

Origin Bancorp, Inc. First Quarter 2025 Earnings Call - Transcript

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Evercall Moderator

Good morning and welcome to the Origin Bancorp Inc. First Quarter Earnings Conference Call. My name is Tom, and I will 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 a slide presentation that we 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 of you joining by phone, please note the slide presentation is available on our website, 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 the presentation, we will be happy to address any questions you may have.

Drake, the call is yours.

Drake Mills

Thanks, Chris, and thanks for being with us this morning. I am proud of the employees of Origin and their commitment to the strategic path we are currently on. We all know there are macro economic factors impacting the markets, but we have proven through previous cycles that our focus remains on serving our customers, our communities, our shareholders, regardless of where we are in the cycle. During last quarter's earnings call, we introduced Optimize Origin, our plan to deliver sustainable, elite level financial performance. I am pleased with the overwhelming focus and commitment our employees have on accomplishing this goal, and the progress we've made since launch.

As we continue to communicate, we expect the strategic actions that we have taken and will continue to implement will drive us to an ROA run rate of 1% or greater by the fourth quarter this year. Our ultimate target is for our ROA to be in the top quartile of our peers. In the first quarter, we identified the next steps in reaching our run-rate goal through the restructuring of our mortgage business. This has been an area of focus for us through Optimize Origin, and we believe through a partnership model, we will create efficiencies that will lead to an annual pre-tax earnings improvement of approximately \$1.5M beginning in the second half of the year. I am pleased with our results for the quarter, in particular, our net interest margin expansion. Our bankers are doing a great job of managing costs, and it shows in our results. Net interest income continues to improve quarter over quarter, and our annualized ROA was 93 basis points. Our management team is focused on delivering results, and I'm proud of how we started the year.

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

Lance Hall

Thanks, Drake, and good morning. As Drake mentioned, we remain laser-focused on Optimize Origin and committed to delivering elite-level financial performance. Last quarter, we talked about Origin's new internal performance statement, which properly aligns Origin's deep commitment to culture with the drive to be a top financial performer. I'm extremely encouraged with the passion and level of commitment our employees are showing for Optimize Origin throughout our markets. This passion and commitment were especially on display during the month of March as we set time aside to acknowledge our organizational commitment to culture through our annual Culture Celebration. This year, our theme was culture and performance, and I saw first-hand the enthusiasm that our employees have towards our strategic path to be the best bank in America. This commitment to culture and performance was also reflected in our most recent all-employee Microsoft Viva-Glint survey, which measures our culture compared to many of the top companies in the nation and around the world.

Origin continues to show levels of employee engagement well-within the global top 10% benchmark. This speaks to the alignment of our employees have with our strategic direction. As we work towards a near-term goal of an ROA run rate of 1% or greater by the fourth quarter of this year, deposit and loan growth remain a priority for our bankers. We have spoken often about core deposits being the driver of loan growth. We still expect mid-to-high single digit loan growth in 2025. And to do so, we anticipate we will grow deposits in order to fund that loan growth. Historically, we have seen flat deposit growth in the first quarter based on our outflows of public funds. But even with that seasonality, I was proud of our results this quarter as deposits, excluding brokered, grew 7.2% on an annualized basis. This sets us up well to fund the loan growth that we expect to see in the back half of the year, I'm encouraged with what I'm hearing out of our markets as our pipelines continue to build. We remain committed to deepening relationships with our customers that drive long-term value to our shareholders. Now I'll turn it over to Jim.

Jim Crotwell

Thanks, Lance. As I've shared on prior calls, we have built a strong credit culture at Origin as we continue to focus on client selection and portfolio optimization. The working partnership of our Credit and Risk teams with our Market Presidents lays the foundation for our portfolio management as well as portfolio growth. Whether through our weekly

Loan Committee, our monthly Asset Quality Review Committee by market, or our monthly Credit Loan Review Committee, we continue to effectively monitor and manage our portfolio.

