

**S&P Global**

Market Intelligence

# Premier Financial Corp.

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## *Earnings Call*

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# Call Participants

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## EXECUTIVES

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*President, CEO & Director*

**Paul D. Nungester**

*CFO & Executive VP*

## ANALYSTS

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*Hovde Group, LLC, Research  
Division*

# Presentation

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## Operator

Good morning, and welcome to the Premier Financial Corp. Fourth Quarter 2023 Earnings Conference Call. [Operator Instructions]

Please note this event is being recorded.

I would now like to turn the conference over to Paul Nungester with Premier Financial Corp. Please go ahead.

## Paul D. Nungester

*CFO & Executive VP*

Thank you. Good morning, everyone, and thank you for joining us for today's Fourth Quarter 2023 Earnings Conference Call. This call is also being webcast, and the audio replay will be available at the Premier Financial Corp. website at premierfincorp.com.

Following our prepared comments on the company's strategy and performance, we will be available to take your questions.

Before we begin, I'd like to remind you that during the conference call today, including during the question-and-answer period, you may hear forward-looking statements related to future financial results and business operations for Premier Financial Corp. Actual results may differ materially from current management forecasts and projections as a result of factors over which the company has no control.

Information on these risk factors and additional information on forward-looking statements are included in the news release and in the company's reports on file with the Securities and Exchange Commission.

I'll now turn the call over to Gary for his opening remarks.

## Gary M. Small

*President, CEO & Director*

Thank you, Paul, and good morning to all for joining us. Per our release, fourth quarter earnings totaled \$20.1 million or \$0.56 per share for the quarter. The results lagged our third quarter performance as anticipated due to lower net interest margin and the seasonal impacts of our residential business as guided at the end of the third quarter.

However, the quarter did also include a couple of unanticipated nonrecurring or timing items that have left the earnings for the quarter, slightly below our expectations, and now I'll run down the particulars.

First, a quick look at capital. As you noticed, our earnings combined with a favorable AOCI movement brings our tangible book value per share to \$18.69. That's a really good, strong progression over the last 3 quarters, which of course included the big pickup we had on the sale of our insurance operation. But evidence that we've got -- we've got more upside there, and we've made good progress during the year.

Loan growth for the quarter totaled 2.5% on an annualized basis, and that brings our full loan growth for the year to 4.3%, and that was in line with the expectations that we had for the year, coming off of a 20-plus percent growth year in '22, we were designed to be a 4% shop this year.

Annualized commercial growth totaled 5.8%, and for the full year, it grew 4.2%. Again, controlled growth was our mantra for '23.

Our consumer deposits annualized for the quarter grew just shy of 8%. And when you combine third quarter and fourth quarter figures, our annualized growth for those 2 quarters was 6.7%. That's a really strong number for us.

Noninterest-bearing deposits also stabilized, delivering 2% annualized growth over that same period of Q3 and Q4 combined, a good positive trend for customer deposits over the second half of the year.

Net interest margin did decrease 8 basis points from Q4 to Q3, and that was a bit more slippage than we provided in guidance on our last call, which was about 4% on our high -- 4 basis points on our high-end expectation. We had a very effective new money deposit and household acquisition program that we initiated early in the quarter, and it contributed to the decline.

We have selected targeted markets across the organization for a bit more aggressive deposit gathering activity. And it totals less than 10% of our locations. So we're happy with that particular outcome, the trade-off was in the margin.

Fee income stories for the quarter. Our wealth fee income increased 18% versus Q3, and it really reflects, as we all saw the strong finish we had in equity and fixed income markets at the end of the year, and should carry forward into '24.

Mortgage banking income declined more than the typical seasonal decline anticipated for the quarter, significant movement in 10-year Treasury yields towards the end of December drove unfavorable valuation adjustments on the MSR asset and on our construction commitment hedges. We benefited from the same volatility when the tenure was rising in the third quarter. So it's just one of those lumpy factors in our business.

Expenses were right on the mark, just shy of \$38 million for the quarter. And on the credit front, our nonperforming assets declined 10% for the quarter. Delinquencies did tick up a bit in auto and residential real estate, but each remains within historical norms.

