Bank OZK

Transcript of the Third Quarter 2021 Conference Call

October 22, 2021, 10:00 am

Note: Administrative communications of the operator and other greetings and social exchanges of no substantial import have been omitted from this transcript.

Good morning, I am Tim Hicks, Chief Credit & Administrative Officer for Bank OZK. Thank you for joining our call this morning and participating in our question and answer session. In today's Q&A session, we may make forward-looking statements about our expectations, estimates, and outlook for the future. Please refer to our earnings release, management comments and other public filings for more information on the various factors and risks that may cause actual results or outcomes to vary from those projected in, or implied by, such forward-looking statements.

Joining me on the call to take your questions are:

- George Gleason, Chairman and CEO;
- Brannon Hamblen, President;
- Greg McKinney, Chief Financial Officer; and
- Cindy Wolfe, Chief Banking Officer.

We will now open up the lines for your questions. Let me now ask our operator, Jonathan, to remind our listeners how to cue in for questions.

Ken Zerbe - ***Morgan Stanley***

Starting off, in terms of interest bearing deposit costs, you guys have done a great job of bringing those down over time. I was just kind of curious what the pace is of further interest bearing deposit cost reductions from here. If you get another 13 basis points in fourth quarter -- is that even possible?

George Gleason

Ken, I think the pace of that is going to slow. Obviously, we've had some really good improvements in it. We do have, as outlined in our document, we've got several more quarters of CDs that reasonable volumes of those at somewhat higher rates. But the big gains have been gotten there. I think there are more gains to come. Probably the more important aspect of that whole story is the work that Cindy and Carmen McClennon and Ottie Kerley and the other people on our retail and deposit teams are doing, really working to grow non-interest bearing longer-term core accounts. And the benefit of that should be seen when we get in a rising rate environment that our deposit betas should, if we execute their strategies, will be much less in a rising rate environment than we experienced in the last rising rate environment. So we're working hard in the short run to get further improvement and in the long run to improve the quality of that deposit base so it performs better in the next cycle. That is our view on it at least.

Ken Zerbe

In terms of provision expense, a lot of banks that reported this quarter definitely made a lot of progress to getting closer to their CECL day 1 ACL ratios. I know you guys seem to be slowing the pace of reserve release, at least this particular quarter. Are you seeing anything in the portfolio that would justify a sustainably higher reserve ratio than your CECL day 1 reserves on a go-forward basis?

George Gleason

No. I am not seeing anything. And I'll let Tim and Brannon also comment on that. But our point of view on this, this is conservative. There's a lot of uncertainty in the economy. There's a lot of uncertainty in the fiscal policy, monetary policy, landscape and supply chain issues, and there's so many chefs in the kitchen in Washington, trying to create policy, and change social structures in our country and so forth, and the risk of unintended consequences from Washington is always a factor that you have to keep in your mind. And when you got as many people trying to do as much as is trying to be done in Washington now from as many different directions, it just creates a lot of risk for unintended consequences. For example, the big push for an infrastructure program, while you look at the supply chain disruptions in materials and the labor market disruptions and labor availability, and we see that having incremental cost increases in all of our projects, and yet there's a massive push for a big infrastructure program in Washington. That can't do anything except aggravate that already challenging situation.

So we just want to see some of these cards play out. And we're going to take a fairly conservative view on future economic conditions until we see more things develop that give us just greater confidence that some unintended consequences don't tip us back in an adverse direction on the economy.

Brock Vandervliet - *UBS*
Just following on Ken's question on the deposits, particularly time deposits. I can appreciate if you don't want to share the goal with us. But do you have a goal for the percentage of time deposits, even if it's an internal one that you think you can get to? Looking at that category of deposits dropped $3 billion or so in a nice remix. I'm wondering where you think that could go, or if you have any insight?

George Gleason
We don't have a specific goal on that. Our goal is to just do everything that we realistically and reasonably can to continuously remix and improve the mix of that. Now obviously, part of our ability to remix that lower and price CDs at a lower rate and let a lot of those CDs run off, particularly the higher cost or brokered or public fund CDs, is a product of the fact that we've had a lot of loan repayments and little, or lower or even somewhat negative, loan growth in recent quarters. So as we get into a much more positive growth environment, which we hope to do, and I think is a reasonable thing to do, we'll probably need to augment our growth in core accounts who have some growth in CDs. So I don't think it's a constant downward trajectory on the CD book. But we hope that at the same time that we're achieving good balance sheet growth and needing to add some CDs. We're also adding a lot of core deposits that are mixing that in a favorable way that is keeping our deposit betas at a relatively tolerable level when we get in a rising rate environment, assuming we do get in a rising rate environment. So we're working hard on it every day, but we don't have a specific mix, and we realize the CD book will probably grow to some degree when we get in an environment, where we're getting a lot of loan growth, which we hope will occur.

