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Earnings Call

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Call Participants

EXECUTIVES

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Jim R. Collins
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David Joseph Long
Raymond James & Associates, Inc., Research Division

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Presentation

Operator

Good morning, afternoon and evening, and welcome to the Alerus Financial Corporation Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

This call may include forward-looking statements, and the company actual results may differ materially from those indicated in any forward-looking statements. Important factors that could cause actual results to differ materially from those indicated in the forward-looking statements are listed in the earnings release on the company's SEC filings.

I would now like to turn the conference over to the Alerus Financial Corporation President and CEO, Katie Lorenson, to begin. Katie, please go ahead when you're ready.

Katie A. Lorenson
President, CEO & Director

All right. Thank you. Good morning, everyone, and thank you for joining us today to discuss Alerus Financial Corporation's first quarter financial results. I'm Katie Lorenson, President and CEO, and I am pleased to be here in the Twin Cities with our Chief Financial Officer, Al Villalon; our Chief Operating Officer, Karin Taylor; our Chief Banking and Revenue Officer, Jim Collins; and joining us via phone is our Chief Retirement Services Officer, Forrest Wilson.

I want to extend my gratitude and thanks to each of these leaders who continue to play a crucial role in driving our company's culture with a mindset of success is never final and the hard work and courageous leadership that has fueled our transformation over the past 2 years to the stronger company we are today.

The first quarter of 2025 showcased a continued blend of progress in performance and strategic execution. Our performance ratios continue to improve with an adjusted ROA of 1.1%, a 25 basis point improvement from our adjusted ROA last quarter. The first quarter also represented our first full quarter with HMNF fully integrated. The addition of our Home Federal team members, along with the hiring of dozens of other talented professionals with deep expertise and broad networks has created continued momentum in high-quality organic growth, driving efficiency improvements and unlocking new opportunities to deepen relationships with our client base.

We remain focused on our One Alerus strategy, a unified and collaborative approach that leverages our best-in-class diversified business model to grow our franchise through full relationships that extend from traditional commercial banking, full-service treasury management to private banking and wealth management. Our focus over the past few years has been on enhancing our commercial bank with talent and expertise, targeting mid-market and business banking clients in addition to niche segments to consistently grow organically, maintain our well-diversified balance sheet and build a strong brand across our geographic footprint.

I'm extremely proud of the leadership and the talent within the banking teams. The integration of their work between the teams in client acquisition and expansion has never been tighter. The results are evident with another strong quarter of loans, deposit and wealth management client growth.

Our net interest margin improved again this quarter with the teams across the company executing great discipline in pricing on both sides of the balance sheet. Our loan-to-deposit ratio was stable with continued success in onboarding full commercial and private banking relationships. In addition, synergistic deposits in our retirement business allowed us to deepen the plan relationship while adding exceptionally stable funding with no related branch or client service costs.

We continue to exercise prudent risk management and early and proactive risk identification. Our nonperforming loans decreased during the quarter with a full payoff of a large nonaccrual loan. While it's hard to predict the ultimate impact of the potential tariffs and government spending cuts, we continue to engage with our client base as we do in normal course to assess their potential exposure.

Given the uncertain environment and continued normalization of credit, we are committed to carrying robust reserves, which increased to 1.52% of total loans in addition to the discounts we carry on the acquired portfolio. Our unique business model continued to excel with core noninterest income, excluding building gains and MSR adjustments growing almost 11% year-over-year. Our noninterest income as a percentage of revenue of 40% continues to position Alerus as one of the highest fee income banks in any peer group, a key differentiator in creating premium valuation and sustainable shareholder value.

Our wealth management group, which generated revenue of 13% higher than a year ago, shined brighter than ever in terms of market uncertainty and volatility. Our exceptionally talented advisors continued their efforts of proactive outreach to clients during the quarter. The trust they built strengthens our reputation and drives referrals and a strong brand.

The ultimate differentiator from a diversification standpoint is our national retirement and benefits business, which grew organically 3% on a year-over-year basis. Organic growth in sales continues to improve while retention remains better than industry standards. In addition, we are seeing increasing momentum with meaningful partnerships across the country. We are steadfast in our belief that this business is the cornerstone for delivering consistent, high-quality returns with no credit risk and minimal capital allocation. And I've never been more confident in the continued and future success of this business with the leadership team we have in place, the talent we have across the business unit, and our scale and position in the industry.

