Alerus Financial Corporation

Second Quarter 2020 Earnings Conference Call

July 29, 2020 at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Randy Newman, *Chairman, President and Chief Executive Officer*

Katie Lorenson, *Chief Financial Officer*

Karin Taylor, *Chief Risk Officer*

PRESENTATION

Operator
Good morning and welcome to the Alerus Financial Corporation Second Quarter 2020 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

This call may include forward-looking statements, and the company's 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 and the company's SEC filings.

I would now like to turn the conference over to Alerus Financial Corporation Chairman, President, and CEO, Randy Newman. Please go ahead.

Randy Newman
Thank you and good morning, everyone. This is our fourth earnings call since our IPO in September 2019. This morning we intend to discuss our second quarter 2020 financial results and the current impact of the COVID-19 pandemic. I might also mention that we've updated our investor presentation for our second quarter performance, and you can access that on our website.

Today I'm joined by our Chief Financial Officer, Katie Lorenson, and our Chief Risk Officer, Karin Taylor. As always, we appreciate your interest in our company. In today's call, I will first highlight our record-setting earnings for the quarter and other key points before turning it over to Katie and Karin. After that, we would welcome your questions.

Our financial performance in the second quarter mirrors what other banks with diversified business models are reporting — significant balance sheet growth as a result of almost $360 million of PPP loans, weaker net interest margins, and record mortgage revenue growth. All of this resulted in Alerus reporting a record quarter with net income of $11½ million. Although the pandemic has been incredibly disruptive, we are blessed with very talented, loyal, and committed professional employees who are driven to providing exceptional client service. Despite the challenges of moving to a remote work environment and the impact of COVID on personal lives, our employees worked above and beyond to deliver record-setting mortgage production of $431 million to over 2,200 clients. Additionally, our banking division made 1,600 PPP loans, providing over $360 million of funding, which also included loans to 370 new banking clients. We also introduced the first of several virtual webinars in the second quarter to provide guidance and help clients with their financial issues in a number of different areas.

At our last earnings call, I recalled our past experience in dealing with disasters. These learned experiences have enabled us to move quickly and adapt to changing work conditions, proactively respond to increased clients' request and inquiries, and never lose sight of managing our company for the long term. Despite volatile and uncertain economic conditions, our company accomplished record-setting production and earnings. Our leadership team is steady and disciplined in our approach. Now more than ever, I am proud to state that our company's focus remains the same — number one, ensure the safety and well-being of our employees; serve and meet the financial needs of our clients during these unusual economic times; and, third, maintain a [unintelligible] balance sheet of strong reserve coverage of our credit portfolio, strong core operating earnings from our diversified business model, and maintain robust capital levels.

The investments that we have made in technology and people, together with our focus on a ONE ALERUS organic growth strategy, have served our company well during the current pandemic. During these challenging times, they have enabled us to meet and exceed the needs of our clients, made more difficult with changing work conditions and record client production. We have seen significant increases in the use of technology that provides digital delivery and client interactions with our trained professionals. In my 40-year career with Alerus and as far back as my records show, Alerus has performed at an average of a 120 ROA, a 12 percent ROE, and has increased the cash dividend an average of nearly 9 percent per year.

We continue to believe that our high-value professional services business model and our 60/40 fee income to traditional bank margin income diversification will allow us to outperform our peers and justifies a premium market valuation. We did not anticipate this quarter at our last earnings call, but we are very, very pleased with our financial results. They are an indication of the strength, resiliency, and the consistency of the Alerus business model and leadership team. And while we are optimistic of our ability to meet the challenges of the future, we do anticipate a slower and uncertain economic recovery. Despite these concerns, we believe we are well prepared for these challenges and that Alerus is well positioned to meet these challenges and needs of our clients, while performing better than our peers.

That concludes my initial remarks, and now I'd like to turn it over to Katie Lorenson, our CFO, and Karin Taylor, our Chief Risk Officer, to more specifically discuss our financial performance, our credit quality, and more of our company's response to the challenges of the COVID-19. We look forward to your questions at the end of their initial discussions.

Katie Lorenson
Thank you, Randy. Good morning, everyone. Thank you for joining our call today. As Randy noted, the second quarter produced an incredible $11½ million of net income and year-to-date total asset growth of 22 percent. We are very pleased to see our investments in our ONE ALERUS culture, our talent, and our technology translate into results. Although the uncertainty remains, it is clear the franchise value of our company is strong and resilient to incredible challenges.