Brock Vandervliet
You've done a lot in terms of refocusing the branches on gathering core deposits, is that template fully in place at this point, and it's now just about execution? Or are there more changes pending there?

Cindy Wolfe
The template is in place broadly. So now we're in a refinement mode of that. The biggest pieces of the playbook are in place, and we're seeing some nice results from that in the mix, as George said, we don't have a goal. And of course, the story is -- it tends to be the CDs right now. But the things we put in place in the retail bank aren't quick fix or short-term things. They're really foundational things that are all to position us for the long term. So we'll continue to refine those. But the biggest pieces of that are in place, including a lot of the new talent that we've

recruited. So we're happy for the early signs of success of that in the mix and the effect it's having on not only the mix, but the service charges, and we just expect that trend to continue.

Timur Braziler - ***Wells Fargo Securities***
Starting on RESG, the pace of paydown activity seemed to abate a little bit in the third quarter. There is a comment in the management letter that some of that was pushed out into the fourth quarter. Can you quantify how much of that was pushed out in the fourth quarter? And now you're still expecting payoff activity to top 2019 levels, but if we were to match it, it would still be a linked quarter reduction in the fourth quarter. So can you maybe quantify by how much you expect payoff activity to top 2019?

George Gleason
I will tell you we're not going to be able to give you, Timur, an exact number, because these are big chunky loans in our RESG portfolio and then moving around a month or two is nothing unusual. And it does make it hard to precisely predict is a payoff going to occur in December or is that a January or February payoff. So there is a lot of movement.

Brannon Hamblen
George's answer is accurate. And as we've guided from quarter to quarter, as George said, the loans are quite chunky. And the market is pretty active right now. That's good news for our origination side. But there are a lot of people trying to get a lot of transactions closed after, I guess, a quieter year in 2020. And so it's not going to be unusual for loans to move. And I could -- even if I told you what I thought in Q4, because of the size of some of the loans that are paying off, it really can matter around what the final result is. I've said this before, and we just point you again to our sort of vintage chart that points to the origination trends, and those are going to guide you pretty well on repayment trends. And as we move into the 2018, '19 vintage, those loans are going to be coming to us, and as we've guided, that's going to affect our Q4 numbers and 2021 is going to be a I believe, a record year. I don't think we'll have that much push that we don't achieve that. But at any rate, there's nothing unusual around that pushing. It's just timing of a lot of transactions in the marketplace trying to get accomplished.

Timur Braziler
And maybe on the other side of the equation on the production side in this quarter. I'm just wondering, was there any pull forward on the production? Anything that you thought was going to close in the fourth quarter that got pulled into the third quarter? And then to your comments that the market is active right now, is that kind of a reasonable production rate here at least for the near term, kind of $2 billion plus?

Brannon Hamblen

I alluded to the fact that the heavy transaction volume out there is affecting both the repayment and the origination timing. Our guys have done a phenomenal job in this market, really getting new business with new customers and expanding product types that we really like in markets that we really like, and we've got a healthy portfolio. I think you asked if anything pulled forward from Q4 into Q3. I don't see a lot of that happening. It's generally taking longer to close transactions and that's affected payoffs and it's affecting originations. And we've got a healthy pipeline. I would tell you that I won't predict too far in the future, but I think we've got a very good shot to meet or beat what we did in originations in Q3. So looking forward, we're seeing good volume, good loans that fit our criteria. So that's the guidance I would give you there.

Timur Braziler

Looking at the securities book this quarter, and then pairing that with the comments on adding a veteran investment portfolio officer to your bench. I guess, what is the outlook for securities? And is that indicative of maybe getting back some of the lost balances from the third quarter in the fourth quarter, especially with the units coming up a little bit. How should we think be thinking about the bond book, and where you'd like to see that as a portion of total assets?