We continue to engage with smaller subscale firms across the country as an acquirer of choice in an environment where the catalyst for consolidation continues.

Cost savings from Home Federal are on track and expense management continues to be a top priority. As reflected by our adjusted efficiency ratio of 66.9% this quarter, leading to achieve further improvements as the year progresses with a recent headcount reduction. In addition, as we work to integrate all the new talent that has joined our organization over the past few years, we are engaging a consultant who will take all the best practices and expertise of our team to formulate and develop the Alerus operating model for commercial credit. We expect this consultant will identify opportunities to optimize processes, procedures and policies to improve efficiency. In addition, we believe this partnership will allow us to ramp up and carefully grow our company while improving the client experience, as we remain refocused and committed to getting better, not just bigger.

Capital levels improved during the quarter and are at levels consistent with expectations post the Home Federal closing. We continue to build back capital levels with our enhanced profitability metric. As we look to capital allocation, we will continue to prioritize franchise-building organic growth, retirement roll-up opportunities in addition to maintaining our long dividend history.

Thank you. And now I will turn it over to Al for a more detailed review of our financial results.

Alan A. Villalon
Executive VP & CFO

Thanks, Katie. I'll start my commentary on Page 11 of our investor deck that is posted in the Investor Relations part of our website. Let's start on key revenue drivers. On a reported basis, net interest income increased 7.5% over the prior quarter, while fee income decreased 18.4%. The increase in net interest income was driven by organic loan growth at higher spreads and lower interest expense tied to Fed rate cuts in the back half in 2024. Noninterest income in the prior quarter included the sale of a property, resulting in a $3.5 million gain.

Excluding this gain, noninterest income was down 9.2% from the prior quarter on an adjusted basis, primarily due to the seasonal decline in mortgage originations. Our fee income remains over 40% of revenues and well above the industry average of 19%.

Let's dive into the drivers of net interest income on the next slide. Turning to Page 12, in the first quarter, net interest income increased to a new record level for Alerus at $41.2 million. And our reported net interest margin increased another 21 basis points to 3.41%. Our net interest income is now over 2x larger than we initially had our initial public offering in 2019. Our net interest margin continues to show improvement.

Our total cost of funds dropped 19 basis points to 2.34% as we lowered deposit and money market rates due to fed cut in the back half of 2024. We had $5.1 million of purchase accounting accretion or 42 basis points in the quarter. Of those 42 basis points, 4 basis points were from early payoffs.

Lastly, we had nonaccrual recovery, which favorably impacted net interest margin by 5 basis points. Our net interest margin has rebounded not only from our balance sheet being slightly liability sensitive, but from continued discipline in pricing on both new loans and deposit originations. We continue to focus on delivering a full C&I relationship ROE over 12% in banking.

Let's turn to Page 13 to talk about earning assets. Organic loan growth was 2.3% over the prior quarter as we continue to grow our commercial presence, especially in middle-market companies and in business banking. Commercial loans now make up over 70% of total loans versus 58% at our initial public offering in 2019. We continue to transform into a prominent commercial wealth bank within our footprint. Our investment portfolio declined to $839 million or just under 17% of earning assets. AOCI improved to an unrealized loss of $63 million as we saw the value of the treasury curve declined over 40 basis points during the first quarter. We continue to let the balance sheet remix from low-yielding investments to higher-yielding loans.

Turning to Page 14. On a period ending basis, our deposits organically grew 2.4% from the prior quarter. While we saw pressure on noninterest-bearing deposits, we still grew our commercial banking presence as public funds and commercial clients were over 42% of total deposits. Synergistic deposits grew 7.5% over the prior quarter, with HSA deposits growing 4.4%. Growth in HSA, which carry a low cost of funds around 10 basis points, helped offset some of the mix shift away from noninterest-bearing deposits. Noninterest bearing deposits are down to 19.8% of total deposits.

Given the increase in the budgets, our loan-to-deposit ratio remained steady at 91.1% and is still below our targeted level of 95% with nearly no brokered deposits.