This morning I'll briefly walk through some of the highlights for the quarter, and then I'll turn it over to Karin, who will give an update on credit-related matters as well as provisioning. During the second quarter, we [unintelligible] really tremendous changes to our balance sheet. First, our loan balances increased over $300 million, or 18 percent. The increase included, of course, the PPP loans which equated to approximately 20 percent of our total loans. We experienced decreases in our C&I portfolio outside of those PPP loans, due to extraordinarily low levels of utilization in our lines of credit. We also experienced, of course, the headwind in the residential portfolio, due to the level of refis and lower line utilization in our [unintelligible].

On the funding side, we continued to see incredible inflows from many different sources. We had some really nice commercial new business generation, our synergistic deposits continued to build, and we also saw cash reserves continue to build within our client base. We estimate approximately $200 million of the proceeds from the PPP loans came in and is still sitting in our deposit base. This dynamic has weighed heavily on our net interest margin, which moved down 21 basis points in the linked quarter.

The highlight of the quarter outside of the level of PPP loans was certainly the record volume of mortgage originations. This was made possible through those previously mentioned investments in technology and talent. The transition to mandatory was timely as margins have exceeded expectations and a healthy pipeline heading into the third quarter put the unrealized [unintelligible] on mandatory at $5 million for the year.

Based on record months of applications, we expect the volume to remain above prior-year production; however, it is important to note that as the forward commitments decline, the unrealized gains will likely decrease from the Q2 level.

Moving on to the retirement benefits and payroll division, we did see a revenue decline on the linked quarter and year-over-year basis. The decline was primarily related to the impact of the decline in the average daily balance of assets and the final adjustment to eliminate revenue sharing and replace those fees with transparent, explicit fees in our clients' plans. To be specific, in the second quarter, we finalized the fee schedule changes and made an accrual adjustment to exit this fee income line item. This adjustment caused a $1.2 million decrease on a linked quarter basis, with the remainder of the difference due to asset-based fees.

While the average daily balances did drag during the quarter, the market did rebound and inflows topped outflows, pushing the total assets in the division past the $30 billion mark at the end of the quarter.

The on-balance sheet contribution of this division continues to gain significance with over $450 million of deposits sourced at market rates, with little overhead costs. While retirement and wealth management growth can certainly be challenging in times like this, our ONE ALERUS approach and our business model provides opportunities to engage with our massive client base and provide advice to those looking for help navigating these uncertain times.

In the second quarter, we launched an initiative focused on connecting our salesforce of advisors and guides with individual purchase [inaudible] in this virtual environment. In the first couple of weeks, the results have already generated a couple dozen opportunities and over $1 million in new wealth management assets.

From an expense standpoint, the increase in the quarter was driven entirely by mortgage incentive compensation. Other noteworthy items included the increase in our provision for unfunded commitments, a direct correlation to our decline in line utilization, which accounts for over $800,000 of the increase in the linked quarter expenses. In addition, we had another $300,000 of write-downs on our mortgaging servicing assets. Despite these increases in non-operational expenses, our efficiency ratio is improving, and we continue to focus on managing expenses, operational efficiency, with urgency. Nearly all expense categories were down, and expenses on a linked quarter absent these items would have tracked down about 2 percent, despite nearly half a million of COVID-related expenses in the quarter.

Expense management is top of mind for our leadership team as we continue to manage the company during this challenging environment. We are proud of our record performance achieved in this quarter, but we also recognize the economic uncertainty and headwinds that lie ahead.

Karin, I'll turn it over to you.

Karin Taylor
Thank you, Katie, and good morning, everyone. First, I'll provide a brief update on our banking markets. We continue to effectively serve our clients in all markets — virtually, digitally, via the drive-thru, and in-person as conditions allow. The North Dakota market was never subject to a stay-at-home order. There were restrictions in place for certain businesses, and those were listed at the end of April. By and large, Grand Forks and Fargo are widely open for business and have been for some time.

The Twin Cities market was subject to a stay-at-home order until mid-May. Minnesota then implemented a four-phased stay-safe plan to re-open businesses, and the market continues to make measured progress in re-opening.