You may recall that beginning in the second quarter of last year, we began to proactively exit relationships that were determined to not fit our Client Selection criteria. During the first quarter, we achieved approximately \$50M in desired reductions, bringing the total targeted reductions to approximately \$200M over the past four quarters. We continue to believe that this optimization of our portfolio will serve us well moving forward. Past Due Loans Held for investment came in at 0.96% at quarter-end, up from 0.56% as of 12/31, and were comparable to levels reported for Q2 2024. Of the \$30M increase in past dues, \$2.1M has already paid off in full, \$16.5M is anticipated to be paid off in the near term, and a \$5.2M renewal is pending. Classified loans increased \$8.9M to 1.68% from 1.57% of loans as of 12/31 while nonperforming loans increased \$6.4M for the quarter to 1.07% from 0.99%. The increase in classified loans was primarily driven by four relationships totaling \$17.4M, which were partially offset by the payoff of two classified credits totaling \$6.3M. As to non accruals, the increase was primarily driven by two relationships, partially offset by the payoff of one previous non accrual loan. Net charge-offs for the quarter came in at \$2.7M, net of \$2.1M in recoveries. On an annualized basis, net charge-offs were 0.15%, which was better than our expectations.

On a percentage basis, our allowance increased from 1.25% to 1.28% net of Mortgage Warehouse. In late 2022, we began focusing on the Moody's S2 scenario as a basis for our economic forecast within our CECL model. For some time, this scenario has called for a mild recession, beginning the quarter following the report date and lasting three quarters. Since we have focused on this scenario for some time, we did not experience any significant changes in our CECL model for this quarter since current economic headwinds are essentially factored into this scenario. Lastly, as to 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 61% for ADC and 232% for CRE. We continue to be 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 Q1 we reported diluted earnings per share of \$0.71. As you can see on Slide 26, the combined financial impact of notable items during the quarter equated to a net expense of \$2.3M equivalent to \$0.06 in EPS pressure. On the balance sheet side, deposits were up 1.4% during the quarter. And excluding brokered, deposits grew 1.8% linked quarter. We were able to use excess liquidity to allow broker deposits to continue rolling off our balance sheet, with broker deposits declining to just \$50M, the lowest level since the 4th quarter of 2022. While noninterest bearing deposits declined 0.6% sequentially, we attribute this decline to normal seasonality. Importantly, on a year-over-year basis, noninterest bearing deposits were up slightly the first quarter of year-over-year growth, also since the fourth quarter of '22 as a percent of total deposits. Noninterest bearing deposits remain stable at about 23%, and we continue to anticipate they will remain in the 22-23% range through 2025. Our loan to deposit ratio, excluding mortgage warehouse, remains below our 90% target at 86.1%, and our deposit and liquidity trends remain strong.

Given the strong deposit trends we have experienced over the past year, our bankers across our markets remain focused on growth. As Lance noted, we are maintaining our loan growth outlook for 2025. However, we are cognizant of increased macro uncertainty given recent policy announcements and have adjusted our own models to the lower end of our guided range. Turning to the income statement, net interest margin expanded 11 basis points during the quarter to 3.44%, ahead of our expectations as both loan yields and deposit costs were better than anticipated. 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 2Q '25, we increased our margin guidance by 5 basis points to 3.50% in 4Q '25 and 3.45% for the full year, plus or minus 10 basis points. Our underlying fed rate cut, yield curve, and deposit beta assumptions remain unchanged from prior guidance. In our modeling, higher margin expectations offset the impact of moving our loan growth to the lower end of the range.

Shifting to noninterest income, we reported \$15.6M in Q1. Excluding \$144K in net benefits from notable items in Q1 and \$14.4M in net pressures in Q4, noninterest income increased to \$15.5M from \$14.1M in Q4 due primarily to normal seasonality in our insurance business, with seasonality in our mortgage business as a partial offset. Notably, with the changes in our mortgage business, as discussed in Drake's remarks, we anticipate our noninterest income run rate will be \$400K to \$500K lower on a quarterly basis,

beginning in 3Q. Our noninterest expense decreased to \$62.1M in Q1 from \$65.4M in Q4. Excluding \$2.1M of notable items in Q1 and \$3.5M in Q4, noninterest expense declined to \$60.0M from \$61.9M in Q4. While Optimize Origin efforts undertaken in Q4 benefited Q1 expense as expected, Q1 expense was better than we anticipated due to additional Optimize Origin benefits, a lower regulatory assessment base and a lower franchise tax rate among other benefits with minimal offsetting pressures. We anticipate an increase in our 2Q expense run rate compared to 1Q. However, with the anticipated changes to our mortgage business previously discussed, we expect our run rate excluding notable items to decline beginning in Q3. We are reducing our guidance for year-over-year noninterest expense to be down low single digits in 4Q '25 and flat to down slightly for the full year 2025.

