MidWestOne

Second Quarter 2018 Earnings

Friday, July 27, 2018, at 12:00 P.M. Eastern

CORPORATE PARTICIPANTS

Charles Funk – *President and CEO*

James Cantrell - *Treasurer and Chief Investment*

Kevin Kramer - *Chief Operating Officer*

PRESENTATION

Operator

Good day and welcome to the MidWestOne Financial Group Second Quarter 2018 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star (*) then one (1) on your telephone keypad; to withdraw your question, please press star (*) then two (2). Please note this event is being recorded.

I would now like to turn the conference over to Charles Funk. Sir, please go ahead.

Charles Funk

Thank you very much, Steven, and thank you to everyone for joining the call this morning. I will begin with the forward-looking statement saying this presentation contains forward-looking statements relating to the financial condition, results of operations, and business of MidWestOne Financial Group, Inc. Forward-looking statements generally include words such as believes, expects, anticipates, and other similar expressions. Actual results could differ materially from those indicated and among the important factors that could cause actual results to differ materially are interest rates, changes in the mix of the Company's business, competitive pressures, general economic conditions, and the risk factors detailed in the Company's periodic reports and registration statements filed with the SEC. MOFG undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances after the date of this presentation. And with that, again, welcome to the call. We have Barry Ray, our new Chief Financial Officer; Kevin Kramer; our Chief Operating Officer; and Jim Cantrell, our Treasurer and Chief Investment Officer, in the room. It's a beautiful day in Iowa City and we're welcoming 25,000 or so bike riders past our headquarters this morning as the RAGBRAI, the Annual Bicycle Ride across Iowa, ends their week and it's been beautiful weather.

As for our earnings call today, I would say in opening, that we've put together, I think, two consecutive quarters of improved earnings and, more importantly, there hasn't been any drama in the numbers, which is a good thing in financial services. Return on assets, better. We know it needs to continue to improve, but at 1.01%, we appreciate that improvement. We're happy with return of tangible equity at 12.9%. We think that's a decent number with our capital level. We also think we can move that higher in the quarters and years ahead. We do acknowledge the efficiency is creeping towards 61%, as we calculate it, and we acknowledge that and we'll be looking at ways to move back below 60% as we move forward.

I'll start with the balance sheet. Very good loan growth, just about any way you measure, whether it's year-over-year or in this quarter. I look at 3.4% for the first six months of this year. We had a little bit better growth than we thought we would have in June, as we closed a few more loans near the end of the quarter, and we did have some fairly large pay-downs during the quarter, as well. So, a very, very good result in terms of loan growth. You might be interested to know that, in June, the yield on our loans booked was 5.30 and for the quarter, 5.13, which both are improved numbers from the quarters prior to this one.

Deposits seem to be everybody's favorite subject. We do show good growth, 4.4% year-over-year, slightly down in the quarter, a little bit of that is seasonal. Some of that, I think, is competition, and we do expect a lift, somewhat of a lift in deposits during this quarter and I looked today, and I believe we were about $2.620 billion today, so we've had a lift since the end of the quarter, and that's a pretty good number for us for the end of, or for toward the end of the month. But it is tough gathering deposits these days and we do see a definite shift towards CDs and I think we would say that's okay, because given interest rate environment we're in, I think we should expect shifts out of core into CDs. The income statement, again, talking about deposits, this time about deposit cost. The ones we hear the most about are the larger corporate customers, but I think a couple of things have changed. We do see much more big bank competition for deposits, probably more than we've seen in 10 years and that's especially true in the Minnesota, the Twin Cities part of our footprint, where the cost, deposit costs probably aren't at the levels we see in Iowa right now. But they certainly have moved in that direction and the Twin Cities, not nearly as cheap in terms of deposits as it has been the past few years.

On net interest margin, just a reminder that we are facing kind of an accretion headwind this year compared to last year. So I'll focus my comments this morning on the core margin. If you look back a year ago, we've calculated that our core margin was 3.72%. The tax change was worth about nine basis points, so, to make it apples-to-apples, 3.63% a year ago, that fell, by our calculations to 3.57% in the first quarter and 3.54% this quarter. Deposit betas have been a source of conversation and so I thought I would say that our cost of funds beta for the holding company, when you look at all liabilities, was 36% during the quarter. And if you look at our bank deposits, our bank deposit betas were, we calculate as 28% during the second quarter. We continue, and this is not a change, if you've been on these calls over the past 18 months, I have been wary that we would be able to continue to maintain margins, and we do continue to see the core margin trend continuing as it has the past several quarters. That's going to be primarily driven, we think, by deposit pressures and we do think loan yields will continue to go higher, probably not at the same rate as deposit costs. That's a prediction, but I think the prediction has been pretty good for the past few quarters.