Net charge-offs for the quarter were driven by a single credit, 70% or so of the total. And on a full year basis, net charge-offs still come in at 6 basis points, and we're very pleased with that outcome.

Our special mention rating category increased in Q4, and that was driven by a single additional relationship. For the year, that brings 3 credits to the front that make up the lion's share of the increase in our special mention category. There's no central theme. Each is a unique industry. Each is still accruing, and we have good expectations. They represent 2 C&I clients, and 1 investment in multifamily real estate.

The combination of those 2 created about a \$0.05 to \$0.06 reduction in the quarter relative to the additional provision that we set aside for those 2 items. Again, credit can be a bit lumpy. We're very pleased with our full year performance on that front, but worth a mention here in the fourth quarter.

And now I'll turn it over to Paul for some more performance details.

**Paul D. Nungester**  
CFO & Executive VP

Thank you, Gary. I'll start with the balance sheet where total deposits increased by 4.4% point-to-point annualized for 4Q primarily due to customer deposits, which increased 7.7% annualized. We continue to experience more mix migration during the quarter, including decreases in savings and demand deposits, which were more than offset by increases in our time and money market deposits as customers continue to seek higher yields.

On the other side, total earning assets increased primarily as a result of commercial loan growth, which was 5.8% annualized for 4Q. Our loan-to-deposit ratio improved by 50 basis points, and we were able to reduce higher cost wholesale fundings by another \$90 million due to the combination of our strong customer deposit growth, but only modest earning asset growth.

As a result of these balance sheet changes and deposit costs outpacing earning asset yields, we experienced some additional net interest margin compression for 4Q. Total interest-bearing deposit costs increased 29 basis points to 2.83% for 4Q, which was driven mostly by growth in mix migration, while loan yields increased 9 basis points to 5.21%.

Excluding the impact of PPP and marks, earning asset yields were 4.85% in December 2023 for an increase of 146 basis points since December 2021. This represents a cumulative beta of 28%, up from 26% in September compared to the 525 basis point increase in the monthly average effective federal funds rate for the same period.

Excluding marks, cost of funds were 2.38% in December 2023 for an increase of 217 basis points since December 2021, which represents a cumulative beta of 41%, up from 38% in September.

Next, noninterest income decreased \$1.5 million to \$11.8 million in 4Q primarily due to mortgage banking income, where gains declined \$2.1 million from last quarter as a result of lower margins and hedge losses related to the drop in 10-year treasury rates in late 4Q. This is partially offset by higher security gains, better wealth revenues and increased folding income, which did include \$453,000 in claim gains.

Expenses of \$37.9 million were down \$0.2 million or almost 2% annualized on a linked-quarter basis. Through the combination of successful cost-saving initiatives and the insurance agency sale, we reduced our expense run rate by 11% to \$152 million annualized from our original 2023 estimate of \$170 million.

We also improved our expense to average assets ratio over 30 basis points to 1.76% compared to the fourth quarter of 2022.

Provision for the fourth quarter was an expense of \$1.8 million, comprised of \$2.1 million expense for loans and a \$0.4 million benefit on a linked quarter decrease in unfunded commitments.

Provision expense for loans was primarily due to \$2.1 million of net charge-offs, which was mostly due to the 1 commercial credit. The allowance coverage ratio remained flat at 1.14% of loans.

Closed by mentioning our continued improvements to capital, including book equity, up 24% annualized, in tangible equity up 37% annualized from 3Q. Our TE ratio has climbed back north of 8%, and our regulatory ratios have further strengthened, including CET1 over 12%, and total capital over 14%. These enhancements represent a solid foundation as we begin 2024.

That completes my financial review, and turn the call back to Gary.

**Gary M. Small**  
*President, CEO & Director*

Thank you, Paul.

2023 has been an important year of change for Premier Bank. In addition to focusing on the inverted yield curve challenges that were presented to all, we successfully divested our insurance agency business and significantly rightsized our residential mortgage business during the year.

