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PRESENTATION

Operator

Good day, and welcome to the Simmons First National Corporation First Quarter 2023 Earnings Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Ed Bilek. Please go ahead.

Edward J. Bilek - *Simmons First National Corporation - Executive VP & Director of IR*

Good morning, and welcome to Simmons First National Corporation's First Quarter 2023 Earnings Call. Joining me today are several members of our executive management team, including our Executive Chairman, George Makris; CEO, Bob Fehlman; and President and CFO, Jay Brogdon.

Before we begin the Q&A, I would like to remind you that our first quarter earnings materials, including the release and presentation deck are available on our website at simmonsbank.com under the Investor Relations tab.

During today's call, we will make forward-looking statements about our future plans, goals, expectations, estimates, projections and outlook, including, among others, our outlook regarding future economic conditions, interest rates, lending and deposit activity, credit quality, liquidity and net interest margin. These statements involve risks and uncertainties, and you should therefore, not place undue reliance on any forward-looking statements as actual results might differ materially from those expressed in or implied by the forward-looking statements due to a variety of factors. Additional information concerning some of these factors is contained in our earnings release and investor presentation furnished with our Form 8-K today as well as our Form 10-K for the year ended December 31, 2022, including the risk factors contained in that Form 10-K. These forward-looking statements speak only as of the date they are made, and Simmons assumes no obligation to update or revise any forward-looking statements or other information.

Finally, in this presentation, we will discuss certain non-GAAP financial metrics we believe provide useful information to investors. Additional disclosures regarding non-GAAP metrics, including the reconciliations of these non-GAAP metrics to GAAP are contained in our earnings release and investor presentation, which are included as exhibits to the Form 8-K we filed this morning with the SEC and are also available on the Investor Relations page of our website, simmonsbank.com.

Operator, we are ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Brady Gailey with KBW.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

I wanted to start with the piece of the provision expense that was related to the corporate bonds. Could you just give us a little more color as far as what happened there and any remaining exposure within these corporate bonds?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes. Brady, this is Jay. So the corporate bond portfolio, as a remainder, represents, I think, a little less than 7% of our total bond portfolio. The overwhelming majority of that is sort of Fortune 500 type companies. We've done a review of the portfolio. We think this is very isolated bonds in there. It relates to some events that took place with the issuers of those bonds in the first quarter that were unique to those companies. We were, I would say, very aggressive in how we provision for those in terms of really trying to carve that out, I think, probably blend it all in. There is a little bit of exposure left on those bonds, but it's nothing that we don't think we've already provided for.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay. All right. And then I saw the $15 million cost save plan. Can you just talk about the components of where that came for? And would you anticipate -- I feel like you guys have looked at the expense base often over time and continue to get more efficient there. I mean, is this just kind of a part of the ongoing focus on increasing profitability?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

It is. I mean I really tie this back, Brady, to the Better Bank initiative overall. We've been telegraphing this for a few quarters. There are certainly some specific initiatives we have within the bank that have been months long initiatives. As we've sort of been able to execute through those, we've been able to identify some specific cost saves. We've also had in the -- late in the first quarter and into -- early in the second quarter here, a very successful early retirement program. We do that periodically every couple of years. So we had good uptake there. So those are the types of initiatives. One that we've spoken about before as an example, just sort of anecdotally is our credit optimization process. As we've worked through that, we've been able to identify a number of redundancies in our processes. We sort of standardized and centralized a number of those activities.

So these are things that both allow for efficiencies to be identified, but also lead to a much sort of better end-to-end process for us, better standardization of those processes across the entire footprint. And so those things should be revenue enhancing as well. That's not a part of the $15 million cost save initiatives. But when you think about sort of improved timelines, better customer experience, better associate experience related to those types of activities, those are sort of the things that again, are kind of examples of the types of initiatives that we have leading to that figure.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

And Brady, this is Bob. Just to kind of add on to Jay's comments. As we've said, we've been talking about the Better Bank initiative, the people, processes and systems for the last 6 months or so. We've been working on some of this, as Jay said, on the credit optimization more than a year now. So this is just kind of as we indicated in prior quarters, when we felt comfortable we could firm up the numbers, we would share it with the market, and that's what we're doing today is sharing that. And as Jay said, our early retirement program, we've done multiple times over the years. It was well received by some of our associates, and it exceeded our expectation, and we'll be able to absorb that within the system pretty well.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

All right. And then the margin has been expanding quite nicely over the last year or so, but it did take a step back in the first quarter, which the industry has seen as a whole. But the thoughts on where the net interest margin trends for the rest of the year?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

