S&P Global
Market Intelligence

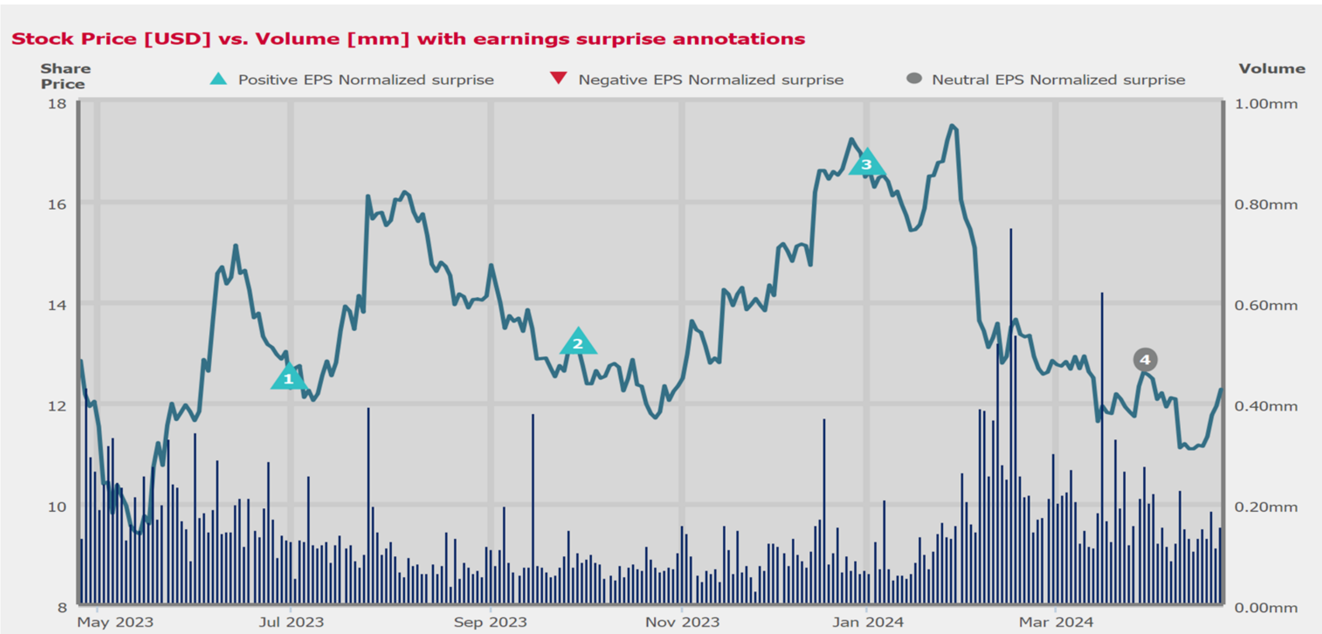
# Flushing Financial Corporation NasdaqGS:FFIC
# FQ1 2024 Earnings Call Transcripts

## Wednesday, April 24, 2024 1:30 PM GMT

## S&P Global Market Intelligence Estimates

| | -FQ1 2024- | | | -FQ2 2024- | -FY 2024- | -FY 2025- |
|---|---|---|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| EPS Normalized | 0.14 | 0.14 | 0.00 | 0.18 | 0.78 | NA |
| Revenue (mm) | 48.29 | 45.48 | (5.82 %) | 47.64 | 195.40 | NA |

Currency: USD
Consensus as of Apr-24-2024 3:44 PM GMT




- EPS NORMALIZED -

| | CONSENSUS | ACTUAL | SURPRISE |
|---|---|---|---|
| FQ2 2023 | 0.19 | 0.26 | 36.84 % |
| FQ3 2023 | 0.24 | 0.31 | 29.17 % |
| FQ4 2023 | 0.23 | 0.25 | 8.70 % |
| FQ1 2024 | 0.14 | 0.14 | 0.00 % |