Turning to Page 15. I'll now talk about our banking segment. I'll focus on the fee income components. Overall noninterest income from banking was $4.6 million for the first quarter. The prior quarter had $3.5 million gain on the sale of property, excluding this gain, noninterest income declined by $2.3 million on an adjusted basis. Of the $2.3 million decline in fee income, mortgage revenues were down $1.8 million as overall mortgage originations were down over 20% sequentially. The first quarter generally tends to be the most seasonally challenging for our mortgage business. We also had a $734,000 decrease in the fair value of mortgage servicing rights, which we inherited from the Home Federal acquisition.

Currently, we carried $7.4 million of mortgage servicing rights on our balance sheet and are not looking to actively grow this portfolio. Given recent market developments and recent volatility in interest rates, we do anticipate further fluctuations in the valuation of this MSR portfolio. Besides the $1.8 million decline due to mortgage, the remainder of the $2.3 million overall decline on adjusted noninterest income was due to less client swap fee being realized. As we said in the past, these swap fees tend to be lumpy each quarter based on client appetite.

On Page 16, I'll provide some highlights on our retirement business. Total revenue from the business decreased 2.3% mainly due to market base and other fees. We saw growth across our core products and services. The decline of participants was tied specifically to our administrative services only line of business. The fees from this administrative product offering are only at the plan level, so the decline in participants had no material impact on overall revenues. Assets under administration and management decreased by about 2%, mainly due to market performance. New business production continues to be solid as we won 161 plans in the first quarter. Lastly, synergistic deposits within retirement grew 8.8% over the prior quarter, 52.5% of these the synergistic deposits and retirement remain indexed.

Turning to Page 17, you can see highlights of our wealth management business. On a linked quarter basis, revenues decreased 1.5%, while end-of-quarter assets under management decreased 1.7%, mainly due to market performance. Synergistic deposits grew over 4.7% from the previous quarter, almost 94% of these deposits are indexed. Within wealth, we are excited about transitioning from a legacy system to a new platform that will drive a better experience for both the financial adviser and clients. We believe this new platform will provide more revenue synergies for Alerus as we continue to grow as a commercial wealth bank.

Page 18 is an overview of our noninterest expense. During the quarter, noninterest expense decreased 16.7% as there are less acquisition expenses in the quarter on a reported basis. Our reported efficiency ratio was 68.8% on an adjusted basis, which excludes M&A and severance and signing bonuses. Our efficiency ratio was 66.9% versus 69% in the prior quarter. Most of the improvement in our adjusted efficiency ratio was driven by core expense improvements. Core operating expenses decreased 2.8% from the prior quarter.

Turning to Page 19, you can see our credit metrics. During the quarter, net charge-offs were only 4 basis points. Nonperforming assets decreased by almost $11.9 million, mainly due to the payoff of a nonaccrual commercial real estate loan during the quarter. NPAs to total assets decreased 24 basis points from the prior quarter to 96 basis points. Our allowance for credit losses is now at 1.52% of total loans, which includes over $8.2 million related to non-PCD loans acquired in the Home Federal and Metro Phoenix deals, otherwise known as the CECL double count.

I'll discuss our capital liquidity on Page 20. We continue to remain well capitalized as our common equity Tier 1 capital to risk-weighted assets is at 10%, our tangible common equity ratio improved 30 basis points to 7.43%. On the bottom right, you'll see breakdown in the sources of $2.9 million in potential liquidity. Overall, we continue to remain well positioned from both the liquidity and capital standpoint to support future growth or weather economic uncertainty.

Turning to Page 21 now. I'll update you on our guidance for 2025. We expect the following: loan growth of mid-single digits for 2025, while we have achieved growth of 2.3% in the first quarter, economic landscape remains fluid. Deposit growth of low single digits remains the same. For the second and third quarters, we will see seasonal deposit outflows from our public funds. Net interest margin of 3.2% to 3.3%. Within the guidance, we're assuming several things. First, we're not expecting any more nonaccrual recoveries like we saw in the previous quarter, which aided our margin by 5 basis points. Second, we're only expecting 35 basis points of purchase accounting accretion in the quarter. Our guidance does not include any early payoffs, which purchase account increased by 4 basis points in the first quarter.

Third, we are expecting seasonal outflows from our public funds, which will impact our net interest margin. And lastly, we are expecting a further decline in noninterest-bearing deposits. We are forecasting a 200 basis point mix shift from non-interest-bearing to interest-bearing as we continue to grow our commercial presence. We do believe this mix shift for clients may be conservative.