So again, Brady, I'll take a first shot at this. I want to remind you, I think the most important thing to remember is the baseline here. Last quarter, we sort of back-end loaded some moves on the funding side. So I talked about that in the last call. So we expected sort of the full quarter impact of that this quarter. I think that, sort of coupled with the continued migration within the portfolio itself, is really kind of the main contributing factors to where we see the margin compressing in the quarter. I don't expect that level of compression to sort of continue because, again, we had that back-end loaded. If you look at Q4 to Q1, a lot of that Q4 was back-end loaded so you shouldn't see that kind of dynamic from Q1 to Q2. But I do expect there'll continue to be some migration within the portfolio, like what we're seeing. So that will be the ongoing headwind on the expense side.

But, on the asset side, we'll continue to have a lot of good repricing dynamics there as well. So I think, near term, next quarter or two, margins should be much more stable than what you saw in Q4 to Q1. And then just a reminder that in the fourth quarter of this year, when we look toward the back half of the year, look at the cash flows we expect overall across all of our portfolios and the repricing of those cash flows and then the interest rate swap that kicks in, in late September, and we'll have all of that in the fourth quarter, I think all those fundamentals kind of continue to be in place for us as we look out toward the horizon here.

Brady Matthew Gailey - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

All right. And then just the last one for me. I know a lot has changed from when you all gave guidance 90 days ago, but you guided to mid-single-digit loan growth, you did a little better than that in Q1. How are you thinking about loan growth from here on now?

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Brady, it's Matt. I would say that's still in line. I think we said in our last quarter that it's going to be a front-end loaded loan growth for 2023 based on those unfunded commercial construction fundings. And when you look at our investor deck and look at Page 21, that really illustrates that. But then at the same time, I'd point you to our pipeline, as of this deck, it was right at $1 billion, and even since that point has come down even more so. So I think it's trending that direction right now on the loan growth side.

Operator

Our next question comes from David Feaster with Raymond James.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - VP & Research Analyst*

Maybe just following up on that last question, could you just maybe give us some detail on how demand is trending? Just where -- from a geographic and segment perspective, where are you still seeing good risk-adjusted returns? And it's nice to see the pipeline yields improve. I'm just curious where new loan yields at today? So just any other detail into the loan growth and the pipelines and all that.

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Dave, it's Matt. Great question. I'll give you kind of a high-level kind of comment around where loan rates are coming in. That $800 million pipeline today that we're seeing is now at a (inaudible) of [792]. So I think we're pushing through that kind of this current yield curve versus and how steep it gets so quickly that we're kind of now cresting over that, kind of moving more into where we can catch those higher yields and still take really -- our asset quality is right where it will always be.

Your question around where we're still seeing demand? Demand is definitely moderating in every market. There's no doubt with interest rates where you're seeing it right now, but there's still demand. And I think there -- clearly, each one of our metro markets, we're seeing opportunities, but we're being very selective in this environment. We're making sure that we're getting a full relationship, and we're hurdling the yields that we need to and really widening the credit spreads where we need to in this environment.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - VP & Research Analyst*

That's helpful. And maybe switching to the deposit side. Obviously, a lot of uncertainty in the market and banking turmoil in March. But if I look at like the noninterest-bearing average and period end balances, it looked like a lot of this happened relatively early in the quarter. I'm just curious, as you dig into the trends, how much do you think of the deposit -- the core deposit flows was really more normal business activity and clients may be migrating to higher-yielding accounts versus true impacts of that banking turmoil?

And then just from -- since quarter end, have you seen core deposits stabilize? Or would you expect more migration or outflows going forward?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

So David, I'd tell you that we've spent a lot of time this quarter dissecting everything you just asked about. And we're having trouble convincing ourselves that it's anything that we're seeing is anything other than just sort of normal course activities. We're still opening a tremendous volume of accounts all across our footprint. So everything feels very normal course. Even when we look at larger commercial moves, overwhelmingly, those are also normal course payments, and we're seeing the typical activity that we've seen with those accounts historically. But absolutely, we continue to see migration to a degree within those accounts. Out of [NIVs] as an example, into higher-rate accounts. And so you're right. We saw a lot of that really all throughout the quarter, but including early in the quarter.