In terms of non-interest income, we saw very strong activity in our trust area. It was according to expectations in our insurance area. And the big shortfall was in investment services, which our brokers, they did have a very good July, ahead of our budget, and we do expect investment services to rebound somewhat in quarter three.

I'm pleased with the progress that we see in our Home Mortgage Center. That's been a source of concern for us for several years. Industry-wide, volumes are down about 20%. We had a good May, a good June, and July is shaping up to be very good for the Home Mortgage Center. Our fees, because of the reduced activity, are about 6% under our plan, but we've more than made up for that in expense reductions and that's what I think pleases us the most, is we are managing to the market, and so, overall, we're ahead of plan for the Home Mortgage Center after six months.

I think a positive that we saw late in the quarter was we have seen a couple of swap fees that we booked and we will see more swap fees in the third quarter by our commercial bankers and our SBA had a very strong quarter in, SBA department had a very strong quarter in the second quarter, and we're seeing more of the same in quarter three. There's been very good activity out of our Denver markets in SBA.

Non-interest expense, overall, is fine, but we do have a little work to do and acknowledge that on salaries and benefits. They're up by a little bit more than we're accustomed to, and so we're going to take a look at that and we think, over the next few quarters, we can bring that rate of increase down a little bit. I don't think it's alarming, but it is something that we need to work on. Of note, we have increased our technology expenses by about 10% from the prior year. I think that represents our Company's commitment to Fintech and I don't see that trend changing because we believe that, to be viable over the next 5 to 10 years, we're going to have to have a commitment to Fintech.

In terms of the economy, I'll just to give you some thumbnail sketches. Denver, very strong; Denver, ended the quarter with $68.5 million in loans, about $28 million in deposits. We're up to 13 employees in Denver and, during the second quarter, did hire a mortgage banker late in the second quarter and also did acquire the book of business of an investment representative in that market, and she is off to a very strong start. Twin Cities and Southwest Florida, I think, were strong. I would say Iowa City is okay, and I would say that's a downgrade from strong. But I think Iowa City, relatively speaking, is still okay, but, with some cutbacks at the University and a couple of the larger employers, is probably downgraded to okay. In terms of our rural markets, obviously, a little bit of a struggle in those rural markets that are dominated by agriculture. Clearly, there are some concerns in those markets.

That's a good segue to talk about the ag economy. Clearly, the tariffs have hurt the soybean prices the most, but also corn prices over the last 75 days or so. The good news is that soybean and corn prices in the April/May period were fairly robust, and we do know that many of our borrowers sold portions of their production this year forward and so are insulated somewhat against the price drop. I can't really give you an update on how many of our borrowers took advantage of the futures markets to lock in costs, but we are making farm business prop over the next 30 to 45 days, and we should have a better indication of that a month or two hence. I don't think there's any question it'll be a tough year for marginal borrowers, period. It doesn't really matter if they sold forward or not, because liquidity concerns are still out there in agriculture. To give you a few metrics, and I gave you these metrics on the last conference call, we currently have just over 23% of our ag portfolio as classified, and that's either watch or substandard. It was 22.7% at quarter end last quarter, so up just a touch. About 8% of the bank portfolio is related, directly related to agriculture. If you look at substandard and watch, of that 23% or so, about 9.75%, substandard, that's 16 relationships and roughly 13.7% is rated as watch. So, I think we retreat to the same line that we've have for a while now, that we will be putting more in the loan-loss provision, but we still do not perceive big increases in charge-offs. There will be some charge-offs in ag, but we don't see a large increase in ag charge-offs. But if corn and soybean prices continue at this level for a period of time, it's going to be a tough renewal season and that's especially true for the marginal borrowers.

I think we have to keep an eye on land prices. I get a lot of questions about land prices. In our footprint, about half of our ag production is north of I-80, and north of I-80, there's still really good demand for farmland, for good farmland, in fact, slight increases year-over-year in terms of prices being paid, and if there is a good farm that's up for sale, it generally has a number of bidders. So the liquidity is there to keep those land prices high. South of I-80, I think it's a little bit different story, but, certainly, those land prices are not falling precipitously.