The situation in Arizona has been more serious, with the resurgence in cases. We continue to focus on serving clients via technology and the drive-thru in that market.

Employees across our company worked with urgency during the second quarter to deliver relief to our clients. As Katie mentioned, loans increased by $313 million during the first half of the year, fueled by the addition of $360 million in PPP loans. This was offset by decreases in consumer loans and commercial line usage since the end of the year. The utilization rate on commercial lines decreased to approximately 23 percent at the end of the second quarter, down from 38 percent at the end of the first quarter and compared to a 14-quarter average utilization level of 37 percent. This was primarily the result of increased liquidity of borrowers due in part to various relief programs, including the PPP.

Through June 30th, we've granted close to 1600 PPP loans, again totaling that $360 million. Approximately 370 of those loans were made to clients new to Alerus. These relationships have helped build up our pipelines for business development, particularly in areas [unintelligible] where the market is further from re-opening.

We have continued to see requests for repayment relief through the second quarter, and as of June 30th, we had granted 515 deferrals, totaling approximately $148 million in balances. And that was in the form of either a full P&I payment accrual or an interest-only arrangement. This represents about 9 percent of unguaranteed loan balances. Just over half of that relief in dollars was granted to commercial real estate borrowers. The initial referral period did not exceed 90 days, and as of July 22nd, 46 percent of those loan balances granted a deferment had finished the deferral period and resumed normal payments. To date, requests for a second deferral period have been limited. Commercial loan balances granted the second deferral totaled about $3 million.

Moving on to asset quality, net charge-offs for the quarter were $3.3 million, primarily a result of two large commercial charge-offs. Both had been identified as problem credits, were on non-accrual, and had a reserve allocated. The impact of the pandemic did not cause the weakness in these credits, but it did accelerate deterioration in both, one of which was hospitality related.

Non-performing assets to total assets decreased during the quarter from 29 basis points at March 31st to 19 basis points at June 30th. The decrease is primarily due to the aforementioned charged-off loans and was partially offset by one relationship that was placed on non-accrual during the quarter. That classification was not a result of stress due to economic conditions related to COVID-19.

I'll turn now to the provision for loan losses. There remains a high level of uncertainty regarding the duration of the healthcare crisis, the possibility of surges in cases in the respective wave of the virus, and the potential for dialing back the pace of re-opening businesses in our markets. In the face of this uncertainty, we continue to build our reserves, moving our ratio of allowance to total unguaranteed loan balances to 1.62 percent compared to 1.54 percent at the end of March. Our allowance to non-performing loans also increased to over 500 percent at the end of June.

As I mentioned, the two large loans charged off during the quarter were fully reserved. The provision this quarter was due to continued economic uncertainty. Increased allocations were made to all segments for current economic conditions as well as to potentially higher-risk portions of the portfolio, including small business credits, loans with a payment deferral in place, and criticized loans. These additions dictated a provision of $3.5 million for the quarter and allowed us to maintain our levels on allocated reserve at approximately $1.8 million. We expect to allocate this amount as initial payment release periods continue to end and we have clearer insight as to the impact of the current environment and specific credits.

This concludes our prepared comments. We'll now open the meeting up for questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and answer-session. To ask a question, you may press star, then 1 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 2. At this time, we will pause momentarily to assemble our roster.

The first question comes from Jeff Rulis at DA Davidson. Please go ahead.

Jeff Rulis
Thanks. Good morning.

Katie Lorenson
Good morning, Jeff.

Jeff Rulis
Maybe just a follow-up for Karin. The — on the deferral, that sounds fairly positive on those that have resumed payment, I guess. Do you have a figure of current deferrals as a percent of loans? If you're at 9 percent, it sounds like — is that number in half at this point?

Karin Taylor
Yes it's pretty close to half of that, yes.

Jeff Rulis
Okay.

Karin Taylor
4.7 percent, I believe.

Jeff Rulis
Okay. At $70 million or so, that — and I just wanted to clarify the total deferrals, that was all done on 90-day? Were there some 180-day type deferrals?

Karin Taylor
We did not do any 180-day deferrals, no.

