Origin Bancorp, Inc. Third Quarter 2026 Earnings Call - Transcript

Transcribed By:

FINSIGHT
530 7th Avenue
New York, NY 10018

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Evercall Moderator

Good day and welcome to the Origin Bancorp, Inc. Third Quarter 2026 Earnings Call. My name is Gen and I'll be your Evercall coordinator. The format of the call includes prepared remarks from the company followed by a Q&A session. Please note that all attendees will be on a listen-only mode until the Q&A portion of the call.

At this time, I will turn the call over to Chris Riegelman of Origin Bancorp. You may now begin.

Chris Reigelman (Origin Bancorp)

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 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 and our slide presentation and the earnings release.

I'm joined this morning by Origin Bank Corp'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 Brawley and our Chief Credit and Banking Officer Preston Moore.

After the presentation, we'll be happy to address any questions you may have. Drake, the call is yours.

Drake Mills (Origin Bancorp)

Thanks, Chris, and thanks for being with us this morning. This quarter's results are a direct reflection of our team's deep commitment to optimize Origin and how we are transforming our company. We reported record net interest income, record net interest margin, record net income, and record EPS, all while continuing to grow our franchise and maintain discipline in how we manage risk and deploy capital. I'm proud of our team and the consistency of their execution. What encourages me most is that our progress has become more consistent. It is deeply embedded in the way we operate. Optimized Origin influences the decisions we make every day, from the relationships we pursue to the investments we make in our people and our business. We are building a company that can deliver stronger performance over time, not simply a better quarter. We are performing well ahead of our near term ROA objective we established at the beginning of the year. Our ultimate target remains becoming a top quartile ROA performer.

The results we are producing and our disciplined approach give us confidence as we continue working towards our long term objective. There are countless opportunities across our dynamic markets. Our culture, our bankers, and our footprint position us to compete for high quality relationships and high quality bankers. We will remain selective and intentional as we pursue each opportunity. Growth must strengthen the

franchise and support the long term returns we expect to deliver.

As we finish the year, our priorities remain clear: execute on Optimized Origin, invest strategically, maintain our credit discipline, and appropriately deploy capital. We are encouraged by our progress to remain focused on achieving our goals.

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

Lance Hall (Origin Bancorp)

Thanks and good morning. As Drake mentioned, we are very encouraged by our third quarter performance and the progress we continue to make across Origin. What excites me the most is not simply the financial results, but what these results signify about the evolution of our company. Optimize Origin has fundamentally changed how we manage our balance sheet, price risk, allocate capital, and evaluate relationship profitability.

Those disciplines are translating into stronger financial performance and greater productivity. More importantly, they are establishing the foundation of our next phase of profitable organic growth. Our focus now is to build on that foundation by creating a more productive, diversified, and valuable banking franchise. That is the continued evolution of Optimized Origin. We're continuing to improve the data and insights available to our bankers to allow us to be more intentional in our client selection, the opportunities we invest in, and the returns we generate. We believe this discipline is becoming an important part of how we operate and over time an increasingly meaningful competitive advantage.

At the same time, the generational disruption taking place across our footprint continues to create significant client and banker opportunities for Origin. Our culture combined with our geographic delivery model positions us well to attract exceptional bankers. We believe our ability to combine empowered local delivery with the capabilities and resources of a larger organization is a meaningful differentiator in the markets we serve.

Our lift out strategy is producing results, including our recent expansion into Birmingham. We believe these opportunities represent attractive investments in the future of our company. Our loan growth reflects the combination of opportunity and discipline. Year to date, we have grown loans by $512M excluding mortgage warehouse.

This growth has been driven by our Texas markets, which have grown $350M year to date, and the Southeast, which has grown $133M year to date. We continue to be very intentional in our client selection, pricing, and relationship profitability expectations. We have no interest in pursuing growth for growth's sake. This discipline is reflected in the 76 basis point improvement in our net interest margin over the past two years.