George Gleason

We had almost no purchases, I think, one $50 million purchase, in the bond book in the quarter just ended. That number may not be exactly right, but it was a very minimal purchases in the quarter. And of course the portfolio is short, and even the mortgage backs in it are pretty short duration, with lot of cash flow. So the bond book did shrink in the quarter, and that was fine with us given the less than compelling reinvestment opportunities. Certainly, you've seen a little bit of a lift in rates more recently, which is getting us closer to an area where we could do some reinvestment. We are very pleased to have added another veteran team member to our investment team in the quarter. This guy has a lot of experience. I've done business with and known him for 30 years, probably. So I think that gives us some more horsepower to get into some niches of investments where we can unlock some real value that requires a little more research and understanding and so forth to appreciate the value and the quality of some investments. So we'll see that portfolio shrink or increase depending on what market conditions afford. But it does seem like we are getting toward a situation, and with our new team member, are more likely to see some growth in that portfolio, if not in Q4 then maybe Q1 and Q2 of next year. Then more new purchases, a more positive trend than we saw in the last quarter.

Michael Rose - *Raymond James & Associates*

Just wanted to touch on expenses. They're up a little bit. You cited there are wage inflation and, obviously, you're hiring in some areas. As we think about next year, can you just frame kind of the investment options that are out there, both in terms of talent and anything else? And if you could take a stab at what expense growth would look like given some of those initiatives -- that would be great.

Greg McKinney

Michael, we've completed our annual process of going through the entire composition of our personnel we've evaluated the -- what we need to be effective for our business, what do we need to support growth, to support our operations, to provide the service we need to provide to our customers. Clearly, the nationwide worker shortage is having significant impacts on pretty much every company across the country, us included. We do expect there to be to see some increases in our salary and benefits line items as we move into 2022. We've commented that we think that our run rate for the third quarter is somewhat indicative of what we would expect in the future quarters. You're right at or maybe slightly above the $110 million. So I think that's a pretty good baseline as we think about our thoughts as we move into 2022. We are, as everybody is, trying to fill certain positions that we need to make sure that we can again effectively serve our customers and run our business. The timing of our ability to fill those positions may have some impact on salary costs and when that salary cost makes its way into the P&L. But I think that our run rate in Q3 is a fairly indicative run rate of what we would expect as we move into at least the first part of next year, including even the fourth quarter of this year. So I think I would look at that and then certainly, you've got to keep in mind the worker shortage, and how that might impact and our ability to hire and replace as we have those needs.

George Gleason

And Michael, I'll give a little more color on that. Greg's spot on, but I'll give you a little detail. We started on July 19 with our annual salary budget process and just completed it earlier this week. So I have personally, with the various department heads, and all the way down to individual team members and supervisors have been through every employee in the company, setting their pay rates for the next year. In light of the worker shortage situation, the units that we reviewed in the last couple of weeks of July, a lot of those rates, most of those rates, were effective in early August. The units we reviewed in August, most of those wages were effective in September. What we reviewed in September were predominantly effective October 1st. And what we finished up now is going to be November 1st and January 1st, and other early next year raises. So we accelerated the review process by about 90 days this year to respond to labor market shortages and conditions and wage escalation there. And we made those raises in many cases, effective sooner than we would have previously. So you see some of those wage increases in Q3. You'll see a chunk of them in Q4.

And of course, as our management comments document mentioned, we had in our noninterest expense line item, we had a couple of million dollars of branch closing costs in Q3 and about $800,000 in costs related to early redemption of the higher interest rate subordinated notes that we paid off on July 1. So that created close to $3 million of noninterest expense. It was sort of a pay typical items in Q3. We think that, plus the salaries that were already recognized in the last quarter, probably give us the room that we need to -- or close to it -- to absorb the wage increases that we're going to see in Q4 and filling unfilled positions and so forth. There's a little bit of plus and minus in all that. But Greg said in his comments, and he drafted this language in our management comments, that says that $110 million sort of noninterest expense looks like a good run rate for the next quarter or two. Again, there's a lot of wage pressure out there, and we're trying to hire quite a few people. So the impact of that wage pressure and the timing of those hires could have a little impact on that. But the $110 million number seems like a pretty good starting point for Q4.

Michael Rose

Just as a follow-up, it looks like you used a little more than 12% of the buyback. Your stock is still here at about 1.5x tangible book value per share. Just help us frame how we should think about utilizing that as we move forward, just given it appears loan growth is picking up, and just how we should think about it?

