S&P Global
Market Intelligence

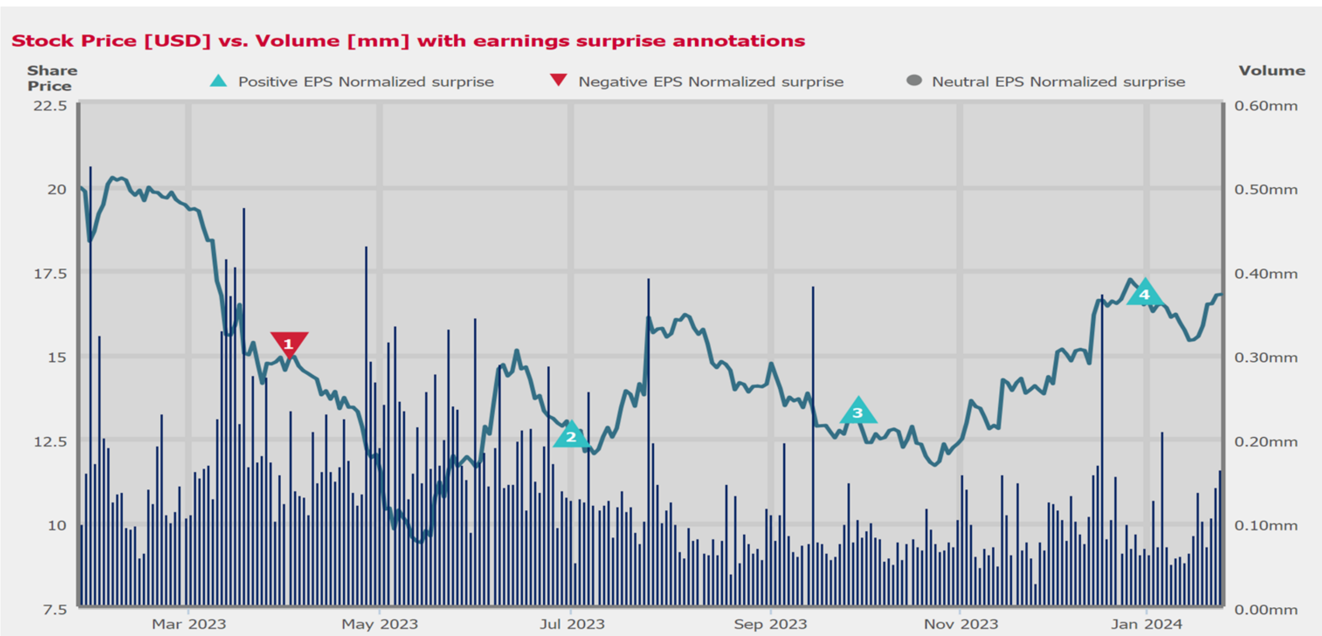
Flushing Financial Corporation NasdaqGS:FFIC
FQ4 2023 Earnings Call Transcripts

Friday, January 26, 2024 4:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2023-			-FQ1 2024-	-FY 2023-			-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.23	0.25	▲8.70	0.15	0.88	0.83	▼(5.68 %)	0.76
Revenue (mm)	48.12	51.98	▲8.04	45.97	196.19	198.29	▲1.07	190.57

Currency: USD
Consensus as of Jan-26-2024 5:01 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2023	0.32	0.10	▼1 (68.75 %)
FQ2 2023	0.19	0.26	▲2 36.84 %
FQ3 2023	0.24	0.31	▲3 29.17 %
FQ4 2023	0.23	0.25	▲4 8.70 %

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Call Participants

EXECUTIVES

John R. Buran
President, CEO & Director

Susan K. Cullen
Senior EVP, Treasurer & CFO

Tom Buonaiuto

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

Thomas Bernard Reid
Raymond James & Associates, Inc., Research Division

Presentation

Operator

Welcome to financial -- excuse me, Flushing Financial Corporation's Full Year and Fourth Quarter 2023 Earnings Conference Call. Hosting the call today are John Buran, President and Chief Executive Officer; Tom Buonaiuto, Senior Executive Vice President, Chief of Staff and Deposit Channel Executive; and Susan Cullen, Senior Executive Vice President, Chief Financial Officer and Treasurer. Today's call is being recorded. [Operator Instructions] A copy of the earnings press release and slide presentation that the company will be referencing today are available on its Investor Relations website at flushingbank.com.