Lastly, turning to capital, we note that Q1 tangible book value grew sequentially to \$32.43, the 10th consecutive quarter of linked quarter growth; and the TCE ratio ended the quarter at 10.6%, up from 10.3% in Q4. Also, as shown on Slide 25 of our investor presentation, all of our regulatory capital levels, at both the bank and holding company, remain above levels considered well-capitalized. As such, we remain confident that we have the capital flexibility to take advantage of any potential future capital deployment opportunities to drive value for our shareholders.

With that, I will turn it back to Drake.

Drake Mills

Thanks, Wally. I'm encouraged by the position our company is in and the progress we are making as we optimize Origin. With the uncertainty in the markets, we are focused on our relationships as we understand how current conditions are impacting their businesses. In my past, uncertainty has created opportunities. Origin is blessed with the strength, capacity and people to enhance profitable relationships that fit our risk profile. I sincerely thank each of you for your interest and support of Origin Bancorp. 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. 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, great. Thanks. Good morning everybody.

Drake Mills

Good morning, Matt.

Matt Olney (Stephens Inc)

I'll start on the loan growth front, and it sounds like you still have some optimism on growing loan balances. I think Lance said pipelines are building, good deposit growth in the first quarter that can fund the growth for the remainder of the year. But internally, I think you said you're now assuming the low end of your previous guidance, so kind of mid single-digit range, if I heard that right. I guess I'm curious kind of what you're hearing from your client discussions given the macro uncertainty. And just what gives you the confidence that the loan growth will improve? And then I guess the last part of the question would be around the client selection process. That's been a headwind over the last year, and Jim gave us some good numbers around that. I'm curious kind of where you are in that process. Thanks.

Lance Hall

Yeah. Hey, Matt. This is Lance. Great question. I'll start it with it, and then Drake may want to jump in kind of on the conversations he's having with clients and bankers in the market, then I'll let Jim talk about any headwinds. But yeah, so obviously, with macroeconomic and tariff questions, we went even deeper the last few weeks on trying to understand what pipelines are going to look like, and having direct conversations with a lot of key

customers and our bankers. You know, first, our bankers are really energized right now on calling efforts and relationship building. As we've talked about in the past, staying under 10B was a little more painful than I would have thought it was going to be, especially around sort of holding back on CRE. So as we kind of went around to all of our markets in Q1, doing our annual kickoffs and talking about strategic planning and goals, there's a real energy of sort of getting back out and being proactive in the markets, which is really awesome.

We spend a lot of time with the President, sort of modeling up what the next 90 days looks like, what the end of the year looks like. We are seeing pipelines building nicely. I could tell you, anecdotally, we actually saw a really nice growth in the month of March, and then we were... There were a couple of large projects in North Texas that we were projecting that would close in April that closed -- that actually paid off at the last couple days of March, which kind of pulled back our number somewhat. So as I look at our pipeline for the next quarter, it's really in line with where our budget was. Now, we're realistic too. In having these conversations, we have seen a couple of projects that have been sort of delayed or pulled back because of understanding what's going to go on with tariffs and what people are going to be looking at with costs around lumber and steel and other inputs. So I'm trying to be thoughtful around where we see growth, but to say that we are optimistic that we get back to sort of origin levels of growth in the near term is something I firmly believe in.

Drake Mills

Tim, this is Drake. As you know, I spend a tremendous amount of time in the markets, in front of our clients. Our relationship managers quarterly publish their handle experiences with how business is going, how tariffs are impacting business, and it's been pretty interesting. As I summarize the last quarter of visits, information and evidence of what is going on the markets, it would tell you, by just listening to external sources, that uncertainty has certainly been negative. But as I put this together, and it's difficult to sit here and say I'm optimistic. But truly, when you look at the data and you look at the information that I have, there is opportunity. And it does give us the belief that because of our footprint, because of our customer base and type of projects we're looking at, that we can get to the level of growth that -- where we might be looking at the low end of that level. Now, we still feel pretty confident we can get there.

Jim Crotwell

Matt, this is Jim. Good morning. As to our client selection project, I think it's going really, really well, as you heard me say that we've now exited about 200M. And I would say we're probably in the seventh inning, getting into the seventh inning stretch on that project. So have a little bit more that we will be focused on, but feel very, very pleased of what we've accomplished to date.

