Byline Bancorp, Inc.

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## Q3 2017 Earnings Conference Call

## October 27, 2017 at 10:00 a.m. Eastern

**CORPORATE PARTICIPANTS**

**Allyson Pooley** – *Financial Profiles*

**Alberto Paracchini** – *President, and Chief Executive Officer*

**Lindsay Corby** – *Chief Financial Officer*

**Tim Hadro** – *Chief Credit Officer*

## PRESENTATION

**Operator**
Good morning, and welcome to the Byline Bancorp, Incorporated Third Quarter Earning 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 telephone keypad. To withdraw your question, please press star, then two. Please note this event is being recorded.

I would like to turn the conference over to Allyson Pooley from Financial Profiles. Please go ahead.

**Allyson Pooley**
Thank you, Kate, and good morning, everyone. Thank you for joining us today for the Byline Bancorp Third Quarter 2017 Earnings Call. Joining us from Byline's management team are Alberto Paracchini, President, and CEO; Lindsay Corby, Chief Financial Officer; and Tim Hadro is also here, Byline's Chief Credit Officer, who will participate in the Q&A session.

We will be using a slide presentation as part of the discussion this morning. If you haven't done so already, please visit the events and presentations page of Byline's Investor Relations website to download a copy. Alberto and Lindsay will discuss the third quarter results, and then we will open the call for questions.

Before we begin, we'd like to remind you this conference call contains forward-looking statements with respect to the future performance and financial condition of Byline Bancorp that involve risks and uncertainties. Various factors could cause actual results to be materially different from any future results expressed or implied by such forward-looking statements. These factors are discussed in the company's SEC filings, which are available on the website.

The company disclaims any obligation to update any forward-looking statements made during the call. Additionally, management may refer to non-GAAP measures, which are intended to supplement but not substitute for the most directly comparable GAAP measures. The press release available on the website contains the financial and other quantitative information to be discussed today as well as the reconciliation of the GAAP to non-GAAP measures.

And with that, I'll turn the call over to Alberto.

**Alberto Paracchini**
Thank you, Allyson. Good morning to everyone on the call. As is our practice, I will start the presentation on Slide 3 and provide you with the highlights for the quarter and then pass the call over to Lindsay for more detail on our financial results.

We executed well during the quarter, and our performance was solid driven by an acceleration in loan growth and an expanding net interest margin. Reported net income was $9.8 million for the quarter. EPS was $0.32 per share, which is up $8.2 million, or $0.24 per share on a year-on-year basis. ROA came in at 117 basis points and 147 basis points on a pre-tax pre-proration basis.

We had several one-time items impacting earnings this quarter both positively and negatively. On the positive side, we recognized a $4.6 million tax benefit due to the changes in the Illinois corporate tax rate. On the negative side, we took an asset impairment charge of $951,000 tied primarily to the disposition of an old headquarters facility.

Strong loan production was a highlight for the quarter. Last quarter I mentioned we were seeing strong demand for credit that we believed would translate to a higher level of growth for the second half of the year. This was definitely the case in the third quarter.

We had total loan production of $135.8 million net of loans sold, which translated into net balance sheet growth of $67.1 million, or 12.4% on an annualized basis. Payoff activity moderated from the first half of the year but still remains somewhat elevated at this point.

Credit demand and availability remained strong, which is driving payoff activity. This activity reflects both good loans paying off due to successful outcomes in a project or business being sold and lower rated credits taking advantage of the environment. In those cases, we're comfortable allowing certain relationships to move on.

On the funding side, deposits were stable for the quarter. In terms of our mix, DDAs accounted for 29.9% of the portfolio, and core deposits increased to 86.2%, which is up from the linked quarter figure of 84.9%.

Last quarter I mentioned we were seeing signs of increasing rate competition in deposits in the market. That was the case during the quarter as we saw increased pricing pressure, particularly on CDs. We instead focused our efforts on core deposit generation. As a result, we saw a nice increase in money market accounts that offset runoff from our CD portfolio. This strategy worked during the quarter, but we expect competition for deposits to continue. That said, from a cost standpoint, actual deposit betas outperformed our model with total deposit costs up just 3 basis points from last quarter.

