First Defiance Financial Corp.

Third Quarter 2015 Earnings

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CORPORATE PARTICIPANTS

Andrea Brown – *Corporate Communications Specialist*

Don Hileman – *President and Chief Executive Officer*

Kevin Thompson – *Executive Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the First Defiance Third Quarter Earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Andrea Brown with First Defiance Financial Corp. Please go ahead.

Andrea Brown
Thank you. Good morning, everyone, and thank you for joining us for today's 2015 Third Quarter Earnings conference call. This call is also being webcast, and the audio replay will be available at the First Defiance website at fdef.com. Providing commentary this morning will be Don Hileman, President and CEO of First Defiance; and Kevin Thompson, Executive Vice President and Chief Financial Officer.

Following their prepared comments on the company's strategy and performance, they will be available to take your questions. Before we begin, I would like to remind you that during the conference call today, including during the questions-and-answers period, you may hear forward-looking statements related to the future financial results and business operations for First Defiance Financial Corp.

Actual results may differ materially from the current management forecast 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.

And now I'll turn it over to Mr. Hileman for his comments.
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Don Hileman
Good morning, and welcome to the First Defiance Financial Third Quarter Conference Call. Last night we issued our 2015 third quarter earnings release, and now we would like to discuss that release and give insight into the remainder of 2015. At the conclusion of our remarks, we will answer any questions you might have. Joining me on the call this morning to give more detail on the financial performance for the quarter is our CFO, Kevin Thompson.

I am pleased with the continued improvement this quarter in several strategic performance areas. Third quarter 2015 net income on a GAAP basis was $6.7 million or $0.72 per diluted common share, compared to $7.1 million and $0.71 per diluted common share in the third quarter of 2014. The overall momentum gained during previous quarters continued in the third quarter with both solid loan growth and net interest income growth.

Total loans on September 30th were up 6% over the year ago which follows a solid second quarter. As we look to the fourth quarter and into 2016, our continued ability to grow our loan portfolio will be a key focus of our strategic plan. We are very pleased to see loan growth across our footprint even in the face of strong competitive market pressures as all institutions are very aggressive to achieve loan growth. The effective new loan rate in the third quarter was 4.3%, compared to 4.22% in the second quarter of 2015.

The overall yield on loans for the third quarter of ’15 was 4.32%, down only 3 basis points from the third quarter of 2014. We are very pleased with our margin considering the flat and very competitive rate environment. Loan portfolio growth contributed to the improving earning asset mix increasing our net interest income. The growth in both our net interest income and our non-interest income revenues on a quarterly basis reflects contributions from our core business strategies.

This is reflected in our solid net interest income growth this quarter of 5% over the third quarter of ’14 and 7% year-to-date over ’14. We expect the net interest rate environment to be reflective of the continued anticipation of a Fed increase within the next six months. We continue to measure our interest rate position, and we are managing toward a neutral position.

Our earned interest margin increased to 3.78% over the third quarter of ’14, margin of 3.73%. We did see some compression of the margin on a linked quarter basis, but we are satisfied with our margin trend and will continue to balance pricing discipline with growth. Non-interest income generally improved across the board over the third quarter of 2014. Mortgage banking saw a 9% improvement over the third quarter of ’14.

We were pleased to see our overall trend in mortgage loan production on a comparative basis with the third quarter of 2015, which showed a 31% increase in loans originated over the third quarter of ’14. We also had a 5% year-over-year increase in service fees and other charges, which are up now 7% for the year-to-date. The credit quality metrics continued to show overall improvement this quarter from a year ago. Non-performing assets declined approximately $6.3 million or 23%, including non-performing loans which decreased approximately $5.9 million or 26%.

Approximately 49% of the non-performing loans continue to make payments. We remain committed to working on further reductions in both non-accrual loans and non-performing asset ratio. We did see the 30-day to 90-day past dues drop below the third quarter of ’14 level and also on a linked quarter basis. We believe the overall asset quality trend will remain positive and reflect a corresponding loan loss provision benefit.

We bought back 109,000 shares of our stock in the third quarter. Our buyback activity was impacted by a higher stock valuation in the second quarter. We also are delighted to announce a 2015 fourth quarter dividend of $0.20 per share, representing an annual dividend yield of approximately 2.1%. We anticipate a continuation of a balance of dividends and stock buybacks as we focus on utilization of capital.

I will now ask Kevin Thompson to provide additional financial detail for the quarter before I conclude with an overview. Kevin?