I'll go back in time, not very far, we grew NIVs in the third quarter of last year and really had a pretty stable amount of NIVs even throughout October and early November. That trend really has picked up, that migration has picked up very late in the fourth quarter, continued in the first quarter. I'd like to think that, that's going to stabilize here sooner rather than later. But it's hard to have a perfect crystal ball on those migration trends. We're certainly getting to a point on a lot of accounts where you're just sort of the normal operating accounts or normal customer checking account type balances, which I think is more flourish than anything when you see that type of level within the customer base. But those are -- that's some color around what we're seeing in the portfolio for the quarter.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

And David, this Bob, I'd add, if you go -- as Jay said, we started -- we saw this begin in December of last year in Q4. We kind of talked about it on our first quarter -- or fourth quarter call. We saw all this migrate just like most other banks are early on in the quarter. And when the bank turmoil hit in the beginning of March, we were looking at and analyzing every day. We really did not see much change after that period of time. Most -- all of our chains was related to this deposit mix that we've seen in the industry. And it's mostly in the commercial side. The consumer side has been really relatively stable all the quarter.

David Pipkin Feaster - *Raymond James & Associates, Inc., Research Division - VP & Research Analyst*

That makes sense. And then I appreciate the color that you guys put in the slide deck on the loan portfolio and credit. Credit obviously remained solid, but we did see a modest uptick in NPAs. I'm just curious what you're seeing on the credit front more broadly and what you're watching and what drove that? And then any color -- there's obviously a hyper focus on office. Just curious what's your seeing there? How your conversations with those clients are going? And just any thoughts on the overall portfolio in that office segment?

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Dave, it's Matt. So first, kind of on your first question on the rising NPAs, it was really one specific loan that was an acquisition relationship. There's a syndication that our -- that we acquired was a part of. So it's really isolated -- that drove that number up. What we're seeing today from our asset quality is really holding up very, very strongly. We have a lot of attention. As you can imagine, we're focused on that every day. But I would say the only thing where we're seeing any type of challenges are the ones similar to COVID. They were challenged before rates started moving up and so we're blocking and tackling harder on those relationships, but we're not seeing things systemic in the portfolio or any specific industry or to that amount. But on your -- I would really point to you as it relates to office, in our deck, if you look at Page 20 around office and really all of our major buckets in CRE, now if you look at that office category at $1 billion, that's 6% of our portfolio with an average loan size of $2 million, weighted average loan rate of 49%. So really, that is the continued story of who Simmons is. We've -- while we -- our office portfolio is very granular. It's community and -- it's CPAs, it's the insurance company in our community markets. We don't have any large office towers or office parks where -- and that're kind of which we're also seeing in the East and West Coast versus what we're seeing is stability in our office sector versus kind of what the coast are seeing.

Operator

Our next question comes from Stephen Scouten with Piper Sandler.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

I guess maybe if I could start just around the construction growth you guys saw this quarter. Could you give me a feel for what type of projects you're seeing there, and kind of how you feel about your construction exposure currently?

Matthew Steven Reddin - *Simmons First National Corporation - Executive VP & Chief Banking Officer of Simmons Bank*

Steve, it's Matt. Yes, I'll give you what the growth we're seeing in our portfolio is in two specific categories, in multifamily and industrial. Those are the segments that we have some proven developers, proven operators that we have had reoccurring business with and that's where those fund-ups are happening all on time. We have a pretty robust monitoring system over that today, and we look at that very carefully. And so far, those two segments are doing very, very well. Underneath that, really, you're going to move into a 1 to 4 construction category and then owner-occupied construction, which we love. But overall, that portfolio is funding up just like we expected it to.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. Very helpful. And then you guys note, it was in the presentation that the $330 million sub debt will go adjustable here this quarter. Can you give the margin impact of that? And then also within margin, can you -- do you have any color around kind of where the marginal cost of deposits is coming on or the margin for the month of March potentially or anything like that, that would give us a feel for late in the quarter trends?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

I can tell you on the sub debt there, Steve, in that I think the rate on that for the second quarter is at 7.32%. So you could calculate the margin impact from there, I think, pretty easily.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

5% to 7%.

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes, it's going from 5% to 7.32%.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. That's perfect. And anything on kind of where the margin was in March, maybe or where cost of deposits ended the quarter at or just kind of an idea of where those marginal deposits are coming on today?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes. I don't have a spot margin for you readily available here, Stephen. But I mean, it's going to be a little bit lower than the full quarter's margin. But again, I go back to the comment I made earlier. When you look at the trend in margin from Q4 to Q1, that trend, you can't really extrapolate because of the back-end loaded nature of what we did in Q4. And a reminder of that commentary, there was some extension of some of the liabilities when we did that. And so I think we've absorbed a fair amount of that in terms of what that looks like. We're -- even if you look at our interest rate sensitivity that we included in the deck, we're much more rate neutral than anything right now, kind of either direction with 25-basis-point type moves in either direction. So I think that gives you -- should give you some sense of how we think about sort of marginal rates at this point in time.

