

Origin Bancorp Second Quarter 2025 - Transcript

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Evercall Moderator

Good morning, and welcome to the Origin Bancorp Inc. Second Quarter Earnings Conference Call. My name is Tom, and I'll be your Evercall coordinator. The format of the call includes prepared remarks from the company, followed by a question and answer session. 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 the slide presentation that we were referred to during this call. Please refer to page 2 of our slide presentation, which includes our safe harbor statements regarding forward looking statements and the use of non-GAAP financial measures. For those joining by phone, please note the slide presentation is available on our website at www.ir.origin.bank.

Please also note that our safe harbor statements are available on page 7 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 and 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 this presentation, we'll 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. At the beginning of this year, we introduced Optimize Origin. Our plan to deliver sustainable elite level financial performance, we laid out a near term goal of achieving a 1% ROA run rate by the fourth quarter of 2025 and an ultimate target for our ROA to be in the top quartile of our peers. As we cross the halfway point of the year, we believe the actions we have taken have put us in a position to achieve this near-term goal ahead of schedule. In just a short time, we have created efficiencies within our branch network, improved the overall profitability of our commercial banking team, restructured our mortgage business, and taken multiple actions to optimize our balance sheet. These actions are the primary drivers of approximately \$34M in annual earnings improvement on a pretax, pre provision basis. I'm proud of the results and how they position us moving forward. Our focus remains on being a top quartile performer and driving value for our employees, customers, communities and shareholders. On 07/01, we took an additional step towards our goal of high-level profitability by increasing our ownership of origin financial to 20%, which triggers the equity method of accounting. Next year, we anticipate this will drive additional income of approximately \$6M.

We have also identified several opportunities that we believe will drive additional earnings improvement towards our ultimate profitability goal. Some of these are projects that are currently underway, others are in the early stages of implementation, and a number are in the planning phase. Areas of focus include product delivery, streamlined organizational structure, enhanced data management and improved expense management. Lance will provide more detail later in the presentation. As you can see, we are laser focused on our plan and delivering results that drive value. While we acknowledge the economic uncertainty exists, we know the actions we have taken

position origin for near term and long-term success. Now I'll turn it over to Lance and team.

Lance Hall

Thanks, Drake, and good morning. I want to start with our insight into our work around optimizing our commercial banking teams and the positive results that it is having on portfolio mix, portfolio, risk, margin expansion and production. Since the end of 2Q '24 Origin has reduced our FTE headcount by 8% across the bank and by 18% in our commercial banking teams, with an emphasis on data driven decisions, profitability models and alignment around our key bankers. Our team achieved strong C&I production in Q2 where on an average basis, our C&I loans grew at an annualized rate of nearly 13%. These strong C&I production levels are hidden from a point-to-point growth perspective by large pay downs in the last two weeks of the quarter. Where we clearly see the enhancement in C&I client growth is in our continued lift in loan origination and swap fees, as well as our growing treasury management revenue for the quarter. While economic uncertainty around tariffs and interest rate levels has clearly slowed Origin and industry expectations for loan growth. I like our momentum of originations, fees, margin and remain encouraged by our pipelines.

Optimize is not just about expense reduction. It is a blueprint to drive return levels through deeper insight into data, alignment of processes with strategic investments in technology, automation, and people. Origin's culture and geographic model creates a platform that strategically allows us to attract talented bankers who have a shared vision and purpose, delivery and relationships. As we have reduced FTE levels, we continue to identify and recruit bankers that are centers of influence, and they can drive significant profitable growth throughout our markets. In 2025 we have been successful in hiring highly effective business development bankers in Louisiana, Houston and our SE Market, while we also recently added a strong market leader in Fort Worth. Through Origin's history we have shown an ability to attract bankers and lift out teams as a significant growth strategy during periods of market disruption. We believe we are well positioned to take advantage of any opportunities that will arise from bank mergers throughout our markets. As Drake mentioned, we continue to execute on our detailed plan to optimize Origin using our data-driven approach, we believe that we have opportunities to further enhance revenues in our treasury management and our commercial card programs. This was a takeaway from our third-party benchmarking project.