Kevin Thompson

Thank you, Don. Good morning, everyone. As Don stated, earnings for the third quarter were $6.7 million or $0.72 per diluted share. This compares quite favorably to $7.1 million or $0.71 per diluted share in the third quarter of 2014. You may recall that our third quarter last year did include several non-recurring type items that aggregated to about $1.4 million after tax or about $0.14 per diluted share.

These items included securities gains of $299,000 after tax, a tax free-bank owned life insurance benefit of $903,000, a tax-free gain realized through our deferred comp plan trust of $498,000, plus an adjustment to income taxes of $250,000, which included the write-off of a portion of unused deferred tax credits.

So, with the exclusion of those items, earnings per share were up significantly more than a year ago. We're pleased with another very solid quarter with strong performance reflected throughout our results. Compared to the third quarter last year, our current results continue to reveal the benefits of our loan growth to our net interest margin, higher overall revenues in our fee income businesses, disciplined control of our operating expenses, and continued trend in improving credit quality.

Now for some of the financial details, starting with the income statement. Our net interest income was $18.5 million for the third quarter of 2015, up from $18.4 million in the linked quarter which had one less accrual day and up $870,000 from $17.7 million in the third quarter last year. For the third quarter of 2015, our margin was 3.78%, down 3 basis points from 3.81% last quarter but up 5 basis points from 3.73% in the third quarter last year.

Versus the prior year's third quarter, the increase was mainly the result of strong loan growth, reducing excess liquidity, and improving the earning asset mix and yield. In the third quarter 2015, our yield on earning assets increased 7 basis points from the third quarter last year while declining 2 basis points on a linked quarter basis. Our cost of interest bearing liabilities has remained relatively flat over the last year, edging up 2 basis points from a year ago and up 1 basis point on a linked quarter basis.

Total new loans originated in the third quarter were put on at a weighted average rate of 4.30%, an increase from new loan yields of 4.22% in the second quarter of 2015. Our loan portfolio yield decreased 4 basis points in the third quarter of 2015 to 4.32%, compared to the linked quarter. We remain pleased with our strong earning asset mix reflecting the improvements from a year ago, and we expect to maintain a strong mix as we continue to grow in the quarters ahead.

Total non-interest income was just under $8 million in the third quarter of 2015. This is down $1.4 million from the third quarter last year due to the non-recurring type items in the prior year's results. Again, the third quarter of 2014 included a bank owned life insurance benefit of $903,000, a gain realized through a deferred comp plan trust of $498,000, and pre-tax securities gains of $460,000. Comparatively, the third quarter this year had no securities gains and no significant non-recurring type items. Excluding last year's gains, total non-interest income was up $487,000 or 6.5%.

Service fee income was $2.8 million in the third quarter of 2015, up from $2.7 million in both the linked quarter and the third quarter of 2014. Insurance revenue was $2.3 million in the third quarter of 2015, essentially even with the linked quarter and down slightly, $56,000, from the third quarter of 2014. Also our trust income reflects another strong quarter, totaling $370,000 in the third quarter, up 18% from $315,000 in the third quarter last year.

Regarding mortgage banking revenues, rates were again favorable during the quarter. Seasonal activity remains strong, and we posted increases in both purchase and refinance activity versus the same quarter last year. Mortgage banking originations were $68.2 million in the third quarter of 2015, down from $76.9 million on a linked quarter basis but up from $52.2 million in the third quarter of 2014. Overall, mortgage banking income for the third quarter of 2015 was $1.7 million, down slightly from $1.8 million in the linked quarter but up from $1.5 million in the third quarter of 2014.

Gain on sale income was $1.2 million in the third quarter of 2015, about even with the linked quarter and up from $1 million in the third quarter last year. In addition, the third quarter included a positive valuation adjustment to mortgage servicing rights of $24,000 compared to positive adjustments of $141,000 last quarter and $68,000 in the third quarter 2014. At September 30, 2015, First Defiance had $1.3 billion in loan service for others. The mortgage servicing rights associated with those loans had a fair value of $9.9 million or 72 basis points of the outstanding balances serviced.

Total impairment reserves which are available for recapture in future periods totaled $719,000 at quarter-end. Finally, we had a particularly good quarter in the sales of non-mortgage loans; that is SBA and FSA loans. We started ramping up this business and selling these loans on a flow basis last year. We did very well this quarter with gains of $543,000 versus only $40,000 in the third quarter last year, but expect gains at a much more moderate level going forward.

