UNITED FINANCIAL BANCORP
"Q2 2014 Earnings Conference Call"

July 24, 2014 at 11:00 a.m. Eastern
Marliese Shaw
Bill Crawford
Eric Newell
Brandon Lorey
Dave Paulson
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OPERATOR: Good morning, and welcome to the United Financial Bancorp Second Quarter 2014 Earnings Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Marliese Shaw. Please go ahead.

MARLIESE SHAW: Thank you, Betty. Good morning, everyone. Welcome to our Second Quarter Conference Call.

Before we begin, we would like to remind you to read our safe harbor advisement on forward looking statements on our Earnings Announcements. Forward looking statements by their nature are subject to risks and uncertainties. Certain factors could cause actual results to differ materially from expected results. Our comments today are intended to qualify for the safe harbor afforded by that advisement.

Now, I would like to introduce Bill Crawford, our Chief Executive Officer.

BILL CRAWFORD: Thanks, Marliese. Good morning and thank you for joining us on today's call and for your continued interest in our company.

Yesterday, we released Second Quarter 2014 results. These results reflect the completion of the merger between United Financial Bancorp and Rockville Financial on April 30. While the results only include two months of the combined entity's earnings, I'm pleased at the strength of the company's performance over that short time as well as the progress that the company is making towards its post-close performance goals. Our CFO, Eric Newell will provide more detail on the financial metrics impacted by the merger in his commentary. In addition to Eric, with me this morning I have Marino Santarelli, our Chief Operating Officer; Scott Bechtle, our Chief Risk Officer; Mark Kucia, our Chief Credit Officer; Dave Paulson, Head of Wholesale Banking; and Brandon Lorey, Head of Consumer Lending.

During the Second Quarter, the company reported strong organic loan growth of 8% on an annualized basis and commercial loans grew organically by 9% annualized. This strong growth is reflective of the investments the company has made in the infrastructure of mortgage banking and commercial lending divisions. The company will continue to make investments in these areas and opportunistically acquire commercial banking teams and high performing commission based mortgaged loan officers.

We're pleased that we're able to further execute the strategy during the past quarter with the acquisition of an experienced mortgage banking team in the West Springfield market.

We are diligently preparing for the Fourth Quarter data integration and have every reason to believe it will be completed as scheduled and the subsequent targeted cost savings will be achieved. The team is highly focused on evaluating cost savings opportunities throughout the company as we develop our operating budget for the go forward organization and will result in the United transformation into a highly efficient growth company. The company is intensely focused on achieving the 2015 performance metrics goal communicated to our investors.

I'd like to thank my United Bank teammates for their dedication and hard work. United we are stronger. I'm very bullish for our prospects in the years ahead.

Now, I'd like to turn the call over to Eric Newell, our CFO, to provide some further detail on the Quarter's results.

ERIC NEWELL: Thank you, Bill, and good morning. Yesterday, we reported a net loss of $5.6 million, or a loss of $0.13 per share. Included in our GAAP results are pre-tax merger related expenses totaling $20.9 million. The effects of our purchase accounting adjustments made in the Quarter, including a pre-tax benefit of $4.9 million to net interest income, amortization of our core deposit intangible of $321,000, and finally a pre-tax net gain from sales of securities totaling $589,000. Excluding each of these items on a tax effective basis, our operating net income totals $5.8 million, or $0.13 per share, a 63% improvement over the $0.08 per share the company reported for operating earnings in the linked Quarter. I want to once again remind listeners that our results in the Quarter reflect only two months of consolidated results.

As a consequence of the merger, purchase accounting will become more prevalent in our GAAP results. We have added additional disclosures in the earnings release to assist users of our financial statements to obtain a more transparent view of the operations of the company separate from purchase accounting impact. The most significant impact with GAAP results is the accretion and amortization of loan marks, which include both credit and interest marks. We have expanded our disclosure to report both originated loans and purchase loans. Within the purchase loan disclosures the company will report covered loans, which are subject to ASC 310-30, formerly known as SOP 03-3, which are deemed to be impaired by management when purchased, as well as purchased loans, which subsequently experience deterioration requiring management to provide additional reserves against the loans. Finally, we will report non-covered purchase loans, which have no associated allowance for loan losses and only carry a nominal credit mark and interest mark that the company will amortize or accrete over the life of the loan.