I'm equally encouraged by what we're seeing on the deposit side. Average deposits increased $221M during the quarter, including approximately $80M of growth in average non-interest bearing deposits. While these results are encouraging, I believe account opening trends provide an even deeper perspective on the progress we're making in acquiring new relationships. We discussed last quarter how account openings accelerated in the first half of 2026. With another quarter of data, we continue to see meaningful activity across our footprint. Through September, total deposit account openings increased 39% year over year in Mississippi, 23% in Houston, and 21% in East Texas. Even more encouraging, non-interest bearing account openings increased 69% in Mississippi, 28% in East Texas, and 23% in Houston over that same nine-month period. To me, these numbers are important because they help us understand what is happening beyond the period in the balance sheet. Account openings are an important leading indicator of client acquisition and the opportunity to deepen those relationships over time.

We also see encouraging evidence of our ability to deepen these relationships and expand the services we provide. Treasury management revenue has increased 20% year over year, reflecting the continued progress in a business that we believe represents a meaningful long-term growth opportunity for Origin. This is important because of Origin's strategic focus on CNI clients. Our investments in Treasury management strengthen our value proposition for our commercial clients while creating opportunities for recurring fee revenue, deeper relationships, and primary operating accounts. Our objective is to increase the number of clients who view Origin as their primary financial partner, deepen these relationships, and create a more durable and valuable franchise.

Inside Origin, we have developed a performance optimization partners group of executives and leaders directly tasked with improving our operating model. This team is incorporating Lean 6 Sigma principles to unlock embedded economic value within our organization through process improvement, friction removal, enhanced speed of delivery, and automation opportunities. This should ultimately improve banker capacity and productivity. They are working across our markets and departments to redirect capacity toward higher valued activities, accelerate revenue opportunities, and create

an organization that we can grow more efficiently without a proportional increase in expenses. We believe this discipline will be an important driver of sustainable operating leverage, improved profitability, and long-term franchise value.

As we look forward, technology, artificial intelligence, and data will be critical to the next phase of Optimized Origin. We're focused on several key initiatives directly tied to desired business outcomes. Improving the speed and quality of decisions, operational efficiency, and providing our bankers with information so they can spend more time creating value for their clients. The addition of Brad Waldolf as Origin's Chief Innovation and Technology Officer has strengthened our ability to prioritize these initiatives and align technology investments with our broader business strategy. We are being intentional about the prioritization and timing of strategic investments with a focus on measurable improvements in productivity, client experience, and financial performance.

Finally, I want to come back to something that remains foundational to our strategy, our culture. I have a deep belief that Origin has the opportunity to be exceptional in both our financial performance and our culture. And increasingly, I believe these two objectives to be inseparable. Our culture has become a competitive advantage in attracting and hiring exceptional bankers. Using culture in our talent acquisition strategy helps drive more durable growth and performance. The Glint results we discussed last quarter are one reflection of that commitment. But I see it more broadly in the passion of our employees, the quality of the bankers who want to join our team, and the relationships we are building across our markets. Our culture is not separate from our financial objectives. It is an important part of the operating model that supports them. When I think about the future of Origin, I see a company where disciplined financial management, exceptional talent, local delivery, data-driven decision-making, and technology-enabled productivity all reinforce one another. Our ambition is not simply to become a better performing bank. It is to build a better banking model. We have made meaningful progress and I'm very optimistic about what we can accomplish. Optimize Origin is driving discipline as a catalyst for improving franchise value.

With that, I'll turn it over to Jim.

Jim Crotwell (Origin Bancorp)

Thanks Lance. Credit remained sound during the third quarter of 2026. Total past dues, 30 to 89 days and accruing, were 0.13% of total loans as of quarter end and are in line

with levels reported over the past year. Net charge-offs for the quarter were $2.7M. As shared last quarter, net charge-offs in Q2 benefited from recoveries totaling $2M versus $563K in recoveries for Q3. On a percentage basis, annualized net charge-offs for the quarter were 0.13% and 0.10% of average loans year-to-date.