Matt Olney (Stephens Inc)

Okay, great. Well, appreciate all the commentary on the loan growth question, and then I guess moving over to the optimized origin discussion. I think last time in January, we discussed annualized benefits around \$20M and now we move this up to \$23M. Great to see this. Just would love to hear any discussion about how much of this incremental savings would drop to the bottom line versus how much of the incremental savings that we're seeing would be just reinvested to the platform.

Wally Wallace

Hey, Matt. I think you can look at our guidance for the fourth quarter. Year over year, expense run rate to be down the low single digits range, which is a better guide than what we gave last quarter to get a sense of how much we think flows through. We are being extraordinary, extraordinarily thoughtful on every incremental dollar that we invest, and I think you can see in our guide that we anticipate pulling a decent portion of that down to the bottom line. But we are not going to pull back on investment opportunities that come our way from the standpoint of good hires, good technology spend, et cetera. So we're being very cognizant not to cut to the bone, but to trim.

Matt Olney (Stephens Inc)

Yeah. Okay, thanks for that, Wally. And then maybe just another one for Wally, and may become a tag team with Lance, the interest bearing deposit costs. We saw a really nice move. Lower in the first quarter, which is great to see. Would love just to hear your overall take on deposit pricing competition in the markets. How much pushback did you get from the customers as you brought down those deposit costs? Any surprises? And then I think

the cumulative beta on your deposits, interest bearing deposits. So far, in the cycle, it's now close to 80%. I think the guidance still assumes two more rate cuts the back half of the year. Would love to hear just kind of your assumptions and thoughts about those betas in the back half of the year.

Lance Hall

Yeah, yeah. I'll take the narrative part first. It's been interesting, Matt. I think we've done a really good job of communicating with our customers and our value proposition and walking through this. The presidents have been really proactive. I will say that I've been somewhat surprised in the competition. We have seen, even in the last two weeks, some TD specials in our markets that are dramatically higher than I would have thought. You know, we're really focused kind of on our – on the money market business and sort of how that we can operate there, so we've been able to do this very effectively. I'm obviously mindful of what competition is doing but we're also mindful of projected rate cuts, and want to make sure we get ahead of that from a deposit cost perspective. So this is something we're continuing to really push hard on, and making sure we're positioned, hopefully aligned with and maybe even prior to the next rate cut.

Wally Wallace

And Matt, I'll just add on the beta side. For our modeling right now where we discuss two rate cuts modeled, we still assume our historical betas hold. When we look at various rate scenarios where perhaps there's more cuts than we have in our models, we do tend to ratchet down our beta assumptions with the assumption that you know, as we get further in the cycle, there's going to be less, for lack of a better term, low hanging fruit on the deposit beta side. That said, you'll note that, you know, even though we, in our own modeling, took our loan growth assumptions down to the lower end of the guided range, we took our net interest margin guidance up. And I would just say that, you know, if we don't have as much stress on the liquidity front, then that gives us more opportunity to manage on the cost side. If we are seeing loan growth come in, you know, towards the higher end of the range, that could create, you know, a need to bring in more deposits at higher costs so perhaps the NIM comes slightly lower than our models. However, net net, the net interest income expectations still increase in that scenario. So we feel pretty good about the deposit betas, and we try to be cognizant of the puts and takes on that relative to fed cuts and loan growth.

Matt Olney (Stephens Inc)

Yeah, okay. Makes sense, Wally. Appreciate that. That's it for me, guys, I'll step back. Thank you.

Evercall Moderator

Thank you, Matt. Our next question comes from Tim, with Raymond James. Tim, your line is open. You may proceed.

Tim Mitchell (Raymond James)

Hey, good morning, everyone. Thanks for taking my questions. Just want to follow up on loan growth and just your thoughts on payoffs and commercial real estate, and it declined a little bit this quarter. We've heard from some other banks that customers are maybe thinking about extending loans and for a year or so, just given the expectation for rate cuts and such. Just curious how that's contemplated in your outlook and any thoughts or -- you have there.

Lance Hall

Yeah, it's interesting. And kind of in the conversations, as you understand, it's just the uncertainty from a macro level does give pause to customers, but it really is kind of industry specific. So we were kind of looking at, you know, revolvers, looking at what we're seeing in sort of project timelines. We've seen a little bit more utilization in our C&I operating lines, and we're actually starting to hear some C&I clients talk about potential inventory builds to get ahead of projected cost increases on their inputs, which is interesting. And again, it really kind of depends on the industry, on what they're thinking about projects. So while we've had a few talk about delaying and pulling back, we've actually had some anecdotal evidence from others that some larger projects are full on board, so little bit of a mixed bag right now. Luckily for us, our footprint is such an advantage for us and that there's still so much migration into Texas and the Southeast that those two specifically kind of continue to create opportunity just from gains of people

moving in, gains of economic growth.