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# Call Participants

## EXECUTIVES

**John R. Buran**
*President, CEO & Director*

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

## ANALYSTS

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

# Presentation

### Operator

Good day, and welcome to Flushing Financial Corporation's First Quarter 2024 Earnings Conference Call. Hosting the call today are Mr. John Buran, President and Chief Executive Officer; and Ms. Susan Cullen, Senior Executive Vice President and Chief Financial Officer and Treasurer. Today's call is being recorded. After today's presentation, there will be a question-and-answer session. [Operator Instructions] A copy of the earnings press release and slide presentation that the company will be referencing today is available on its Investor Relations website at flushingbank.com. Before we begin, the company would like to remind you that discussions during this call may contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties and other factors that may cause actual results to differ materially from those contained in any such statements, including, as set forth in the company's filings with the U.S. Securities and Exchange Commission to which we refer you. During this call, references may be made to non-GAAP financial measures as supplemental measures to review and assess operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the U.S. GAAP. For information about these non-GAAP measures and for any reconciliation to GAAP, please refer to the earnings press release and/or this presentation. I would like to introduce Mr. John Buran, President and Chief Executive Officer, who will provide an overview of the strategies and results.

### John R. Buran
*President, CEO & Director*

Good morning, and thank you for joining us for our first quarter 2024 earnings call. The operating environment in the first quarter was dominated by 3 events: rising yields on the long end of the curve due to changing expectations of the Fed lowering rates, weak loan demand due to the lack of applications that meet our underwriting and return criteria and the negative activity around one of our largest competitors. With regard to that competitor, we see its situation as largely unique to that institution with opportunities that may be available to us as a result of the stated contraction in their business. Against this backdrop, the company reported first quarter 2024 GAAP EPS of $0.12 and core EPS of $0.14. Despite largely benign credit trends for community banks, concerns about commercial real estate lending exposure in office and multifamily persist. Consistent with our history, we posted strong credit results for the quarter and continue to manage a low-risk portfolio that has been the hallmark of our company. Turning to Slide 4. We're proud of our credit culture, which has produced excellent results over the long term and the results in the first quarter support this. Net charge-offs for the quarter were only $4,000 or less than 1 basis point of loans. Nonperforming assets were flat quarter-over-quarter and totaled 53 basis points. Our future credit quality indicators show no issues. 