Before we begin, the company would like to remind you that discussions during this call 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, 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 will 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 U.S. GAAP. For information about these non-GAAP measures and for a reconciliation to GAAP, please refer to the earnings release and/or to the presentation.

I would now like to introduce John Buran, President and Chief Executive Officer, who will provide an overview of the strategy and results. Please go ahead.

John R. Buran
President, CEO & Director

Thank you, operator. Good morning. And thank you for joining us for our full year and fourth quarter 2023 earnings call. Before reviewing the highlights of the quarter, I wanted to spend a minute discussing the restatement announced yesterday. As we previously disclosed, we have received approximately $7 million or about $0.17 per share of employee retention tax credit payments in 2023. In keeping with our conservative risk profile, we fully reserve for this amount given the uncertainty in the government program which arose late in 2023. This is despite our belief that more likely than not, we will recognize these payments. The 2023 quarters have been restated to account for this change, and this reserve is included in both GAAP and core earnings.

Now moving to the highlights of the quarter. The company reported fourth quarter 2023 GAAP EPS of $0.27 and core EPS of $0.25. For the year, GAAP EPS was $0.96 and core EPS was $0.83. GAAP and core NIM expanded by 7 and 18 basis points, respectively, in the fourth quarter. Core loan yields increased 33 basis points. We run a conservative balance sheet, and our office real estate exposure is low with minimal loans in Manhattan. Our liquidity profile has also improved with over $4 billion of undrawn lines and resources or 48% of total assets.

Overall, the quarter showed progress on how we're managing this challenging environment. Turning to Slide 4. I wanted to provide additional detail on how the company has changed over the past year and how it's remained the same. Our interest rate risk position has moved closer to neutral. This provided immediate income in 2023 when rates increased rapidly. The move to neutral positions the bank to manage future changes in rates while reducing earnings volatility over different rate cycles. We have options to modify the rate position as appropriate, but do not expect to operate at the level of liability sensitivity as we did in the past.

What has remained the same is our low level of risk in our loan portfolio. We're a conservative lender. Our percentage of office loans to total loans is at the low end of our peer group. About 1/3 of these loans are medical offices, and less than 1% of loans are secured by Manhattan office buildings. We're very happy with our low-risk profile, as it has served us well through many cycles.

Slide 5 depicts how we have executed our action plan and how we will adjust our priorities in 2024. Our action plan is focused on moving towards interest rate neutral, which we largely completed using interest rate hedges and adding floating rate assets. These actions also had a significant positive impact on our net interest income as we will review in detail later in the presentation.

Another one of our objectives was to increase the focus on risk-adjusted returns and improving lending spreads. While we achieved progress in this area with loan yields expanding, we recognized we have more work to do in 2024. We also had a goal of deepening customer relationships. Our growth in noninterest-bearing deposits in the second half of the year underscores our progress in this area, and we expect this momentum to continue into 2024.

Given our significant progress to date, we're expanding our areas of focus to ensure our long-term success. The first area of focus is on increasing the NIM and reducing volatility. While this is a multiyear initiative, we achieved progress in the fourth quarter of 2023 as our NIM, excluding the episodic items mentioned on this slide, expanded 5 basis points quarter-over-quarter. We also focused on maintaining our credit discipline. Our credit profile has always been conservative, and our risk profile will not change as we advance our lending strategy.

Building on this, we will preserve our strong liquidity and capital profile. We have a strong financial position today with over $4 billion of undrawn lines and resources. We will continue to build on this foundation in 2024.

