's the latest on how you're thinking about M&A at this point?

Drake Mills
Yes, and I still look at this, we are an organic growth story, and you can sit here and say, hey, what happened to second quarter, obviously. We did take what I think are some best moves. I can remember the conversations about a couple of these credits and maintain them for the sake of growth. Anytime we have the opportunity to strengthen our credit profile we're going to do that. And we certainly could've held on to these credits, but we let somebody else report that growth this quarter, and we go on and do what we do.

From an M&A perspective, we are having some very good conversations. It's not necessary, but this is all going to be about a cultural fit with a group of people that want to come in and be a part of what we do, and be a vital part. And we're looking for that type of partnership. And certainly those opportunities are out there, and we're having some good conversation. And it's within footprint, and it makes a tremendous amount of sense.

So, not anything that I can sit here and say, hey, we're going to report in the next couple quarters, but certainly we have some good conversations and some good things going with what we feel are very nice fits.

Brady Gailey
Great. Well, good luck with that. The last question I have is just on the PPP benefits. I know you have about $9.3 million of fees left to be realized. How should we think about the timing there? Will most of those be recaptured in the back half of the year, or does some of that slip into 2022?

Steve Brolly
Hi, Brady. Most of it will be recaptured in the third and fourth quarter, but there is going to be some that's going to probably be in 2022. Based on our projections, and these change on a daily basis, we may have about $150 million at December 31st left. And so, whenever they get forgiven, then they'll be in the next quarter.

But to answer your question, yes, of that $9 million, I would say probably a good, at least 50% in next quarter, and then maybe of that remaining 50%, maybe 30% in the fourth quarter, and then 20% going forward. But that's where we see today.

Brady Gailey
Got it. Thanks, Steve.

Operator
And the next question we have will come from Brad Milsaps of Piper Sandler.

Brad Milsaps
Good morning, guys. How are you all doing?

Drake Mills
Good morning, Brad.

Brad Milsaps
Drake, just wanted to ask on new loan yield. Looks like you guys saw quite a bit of stability in the quarter. Just kind of wondering if you think you turned the corner there. Is that something that you think that could stabilize going forward? Just want to kind of get a sense of kind of where new loan yields are coming on, and kind of what that might mean for the NIM going forward.

Drake Mills
Yes, I'd say when you look at the reduction in NIM, with a basis point contributed to the loan yields, we feel very good about stabilization on loan yields, and feel like we can move forward with that. So, we've had a lot of discussion of a couple of opportunities to put some liquidity to work in some markets, and we're going to kick that off here this next week, and feel like we're going to be able to pull out some nice relationships out of some of these new lenders that we picked up.

So, feel very good about turning the corner. And a stabilization, at this point, I'm going to report, and hopefully that we see some upside, but at least stabilization.

Brad Milsaps
Okay, great. And then just to follow up on the mortgage discussion, just wanted to ask Lance, you guys have picked up a lot of new customers on the mortgage warehouse side of the business. Do you think you are sort of kind of nearing a trough in those balances? Obviously, subject to what happens in the overall market, but just kind of curious kind of what your crystal ball might say on mortgage warehouse.

Lance Hall
Yes, hi, thanks. No, we actually met with our group the other day kind of forecasting balances, and you're right. If you think back over the last 12 months or so, we've gone from 23 clients in that business to 47, and we're actually still onboarding maybe 1 at this moment.

That being said, balances, we think, at the end of Q3, we'll probably drop to that $750 million, and then by the end of Q4, we're projecting $600 million. And those are kind of quarter-end balances.

Brad Milsaps
Okay, great. Thank you, guys.

Drake Mills
Thank you, Brad.

Operator
And the next question we have will come from William Wallace of Raymond James.

William Wallace
Hi, sorry, I was on mute. Didn't think I was going to get in. Thanks for taking my question. I'm having some technical difficulties this morning, but glad I could get in the queue. One follow-up question to the question just answered. I believe Steve had said not only are yields are stabilizing, but you continue to lower deposit cost. So, I assume it's fair to assume, especially if loan growth is reaccelerating, that net interest margin, you anticipate, will be up in the second half?

Steve Brolly
We really think, right now, it'll probably be flat in the second half. I mean, [audio muffled] pretty flat, and it may go up a little bit, but we also have, don't forget, we have that security and we have cash. And we're going to take the cash and put them into loans. If not, we're going to put them in securities.

Securities, right now, our book is about 215, and what we're seeing out there is about 1. We're not going to stretch for 150, because you go way too far.