As for non-interest expense, third quarter expenses totaled $16.8 million, up only $52,000 from the linked quarter and up only $77,000 from the third quarter of 2014. Compensation and benefits expense third quarter of 2015 was up $504,000 from last year, primarily due to higher incentives and merit increases. Other non-interest expense was $2.8 million in the third quarter of 2015, down from $3.2 million in the same quarter last year. This was primarily due to reduced costs for advertising and management consulting versus a year ago.

Regarding provision expense, the third quarter of 2015 included a small credit provision of $27,000, while last quarter did not require any provision expense, and the third quarter last year included $406,000. The third quarter of 2015 included net charge-offs of 3 basis points of average loans, which compares with 2 basis points of net recoveries last quarter and 12 basis points of net charge-offs in the third quarter last year.

Our allowance for loan loss closed at $25.2 million at September 30, 2015, up from $24.8 million at yearend and $24.6 million on September 30, 2014. Credit quality improvements achieved during the past year led to an allowance percentage at the end of the third quarter of 1.45%, which was down from 1.49% for the prior quarter-end and down from 1.50% a year ago.

While the allowance to loan ratio has decreased, the allowance coverage of non-performing loans has increased. The allowance now represents 152% of our non-performing loans, up from 109% at September 30, 2014. We still expect our performance going forward to benefit from continued improvement in our credit quality. As for the levels of non-performing assets, non-performing loans decreased in the third quarter of 2015 to $16.6 million, down just slightly from $16.7 million on a linked quarter basis but down 26% from $22.5 million at September 30, 2014.

And our OREO balance decreased on a linked quarter basis to $4.9 million from $5.4 million last quarter and $5.3 million a year ago. Overall, non-performing assets ended the quarter at $21.5 million or 0.97% of total assets, down from 1.29% of total assets at September 30, 2014. And we also had a significant decrease in our accruing troubled debt restructured loans which totaled $13.8 million at the end of the third quarter, down from $22.2 million last quarter and $26.6 million at September 30, 2014.

Moving to the balance sheet, total assets remained fairly steady at $2.2 billion at September 30, 2015, up $31.8 million from last quarter-end and up to $77.2 million from last year. With our improved asset mix, cash and equivalents decreased to $73.3 million from $96.7 million at September 30, 2014. Securities at $237.2 million remained basically even with a year ago. Gross loan balances increased $97.3 million or 5.9% year-over-year, and this past quarter loans increased $27.8 million as we continue to see steady strong loan demand as we transition into the fourth quarter.

Total deposits increased about $62.4 million from a year ago and up $29.7 million on a linked quarter basis. Non-interest bearing deposits increased to $392.1 million at September 30, 2015 from $340.6 million a year ago. Although lagging compared to our loan growth rate, we are pleased to maintain our low cost deposit funding mix and expect that deposit growth will continue to be the greater challenge as we look ahead. Turning to our capital position, total period end stockholders' equity finished September 30, 2015 at $278.6 million, up just slightly from $278.2 million at September 30, 2014. During the quarter, we had share repurchases of approximately 109,000 shares, and over the past year we have repurchased approximately 314,000 shares.

Our capital position remains strong with period end shareholders' equity to assets at 12.50% at September 30, 2015, compared to 12.93% at September 30, 2014. The bank's total risk based capital ratio is strong at approximately 13.5%. Also, in our release last night, we announced the declaration of our quarterly dividend of $0.20 per share and are very pleased to provide that additional value to our shareholders.

Finally, regarding our year-to-date results, for the first nine months of 2015, net income was $19.9 million or $2.11 per diluted share versus $17.9 million or $1.79 per diluted share for the same period in 2014. That's an 18% increase in diluted earnings per share despite the prior year-to-date results benefitting from several non-recurring type items which for the year-to-date totaled $0.12 per share.

That completes my financial review, and now I'll turn the call back over to Don.

Don Hileman
Thank you, Kevin. I'm very pleased with the results so far this year and the progress we have made to position First Defiance for the rest of the year and into 2016. The benefits of our initiative and pricing and account bundling changes are being reflected in stronger fee income. Our focus on several key areas we believe are important to improve financial performance and drive greater shareholder value will continue as we build on the momentum gained this year.

