South Plains Financial, Inc.

Fourth Quarter and Full Year 2022 Earnings Call Transcript

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CORPORATE PARTICIPANTS

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Bradley Milsaps, *Piper Sandler & Co.*

Brady Gailey, *KBW*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the South Plains Financial, Inc. Fourth Quarter 2022 Earnings Conference Call.

As a reminder, this conference call is being recorded.

I would now like to turn the call over to Mr. Steve Crockett, Chief Financial Officer and Treasurer of South Plains Financial. Please go ahead, sir.

Steven B. Crockett

Thank you, Operator and good afternoon everyone. We appreciate your participation in our fourth quarter 2022 earnings conference call.

With me here today are Curtis Griffith, our Chairman and Chief Executive Officer, and Cory Newsom, our President.

A replay of this call will be available on our website within two hours of the conclusion of the call until February 2, 2023. Additionally, a slide deck presentation to complement today's discussion is available on the News and Events section of our website.

Before we begin, let me remind everyone that this call may contain forward-looking statements and are subject to a variety of risk, uncertainties, and other factors that could cause actual results to differ materially from those anticipated future results. Please see our Safe Harbor statement in our earnings press release that was issued this afternoon and on Slide 2 of the slide deck presentation available on our website. All comments made during today's call are subject to those Safe Harbor statements. Any forward-looking statements presented herein are made only as of today's date and we do not undertake any duty to update such forward-looking statements except as required by law.

Additionally, during today's call, we may discuss certain non-GAAP measures which we believe are useful in evaluating our performance. A reconciliation of these non-GAAP measures to the most comparable GAAP measures can also be found in our earnings release and on Slide 22 of the slide deck presentation.

At this point, I'll turn the call over to Curtis.

Curtis C. Griffith

Thank you, Steve and good afternoon.

On today's call, I will briefly review the highlights of our fourth quarter and Full Year 2022 results as well as our outlook for the year ahead. Cory will discuss our loan growth and the credit profile of our loan portfolio in more detail as well as review our strategic initiatives for 2023. Steve will then conclude with a more detailed review of our Q4 results.

To start, I am very proud of our execution over the last year as we successfully navigated a challenging economic environment, and while the economic outlook remains uncertain, we believe we have positioned South Plains for continued success in the future. Central to our success has been the expansion of our commercial lending platform, which has driven the acceleration in our organic loan growth and contributed to an improvement to our run rate net interest income.

As our net interest income improved through the year, it began to offset the expected decline in our mortgage banking revenues as the Federal Reserve aggressively raised their benchmark interest rate to combat inflation. Looking forward, we believe we are well-positioned to continue to deliver returns in line with or better than our peers.

Given that backdrop, there are five key points that I hope you will take away from our results and today's call.

First, we delivered 8.6% annualized loan growth in our seasonally slower fourth quarter, driven by strength in both our community markets as well as our major metropolitan markets of Dallas, Houston, and El Paso.

Second, our major metropolitan markets experienced 13.9% annualized loan growth to $879 million, which now represents 32% of our total loan portfolio at year-end as our new lenders continued to successfully grow their portfolios.

Third, the credit quality of our portfolio remained stable through the fourth quarter, and we believe we are well-positioned for the uncertain economic outlook.

Fourth, we have diligently managed our expenses to drive profitability, as our mortgage banking revenues have declined and wage pressure has increased across the Bank.

Lastly, we remain focused on returning capital to our shareholders. During 2022, we repurchased 4.8% of the Company shares of common stock that were outstanding as of December 31, 2021. We also distributed $0.46 per share in quarterly cash dividends in 2022, representing a 53% increase as compared to 2021.

Turning to our results in more detail on Slide 4 of our earnings presentation, we delivered net income of $12.6 million or $0.71 per diluted common share for the fourth quarter of 2022. This compares to net income of $15.5 million or $0.86 per diluted common share in the third quarter of 2022 and $14.6 million or $0.79 per diluted common share in the year-ago fourth quarter.

As we discussed on last quarter's earnings call, our third quarter 2022 results benefited from $0.10 per share of legal settlements net of increased legal expense and a negative provision for loan loss net of tax. As a result, our fourth quarter earnings per share experienced their more typical seasonal decline like we have experienced in prior years. We recorded a provision for loan losses of $248,000 in the fourth quarter of 2022 as compared to a negative provision of $782,000 in the third quarter of 2022 and no provision in the year-ago fourth quarter. The provision was mainly due to our loan growth in the fourth quarter.