Elsewhere in the Company, I would say credit has been stable generally. Low net charge-offs; very good NPA coverage. I think we're back, as I said in the earnings release, to more historical level of NPA coverage. We've had a few downgrades in the last 90 days in our commercial portfolio, but nothing that I would consider to be unusual.

Looking forward, third quarter loan growth might slow a little bit. I think we've become a little bit more selective on non-owner-occupied properties, and that's a risk management element because we're roughly 20% of our portfolio. We are still making some of those loans, but if we're going to make those loans, they're going to be fully priced. There won't be credit concessions and loan-to-value concessions. They just need to be standard and very strong borrowers. So that could hinder growth a little bit in the third quarter. We're still optimistic we can hit the 4% to 6% guidance that we gave for the year and I would guide maybe to the middle of that range right now, but we'll see. We'll see how things come out.

Deposit gathering is a huge focus and, again, I think CDs will continue to grow as a result of the interest rate environment. Credit seems to be a little bit more normal now for us. We certainly have our agricultural borrowers, agricultural portfolio on heightened alert as we head toward the harvest season and we will be monitoring those portfolios more than even we did last year. The loan-loss provision was a little bit less than we had previewed on our last conference call and that was just dictated by the credit quality of the portfolio as it existed at the end of the quarter and I would say that we expect a little bit more of the same, probably in the $1.250 million range for quarters three and four. But of course, that can change. As we look at it right now, we wouldn't see it changing by more than a couple hundred thousand dollars, one direction or the other.

So, with that, I would wrap up my remarks and say a couple of things. There will be two non-recurring charges, smaller charges in quarter three that we want to make you aware of. We recently built a much-needed new office in South St. Paul, Minnesota, and our old office was not in particularly good condition, and so there's a write-down on that property, as it is now listed for sale and we do have an employment-related charge that'll be a one-time charge that will be taken also this quarter, and between the two non-recurring charges, we estimate that to be in the $800,000.00 to $900,000.00 range for the quarter.

In terms of M&A, there is activity in our footprint, and we certainly continue to evaluate any situation that we see that might fit our Company. And in keeping with the theme all over the country, really, there seems to be a fair amount of activity in our footprint.

So, overall, I think there are many more positives than negatives in our first six months. We still have some work to do here, and I would conclude by saying I just jotted down four things that I think that we need to do to continue our improvement. We acknowledge that our loan-loss provision, relative to our peers, is still high, and we do think that will come down. I think that's more a 6 to 12 month, 6 to 9-month time frame for that. But clearly, with our coverage to non-performers, we think we're in decent shape, relative to asset quality right now. We have to improve our deposit gathering, company-wide. I think our efforts have been better, company-wide, but we still could do much, much better in terms of deposit gathering throughout our footprint. As I mentioned earlier, we do need to manage our efficiency a little bit lower. This one isn't a huge project than it's been in past years, but we will be taking a look at that over the next couple of quarters and, then, the obvious one is to continue to improve our asset quality, which we think is on the right track.

So, with that, we would be happy to answer any questions you have and, Steven, I would turn it back to you.

QUESTIONS AND ANSWERS

Operator
Thank you, sir. We will now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your telephone keypad. If you are using a speaker phone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). And our first question comes from Jeff Rulis with DA Davidson. Please go ahead.

Jennifer
Hi, it's Jennifer on for Jeff. So, we have a reported accretion benefit of $365,000.00. Could you

clarify how much of that to allocate to this quarter, compared to linked quarter?

Charles Funk
Could you repeat the question, please?

Jennifer
Could you delineate the accretion benefit of $365,000.00 between this quarter and 1Q?

Charles Funk
Yes, we will.

James Cantrell
I'm showing an accretion benefit of $783,000.00 for Q2 and $878,000.00 for Q1.

Jennifer
In general, do you expect further compression on NIM throughout the rest of the year?

Charles Funk
Yes, I'll take that one. I think that guidance would be consistent with the prior quarters, probably a few basis points a quarter, and that's just a function of the fact that we're reliant a little bit more on wholesale funding than we have in the past, and that does have an effect on our margin.

Jennifer
Great, thanks, and we see that there are some large remaining credits in the NPA's bucket. Is there anything in there that's particularly lumpy or anything that you have planned for near-term resolution for?