We are very pleased to report a continued reduction in nonperforming assets which decreased $4.2M and as a percentage of total loans decreased to 0.93%. This represents the lowest level over the past five quarters. Classified assets increased moderately to 1.84% of total loans in line with levels reported in Q3 last year and below levels reported earlier this year. The $4.3M increase was primarily driven by the downgrade of five relationships, offset by balance reductions in five relationships.

For the quarter, our allowance for credit losses increased $190K to $98.4M. On a percentage basis to total loans net a mortgage warehouse, our allowance is 1.27%, down from 1.30% the prior quarter. As in recent quarters, we did not experience any significant changes in our CECL model assumptions, with the primary drivers of the reserve for Q3 being $6.1M in required reserve related to new loan production, partially offset by $3.9M in reserve release related to credit migration, including payoffs.

As the total ADC and CRE and as we have shared on previous calls, 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 57% for ADC and 242% for CRE. Overall, we continue to be pleased with the sound credit performance of our portfolio.

I now turn it over to Wally.

Wally Wallace (Origin Bancorp)

Thanks, Jim, and good morning everyone. Turning to our financial highlights, as Drake mentioned in Q3, we reported record diluted earnings per share of $1.22. Record net income of $37.8M drove a return on average assets of 1.47%. As you can see on slide 26, notable items were a net benefit of $2.1M during the quarter, resulting in a benefit to EPS of $0.05. Excluding these notable items, pre-tax pre-provision earnings were $49.6M and drove a pre-tax pre-provision ROA of 1.93%, also a record.

On the balance sheet side, loans grew 0.3% sequentially and 2.3% when excluding mortgage warehouse. Total deposits declined 0.3% during the quarter while average

total deposits grew 2.6%. While non-interest bearing deposits declined 3.7% sequentially, they were up 3.8% on an average basis, ending the quarter at 25% of total deposits on both a period and average basis.

Moving forward, we are currently targeting loan growth of high single digits for the year, and we continue to target deposit growth in the mid to high single digits for the year. Turning to the income statement, net interest margin expanded two basis points during the quarter to 3.94%, in line with our expectations. Moving forward, we have included an expectation of one additional 25 basis point Fed rate hike in December in our forecast. And combined with the impact of September's hike, we expect margin expansion to 4% in Q4 plus or minus five basis points. Combined with our balance sheet growth expectations, we now anticipate net interest income growth in the low double digits for the year. Shifting to non-interest income, we reported $18.1M in Q3. Excluding notable items, non-interest income increased to $18.0M from $15.4M in Q2, essentially in line with our expectations. We now expect full year non-interest income growth to be in the low single digits. We reported non-interest expense of $62.5M in Q3. Excluding $0.9M in net benefit from notable items in Q3 and $0.1M in net expense in Q2, non-interest expense decreased to $63.3M from $64.3M in Q2, better than our expectations.

While our expense growth outlook remains mid-single digit growth for the year, we are generally seeing lower non-interest expense growth than originally anticipated for the second half of the year. A portion of that reflects our decision to pause certain planned technology spend to allow our new chief technology and innovation officer to lead future investment decisions. We still expect these investments to occur, though generally this spend is slipping into 2027. This is a timing consideration, not a change in our commitment to invest in the franchise.

Due to the strength in our core trends this year, we are increasing our pre-tax pre-provision ROA outlook to greater than 1.85% in the fourth quarter and greater than 1.75% for the full year. Lastly, turning to capital, we note that the TCE ratio ended the quarter flat from Q2 at 11.1%. Though increased AOCI losses were the primary driver of a slight decline in our tangible book value per share to $36.14 from $36.37 during Q3, we also repurchased 272,927 shares at an average price of $54.21 while maintaining all regulatory capital ratios above levels considered well-capitalized. Furthermore, we announced yesterday the board's approval of an increase in our quarterly dividend from $0.25 to $0.28. This is the second quarterly dividend increase this year, and we believe this decision, combined with our continued share repurchases, is a reflection of both the strength in our capital levels and a more consistent earnings stream to support dividend

payout levels closer to peers. With that, I'll turn it back to Drake.