30- to 89-day loan delinquencies were only 24 basis points and criticized and classified loans stand at 87 basis points, down 23% quarter-over-quarter. There are several reasons behind these excellent metrics. We're a conservative underwriter. We originate loans with low loan-to-value ratios and high cash flows. We have a long history with our borrowers and our credits have strong sponsor support. We believe the results speak for themselves. But on the next couple of slides, let me show you how we compare versus the industry and peers. Slide 5 shows the results of our underwriting over time. Both our net charge-offs and noncurrent loans have historically been significantly better than the industry. Our underwriting includes a stress test of higher rates at origination. In fact, stressing our portfolio with a 200 basis point increase in rates and a 10% increase in operating expenses yields a proforma debt coverage rate of 1.3x. At quarter end, we have less than 1% of loans that had an LTV of 75% or more and about 1/4 of these loans have mortgage insurance. The low loss history conservative underwriting, strong LTVs and debt coverage ratios further demonstrate our low-risk profile. Slide 6 shows some credit metrics compared to peers. We had quarter-over-quarter improvements in nonperforming assets to assets and criticized and classified loans to gross loans. Our criticized and classified loans to gross loans are expected to continue to remain below peer levels. 30- to 89-day delinquencies remain low, while the peer median is similar to our performance, 3 peers have ratios over 50 basis points. Our allowance for credit losses is presented by loan segment in the bottom right chart. Overall, the allowance for credit losses to loans ratio increased slightly to 60 basis points during the quarter. We're particularly comfortable with our credit risk profile, especially over key industry concerns. Slide 7 shows a summary of these portfolio segments and key potential risk metrics. Our multifamily portfolio is the largest portfolio that is very granular with an average loan size of $1.2 million. This portfolio has a weighted average LTV of 45% with a debt coverage ratio of 1.8x. There are minimal credit issues with low nonperforming loans, delinquencies and criticized and classified loans. Investor commercial real estate is our next largest portfolio and shares similar characteristics like small average loan size, low LTVs, high debt coverage ratios and excellent credit performance. We have 0 nonperformers in this portfolio. Our office portfolio is less than 4% of loans. Less than 1% of loans are Manhattan office buildings, none of which are nonperforming. This portfolio has a weighted average LTV of 49%, debt coverage ratios of 2x and low levels of criticized and classified loans. We believe these metrics provide a clear overview of our low-risk and strong credit culture that has performed well over time. I want to go a step deeper on our multifamily portfolio. Slide 8 outlines our key credit quality statistics compared to peers. As of year-end, our criticized and classified multifamily loans were 27 basis points of total multifamily loans, which is at the low end of the peer group. At the end of the first quarter, this ratio was 54 basis points, which would still rank at the lower end of the peer group. We use a quantitative model to risk rate our real estate loans. This model has been in use for many years and has proven its value through several credit cycles. The model has 4 main inputs, property condition, current DCR, current LTV and long payment history. The DCR and LTV account for 70% of the rating and the rating cannot be upgraded for any qualitative factors. It can only be downgraded. At year-end, the multifamily reserve to criticized and classified multifamily loans was 147% are at the high end of the peer group. At quarter end, this ratio was 73%, which would still put us at the high end of the peer group. Given these metrics, we see limited risk on the horizon. I'll now turn it over to Susan to provide more detail on our other financial metrics.