From a revenue standpoint, our margin performance was very strong with the margin up 16 basis points for the quarter. Excluding accretion income, our performance was even stronger with the margin up 20 basis points. Non-interest income was $11.9 million for the quarter, which was lower than that of the second quarter this year.

This line item will always have some degree of volatility quarter-over-quarter, depending on the amount of loans sold as well as the mix. For the quarter, we had a lower amount of loans sold with a different mix of loans that generated slightly lower average premiums. That said, our government guaranteed loan production continues to perform very well, and we remained as the number one SBA lender in both Illinois and Wisconsin according to the recently published rankings for fiscal year 2017.

Our efficiency ratio increased a bit relative to the second quarter. The rise was driven by lower non-interest revenue and expenses that included a few non-recurring items, including the asset impairment charge I mentioned earlier.

Lastly, on credit performance, NPLs remained flat versus last quarter and NPAs had a slight increase due to lower dollar OREO resolution activity during the quarter. Our provision expense was $3.9 million, while charge offs came in a $1.9 million, or 34 basis points. This led to a reserve build of 7 basis points with our allowance to loans ending at 72 basis points.

Now, I'd like to pass on the call to Lindsay to cover the financials in more detail.

**Lindsay Corby**
Thank you, Alberto. Good morning, everyone. Our third quarter performance represents further progress on the growth of our franchise and a continuation of several positive trends. On Slide 4, I

would like to highlight a few metrics in addition to what Alberto has previously covered.

We continue to effectively leverage our balance sheet, which is positively impacting our level of profitability. Our loan and lease to deposit ratio increased to 88% at the end of the third quarter versus 85% last quarter and 77% from year ago. Our capital ratios remain very strong with our tangible common equity ratio increasing to 11.73% at the end of the quarter. This provides us with ample capital to support our growth strategy.

I also want to provide a little more detail on the tax benefit we reported in the third quarter that positively impacted our earnings. On July 6th, the state of Illinois legislature increased the corporate income tax rate from 5.25% to 7%. As a result, the value of our deferred tax asset related to our Illinois net loss deduction has increased, and we reported a $4.6 million tax benefit during the quarter. Going forward, and assuming no change in the federal tax rate, we expect our effective tax rate to be 40% to 41%.

Turning to our balance sheet, we'll start with our loan and lease portfolio on Slide 5. Our total loans and leases were $2.2 billion at September 30th, an increase of $67 million from the end of the prior quarter. Our originated loan portfolio increased $119 million with all of our major lending areas increasing during the quarter. We saw the strongest growth in our commercial real estate portfolio, which was up $56 million, or 13.7% from the end of the prior quarter, and our C&I portfolio, which increased $42 million, or 12.1%.

Moving to Slide 6 to discuss our deposits, as Alberto mentioned, our deposits remained stable at $2.5 billion. We expected our non-interest-bearing demand balances to be lower due to the proceeds of the loan funding last quarter being used by one of our customers to finance a transaction. Outside of that, our non-interest-bearing accounts were relatively unchanged in the quarter while our money market accounts increased $65 million. This offset the decline in CD balances due to the continued runoff of promotional and other time deposits added through the Ridgestone acquisition. Through this improvement in mix, our core deposit percentage increased to 86.2% in the third quarter.

Moving to Slide 7, I'll discuss our net interest income and the expansion of our margin. Our net interest income increased $1.6 million from the prior quarter to $31.4 million, resulting in a net interest margin of 4.18%. Higher average volume yields and loan balances added 23 basis points to the margin, which was offset primarily by lower accretion income of 4 basis points.

The expansion is a result of an increase in loan and lease yields and the improvement in our earning asset composition. Loan and lease yields increased 16 basis points during the quarter due to volume and new origination at higher rates than those paying off, as well as the full quarter benefit related to the rate increase in June. This was partially offset by a 3 basis point increase in our total funding costs to 70 basis points. This was driven by a slight increase in the cost of our interest-bearing liabilities offset by a decrease from the payoff of our line of credit.