Drake Mills (Origin Bancorp)

Thanks, Wally. When I step back and look at the progress we've made this year, I see a team that is delivering on the commitments we've made. We are producing higher levels of profitability, growing relationships, and being intentional about how we invest in the future of Origin. That is the balance we set out to achieve through Optimize Origin. Strong financial performance and strong culture have to reinforce each other. We believe the way we serve our clients, support our bankers, and make decisions across the company is what will allow us to sustain this progress. Hey, I'm proud of these results, but I'm just as focused on the opportunity ahead.

Becoming a top quartile RA performer will require continued discipline in how we grow, how we manage risk, and how we allocate capital. Our results since announcing Optimized Origin reflect that we have rebuilt the foundation of this company with discipline being the cornerstone of that foundation. Our team has demonstrated what we can accomplish with a clear strategy and consistent execution. I'm extremely confident in our future and in our ability to create long-term value for our shareholders. Thanks for being on the call today. We'll open it up for questions.

Evercall Moderator

Thank you, team. And at this time, we will conduct the Q&A session. If you would like to ask a question, please press * 1 on your telephone keypad to enter the queue, or if you've joined via web, that's a raise hand icon on the right side of your Deal Roadshow screen. We will pause here briefly to allow any questions to generate.

And our first question is from Matt at Stephens. Your line is open, you may proceed.

Matt Olney (Stephens)

Hey, thanks. Good morning, guys. I appreciate you taking my questions here. On the

loan growth front, it's great to see the strong growth in the third quarter and I appreciate the updated guidance now calls for the high single digit loan growth for the full year. Do you feel like you have the parts in place to sustain this type of loan growth in the '27, or the number of items just line up well to help contribute to the high single digit loan growth for the year? Just trying to appreciate how much of this growth is from new hires and disruption, and how sustainable this is in the next year. Thanks.

Lance Hall (Origin Bancorp)

Yeah. Hey, Matt, thanks. This is Lance. Great question. No, I think we're just actually building momentum on it. The markets are responding great. The pipelines look consistent as they have the last few quarters. To your point, if we've done, I think, $512M year-to-date of that, only $82.5M is from new hires. I mean, we're working through the non-solicitations, continuing to get them ramped up. We think that'll be a giant tailwind as we go into 2027, which we think will have similar growth next year as we did this year.

Matt Olney (Stephens)

OK, thanks for that, Lance. And then I guess switching over to the net interest margin, it sounds like you're feeling good about continued positive trends in the NIM in the fourth quarter. Any more color you can share with respect to deposit beta assumptions with higher rates and then just repricing, earning assets higher, in the fourth quarter but also in the 27th? Thanks.

Wally Wallace (Origin Bancorp)

Thanks. Hey, Matt. It’s Wally. So, I guess the way to think about it is this. So, about 54% of our loan portfolio floats. So those will re-price up over the month after a Fed move. That's an immediate benefit. The deposit pricing tends to lag, so we'll get more benefit earlier in the, you know, say, one to four months after a Fed move from loans, then we will pressure from deposits. If you look at the prior two rate cycles, our cumulative deposit beta on the prior rate cycle down was 70%. And on the cycle prior to that, when rates were going up, our cumulative beta was 55%. So, hopefully, you know, our deposit

betas will track better than where they did on the prior rate up cycle. And I imagine that will definitely be the case with the first, you know, one or two moves from the Fed.

That said, we are clearly seeing competitive pricing pressures in our markets. So, that's going to be the big unknown, you know, we will price our deposits to markets, especially as we need to bring new customers into the bank to fund the growth machine that we have in place today. So, the guidance that you see right now kind of considers all of that. If we get another Fed hike in, which we put in in our model in December, I think you might expect to see another nice little boost to margin. But we're kind of thinking more stable just to account for the competitive pressures that we're seeing in our markets. So we're thinking, you know, 405-ish, and, you know, we'll see if our markets can beat us.

Matt Olney (Stephens)

Got it. OK. Thanks for all the commentary. Congrats on the results. I'll step back.

Evercall Moderator

Thank you, Matt. Our next question is from Woody at KBW. Your line is open.

Woody Lee (Keefe, Bruyette, & Woods (KBW))

Hey, good morning, guys.