And so, there's going to be a little pressure based on just securities, but if you look at, I guess, core NIM, yes, loans are going to be pretty stable, and deposits will be coming down a little bit. I mean, 20 basis points, there's only so much more they could come down. Definitely the CD balances will come down, and will probably bring down the interest bearing a little bit more, but if you see the core, I think it's going to be okay, but there may be a little pressure based on securities and cash.

William Wallace
Okay, all right, thank you. And then just clarify, if you will, the loan growth guidance, because I feel like I heard two different things. So, the high-single digits guide, is that anticipated to be what you are run rating in the second half, or should I look at full year on a core basis, take out the PPP noise, and be thinking that you'll get high-single for the full year on the core basis?

Drake Mills
Well, that's high-single for the full year. We said that at the beginning of the first quarter. And when you look at the growth engine being intact, and when you say reestablish or reignite loan growth, we actually had positive momentum in loan growth, especially when you look at 2Q '21 versus 2Q '19. We went back and looked at, how are we doing from the standpoint of the growth engine, and it was pretty significant. It was 40-some odd percent between those quarters. And so, that showed that we were making significant growth.

Also, when you look at the utilization, our line utilization, where it's down to a low of about 43%, where it's generally running at 48%, 49%, we saw significant growth in lines added to that utilization in the second quarter. So, about 7.5% increase in lines added. So, we are going to start seeing a ramp-up in that line utilization, on top of the loan growth we have from new originations. So, we're pretty excited about where we are, and that's why we're so positive about what looks like in the pipeline. We've already had a very strong July, and expect that to continue through the third quarter.

William Wallace
Okay, great. Thank you very much, Drake. Moving on to the expense line. Is this a good run rate for you guys?

Drake Mills
I think we're going to pretty much hold that we can maintain expense around a 2% growth for the year, and this is the reason being. I don't know if you heard me, but seven new lenders out there in the markets, and we're doing a lot of work internally to be able to reduce costs to suck that up, and pretty much have a flat expense profile. And that's why we've been so excited in my comments. I was so pleased with the management of this organization to be able to accomplish that when we're still adding investment into the customer experience, technology, these people that we're putting on in the markets to continue to utilize that infrastructure.

So, those are all positive things, but we're being able to do some good work around the flat expense environment.

William Wallace
Okay, great. All my other questions have been answered. Thanks for taking my question. I appreciate it.

Drake Mills

Wally, thank you very much.

Operator
Again, as a reminder, if you'd like to participate in today's Q&A, please press star then one on your touchtone phone. Again, that is star then one to ask a question. The next question we have will come from Kevin Fitzsimmons of DA Davidson. Please go ahead.

Kevin Fitzsimmons
Hi, good morning, everyone.

Drake Mills
Good morning, Kevin.

Kevin Fitzsimmons
So, Drake, I haven't backed out to look at that full-year loan guidance, but what does that imply for the back half, given that loans were down? And I'm assuming that guide is on, is that on total loans, is that on an X-warehouse, X-PPP basis? I'm just trying to get to, does it imply kind of mid to high-single digit growth for the back half of the year, or something even more?

Drake Mills
Yes, that loan growth projection for us was less mortgage warehouse, less PPP. So, that's the core portfolio, and we see that being probably, in the third quarter, a little higher than single digit, but we're going to come in, like I said, between that—I'm trying not to give specific numbers—but we're going to have a high-single digit loan growth for the year. So, you can take the third and fourth quarter and pretty much calculate what you need to calculate to get there.

Kevin Fitzsimmons
Okay, great.

Drake Mills
No, I didn't answer your question.

Kevin Fitzsimmons
Yes, you're making me do math. That's fine. And then—

Drake Mills
If you all didn't remember everything, I'd give you some numbers.

Kevin Fitzsimmons
That's right, that's right. Yes, on the new hires, is that something where you think that opportunity is kind of settled for a while, or do you think there's more? And I guess what I'm—it's kind of a parallel question, is that I believe a quarter or two ago, you guys were trying to make the point that, okay, we've been, in our prior years, very focused on growth, and getting scale, and getting to a certain point in the market, and now we really want to deliver improved core bottom-line profitability. And so, obviously, with new hires and things like that, there's a little bit of spacing out, okay, the expenses come day one, but we have to wait a little while for the revenues to come.

So, I'm just kind of wondering how that is balancing out for you all, in terms of those growth opportunities versus the goal to deliver improved core profitability. Thanks.