Looking forward, we believe we are well-reserved for an uncertain economic environment, given that our allowance for loan loss ratio is 30 basis points higher than our pre-pandemic levels. Our base case outlook is for the national economy to experience a mild recession in 2023, with the Texas economy seeing a slowdown but avoiding recession given the continued strong in migration and low unemployment that we have been experiencing. As a result, provisions for loan losses may be necessary in future periods.

While we expect economic growth to slow in Texas as the Federal Reserve continues to raise their target benchmark interest rate, loan demand remained strong through our seasonally slower fourth quarter as we grew our loan portfolio 8.6% annualized from the third quarter of 2022. Our loan growth was driven by gains in both our community markets, as well as our major metropolitan markets.

For the Full Year 2022, we grew our loan portfolio 12.7% to $2.75 billion, which exceeded our expected mid-to-high single-digit loan growth. This strong loan growth contributed to net interest income growth of 13.7% to $138.5 million as compared to 2021, and which helped to offset the 47.5% decline in mortgage banking income that we experienced through 2022. As a result, we were able to modestly grow diluted earnings per share to $3.23 in 2022 as compared to $3.17 per share in 2021, which is quite an achievement.

Overall, I am very proud of our accomplishments in 2022 as we've grown our Lending team, taken share across our markets, and delivered results above our expectations. That said, our share price has not fully reflected this improvement as we believe our shares have continued to trade below intrinsic value. As a result, we utilized the remaining capacity on our share repurchase authorization to buy back 130,000 shares during the fourth quarter.

For the Full Year 2022, we repurchased 860,000 shares, representing approximately 4.8% of our shares outstanding at December 31, 2021. Our Board of Directors is currently analyzing our prior buybacks and evaluating the merits of another share repurchase program. We also understand that liquidity in our shares is important and we need to balance our liquidity with the benefits of our share repurchase programs.

Additionally, as was disclosed earlier this month, our Board of Directors adopted resolutions to terminate our employee stock ownership plan on December 30, 2022. This plan was created in 1994 and no longer served its intended purpose. The plan will be distributing the shares to the plan's participants, which may improve our stock liquidity over time, and will also reduce the expense required to maintain the plan. We believe this will benefit the Company, our employees, and our shareholders.

Returning a steady stream of capital to our shareholders through our share repurchases and quarterly dividends remains a priority for our Management team. Along those lines, our Board of Directors authorized a $0.13 per share quarterly dividend, as announced last week. This will be our 16th consecutive quarterly dividend to be paid on February 13, 2023 for shareholders of record on January 30, 2023. For the Full Year 2022, we distributed $0.46 per share through quarterly cash dividends, representing a 53% increase as compared to 2021.

To conclude, we remain cautiously optimistic that the Texas economy can deliver moderate growth in 2023 and avoid a recession, but we do expect a mild recession in the national economy. That said, we will remain vigilant and will not sacrifice credit quality for growth. We have been underwriting the more conservative assumptions and remain confident in the credit quality of our portfolio.

Looking forward, we also believe that more challenging economic environments can lead to opportunities for those with strong balance sheets and sound loan portfolios. While we expect M&A to remain subdued through 2023, we look to further expand the Bank and remain in contact with potential sellers, as we believe there could be a resurgence in 2024.

Now, let me turn the call over to Cory.

Cory T. Newsom

Thank you, Curtis and good afternoon everyone.

As Curtis touched on, loans held for investment increased during the fourth quarter of 2022 by $57.7 million or 8.6% annualized compared to the third quarter of 2022, as outlined on Slide 5. Our loan demand remained primarily in commercial real estate, residential mortgage, and consumer auto. Overall loan demand remained strong despite the fourth quarter being a seasonally slower quarter for the Bank, combined with principal payments and a hotel segment which is not a growth sector for us.

Our loan yield in the fourth quarter of 2022 was 5.59%, which compares to 5.12% in the third quarter of 2022. The rise in our loan yields in the fourth quarter reflects our efforts to proactively price new loans to account for a higher market interest rate environment.

Our funding costs did accelerate in the fourth quarter as the Federal Reserve continued their aggressive interest rate increases and quantitative tightening policy. As we will discuss, managing our funding costs and deposit growth is a focus for our team in 2023.