The increase in the deposit cost is attributable to the time deposits in the money market category. As we discussed last quarter, the CDs acquired from Ridgestone resulted in an acquisition accounting benefit on the time deposits. Excluding the impact of these fair value adjustments, our cost of time deposits increased 4 basis points during the quarter. The acquisition accounting benefit on our time deposits has been substantially recognized and will not have a material impact on funding costs going forward.

Turning to Slide 8 and our non-interest income, compared to the prior quarter, our non-interest income decreased by 9.7% to $11.9 million. The decrease was due to a decline in net gains on sales of loans of $946,000, or 11.2%. We sold $71 million of government guaranteed loans during the quarter, which was 4% lower than the dollar amount sold in the prior quarter.

Our mix of loans sold was different than last quarter, which impacted our premiums received. Our originations of government guaranteed loans for the quarter remained relatively stable at $107 million versus $110 million in the previous quarter. Outside of this category of income, our other major fee generating areas were relatively consistent or slightly increased versus the prior quarter.

Moving to Slide 9, let's look at our non-interest expense. At $31.1 million, our non-interest expense increased by 6.2% from last quarter. Excluding the asset impairment charge, our expenses were up 3%. Within our specific expense items, we had a $518,000 increase in professional fees primarily related to expenses associated with the company becoming a public registrar.

We also had $424,000 in additional OREO-related expenses due to lower gain on sales of OREO properties. These increases were partially offset by a $903,000 decrease in salaries and benefits expense, which was primarily due to decreased equipment expense and increased deferred loan origination costs, mainly salary expense due to loan and lease originations. On a year-over-year basis, you can see the results of our efforts to better leverage our infrastructure.

Our efficiency ratio improved to 69.9% versus 84.4% a year ago. Excluding the asset impairment, our adjusted efficiency ratio was 67.7% for the third quarter. Although our efficiency ratio increased slightly from the prior quarter, our long-term trend continues to improve as we add scale and leverage our infrastructure.

Turning to Slide 10, we'll take a look at asset quality. We had a modest increase in our non-performing assets during the quarter; however, as a percentage of total loans and leases, our ratio of non-performing loans and leases was unchanged from the prior quarter. Our net charge-offs were $1.9 million, or 34 basis points of average loans and leases for the quarter.

Charge-offs are primarily related to leases and SBA loans. Provision expense for the third quarter was $3.9 million. The increase compared to the previous quarter was primarily driven by the growth in our portfolio. The provision brought our allowance for loan and lease losses up to 72 basis points of the total loans and leases at September 30th. In addition to the traditional allowance methodology, we also analyzed the allowance in conjunction with the acquisition accounting adjustments impacting the acquired portfolio.

With that, I would like to pass the call back to Alberto for closing remarks.

**Alberto Paracchini**
Thank you, Lindsay. Last quarter, I mentioned that we had added to our origination capabilities with the addition of several new hires. Those bankers have already started to generate fundings and continue to build their pipelines. This quarter, we continue to add to our origination capacity with the addition of an experienced commercial banker focused on healthcare. We expect and anticipate to see the production coming from this initiative at the start of 2018.

With that, I'd like to, operator, I think we can open up the call for 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.

Our first question comes from Michael Perito of KBW.  Please go ahead.

**Michael Perito**
Hi, good morning, everyone.

**Alberto Paracchini**
Morning, Mike.

**Michael Perito**
Thanks for taking the questions.  I have a couple I wanted to address here.  I guess first question, so I mean it appears that loan origination has kind of been pretty solid here, and looking at the deposit balances, it's been mostly flat year-to-date.  So, I'm just curious, kind of how you expect those two to trend near-term here, and then, I guess, as a secondary question to that, for Lindsay, maybe, just how we should expect kind of the investment portfolio to track assuming recent trends kind of persist going forward.

**Alberto Paracchini**
Yes, I think, Mike, in terms of originations and deposits, as you can tell, we've been really, really focused more on the core side and just managing the balance sheet, I guess, holistically.  No sense in generating excess liquidity for the sake of doing it and then having to park it in relatively lower yielding investment securities while production kind of catches up with that.  So, I think you can continue to anticipate that we'll manage that accordingly.