When combined with the completion of other significant projects across the organization, Premier is very well positioned to leverage on our anticipated margin and revenue growth going forward.

As Paul mentioned, our expenses per earning asset ratio was 1.76. It's one of the best in the industry.

With that in mind, I'll touch on some guidance topics for '24.

Earning asset growth, we posted a range of 4%, continued with our mantra of controlled growth over the next 12 months.

Loan growth, particularly, would be 2-plus percent, with commercial up about 3.5%, and with lower yielding residential mortgage balances declining.

Customer deposits would grow generally in the same range as our earning asset growth, and we will expect to see a reduction to some degree in our wholesale funding for the year.

Net interest margin, we modeled for 3 turns from the Fed beginning in May. From a midpoint range, net interest growth would be in the 2%, that would be midpoint.

Full year margin would be similar to '23, but trending upward from Q1 forward.

From a provision perspective, the model assumption is 10 basis points for net charge-offs versus the 6 that we ran this year, factors in loan growth, and on [ALLL], we would expect that unemployment information and so forth would have us moving up our coverage ratio a couple of bps from where we closed out the year.

From a fee income perspective, I'll just throw a number out there since there's so much noise in '23. It's hard to do percentages. But with a \$48 million range is the midpoint for fee income for '24. On a normalized basis for insurance and the other factors of change, that's about a 6% plus increase over the prior year.

Deposit-related service fees or modest growth for the year, about 3%. We have initiated limits on our merchant represent at fees in '24 and getting that behind us, doing so creates a slightly more modest year-over-year change on consumer fee income. Residential mortgage revenue and wealth fees though, are anticipated to be up 8% to 12%.

Expenses, run rate-wise, \$160 million will cover it. That's up about 4.5% over our third and fourth quarter '23 run rate. And the expense is a bit front-loaded as it is, I think, each year for most organizations with a little bit more cost that falls in compensation-wise in Q1 and the seasonality that goes with the first quarter. So \$41 million plus of costs in the first quarter with the rest of the \$160 million spread pretty evenly over the remaining 3.

The earnings progression from the year, it looks like a bit of a hockey stick as you leave '23 from a trajectory standpoint. First quarter is slightly down with all that typical cost and seasonality pacing, and Q2 through 4 ever increasing. So with that, operator, I'd ask that we turn the open -- lines open for questions.

## Question and Answer

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### Operator

[Operator Instructions] We will now take our first question from Michael Perito from KBW.

### Michael Anthony Perito

*Keefe, Bruyette, & Woods, Inc., Research Division*

This is Mike's associate, Andrew, filling in.

I'd love to start on the margin. I appreciate all the color there with the guide. Just maybe a little bit more color kind of what the cadence expectation is there.

So it kind of sounds like there's room for the margin to maybe bottom here in 1Q, and then we'll get some expansion throughout the rest of the year. And then maybe just some additional color on the drivers there around the margin. It sounds like deposit costs obviously came up here in the fourth quarter when you guys were pushing for that additional growth.

Should we expect that dynamic to kind of continue in the first quarter or maybe kind of level out from here?

### Paul D. Nungester

*CFO & Executive VP*

Yes, that's correct. You got that correct there, Andrew.

So as we exit '23 December, having a little bit higher deposit costs, versus the average for the quarter. But we do have our models shown that we will be bottoming out here in the first quarter as those conditions kind of stabilize and then grow from there, which is the key driver to the earnings trajectory that Gary just mentioned.

Key drivers for the NIM at this point will be continued success on the deposit front, both retention and some additional growth, to help fund the modest earning asset growth that we have built in for 2024.

And then the Fed actions. So as Gary mentioned, we've got 3 baked into our model, kind of mid-quarter for the last 3 quarters of the year there with May, August, November. So we need the Fed to hopefully play along with that trajectory. And we've got a lot of plans being finalized and ready to go so that as that begins to happen, we can start to recapture cost where possible on the deposit front, money markets and such, especially, CDs will start to reprice down with it as well, lower terms on those in terms of locking in the maturities and things like that.