As we have discussed on prior calls, we are a community retail bank in our smaller markets and primarily a commercial bank in our major metropolitan markets of Dallas, Houston, and El Paso, as outlined on Slide 6. Our strategy has been to redeploy our excess liquidity, consisting of lower cost deposits from our community-oriented markets into major metro markets. To accomplish this, we have added experienced commercial lenders who share our culture and values and who focus on developing long-term customer relationships done in the right way.

Our expansion and growing scale in our metropolitan markets is a key factor to the accelerating loan growth that we delivered in 2022, combined with a market share gain that our community bankers continued to deliver. As outlined on Slide 7, we grew loans in our metropolitan markets by $29.5 million in the fourth quarter of 2022, representing 13.9% annualized growth as compared to the third quarter of 2022. Year-to-date, we've grown our loan portfolio by 19.2% to $879 million in our major metro markets, which has strongly contributed to the Bank's 12.7% total loan growth for the full year of 2022.

As Curtis touched on, we expect the national economy to experience a mild recession during 2023, with Texas seeing a slowdown but avoiding a recession as our economy digests the impact of higher market interest rates. We are fortunate to operate in Texas, given the favorable environment for businesses, continued strong in migration, and solid demand for housing. Currently, demand for commercial real estate and residential properties remains health, though moderating with inventory constraint.

If market interest rates begin to stabilize at current levels, we believe this supports our low-single-digit loan growth outlook for 2023. We will remain cautious with a focus on maintaining the credit profile of our loan portfolio while keeping tight control of our expenses. Importantly, we have the ability to add space and bankers in our major metropolitan markets as growth opportunities present themselves.

As the economy continues to transition to a higher market interest rate environment, we are proactively underwriting to more conservative levels and asking for more money down on new loans as we focus on disciplined growth. Likewise, we continue underwriting to lower energy prices in the Permian Basin to ensure we avoid potential problems if an economic downturn occurs. We are continually stress-testing our loan portfolio and remain pleased with the improving credit quality that we have experienced.

Overall, we believe we are entering 2023 in an advantageous position and remain pleased with our asset quality and strong capital position, which will serve us well as both the Texas and national economies begin to pick back up in 2024.

Skipping ahead to Slide 9, our indirect auto loan portfolio increased by $10 million to $296 million in the fourth quarter of 2022 as compared to the third quarter of 2022. While there is a modest growth in this sector, we are maintaining a disciplined approach to underwriting as 78% of the indirect auto loan portfolio originated with a credit score of 690 or better. This strong credit profile positions the portfolio for resilience across varying economic cycles. Additionally, less than 3% of this portfolio is comprised of recreational vehicles, an area where we believe challenges could occur if the economy were to experience a more severe recession.

Turning to our mortgage business on Slide 10, mortgage loan originations decreased 17.7% to $125 million in the fourth quarter of 2022 as compared to the third quarter of 2022 as a result of rising market interest rates combined with normal seasonality. As we discussed last quarter, we have been aggressively managing this business for profitability as volumes declined, while focusing on growing our commercial lending platform across both our community and metro markets.

We believe that we have reached an inflection point where our growing loan portfolio will generate improving interest income and position the Bank for growth. Our mortgage business is now at a level which will likely no longer have a material impact on our results, positive or negative. Looking forward, we will remain in the mortgage business as long as it is profitable and drives incremental business through cross-selling.

Turning to Slide 11, we generated $12.7 million of non-interest income in the fourth quarter of 2022 compared to $20.9 million in the third quarter of 2022. This decrease was primarily due to the seasonal decline of $2 million in income from insurance activities and a decline of $3.5 million in mortgage banking revenues. Additionally, third quarter non-interest income benefited from $2.1 million in legal settlements, which skews the comparison. For the fourth quarter of 2022, non-interest income was 26% of the Bank's revenue as compared to 37% in the third quarter of 2022.

Looking to the year ahead, we have several strategic priorities in 2023, including:

First, continue to selectively add experienced lenders with a focus on our major markets, giving us significant opportunity for commercial loan growth, as well as other services.

Second, work to enhance and expand our deposit-gathering capabilities with a focus on adding treasury and wealth management professionals.

Third, continue to pursue opportunities in the Permian Basin to drive loan and deposit growth, as well as fee income.

Fourth, we are proud of our customer service and the state of our technology given the investments that we have made over the years. In 2023, we will largely complete our migration to the cloud, while also enhancing our cybersecurity as we focus on having industry-leading technology and tools.

Lastly, continue to tightly manage expenses as we strive to maintain the Bank's profitability in the current inflationary environment.