In the past, we have typically, when short-term fundings start outpacing available cash, or runoff from the investment portfolio, or just natural deposit growth that's coming from the commercial side, we typically just used our federal home loan bank facilities to basically fund loans and then gradually we backfill with deposits.  And, I think in the short- to medium-term, you can expect that to continue.

And, Lindsay, if you want to take the investment question.

**Lindsay Corby**
Sure. Hi, Mike.  In terms of the investment portfolio, we're not looking at a lot right now.  What you've been seeing is going to be consistent going forward.  We intend to deliver the amount of cash and securities that we have.  You've seen it come down over time, and I think you'll continue to see that trend going into the future.  So, not really looking to buy too much at this point in time, just really kind of watching the market and we continue to move from securities and cash into loans as Alberto talked.

**Alberto Paracchini**
Just to add further, Mike, and maybe this gives you some additional color, if we do add to the investment portfolio, I think, given Lindsay's comments earlier, and it's probably very noticeable in terms of what our effective tax rate is today, you're probably going to see us look to do something more on the tax exempt side, because now certainly we can take advantage of that, whereas a year ago, for example, it really wasn't that attractive.  But, consistent to Lindsay's point, we want to see runoff from the investment portfolio be redeployed into loans.

**Michael Perito**
Got it.  That was all very helpful.  Thank you.  And, just on the tax rate, does that kind of go back to the 40%-ish near-term, I guess, unless you guys start to act on some of those tax strategies that you just discussed?

**Lindsay Corby**
Correct, I think the 40%-to-41% is a good assumption, Mike.

**Michael Perito**
Okay. On the margin, I was just hoping, Lindsay, maybe you could help me with the accretable yield or accretion disclosure. I think last quarter on the call you had mentioned that the accretable yield was about $7 million, which doesn't seem to kind of jive with the basis point disclosure in the second quarter. I'm just wondering what the difference between those two numbers is.

**Lindsay Corby**
So, the disclosure that we included in the earnings release is consistent with what was in the 10-Q, so you can refer back to the 10-Q last quarter if you want to see the differences and the comparisons, but it's consistent, Mike, with what we've included in the past. So, happy to answer any specific questions, but there really isn't much of a change there.

**Michael Perito**
I assume then the $7 million number that was quoted last quarter on the call, I guess what is that number in comparison to the number the little over $2 million number that's in the filings?

**Lindsay Corby**
Well, I don't know exactly what $7 million number you're talking about, but our gross accretion last quarter was $8.8 million, and our gross accretion number this quarter came down slightly as we disclosed.

**Michael Perito**
Okay, in terms of the near-term NIM expectations, is this above 4% range something that you guys think you can kind of maintain with everything you're seeing in the market or there are some other things that we should be thinking about?

**Lindsay Corby**
Well, we don't give exact guidance here, but I do feel that you'll see consistent trends in terms of the shift in terms of the asset composition. I do think you'll see some slight expansion that we've seen, but I don't anticipate to the level that we did this quarter, obviously, and obviously we'll be offset by any increases in rates of deposit. So, as Alberto commented, it's competitive out there, and we will be seeing pressure in the future, especially as rates rise.

**Alberto Paracchini**
Yes, obviously, Mike, also dependent on what happens to short-term interest rates, if there's a rise, if the Fed decides to increase rates at the end of the year, obviously, certainly that will be a positive, but I think the margin, where it's at, and just the performance so far has been very good, so we're pretty happy about that.

**Michael Perito**
Great, thank you for all the color, guys. I appreciate it.

**Alberto Paracchini**
Thank you.

**Lindsay Corby**
Thanks, Mike.

**Operator**
The next question comes from Terry McEvoy of Stephens. Please go ahead.

**Terry McEvoy**
Good morning, everyone.

**Alberto Paracchini**
Good morning, Terry.

**Terry McEvoy**
Just a follow-up, just on that last theme, what would be the impact of a December rate hike as you think about the first quarter of '18? And you mentioned deposit betas have been coming in below internal expectations. How are you thinking specifically about deposit betas in the fourth quarter and into next year?