So really, we're putting all our plans in place here to be able to take advantage of rates starting to come our way in the short end there, and that will support the NIM path and ultimately, the earnings goals for the year.

### Michael Anthony Perito

*Keefe, Bruyette, & Woods, Inc., Research Division*

Awesome. And then second for me here, maybe just switching to capital for a second. I believe, correct me if I'm wrong, I think there's around 1.2 million shares left on the authorization.

Could you just kind of give us a little bit of a reminder on thoughts around buybacks here, and then maybe alternative uses of capital for 2024, maybe M&A conversations, anything going on there? And then also just strictly just for wrap up here. How -- when does that authorization expire as well? I just couldn't find it off the top of my head.

**Gary M. Small**

*President, CEO & Director*

On the authorization. I don't know if we have an expiration date stated. Andrew, we'll get back with you if we find that we do have one. But note typically the case, right.

On the actual activity relative to M&A, what I would share is similar to what I would have shared last quarter. There's a little bit more conversation as we can now see over the horizon and see positive marks coming our way to the portfolios over the next 4 to 8 quarters versus uncertain marks based on the Fed's activity over '23.

Having said that, I really don't think that we'll see things in earnest change until the Fed has moved quite a bit in purchase accounting and predictability of capital and other impacts have settled down a bit more. But I do feel a little more animal spirits in the marketplace relative to conversations and so forth, and that would -- we include ourselves in those conversations. But I wouldn't say it's a meaningful change from the last time we had this discussion.

**Paul D. Nungester**

*CFO & Executive VP*

Yes. And then I guess a little bit more, Andrew, your question around the buybacks. It's always a tool that we have in our chest there, that we look at for the opportunity to enhance some earnings. The math is a little different these days with the new tax rules and that extra excise tax, you needed to cover that to make it -- move the needle and things like that.

As we said on past calls, we weren't -- in seeing the numbers having been active on that front, mainly we're focused on building capital. And now that the curve has moved in the right way to help that at least from a tangible equity perspective, that's something that we will look more at on a go-forward basis. And find our spots, to possibly execute if it makes sense.

**Gary M. Small**

*President, CEO & Director*

We have nothing cooked into the plan, and that's typical with us because we'll take the opportunistic move when the markets ride. And as Paul mentioned, we've got our capital where we like it.

Right now, we're running at about midpoint versus peer on capital, maybe cost heavy in all our trajectory, I would say, we'll be on a little bit over capitalized, if you will, as we go through the year. So it's the right topic, and we'll address those opportunities as they come up.

**Michael Anthony Perito**

*Keefe, Bruyette, & Woods, Inc., Research Division*

Great. And then just if I can sneak one last one in here. I believe it was last quarter, you guys were talking a little bit about this small business banking platform, possibly seeing it in early 2024. I was just curious if you could provide any update there? And maybe just kind of a broad overview on what you're looking for with that project throughout the year.

**Gary M. Small**

*President, CEO & Director*

Andrew, we've curtailed the pace of expansion of that business as we finished out the '23 in the first half of '24, just in keeping with the more modest business acquisition mode that we're in. But we are still building the capabilities around the business. So if you looked at the backroom as far as credit capability and underwriting and the uniqueness that goes with small business on that, and adding some talent relative to being in the market, in the smaller business space, that's still moving forward along with -- for our folks that are in the branch network the continued development of their understanding and knowledge.

But just the pacing, if it were 2 normal years, it would have been faster and we backed away just a little bit in that right now with the commercial book the, larger commercial clients that we're trying to serve are



getting the priority relative to our capital and our deployed lending going forward.

**Operator**

We will now take our next question from Nick Cucharale from Hovde group.

**Nicholas Anthony Cucharale**

*Hovde Group, LLC, Research Division*

On the loan growth front, it sounds like the expectation is for another moderate year. Can you just give us some color on the overall lending environment? Is competition still fierce across your markets? And is your anticipation that more forceful growth returns once the funding landscape normalizes?