Jeff Rulis
Okay, great. And then, just towards the margin, Katie, the — if you could outline the impacts on PPP, sort of the excess liquidity headwind. In terms of what that did on margin and then just any color on your ability to redeploy or to deploy excess liquidity and kind of the margin outlook from here.

Katie Lorenson
From a PPP standpoint, all else being equal, [unintelligible] PPP, really just a couple of basis points impact for this quarter. Excess margin was certainly the weight of it. If you just take out the excess cash that has been sitting on the balance sheet, probably about $100 million of average balance; that probably jumps NIM up to a 330. Outlook for Q3, we believe Q2 was certainly the low point. Looking to continue to put the cash to work in the investment portfolio and expecting some outflows, we think some recovery in the NIM going forward as well as continued rate reductions on our money market accounts, which we expect to decrease into the 30-to-40 basis-point range for the third quarter.

Jeff Rulis
Thanks. And my last one, just on the expense side, I caught the kind of cost-conscious approach. I think of — and it's bigger picture maybe for Randy or Katie on the — kind of how you manage expenses. You've certainly done a lot of heavy lifting on investment into the platform, and I guess from here it's more of watching costs, but as we move — accelerate more towards sort of a digital experience, I guess your thoughts on kind of the expense run rate and how you manage kind of investments that you think are good for this climate versus kind of minding costs and keeping those flat. Just an update on that. Thanks.

Katie Lorenson
I think what we're seeing in the second quarter is reflective of the urgency in the efforts in regards to a focus on managing expenses and really the bulk of the big investments in terms of technology are in those numbers, the future outlook and the need for any additions there in terms of serving our clients digitally, it's not really on the forefront, although they're in the run rate. We've made those investments already, from an operational expense standpoint, it was a really nice quarter in that regard and very — the company all throughout is extremely diligent and focused on building efficiencies, whether it's through robotics and automation, as well as just capacity within our workforce. The outlook, X the mortgage incentives, we can continue to grow revenue in this company without adding any incremental expense.

Jeff Rulis
Okay. Thank you.

Operator
The next question comes from William Wallace of Raymond James. Please go ahead.

William Wallace

Actually, a great follow-up to that last question, to your last comment, was what was the increase in the comp line from variable comp on the mortgage business?

Katie Lorenson
Good question. It was $3 million for the quarter.

William Wallace
And that's the increase of $3 million or the total was $3 million?

Katie Lorenson
That was the increase of $3 million. We went from $2.3 million to $5.3 million.

William Wallace
Okay. And then in your prepared remarks — I apologize; you gave a lot of information, just couldn't write it down fast enough — you — I believe you said on the mortgage business that you expect mortgage volume will be — will continue to be elevated year over year, but then you said something about the gain, and I missed that. Could you kind of restate that and then quantify — help us quantify what your thoughts might be?

Katie Lorenson
Absolutely. We do anticipate a really nice volume moving into the third quarter based on where pipelines are today and our application volume, et cetera. We expect the margins to hold where they are, but as Q4 seasonality comes in and that forward pipeline declines, which is just natural in a typical year — who knows if this is a typical year — we would expect to see the value of that unrealized gain decrease in the third quarter. And you can think about it a little bit as just a little bit of an offset to the revenue total.

William Wallace
Okay. Okay, that variable comp, the $3 million increase, there might not be the — what you see on the volumes today, that you might have production in line with the second quarter's or down slightly as that — is that a fair characterization?

Katie Lorenson
From the comp side, there is a lag, I would actually expect to see the mortgage comp in the third quarter not go down but potentially increase upwards to even a million dollars but then falling off, back to kind of Q1 levels into the fourth quarter.

William Wallace
Okay. Great. And then if you — maybe on the — as a follow-up on the NIM commentary, if you were to keep liquidity where it is, what do you think the opportunity is on NIM, to kind of help us think about what you do with NIM and then maybe getting back that 15 to 20 basis points as you deploy liquidity? Does that make sense?

Katie Lorenson
Yes, even with the changes — again, the money market accounts have that automatic reset, even all things being equal, we'd probably — we'd see a few basis points pick up on that regard even if the balance sheet stays static in terms of the cash.