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

Slide 9 outlines the net interest income and margin trends. The GAAP and core net interest margins declined 23 and 25 basis points, respectively, to 2.06% during the first quarter. Absent the episodic items, the NIM declined 13 basis points quarter-over-quarter to 2.01%. The NIM decrease in the quarter was about 10 basis points from episodic items, CD growth and repricing and a seasonal increase in cash. Going forward, the primary factors impacting the NIM are loan originations, loan repricing and CD repricing. While the market determines its rates will remain higher for longer, if the Fed will begin to cut rates, the long end of the curve has increased. This has dampened loan demand, and we remain committed to our pricing and underwriting standards. We did purchase a residential mortgage pool of approximately $50 million of loans towards the end of the quarter, which has helped the NIM in the second quarter, along with continued loan repricing. The timing of the purchase was at the end of the quarter, so the full quarterly income benefit will occur in the second quarter. While the balance sheet is relatively neutral to 100 basis point change in interest rates, I want to spend a minute to talk let the nuances in the model. We assume a conservative deposit betas in the model for reduction in the rates, and we expect we will have opportunities to reduce rates faster than what is assumed in the model for certain products. This all lead to NIM expansion, all else being equal. Taking all this into account, we feel the NIM is close to the bottom and should start to expand. Our deposit portfolio is on Slide 10. Average deposits increased 4% year-over-year and 3% quarter-over-quarter. The quarterly increase was partially attributable to seasonality and growth in CDs. Average CDs increased 3% quarter-over-quarter to $2.4 billion. Average noninterest-bearing deposits decreased 4% quarter-over-quarter. Checking account openings were down 24% year-over-year as 2023 was elevated due to promotional activity. Despite these challenges in noninterest-bearing deposits, this is a focus for all of our product groups as incentive plans are heavily weighted to checking accounts. Our loan-to-deposit ratio has improved to 94% from 102% a year ago. Slide 11 provides more detail on our CD portfolio. Total CDs are $2.5 billion or 35% of total deposits at quarter end. About $1.7 billion of non-swap CDs are expected to mature over the next year at a weighted average rate of 4.56%. Historically, we retained about 80% of the retail CDs that mature and our current rates range from 3.75% to 4.25%. With approximately $450 million of CDs that turn in the second quarter, the level these CDs reprice will have a significant impact on our net interest margin. For CDs that are repricing in the second half of 2024, the increase in expected repricing rates should be minimal. This should help in stabilizing funding costs. Slide 12 provides more detail on the contractual repricing of the loan portfolio. Approximately $1.2 billion or 18% of our loans are repriced to the short-term indices. Our interest rate hedge position on these loans increased this percentage to 25%. For the remainder of 2024, $583 million of loans are due to reprice at 212 basis points higher than the current yield. These rates are based on the underlying index at March 31, 2024, and do not consider any future rate moves, including the approximately 40 to 50 basis point move in the 5-year Federal Home Loan Bank rate since the end of the quarter. This repricing should drive net interest margin expansion once the funding costs stabilize. Slide 13 outlines our interest rate hedging portfolio. We have $1.7 billion of interest rate hedges split between asset hedges of approximately $900 million and funding hedges of $777 million. The combined benefit on these asset yields is about 24 basis points and benefit on the funding side is about 35 basis points. The portfolio does not have any significant maturities in 2024. These hedges moved the balance sheet to an effective neutral interest rate position with 100 basis point change in rates. The interest rate hedges helped mitigate NIM compression from margin rates and provides immediate income. Our capital position is shown on Slide 14. Book value and tangible book value per share increased year-over-year. The tangible common equity ratio decreased by 24 basis points quarter-over-quarter to 7.4%. The decline is primarily due to the $300 million increase in securities. During the quarter, we purchased $393 million of floating rate securities as we invested some of our $438 million of deposit growth. Overall, we view our capital base as a source of strength and a vital component of our conservative balance sheet. On Slide 15, we discuss our Asian markets, which account for 1/3 of our branches. We have over $1.3 billion of deposits and $746 million of loans in these markets. These deposits are 18% of our total deposits. And while we only have a 3% market share of the $41 billion market, there is substantial room for growth. Our approach to this market is supported by our multilingual staff, our Asian advisory board and support of cultural activities through participation in corporate sponsorships. This market continues to be an important opportunity for us and one that we believe will drive our success in the future. On Slide 16, you can see community involvement is a key part of our strategy beyond just our Asian franchise, as outlined previously. During the first quarter, we participated in numerous local events to strengthen our ties to our customer base. Some of our recent highlights include the Lunar New Year PradeaFlushing and our very popular Lunar New Year Tokpag giveaway. Participating in these types of initiatives has served us as a great way to further integrate ourselves to our local communities while driving customer loyalty. Slide 17 provides our outlook where we share a high-level perspective on performance in the current environment. We continue to expect stable loan balances. As is typical, we expect certain deposits to experience normal seasonality in the winter months and decline in the summer. In terms of the NIM, the 2 big factors are loan originations and the repricing of CDs. We feel the NIM is close to the bottom and should start to expand in the second half of 2024. Noninterest income should primarily be driven by the fees earned from back-to-back swap loan closings. We expect noninterest expenses to follow normal seasonal patterns with a sequential quarter decline in the second quarter and the full year growth of low to mid-single digits remains intact as this remains one of our top priorities for 2024. While tax rates can fluctuate, we expect a mid-20s effective tax rate for 2024. I will now turn it back over to John.