These areas include core balance sheet growth with a focus on loan growth, overall revenue growth, expense control, and improved asset quality. Steady progress is being made in all of these areas. We do believe improvements in loan demand aided by further improvement in the economic environment will carry into 2016. Increased loan activity in the Fort Wayne, Indiana market area, Toledo market area, and from the Columbus, Ohio loan production office is expected with favorable lending opportunities and with increase in lenders in these markets to serve clients' needs.

With this added focus, we would expect some additional level of expense next year as we build out lenders and structure to support this growth. The size of our current pipeline reflects growing confidence in our ability to continue to build our loans outstanding. Our lending environment remains very competitive. We feel we can accomplish loan growth at the current levels without making significant concessions in rate and other terms.

Our average loan yield declined 3 basis points from the third quarter of '14 and 4 on a linked quarter basis. We understand it will be challenging to drive growth and loans and maintain yield management until market rates move higher. We are very focused on relationship management pricing and believe our delivery and service model is effective.

Our business banking initiative is progressing, and more activity is expected from this segment through the remainder of this year and into next year. We anticipate this initiative will help drive more deposits and retail sales as well. We are continuing to look to enhance our electronic and mobile banking capabilities, giving our customers more choice on how to bank with us. Online account opening which launched in the first quarter has had a reassuring start, and the number of accounts opened through this channel is steadily increasing.

While we are pleased with the start to this initiative, balance growth in these accounts has been somewhat slower to develop. Digital delivery environment is changing at an accelerated pace. We are committed to providing our clients a quality choice of products and services, including Apple Pay and other digital wallet alternatives.

We will continue to focus on growth in our insurance and wealth management revenues as part of our strategic plan. We acquired a small insurance operation in the Lima, Ohio market this quarter which will help broaden our insurance agency footprint. We are very inspired by our recent performance and look to constantly drive our performance through initiatives that will help us obtain our goal of being a consistently high-performing community bank. We look to achieve this goal through a balanced approach and a long-term focus. We understand that success requires focus and successful execution. We remain confident in our strategy and in the people dedicated to executing on that strategy.

We feel that the performance of the organization reflects our focus on shareholder values, and at the same time on commitment to being a strong community partner in the areas that we serve. Our commitment remains steadfast to all our customers and shareholders, and we appreciate the trust you have placed in us as we work to make First Defiance a consistently high-performing community banking organization. Thank you for your interest in First Defiance Financial and we thank you for joining us this morning.

We will now be glad to take your questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. And our first question comes from Christopher Marinac from FIG Partners. Please go ahead.

Christopher Marinac
Thanks. Good morning. Don and Kevin, I just wanted to ask a little bit more about sort of the loan pipeline, and also I know you mentioned at the tail end of the call about Fort Wayne and Columbus, but also curious if there is some activity in Michigan in addition to your other parts of the footprint?

Don Hileman
Sure. Good morning, Chris. Yes, our pipeline still is pretty robust. It's maintained this level, I think, for the last several quarters. We're still are getting good looks at certain credits, and that gives us a little bit more optimism about going into next year, so I'd say our pipeline is still pretty strong. As it relates to your question in Michigan, yes, we're seeing some growth up there, but it's not as strong as what we think we can develop in other markets, Fort Wayne, Columbus, but clearly if we can drive a little bit stronger, get into Ann Arbor and some of those more growth markets, we'd be looking to do that as well.

Christopher Marinac
Okay. Great. And then just a quick question on the mortgage servicing. Is there any chance of a reversal this quarter or would there have to be a pretty big swing in rates to cause that to go the other way?

Kevin Thompson
I think it would take a pretty good swing. At this point where rates are, I think our expectations are that we're more likely to see more favorable impact on that than the other, but I don't think we're anticipating

anything significant, Chris.

Christopher Marinac
Okay. That's helpful. And then just for the last question, I know you mentioned a little bit about expense growth next year for more lenders and just building up the platform. Would that still come in the ways of you having the positive operating leverage that you've had here in the last several quarters?

Don Hileman
We would expect that, but I think as we look to that, some of the timing and the lag of some of that effect might play through some of the numbers.

Christopher Marinac
Got you. Okay. Very good, guys. Thank you for your background.

Kevin Thompson
Sure.

Operator
Our next question comes from Damon Delmonte from KBW. Please go ahead.

Damon Delmonte
Hi. Good morning, guys. How are you?

Kevin Thompson
Good.

Don Hileman
Good morning, Damon.