Drake Mills (Origin Bancorp)

Morning, Woody.

Woody Lee (Keefe, Bruyette, & Woods (KBW))

Maybe a follow up on the net interest margin, you know, it's great that it's great to hear

that we could potentially see a 4% margin next quarter. As I think about in the 2027, and, you know, it sounds like tailwinds of growth, growth will remain strong. At what point does the margin, you know, get to the point where you have to start thinking about trading margin for overall NII growth?

Wally Wallace (Origin Bancorp)

So, Woody, between now and the end of next year, we have about $700M of fixed-rate loans that will be repricing. The average yield on those is in the high fours. In September, our new loans were coming on around $660. And, obviously, with the hike late in the month, we would expect some additional tailwind there. So we've got some nice tailwinds from loan and asset repricing. But again, you know, there are pricing pressures. So, we don't want to be ignorant of what those could do to our net interest margin. So I'm kind of being obtuse in the answer because we just don't know, you know, how much these pressures, if they will intensify or not.

Lance Hall (Origin Bancorp)

Yeah, hey, Woody. This is Lance. I'm going to jump in. That's a really good question you asked. We actually had this conversation around the exact table the other day about balancing NII and NIM, where we sit today. I could tell you there's a tremendous amount of competition on pricing both on the loan and deposit side of our market, but I think that is the benefit of two things for us, our footprint, how strong the economic growth is in Dallas and Houston. But also the investments we're making in the Southeast, how much growth we're expecting out of there as they're pulling over clients. So for us, even with the growth that we've had, we're passing on lots of deals that just don't make sense from a discipline perspective on pricing. And so I think the investment that we've made in people will allow us to drive over and still have a strong NIM for next year.

Woody Lee (Keefe, Bruyette, & Woods (KBW))

Yeah, no, I appreciate all the color there, and maybe just on overall positive operating leverage it was great to hear you all so upbeat about that continued '27. At the same

time, you called out that there will be some catch up on some tech investments that were delayed a little bit when you think about the positive operating leverage in light of those investments. Are you able to offset it mainly on the expense side? Is it coming from the revenue side? Any color there would be great.

Lance Hall (Origin Bancorp)

Yeah, I think going back to a lot of it's being paid for by what we did to Optimize Origin. So when we went through all the expense reductions we did around, you know, mortgage and low performers and branch consolidations, I mean it was really building a war chest of money to invest in future revenue streams and future technology. We're working through budget right now for next year and as we think about everything from, you know, desktop and network modernization to AI use cases around. Call center and fraud prevention and streamlining our account. I mean our lending analysis spreads, everything that we're kind of focused on to create efficiency and a banker capacity, we're making sure that we're doing that and still capturing that ROA ramp that we've been telling the market.

Wally Wallace (Origin Bancorp)

Yeah, and Woody, if you look at the first half of the year on our non-interest expense run rate, year over year, we were up about 5% in the first and second quarter. In the third quarter, we were up 3.8%. So what you're seeing is the benefit of some of the stuff that we're doing behind the scenes related to Optimized Origin like Lance mentioned. Our intention coming into the year was to reinvest those savings into technology and other ways to make us more efficient. That is still our intention, but we hired a new chief, innovation and technology officer, and, we wanted to make sure that he had input on all of the technology investments we're making. So, we're still going to make those. So you'll see some of that expense shift in the early 2027 where you could actually see a little bit of an elevated year over year expense compare. So, you know, that's kind of the point we were trying to get across. I don't want you to get, I don't want you to run 4% when we've been talking about the investments we're making into the franchise supported by all of the investments that we made on the lending side and the growth that we're getting from the portfolio there. So we still do expect leverage that we will manage our spend to make sure we get positive leverage.

Woody Lee (Keefe, Bruyette, & Woods (KBW))

Yeah, no, that, that makes total sense. All right, well, that's all for me. Thanks for taking the questions and congrats on the really strong quarter.

Drake Mills (Origin Bancorp)

Thank you, Woody.