**John R. Buran**

*President, CEO & Director*

Turning to Slide 18. I wanted to share how we think about long-term success and what that means for profitability. Clearly, our profitability levels are pressured, and this is largely a function of net interest margin. The impact on the margin can be separated into areas we control and the market impact. We control lending spreads on new production, and we're working to improve results. We're prepared to sacrifice volume to ensure we're getting favorable spreads. Loans will be priced higher through the year according to their contractual terms. We are also focused on funding costs as we've taken a harder look at CD rates and are incentivizing sales of noninterest-bearing checking accounts. The return of the normal positively sloped yield curve should help widen the spread between our assets and funding yields. Despite our neutral balance sheet position and a 100 basis point move in rates, a reduction in rates will help reduce pressure on funding costs and we'll have opportunities to shift the funding mix. Pending the expense curve is one of our 4 areas of focus, and we'll continue to evaluate all expenses. Lastly, we believe our strong underwriting and conservative risk profile should keep credit costs low. Taking all these factors into account, we expect the NIM should trend to 3% plus with a double-digit return on average equity over time. While we control some of these factors, we need a positively sloped yield curve at a more certain rate environment. On Slide 19, I'll wrap up our key takeaways. We're concentrating on 4 areas of focus in this environment, looking to increase our NIM and reduce volatility, and we expect to see progress during 2024. We're maintaining our credit discipline and our low-risk credit profile. Capital and liquidity are strong and are expected to remain that way. Lastly, we are looking to bend the expense curve and expect lower expense growth in 2024. While the environment remains challenging, we're controlling what we can control and setting the foundation for improving profitability over the long term. Operator, I'll turn it over to you to open the lines for questions.

# Question and Answer

**Operator**

[Operator Instructions] The first question will come from Mark Fitzgibbon with Piper Sandler.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

Susan, just to clarify, you mentioned you had grown securities this quarter with some of the excess liquidity. And I think you had mentioned they were floating rate securities. What sort of initial yields are on those?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

Around $670 the floating rate, so they have a pretty high coupon right now.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

And then secondly, do you happen to have your March net interest margin?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

Yes. Obviously, we do. 205.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

So am I reading the tea lease correctly, you're suggesting that you think the margin will be flat in the second quarter and then it starts to expand a little bit in the back half of the year?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

That's been what we have shown, yes.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

And then it's sort of a bigger picture. I guess I'm curious, are you trying to shrink the rent-regulated multifamily portfolio. Is that the plan over time?

**John R. Buran**
*President, CEO & Director*

Well, I think what we want to do there was clearly improved the spreads on that portfolio. And we obviously want to be sure that we stick with our long-standing excellent credit metrics in that area. So clearly, this particular quarter has caused us not to grow loans significantly at all. But we still think it's a viable category. We think we will continue to be lending in that category. But we also want to be sure that we're getting spreads that make sense for us and credit quality that we can count on.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

John, I'm curious, I think you have like $246 million of these kinds of loans coming due between now and the end of the year. Do those borrowers have anywhere else they can go? Or is it a situation where all the banks are basically being forced to roll their own paper because there's nowhere else to go for those borrowers?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

So those are repricing marks, not maturing.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

Got you. Just on loans that are maturing then.

**John R. Buran**
*President, CEO & Director*

I don't think we have an answer for you are maturing off the top of our heads. So we have some places in the numbers, but I can't recall what it is at this point.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

Can you hear me?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

Yes, Mark, if you look at Slide 12 of the presentation, we're showing that we have $583 million worth of loans to reprice and/or mature. And if you look at the number the relationship that what's maturing is a very small number. It's the gray bar, if you see that.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

And then one last question, if I could. With the stock trading at about 50% of book value, I guess I wonder if it makes sense to grow at all to do any lending. And would it make sense to kind of dramatically shrink the balance sheet, build capital and buy back a lot of stock at these levels.

**John R. Buran**
*President, CEO & Director*

So we have been planning and we've been talking about pretty much maintaining the level of lending not only the multifamily space, but pretty much across the board. Banks are continuing to refinance our loans, maybe pricing us being a little bit more aggressive in their pricing. But as I said, we're going to stick with our pricing at this point in time. We budgeted in order to maintain credit levels throughout this period kind of waiting for a better opportunity to grow the loan portfolio. So in this particular quarter, for example, we put on some floating rate securities that obviously could be available in the event in the event of a better market for lending.