Drake Mills

Yes, a couple things here. First off, as I mentioned earlier, we're working really hard on the back end to be able to manage and reduce expense to cover this up as we put these people on, but we are going to take advantage of disruption in the marketplace, and we're certainly seeing that now. That's the way this company's built, as long as the people fit our culture, and their portfolios fit our portfolios. As I've talked about earlier, client selection is something that is extremely important to us, and we are passing on deals, even last quarter, that didn't fit that profile. And while I'm concerned about that, as I mentioned earlier, I want our credit profile to continue to improve, and I want, as we see the liquidity move out of the market, and maybe see a weaker credit cycle, that we hold up very well there.

So, we're looking at every opportunity we can to pick these people up that fit our model, that culturally fit, their portfolios are in line, and they see the world we do. That was seven this last quarter, and we feel very good about that continuing, maybe not at the level of seven, but we have some one-offs that we're looking at even today that will fit in with these teams.

Kevin Fitzsimmons
And, Drake, just one add-on on that client selection point, the loans that you guys proactively offloaded, was that all one client, was it a number of relationships? Just trying to get a gauge on whether it's a handful, or just one big client?

Drake Mills
No, it was a handful. One client made up about $28 million of that number in a couple of loans, in a piece of real estate in a different deal, but it was a handful of clients that it was time to renew. It was time to either battle rates, or those type of things. But when we look at our client selection profile, the deposits that go in that, the type of business and succession of those business, which was a big issue, they just didn't fit the model.

And I would say, Kevin, it would've been easy for us to sit here and say, hey, we have to report loan growth, let's keep these on. I don't think we'd have had any loss, but they would've been basically in a down environment, potentially stressed, and we had that opportunity. So, we're going to, as I said earlier, this is a long-term value play. We're here for the duration, and I think those decisions are good for us.

Kevin Fitzsimmons
And I think the other takeaway is that you felt comfortable enough offloading, because you probably saw those new better fit clients that you could get.

Drake Mills
Absolutely.

Kevin Fitzsimmons
Okay, all right. Thanks very much.

Drake Mills
Thank you.

Operator
And next we have a follow-up from Matt Olney at Stephens.

Matt Olney
Yes, thanks for taking the follow-up. On Slide 15, you included some good details around variable rate loans, and how much of those are currently on their floors, I think it's around $1.67 billion. Any commentary you can provide, as far as how many Fed fund increases we'll need to see to get above

those four levels?

Drake Mills
On the prime rate loans, 1 increase takes us to where we pretty much will enjoy the next full increase at 25 base point consideration. And on the LIBOR side, one increase pretty much puts us there. So, we're set up well, Matt, to enjoy a rising interest rate environment.

Matt Olney
Okay, thanks for that. And then, as far as the tax rate from here, for the back half of the year, Steve, any color on the tax rate?

Steve Brolly
Unless something's inactive, should be about the same that we have year-to-date.

Matt Olney
Okay, good. And then going back to the discussion on fees around mortgage, any color you can give us, as far as the production within the mix of how much is purchased verse refi? And then as far as the channels, if we go back a few years ago, Drake, I think there was some wholesale production, but it seems like we've kind of gotten that down to pretty low levels. Any update on kind of what percent is now retail versus wholesale production?

Drake Mills
Yes, and let me go back to the first part of the question, because in our mortgage group, this last quarter, we had a 48 refinance, 52 origination split, which was pretty interesting because our mortgage warehouse was 43 refinance, 57 origination. We'll see that, even with this last pull down in rates, we've seen a little pickup in origination. So, it's probably going to be very similar to that 48/52, but I'm going to call it 45/55 refinance/origination.

And so, today, we're running about 91%, 92% origination, our footprint versus wholesale. And even our wholesale is an individual that is a free agent that's working in a DFW that sells everything to us. So, if you throw that in, we're almost 100% origination, our footprint now.

Matt Olney
Okay. Okay, that's all from me. Thanks, guys.

Drake Mills
Matt, thank you.

CONCLUSION

Operator
Well, sir, no further questions at this time. We will conclude today's 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
Yes, thank each and every one of you for giving us time today, and the interest in this company. And I will tell you that I've never been in a better place, as far as the quality of this organization, our growth opportunities, and our opportunities to partner. We do have a couple of insurance acquisitions in the pipeline that we continue to work on. We'll close one of those before the end of this year, and possibly even two, but I'm excited about where we are. I'm excited about the quality of this company overall, and I just appreciate your interest and your investment, and look forward to any questions and calls. Each

one of you have my cell number, and look forward to hearing from you.

Thank you for your time, and hope to see you soon.

Operator
And we thank you, also, sir, to you and to the rest of the management team for your time. And then the conference call is now concluded. At this time, you may disconnect your lines. Take care, everyone, and have a great day.