**Gary M. Small**

*President, CEO & Director*

I'll start with the fierce competition. I think that the client base is appropriately moderating their expectations for the year. There's business out there, but folks are -- there's enough uncertainty in the economic environment right now and in the world in general, while their order boards still look healthy, capital commitments and expansion commitments are probably more modest to be shorter than in a normal year.

So it's really a matter of -- it's a little bit more moderate supply. Having said that, we've all, over the last year, generally reduced our -- a little bit of our new client prospecting and so forth because we wanted to maintain the capital and the deployed dollars that we put out for existing clients. And I think that's just been more the approach of the competition in the market as well.

So we'll all probably get to a point where we're ready to go back into the market as we are more so than we were in '23, but each bank will be a bit different story on that.

The market as a whole there, there's business there. I would say on the investment real estate side, we still see business in multifamily, but it's pretty quiet outside the multifamily space right now. Our markets, fortunately, are not bubble markets. So it's not as if there's huge absorption issues or anything to be dealt with. And that's -- I think we're in an advantage over our peers on the coast in that regard.

**Nicholas Anthony Cucharale**

*Hovde Group, LLC, Research Division*

And then just one last one for me. It sounds like a modest increase on the expense front for the year. How far along is the company on the path to \$10 billion? And what are the rough costs you expect to incur on that front in 2024?

**Paul D. Nungester**

*CFO & Executive VP*

Yes. Good question, Nick. We're still early days on that path. We did start incurring some of those costs last year in '23, but just the beginnings of it, and we do have in our plans for this year, continuing to start to build that as we head towards that mark. With the modest growth we've got, that's still a few years off. So we're not racing to get those costs in place today, obviously, we'll bring it along as the growth. The overall organization can support it.

The -- from beginning to end, what we've estimated is that once we get to that point, it will have added about \$7 million or so in annual cost to our base. So we've probably added on an annualized basis, maybe \$1 million of that so far, and we'll add some more here in '24, and just keep incrementally building towards that as we add the right talent to be here and develop the programs needed for that \$10 billion space, always working at our systems and our controls. So it's an incremental path there.

**Operator**

We will now take our next question from Christopher Marinac from Janney Montgomery.

**Christopher William Marinac**

*Janney Montgomery Scott LLC, Research Division*

I wanted to dive into the increase in criticized assets. And just curious on if there's anything driving that and if there's a path that those may retreat from here?

**Gary M. Small**

*President, CEO & Director*

Chris, it's a good question. We did have movement in the last quarter as well.

What I can say is, relative to those -- mostly -- well, for all 3, it's cash flow versus capital requirement, they're missing a little bit on, say, the initial I need 120 coverage coming off cash flow-wise and they're slipping on that. Each has good capital support, good guarantors. It's just because they are missing on our originally underwritten marks, we classed them into that space and expect them to work out accordingly.

I don't think -- if we look at the 3, I don't think any of them will be in a position in the next 6 months that we will be changing that movement. But things do move in and out, and we just had a couple of larger credits that we're doing some expansion, and their expansion has been easing a little bit longer versus the revenue expectations for one of the clients. And the others got CapEx adjustments to make so that they can live within the cash flow that they're now generating.

So just the typical adjustments we look at. And if you go back a couple of years, the numbers that we're looking at are not that abnormal. It's just got so good for us. We got so low that the movement was noticeable. And as I mentioned in the fourth quarter, you feel that movement when we move a reasonable sized credit into that space. We can feel it in our provision and so forth. But they also moved back to past credits for the most part.

Support, and we don't anticipate anything different here. 3 different industries, no commonality in story or whatnot, just situations.

**Christopher William Marinac**

*Janney Montgomery Scott LLC, Research Division*

That's very helpful. And it sounds like the growth of reserves is modest and not really signaling any true change in loss content at the end of the day.

**Gary M. Small**

*President, CEO & Director*

That's our expectation.

**Christopher William Marinac**

*Janney Montgomery Scott LLC, Research Division*

And then just a follow-up on kind of deposit pricing. Are you still seeing exception pricing out there? Or does that slow down? And again, the progress on money markets that you talked about, it sounds like you have flexibility on pricing to some extent given the success in Q4.