**Mark Thomas Fitzgibbon**
*Piper Sandler & Co., Research Division*

I guess I'm just suggesting if you think you're going to go from a 2% ROE to a double-digit ROE and you can buy the stock back today and half of tangible book value, it's hard to imagine there's any other investment opportunities for a dollar of capital that are better than the buyback.

**John R. Buran**
*President, CEO & Director*

It's a valid point.

**Operator**

Your next question will come from Steve Moss with Raymond James.

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

On the fee income side of things, just curious here about the pace of swap activity and your expectations there for the upcoming quarter or 2?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

So our low pipeline is about $174 million, of which 22% is related to the swap program of $174 million. So our normal pull-through rate is between 70% and 80%. So we would expect that continued pull-through rate and just straight line everything.

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

And then in terms of the residential mortgage pool that was purchased late in the quarter, what was the yield on that portfolio?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

After the discount is about 580.

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

And will that 15-year fixed or 30-year fixed, how do we think about the structure?

**John R. Buran**
*President, CEO & Director*

Are adjustables.

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

And do you guys anticipate any additional purchases along those lines going forward?

**John R. Buran**
*President, CEO & Director*

We look at this opportunistically.

**Stephen M. Moss**
*Raymond James & Associates, Inc., Research Division*

And then in terms of the expenses, I realize there's 1.6 million of seasonality here. So is it fair to assume $38.3 million is a good run rate here?

**John R. Buran**
*President, CEO & Director*

Yes. Should they pull out the $1.6 billion, that would be a good run rate.

**Operator**

The next question will come from Manuel Navas with D.A. Davidson.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

Any thoughts on if rates stay the same, and you start seeing that NIM expansion in the back half of the year, what type of pace it would be?

**John R. Buran**
*President, CEO & Director*

I think it's going to be obviously a gradual pace because what the factors obviously are what's happening with loan originations. And currently, we're talking about the 7% level, 7 handle there. In addition, you have the loan repricing that we talked about, which is up around the 680-plus area. And then, of course, the CD portfolio, which has some maturities coming in at rates closer to what we're retaining CDs at today. So I think those factors just make for a slower movement in the margin improvement, absent, of course, any activity that the Fed would do in the second half of the year. So that is we do expect to see NIM bottoming even without a change in rates.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

Can you go into any more detail yet on some of the opportunities that you could take advantage out of some issues with a large competitor in your space. Has it already helped trends at all? Just kind of lay some of that out for me, please.

**John R. Buran**
*President, CEO & Director*

Well, our pipeline has grown month by month since the beginning of the year. So we're starting to see some activity already. And it's really across the board. And what we're bringing on board is really more a function of our desire, as I said earlier, to stick with our very strict credit criteria while we look for improving yields in the loan portfolio.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

So you would say that some of the loan pipeline has benefited from this. Has some of the deposit growth benefited from this as well?

**John R. Buran**
*President, CEO & Director*

Yes, both.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

And then have you seen any talent shake loose that interest you?

**John R. Buran**
*President, CEO & Director*

We've had limited, not as many as some of our competitors have announced.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

And then with the better deposit growth this quarter, is it going to somewhat slow from here just because of seasonality next quarter? And kind of thoughts on the loan-to-deposit ratio across the year?

**John R. Buran**
*President, CEO & Director*

Yes. So there was some seasonality built into that time frame. So we normally expect to see a little bit of a dip in the summer months.

**Manuel Antonio Navas**
*D.A. Davidson & Co., Research Division*

And then I guess, just my last question, can you just comment on multifamily policy, how it could impact you? There's a number of issues in the budget going through, they're not finalized. Just where do you stand on how that could impact you, if at all?