Lastly, in 2023, we tightened expenses significantly where we could, and this will be an even greater focus in 2024. While fourth quarter expenses were higher than expected, they were driven by increasing DDA balances and strong loan production, the good type of expenses. We will continue to review our cost structure to look for opportunities to become more efficient as we move through the year. Overall, these expanded areas of focus will allow us to navigate the current environment while positioning the company for long-term profitability.

Our loan portfolio is outlined on Slide 6. We're a low-risk lender, with 89% of the portfolio secured by real estate. Our high-quality multifamily and investor commercial real estate loans comprise 67% of the total portfolio. As a reminder, these 2 portfolios have a weighted average debt service coverage ratio of 1.8x and a weighted average loan-to-value of less than 50%. We have minimal exposure to Manhattan office buildings, which represent approximately 0.6% of net loans.

In general, the real estate portfolio has strong sponsor support and excellent credit performance. We remain very comfortable with the quality of our loan portfolio, and our stress tests have indicated that our borrowers are resilient.

I want to provide context on how we approach our real estate portfolio and why we're so confident in its stability. Slide 7 shows 2 types of multifamily buildings, which as you can see are on opposite ends of the spectrum. The picture on the left is similar to the typical multifamily building in our portfolio. This is a building that has a mix of rent-regulated apartments and market rents. The average monthly rent in our portfolio is approximately $1,645 compared to over $3,000 for market rents. The total portfolio for these types of buildings is approximately $3 billion, with an average loan size of just over $1 million and a weighted average loan-to-value of 56%, implying a granular mix. Simply put, the type of building we have in our portfolio is stable, low-risk and resilient to market volatility.

Contrast this with a building on the right, which does not match our risk profile. While this building might look flashy, it's also more upmarket and has greater swings in monthly rent rates. This type of multifamily building is more exposed to market cycles. We have a history of conservative underwriting on multifamily properties when interest rates were low during the pandemic of 2020. We underwrote these loans with cap rates at 5% or higher, which provides a cushion in value when rates rise and cap rates increase. Also, we underwrite loans at origination to absorb higher interest rates and each loan is stress test. This is one of the reasons why our weighted average debt service coverage ratios are at 1.8x for this portfolio. This high level of coverage reduces risk in this portfolio.

As I just mentioned, many of our buildings have a mix of market- and rent-regulated apartments. Regulated apartment rents are subject to the Rent Guidelines Standards Board approved annual increases, which is why we prioritize having buildings with a mix of market- and rent-regulated units. Loans that include rent-regulated apartments are about 65% of multifamily loans. We have not had annual net charge-offs of more than 5 basis points since 2014 in this portfolio. Our conservative underwriting has and will continue to serve us well.

Slide 8 shows the types of office properties we lend against and the types we do not. We lend against medical and health care offices and largely outer borough single and multi-tenant properties. Again, these types of properties have much more stability through market cycles. We do not lend against high-rise office buildings that have much more volatility, as evidenced by recent market dynamics. The total office portfolio is approximately $257 million, with $118 million of multi-tenant, $96 million of health care medical and $43 million of single tenant. Our average office loan is about $3 million with a weighted average loan-to-value of 50% and a weighted average debt service coverage ratio of 1.8x. We have 0 nonaccrual office loans.

Slide 9 shows examples of the retail commercial real estate we lend to and the types of properties we do not. This portfolio is about $900 million, with a significant portion located in Queens, Brooklyn and the Bronx. These properties are typically strip malls rather than large shopping malls. The businesses are usually vital to the communities that they serve. The portfolio has a weighted average loan-to-value of 53% and debt service coverage ratio of approximately 1.9x. The average loan is about $2 million. Credit performance is solid and less than 20% of the loan portfolio as rate resets through the end of 2024.

We believe this high-quality portfolio plays a vital role in servicing the needs of local communities on a day-to-day basis. As you can see across our real estate portfolio, we prioritize the same key factors: limited risk exposure, resilience and strong and stable borrowers. Our disciplined risk management approach gives us confidence in the long-term success of our real estate portfolio.