There's no change to our noninterest income outlook, but with equities down in second quarter, we may see some pressure on fee income with assets under management facing headwinds in both retirement and wealth.

On the mortgage side, we're seeing the normal seasonal uptick in mortgage originations, which is encouraging. The Mortgage Bankers Association is still forecasting over 16% growth in originations for 2025. Lastly, we expect our adjusted efficiency ratio, which excludes onetime items to be below 68% for 2025 as we continue to realize cost saves from Home Federal. In the second quarter, we expect our core expenses to be around $49 million, which includes the seasonal uptick in mortgage incentives. We remain focused on continuing to manage our expenses prudently to continue to focus on improving the overall profitability of the company.

To summarize on Page 22, as we start our first full year after we completed our biggest merger in company history, we are off to a strong start. We continued organic growth in both loans and deposits. For the first quarter, our adjusted pre-provision net revenues grew nearly 8.2% over the prior quarter. Our current adjusted ROE, ROTCE and ROA are even in the top quartile or close to the top quartile based on returns over the last decade. We understand this is just 1 quarter, and we remain committed to generating consistent returns for our shareholders in upcoming quarters and years.
With that, I'll now open it up for Q&A.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Brendan Nosal with Hovde Group.

Brendan Jeffrey Nosal
Hovde Group, LLC, Research Division

Maybe just starting off here on margin. Thank you for all the detail that you offered in the prep remarks around this quarter's core level and some of the drivers going forward. Maybe just digging into the core margin a little bit. If this quarter's core was 294, if we adjust for purchase accounting and nonaccrual recoveries. Just help us understand how you're expecting the core margin to trend off that 294 level over the next few quarters.

Alan A. Villalon
Executive VP & CFO

Yes. Thanks, Brendan, for the question. We still continue to expect our core margin to improve from these levels. We're still seeing really strong loan growth somewhere in north of -- around the 7% range. And on the liability side, things are cost of funds, we're seeing deposit growth, nonmaturity deposits to be somewhere in the 2s. So we're still picking up very good spreads on both sides of the balance sheet.

Brendan Jeffrey Nosal
Hovde Group, LLC, Research Division

Okay. All right. That's helpful. Maybe turning to asset quality. Nice to see a couple of wins on the nonaccrual side this quarter. But just wondering if you could update us on that nonaccrual construction loan that you had been making protected events over the past couple of quarters. Just kind of curious where it stands from a completion standpoint, when you expect to begin marketing the property and any line of sight to what the ultimate resolution looks like.

Karin M. Taylor
Executive VP & COO

Sure, Brendan. This is Karin. The project has made good progress. The borrower is in compliance with our agreement and is ahead of our benchmark. So the interior is substantially complete. They do have a temporary certificate of occupancy. There is some exterior work that will need to be completed as the weather continues to improve here in Minnesota. But we expect a certificate of occupancy in the June or July time frame. They are continuing to lease up. They're about 36% leased. Our agreement requires them to list the project for sale this quarter. And we understand that there is good interest in the project. So things are on track as we continue to work through a resolution on that.

Brendan Jeffrey Nosal
Hovde Group, LLC, Research Division

Awesome. Thank you, Karin, for the detail. Maybe I'll just sneak one more in here. Just on fee income for wealth and for retirement. Just for the market-sensitive components, can you remind us the timing of when those fees are assessed, just so we can get a sense of kind of what market levels were priced into the quarter 3 results?

Alan A. Villalon
Executive VP & CFO

Yes. So when we -- so on the retirement side, about 40% of our assets are market sensitive, and we bill out on an average daily balance for the quarter. On the wealth side, we bill at quarter end.

Operator

And our next question comes from Adam Kroll with Piper Sandler.

Adam Kroll
Piper Sandler & Co., Research Division

This is Adam Kroll on for Nate Race. I guess just maybe a question for Jim. Given the really strong start to the year, I was curious just what areas or geographies you're seeing the most opportunities currently and how the pipeline is looking? And just have you seen any borrowers pull back amid all the uncertainty?