William Wallace
Okay. Great. That's very helpful. Thank you. And then you talked about the opportunity or looking at the expenses and opportunities to be more efficient. I'm curious if the experience of

your customer is a little bit different than what we're hearing from a lot of the other banks around the country, given that your market is more Dakota and never really shut down. Or do you think there's an opportunity on the branch side for consolidation, or has the customer activity not really changed that much? I guess that's probably broken into the difference between North Dakota versus the Twin Cities, but I'd like to know just big picture if you think there's opportunity on the branch side and how you're trying to figure out that opportunity.

Katie Lorenson
Yes, that's a great question. I can tell you I've been amazed at how busy our North Dakota locations are, to the point of waiting lines in the drive-thru before we opened our lobby that sometimes exceeded a half an hour. The activity there, especially on the commercial side of use of our branches really has not slowed. As a reminder, we are not a branch-heavy company. We have just 15 locations across our entire footprint of North Dakota, Minnesota, and Arizona. That being said, we are closely monitoring all of the trends and uses as well as our digital engagement. We actually as a company were at capacity when it came to our facilities, and adding a new hire was like putting in a jigsaw puzzle, and so this certainly gives us more capacity in our current locations, but we are exploring opportunities. We haven't made a decision. As of today, it's not to re-open at least one location, but we'll continue to evaluate all locations and all of our office space across the company.

William Wallace
Okay. And the last question is just on the retirement benefit services business. Just talk about continued headwinds or tailwinds there and expectations maybe in the back half of the year.

Katie Lorenson
As I look at the second quarter and where the assets have rebounded, I do believe this to be a low point for the quarter, and I think we track that up to the $14 million in terms of revenue for the third quarter. The headwind for us in this business will be related to ESOP transactions which, of course, will be — are on a pause — businesses aren't moving forward with those at this time — as well as the new business generation, but it's a long sales cycle so I believe that to be more of a 2021 headwind.

William Wallace
Okay. Do you think that that just results, hopefully, in maybe slightly slower growth in '21, or do you think that you could see some fallout as there's potential pressures in the small business community?

Katie Lorenson
We've evaluated our book of business within our retirement division much like we did with our credit division, and we really have, much like our loan portfolio, an extraordinarily diverse — and we're not seeing pressure on levels of contributions or plan terminations or anything of that nature. I don't believe it's a 2020 issue. We have seen a slow in attrition, which we think potentially offsets some of that headwind to new business generation.

William Wallace
Okay. Thanks. I'll step out and let somebody else ask a question.

Operator
Again, if you have a question, please press star, then 1 on a touchtone phone. The next question comes from Bob Shone of Piper Sandler. Please go ahead.

Bob Shone
Good morning. This is Bob on for Nate [phonetic]. How are you guys doing?

Katie Lorenson
Good morning.

Bob Shone
My question revolves around provisioning going forward, and if you guys could maybe provide any color around if we're going to see consistent provision to the level of Q2 '20 and how high the reserve might go. Thanks.

Katie Lorenson
Sure. Obviously, that's a tough question given the uncertainty, and, of course, the payment relief has potentially mapped some of those traditional flags that we look at. I would just say that we remain very cautious and that given the uncertainty, we expect that we'll continue to remain at an elevated provision level next quarter as well.

Bob Shone
Okay. And then looking at the line utilization, you guys mentioned that it's below that three-year average. Have you seen a bounce-back in that utilization so far in the third quarter?

Katie Lorenson
We have not. It's remained very low.

Bob Shone
Okay. And then kind of related to that, given the strong core deposit growth, do you anticipate as PPP funds are being used and with tax season being pushed back, that there will be some anticipated runoff in 3Q?

Katie Lorenson
Yes, I think we expected to see that in Q2 also, it's a little bit of a mystery, but we would — we are expecting that there will be [unintelligible] in the third quarter.

Bob Shone
Okay. And then the last one for me, just kind of a modeling question. For the PPP income, I think you guys said it was around $2 million this quarter, is — was there any accelerated fee income in that number, or was it just the 1 percent interest plus that standard kind of 24-month amortization of the fee?

Katie Lorenson
Good question. No, it actually was — it's a little bit shy of where it should have been. It was probably $200,000 short of where it should have been, cause the average balances changed a little bit. No it's — the system actually calculates the income incorrectly, so we did make a manual adjustment, so we were not overstated in the quarter.

Bob Shone
Okay. Thanks. I'll step back.

