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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Amerant Bancorp Second Quarter 2022 Conference Call. (Operator Instructions) After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Laura Rossi, Head Investor Relations at Amerant. Please go ahead.

Laura Rossi - *Amerant Bancorp Inc. - Senior VP & Head of IR*

Thank you, Victor. Good morning, everyone and thank you for joining us to review Amerant Bancorp's second quarter 2022 result. Also on today's call are Jerry Plosch, our Chairman and Chief Executive Officer and Carlos Iafigliola, our Chief Financial Officer. As we begin, please note that the company's press release, our discussion on today's call and our responses to your questions contain forward-looking statements. Amerant's business and operations are subject to a variety of risks and uncertainties, many of which are beyond its control and consequently, actual results may differ materially from those expressed or implied.

Please refer to the cautionary notices regarding forward-looking statements in the company's earnings release and presentation. For a more complete description of these and other possible risks, please refer to the company's annual report on Form 10-K for the year ended December 31st, 2021. The quarterly report on Form 10-Q for the quarter ended March 31st, 2022 and our other filings with the SEC, as you can access these filings on the SEC's website.

Amerant has no obligation and makes no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations, except as required by law. Please also note that the company's press release, earnings presentation and today's call include references to certain adjusted financial measures, also known as non-GAAP financial measures. Exhibit two and appendix one of the company's press release and earnings presentation respectively contain a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure.

I will now turn it over to our Chairman and CEO, Jerry Plush.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Thank you, Laura. Good morning, everyone and thank you for joining Amerant's Second Quarter 2022 Earnings Call. I'm pleased to be here today to report on our results for the quarter and provide an update on very important steps taken during the period toward the completion of our transformation efforts, so that we will be best positioned for the balance of the year beyond for profitable growth. We believe our commitment to continue to execute throughout 2022 and building even better and stronger version of Amerant is showing in our loan growth, our deposit growth and margin expansion.

Most importantly, you can see our belief in ourselves by making the necessary people, technology and partnership investments to consistently grow our company. Also based on the company's second quarter results on July 20 of 2022, our Board of Directors approved a $0.09 per share dividend payable on August 31, 2022. Our commitment to the payment of dividends is strong, as we've stated before, we believe dividends are an essential part of providing greater value to our shareholders.

I'll now provide a brief overview of our performance in the second quarter and outline the steps we took to best position ourselves over the balance of the year and beyond and then I'll hand it over to Carlos to get into the details. So turning to Slide 3, you can see a summary of our second quarter highlights. Net income attributable to the company was $7.7 million, down 51.9% quarter-over-quarter. This decrease was primarily driven by $8 million of nonroutine charges recorded in the quarter, which we'll cover in greater detail in a few slides.

During the second quarter, we had higher average yields and balances on loans, lower average balances on customer time deposits and FHLB advances were replaced by higher average balances and lower cost core deposits, all of that resulted in a higher net interest margin. Our total gross loans were $5.85 billion, up from $5.72 billion last quarter, even with $272 million in loan prepayments.

Total deposits were $6.2 billion, up by over $511 million compared to last quarter. And more importantly, core deposits increased by $505 million this quarter compared to the first quarter of 2022, as the company continued to seek new sources of deposits. We also repaid $350 million in callable FHLB advances and we borrowed $200 million in longer-term fixed advances as we anticipate advances in the balance sheet will become variable rate given higher rate expectations. So with this action, we effectively increased the duration of our liabilities and locked in fixed interest rates under a scenario of an eminent increase in market rates.

We'll move now to Slide 4. The company's capital continue to be strong and well in excess of minimum regulatory requirements to be considered well capitalized at June 30, 2022. During the quarter, we paid out on the previously announced cash dividend of $0.09 per share on May 31st and as of quarter end, we had completed two consecutive $50 million repurchase programs, effectively repurchasing in aggregate 3,148,399 shares of Class A common stock since mid-November of 2021, when we announced the successful conversion to one class of common stock.

Specific to this quarter, you can see that we repurchased a total of 611,525 shares and that our shares outstanding at quarter end totaled 33,759,604 shares. As they say, buying back part of your business, as we have done shows how much you believe and what you're doing and the value you can create. So we'll turn now to Slide 5 and cover core PPNR.

Core PPNR was $19.4 million this quarter, up by 8.8% compared to the $17.9 million reported in the previous quarter. We've been consistent in stating this. It's essential to show the net revenue growth of the company, excluding the onetime and nonroutine gains and losses in order to show Amerant's core earnings power.