Jim R. Collins
Executive VP and Chief Banking & Revenue Officer

Yes. Sure, Adam. I think the way we're looking at it, it is worth we are pulling back a little bit on investor CRE and really focusing on commercial C&I, which we've articulated that as our business plan going forward. We're finding some pretty good growth. And I would articulate it as taking market share both in Arizona and Minnesota as well as North Dakota. So I'd say all markets are finding decent pipelines in C&I. But again, market share. We're not seeing a lot of customers expanding their business necessarily. It's really just moving their relationships from one bank to another due to other reasons, relationship reasons or other acumens with credit that work better for us. So really, it's the mid-market C&I that we're really focused on in all markets, and that's really the bulk of our pipeline. Like Al said earlier, we're cautiously optimistic, but we're still sticking around that 7% growth annualized. We're not thinking we're going to have a lot more than that this year.

Adam Kroll
Piper Sandler & Co., Research Division

I appreciate the color there. Maybe a question for Al on expenses. Are you on -- are you still expecting the low double-digit growth year-over-year, implying that core expenses remain relatively stable around the 1Q for run rate for the year?

Alan A. Villalon
Executive VP & CFO

Yes, Adam. So we are still expecting that low double-digit growth from based on the $170 million reported last year. But we did give guidance that for the second quarter, we expect it to be around $49 million, which indicates that it's going to be stable.

Adam Kroll
Piper Sandler & Co., Research Division

Got it. And then just one more question for me for Katie. Capital ratios saw nice build during the quarter. As you continue to build capital at solid clips, I was just curious how you're thinking about deploying excess capital? And what's the appetite currently for M&A on either the bank or nonbank side?

Katie A. Lorenson
President, CEO & Director

Yes. A good quarter of capital growth with the TCE increasing 30 basis points and focus on continuing to build on those current capital levels. From a prioritization standpoint, certainly, very selective organic balance sheet growth as well as opportunities in the retirement space for acquisitions of smaller subscale and then continuing our dividend continues to be the top priorities for the company at this point.

Operator

And the next question comes from Jeff Rulis with D.A. Davidson.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Just kind of a series of follow-ups. Al, on the reported margin, again, you said helped by 5 basis points for the recovery and 4 basis points on payoffs above expected accretion.

Alan A. Villalon

Executive VP & CFO

That is correct, Jeff.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Okay. And as we think about kind of reported versus core. It sounded fairly positive on the core side, that's your guide of 320 to 330. I guess the net of that is we're thinking about reported comes in, core comes up and again a hug in that 320, 330 for the year on total reported.

Alan A. Villalon
Executive VP & CFO

That's a good assumption, Jeff. Again, one thing that's inherent or implied in our guidance to though is about a 200 basis point mix shift from noninterest bearing to interest bearing, which will weigh on -- which is in part of that 320 to 330 forecast.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Okay. All right. I appreciate it. And then I guess on the reduction in the nonaccrual, it seems like it came out of the 90-day past due. Was that HMNF credit or trying to track down how -- what was resolved linked quarter?

Karin M. Taylor
Executive VP & COO

Yes. Jeff, this is Karin. That was a legacy Alerus credit. And if you recall on the call last quarter, we did get that renewed shortly after year-end. So that came off the numbers. The other decrease was attributed to, as Al mentioned, to pay off on a commercial real estate loan that we had been working out of the bank for some time.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Karin, I guess we know in talking about large construction development. And kind of those are the ones we've been talking about, but broad-based credit, other pinchpoint or your just general comfort on credit from your perspective?

Katie A. Lorenson
President, CEO & Director

Sure. Yes. I mean I think in our portfolio, credit is normalized. We've talked about that over the last few quarters. We're seeing pretty normal migration. We're seeing upgrades as well as downgrades and we're not seeing any specific patterns or segments affected. It's broad-based. It's very normal activity. And while we've seen the increase in our criticized, we're not seeing significant risk or loss in the portfolio. We have a low level of past dues and the nonaccrual loans remain manageable, again, driven by a couple of larger relationships. And we are just committed to remaining very proactive in identifying risk in our portfolio and making sure that we get it addressed early.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Appreciate it. And maybe last one on the expenses, Al, going back to that, just trying to think about, have we fully captured HMNF cost saves? And I guess, on the run rate, is there a -- if you're $50.4 this quarter, are we expecting sort of a leg down into Q2? Just trying to get into the kind of the quarterly run rate a bit.