**Alberto Paracchini**
Always good questions, Terry. Obviously for 2017, a hike in the middle of December really would not be very material. The first quarter, certainly if the Fed were to raise rates by, say, 25 basis points, I think we would see definitely some benefit from that.

As far as deposits are concerned, I think we've been pretty good at managing the margin. That said, I don't know that performance has been good. We've performed better than what we've typically modeled, but I would expect that our betas would be approaching essentially kind of the model beta, so to speak, as opposed to continuing to significantly outperform them.

I think competition is definitely present. I think you probably heard from other local market participants here on their calls that everybody seems to be talking and focusing much more on raising deposits and being very cognizant of the competitive environment. So, I think ultimately that'll start putting some pressure in terms of funding costs.

So, as Lindsay said, economic numbers were strong this morning. Credit demand remained strong, and therefore that's creating demand for funding. So, I think in short I would say, we expect them to revert back to essentially what we typically model on those.

**Terry McEvoy**
Okay, and then just as a follow-up, a theme this quarter from some other end-market participants, to use your expression, is more a sense of cautiousness on CRE. As I look at your business this year, it's up close to 40% and almost 40% of total loans. And, I guess my question is, where is that growth coming from? What type of projects, and how much of it is out of market as you follow those customers?

Then, in terms of just concentration risk, are you comfortable continuing to grow that as a percentage of your assets?

**Alberto Paracchini**
I'll answer the concentration risk, and Tim Hadro, our Chief Credit Officer, is here, so I'll ask him to answer the first part of the question, Terry, but concentration's something that we monitor, particularly on the CRE concentration side. At the levels right now that we have, we feel very comfortable with where the portfolio is.

That said, I can tell you that you are not going see us any time that you're approaching kind of the 300% regulatory guidance, we want to be certainly inside of that as we manage exposures and particularly on the CRE front.

Tim?

**Tim Hadro**
I'll address the concern about commercial real estate. We share that concern. We are, in terms of our approach to the market, we are not looking to grow the retail commercial real estate or the luxury multi-family. We have strengthened our terms with respect to financing that type of real estate, and we have not done much of it recently.

We have done, in terms of where we are putting our real estate dollars, industrial, some student housing projects. We continue to do some out-of-state real estate, but we do more in-market than out of the State of Illinois.

Just overall, I mean, we are finding the deals are getting tougher. There is still a lot of competition for each project, and we are going forward cautiously but we still think the transactions being done are good business. We have lowered our advance rates and increased our debt service requirements in certain markets, and I'll leave it at that unless you have any follow-up questions.

**Terry McEvoy**
That's great. Thank you.

**Operator**
The next question come from Nate Race of Piper Jaffray. Please go ahead.

**Mathew Clark**
Good morning. It's actual Matthew Clark calling for Nate.

**Alberto Paracchini**
Hi, Matt. How are you?

**Matthew Clark**
Good, thanks, good, good. First question just on the loan pipeline, wondering if you could quantify it and how it compares to a year ago, and as a follow-on to that, what the pipeline of lender hires looks like as well after this healthcare addition and whether or not there are any other verticals or specialties you might consider as we get into next year.

**Alberto Paracchini**
Yes, Matt, on a year-on-year basis, the pipeline is obviously stronger, and that's driven by a number of things. A year ago, we really, Ridgestone had not closed yet, so obviously we have that business. That business continues to grow and continues to look for ways to grow originations and correspondingly grow their portfolio.

So, just with that addition alone, obviously it's a significant increase on the pipeline. The other thing impacting is, as you just mentioned on the second part of your question, we've obviously added capacity in terms of lenders and bankers that we've added on a year-over-year basis. So, certainly in that regard, the pipeline today compared to a year ago is much stronger.