The GAAP earnings asset yield for the Quarter ending June 30 was 4.28%, which includes the benefit of $3.4 million of accretion. Excluded in this accretion for the operating earning asset yield for the quarter was 3.92%. The cost of interest bearing liabilities on a GAAP basis was 50 basis points, and included accretion of $1.6 million. Without the effect of purchase accounting, our operating costs of interest bearing liabilities was 70 basis points. Operating net interest margin, excluding the impact of purchase accounting adjustments, increased to 3.36% in the Second Quarter of 2014 from 3.17% in the linked Quarter. This was driven by growth in the higher yield in C&I in residential loan portfolios. For additional disclosure on operating yields by loan type, and costs of interest bearing liabilities as compared to GAAP results, the company has included a reconciliation of these items in earnings released tables.

The company reported provision expense of $2.1 million in the Second Quarter. A significant portion of the increase in provision compared to the linked Quarter relates to reserves applied to two loans. One of the loans was originated by legacy Rockville and has been under review for the last several quarters. The company has applied a reserve on the expected difference between the ultimate workout results and the unpaid balance.

The other loan, which was purchased, has experienced a significant deterioration since legal close. Therefore, management deemed it prudent to provide a reserve on this purchased loan and reclassify it as non-performing. We continue to evaluate the facts and circumstances on this loan and will consider whether we support reclassifying the loan as impaired on April 30. Nevertheless, asset quality remains exceptional by all industry and peer metrics.

I'd like to provide some commentary regarding mortgage banking as well. The net gain from sales of loans increased $1.3 million, or 28% year-over-year, and nearly twice the level recorded in the linked Quarter. The main influence in the increase from the linked period is the impact on the unrealized gain on sale related to loans that are held for sale, which is driven by activities taken by our secondary mortgage desk whereby the desk may opt to hedge a certain portion of loans in the pipeline with mandatory and best efforts forward commitments.

Also impacting the increase was the change in the value of rate lock commitments the company executes with its customers during the application process. The delta between the linked quarters was predominantly driven by increases in volumes versus improvement of market rates, and we continue to leverage the company's service levels as a differentiator in the market as a value proposition for both our mortgage customers as well as our mortgage loan officers. During the Quarter, we achieved a record high pipeline level, which we attributed to the number of mortgage loan officers during the Second Quarter, as well as the quality of referrals the team receives due to their strong relationships with centers of influence in the real estate communities that they each serve.

While market rates fell during the Second Quarter as illustrated by the 19 basis point reduction in the ten-year Treasury yield, which resulted in a pick-up of refinance volume, purchase activity continues to be a majority of our pipeline. The reduction of interest rates negatively impacted the value of the company's mortgage servicing rights, which fell by $435,000. While we cannot project market pricing for the remainder of the year, we expect the pipeline to remain strong and level in the Third Quarter, and then anticipate a seasonal drop in the pipeline in the Fourth Quarter as is typical. This will impact results we report for net gains from sales loss.

Service charge and fee income was positively impacted by incremental fees associated with the usage of legacy United ATMs and associated activities from legacy United deposits. Furthermore, the company benefitted from the addition of legacy United bank-owned life insurance assets as well as the additional sales of loan level hedges to commercial clients. The primary driver of the other loss in non-interest income is the aforementioned decline in the value of the mortgage servicing rights.

Non-interest expenses totaled $46.1 million on a GAAP basis and $24.9 million on an operating basis resulting in an operating NIE to average assets of 2.38%

for the period, dropping from 2.84 in the linked Quarter. On an operating basis, all non-interest expense categories were impacted by the merger.

As Bill mentioned in his comments at the start of the call, the entire United team is focused on a successful data conversion scheduled for the Fourth Quarter. Once this is completed, management expects cost savings discussed in our November announcement of the merger will begin to be reflected in our financial performance trend. This will be driven by identified redundancy relating to staff, branch closures, and costs we currently carry to operationally run two banks. Management remains committed to the 15% cost saves we announced in November.

In our non-interest expense, we report amortization of the core deposit intangible. The core deposit intangible, which is included in the company's goodwill and other intangible assets on the balance sheet totaled $10.2 million on June 30. The core deposit intangible will be amortized over ten years using a sum of digits method. The effective tax rate for the Second Quarter on a GAAP basis was a negative 10%. The tax rate is impacted by core items such as bank owned life insurance, tax exempt interest, and tax credits from which the company inherited from legacy United, as well as one-time items related to the merger. Based on a projection, management is currently guiding to a 10% effective tax rate for the full year of 2014.