Alan A. Villalon
Executive VP & CFO

Yes. So on a reported basis, we do see that it will be down probably from the $50, but we still have a little bit of Home Federal cost that we have to realize there at one time, but with that being said, the core expenses should be around the $49 million which -- that's why I gave the guidance for it. Now within that guidance, too, we are expecting a pickup of our mortgage incentives.

Jeffrey Allen Rulis
D.A. Davidson & Co., Research Division

Got it. And then we could track, I guess, the revenue side of that, too.

Operator

And the next question comes from Damon DelMonte with KBW.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Al, I just wanted to ask on kind of the some of the dynamics of the margin. Can you just remind us about the amount of CDs that are repricing for you guys, as well as fixed rate loans that repriced this year?

Alan A. Villalon
Executive VP & CFO

Yes. When you get on the loans first, for the remainder of 2025, we have approximately $380 million of loan contractual maturities, so over 9% of the loans. And we're expecting over about 100 basis point pickup in the most recent quarter for that. Then also to, we have about for the remainder of the year, about $85 million of securities paydowns with those yield in the mid-2s. Let me track down the CD stuff for you.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

And maybe why...

Alan A. Villalon
Executive VP & CFO

Yes, Damon, go ahead. Yes. Go ahead, Damon.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Sure. As we think about kind of the provision level going forward here with expected loan growth, I know obviously, there's a healthy boost to the reserve with the purchase accounting. But I mean, do we --should we kind of think about the provision level similar to previous quarters, ex any merger noise. So something may be kind of in the $1.5 million to $2 million range kind of given the outlook for growth?

Karin M. Taylor
Executive VP & COO

Yes. I think that's probably a fair assumption, Damon. I mean, the one caveat might be just given the way the CECL calculation works, what happens with economic forecast given uncertainty.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Got you. Okay. Those are 2 questions that I had. So Al, if you want to come back towards the end of the call over that time.

Alan A. Villalon
Executive VP & CFO

Damon, I'm seeing right now on our CD book right now about we had about -- I want to say, close to $100 million of CDs that are in the 9-month range.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Okay. Great. And what are those -- where you think those will roll off at versus what they would be put back?

Alan A. Villalon
Executive VP & CFO

Some are in the high 3s.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Okay.

Alan A. Villalon
Executive VP & CFO

In the high 3s right now.

Operator

[Operator Instructions] Our next question comes from David Long with Raymond James.

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

Question on expenses. As a growth company, you guys are always looking to bring in veteran bankers when the opportunity is available. What does the back drop look like as far as new hiring? As there some -- are there some opportunities to bring in some that have some C&I experience. I know there's been some M&A disruption within your footprint. Any opportunities there? And then how do you weigh that against your outlook for expense growth?

Jim R. Collins
Executive VP and Chief Banking & Revenue Officer

David, this is Jim Collins. I'll take that one. As we finished up the Home Federal conversion, and we start to look at our business plan going forward, we're realigning our resources. And with that realignment, we're agreeing that we will not add additional costs. What I mean by that is we have the ability to swap out some resources when we can be opportunistic to find good, solid C&I bankers in the -- in our growth markets. And we're committed to growing C&I in that market space. So when we see the right talent for our culture, we will go after it, but we will make sure that it aligns with our realignment of resources.

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

Great. And then the 1% return on asset was a target that you guys have been looking at for a while. And you got there in the first quarter. Can -- in your modeling, the way you're looking at it out, can you consistently do 1% going forward here?

Alan A. Villalon
Executive VP & CFO

That's the goal.

Operator

[Operator Instructions] So this concludes our question-and-answer session. I would like to turn the conference back over to Katie Lorenson for any closing remarks.

Katie A. Lorenson
President, CEO & Director

Thank you, and thank you, everyone. The progress and success of this quarter is a testament to the dedication and the passion of our team and the trust our clients -- that our clients place in us. We remain focused on delivering tailored advice, purpose-driven solutions guided by our commitment to excellence and always doing the right thing.

In conclusion, we're off to a strong start in 2025. We're energized by the opportunities ahead. We're grateful for the continued support of our shareholders, and we look forward to building on this momentum as we strive to achieve consistent top-tier performance. Thank you, everyone, for your time today.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect. Have a great rest of your day.

Katie A. Lorenson
President, CEO & Director
Thank you.