**Gary M. Small**

*President, CEO & Director*

We do. We operate in 8 markets and we're -- the opportunities are different between the markets, several markets where we've got 3 markets where we have extensive market share, and that means you've got repricing risk on a pretty good sized book to think about as well. We've got other markets where we have very minimal consumer market share. We have commercial and building our consumer, and we can be a little bit more aggressive there as we're trying to build more households and dollar balances in this environment.

So I think, to your original question, we still see promotional pricing. I think until the Fed turns, there's still a market expectation from a customer standpoint for those that are watching rate, it better start with a 4 or 5 or we'll be looking elsewhere. And until the Fed moves, we really won't see a huge demission on that. Our commitment is to be very nimble when the change comes, we would not be inclined to be sitting

around on a fatter pricing margin or yield thinking perhaps we'll collect additional deposits on the way down.

I think we -- in some markets that will be the case. But for the most part, we will be hitching our wagon to the Fed move and moving as quickly as possible. Where we see things changing in the market, and it's true for us as well on the CD front duration, what was 11 or 12 months is now down to 8 or 7 months, and you're starting to see 5s and 6s.

A year ago, we would have said 5 months, won't get the client off the couch. They'll pick the longer duration. I can see over the next couple of months, we're all squeezing down to those commitments are going to be more in the 6-month category so that we don't have so much lag time when the Fed does move on the repricing of that book. But there's still pricing pressure in the market.

**Paul D. Nungester**

*CFO & Executive VP*

And same thing on the money markets. When we were running the promo, especially -- we started in the fourth quarter of '22, really, and similar, we had some price guarantees for duration there. And those have been running off, and we haven't been extending those, giving us that flexibility for when the time comes, the cut we can act, that we haven't relocked it in for another 8 to 12 months or whatever the case is.

**Gary M. Small**

*President, CEO & Director*

That's an important distinction that we have the majority of our dollars, flexible to us to move.

**Operator**

[Operator Instructions] We will now take our next question from David Long from Raymond James.

**David Joseph Long**

*Raymond James & Associates, Inc., Research Division*

Just wanted to -- going to stick with the deposit side of things right now. The -- you provided an outlook that included 3 cuts later this year. With that, what is your expectation for the deposit beta on the downside then?

**Paul D. Nungester**

*CFO & Executive VP*

Good question. We have an answer around that when we first all running off of the start.

So I'll have to get back to you for sure on better specifics, David. But what I will say is that the way that the models running in our ALM here is that even while the Fed is frozen right now and the cuts begin, there will still be pressure, right? Like we were just talking about finding the opportunities and setting ourselves up to be able to reprice in the pockets where we have that opportunity. But CDs will take a while to still roll our money markets, we'll start moving on those, but we'll be doing it in the broader context of competition, things like that.

So we actually expect that on a year-over-year basis, our deposit costs could either be flattish or even up some ticks, but it would be on the right trend in the back half of the year there, where we're still going to be up for the early part of '24, first quarter, even into the second quarter until these cuts start, right? And then we'll take actions and start to bring those down.

But on a year-over-year basis, it will look like there's still potentially up. So we're going to be focused on the trends, and to your point, of resetting that beta point for the down cycle here, to show how much were we're recapturing from that perspective.

**Gary M. Small***President, CEO & Director*

I know, Dave, when we looked at '24 versus '23 on margin and then broke it down into the 2 components, it was -- it's like how can that be so similar? But to remember where we were this time last year, rates were running up and running up a lot more, and that's cooked into our base for '23. We had some better margins. And so it is back to the trajectory that you would see as to where are we as we close out the year.

And then we climb back at a much slower pace, 3 turns versus -- how many did we see coming back in the first 3 or 4 months of '24? So it does kind of neutralize, but it's on a year-over-year average basis, but certainly, Q3 and Q4, you see a material difference.