Furthermore, we believe we have significant efficiency opportunities by improving our organizational structure, which will be a sizable undertaking that we are in the early stages of developing. We believe this structure change can enhance our speed, responsiveness and nimbleness around delivery to our clients more effectively utilize technology, create scalable processes, improve efficiencies and ultimately drive growth and profitability. An important part of Optimize Origin has been to better utilize data to improve strategic decision making. This has been seen through our branch efficiency, banker profitability and the restructuring of our mortgage business. Additionally, we are in the early stages of a large plan to centralize data within our organization, to improve processes and outputs throughout our company. There are multiple strategic projects underway that should result in lower expenses and increased revenue. So far, we have identified approximately \$4 to \$5M of annualized pretax earning benefits from these projects. I'm proud of our team and their commitment toward embracing optimized Origin. I'm confident that we have the right focus as we head into the second half of the year. Now I'll turn it over to Jim.

Jim Crotwell

Thanks, Lance. As I have shared on prior calls, beginning the second quarter of last year, we began to proactively exit relationships that were determined to not fit our client selection criteria. During the second quarter, we achieved approximately \$50M in additional desired reductions, bringing the total targeted reductions to approximately \$250M since we began this initiative. While this has been a headwind to portfolio growth, this optimization of our portfolio will serve us well moving forward. Total past due loans held for investment decreased to .88% at quarter in compared to 0.96% for Q1 2025. Classified loans as percent of total loans were stable for the quarter, decreasing to 1.66 at quarter end from 1.68% as of March 31st. Non-performing loans increased moderately to 1.11% of total loans, compared to 1.07% for the prior quarter, primarily driven by four relationships being placed on non-accrual during the quarter, offset by the payoff in payments in two non-accrual relationships. Net charge-offs for the quarter came in at \$2.3M net of \$1.4M in recoveries, a reduction from the \$2.7M in net charge offs reported for Q1. On an annualized basis, net charge-offs were .12% for the quarter and .13% annualized year to date. For the quarter, our Allowance for Credit Losses increased \$415 thousand and ended the quarter at \$92.4M.

On a percentage basis, our allowance increased from 1.28% to 1.29% net of Mortgage Warehouse. We continue to focus on the Moody's S2 scenario as the basis of our economic forecast within our CECL Model. While we continue to make minor adjustments to the economic forecast portion of the reserve, we did not experience any significant changes in our CECL Model since current economic headwinds are factored into this scenario. Lastly, as to total ADC and CRE, we continue to have ample capacity to meet the needs of our clients and grow this segment of our portfolio, reflecting funding to total risk-based capital of 49% for ADC and 228% for CRE. We continue to be pleased with the performance of our portfolio and are well positioned 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 Q2 we reported diluted earnings per share of \$0.47. As you can see on slide 25, the combined financial impact of notable items during the quarter equated to a net expense of \$15.6M, equivalent to \$0.39 in EPS pressure. On the balance sheet, side loans increased 1.3% sequentially but decreased 1.0% when excluding mortgage warehouse. Total deposits declined 2.6% during the quarter, and excluding brokered declined 2.3%. While non-interest-bearing deposits declined 2.5% sequentially, we note they remain stable at about 23% of total deposits, and we continue to anticipate they will remain in the 22-23% range through 2025. In looking at the decline in total deposits during the quarter, about 45% was driven by what we attribute to normal seasonality in our public funds customers. We also believe uncertainty in the current environment has led to some customers utilizing excess cash on hand to pay down outstanding loan balances, causing some pressure on both sides of the balance sheet. Given the loan and deposit declines, on a year-to-date basis, we have reduced 2025 growth guidance to low single digits for both.

Turning to the income statement, Net Interest Margin expanded 17 basis points during the quarter to 3.61%. Included in margin this quarter was Argent's annual shareholder dividend, which was a four-basis point benefit to NIM. As Drake mentioned, we are very excited that we increase our ownership in Argent to 20% in July. As a result, moving forward, with the equity method of accounting we will no longer be recording this dividend through net interest income, rather we will be recording our portion of Argent ownership through our non-interest income line. We remain pleased that deposit costs continue to trend in-line with our historical beta trends and loan pricing remains disciplined across our markets. Moving forward, as you can see in our outlook on slide 4,

due primarily to a higher starting point in Q3 '25 we increased our margin guidance by 20 basis points to 3.70% in 4Q25 and by 10-bps to 3.55% for the full year, plus or minus 5-bps. Our modeling now considers 25-bps fed funds rate cuts in September and December.