Evercall Moderator

Thank you, Woody. Our next question is from Michael at Raymond James. You may now proceed.

Michael Rose (Raymond James & Associates Inc (Raymond James))

Hey, good morning, guys. Thanks for taking my questions. I wanted to touch on deposits. I saw you guys reiterated the outlook for the year, despite some modest declines in third quarter period imbalances. Can you just kind of describe what we should think about for the fourth quarter? And then as we kind contemplate next year, you know, is the thought process to, you know, the best you can, in the context of the NII versus margin discussion earlier, try to match, you know, loan growth with deposit growth? Thanks.

Lance Hall (Origin Bancorp)

Yeah, hey, good morning. This is Lance. Yeah, I'll talk about deposits just for a second. That was a little bit of a unique week. We ended up having a really large deposit from our argent partner come in at the very end of the quarter and flow right back out. So, from a point to point, it was a little misleading if you look at averages. I think we had about $220M in deposit growth on an average, about $80M in NIB growth on average.

Then, actually, if you go back and look year-to-date, we've actually had about $160M on average NIB deposit growth, which is like 8%, so it's been really solid.

I feel really good about the deposit franchise and how that's continuing to grow to fund our loan opportunities. Q4 is always a nice funding increase for us because of, you know, the historic public funds we have here, you know, being in North Louisiana for over 100 years and so, you know, we'll see, you know, a couple $100M in increase just in public funds which and we'll kind of keep about 30% of that that sticks and some of it kind of rolls back out back in Q2 next year.

So feeling really positive about that even across all of our markets. Houston has been spectacular this year, positive on increases in NIBs and money markets, and we continue just to see dramatic increases in our new client acquisition. I commented on some of the ratios we were seeing on new account openings. This location has just been incredible fuel for us across all of our markets. We're seeing it very strong in Mississippi, very strong in East Texas, just a great, great opportunity for us right now.

Michael Rose (Raymond James & Associates Inc (Raymond James))

Thanks, Lance. I appreciate the color. Just maybe one follow-up kind of stepping back for Drake. I mean, I certainly appreciate the raised pre-tax prep provision ROA, you know, guidance. Just as we think about the intermediate term, kind of everything that you've been through over the past couple of years and kind of where we are today, which is in a great place, how do you kind of think about that in the intermediate term that target? Because, obviously, you're going to continue to invest in the franchise and you want to continue to grow, so just how should we think about that ROA, pre-tax level, you know, kind of in the intermediate term?

Drake Mills (Origin Bancorp)

Oh, you know, obviously I hate to use this analogy, but that's our North Star at this point. So everything that we do as a group, you know, Michael's been wonderful to work with these markets because what's been instilled to Optimized Origin is a level of discipline from pricing from customer selection to a number of things that has the

ultimate prize in view. That it's understood through every individual that works in this organization that our decisions are not going to be compromised by the fact that we have these ROA targets out there. We are ahead of those ROA targets, but in reality, as we start focusing on how we can improve efficiency through these investments, each one of those decisions are going to be based upon exactly the return of those decisions and how it's going to help us continue to improve ROA to get to that upper quartile goal that we have, and we are so focused on that that we're not willing to compromise that for gross's sake, for anything else. I think what impresses me most about what we're being able to accomplish today and as you say, intermediate term, is that each decision we're making is so focused on what the return is. We have passed on so many credit decisions recently, or credit opportunities I should say, because they just didn't make sense. The return wasn't there going into a period of potential volatility and let's say credit normalization. We're just not willing to risk, you know, those resources without optimal return.

So I would have to say that those targets are in view; they're in position, and we're not going to compromise those for decisions. We think that we can still maintain because of the markets, we're in the strength of the markets, the footprint, the lift out opportunities we have, the capacity we have, we can still maintain that upper single digit growth, but yet do it in a form that's going to add to return. Sorry for the long dissertation, but you know, in my world we have to perform. We have to deliver on what we've promised and everyone in this organization understands that. So we are on target. We're going to remain on target. There are opportunities we have within. There's so much revenue enhancement opportunity through our benchmarking process we're going through. So Optimize Origin, as I've always said, there's not a finishing date. This is a cultural change in performance and how we think about things.