Tim Mitchell (Raymond James)

Got it. And then if you just give us an update on the hiring efforts. Any opportunities you're seeing? And then you know, any update to the Panhandle, South Alabama team and, you know, how they're progressing and any updated expectations for them this year?

Lance Hall

Yeah, be glad to. So obviously, strategic hires, whether you turn that lift outs or individuals, is one of the key strategic drivers of origin. It's been that way for 20 years. We build our foundation and our geographic management model so that we could take advantage of any dislocation or opportunities. So we are actively looking at hiring of really productive commercial bankers specifically with C&I backgrounds and banking teams. So for us, you know, we have reduced our REM head count pretty significantly over the last year through Optimize. That was never the intention of simply just reducing that expense. It was creating capacity so that we could reduce low performers and reinvest into high banking teams.

So we are actively having conversations, North Texas specifically, and then our Houston team has been doing an amazing job. I mean, the numbers coming out of Houston have been spectacular. They have been the leader for us on both the loans and deposit sides. They actually have the lowest deposit costs right aligned with Louisiana, so super pleased where we are there. Nate and his team in the southeast are producing right in line with what they thought from a budget perspective. We're expecting nice growth in the second half of the year from them. We've got a really strong pipeline in the southeast. Drake spent a lot of time down in Mobile a few weeks ago and understanding the impact that the port is having, the impact that migration into Alabama and Florida is having, and I would say we're more bullish on that decision we made in the southeast today than we even were a year ago.

Tim Mitchell (Raymond James)

It's great to hear. And one last one on fees and the reduced outlook. Obviously, mortgage

lost some pressure this quarter, but the swap income was actually up pretty nicely. Just any thoughts around those two items and the drivers of the reduced outlook?

Wally Wallace

Yeah, so you probably saw on the – in the earnings release and heard in Drake's commentary that we've restructured our Mortgage segment, and the new model will result in a meaningfully lower expense space. But with that, we also will have some pressure on the revenue side of the equation. That's the biggest driver of the change in the guidance. You did mention the swap income. That's part of an initiative around optimized origin. We've really been focusing on that aspect of our business, and we feel like there could be some opportunity there. Hopefully, we're conservative in our guidance on that side. And then also, you'll note that we did have some pressures in the first quarter around some of our LP investments. So assuming that that's more one time in nature, there are some tailwinds to offset the headwinds that come with the mortgage restructuring on the revenue side.

Tim Mitchell (Raymond James)

Got it. All right. Thanks for taking my questions.

Drake Mills

Tim, thank you.

Evercall Moderator

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

Mark Shutley (KBW)

Hey guys, good morning.

Drake Mills

Good morning, Mark.

Mark Shutley (KBW)

Yes. You noted that obviously there's been some pent-up demand and that bankers are energized, pipelines look strong. But if these sort of macro headwinds to growth remain in the industry, does that change how you guys think about the \$10B threshold and potentially crossing that this year?

Drake Mills

Yeah, we have ongoing conversations around crossing that, that threshold. But, you know, for us, it's- we- I think we have purposely created the environment to go over \$10B. I would say that if we do see significant negative impact to markets and we see pullbacks and lack of growth and we are sitting close to that line in the end of the fourth quarter, it definitely makes sense for us to pull back and not cross that line. But our intentions are, as we speak, to continue to drive with an optimistic approach that we'll see growth, and what we expect these pipelines to do will actually happen. So it's – again, it's teetering, but it's time for us to move forward and grow and unless the wheels come off of it, I expect that's what's going to happen.

Mark Shutley (KBW)

Yep, that makes sense. And so I guess switching gears, I know organic growth is the focus, but capital is strong. Is there any interest in using the share buyback at these levels?

Drake Mills

Absolutely. I think it's a bargain as we speak, and I'm confident in it, and I think you'll see some activity. We also – and I want to remind you that we have opportunities to utilize

capital with a call of sub debt in November that's about 75M, so we'll be planning on heading that direction. That's extremely helpful to the run rate so that's going to be a utilization of capital also, but expect to see some repurchase activity.