**John R. Buran**
*President, CEO & Director*

Well, obviously, there's a range of possibilities. There's where you're talking about some pretty draconian things, which appear to be off the board right now. So what is being spoken about based upon our understanding is it a little bit less stressful than the most extreme versions of the legislature. There's clearly not a lot of detail that we can get into yet until we've get got really a full examination of the entire budget and its implications. But at least, I think some of the more dramatic and drastic things have been, while not taking off the board, clearly, it looks like they may be watered down. So the expectation of a major disaster I think is a little bit less so, but I would reserve full judgment until we actually are able to pick apart all the nuances of the legislation.

**Operator**

The next question will come from Chris O'Connell with KBW.

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

I was hoping that you could provide just when the timing of the loan purchases and the securities investments were in the quarter? Just any sense of what those additions, given the timing, the kind of net impact or add to their impact on the 2Q margin?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

So the loan purchase was in late March and the bulk of the investments were bought in late February through March.

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

And so is the expectation that their benefit to the margin kind of offsets any lingering funding pressures from repricing in 2Q?

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

Well, everything else being equal, they would improve the NIM since they have a 670 or so handle and our funding is has a 3 handle. So that just mathematically would increase the NIM, everything else being equal.

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

And then just kind of following up on the general discussion on the multifamily market. Do you have any kind of additional color as to what you're seeing from the borrowers in your market, particularly, I guess, with Q1 maturities and repricing. And as you guys are looking and talking to your borrowers about repricing set for this year and where debt service coverage ratios are migrating to? And just how you think about the long-term viability of being in this asset class?

**John R. Buran**
*President, CEO & Director*

Well, I think the demand for affordable housing in New York is certainly not going to abate. And I think some of what you hear nationally on the side is associated with some overbuilding, which is clearly not occurring in the New York market. So with respect to what we're seeing in our portfolio, we're still seeing very solid debt coverage ratios. We're seeing the borrowers who moved up in rate are able to accommodate. And frankly, we're keeping a very close watch on our customers, reaching out to them 18 months before any maturity. So we've got a very, very clear picture of how they would operate under a new rising rate environment. So we're seeing obviously, some positive benefits with a 200 basis point or so jump upward, and we're seeing our borrowers able to accommodate that by and large.

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

And anything more specific, not necessarily exact. But as to where you've recently seen and where you've mapped out debt service coverage ratios moving to, obviously, the total portfolio very strong, more specifically referring to recent repricing or forward repricings.

**John R. Buran**
*President, CEO & Director*

Yes. I think we had one in a deck that we really set out a while ago where we projected when the loan was flat was put on the books about a 200 basis point increase in the rates. So this was a loan that was in that we did in 2019. At that point in time, the debt coverage ratio was 228. We stress that one when we stressed that one up 200 basis points, and we also stress the operating environment that went down to 141 under a stress scenario. And then when the repricing took place, the stressors might have been a little bit more, so that came down to a 131.So when you're starting off with very strong debt coverage ratios as we are about 180 at this point in time across the portfolio, you have a fair amount of room to accommodate increases. Obviously, borrowers are not necessarily liking what's happening, but the reality is that we're not seeing any significant detrimental performance on their part based upon our initial underwriting criteria and the stress testing we did at origination, and that seems to have held our sales.

**Christopher Thomas O'Connell**
*Keefe, Bruyette, & Woods, Inc., Research Division*

And thinking about more strategically in longer term, as you guys get towards the end of 2024, any thoughts around balance sheet and overall loan growth as you move into 2025?

**John R. Buran**
*President, CEO & Director*

Well, we hope 2025 is a better environment than 2024, and we'll be happy to talk about that when we see it.

**Susan K. Cullen**
*Senior EVP, Treasurer & CFO*

We're going to maintain our pricing discipline also depending on what's happening with rates and what the borrowers' appetites are, they're still sitting on the sidelines like they seem to be doing a little bit today. That will obviously influence growth into '25.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. John Buran for any closing remarks

**John R. Buran**
*President, CEO & Director*

Thank you, operator, and thank you all for attending our first quarter presentation. And everybody, have a great rest of the day.

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