Turning to Slide 10. You can see the results of our underwriting over time. Our net charge-off history is shown on the left. We have a strong history of achieving net charge-off levels that are significantly better than the industry. The same can be said about our level of noncurrent loans compared to the industry. We have been and continue to be a conservative underwriter of credit. In a stress scenario consisting of a 200 basis point increase in rates, a 10% increase in operating expenses, our loan portfolio has a 1.2x debt service coverage ratio. Given this, we continue to expect minimal loss content within the portfolio.

Slide 11 shows our other credit metrics with year-over-year declines in nonperforming assets and an increase in the nonperforming loan coverage ratio. Criticized and classified loans were relatively flat during the quarter, and we expect the criticized and classified loans to gross loans to remain below peer levels.

Our allowance for credit losses is presented by loan segment in the bottom right chart. Overall, the allowance for credit losses to loans ratio was stable at 58 basis points during the quarter. We remain very comfortable with our credit risk profile. I'll now turn it over to Tom to provide more detail on our other financial metrics. Tom?

Tom Buonaiuto

Thank you, John. I will begin on Slide 12, which outlines the net interest income and margin trends. The GAAP net interest margin expanded 7 basis points to 2.29% during the fourth quarter, while the core net interest margin increased 18 basis points to 2.31%. Contributing to the GAAP and core NIM expansion were $3 million of prepayment penalty income net reversals and recovered interest from nonaccrual loans, purchase accounting accretion and customer swap termination fees in the fourth quarter compared to $2.6 million in the third quarter. Absent these items, the NIM expanded 5 basis points quarter-over-quarter, which is the first time the quarterly NIM expanded sequentially since the second quarter of 2022.

There are 2 primary factors that should drive the NIM in the near term. First is the level of loan originations and repricing. Second is how well we retain and reprice maturing CDs. With the market expecting rate cuts this year, we estimate every 25 basis point reduction in rates would impact net interest income by approximately $1.4 million on an annualized basis, assuming no deposit rate lag. For the fifth consecutive quarter, yields on loan closings exceeded yields on satisfaction, and this spread increased in every quarter.

Turning to Slide 13. As John mentioned previously, we added interest rate hedges in 2023 to help neutralize the balance sheet to increases in interest rates. The overall interest rate hedge portfolio is approximately $2 billion and does not have any significant maturities in 2024. These interest rate hedges provided immediate income and helped navigate the rapidly rising rate environment.

In a falling rate environment, fee income from the interest rate hedges will decline, but there are potential offsets in the balance sheet. Bottom line, the interest rate hedges helped mitigate NIM compression from rising rates and provided immediate income.

Slide 14 provides more detail on our deposits. Average deposits increased 3% year-over-year and 1% quarter-over-quarter. The quarterly increase was partially attributable to seasonality and our focus on noninterest-bearing deposits. Average noninterest-bearing deposits increased $22 million while 3% quarter-over-quarter and remains a top priority for the company. Average CDs increased to 2% quarter-over-quarter to $2 billion. Checking account openings declined 7% in the quarter, but increased 6% in 2023. Overall, we are seeing strong account opening trends and are confident we will continue to build our customer base next year. Our loan-to-deposit ratio has improved to 101% from 107% a year ago.

Slide 15 provides more detail on our CD portfolio. Total CDs are over $2 billion or 34% of total deposits at December 31, 2023. CDs helped to lengthen the duration of our funding. Over $1.5 billion of retail CDs are expected to mature in 2024 at a rate of 4.1%. We expect to retain a high percentage of our CDs as we retained 78% of the retail CDs that matured in the fourth quarter. Current CD rates range from 5% to 5.45%. All else equal, CD repricing is one of the factors that could pressure our net interest margin.