Charles Funk
No. The large one, which was the one that was in the fourth quarter last year, is currently in bankruptcy and we fully expect to get control of that property, but probably not until the end of this year, I would say in the November timeframe would be optimistic, but more than likely December. And we think we have that marked properly. We think that we have it marked conservatively, but it's a long process. That would be the largest one that would be worthy of note.

Jennifer
Thanks so much. Congrats on the quarter.

Charles Funk
Yes, thank you.

Operator
Our next question comes from Nathan Race with Piper Jaffray. Please go ahead.

Nathan Race
Hey, guys, good morning.

Charles Funk
Good morning, Nate.

Jim Cantrell
Good morning.

Kevin Kramer
Good morning, Nate.

Nathan Race
Want to just go back to the discussion around the margin for the back half of this year, I guess, excluding accretion, it sounds like deposit betas and some reliance on wholesale funding sources is perhaps going to outstrip the impact or the benefit that we're going to see on loan yields from the June rate hike. Is that a fair characterization? So, maybe the core margin kind of ticks down one or two basis points in 3Q and 4Q?

Charles Funk
I couldn't phrase it any better myself.

James Cantrell
Yeah, I think you're right on it. It's going to be a struggle to keep the deposit costs rising, from rising faster than the loan yields are going to be rising. Assuming we get a Fed increase, as most think we will, I would think our loans, I think our loans increased in yield on an adjusted basis, seven or eight basis points for the quarter, loans, up seven basis points, adjusting for the purchase accounting amortization. I just, and total cost of funds were up, as Charlie mentioned earlier in the call. They were up 8 to 10 basis points, depending on what measure you're looking at, so it's hard to imagine. There are some things we can do to combat that. We'll kind of hold the investment portfolio, maybe constant. Maybe it will come off a little bit, but it's going to be a struggle not to see the margin compress a little bit in the next couple of quarters, I think.

Nathan Race
Okay, got it. I appreciate that color, and just changing gears a little bit, Charlie, I appreciate all your commentary on the dynamics within the ag arena and so forth. I was just curious if you can maybe provide a little more color on how we should think about the provision in the back half this year. It sounds like you're still seeing downgrades. But consistent with your previous comments, it doesn't sound like there's a whole lot of lost content and you've got some borrowers that are hedged out nicely. So, just curious on how we should think about the provision as that kind of dynamic continues to play out.

Charles Funk
I'd use $1,250,000.00 a quarter, and it could deviate a couple of hundred thousand either way from that. I think most of our ag credits are marked pretty well right now. And as I said, we're going to, and our collateral margins are decent on almost all of them, and I think the issue is going to be when we come to renewal time and if you have a marginal borrower and he's had three or four years tough years and you still have a little margin with his land, you may have to require a land sale or a move to another bank to fund the operating for the 2019 growing season. But that would be, those are tough conversations to have, but I think that would be the theme of the watch and substandard credits and keep in mind, 75% of our ag credits are past. So, but yeah, I think we've done a good job of monitoring that and I don't know that that's going to require increased provisions, based on what we see now.

Nathan Race
Okay, understood, and then just kind of digging deeper into the discussion around loan growth, it sounds like you're obviously still having good production out of Denver. But, Charlie, just

curious to get your updated thoughts on what's going on within the Twin Cities and kind of what are the underlying growth opportunities within that market, specifically. Obviously, we've seen a couple notable M&A transactions within that marketplace, specifically. So, just curious if you think your current scale and client effort can kind of capture some disruption that could stem from those transactions or if you think there are some opportunity to hire some folks to capture some of those opportunities.

Kevin Kramer
Yes, Nate, this is Kevin Kramer. I'll take that one. We, specifically in the Twin Cities, we've done exactly a little bit of what you talked about. There has been some disruption. We've targeted a few of those relationships that we know that are with those companies that are going through transition. We've actually hired two new bankers in the Twin Cities over the last 90 days and, as a result of some of that upheaval. I think from an organic growth opportunity, we still see a lot of opportunity in the Twin Cities. As Charlie mentioned earlier in the call, we've focused on being selective on the non-owner-occupied real estate opportunities that we become more focused, even more focused on the non-C&I owner-occupied opportunities, and there are still plenty in that market and we feel like we have the right team in place to leverage those opportunities the remainder of this year.

Nathan Race
Okay, that's great to hear, I appreciate all the color guys. Thank you.

Charles Funk
Thank you.

Operator
Our next question comes from Andrew Liesch with Sandler O'Neill. Please go ahead.