Building on my comments regarding costs savings, timing, and expectations, I'd like to provide an update on some other merger related matters. In an 8K disclosure last week, we indicated that our one-time expenses related to the merger, which we originally modelled at $34 million pre-tax, have increased to $39 million pre-tax. The major contributor for the increase was consultancy. Specifically, we hired a consultant that was able to leverage its proprietary database to provide the Company significant savings in major contracts we have with our service providers.

In return for those savings to add significant shareholder value, we share a portion of the savings with a consultant, which is captured in one-time expenses. We did not plan for this when we modelled one-time expenses in November. To date, between both legacy companies and on a consolidated basis, we have expensed $31 million in pre-tax of one-time merger related expenses.

While nearly all of our balance sheet categories were impacted by the merger, I would like to specifically discuss loan deposit growth and the trends we're experiencing. As disclosed in our release, the Company reported $73 million of organic loan growth, which represents 8% on an annualized basis, predominantly in C&I in residential loans. On balance sheet, residential loan growth is due to the mix shift from fixed rate to adjustable rate mortgages, which in large part occurred in late 2013 due to a pipeline shift into purchased mortgages as well as expansion from markets that generally favor adjustable rate mortgages or fixed rate mortgages. Management generally portfolios these loans while continuing to sell fixed rate loans with 15- and 30-year terms if the contribution margin on the loan represents a higher return in gains on loans sold in the secondary market.

Commercial loan growth remains robust. Management takes a disciplined approach with pricing, using its risk adjusted return on capital models as a guide. Sacrifices to appropriate underwriting standards will not be a strategy employed to increase or maintain growth. We expect our sales process and substantial market opportunity to provide for our future growth. We believe that our responsiveness in level of service is our valued proposition to the market, which will in part mitigate the risk to our growth goals due to aggressive pricing and structuring from our competitors.

The Company's strategy for deposit growth is twofold. First, by building and deepening our relationships with potential and current commercial clients, our bankers develop a better knowledge of the client's business needs and when appropriate can offer deposit and cash management products to enhance the overall relationship, thereby building a low-cost stable funding source for the company. Second, in our retail channel, we train our branch management and teams to build and maintain relationships with the communities they each serve. This level of access to our sales managers is a big part of our valued proposition to our current and potential customers and is an attribute of our customer service strategy. Similar to our commercial bankers, our retail channel's success of building these relationships will result in low-cost core deposit growth.

We are seeing an increase in competitive pricing and marketing in our footprint designed to take advantage of the merger. We have provided tools to our retail channels as a mitigant to any disintermediation that may result from irrational pricing in the market. We have stepped up our marketing and communication to our customers and in certain locations, we're utilizing direct mail and cross selling strategies to build and maintain deposits. As we accomplish our short term goals of successful data conversion and introduce redesigned products. Management remains confident that we will have a valued proposition that is compelling to our existing and perspective customers.

We are mindful that equity market performance, as well as higher confidence in the economy, has started to impact deposit growth across the industry. With that trend, the pricing of deposits has become more competitive. We have seen this trend in our markets as well. Management will continue to emphasize the building and deepening of relationships with our existing and potential clients in response to shifting market dynamics for deposits.

We reported tangible book value per share at June 30 of $9.99. Included in the $1.53 decline from the $11.52 we reported at March 31, 2014 is the effect of the increased issuance of capital to legacy United shareholders and the increase of intangibles from the merger. While the June 30, 2014 tangible book value reflects the after tax of one-time merger items expensed to date, if the remaining pre-tax $8 million of one-time merger expenses yet to be realized were included in our second quarter results, this would have resulted in additional reduction of $0.10 per share. This has not considered any other changes to capital as well as net income in the second half of the year.

The pro-forma tangible book value of $9.89 per share would result in additional $0.15 of dilution from what we originally modeled in November. The additional $0.15 of dilution is driven by the aforementioned increase in the one-time merger expenses and the difference from the anticipated mark to market adjustments in November, and the final mark to market adjustments reflected in our June 30, 2014 results. Despite the modest increase in dilution, this does not specifically increase the payback period, and management remains confident with the assumptions communicated when the merger was announced.