Randy Newman
Say, Katie, it's Randy. To Bob's question on the deposits, would you happen to know the breakout of the deposit increase? Some of that came from the synergistic side or the synergistic deposits

from the benefits side, which should remain with us. The deposits that may have came [sic] from the PPP funding, of course, that will probably run off, but would you happen to know what that split is?

Katie Lorenson
Yes, well — 90 thousand — $90 million, excuse me, of the increase was related to the synergistic deposits of the retirement and wealth management.

Bob Shone
Okay. Thanks.

Operator
And we have a follow-up from Jeff Rulis of DA Davidson. Please go ahead.

Jeff Rulis
Thanks. I just wanted to clarify the retirement and benefits number, that was a recovery to one — four, $14 million in the third quarter or something north of that?

Katie Lorenson
Yes, we believe so.

Jeff Rulis
Okay. And I guess anyone's guess as to how you climb back to — I think you mentioned transaction volume is light, so maybe it's inhibited getting back to kind of your ceiling levels, but any thoughts on further growth as we continue to sort of re-open or if we do, there's some upside to that number?

Katie Lorenson
There certainly is. You know, a big focus for our sales, our advisors on that front, is the client expansion either at the participant level and engaging [unintelligible] individually and in terms of IRA rollovers, wealth management opportunities. But then also expanding into health savings and payroll are of real interest for companies today.

Jeff Rulis
Okay. Kind of a cross-sell. Gotcha.

Katie Lorenson
Yes.

Jeff Rulis
And then just one last one. The — could you touch on sort of organic loan growth or net — or just expectations for the — maybe for the balance of the year as I think PPP sort of stunts some of that, whether it's line utilization or other? Any thoughts on kind of net of PPP moves if forgiveness comes in that isolates that, but just kind of the portfolio as you see it, kind of the balance of the year. Thanks.

Katie Lorenson
Sure. You know, our pipelines were fairly strong earlier in the year. We did have some nice growth initially, and then obviously with the onset of COVID-19, everything just kind of stopped as some of our borrowers just paused waiting to see what the impact was. We are feeling pretty good about our pipelines now early in the third quarter. People are getting back to business,

picking up some initiatives that they had, but we – we're cautious in our outlook simply because we feel there are some headwinds. Obviously, there's going to be competition for the best credits out there, and we're being prudent in our underwriting as well, and while we think there's opportunity, I think that growth will likely be muted the rest of the year.

Randy Newman
Jeff – it's Randy – I might say too, a significant strength of Alerus is our business model, and if the economy does slow and traditional banking organizations may find it difficult to find good loans or increase loan volumes, our sales staff or business development staff does not sit idle. We have other things. We report these as separate divisions, but inside the company, we really operate as one combined salesforce. Our people do not sit idle, and they're able to go out and really sell the other areas of our company to remain active and to continue to bring in revenue into our company.

Jeff Rulis
Got it, yes. I guess the other piece of that is your own appetite for risk and you've got to kind of manage that, but it sounds as if your – the market you're in, you're still looking for incremental business, where, I think it —where it makes sense so appreciate the color. Thank you.

Operator
[Unintelligible] Lawrence and his line is disconnected. [Inaudible] just want to verify again, if you have a question, please press star, then 1 on a touchtone phone. Okay, then at this time, this concludes our question-and-answer session. I will now turn the call over to Randy Newman for concluding remarks.

CONCLUSION

Randy Newman
All right. Thank you. First, let me extend our appreciation to everyone who joined our call this morning. Thank you for listening and asking questions.

The first half of 2020 has brought about a tremendous impact to the lives of our clients and employees as well as our business. We acknowledge the economic uncertainty that lies ahead and are preparing for this challenge by maintaining a fortress [phonetic] balance sheet, strengthening our coverage for loan loss reserves, and preserving robust capital levels. The backbone of our company is serving in then best interest of our clients. We continue to focus on this commitment by engaging our team in meeting the holistic financial needs of our clients.

Our business may be interrupted, but it is not disrupted. We are a very resilient company. We have a strong balance sheet, a strong leadership team, and a business model that is envied by many traditional banks. We believe the diversification of our business model and geographic markets will allow us to perform better than our peers, especially in the current environment. We're very proud of our financial performance this past quarter, and our team's ability to perform well through this period of economic uncertainty. Thank you again for joining today's call.

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