Mark Shutley (KBW)

Got it. Thanks. That's it for me, guys. Appreciate it.

Drake Mills

Thank you.

Evercall Moderator

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

Manuel Navas (D.A. Davidson & Co)

Hey, I appreciate the commentary on competition on the deposit side. Maybe you said it, but how are you seeing new loan yields come in? And is there any change on competition, on the lending side, on the pricing?

Lance Hall

Yeah, I'll say and maybe Wally could see it from his chair, but I've been real pleased with where we're seeing loan yields. It's still versus everything come in kind of the 7.3 to 7.5 range. I haven't seen banks acting crazy in that regard so it's been more a little bit on the deposit side that's – I've scratched my head on so I've been pleased with where our bankers are and where our competition is on loan yields.

Manuel Navas (D.A. Davidson & Co)

In the commentary before on the deposit side, that was more CDs not in your – not in the money market side? Was that the key differentiator there?

Lance Hall

Yeah, Jeff. What we've been seeing from a competition perspective has been marketing Texas and North Louisiana, Mississippi, really on the CD side and then I'll say I'm just from an Origin perspective, I'm really pleased with what we've done on the deposit side. I think it's masked a little bit with the way that we've shifted the mix. I mean, if you look at – NIBs have been relatively flat. But if you look at money market and demand for us, year-over-year, the last 12 months, we've actually grown our deposits in those areas by about \$550M, which has then been a direct offset to reducing broker deposits by \$550M. So that – you know, that's been a nice lift to help on deposit costs, but really just to focus on relationships and position in our balance sheet in a better way.

Manuel Navas (D.A. Davidson & Co)

Okay, appreciate that. On a somewhat different topic, the to-be-decided pieces of the optimized Origin initiative, can you kind of give updates there around Argent, the third-party benchmarking?

Lance Hall

Yeah, sure will. Thank you. Yeah. So as we talked about the levers last time, obviously it was mortgage one. And obviously we're – you know, we've announced that internally to our people this week that that'll be a significant reduction in expense as we change in what we're going to call a community mortgage partnership model and really sort of taking the fixed price of the manufacturing process out of the mortgage business on our end, really supporting our MLOs, enhancing our private banking delivery, but really – and also supporting our communities that need a mortgage but do it in a much more efficient and effective way. Number two is Argent. We are at 19.5% ownership in that regional wealth firm. They get an annual valuation on their share price from a third party. We're expecting that in the next two weeks. My anticipation would be that that valuation would trigger some potential sellers that would give us the opportunity at that point to get above

20%. So my expectation would be that's something that we'll be talking about in the next quarter, which is really exciting, based on their trajectory. They're doing a really good job of growing assets, seeing nice trends, and their EBITDA growth and their revenue growth. So really continue to be really optimistic on what Argent is doing in our partnership there. And then we continue to work with our third-party consultant on efficiency and process management projects. We've identified a few first steps that we're working through. We think there's going to be some meaningful results that come out of there, both on the revenue side when it comes to cards and treasury as well as the efficiencies on some process improvement. So we continue to focus very – look very closely at all those opportunities as we really, really push in this optimize.

Manuel Navas (D.A. Davidson & Co)

That's really helpful. Just briefly on the – on – if you – know there's a lot of uncertainty here, nothing is guaranteed. But if you were able to get Argent above that 20% level, that should benefit fees. Is that in your guidance at the moment?

Wally Wallace

We're not putting anything that we haven't quantified in the guide, and so no.

Manuel Navas (D.A. Davidson & Co)

Okay, I appreciate that. Thank you very much.

Evercall Moderator

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

Drake Mills

You know, as a CEO, you would think that it would be difficult to remain optimistic with

the level of uncertainty and volatility in the markets. But as I said earlier, as I visit our customers to get the insights into their business, as I witness our progress in enhancing our culture and our performance, when I see the level of commitment by our employees to perform with energy and optimism, it reinforces that uncertainty creates opportunity if you're in a position to take advantage of the market, and we are in position to do just that. Historically, we've experienced our best growth during these times, I think, back to 2008 and through those years. So I am remaining optimistic. I do think that our client base, I think our footprint, are positives as we move forward. I appreciate your time today. I appreciate your interest and support in Origin, and I look forward to seeing each of you in the future. Thank you.

Evercall Moderator

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