Shifting to non-interest income, we reported \$1.4M in Q1. Excluding \$14.6M in net pressures from notable items in 2Q and point \$0.1M in net benefits in Q1, non-interest income increased to \$16M from \$15.5M in Q1, due in large part to normal seasonality in our mortgage business and continued strength in our customer our customer swap business, partially offset by a timing related decline in fee income in our insurance business. Primarily as a result of triggering the equity method of accounting for our Argent ownership, we have increased our guidance, excluding notable items, to growth of low double digits for Q4 '25 over Q4' 24. Our non-interest expense decreased slightly to \$62M in 2Q from \$62.1M in 1Q. Excluding \$1M of notable items in Q2 and \$2.1M in Q1, non-interest expense increased slightly to \$61.0M from \$60.0M in Q1, slightly better than our expectations. In the back half of '25, we anticipate our expense run rate will be relatively flat compared to Q2, and we are maintaining our prior expense guidance.

Lastly, turning to capital we note that Q2 tangible book value grew sequentially to \$33.33, the 11th consecutive quarter of growth, and the TCE ratio ended the quarter at 10.9% up from 10.6% in Q1. Consistent with prior commentary, we believe our capital levels provide us with flexibility to deploy capital opportunistically, and during the quarter, we repurchased 136,399 shares at an average price of \$31.84. Yesterday, we announced the authorization of a new \$50M repurchase plan effective through 07/2028. As shown on slide 24, all of our regulatory capital levels, at both the bank and holding company levels, remain above levels considered well capitalized. As such, we remain confident that we have continued capital flexibility to take advantage of any additional future capital employment opportunities to drive value for our shareholders. With that, I will now turn it back to Drake.

Drake Mills

Thanks, Wally. I'm very proud of the work our team is doing to Optimize Origin. As we head into the back half of 2025, we are well positioned in the nation's most dynamic market, and I have full confidence that our employees will continue to deliver exceptional value to all our stakeholders. I believe there is tremendous opportunity ahead of us and I'm excited about our ability to capitalize on that opportunity. I want to thank you for your support, and we'll open it up for questions.

Evercall Moderator

Thank you team. Ladies and gentlemen, at this time we will conduct the question and answer session. If you'd like to ask a question, please press *1 on your telephone keypad to enter the queue. Or if you've joined via web, please press the raise hand icon on the right side of your Deal Roadshow screen. Again, that's *1 on your telephone keypad, 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 with Stephens. Matt, your line is open. You may proceed.

Matt Olney (Stephens Inc)

Hey, good morning. Thanks for taking the question. I'll start with the net interest margin, and Wally you mentioned you're expecting that margin to approach that 370 level by the fourth quarter, which obviously implies some good expansion from these levels. Please walk us through the expectations for the third quarter and just trying to appreciate the ramp into the fourth quarter. And what are some key items we should be thinking about. They can get us to the 370 level from the 2Q levels. Thanks.

Wally Wallace

Thanks, Matt. So first, we'll point out that the second quarter did have the benefit of our annual dividend from Argent, which was a 4-bps benefit. Outside of that, we've had tailwinds all year from our loans repricing at spreads that are relatively strong. But at loan pricing overall that's significantly higher from loans that were booked, say, three four years ago. That's a tailwind that we continue to expect moving forward, not just third quarter and fourth quarter but through next year. In our modeling we put two fed cuts in. We had a cut in June and September. Those moved to September into December in our modeling, the forward curve suggests there's another two cuts, and it's close to three cuts through next year. We put those in our modeling, but the tailwind from the loan repricing and the securities repricing through next year would suggest that one will have benefits in the back half of this year, and we think we can hold the line through next year

with those cuts. It's probably worth acknowledging that there are some pricing pressures in the market from competition on spreads. So if we see loan growth accelerating, you could see margin coming in kind of towards the lower end of that guidance range that we put in the deck. But if not, then we could come in towards the higher end. I think that's the way I would steer you as you think about your modeling.

Matt Olney (Stephens Inc)

Okay, thanks to the color Wally. And then, just as a follow up, I guess kind of switching gears, want to ask more about the loan growth and Lance mentioned the pay downs in the final weeks of the quarter from some customers. Just lower utilization. Any more detail behind that as you talk with the customers, as far as kind of why they decided to do that now and then longer term you've talked about getting back to a high single digit growth level, or even low double digit at some point. Just talk more about the longer-term investments you've made. And when, when do you expect a more normalized kind of typical origin level of loan growth to start kicking in? Thanks!