Stephen Kendall Scouten - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Okay. Very helpful. And then just last thing for me, you guys lay out here on Slide 10 a pretty aggressive long-term ROA target, which is phenomenal. I guess I just -- I guess I'm curious how you think you can get there? Again, it feels like a pretty aggressive jump from where returns have been. And then, I guess, within that, is your guys' kind of long-term executive comp tied to achieving that 150-plus ROA in any way?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Yes, Stephen, I'll tell you, our long-term comp is tied to ROA. Our short term is tied to efficiency ratio and pretax preprovision. So we're all in on these numbers. What we're trying to do, as we've talked about at the end of last year and even today some is this better bank initiative focusing on people, processes and systems. We spent the last 10 years really building our company and diversifying our geography into six different states in Middle America into some really good MSAs and some really good rural areas. So we think we have a really good footprint. We have a really good franchise. But we focused the last 10 years on M&A and growing to be able to diversify our geography and also increase in size to be able to make the investments we need to.

Well, right now, we're focused on becoming a better bank, and it's part of the process we're going through. We're all in the middle of this rate environment we're at with cost of funds going up on deposits and trying to go through that challenge. But what we're focused on every day is these initiatives we're working on. What we're focused on is becoming better bank, and that's going to be building up to a [150] ROA on a year-end -- year-over-year basis, efficiency ratio in the low 50%. And as you can see, as our first numbers we gave out in this year is the $15 million annual cost saves, that's like one of it. We've got several more 12, 18, 24 months of working on this project to get us to where we really want to be to set up a good foundation.

James M. Brogdon - *Simmons First National Corporation - President & CFO*

The only other thing I'd add in there, Stephen, is just keep in mind the importance of just the optimization of the balance sheet that will take place naturally throughout that period of time. And so when I think about where assets are coming off of the books and where they're repricing back into the books, there's going to be a lot of natural lift in profitability. Our loan-to-deposit ratio last 3 quarters has gone from 70% to 72% to 74% as we continue to expand that. And as -- whatever happens with the rate environment, we're in this moment in time where things are level setting, but as all that level sets and we think about those fundamentals, I think it all points to that type of profitability.

Operator

Our next question comes from Matt Olney with Stephens.

Matthew Covington Olney - *Stephens Inc., Research Division - MD & Analyst*

I want to go back to the funding discussion, and like most of your peers, the overall level of borrowings were higher at March 31 compared to the average levels, not surprising given the turmoil we had late in the quarter. I'm curious if you still hold this high level of borrowing? And if so, what are the current thoughts on how long you want to keep this?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

I mean, Matt, there's just a small pickup in borrowings there in my mind. We have increased the amount of cash at the Fed. But it's nothing that's sort of a material driver in my mind to margin. We thought it was a prudent thing to do as we saw things transpire in March. But I don't think there's sort of any major strategy around that. When I look at our borrowings overall, I think they're something like 6% of total liabilities, that's really right where they were last quarter as well, I just don't see a major shift there unless it becomes more advantageous from a rate perspective to do that relative to other opportunities, whether it's brokered CDs or other types of deposits. I think we'll be pretty capitalistic in how we think about that, but nothing beyond that mindset.

Matthew Covington Olney - *Stephens Inc., Research Division - MD & Analyst*

Well, let me ask it this way. As far as just the need for incremental funding from here, I mean, it sounds like loan growth is going to slow a little bit from where it's been. You've got some pretty good cash flows coming off the securities portfolio. Incremental funding costs are still pretty high. I'm just curious how much incremental deposit growth you need from current levels?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes. I mean I don't think it's a lot. We've talked about timing of cash flows, I think, every quarter for the last couple of quarters, and that's still where we are. We saw loan growth we were experiencing it late last year. We continue to expect good activity with our fund ups over the coming quarters. So is there a moment in time here in the next quarter or two where we have fund ups that exceed sort of self-generated cash flows? That could be to some more modern degree than what we've experienced in recent quarters. But again, as you look out, as we look at the pipeline, Matt commented on it a while ago, we were at $1 billion at quarter end, we're closer to $800 million at today's pipeline.

The yield continues to do exactly what we wanted it do there. And so I think about prepayment speeds, our existing book, I think about fund-ups of unfunded commitments, those are all kind of what they are. We can measure those pretty accurately. And then we see what's happening in the pipeline. I think all that leads to much lower need for incremental growth and more sort of optimization of the balance sheet like we mentioned a question or two ago.