On the betas themselves, the most industrial thing I could say is if there is a 25 bps movement, we won't see a 25 bp movement, say, in every category because I'll take CDs, for example, we still have folks that took a 12-month CD last year, and it's priced at 3% or something like that. They'll be looking for, even though we're bringing rates down, they've got room to move up a bit. And so that will curve a little of the cream off the top relative to that movement. All the more reason why you've got to be ready to move downward because there will still be upward pressure on from certain parts of your book.

**Paul D. Nungester***CFO & Executive VP*

Yes. And then add to that, David, when you're looking at the total portfolio, we still have significant dollars at that low end, our savings and checking and noninterest. Obviously, we're -- we never moved up. We didn't change our board rates. There was some mix migration, but those piles, they didn't go up and they're unlikely to come down in the down cycle.

So really, it's focusing on the pilots that we priced up and then recapturing that on the way down. And the velocity will depend on partly the Fed and how quick they move. And then, obviously, the competitive environment where we feel good about being in a position where the focus will be more so on retention versus acquisition, that we've done a good job, especially the second half of '23, kind of building that war chest per se. We've got it and now we need to retain that and then reprice the piles on the way down here.

**Gary M. Small***President, CEO & Director*

Dave, one of the things we learned that we probably knew instinctively, but the year sure showed us that there's a large quantity or dollar level quantity of clients that are inelastic on pricing. And it's one of the -- and then, of course, there are those that aren't. And we're using every tool at our disposal to manage the movement, but we will work with that inelasticity to our advantage as we go through the year.

**David Joseph Long***Raymond James & Associates, Inc., Research Division*

No, that's great color. So greatly appreciate that additional color.

So as a follow-up then, it doesn't sound like if the Fed doesn't move and we stay higher for longer throughout the rest of the year, your NII guide doesn't sound like it changes that much from that 2% for the year, would it?

**Gary M. Small***President, CEO & Director*

I think the Fed didn't do anything. I think we would have to come off of that number, Dave. It is just adding beginning with -- beyond just the normal repricing and so forth that we'll be doing here in the first 4 or 5 months. Once we cook in a turn, it's going into May, so you'd start picking it up in June, another turn in the next quarter, another turn late in the fourth quarter, kind of not much of an impact there. But it would be less than what we have in our expectation right now.

**Paul D. Nungester**  
*CFO & Executive VP*

Yes, David, we're still -- you'll see the numbers in our K when that comes out, but we're still in that liability-sensitive position today, not as much as we were in, call it, midpoint of '23 there from all the actions that we've taken and our success in getting wholesale down and things like that.

But still net-net, we are liability-sensitive. So if they don't cut, if it was flat for all of '24, Gary is right, we'd have to come off that and recast it, but it shouldn't be a material deviation because we're not as sensitive to it as we were.

**Gary M. Small**  
*President, CEO & Director*

On the left side of the balance sheet, new money going out the door for loans is still going out with a high 7 or mid -- to mid 8 on it, and we're sort of holding fast on that. When things got interesting there in December, clients' expectations thought perhaps the market would move on that. But I think we've all held pretty firm that we're going to get paid for the risks in the market right now on the loan side.

**Operator**

We have no further questions registered. And with that, I will hand back to Gary Small for final remarks.

**Gary M. Small**  
*President, CEO & Director*

Well, again, '23, an interesting year that we'll all remember. '24, although certain aspects of numerically may feel similar, as I said, we can see over the horizon now, we can see the direction of the Fed. It's not a matter of if, it's when and the pacing and so forth. For us, there's as much to be gained on, obviously, the recapture of margin coming out of that liability since -- then there is that will be growth driven. And there will be a time when 6%, 7% growth is back to how we make the needle move over the next 4 to 8 quarters, I think it's much more margin recapture, manage your Ps and Qs on the expense side, do smart things on the fee business side and we run a clean book from a credit perspective. So when we come out of that cycle, 4 to 8 quarters going forward, we'll be more nimble, we'll be a stronger organization, and really well leveraged to grow going forward.

And thanks for all your time this morning. Appreciate it.

**Operator**

Thank you for your participation. You may now disconnect your lines.

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