Michael Rose (Raymond James & Associates Inc)

Drake, I appreciate all those thoughts. Makes total sense. Thank you so much. I'll step back.

Evercall Moderator

Thank you, Michael. Our next question is from Stephen at Piper Sandler. You may now

proceed.

Stephen Scouten (Piper Sandler & Co)

Yeah, good morning, everyone. Appreciate the time this morning. I guess maybe just going back to the NIM for one second, I mean, y'all's margin now is higher than. All but maybe one bank that I have is kind of your peer group and it looks like that's largely led by stronger loan yields. I guess the question would be, are spreads holding currently and kind of on new production and marginal cost of deposits and do you think that 4% in them is sustainable at this point longer term?

Wally Wallace (Origin Bancorp)

So, I would tell you that, there is pressure on spreads on loan pricing and on deposit pricing. It is there. It is clear, but remember, 55% of our loan portfolio floats. So when the Fed hikes, we benefit from all of the loans that we priced in the past. Right now, every decision we make is made through the lens of pricing discipline. We're not going to discipline ourselves out of the market, but we are going to make decisions that are strong and will drive bottom-line performance. In our modeling, we are with bottled, we think are relatively conservative expectations on pressures on both the deposit and loan pricing side of the market. We are holding them around that 4% level, but if the market, if the pressures increased, you know, again, we're not going to discipline ourselves out of the market. So, I don't want to say that it's impossible for us to drop below 4%. I mean, we haven't been over 4%. So, we will be very aware of what's happening in the market and we will make decisions that are smart decisions to make for the bottom line right now, that 4% NEM range holds.

Stephen Scouten (Piper Sandler & Co)

Great, that's very helpful, Wally. You guys talked a little bit about new hires last quarter and said, you know, probably the pace that you've seen in the first half wouldn't replicate in the second half. Kinda want to think more about 2027 and kind of how you're thinking about further investments and talent if that's needed, or desired. It sounds like there's still a huge opportunity there. Kind of how can we think about the

scale of the team in the '27?

Lance Hall (Origin Bancorp)

Yeah, hey, this is Lance. That's the right way to think about it. I am super excited about the pipeline and talent we have. We're going to have some very exciting hires that we'll announce, in Q4, that we've been building relationships with, you know, for us, it's not necessarily sort of the number that we hire, it's the impact that they're going to have on the organization and the background and CNI that they have, which aligns with the portfolio that we're trying to build. So the pace will slow a little bit from Q4, but I mean, from the first half of the year, but the opportunity and the prospects are out there and, you know, I think I made this comment last quarter.

I felt like last year I was really looking at expense opportunities and optimize opportunities. I feel like I'm spending almost all my time right now recruiting, and it's an exciting time to be doing it across our footprint. So we'll continue to announce exciting hires in each of our markets, and I don't see any reason that would slow down in 2027 with the timing of dislocations and the timing of some bonuses that'll be rolling off with some of these people that stayed with institutions, but just lots and lots of conversations right now.

Stephen Scouten (Piper Sandler & Co)

It was great. Yeah, focusing on hiring sounds like a lot more fun than expenses, even though they're both obviously very impactful, but that's exciting to hear, and then maybe last week

Lance Hall (Origin Bancorp)

It has been a fun year.

Stephen Scouten (Piper Sandler & Co)

Yeah, I bet. And then just lastly for me on the urgent side of things, can you talk a little bit about expectations there to the degree you have visibility around that total equity, income that you might receive? Obviously there has been a lot of volatility there. So just trying to get a grasp on what might look like moving forward.

Wally Wallace (Origin Bancorp)

Yeah, Stephen, so, Argent is exciting because, you know, on a stand-alone basis, they are just going to be a steady, slow grower. When we first started talking about Argent and our potential opportunity to increase that investment to 20% to unlock some of that value, we were thinking about it as a potential offset to Durbin. And so I'm just going to give you this anecdote too, to understand the excitement that we have around the investment.