Lance Hall

Yeah, hey, thanks. Good morning. Appreciate the question very much. Yeah, so very optimistic on our ability to continue to drive loan growth, you are correct, and that what our presidents and our banking teams have kind of been dealing with is just a little unsurety around what tariffs we're going to do on large commercial projects. I think we had a lot of clients that expected rates to be decreased by now, which is put some projects on hold. We actually saw an interesting dynamic, you know, this quarter, but a little bit in the first quarter too, of some customers that had really large deposit balances make the decision to reduce that cash and pay for projects versus using debt. And it was stuff that we had in the pipelines. And so that's some headwinds that we faced in that regard. You know that being said, as I kind of study and look at production our original we've had nice growth in our origination volumes, and that has really kind of led to really nice growth in loan and swap fee revenue, nice lifts on the CNI side, specifically as our focus has really been around CNI and owner-occupied real estate. And so we've had sort of the best quarter we've had in treasury management, revenue, swap revenue. And so I'm very bullish on how that continues to grow, as I think about the second half of this year. I'm still a little bit muted from the size of projects. You know, we're probably thinking no mid-single digit annualized, I think two to 2.5%, probably growth from the markets on

commercial growth the back half of this year. And then, you know, I would conservatively, kind of think through mid to high single digits for 2026. Now that being said as I think about what's going on in the industry from a consolidation perspective, I mean that creates tremendous opportunity for us. I mean, you know our, our history and our story, if we've done anything well over the years, it is to build a culture that is attractive to dynamic bankers and banking teams. And as we are already seeing acquisition consolidation, you know, in Texas and North Louisiana and Mississippi, I think that creates tremendous opportunity for Origin in the way that we like to do it. I mean, we want to be a lift out strategy, organization, and I think that falls right into our benefit. So I think that's going to continue to drive real opportunity. You know, all that being said, we are singularly focused on our ROA run rate, and so pricing discipline is critical. The use of our pricing models. Wally and his team have done an amazing job of bringing us access to information that we have not had before. And so, you know, it is not going to be growth for growth sake for us. This is really going to be around the right kind of growth, the right kind of industries, the right kind of credit profile, the right kind of pricing discipline around relationships, and I feel very confident we can do both.

Drake Mills

Hey, Matt, this is Drake. I want to add to that an example of some, I guess, growth headwinds. And alongside is utilization rates. Went from 53% to 50 and that was based on cash utilization. Our clients, you know, utilized during that which represented about \$83M in reduction in line utilization. So again, glad that our clients have strength and are, you know, taking those opportunities. It also hit us on the deposit side.

Matt Olney (Stephens Inc)

Okay, I'll hop back in the queue, but appreciate the update and congrats on the results.

Evercall Moderator

Our next question comes from Michael, with Raymond James. Michael, your line is open. You may proceed.

Michael Rose (Raymond James)

Hey! Good morning, guys, thanks for taking my questions. Maybe I'll just start with an easy one, just on the on the buy back. It looks like you guys put, you know, bought back a little bit of stock. Looks like it was below tangible book, new \$50M program. You guys are now over tangible book, you know, hopefully moving higher. But wanted to kind of gage the appetite here, and just kind of circle up capital, and maybe if I can dovetail that with, you know, just because we have seen some M&A doesn't seem like that's nearer term priority for you guys. But as the landscape plays out, I assume you're still talking to you have conversations with banks, what would be kind of your intermediate to longer term appetite for M&A? Thanks.

Drake Mills

Yeah. And let me address the first part of your question. From the standpoint of capital utilization, we feel pretty comfortable that we have an opportunity to redeem \$75M. Yes \$75M of sub debt in the fourth quarter that is beneficial to our process of optimized origin. So we feel very comfortable, and that puts us basically through last year and this year, redeeming 145M out of cash. So awesome opportunity for us to reduce leverage and take care of, you know, some of the opportunities we have for cash, so capital utilization, I feel very good about that will put us still very good capital levels. And you know, as far as M&A, we love M&A. We were laughing about it. When M&A is in our backyard, we seem to really flourish. You know, through our lift out strategies, and we have conversations moving on, and we just, we love to grow this institution through lift out, but not to say that we are not going to turn our back on opportunities. They just have to be quality deposit opportunities or core deposit opportunities for us. But we'll have, we continue to have those conversations.

Michael Rose (Raymond James)

Helpful Drake, and then maybe just, just given the reduction in growth expectations, it does look like you are going to be able to stay under 10B in assets. Is that kind of the plan? And then can you just remind us on maybe the thresholds could be moved? There's been some talk around the 10B. What that could mean doesn't seem like Durbin would go away, though. So just any sort of consideration we should think about, you know, 10B by the end of the year, and then when you do cross it, I think you have all the expenses kind

of in place and the run rate. But just anything we should be thinking about related to crossing, thanks.