Damon Delmonte
Good morning. Just to kind of follow-up on the last question on the expenses. Could you just talk a little bit about the areas in which you are going to be putting dollars to work in those three markets? Is it going to be the hiring of additional lenders? Is it going to be potentially opening up new branches? Could you just provide a little color around that, please?

Don Hileman
Sure. I think what I'm looking for is more of the compensation-type expenses initially as we look to build out that lending and some of the support staff, the marketing expenses, and all those things that will probably be accelerated as we move forward to get some of that additional growth. Clearly, branching is one thing we'll look at, but I think right now we think we can—it's more on the side of the business development types of costs. Yes.

Damon Delmonte
Okay. Alright. That's helpful. With regards to mortgage banking, what was the breakup between refi and purchase mortgages?

Kevin Thompson
Let's see. It looks like about 65% purchase, 35% refinance.

Damon Delmonte
Okay. And the mortgage pipeline is that still looking pretty good as we head into the back end of the year?

Kevin Thompson
It's holding up. Again, we tend to have some seasonality to our business there, and the spring/summer probably the peak period, so as we get into fall/winter, again, it feels pretty good, but it feels seasonal too.

Damon Delmonte
Understandable. I guess with regard to the provision, you really haven't taken much in the way of a provision at all this year. You mentioned that credit terms continue to be favorable, and that's going to impact the provision, so can we look at something that's close to zero again for next quarter and as we go into '16?

Kevin Thompson
A lot of that's going to be volume driven, and we had a pretty good drop this quarter in terms of our TDRs very positive and from our macro NPA to asset ratio, which includes OREO, non-performing loans, and the TDRs, so we had a pretty positive impact on our allowance this quarter that pretty much mitigated the allowance need generated by the $28 million of growth.

So, can we replicate that in the fourth quarter? It was pretty significant this quarter, and I think we would expect, again, a favorable impact of credit in terms of our performance overall, but will it be zero? I don't know. Our volume expectations are still pretty steady, so I'm thinking it might be north of zero.

Damon Delmonte
Okay. Fair enough. And then this is my last question regarding loan growth. Commercial real estate seemed to drive a lot of the growth this quarter. Could you just talk about some of the types of credits that you're putting on for commercial real estate, maybe the size of them or the types of projects you're funding?

Don Hileman
It's kind of a blend, I think Damon. We have some decent sized customers as their business model starts to improve. They have additional lending needs, so there's some additional borrowing opportunities with current client base, and then we have additional opportunities for new businesses as well as we start to see some change with some of the larger institutions.

But I'd say it's a pretty good blend right now in the types of credits that we're offering between additional lending to our current client base as they grow, they can expand some of their operations, and new clients. But clearly, we are a focused CRE lender, and that's where we're going to continue to see growth.

Damon Delmonte
From a competitive standpoint, are you seeing larger or smaller banks maybe making concessions on structure or terms that are making the competition a challenge?

Don Hileman
The answer's definitely yes. We're seeing—it's not consistent. One deal might be they're going to be very aggressive on the rate side of the transaction. Another side it might be the terms and conditions and an extension of the maturity. We are seeing a little bit more of a prevalence from a lot of the larger ones to eliminate guarantees, personal guarantees. Where we were stronger on that several years

ago, and that was almost on every deal, we're seeing a lot more competitive structures that those aren't required, so it's across the board in different deals, different situations, Damon.

Damon Delmonte
Okay. That's all that I had. Thank you very much, guys.

Don Hileman
Alright. Thank you.

Kevin Thompson
Thanks.

Operator
Again, if you have a question, please press star then one. Our next question comes from Eric Grubelich, private investor. Please go ahead.

Eric Grubelich
Good morning. Just as a followup to that last question Damon asked you. On the personal guarantees, are you waiving those then, or are you not doing that?

Don Hileman
We're selectively not requiring those, but I think what we're looking at is how else can we structure that credit to offset some of that reduction in that guarantee position? In other words, we might require a little stronger debt service ratio, Eric, or something else to try to offset that. Depending on if it's a strong credit, we will probably look to mitigate that some other way and not require that personal guarantee.

Eric Grubelich
Okay. And then just—I had two other things. The change in the TDR balance this quarter was that a factor of those loans migrating out of the bank or was it matter of its market rate, it's been on the books for 12 to 18 months, we're going to take it off TDR?

Kevin Thompson
The bulk of that was due to a loan that left the bank.