When we started talking about it, we thought that the origin investment could offset maybe 50% of the Durbin Amendment impact. Last year, they completed a transformative acquisition shortly after we increased our ownership. And now, they are more than offsetting the Durbin impact pressure for 2027. That's through one acquisition. That acquisition, I think, put them on the map for some larger opportunities. So, they have done an extraordinary job of growing through acquisition. So, there's no way to forecast that. I'm not trying to forecast that. We think about it as a slow grower when we think about budgeting, but the potential upside for them to continue to successfully acquire and grow through acquisition, I think gives us a lot of excitement, and a lot of opportunity for upside.

Stephen Scouten (Piper Sandler & Co)

OK, I, and I guess just to contextualize that though, I think you said what, $5M to $6M impact from Durbin annually. So that to say that you think Argent is north of $6M in annual revenues to the bank at this point?

Wally Wallace (Origin Bancorp)

So when we were first talking about Durbin, our initial analysis was $6M. as we've continued to grow and have more of a commercial focus, the Durbin amendment impact is now going to look more like $4M but the, the context of the conversation is around that $6M dollar number. So, yes, what your statement, I think is, is a correct statement.

Stephen Scouten (Piper Sandler & Co)

OK, great. Thanks for all the color. It's exciting to see all the progress, guys.

Evercall Moderator

Thank you, Stephen. Our next question is from Gary at D.A. Davidson. You may now proceed.

Gary Tenner (D.A. Davidson)

Thanks, good morning, I wanted to just go back to the expense conversation for a moment. Just trying to understand the cadence I guess, in 2027 so as you talk about expenses maybe being a little more elevated in the first half of the year as you push out tech investment. Does that stabilize back half, or would the thought be that some of that expense run would reduce in the back half of '27?

Wally Wallace (Origin Bancorp)

I'm sorry so, for '27, we're not really prepared to give specific guidance. The point of my commentary is that if you look at the first half of the year, our growth in expenses was closer to 5% for 2026. Third quarter, we were closer to 4% and, and that's because of some technology investments that we had anticipated making, we didn't make. Those probably go into the first quarter of '27. So, back half of '26 might look slower than the first half. And then you would expect to see, what we're trying to suggest is there might

be some acceleration in the first half of '27 from the back half of '26. I hope that helps.

Gary Tenner (D.A. Davidson)

Yeah, it does. Thanks. And then, just one other question on the deposit side, maybe to give some context around, what the pricing looks like right now, you've got about 300M. Of time deposits maturing in the fourth quarter at 319, could you give us a sense of where you'd expect renewals or new money to come in in the fourth quarter?

Wally Wallace (Origin Bancorp)

Yeah. So our CDs, you know, we did move the pricing. We keep the portfolio pretty short on purpose because we are so asset sensitive. So that does have the impact of you, you see the, the price impacts quicker, when the Fed moves up. Our interest-bearing deposits overall in the third quarter came in in the low 3s, like 310 to 320. So we'll, we, we would expect to see that increase in the fourth quarter, given the move from the Fed.

Gary Tenner (D.A. Davidson)

Well, I guess more specifically in terms of the time deposit repricing where you're posting those rates at?

Wally Wallace (Origin Bancorp)

375.

Wally Wallace (Origin Bancorp)

OK. Thank you.

Wally Wallace (Origin Bancorp)

But not all of them priced there.

Gary Tenner (D.A. Davidson)

Got it.

Evercall Moderator

And team, it appears there are currently no further questions.

Drake Mills (Origin Bancorp)

All right, I appreciate everyone being on the call today for final comments, you know, through Optimized Origin. We are building the foundation of the bank with discipline being the cornerstone. I mentioned that earlier. Discipline can all hurt near term earnings for some companies, but for origin, discipline has been the catalyst for value creation, and I think that catalyst is on display as we're proving we can improve profitability even as we grow through $10B in assets. We look forward to continuing to execute with discipline and passion for what we do. Can't tell you how much I appreciate each one of you being on the call. Look forward to seeing you on the road and visiting with you on the phone. Thank you for your time.

Evercall Moderator

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