Drake Mills

Well, I can't sit here and say that I'm tickled that we're going to stay under 10B, because it's at the expense of what we thought would be stronger growth this year. I am very pleased with everyone that we have. We're so focused on ROA growth that I think we're making the right decisions, but allows us to push off Durban, which is about 6M for us, another year, but right now, the model shows that we'll be right at that 10B at the year end with expected growth. So we'll stay under that this year and start to move forward. But again, we're not holding our teams back, or we're not doing things to focus on any type of loss of opportunity through trying to stay under 10B at this point.

Michael Rose (Raymond James)

All right, thanks for taking my questions. I'll step back.

Evercall Moderator

Thank you again, Michael. Our next question comes from Woody with KBW. Woody, your line is open. You may proceed.

Woody Lay (Keefe Bruyette & Woods (KBW))

Hey, good morning, guys. I wanted to follow up on capital utilization and in touch on the securities restructure we saw in the quarter. Just wanted to get your thoughts on sort of why this quarter to execute on the restructure. Is it a reflection of one growth pulling back? And then, how do you evaluate future restructures from here?

Wally Wallace

Hey, Woody, we actually had this restructure trade teed up in the first quarter. We like

the payback math on it. We felt like we had the capital levels to absorb the impact on the regulatory capital levels. Obviously, it's already carried, carried in the tangible capital levels. We backed off of the trade when the markets got extremely volatile around the tariff announcements. We saw an opportunity early in the second quarter to take advantage of some spread changes where we'd executed a small portion of the trade, and then we saw volatility improve significantly as the quarter played on. So we decided to go ahead and bring that trade back to the table. This is one that we'd been considering as part of Optimize Origin since the end of last year. The payback math, as you can see, is a little bit higher than it was in the one that we executed towards the end of last year.

As far as large loss trades go this is that we don't see any other opportunity in our portfolio. That said, we monitor markets on a daily basis. And if there's any spread opportunities that create opportunity for us to on the margin, make decisions that improve the risk profile or improve the earnings profile of the portfolio, then we will discuss and make a decision on whether or not to execute those, but I think that we're not looking at any large-scale trades from here.

Woody Lay (Keefe Bruyette & Woods (KBW))

Got it. That's helpful. And then maybe shifting over to Argent. I mean, seeing the announcement was great to see. Is there an opportunity going forward to increase ownership, which would boost board fee income, or are you pretty content with the current level of ownership?

Lance Hall

Yeah, hey, Woody, this is Lance, good morning. No, I think you're going to see us stay consistent, kind of in that 20% to 25% ownership level. And you never know what happens in the future, but that's our Argent strategic plan for the moment.

Woody Lay (Keefe Bruyette & Woods (KBW))

Got it. And then maybe just last for me, you called out some- you're continuing to re-underwrite expenses. Just wanted some high-level thoughts on sort of how that process is going and sort of timing of the additional expense opportunities.

Drake Mills

Yeah, I think through Optimize Origin, we're looking at as much revenue enhancement as we are, you know, expense cuts. We've communicated openly that we are working with a third-party benchmarking firm to look at reorganization of the company. We think there are some opportunities for us to consolidate some market expenses, you know, to be able to reduce or be a little bit more efficient. But the projects are really around revenue enhancement data models to better utilize data to make better decisions and to also allow our relationship managers to be more responsive and really focus on ROEs through relationships more than anything else. Process improvement is going to be, I think, one of the areas that we could potentially see some reduced expenses. We still are using robotics to manage our manual processes and reduce manual processes, which we see creating efficiency.

You know, AI is certainly part of going beyond robotics and increasing technology that allows us to make better decisions through data. But, you know, ultimately, growth through enhancing banker capacity is where I think the ultimate drive for us. In other words, we think we can- the percentage of time in front of our clients can be significantly enhanced and grown through these processes we're going through. So it's going to be a combination of revenue enhancement, expense management and growth and revenue streams that you'll see in next coming months, but Optimize Origin is on its way. We've had some excellent progress. I feel very confident that you'll see some additional progress as we go through the quarters.

Woody Lay (Keefe Bruyette & Woods (KBW))

Great to hear.

Wally Wallace

But I would just add, Woody, that in the script, you might have heard the comment I made that our expectation for expenses in the back half of the year are flat. Flat run rate from the second quarter after notable items. So I wouldn't expect to see declines in expenses.