George Gleason

Well, I'll offer one comment on that, and then I'll turn it over to Tim, who's really managing that program for us. And my comment is it's the first buyback we've ever done. And when it was approved last quarter, we took a fairly conservative approach to it since it was our first time out with that. It's like driving a new car, you don't want to see how fast it will go until you know how it's going to steer and operate. So Tim, you can give our thoughts about where that goes.

Tim Hicks

We do expect to be more active this quarter. It's going to be dependent on our stock price as we go throughout the quarter, clearly, but we'll have it outstanding for the full quarter as opposed to just part of the quarter last quarter. And to George's point, we were making sure that we were aware of all the parameters and how it would operate as well. So it's hard to predict a number and give you a number of what we'll do in Q4 because it's going to be dependent on how our stock price reacts as we go throughout the quarter. But I do plan to be active.

Catherine Mealor - *Keefe, Bruyette, & Woods, Inc*

Just wanted to follow up on a question about the originations volume, which is a really encouraging level and looks like we'll see the same level or something close to that next quarter. As we think about the timing for those

originations funding, is there -- how do you kind of think about some of the headwinds just in the environment today with the liquidity that's in the environment and the supply chain, brand image and then it's kind of taking time to close loans. In this new environment, is the timing from origination to funding maybe a wider gap than it has been in the past? And how should we think about kind of what that time frame looks like?

Brannon Hamblen

I would tell you that on the whole, as we sit here today, we're not seeing a material impact there. There are a lot of things that impact the timing of funding on our loans. A lot of it depends on where the project is when we close, whether there's an initial funding that may be material against a very conservative loan-to-value, and how many of those loans we do, some markets tend to see more of those than others and product mix as well. I would say that a lot of the delay in closing some of the loans today is a real sharpening of the pencil as it relates to project costs, tying down contracts. There are a lot of different sources of equity in the market today that are, and especially on some of the larger loans when you have more players in the equity stack, they're really wanting to make sure those numbers are tightened down given the degree to which they have moved over the last 12 to 24 months. So that's playing into some of the timing around slower closing, but also gives you more certainty around you've got contracts locked in and don't have delays there in the future now, doesn't answer the supply chain issue quite fully. And that's one that -- as we stand here today has not yet had a material effect. But as George noted earlier in the call, there are a lot of things that are being discussed, and that could have further impact on that. And it's one of those things we're watching to understand. But I know your question is predominantly about timing of funding. We also want to make sure that we've got great reserves and all those sorts of things and contingencies, which we have always and always will work hard to do in our loans. So I guess the bottom line is, it’s hard to say at this point in time if it's a material impact. Haven't seen it so much yet post-closing, but we're watching it.

George Gleason

I would add to Brannon's comments that the delays that we've seen so far on new loans are mostly pre-closing and not post-closing because people are working really hard to tie down those costs before they close because they've experienced a lot of variability in cost in the last year or two. So it's making it harder to get things closed. Once you get them closed, they already seem to have done the work to keep the things on the track, as Brannon said, unless you just have totally unexpected supply chain disruptions.

Matt Olney – *Stephens Inc.*

I want to ask more about loan yields. I think last quarter, we talked about higher levels of miscellaneous fees even outside of PPP, by way of extension fees and minimum interest fees that were heavier than normal. I'm curious what these levels were in the third quarter versus more normalized levels?

George Gleason

When you have something that bounces around all over the place, Matt, it's hard to describe what normal is. But I would tell you the degree of unusual fees, apart from PPP that we specifically carve out disclosure on in our management comments, the other prepayment penalties, minimum interest, short-term extension fees in Q3 were more typical of what we would think of as a normal level than the more elevated levels of fees in Q1 and Q2. So that number will bounce around, and there was not any sort of particularly elevated level that you need to account for other than the PPP impact that contributed about, I think, six basis points, both in the quarter and for the first nine months of the year to our net interest or our loan yield.

Matt Olney

And then I also wanted to ask about interest rates and the bank sensitivity to rates, I think the market is now assuming Fed tightening sometime in kind of late next year. And the bank -- you guys provided some great disclosures around loan floors, and it looks like the level of loan floors is moderating. What else should we be anticipating over next year to better prepare the bank for higher interest rates?