Aaron Deer
Hi, good morning, guys. It's actually Aaron Deer on the line for Andrew.

Charles Funk
Hi, Aaron.

Aaron Deer
I appreciate you taking on the questions this morning. The, looking at the other side of the loan growth equation, it sounded like pay-downs might be a little lighter this quarter is what you've seen. Can you maybe give us a sense in terms of the dollar amount what the pay-downs were in the quarter and where that's been running on a kind of normalized basis over the past few quarters?

Charles Funk
I'll start that one, and I'll start it more generally. The reason I mentioned the pay-downs is we had a large watch credit that paid off, and it was $5 million payoff. We had a substandard ag credit that essentially moved during the quarter, which was a good thing, and it was $3 million. So, those tend to be significant. I don't know what the run rate is on pay-down, normal pay-downs. Jim may.

Jim Cantrell
Well, the balance, we model the balance sheet kind of standard. The number we're using is about $25 million a month in normal pay-downs, amortization, loan maturities kind of thing.

That's kind of a run rate that we use. So, we've got to overcome $75 million a quarter to stay even.

Kevin Kramer
Yes, Aaron, this is Kevin again. I will just say, the second quarter, we'd given a little guidance that we expected these pay-downs to happen and for the most part, they did happen. So, we don't anticipate the lumps on pay-downs to be at the level they were in the second quarter, in future quarters. We don't see that in our pipeline at this point. So, our loan growth was, that's why it was even a little stronger than we thought, because we did absorb some pay-downs that we knew about going into the quarter.

Aaron Deer
Understood, okay, thank you, and then Charlie had mentioned deposit gathering and really making that a bigger part of the focus going forward. Is there anything in particular that you're able to, strategies that you're looking to employ there through some of your technology initiatives or incentives to try to gin up a little better core funding?

Charles Funk
We did change our incentive structure to incorporate deposits even more for this year, this calendar year. We've have a couple of special promotions that came from our retail group and I would remind everyone that we did hire David Lindstrom, who came from a larger bank in the Twin Cities and who've been the Western Minneapolis President for that particular bank and David is in charge of retail in our whole system, and he's been terrific. We have had a special money market promotion that has to be opened with new money, and I think we've got about $20 million in balances during the quarter. So that was the one. We're paying 150, which seems to be a reasonable amount for marginal funds these days. So that would be one and just, really, a realization on the part of our commercial bankers, that deposits are important and that when we bring credits in and we look at financial statements and we see dollars and other financial institutions, we just have to be better about getting those dollars into MidWestOne and I think we have gotten better, but I think there's still more work to be done.

Kevin Kramer
Yeah, the only thing I'll add, we talked earlier about being selective on non-owner-occupied real estate. Part of what we look at is what deposit opportunities come with that. Typically, there's not a lot there and sometimes we'll pass on those and we'll save our powder for those non-owner-occupied real estate opportunities that also come with deposit opportunities. So, Charlie hit on it. We got a lot, we've got a few different strategies on improving our deposit gathering focus, and it will be something we focus on for the remainder of the year.

Charles Funk
And, Aaron, if you have a silver bullet, please call me after the call.

Aaron Deer
Very good. Thanks, guys, I appreciate you taking the questions.

Charles Funk
You're welcome.

Operator
Our next question comes from Brian Martin with FIG Partners. Please go ahead.

Brian Martin
Hey, good morning.

Charles Funk
Good morning, Brian.

Jim Cantrell
Good morning, Brian.

Brian Martin
Just one last one on the margin, Charlie or whomever, just, I appreciate the color you guys have given. Just, if trends play out as you guys expect, I mean, when do you begin to see the margin stabilize? Or kind of what's the impetus for some stabilization as you look out over the next four to six quarters?

Jim Cantrell
Brian, this is Jim. I'll do my best on that one, and I'm not sure I have a great answer. In the short run, as we've talked about, I think that as long as we're in this rising rate environment and the Fed is moving roughly 100 basis points a year, maybe 75 basis points in 2019, and we're in this very competitive environment for deposits, it's hard to see a scenario or you're trying to envision the end game where the margin starts to stabilize. I think what happens is, as you get to the end of the interest rate cycle, if the yield curve normalizes or, I wouldn't even say that, yield curve price still be flat, I would think it will just take some time after the end of the interest rising interest rate cycle for the margins to normalize and start to reverse course. I don't want to be a doomsayer. I don't think it's going to contract like 10 basis points a quarter. I think it could be a couple basis points a quarter as long as we're in this current economic environment where deposits are geared in where the Fed is raising rates incrementally. That's the best answer I can give you, Brian.