Matthew Covington Olney - *Stephens Inc., Research Division - MD & Analyst*

Okay. And then going back to the discussion around expenses and kind of targeting the $50 million of incremental savings over the next few quarters. If I just assume some normal annual merit increases, expense increase of, call it, 5% per year and then kind of layer this on. Is the goal just to keep the expense levels relatively flat from where they're at now over the next few quarters from a forecasted standpoint? Is that the right way to think about this?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

No, Matt, I actually would say that you ought to look at the kind of our current run rate of expenses sort of Q4, Q1, look at our sort of adjusted noninterest expense level -- and then we're -- the $15 million we're saying would be $15 million in annualized run rate expenses off of that number. Again, we were specific in the slide. I want to be -- emphasize here, we're not going to achieve 100% of that in the second quarter. We will achieve some of that in the second quarter, no doubt, and we'll achieve a little more in the third. We expect we should have that fully in by the end of the year.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Matt, just a little more color for your modeling is, in Q1, we had our payroll tax 401(k), the timing difference for payouts in the first quarter. That's about $2.5-some million, $2.5 million to $3 million. Merit increases went in on April 1. And that's pretty much a push for the -- each quarter thereafter. So I think you have the baseline in the numbers in Q1 for the merit increase.

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes. Agreed.

Operator

Our next question comes from Gary Tenner with D.A. Davidson.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

A lot of my questions have been answered or were asked an answer already. But in terms of capital, your stock, unfortunately, is getting ever closer to tangible book. You guys have kind of held off on using your buyback recently. Just thoughts on how you might be thinking about that over the kind of near term with the stock (inaudible)?

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Gary, I'd tell you, first off, we're committed to building our shareholder value and that's through tangible book value and EPS over time. While we haven't bought back stock in the last 6 months or so, it's always on the table for us. You'd love to be able to do it in this environment. We look at it every day. I can't tell you today we're going to do it or I can't tell you we're not going to do it. But we're going to look at it. And it's really this environment we're in, with the banking environment we had starting in March maintaining those capital levels. But it really is a good time. So I would tell you, it's on the table for us to be looking at what is the best use of our dollars for investment for our shareholders.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. And then I know, Jay, I don't think you had a spot margin available for a question I was asked earlier, and I apologize if I missed it, but did you mentioned the kind of spot deposit rates? I didn't catch it in the deck at all, and I don't know if you had mentioned it otherwise?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

I mean, honestly, our spot deposit rates by product are pretty widely varied at the moment. So I don't have sort of a blended spot deposit rate. Again, the best way I think to think about the overall equation there is the trend in margin will likely continue in Q2 just at a much slower pace than what you saw from Q4 quarter.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. All right. And then last question. I just noticed it's a small number, but the held to maturity securities number went up by a few million in the quarter. I know that -- did you add anything to help (inaudible) [maturity] in the quarter? Or is it just some other sort of accounting item that impacted that?

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Yes. It's really -- it's just natural sort of amortization of some of the marks in that held to maturity portfolio. There's no adds into that portfolio in the quarter.

Robert A. Fehlman - *Simmons First National Corporation - CEO*

Yes. And Gary, we're really not buying any securities at this point. We're maturing -- unless it's a CRA type investment, a negligible amount.

James M. Brogdon - *Simmons First National Corporation - President & CFO*

Correct.

Gary Peter Tenner - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. Yes, I wouldn't thought so that's why I just wanted to clarify.

Operator

This concludes our question-and-answer session. I would like to turn the conference over to George Makris for any closing remarks.

George A. Makris - *Simmons First National Corporation - Executive Chairman*

Thank you very much, and thanks for joining us today. I think you can see in these uncertain times in the banking industry, the diversification of our company has played out really well. When you take a look at our liquidity, our capital our asset quality, the basis of who we are as a community banking organization. I would hope that you would recognize that all three of those are outstanding, especially compared to some industry peers. So we are very optimistic about the way we have established our company on the go forward. And I think you heard Jane and Bob talk about repricing of our loan portfolio, some additional income based on swaps that will kick in later this year, rebalancing of our balance sheet, expense initiatives. I hope that's exactly what you would expect from us based on what we have said over the last 6 months and the fact that we have spent the last 10 years diversifying our company to get to this point in uncertain times. So while our net income did not quite meet expectations, we believe that primarily that's a result of our conservative nature and our provision for the uncertain times to come.

And I think we're well positioned regardless of what happens in the marketplace today to react and still take care of our customers. We are still dependent on in the communities we serve, and I think we've done an excellent job over the last 6 months taking care of particularly the smaller communities where we are a significant portion of the capital available for those communities to thrive and grow. So thanks again for joining us today, and I hope you have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