To conclude, I am very proud of our results this past year, as we have successfully executed our organic loan growth strategy, which has delivered strong net interest income growth and offset the decline in our mortgage banking business, which positions the Bank for continued growth.

I would now like to turn the call over to Steve.

Steven B. Crockett

Thank you, Cory.

Starting on Slide 13, net interest income was $36.3 million for the fourth quarter of 2022 as compared to $35.1 million for the third quarter of 2022. The increase was primarily a result of an additional $74.4 million in average loans outstanding, combined with higher interest income received on other interest-earning assets in our portfolio as a result of the continued rising interest rate environment. We also benefited from $900,000 in a purchased loan recovery in Q4. Looking forward, we continue to believe that we are positioned for our net interest income to benefit as we grow our loan portfolio and benefit from the anticipated rise in interest rates through the first quarter of 2023.

Our net interest margin, calculated on a tax equivalent basis, was 3.88% in the fourth quarter of 2022 as compared to 3.70% in the third quarter of 2022. This improvement in our net interest margin was driven by our organic loan growth, combined with the corresponding increase in loan yields due to the rising interest rate environment, which outpaced increases in our funding cost.

Our average cost of deposits was 97 basis points in the fourth quarter of 2022, an increase from 52 basis points in the third quarter of 2022. As we discussed on last quarter's call, competition for deposits started to increase through the third quarter and we made the decision to proactively raise our deposit interest rates to maintain relationships. Through the fourth quarter, we have seen a further increase in the competitive landscape, which has necessitated a more aggressive response to keep our deposits in-house. As Cory discussed, this is a focus of the Bank in 2023 as we strive to manage our cost of funds as well as grow the Bank's deposits in a more competitive environment.

Turning to Slide 14, total deposits decreased $54.1 million in the fourth quarter to $3.41 billion as compared to the third quarter of 2022. The majority of the decline was due to the elevated competitive environment, though we also experienced outflows due to mortgage escrow relationships, which declined approximately $32 million and which we expect to build back through the year.

Our deposit base during the quarter reflected the impacts from a shift in the competitive landscape, as non-interest bearing deposits decreased to 33.8% of total deposits in the fourth quarter of 2022 as compared to 36.5% of total deposits in the third quarter of 2022.

Turning to Slide 15, we continue to believe that our loan portfolio remains appropriately reserved, as our allowance to total loans was 1.43% at December 31, 2022 as compared to 1.47% at September 30, 2022. As Curtis touched on, we recorded a provision for loan losses of $248,000 in the fourth quarter, which compares to a negative provision for loan losses of $782,000 in the third quarter of 2022.

Overall, we continued to experience stable credit metrics in our loan portfolio, led by continued improvement in the hotel segment, which had a net reduction of principal outstanding of $16.8 million in the fourth quarter. This can be seen in our non-performing assets to total assets ratio which was unchanged at 20 basis points in the fourth quarter of 2022 from the third quarter of 2022.

Importantly, we believe we are well-reserved for the uncertain rising rate economic environment given that our allowance for loan losses ratio is 30 basis points higher than pre-pandemic levels. Nevertheless, future economic conditions remain uncertain due to the rising rate environment and persistent inflation levels that are impacting customers and businesses in the United States and which may make additional provisions for loan losses necessary in future periods.

Skipping ahead to Slide 17, our non-interest expense was $32.7 million in the fourth quarter of 2022 as compared to $37.4 million in the third quarter of 2022. The decrease was primarily due to a decline of $4.2 million in personnel expense and a decline of $587,000 in legal expenses. The significant decrease in personnel expense during the fourth quarter of 2022 was largely the result of a decline of $1.8 million in insurance commissions and a decrease of $1.2 million in mortgage commission and related personnel costs as compared to the third quarter of 2022 as a result of the decline in insurance and mortgage revenues.

Importantly, we have carefully managed our personnel expense through driving efficiencies, not replacing some of our personnel who have retired, and managing mortgage overhead lower, which, taken together, has allowed us to manage wage inflation across the Bank through 2022.

Looking to the first quarter of 2023 and the year ahead, we expect non-interest expense to be flat to modestly rise from the fourth quarter's level as wage pressure and cost inflation continue. That said, we believe we can continue to find offsets to manage inflation, while also remaining competitive in the market as we work to keep our employees as well as attract talented individuals from across the industry.