If we turn to Slide 6, we'll cover the key actions taken during the quarter. We reduced nonperforming loans to $25.2 million as of June 30, 2022, compared to $47 million as of 1Q '22. We said we needed to get the level of NPL significantly lower as part of our commitment to increase our percentage of earning assets to total assets and we did. And we intend to continue to pursue driving NPLs as low as possible.

As part of this reduction in NPLs, we received a $5.5 million payment and charged off the remaining $3.6 million, which was partially reserved on the previously disclosed Coffee Trader relationship. We plan to record all future receipts as recoveries. Amerant Mortgage reported improved results and reached breakeven on a standalone basis despite headwinds from current market conditions. Rising interest rates, coupled with declining refinance demand and other factors also led us to reassess our staffing needs, which declined by 12 FTEs at June 30.

As we previously noted, we successfully completed the company's second $50 million Class A common stock repurchase. We've now completed the two repurchase programs and have repurchased an aggregate of 3,148,399 shares of Class A common stock since mid-November of 2021. We effectively now have bought back 8.5% of the company with these two repurchase programs. We launched the new white label equipment finance solution and two of the three business development officers planned for are on board and they generated $10 million in new originations in Q2.

As we continue to seek in branch efficiencies, we will be closing one more banking center in South Florida, which is expected to occur in October of 2022. This action represents $1.1 million in expected annual savings and it generated a nonroutine closure charge of $1.6 million in Q2. The customer relationships will move to a nearby more modern location. At the same time, we're investing in the future in brand awareness and in digital banking to ensure sustainable growth. Our downtown Miami branch is in the permit stage and we are hopeful by year-end and/or early 2023 to be announcing the grand opening.

Additionally, we recorded an additional $2.8 million in estimated contract termination costs during the quarter in connection with the upcoming conversion to FIS. We believe the nonroutine charges related to this conversion are now behind us. We also incurred $3.6 million in other nonroutine charges, including a $3.2 million valuation adjustment on a real estate owned property and $0.7 million in severance charges, which were partially offset by improved valuation of $0.3 million in loans held for sale.

Also we continued executing on building our brand awareness by entering into a multiyear agreement to become the official bank of the NBA's Miami Heat. We also just announced that we entered into a multiyear agreement as proud partner of the NHL's Florida Panthers. We believe these partnerships coupled with our previously announced University of Miami multiyear deal, reflect the commitment we have toward being fully invested in Miami in comparison to our competitors here.

We also announced four senior executive appointments, including a new Head of Consumer Banking, who is also a new member of our executive management committee, our new Chief Digital Officer, our new Chief Legal and Administrative Officer and a new Chief People Officer, all of whom we feel are key to positioning of our management team for future success. With these hires and moves, we've reached completion of the management team build-out. From here on out, it's all about execution.

Finally, regarding our Tampa LPO, we announced our new commercial banking team, including onboarding our new market president. This team now consists of 10 full-time equivalents with most of them focused on commercial and industrial originations. We've already closed on a number of CRE and C&I transactions to date, totaling $37 million through June 30th and have a similar pipeline already in 3Q in CRE and in C&I and we're just getting started. I think it's important to stop here and note the obvious that's been taking place at Amerant.

We've seized the opportunity to make a substantial investment in people to drive future performance. In addition to the hires just mentioned during the quarter, we added additional CRE private banking and commercial banking business development personnel and we continue to do so. This, of course, will likely impact near-term stated goals of getting expenses down in order to achieve a 60% efficiency by year-end, as we previously discussed. But we believe it's more important to seize the opportunity, invest in ourselves and in future growth than delay such hires at this time.

But please note, we are working hard to still get there on the 60% efficiency as soon as possible. But we do believe it's important to seize the day and make these hires now, which will drive even greater profitability in 2023 and ensure a 60% or better efficiency ratio going forward.

If we turn to Slide 7, what we've outlined here key performance metrics and their change compared to last quarter. It's worth highlighting that in the second quarter, our operating profitability improved as our margin was up to 3.28% and that's 10 basis point improvement over the last quarter. Other profitability metrics are somewhat skewed given the nonroutine charges we recorded in the period. We again show the three core metrics of ROA, ROE and operating efficiency, including onetime nonroutine items in the footnotes for this slide to more clearly show the underlying performance for the quarter.