Slide 16 provides more detail on the contractual repricing of the loan portfolio. Approximately $1.3 billion or 18% of loans repriced with each Fed move. Our interest rate hedge position on these loans increases this percentage to 25%. In 2024, $744 million is due to reprice at 174 basis points higher than the current yield. In 2025 and 2026, a combined $1.5 billion of loans will reprice about 200 basis points higher. These rates are based on the underlying index value at December 31, 2023, and do not consider any future rate moves. This repricing should drive net interest margin expansion once funding costs stabilize.

Our capital position is shown on Slide 17. Book value and tangible book value per share increased year-over-year and during the fourth quarter. We repurchased approximately 39,000 shares at an average price of $15.08, which is a 33% discount to tangible book value. The tangible common equity ratio increased slightly to 7.64% quarter-over-quarter. Overall, we view our capital base as a source of strength and a vital component of our conservative balance sheet.

Slide 18 provides detail on our Asian markets, which account for 1/3 of our branches. We have over $1.3 billion of deposits and $759 million of loans in these markets. These deposits are 19% of our total deposits. And while we have only a 3% market share of this $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 throughout -- through participation and corporate sponsorships. This market continues to be an important opportunity for us and one that we believe will drive our success moving forward.

On Slide 19, you can see community involvement as a key part of our strategy beyond just our Asian franchise, as outlined previously. During the fourth quarter, we participated in numerous local events to strengthen our ties to our customer base. Some of our recent highlights include, hosting a ribbon-cutting ceremony at our Bensonhurst branch, which opened in late September, and participating in the Trunk or Treat in Hauppauge and Toys for Tots in Chinatown. Participating in these types of initiatives has served as a great way to further integrate ourselves within our local communities while driving customer loyalty.

Slide 20 outlines the growth of our digital banking platforms. We continue to see double-digit growth rates in monthly mobile deposit users, users with active online banking status and digital banking enrollment. The numerated platform, which digitally originate small dollar loans as quickly as 48 hours, continues to grow. We originated approximately $19 million of commitments in 2023, and these loans have an average rate greater than the overall loan portfolio yield. Building off the success we had with Zelle, we continue to explore other fintech product offerings and partnerships to further enhance our digital banking platform and customer experience.

Slide 21 provides our outlook. While we do not provide guidance, we want to share our 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. As discussed previously, the 2 biggest drivers of the net interest margin are: first, the level of loan originations and repricing; and second, the retention of CDs and at what rate. For modeling purposes, we suggest starting with the NIM in the 2.15% range as this excludes the outsized prepayment penalty and other episodic fees. We expect some pressure from this level of the net interest margin in the near term, driven from CD repricing exceeding loan originations.

Noninterest income should benefit from the back-to-back swap loan closings. While noninterest expenses were higher than expected in the fourth quarter, we are bending the expense curve. In the first quarter, we have an increase due to seasonal expenses, but these expenses are expected to be less than half of the $4.1 million recorded in the first quarter of 2023. For the past 5 years, noninterest expenses grew at a 5.6% compounded annual growth rate. In 2024, this growth rate is expected to be in the low- to mid-single digits from a base of approximately $151 million.

We are controlling the expenses we can, and disciplined expense management remains one of our top priorities in 2024 as we look to drive operating efficiencies. 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

Thank you, Tom. On Slide 22, I will wrap up with our key takeaways. We established our action plan early 2023 and executed well against it to help create a stronger base to improve profitability over the longer term. Given our successful execution so far, we're shifting our areas of focus to increasing the NIM and reducing volatility, maintaining our credit discipline, preserving our strong liquidity and capital and bending the expense curve. In short, we're trying to improve near-term performance for the areas that we control amid the persistent challenging environment.
We believe these actions will allow us to navigate the current environment and improve overall performance in the long term. Operator, I'll turn it over to you to open up the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Mark Fitzgibbon with Piper Sandler.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

First question is just some clarification on the comments you made around margin. So did you say that you -- we should start with a margin level of 2.15% in the first quarter and then assume there will be compression from there? Is that correct?