George Gleason

Well, we're -- we look at that all the time, and we are -- the more the portfolio seasons at the current interest rate levels, the less those floors impede our ability to raise rates. Loans originated three years ago in a higher rate environment have higher floors. And hence, rates have to rise more before those loans hit the floor and get off the floor and the actual rate on the loan keeps increasing. But I appreciate the fact you've been paying attention to our graphs there and have noted that the percentage of loans that don't adjust until we get up to higher rate levels has been steadily trending down. And as older loans pay off and newer loans replace them, the floors on those newer loans are much closer to the current contractual rates, which means those newer loans will adjust more quickly as rates rise. So every quarter we stay here it makes us more rate sensitive in an upgrade environment. So we're working hard to kill off what we call the “dead zone,” and alone the difference between where the formula rate ignoring the floor would be today and the actual rate on the loan to deploy that difference. We call the “dead zone” because the rate is dead and doesn't adjust until you hit that floor. So we're working hard continuously to reduce and kill off the “dead zone” in loans as they mature without giving up yield in every quarter through a combination of renewals and payoffs, that situation gets more favorable. So we think it's wise to be preparing for a rising rate environment, particularly with the level of deficits and the fact that tapering of monetary stimulus is likely to be necessary or occur at some point in the future. So we're working hard to be prepared for that. And it's not just preparing on the loan side, but it's also, as Cindy talked about earlier, really improving the quality of that

deposit base and beginning to extend a little bit of duration into the deposit base as well on the CD side. So we're nibbling away on all of those initiatives to try to improve that mix in a rising rate environment.

Stephen Scouten - ***Piper Sandler & Co***
I wanted to circle back around and maybe this is more of a Brannon question, or George, your comments as well would be nice. But on the RESG kind of the product mix and what you guys are seeing on new projects, can you give us some color about where -- what types of projects those are coming from? Is it more condo, office? Is it mixed use? And are there any types of projects that you're more worried about? I know some banks have been hesitant on office, but it looks like you guys did a couple of those projects here this quarter in new originations. So just some color there around mix would be great.

Brannon Hamblen
So in Q3 we continued a lot of originations in multifamily. That was probably at the top of the list. But as we have been telling you, we were seeing more and more of the mixed use projects come to market and we had a strong, strong pipeline there, not as many loans, but by dollar volume more than multifamily. And then you noted office, which was also a big part of it. Those were the three sort of largest components. And from a market perspective, again, great diversity, a lot of what you would expect in the South -- Southeast, but also activity in the Northeast, Midwest and West. So the guys really across the platform are finding good opportunities. In terms of what we're wary of, in this market, we continue to just make sure that we're finding the right sponsorship on the right deals. And there are a lot of deals out there coming to market that you got to pick between and make sure you're getting the stuff that fits in our box. And the guys, as I said, have done a phenomenal job of doing that and finding new great sponsors that we haven't done business with and getting that first good loan with them, and some of those are already working on second one. So by product type, we're careful. Obviously, hospitality is a product type that everyone is watching carefully. We haven't seen as much there, but I would expect that we will see some in that world. Again, it's not a program. It's where it is, what it is, and who needs it, and who is building it, and we're looking at it.

Stephen Scouten
And then I guess maybe as an extension of that, are a lot of these projects that are getting picked back up that were maybe started pre-pandemic? Or are you seeing real new projects coming out of the ground and coming -- like being formed today and becoming lendable opportunities today?

Brannon Hamblen

Well, yes. And of course, again, these projects, and some of them of size, take a long time to put together. And so our guys are -- you're asking about what's new, but the fact of the matter is our guys have been tracking some of these things for literally years. So it's not so new to us, but things have come together such that it makes sense to move forward. And then you have those that are more geographic trends, migration trends that we've seen this year. Obviously, Texas has – will say a bit more space to build new apartments on than perhaps Manhattan just by way of an extreme. So there are definitely new projects that are responding to very current demographic trends as well. So you have a little of everything in the mix there.

Stephen Scouten

And then maybe just one last quick question for me is, deposit service charges were really strong in the quarter, and it's been trending that way for a while. Is that just indicative of the progress you guys have made with your deposit mix and account growth? Or is there anything unusual to note there?

Cindy Wolfe

There really isn't anything unusual. It is indicative of the shift in the quality and quantity of core accounts. Although, there is the usual movement in NSF/OD. NSF/OD fee income is not a focus of ours in terms of being central to our strategy or our service charge strategy, but it does follow the spending, as you know. And so spending will go up and down with COVID and the variant. And so we see some of that as part of the increase. So just full disclosure -- some of that is simply a function of the movement in the economy. But underneath that, we do see fundamental changes to the good in the sustainable growth of the real service charge income that we're going for.