On our next slide, Slide 8, this one focuses solely on Amerant Mortgage. This quarter, Amerant Mortgage reported improved results and reached breakeven on a standalone basis despite headwinds resulting from the interest rate environment. In the second quarter of 2022, we increased our ownership to 80% from 57.4% at the close of the first quarter of '22, primarily from two of the former principles surrendering their interest in AMTM to the company when they became full-time employees of the bank.

And in addition, the company made a $1 million capital contribution to Amerant Mortgage in the second quarter. The mortgage team is now at 67 FTEs at 2Q '22 compared to 79 at 1Q '22, which we believe was needed in light of current market conditions. During the second quarter of 2022, we received a total of 285 applications and funded 253 loans, excuse me, totaling $118.6 million. The current pipeline shows $77.8 million in process or 119 applications in process as of July 11, 2022.

So with all that said, I'll turn things over to Carlos, who will walk through our results for the quarter in more detail.

Carlos Iafigliola - *Amerant Bancorp Inc. - Executive VP & CFO*

Thank you, Jerry and good morning, everyone. Turning to Slide 9, I'll begin by discussing our investment portfolio. Our second quarter investment securities balance was $1.4 billion, up slightly compared to both previous quarter and second quarter 2021. When compared to the prior year, the duration of the investment portfolio has extended to 4.9 years due to lower prepayment speeds recorded in our mortgage-backed securities portfolio in light of rising rates. The floating portion of our investment portfolio increased to 15% compared to 12% in the previous year. We continue to focus our investment strategy on assets with lower duration and better repricing profile in anticipation of further interest rate increases for the rest of this year.

I would like to take a minute and discuss the impact of interest rate changes on the valuation of debt securities available for sale. As of June 30, 2022, the change in the market value of debt securities available for sale resulted in a $26 million post-tax adjustment driven by the increase in long-term interest rates during the quarter. The year-to-date change is close to $66 million. The described changes in valuation are consistent with our interest rate sensitivity analysis.

Continuing to Slide 10, I will talk about the loan portfolio. At the end of the second quarter, total gross loans were $5.8 billion, up 2% compared to the end of the last quarter. The increase in total loans was primarily due to the higher loan balances, which resulted from increased loan production primarily in C&I, complemented with indirect loan purchases despite having received almost $272 million repayments in both CRE and C&I. This net growth represents a great accomplishment for all the teams involved in the business origination efforts.

Consumer loans as of June 30 were $557 million, an increase of [$78] million or 15% quarter-over-quarter. This includes approximately $477 million in high-yield interest -- indirect loans, which continues to represent a tactical move to enhance the yield of the loan portfolio. Loans held for sale were $121 million as of June 30th, which includes $66 million in the loans from the former New York LPO and $55 million in residential mortgages in connection with the activities of Amerant Mortgage.

Going to Slide 11, we show an update on the new loan portfolio. Total loans outstanding from the former LPO have declined to $354 million in Q2 from $373 million in Q1. We expect this portfolio to decrease as several prepayments are expected to occur over the rest of the year and we will be discontinuing this slide in future quarters.

Turning to Slide 12, let's take a closer look at the credit quality. For this quarter, our credit quality remained sound and reserve coverage is strong. The allowance for loan losses at the end of Q2 was $52 million, a decrease of 7% from $56 million at the close of the previous quarter. There were no provision expense or release from the allowance for Q2 compared to a release of $10 million in Q1. During Q2, the $4.9 million allowance associated with COVID-19 pandemic was further reduced to $2.7 million. The decrease on this provision was allocated to loan growth recorded during the second quarter.

Please note that starting in Q3, given our intent to continue to grow our loan portfolio, it is likely we will record provision expense to be added to reserves. Net charge-off during the second quarter of 2022 totaled $4 million compared to the $3.8 million in the first quarter of 2022 and $1.8 million net charge-off in the second quarter of 2021. Charge-off during the period were primarily due to $4 million in two commercial loans and $0.9 million in consumer loans, offset by $1.5 million in recoveries.

Non-performing assets totaled $31.7 million at the end of the second quarter, a decrease of $25 million or 44% compared to the first quarter, a decrease of $89 million or 74% compared to the second quarter of 2021. This is a reflection of our continued commitment to resolve NPAs. The ratio of nonperforming assets to total assets was 39 basis points, down 34 basis points from the first quarter of 2022 and down 122 basis points from the second quarter of 2021.