John R. Buran
President, CEO & Director

That's the -- yes, so that's the core margin that we have -- that we're at as of the fourth quarter. So what's happening in the first quarter is the number of CDs that are repricing will exceed the loan -- the loans that are repricing. So we could see some small margin compression in the first quarter or so. By the middle of the year, that should abate and start moving the other way as loans -- the loan repricing exceeds the liability repricing.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

Okay. And then, John, I think in your comments, you suggested that you're continuing to reduce liability sensitivity. I guess I'm wondering if it looks like we're getting close to the Fed cut in rates and clearly the balance sheet benefits as you described $1.4 million for each 25 basis point cut. Why continue to reduce liability sensitivity now? Why not wait until rates come down and benefit, ride the wave, so to speak?

John R. Buran
President, CEO & Director

I don't think we're looking to reduce it any further. We're comfortable being neutral at this point in time. And obviously, the market hasn't done such a great job of predicting the number of rate cuts or increases. So given the fact that historically, our balance sheet had a heavy liability sensitivity, it still does today at its core basis. So I think that we have options to increase the liability sensitivity in the balance sheet. Should we see some certainty with respect to the Fed moves and we're exploring those options.

So we haven't made any decisions as to the timing and magnitude of rate cuts at this point in time, and we're watching very carefully what's happening in the market. But we've been disappointed before in terms of the Fed making cuts. So we wanted to position ourselves to be successful in either environment.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

Okay. And then just to be clear, the restatement that you did this morning. That sort of puts this issue completely behind. There is no residual expense impact or anything like that?

Susan K. Cullen
Senior EVP, Treasurer & CFO

That's correct, Mark. It puts the whole issue behind us and we move forward from here.

Mark Thomas Fitzgibbon
Piper Sandler & Co., Research Division

Okay. And then just on credit. You guys have done a nice job and certainly, your balance sheet has held up well. I guess at a high level, I was curious of sort of two things. What do you guys worry about for the industry with respect to credit, not necessarily flushing but just credit in general. And do you see commercial real estate borrowers out there that are really struggling to find a home for their loans are being pushed out by their existing banks?

John R. Buran
President, CEO & Director

We're starting to see somewhat of that activity, certainly, there's been commentary in the press of various banks pulling back in the commercial real estate area. Certainly, the office market continues to be a soft market throughout the entire industry. So I think those 2 things are clearly occurring. And we're watchful for opportunities to be a little bit more focused on the loan portfolio in the coming quarters. So obviously, we've been kind of flattish over 2023.

Operator

The next question is from Steve Moss with Raymond James.

Thomas Bernard Reid
Raymond James & Associates, Inc., Research Division

This is Thomas on for Steve guys. Appreciate it. I appreciate all the color you guys provided on CDs, but I see money market deposit growth resumed after several quarters of decline. And the average yield on that, looks like it ticked up about 25 bps to 388, 3.88%, which looks like to be on the higher end of from what I've seen in our coverage. All that said, is it fair to say, especially with rate cuts likely on the horizon here that the money market deposit bucket is likely near a peak in terms of yield? And I guess piggybacking off that thought, how much of your deposit base is indexed and would potentially immediately reprice downwards with the move in short-term rates?

John R. Buran
President, CEO & Director

It's a relatively small portion that is indexed. We just started a program I guess, in the last quarter or so and limited it to certain customer segments. So we're being very watchful of that. Obviously, given the fact that our -- the alternatives out there in the CD market are -- have a 5 handle, we're very, very happy to get a 3 handle in money markets. And that's growing.

Thomas Bernard Reid
Raymond James & Associates, Inc., Research Division

Okay. I appreciate that. And just one more here. Shifting on to fees. Just wondering kind of what is the outlook here on the back-to-back loan swaps? I see that the pipeline looks like it was just down with the recent move in rates. So where could we see that line item normalize down to in 2024?

John R. Buran
President, CEO & Director

I think, customers in general are a little bit on the sidelines as they're -- the uncertainties and possibly the expectation of rate decreases are still out there and swirling in the market. So depending upon how quickly the Fed starts to move, we may see the more near-term jump in back-to-back swap activity. We were very, very successful in this area in 2023. But it clearly is an area that is driven by expectation of rate movements at any given point in time. So we have the product. We can turn it on very, very quickly in the event that rates are in a favorable position. But given expectations that rates may be coming down, some borrowers are just kind of holding tight at this point in time.