Brian Martin
Okay. All right, that's helpful, and just one or two others. Just on the fee income side, I think, Charlie, you said that maybe you expect a little bit of a rebound next quarter on the fees, at least, in particular, on the investment services. Is there anything that's changing there? I guess, just seems like the run rate, like you said, was a little bit low in fee income in total, but just your outlook as you think going forward. Is it just the investment services than anything in particular driving that?

Charles Funk
Yeah, we have, in investment services, our transactional business has been down a little bit and I think that's rebounded a little bit. What I feel the best about is that a couple of our outstanding brokers are queued up pretty good, I think, to have a much better second six months. So I think we could easily be back to the first quarter run rate. I think when you dive into that particular component, it was investment services and they did have a better July, so I think we could be back to a run rate more like the first quarter. I think the thing that should really help in the second half of the year is our SBA area, which seems to have a little bit of momentum, especially with our Denver add, who's been here maybe four or five months and who's really doing a good job. So, you've got that and then you've got the opportunity for swap fees and the swap fees are out there for certain borrowers because there's not much difference between a 10-year and a 5-year fixed rate loan. We're really not too excited about doing the 10-year, and there's some pretty good, it's good for the borrower, it's also good for the bank. So, I think those are the opportunities that we have.

Brian Martin
Okay, that's helpful and the last one was just on the expense outlook, Charlie, you talked about the salary line having a little potential to move lower. Just in general, how do you feel about the expense run rate where we're at today? And, I guess, is it fair to think, with the savings, maybe you'd like to get out of that salary line because it will drift lower from here? Or is that the wrong way to think about it?

Charles Funk
Yes. But I think it's, this is a scalpel; this is not an axe. This is a scalpel, and this is something that would just, we just need to inch it down a little bit and it will be incremental. So, I don't, 12 months, hence, I don't think you're going to see the increase in salaries and benefits that you see now and, but I, it's something that we are going to address, but it's incremental and, hopefully, you'll see a little, just a little bit on a quarter-by-quarter basis.

Brian, returning to your first question, I wanted to add that we've become a little bit more liability sensitive. But I think our industry has become a little bit more liability sensitive, just by the nature of the way this has played out and I think you see that in the margin. I think we've managed it pretty well, but I don't think this should be surprising, given the flatness of the yield curve and how hard it is to gather core deposits.

Brian Martin
No, I appreciate the color, Charlie, and that should wrap it up. Just the one thing you mentioned, Charlie, and maybe I missed it. You kind of gave your four points at the end, was the first one that provisioning was a little bit higher or reserving was a bit higher? I just missed what you said there on that.

Charles Funk
Yes, yes, thank you. I'm happy to clarify that. I think when you look at us relative to our peers, that our, the amount of our loan-loss provision is one reason that our earnings, our ROA and our RO return on tangible equity are not higher than they are and for us, in this environment, a more normalized provision is probably $0.5 million, but ours is $1.250 million per quarter. I think you'll still see the $1.250 million, that's our best guess, for the last six months of the year. But I do think, going forward, that's where we can really have a lift in terms of our earnings. But we're paying for past stems right now, and we acknowledge that and try to be upfront about it. But I think it's a great opportunity for us to do better, relative to peers, going forward.

Brian Martin
Okay, that was my question. If, should ‘19 be lower than ‘18, all else equal, and it sounds like the answer is yes.

Charles Funk
I would hope so, yes.

Brian Martin
Okay. All right, thanks for taking the questions, guys.

Charles Funk
Thank you, Brian.

Jim Cantrell

Thank you, Brian.

Kevin Kramer
Thanks.

Operator
As a reminder, if you have a question, please press star (*) then one (1) on your telephone keypad, and our next question comes from Damon DelMonte with KBW. Please go ahead. Mr. DelMonte, your line is open.

All right, I'm showing no further questions at this time. This concludes our question-and-answer session. I'd like to turn the conference back over to Charles Funk for any closing remarks.

CONCLUSION

Charles Funk
We would like to thank everyone who joined us on the call today and, of course, to the analysts and investors. If you have further follow-up, please give any of us a call. We'd be happy to talk to you further. Thank you very much for being on the call this quarter.

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