Brian Martin - *Janney Montgomery Scott*

Just I guess one follow-up to the last question. Just on the new production, maybe more for Brannon or you, George, but just the new production, can you -- Brannon, how much of that, I guess, if any, was really contributions from kind of the new initiatives you guys have put in place, in the new lending teams you've talked about? The one on this quarter, in the equipment finance, was obviously not part of it. But the ABL and other ones -- is that what kind of gives you confidence on this sustainability of this -- the production continuing?

George Gleason

Brian, let me respond to that and then I'll let Brannon add some additional color. We've not seen any growth yet out of either our ABL team or our new leasing team, which is freshly minted. Those guys seem to be making good progress, and they're looking at things, and we hope to have some closings in those units in Q4 or Q1, or

hopefully both quarters. But that's not contributing yet. Our indirect guys, which you didn't mention, continue to work with this new business model. That environment has gotten very competitive. So it slowed our ramp-up there that to a positive net positive. We're still having net negative growth in that indirect portfolio. But I spent quite a bit of time on the phone with those guys over the last week to 10 days, and we're making a few tweaks and adjustments to their model that we think will get their growth up next year. So we're expecting positive growth out of that. And our community bank, if you take out the net originations and net paydowns on PPP, our community bank groups have been positive for the full year to date nine months and the quarter slightly. Now they're negative when you net out the net effects of PPP paydowns. But those guys have gotten a little bit of positive momentum. And our Corporate and Business Specialties Group this last quarter got a little bit of positive momentum. And our RESG is looking at some great pipelines if we can bring all those things to closing. So we're feeling reasonably positive about our ability to continue to generate loan growth across multiple fronts in 2022. Now Q4 will be a paydown challenged quarter, I believe. But we're pretty optimistic about our ability to put up some really decent growth numbers in 2022.

Brannon Hamblen

Well, I would just agree with it. You hit all the bases. I was just referring to RESG before, Brian. But yes, the guys in these other groups are starting to see some traction, as George said. I'm hopeful to have an origination on the ABL side and the numbers from our CBSG Group even included some reduction in the shared national credit portfolio for the quarter. So again, I think we've got some good things coming next year.

Brian Martin

I don't know, just on given all the positivity on organic loan growth. I mean, I guess I know M&A has been -- you've talked about it being a little bit more of a focus. It seemed like maybe the last quarter or a quarter ago, but just kind of where things -- where dialogue stands on that and how you're thinking about that today, any changes?

Tim Hicks

No changes. We are still very interested in doing M&A. It's hard to predict when we could do a deal. Certainly, we're looking at those. We're going to be disciplined financially and want to make sure it hits our financial hurdles, and we're pretty conservative on those as well. But we're certainly very interested in looking, and we'll continue to be active in looking at M&A opportunities. We do have robust capital levels, so we can do organic growth, we can add business lines, and we can do M&A. So we're focused on all of those items.

Brian Martin

And the last one was just on the margin. If there's -- it sounded like last quarter when we talked, it was kind of peaking out. I'm just wondering if there's any change in your outlook there? And then maybe just when you think kind of the non-purchased loans may be able to stabilize? I know the pressure that's out there you talked about earlier.

George Gleason

We're certainly having good results and improving our core spread, I think for about 5 quarters in a row now and a couple of quarters of nice trends in our net interest margin. We are originating -- we're going to be real straight with you about this -- we're originating loans at rates noticeably lower than a lot of the loans that are on the books and paying off today. So there is some future downward pressure on loan yields there. We're going to mitigate as much of that as we can with continuing to improve those deposit costs, although that gets harder as we get lower and lower on deposit costs. But our investment book is a bit of a wildcard there, how that impacts all that. So there are a lot of moving pieces. We probably are, in the current environment, at or near the top we can get to on a NIM and a core spread. Maybe we can bring a bit more of improvement out of that in the short run. But as the loans we're originating today start funding next year, they'll blend our loan yields a bit lower as we go forward.

George Gleason

Guys, thank you for your time and attention today. We appreciate you being on the call, and we look forward to being with you again in about 90 days. Have a great quarter. Thank you. Bye.