Eric Grubelich
Okay. Okay. And then just one final question. When you sort of roll forward for the next quarter, is there anything lumpy or sizeable in your loan maturity that is at risk of same thing, maybe leaving the bank on renewal? If you look at the past few quarters, you've got probably somewhat of a consistent amortization of the portfolio and loans that are coming up for maturity. So my question is at the end of the year here, is there anything like a little bit larger than normal that might warrant concern?

Don Hileman
No. I don't think that we've identified anything specific in that regard. If our pipeline still holds strong, Eric, it'll offset some of that, but I think it's not so much even at maturity—the competitive environment's such that that's not as much of an indicator as it used to be when we were more at risk. If somebody comes in, they're off cycle, if you will, asking to look at their transaction and their rates, then they're not necessarily waiting to maturity.

Eric Grubelich
Okay. Great. Thanks a lot. Have a good afternoon.

Kevin Thompson
Sure. Thank you.

Don Hileman
You too. Thanks.

Operator
Our next question comes from Daniel Cardenas from Raymond James. Please go ahead.

Daniel Cardenas
Good morning, guys.

Kevin Thompson
Good morning.

Don Hileman
Good morning, Dan.

Daniel Cardenas
Maybe some color on how aggressive you plan to go after deposit growth this quarter and how successful can you do that without significantly impacting your margin?

Kevin Thompson
Well, I think deposit growth continues to elevate in terms of priority in our environment. We had a very good quarter in terms of deposit growth this past quarter, and we'd love to see that kind of continued success as we go forward and continue to work our relationship model to that effect. As we look at our margin right now, we're very pleased where we're at. I mean, our goal is primarily right now to try and sustain that margin and then grow our balance sheet. And in doing that we want to maintain our mixes on both sides to the extent we can.

And so again, that requires a lot of discipline, continues working, again our relationship model effectively, and we feel very good about what we've been accomplishing and look to continue that as we go forward. Our loan pricing basically has been consistent with our portfolio yield so we've been able to maintain that, and again, our deposit mix, we've been pretty successful to keep a very positive end there. So, if we stay in this low rate environment, we're hopeful that we can continue to execute down that path.

Daniel Cardenas
And then in terms of talent acquisition, talent expansion, I mean, were you able to hire lenders from both geographically and maybe from which institutions are you seeing the most success?

Don Hileman
We focus on trying to get some of these lenders within our footprint that know the business and know the community, and we've been fairly successful. I have a couple new hires that were very senior lenders with some of the larger banks and wanted to come over to a smaller community bank environment again and be, I guess, a bigger fish in a littler pond as well for us. So, we've been very successful with a couple of the larger regional banks in acquiring talent from them, and that's kind of where we're going to continue to focus.

Daniel Cardenas
And then maybe just some color on what the M&A environment is looking like in your footprint and what the chatter level is, if it's increased or decreased recently.

Don Hileman
Sure. I'd say it's probably pretty close to the same or slightly elevated from where it was last quarter. Still a lot of just conversations, a lot of talk about what the environment would be, what companies might look like together, pretty consistent with what I guess I experienced in the last quarter and the last couple quarters. So, I haven't really seen a whole lot of acceleration, but pretty consistent talk is trying to still figure out what the playing field is. I guess, a lot of that related to rates, when that might change and what kind of pressures will be on balance sheets and income statements because of the movement of rates.

Daniel Cardenas
Okay. Good. Alright. Good quarter. Thanks, guys.

Kevin Thompson
Thank you.

Don Hileman
Thanks, Dan, appreciate it.

Operator
Having no further questions, this will conclude our question-and-answer session. I would like to turn the conference back over to Andrea Brown for any closing remarks.

Andrea Brown
We'd like to take that last question.

Operator
Certainly. We have a follow-up question from Damon Delmonte from KBW. Please go ahead.

Damon Delmonte
Hi, thank you. Yes, just a quick follow-up. On the share buyback activity, did you guys say 109,000 shares were repurchased this quarter?

Kevin Thompson
Correct.

Damon Delmonte
And how many are remaining under the current authorization?

Kevin Thompson
About 187,000.

Damon Delmonte
Okay. Perfect. Thank you. That's all that I had.

Kevin Thompson
Sure. Right.

Don Hileman
Thanks, Damon.

CONCLUSION

Operator
This concludes our question-and-answer session. I will now turn the conference over to Andrea Brown for any closing remarks.

Andrea Brown
Thank you for joining us today as we discussed our quarterly results. We appreciate your time and interest in First Defiance Financial Corp. Have a great day.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect your lines.