Our nonperforming loans to total loans significantly declined to 0.43% compared to the 0.82% last quarter. As Jerry referenced earlier, we received a $5.5 million payment on charge-off the remaining $3.6 million as the previously disclosed Coffee Trader relationship. In the second quarter of

2022, the coverage ratio of loan loss reserve to nonperforming loans closed at 2.1x, up from the 1.2x at the end of the last quarter and from 0.9x at the close of the second quarter last year.

Continuing to Slide 13, total deposits at the end of the second quarter were $6.2 billion, up $511 million from the previous quarter. Domestic deposits would account for almost 60% of the total deposits ended at $3.7 billion, up [$542] million or 17% compared to the previous quarter. Foreign deposits, which account for 40% of the total deposits, totaled $2.5 billion, slightly down by $31 million or 1% compared to the previous quarter.

Core deposits, which consist and total deposits excluding all-time deposits were $4.9 billion as of the end of the second quarter, an increase of $505 million or 11% compared to the previous quarter, as the company continued to add additional sources of deposits during the period such as from escrow accounts and municipalities. The $4.9 billion in core deposits includes interest-bearing deposits of $2 billion savings and money market deposits of $1.6 billion and noninterest-bearing demand deposits were $1.3 billion.

Offsetting the increase in total deposits was a decrease of $19 million or 1.5% in noninterest-bearing deposits compared to the first quarter of 2022. Customer time deposits compared to the prior quarter decreased $14 million or 1.5% as the company continued to focus on increasing core deposits and emphasizing multiproduct relationship versus single product, higher cost time deposits.

Broker time deposits increased slightly by $20 million or 7% compared to the previous quarter as the company saw the opportunity to extend duration on this funding and lock in lower financing cost, given the expectation of additional market rate hikes for the upcoming quarters.

Next, I'll discuss the net interest income and net interest margin on Slide 14. Net interest income for the second quarter was $59 million, up $3 million or 6% quarter-over-quarter and up $9 million or 18% year-over-year. As previously mentioned, in light of rising interest rate environment, we're actively managing the duration of our liabilities. The timing on the execution of repayment and borrowing of long-term fixed rate advances allow us to effectively extend duration unlocking attractive fixed rates.

In terms of the beta of our deposits, we have adjusted certain interest rate sensitive products and relationships to remain competitive as we monitor increases in the market rates. As I said before, understanding the different behaviors in each product will show the value of our deposit composition. With the current deposit mix, we recorded a beta of approximately $0.15 for Q2, which will help us to navigate the rates of environment.

Second quarter net interest income ended at 3.28%, slightly up by 10 basis points quarter-over-quarter and up 47 basis points year-over-year. The change in the net interest income and net interest margin was primarily driven by the increase in the yield of our loan portfolio, which is now at 4.38%, an increase of 22 basis points versus the previous quarter. The improvement in NIM is a reflection of our asset sensitivity position and our efforts to increase the duration of our liabilities via ALM strategies under interest rate of environment.

Moving to Slide 15, interest rate sensitivity. You can see our balance sheet continues to be asset sensitive with about half of our loans having floating rate structures and 58% repricing within a year from which approximately 10% are fixed rate loans coming due for maturity. Actions related to the changes in the composition of our liabilities, our continuous production in floating rate loans and purchases in floating rate securities have resulted in an improved NIM sensitivity profile versus last quarter for interest rate up and scenarios.

We are now showing a potential increase of approximately 10% or $26 million for net interest income versus an 8% or $17.5 million increase last quarter under the 100 up a scenario. We also show an improved profile for the 200 up a scenario. We will continue to actively manage our balance sheet to best position our bank for the expected rise in interest rate for the remaining of 2022.

Coming to Slide 16, noninterest income in the second quarter of 2022 was $13 million, down $1 million or 8% from the $14 million recorded in the first quarter. The decrease during the second quarter was driven by the negative valuation of marketable securities of $2.6 million and lower fee income from client derivative. However, the decrease was partially offset by higher mortgage banking fee income for about $1.8 million net on realized gain on derivatives valuation $4.9 million and the absence of a net loss of $0.7 million on the early extinguishment of FHLB advances incurred in the first quarter of 2022.

As Jerry mentioned before, Amerant Mortgage had improved results recorded noninterest income of $2.4 million on a standalone basis. Applications and closed loans were better compared to prior periods despite the challenging conditions in the mortgage market. Amerant assets under management totaled $1.9 billion as of the end of the second quarter 2022, down $261 million or 12% from the end of the first quarter. This is primarily driven by lower market valuations in equity and fixed income markets.