Operator

The next question is from Chris O'Connell with KBW.

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

Just wanted to follow up on one of the comments in the prepared remarks. I think it was for each 25 basis point reduction in rates is an impact of $1.4 million on the annual NII. That's a positive impact, correct?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Correct. And that's assuming there's no lag or 100% beta in the deposit repricing.

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

Got it. But it is considering the impact of the swaps, right?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Yes.

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

Great. And then if you guys have -- like are getting into 2025, I know there's not a ton maturing in 2024, but can you remind us of just the maturity schedule of the funding side swaps?

Susan K. Cullen
Senior EVP, Treasurer & CFO

The funding -- in 2025, about $400 million, I think, matures in 2025.

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

Got it. So I guess what I'm getting at...

John R. Buran
President, CEO & Director

Clearly, I think the general comment -- and we may be a little off on the number, but the general comment is we're going to have a bigger opportunity in 2025 to manage asset versus liability sensitivity because we do have a fair number of swaps coming off.

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

Yes. I guess that's what I was getting at is like that's probably one of the arrows in your guys' quiver that you have over time to maybe increase liability sensitivity if it becomes certain that the Fed is going to be consistently cutting.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Correct. That's a good statement, Chris.

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

Great. And then I know you guys gave a lot of good color on the expenses and the relative change in the past. For the overall just cadence, is there's still going to be like a fairly sizable drop down in the Q1 to Q2 rate? And then usually, it's fairly flattish after that?

Susan K. Cullen
Senior EVP, Treasurer & CFO

So we expect the seasonal expenses in the first quarter, Chris, to be about $2 million versus a little over $4 million in the first quarter of 2023. But yes, that $2 million will then start to -- will fall off in the subsequent quarters of '24.

Operator

The next question is from Manuel Navas with D.A. Davidson.

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

Prepayment penalties were a little bit elevated in the fourth quarter. Any color there? And do you have any early indications of where they could land in the next couple of quarters? Do you have any sight line to that?

Susan K. Cullen
Senior EVP, Treasurer & CFO

They were elevated in the quarter, we had a couple of large loans that had swaps associated with them pay off. We're seeing prepayments about $500,000 to $750,000 would be a normalized rate running forward.

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

Okay. And then the -- the color on the CD repricing, you had current CD rates around 5% to 5.45%. That's your CD rates. What is kind of the high in the area?

Susan K. Cullen
Senior EVP, Treasurer & CFO

5.50-ish.

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

Okay. So you -- that's right. So you generally can keep them because you're right where the market is?

Susan K. Cullen
Senior EVP, Treasurer & CFO

Right in the ballpark.

John R. Buran
President, CEO & Director

We'll give you an update on the swap maturities. There are about $325 million of swap maturities taking place in 2025.

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

Okay. I know your guidance kind of encompasses the swaps. But is there -- if you're just looking at the swaps and you have some rate cuts, where does the net benefit move to? Like right now the net benefit is like 2.56%, if there's a 25 basis point cut, where does it move to?

John R. Buran
President, CEO & Director

We had the $1.4 million on a 25 basis point cut.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Assuming 100% beta.

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

Okay. So just keep it on the overall guidance. All right. And then any shift in the buyback appetite?

Susan K. Cullen
Senior EVP, Treasurer & CFO

No, not really. We continue with our capital plans. We've always had it that first we want to invest profitably into the company; second, return through dividends and third, through the buybacks.

Operator

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

John R. Buran
President, CEO & Director

Thank you, operator, and thank you all for attending the conference today. We look forward to presenting to you at the end of the second quarter. And as always, if analysts have any additional questions, we'll be -- make ourselves available. Thank you very much.

Susan K. Cullen
Senior EVP, Treasurer & CFO

Thank you.

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