As far as commercial banking pipeline or the pipeline for new hires, so we, as you know, earlier in the year, we added several bankers to our commercial banking ranks. Those bankers have gained traction. They started building their pipelines, and we're starting to see the fruition of that already with fundings, and I would say, probably ahead of schedule in terms of just seeing the level of activity that we've seen from that. So, we're pretty encouraged and happy with that performance.

As I mentioned in the remarks, we added a very experienced banker that focuses on the healthcare space. It's a space where we have experience. He has been in the market for a long time, and we felt it would be a really, really good fit to add that capability to our lending staff. So, we're really happy, and we expect to see contributions from that effort to begin in earnest in the first half of 2018.

We continue to actively look for experienced bankers in the marketplace. We feel that we have a great franchise and a great platform and we offer opportunities that other banks—I think we compare very favorable to other banks in terms of giving experienced bankers an opportunity to bring business and operate in a platform where they really can see the fruits of their labor, so to speak, and the contributions that they make to the organization. That's exciting and we think that we'll continue to add bankers in the coming months.

Does that answer your question, Matt?

**Matthew Clark**
Yes, yes, that's great. Thank you. Then on the SBA business, curious what your outlook is there for gain on sale margins currently and the related volume.

**Alberto Paracchini**
Yes, I think—and I think I mentioned this a bit, so I'm glad you asked the question. There's always some degree of volatility on a business where you're selling loans on a quarterly basis. So, you're always going to have some degree of volatility on a given quarter, up or down. In this quarter, we sold a slightly lower amount of loans. Originations remained strong. The pipeline there remained strong, and as far as gain on sale margin are concerned, it was a mix of loans this quarter that was different than the mix of loans we sold the previous quarter.

For example, last quarter, we had a single USDA loan, which garners typically very good premiums in the secondary market and where we don't share the premium paid by the investor above a certain level with the government agency. So, that loan was there last quarter. We obviously are an active originator of USDA loans, but we didn't sell any USDA loans this quarter.

So, there's always some volatility in terms of volume of loans sold and the gain on sale margin. What I'd say is, we're not seeing anything really that changes our view in terms of where margins are today and what our outlook is for margins going forward.

**Matthew Clark**
Great, and then, last one for me, just on the status of the two problem loans from last quarter. It sounds like the charge-offs this quarter related more to leases and SBA, but curious where those two situations stand.

**Alberto Paracchini**
Yes, so as you know last quarter we had one up-tick in terms of an SBA loan, which is fully guaranteed. That is still in the resolution stage, so that's still obviously impacting the balance there. Those things can take some time to get resolved. That said, and as a reminder, there's a 75% or 80% guarantee behind that particular credit.

**Operator**
The next question is from Ebrahim Poonawala of Bank of America Merrill Lynch. Please go ahead.

**Ebrahim Poonawala**
Good morning, guys.

**Alberta Paracchini**
Good morning, Ebie, how are you?

**Lindsay Corby**
Morning.

**Ebrahim Poonawala**
Good, so [indiscernible], Matt just asked a couple of my questions, but just one question, and I'm sorry if I missed it. I get that you're using securities cash flows towards loans, and don't want excess liquidity on the balance sheet, but can we talk about this in terms of your outlook for core deposit growth? Like, what do you think loan interest bank deposits should grow, and what are we doing in terms of banker strategy to grow core funding? Like, what's your outlook there?

**Alberta Paracchini**
So, obviously raising core deposits, particularly non-interest-bearing is key, as you mention. As far as strategy there, primarily obviously from a commercial banking standpoint, we want to, when we lend money, we expect to get the deposit and treasury management relationship that comes with it. So, first and foremost, is that is continued emphasis in every time we're bringing a new relationship ensuring that that relationship has DDA balances and the full deposit relationship that comes with that and that's a day-on-day process on that.

As far as the retail side, we incent, the incentive programs that we have in place, to give you some perspective, for our retail staff, are really geared toward quality core deposit growth both on the DDA front as well as in the, call it, non-CD front.

So, we're not really looking to add a lot of accounts for the sake of opening accounts. We'd rather grow a lower number of accounts that have a more meaningful level of engagement with us. So, that's always first and foremost and that is not, call it, volume-sensitive to the loan portfolio. So, those things are—that's obviously the hard part of the business is very competitive and you have to have a high degree of consistency in what your efforts are there.