Turning to Slide 17, second quarter noninterest expense was $62 million, up $1.4 million or 2% from the first quarter and up $11 million year-over-year. Note that we considered $8 million of our noninterest expense this quarter as nonroutine items. Excluding these items, core noninterest expense was $54 million in the second quarter of 2022. The quarter-over-quarter increase was primarily driven by a nonroutine charge of $3.2 million related to the market valuation adjustment to an OREO property in New York, a lease impairment of $1.6 million on the closing of a banking center, higher other professional fees primarily in connection with customer derivative transaction, incremental variable compensation expenses and higher advertising fees.

Now the increase in noninterest expense was partially offset primarily by lower estimated technology contract terminated from $4 million in the previous quarter to $2.8 million this quarter, that is related to our upcoming transition to FIS and we do not anticipate any significant further charge-off going forward in connection with contract termination. Also contributing to the offset of noninterest expense were lower salaries and employee benefits resulting from fewer FTEs, lower consulting fees, primarily driven by the absence of additional expenses in the first quarter of [2022].

The efficiency ratio was 86.6% in the second quarter of 2022 compared to 87.3% in the previous quarter and 77.8% in the second quarter of last year. Core efficiency ratio went down to 73.7% in the second quarter of 2022 compared to $76.4 million in the first quarter of 2022 and 74.4% in the second quarter of 2021, both primarily driven by higher net interest income.

I will now turn it back to Jerry to talk about Amerant's progress on the near and long-term initiatives.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Thank you, Carlos. Here on Slide 18, we've provided updates on each of the key strategic initiatives and the progress we made in the second quarter. I'm not going to review all the details on this call, but we can assure you that we'll continue to provide this type of update on this slide each quarter, so each of you can track our progress.

Turning to Slide 19 and I'll call it the last but not least slide. This quarter, we prepared one summarizing our partnerships to date. I previously mentioned that we recently announced an expansive strategic partnership as we entered into a multiyear agreement to become the official bank of the NBA's Miami Heat. Through this strategic partnership, we are redefining the meaning of our bank being an integral part of the community, one that supports and aligns with those businesses and organizations truly rooted here in South Florida. This partnership marks our third sports sponsorship deal in the last year.

We also just announced a new multiyear agreement as a proud partner of the NHL Florida Panthers this week and we recently disclosed that we renamed the official hometown bank of the Miami Hurricanes, all furthering our commitment to the South Florida community. We believe these partnerships positively impact our customers, our team members and the community as a whole. We think these partnerships clearly show our commitment, not just to South Florida, which clearly is critically important, but they also demonstrate our belief in ourselves and in our strategy.

We have a great team and they too can see with these changes that are being made, how we are strengthening the team even further and broadening our capabilities. They know it is now up to us to keep driving profitable growth. So in closing, I just want to summarize our second quarter. We demonstrated strong loan and deposit growth. We showed solid net interest margin expansion. We showed a significant reduction in nonperforming loans were near completion of our transformation efforts and do not expect additional significant onetime charges in future quarters.

We've made significant quality additions to our senior management team that complete our build-out and we've added quality personnel in our lines of business to supplement our business development capabilities. Again, our commitment to Miami and South Florida has never been stronger. And I promise you, we are not done yet adding to our capabilities here to drive even better results.

Our Tampa team is now in place and ready to drive meaningful, profitable growth and I can assure you that we are now also focusing on Houston growth opportunities and we look forward to updating you on our efforts there in the near future. We're very excited about the progress being made, but I can assure you that once this call is over, it's back to work. There is much more that can and will be accomplished over the balance of this year.

So with that I'll stop and Carlos and I will look to answer any questions you have. Victor, please open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is coming from the line of Michael Rose from Raymond James. Your line is open.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

Hey, good morning, everyone. Thanks for taking my questions. I have done a little bit late, so sorry if you touched on this, but the expenses adjusting for some of the items were a little bit higher than I think we were looking forward and kind of what you had said last quarter with the caveat that I know that you guys have made a lot of progress along the way and that progress is not going to be linear so any quarter could be kind of above or below, but just help us think about the trajectory of expenses from here, given kind of all the things you have going on, I understand that in future quarters, as you just said, Jerry, that there's probably going to be less noise than numbers, which I think we would all appreciate. But obviously, just want to see where your head is at around expenses and where you're allocating investment dollars. Thanks.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Yeah. Hey, Michael, it's Jerry. Thanks for the question and for joining today. I'll take first crack here and obviously Carlos will chime in. But I think a couple of things can explain the uptick in comparison to what we said or expected. We had better growth, obviously, in the quarter on both sides of the balance sheet, which also requires us recognizing from an incentive standpoint, the business development personnel driving that growth. So that's a component.