Moving ahead to Slide 19, we remain well-capitalized, with tangible common equity to tangible assets of 8.50% at the end of the fourth quarter of 2022, an increase from 8% at the end of the third quarter of 2022. The increase was driven by an $8.4 million increase in the fair value of our available for-sale securities and related fair value hedges, net of tax, and by net income after dividends paid of $10.6 million.

The increase in fair value of our securities was a result of the reduced volatility in the markets as valuations stabilized and increased in the fourth quarter. Tangible book value per share increased by $0.96 to $19.57 per share during the fourth quarter of 2022.

I will now turn the call back to Curtis for concluding remarks.

Curtis C. Griffith

Thank you, Steve.

To conclude, I'm very proud of our results this year, as we successfully expanded our lending platform in our major metropolitan markets while our bankers in West Texas continued to take advantage of the bank ownership changes in our local community markets. This led to better than expected loan growth and a sizeable increase to our net interest income, which effectively offset the decline in our mortgage banking revenues.

As I look to the year ahead, we believe that we're in excellent position. We believe our markets will slow but remain resilient in the face of what will likely be a national recession, positioning our team to deliver moderate loan growth. Additionally, we will maintain our expense discipline and our conservative underwriting standards and risk management as we strive to deliver on our long-term goal of achieving superior returns for our shareholders.

I would like to thank our employees for their hard work and commitment to our customers and our communities over the last year. Thank you again for your time today.

Operator, please open the line for any questions.

Operator

Our first question comes from the line of Brad Milsaps with Piper Sandler. Please proceed with your question.

Bradley Milsaps

Hey. Good afternoon.

Cory T. Newsom

Hi, Brad.

Steven B. Crockett

Hey, Brad.

Curtis C. Griffith

Good afternoon, Brad.

Bradley Milsaps

Appreciate you guys taking my questions.

Steve, maybe I'll start with expenses. I appreciate the color around what you think is going to happen in the first quarter. Obviously some great expense control in the fourth quarter, but as you think about the entire year, I think maybe last quarter you said maybe flat to down slightly. Is that still possible from where you sit today given how great the fourth quarter was? Just kind of curious how to think about the full year.

Steven B. Crockett

Yes, we will definitely have some fluctuations. Again, the insurance and mortgage, those do have a little bit of cycle, so we'll be down Q1 maybe a little bit lower, and then some of that will increase over Q2, Q3, and then come back down. We do still feel good about the overall projection that we'll be able to keep expenses fairly in that flat to slightly increased range.

Cory T. Newsom

Brad, this is Cory. I'll just add color to that.

Obviously, we've got expense saves on the mortgage side, but here's the thing that I'm really proud of. We have expense saved outside the mortgage, and if you look at everything people are facing on salary expense and everything else, we were able to really handle a lot of those and keep it pretty flat and find a way to take care of our team through some other savings.

Bradley Milsaps

Yes. No, great. It was really impressive work this year.

Maybe just shifting gears a bit to the net interest margin. Steve, it sounds like you saw additional pressure late in the quarter in year-to-date on deposits. Do you think with everything you have going, the NIM may have likely peaked and it probably starts to contract from here? Just kind of curious kind of what your thoughts are sort of around a NIM trajectory as you move through '23.

Steven B. Crockett

Yes. No, that's a great question.

We've looked at it a lot of different ways and we really think we're—I won't say it's peaked, but it's probably pretty close to that. We would say we would continue to see increase on the interest costs, but we should see increases still on the income side, so again, would be hopeful we would see NIM, while it may not grow like we did in Q4, either maybe strive to keep it flat, maybe slightly grow, but we believe it'll be right around that area. I guess you could see a slight downward, but we don't think at this point that it's going to contract.

Bradley Milsaps

Then just a follow-up on that, can you remind me, is there a certain percentage of your taxable securities portfolio that's floating or variable? The yield there has improved really nicely for just kind of several quarters in a row, and just wanted to get a handle on what kind of the key drivers are there.

Steven B. Crockett

Yes, so on the taxable side, we've got, I think it's around $80 million or so that's in some CMOs that do re-price every month, and so those have helped that yield. They obviously didn't look very good at the beginning of the year, but as rates have gone up, those do re-price, so that's what's helping us out there.

Bradley Milsaps

Okay. I guess that'd only be about a little over 10%—15% of it or something, and then the rest of it's just kind of regular re-pricing, I guess?

Steven B. Crockett

Yes.

Bradley Milsaps

Okay. Great. Thank you very much. I'll hop back in the queue.