To your comment about the investment portfolio and cash flow, I think what we mean there is to the degree that we are actively going to need to raise deposits, we want to make sure that we have a good use for the funds. We don't want to necessarily go out and aggressively raise funds if we are going to likely going to sit on them.

And, I think that over time, I think we added on the presentation, and hopefully this gives you guys some perspective in terms of where the runoff is coming. But, we added a chart that shows the originated loan growth and how that portfolio is behaving in terms of the trend and the growth that you see there. And really, where a lot of our runoff ultimately is coming from which is the acquired impaired and non-impaired portfolios which you see declining.

So, obviously as time passes and those portfolios continue to decline, the impact of that will certainly cause a shift in our need for funding going forwards. So, hopefully that gives you some color and some good perspective in terms of how we think about that.

**Ebrahim Poonawala**
Well, that's helpful, and the slide was helpful, too, in terms of just breaking out acquired versus legacy loans. Did you quantify how much more runoff in from a deposit perspective tied to Ridgestone is still remaining?

**Lindsay Corby**
We did not quantify that, Ebie, but it's been a year now, so I think you can see that, as I stated, that the accretion and the accounting impact from those deposits is gone. That's what I disclosed.

**Alberta Paracchini**
Yes, and that's fully integrated now, Ebie, so we don't expect anything impacting our results going forward. That's just part of our portfolio, frankly, at this point, and going forward.

**Ebrahim Poonawala**
Understood. That's all I had. Thanks for taking my questions.

**Alberta Paracchini**
Yes, thank you.

**Lindsay Corby**
Thanks, Ebie.

**Operator**
Again, if you have a question, please press star, then one.

The next question comes from Brian Martin of FIG Partners. Please go ahead.

**Brian Martin**
Good morning.

**Lindsay Corby**
Morning, Brian.

**Alberta Paracchini**
Morning, Brian.

**Brian Martin**
Say, just a couple things, just one, Lindsay, could you just reconcile, or give us an idea of how much benefit in the quarter came from the CDs from Ridgestone? You said something, it sounds like it's non-recurring, or just kind of it's all completed at this point. But is there a drop off in the margin next quarter, or is it in the number and just sustainable at this point?

**Lindsay Corby**
It's in the number and sustainable at this point. So, you won't see it going forward.

**Brian Martin**
Got you, okay. Got you, thanks. And then just two things, maybe if you could just give a little color on the expenses outside of the impairment this quarter. I know you talked a little bit about some of it being a public company, and I know the OREOs seemed a little bit unusual, but just how you're thinking about the expense base as you go into '18.

And then, I guess, just as far as the second one's just kind of reconciling, well, just reconciling the gross accretion to the net accretion. I guess, the $2 million is the net number this quarter, and I guess if you don't reconcile it, just kind of thinking about that going forward, it seems like it's going to become a sustainable or in a declining trend, if that's how we should think about it. Thanks.

**Lindsay Corby**
Sure, so in terms of the expenses, Brian, I think looking at it going forward, obviously, as a public company, your expenses are higher. So, we did see that come through. There is some noise in there like you mentioned, and that we covered in our earnings release that was more of a blip on a go-forward basis, but we will see expenses continue, and I don't see anything really different in terms of our outlook there.

In terms of your other question around reconciling of the accretion, it's really hard to give a perfect picture in terms of what's going to happen, but we all know accretion does go down, Brian. And I think what you saw this quarter is a pretty consistent theme of what you'll see going forward. Again, it's difficult to predict, and it's difficult to give you a number because accretion is something that does tend to have volatility, but I think it was a pretty good run rate this quarter.

**Brian Martin**
Okay, thanks so much.

**CONCLUSION**

**Operator**
There are no other questions at this time. This concludes our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

**Alberta Paracchini**
Great, thank you, operator. Thank you all for joining us today. We look forward to speaking with you again next quarter or on the road if we see you before then. So, thank you.

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