Woody L. (Keefe Bruyette & Woods (KBW))

Got it. All right. That's helpful. Thanks for taking my questions.

Evercall Moderator

Thank you again, Woody. Our next question comes from Manuel with D.A. Davidson. Manuel, your line is open, you may proceed.

Manuel Navas (D.A. Davidson)

Hey, I just have two. It's hard to kind of learn a lot more about Argent. Can you talk a little bit about what your expectations on growth there, and potentially, would there be a write-up? I just haven't heard if that could be something that happens in the third quarter.

Lance Hall

So, yeah, hey, this is Lance. Thanks for the question. Wally and I have been obviously very intimate with understanding the relationship. I mean, it's a little bit sensitive for us. That is a private company that we are an investor in. We don't own or control Argent. So sharing their information, you know, other than sort of high level, it's probably not something that we're- it's completely at our liberty to do, although we have a great working relationship with management. There was recently some public information out around their acquisition of Huntington's Corporate Trust Business, where they were projecting to be about \$175B in assets under administration. Wally works closely with their CFO, which is where they were able to kind of get to the, you know, pro forma, \$6M flowing into our income statement in 2026. And so, you know, we'll, over the years, kind of work with them to kind of give you the meaningful information that you need, and we'll commit to that.

Manuel Navas (D.A. Davidson)

Potential for a writeup?

Wally Wallace

Yeah, so in the third quarter financials, due to the transactions that occurred that we were a part of, we weren't the only transaction. The valuation that those transactions occurred and will result in a write-up of the final, if you will, carrying value of our investment in our write-up equates to about \$7M. Moving forward, with the equity method accounting, the write-up of the investment will occur through the income statement, and that's the \$6M annualized benefit, kind of starting in 2026. We still have some accounting work to do, where we got to do a final valuation to help us understand the impact of customer intangibles to us, and the acquisition that Lance mentioned has to close before we get kind of final expectations on how that will impact earnings. So yes, there will be a write-up in the third quarter, plus we expect to accrue for earnings, and then any further changes in the valuation will occur through the income statement, not through write-ups or write-downs.

Manuel Navas (D.A. Davidson)

I appreciate any of these preliminary comments. I totally understand there's a lot of moving parts here. Separately, can I have a little bit of a regional update? I'm just always intrigued by the southeast region with the Alabama and Florida business. How is that ramping? But just any kind of regional update would be fantastic.

Lance Hall

Yeah, this is Lance, again. Really, really pleased with Nate and Robin and Steve and the whole team that we have down in the southeast. We're seeing nice progress on that. Kind of like we've seen a little bit of the markets, a little bit of delay in sort of pipelines getting executed because of some of the tariff concerns. But the pipelines remain strong. We continue to be incredibly bullish in Texas, obviously, and how that economy is working. We have dynamic teams.

Again, as I look- you know, it's a little muted because of sort of the lack of growth. But you look at where the production is coming from, we're continuing to see nice C&I production in Houston, specifically, but also in North Texas. Louisiana and Mississippi are

actually ahead of budget this year. We've actually had about 8% growth in Louisiana and about 5% growth in Mississippi, which were greater than we had anticipated. So, you know, we get some understanding kind of what the tariffs are going to be. We get some normal levels of utilization on our lines. I think it creates tremendous opportunities.

Manuel Navas (D.A. Davidson)

I appreciate that commentary. Thank you.

Evercall Moderator

Thank you again, Manuel. Ladies and gentlemen, as a reminder, if you'd like to ask a question, press *1 on your telephone keypad to enter the queue, or if you join via web, the raise hand icon on the right side of your Deal Roadshow screen.

Since there are currently no further questions, handing it back to Drake Mills for any final remarks.

Drake Mills

I want to thank everyone for being on the call. At this point, I am extremely pleased with the progress the teams have made in optimizing Origin. We are extremely focused on profitable growth, which I think is underlying to the change in culture. Utilization of technology to minimize expense growth has been a leader in the process of Optimize Origin. Expanding current relationships with- for better customer ROEs, continue to leverage our rural deposit base to lower our funding costs, and a strong focus on strengthening credit culture through client selection has been the early wins this year as we continue to go through the second half.

So our future is bright. Very excited about where we are, and I'm pretty confident that we're going to be successful. I appreciate each one of your support, the time on this call, and we're available for questions if anybody needs to have a conversation with us. So again, thank you for your time. Thank you for your support.

Evercall Moderator

Ladies and gentlemen, this concludes today's Evercall. Thank you and have a great day.