Steven B. Crockett

Thanks, Brad.

Curtis C. Griffith

Thanks, Brad.

Cory T. Newsom

Thanks, Brad.

Operator

Our next question comes from the line of Brady Gailey with KBW. Please proceed with your question.

Brady Gailey

Hey, thanks. Good afternoon, guys.

Steven B. Crockett

Good afternoon.

Brady Gailey

I want to make sure I heard something correctly. Steve, I think you mentioned a $900,000 benefit from a purchase loan recovery. Did that happen in the fourth quarter and did that flow through spread income in the margin?

Steven B. Crockett

Yes, it did. I think it was about 8 or 9 basis points that it improved NIM.

Brady Gailey

Okay, so at least from a percentage point of view, that could be a modest headwind into 1Q on the margin?

Steven B. Crockett

Yes.

Brady Gailey

Okay. All right, and then, so you guys were pretty active in the buyback in 2022. I understand you want to increase the liquidity of the stock. I know canceling the ESOP will help with that, but as you said, the stock is still inexpensive, so do you think you will be active with the buyback potentially in 2023?

Curtis C. Griffith

This is Curtis.

We're really looking at it. We're in a good position. We've got plenty of cash available at the holding company level, but our Board is going to really analyze things over probably the next month or two and make a decision on that, on whether we do get back in, and if so, really at kind of what level we want to go after it. I think there's still some value to be had right there, but it's going to be a Board decision on that as we look at everything. We've got several moving parts happening right now, and as we look at all of those, we just didn't feel like it's a good time to make a decision right here in January.

Brady Gailey

Okay.

Then do I remember correctly that CECL is now in play for you guys beginning in 2023?

Curtis C. Griffith

Oh, yes, CECL. Yes, sir. We adopted in January. Yes. Steve can give you more color on that if you—he can give you a whole lot of color on that if you want all of it, but yes, sir, we will be reporting under...

Brady Gailey

Yes, maybe just a thought on do you think it'll have a material impact on the reserve ratio, just given adoption?

Steven B. Crockett

Yes, so at this point, and as Curtis said, we are adopting it. We're still finishing up some validation and a few other things before we'll have to disclose that number in the 10-K, but as of now, no, there's not a material impact to where we are in our current model.

Cory T. Newsom

I think a lot of that goes back—if you look how conservative we've been up to this point, I think it's been—our numbers have been pretty high anyway.

Brady Gailey

Okay, and then finally for me, I know historically you guys have guided to mid- to-high single-digit loan growth. I think I heard you say it, but what's the expectation for 2023 loan growth?

Curtis C. Griffith

Well, I'd like to still think we could achieve high-single, but I'm a little cautious in this environment. Of course, we keep working with a bigger number there as well, so that affects it, but I think if we can hit mid, it's going to be doing pretty good, and we'll have some pay offs, and a lot of projects are kind of on pause, but we are still seeing some customers come in, including some new customers come in that are interested, so we're getting to look at some really great deals, so I think we can still achieve some growth during 2023, but I do think it'll probably be more in low to-mid- single-digit range. Just my opinion.

Cory T. Newsom

I agree with Curtis. I think low-single's not unrealistic for us. Look, you can't base it all on January, but January's been a good month, but if you look at some of the projections for the economy, we think Texas is a great place to be. We're really glad that's where we are, but reasonably and conservatively, yes, low single-digits.

Brady Gailey

Okay. All right. Great. Thanks for the color, guys.

Steven B. Crockett

Thanks, Brady.

Cory T. Newsom

Thanks, Brady.

Operator

We have reached the end of the question-and-answer session and I'll now turn the call back over to Mr. Curtis Griffith for closing remarks.

Curtis C. Griffith

Thank you, Operator.

As you heard, we've had a good quarter. We've had a good year. Very proud of what we did achieve in 2022. This economic outlook is very uncertain. We don't expect significant credit problems in our markets, and we are dealing with many of the same funding and deposit cost issues as most other banks. We're going to handle that just as we do our other issues, and that's through strong relationships.

We will be incentivizing our people to have good growth in deposits, and we're going to focus on controlling expenses while achieving, we believe, good, reasonable organic growth in both deposits and loans. We have an incredible team. We're confident that they will keep delivering excellent results for our customers and for our shareholders.

Thank all of you for being on the call today and please reach out to us if you have any questions.

Operator

Ladies and gentlemen, this concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.