And I think in addition, as I said, we sort of -- I've looked at it as seat today. We had a great opportunity this quarter to add some really talented individuals as part of our build-out and just felt that it was very important for us to go ahead and execute. Our expectation is these people additions are going to help us drive even more incremental growth in Q3 and in Q4. And so I think obviously, the expectation will be is that, that expense base will be higher, but I also think it's going to pay off in showing profitable growth.

Carlos Iafigliola - *Amerant Bancorp Inc. - Executive VP & CFO*

Yeah, Mike, the -- we have about $54 million in core noninterest expenses for the quarter. So the way that you should see this going forward, it's probably average close to the 55%. As Jerry mentioned, there is a change in the FDA composition more geared towards business development people that obviously the compensation-wise is different than back office and that's part of the -- our recomposition that is driving the growth in the balance sheet and the change in the loan portfolio and deposit that you're seeing.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

Great. That's exactly what I was looking for. And then just on the fee side, looks like the derivative income has been -- was down Q-on-Q, but obviously, it's been kind of lumpy. I know it's hard to kind of peg that on a quarter-to-quarter basis, but just from a client perspective and what you're seeing and given what rates are doing, I mean, is there any sort of expectation for what we could expect for that line? Thanks.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Yeah, so there were multiple transactions that are coming with derivatives associated as you may expect. So customers are looking forward as they close floating rate structures, they wanted to go ahead and do swaps to hedge the interest rate risk that may have in front of them. So yeah, we do expect that part of the pipeline that we'll be originating in Q2 and Q3 will come with derivative fees coming from swaps, so probably closer to the Q1 levels.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

Okay. Helpful. And then just maybe finally, just on loans, the New York wind down slowed a little bit this quarter. I think you talked about most of it being or close to being done with that wind down by the end of the year, is that still the thought? And then if you can just kind of talk about some of the more specific core loan growth drivers this quarter and maybe breakout of what some of the newer markets whether it be Tampa, out in Texas versus kind of the core portfolio is looking like at this point? Thanks.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

So, yeah, the New York portfolio, we continue to expect high level of prepayments as we move during 2022 and 2023. The relationships are going ahead and refi away from us or repaying in some cases. So we have seen that decline over the quarter, about $20 million went for paydowns and we expect that, that behavior will continue to happen. So that will continue to be deemphasized out of the total asset. So you will expect to see that in Q2 and Q3, I mean in Q3 and Q4.

In the case of the growth, we have seen a strong C&I pipeline in general. The equipment financing activities are coming along very well. The flavor that we provided on the call for about $10 million was just a beginning, the pipeline is looking very attractive and we expanded the capabilities to be in Tampa and Houston as well. So I believe you would expect to see a balanced growth between C&I and CRE from now to the end of the year.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

Okay. Great. And if I could just squeeze in one last one. With the higher expense guide, but obviously some better loan growth momentum and higher rates, I mean, are you guys still committed to the 60% efficiency ratio in the fourth quarter?

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Yeah, Michael, I made a comment on that, that I think the incremental investments that we're making could impact that slightly. We expect better growth than we had originally anticipated, which I think would go a long way towards getting us close to that. But our sense right now is that it was worth the trade-off to get the talented people that we've added on board, get the structure right and I think, set ourselves up for really stronger growth and stronger success even in 2023.

So I would say it's a little bit of a trade between achieving a metric in the short-term versus ensuring that we'll consistently achieve that, if not beat it in the longer term.

Michael Edward Rose - *Raymond James & Associates, Inc., Research Division - MD of Equity Research*

Fair point. Thanks for taking all my questions, sorry I missed that. Thank you.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Absolutely. Thanks.

Operator

Thank you. (Operator Instructions) And I'm not showing any further questions in the queue. I'd like to turn the call back over to Mr. Plush for any closing remarks.

Gerald Paul Plush - *Amerant Bancorp Inc. - Chairman, President & CEO*

Sure. Thank you, everyone, for joining today's call. We appreciate your interest in Amerant and your continued support. Have a great day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.