The executive management team has begun the strategic planning process for 2015 and 2016. We'll continue to develop and execute on action plans that will achieve our stated goals, as well as balancing investments for future growth. The team continually looks for avenues to improve organic growth and seeks strategies for new or expanded fee income opportunities. The company uses comprehensive analytical methods to model the payback periods for these strategies and understands where we can add shareholder value. First and foremost, the team is focused on the fourth quarter data conversion and maintaining our high level of customer service and satisfaction.

Thank you for your time this morning, and now the Management Team and I would be happy to answer any questions you have.

OPERATOR: Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your touchtone phone. If you're using a speaker phone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster. Our first question comes from Mark Fitzgibbon of Sandler O'Neill & Partners. Please go ahead, sir.

MARK FITZGIBBON: Hi, guys; good morning.

BILL CRAWFORD: Hi, Mark.

MARK FITZGIBBON: First, I was curious with respect to operating expenses if you could help us think about operating expenses in the third and fourth quarter and also if you could clarify the timing of the systems conversion. Is that early in the fourth quarter, late in the fourth quarter?

BILL CRAWFORD: Okay. Eric?

ERIC NEWELL: On the timing of the conversion, it would be earlier in the fourth quarter; although probably some of the cost savings opportunities would really come in later in the fourth quarter. So, you're not going to see a full quarter's trend in the fourth quarter for some of the savings. It's really probably going to be more reflective in the first quarter of '15.

In terms of the operating expenses, core operating expenses in the third and fourth quarter of this year, I think that the level of 238 is probably, an operating NIE to average assets, is probably a good indicator of what you'll see for the remainder of this year.

MARK FITZGIBBON: Then, secondly, I know you said the loan pipeline was at record levels. How big is that and what does the complexion look like?

BILL CRAWFORD: Brandon, why don't you discuss the residential?

BRANDON LOREY: Sure. On the resi side, as we mentioned it's still largely purchasing with a bit of an uptick in refi. We're still in that 60 to 70% purchase range that we've seen for the last few months. So, that hasn't changed. The mix from a fixed to ARM, again, driven largely by the market depending on whether that refi boom kicks in. I will tell you that it is the largest that we have seen from a historical perspective at the bank.

BILL CRAWFORD: Mark, it's Bill. We've just taken a lot of share in the mortgage business. So, I think that's why we've had probably better than expected results there. It's just much higher volumes due to our commission mortgage loan officers and numbers of them that we've had and taking share. Dave, do you want to comment on the commercial pipeline?

DAVE PAULSON: Sure. Similar to Brandon, the pipeline in all of our commercial practice areas remains strong and growing. Certainly, despite market conditions to include the excess liquidity that's out there in the market, the pricing pressures, and various underwriting constraints that our competitors seem to be throwing at the wall against us, we are finding our opportunities. Our pipeline is looking really good. Our production is solid as you're aware. So, we're very confident that it's going to be able to meet our objectives for the balance of the year, and we expect the solid growth going forward to that evidenced in the first portion of the year.

MARK FITZGIBBON: Then, also, Eric, perhaps you could help us think about the margin, both the core margin trend as we move forward, as well as the impact to the accretable yield, and the timing or recognition of that.

ERIC NEWELL: Yes. The second quarter effect is probably a little more magnified by a couple of reasons. First up being that the average balance is only reflected for two months. So, if you do a comparison of the average balance sheet and the period end balance sheet, you're going to see a pretty big difference there. So, I think if you were to take a look at the effect of the accretion, the net accretion on the loans, particularly in the second quarter and then what we're projecting for the third quarter, you're probably going to see about 50 to 60% of the level of impact in the third quarter versus the second quarter.

In terms of the purchased assets, when we do a pre-paid adjusted analysis of the loans, our average is around 60 months. So, we're probably going to have impacts on the NIM for some time, although the weight of that impact on the NIM will kind of fall out because we're going to be originating more so that the proportion of purchased assets that are affecting the NIM will fall over time. In terms of the other marks, the loan mark was the more volatile because we had applied a credit and an interest mark on the portfolio as of 4/30. However, between 5/1, or 4/30 and 6/30, a loan either was renewed, extended, or paid off. In terms of an interest market, it wouldn't be that great because the interest mark's looking at the remaining life of that credit mark fully comes in.

So, the effect in the second quarter was largely driven by the accretion of credit marks, accretable credit marks, not non-accretable marks. That's why you saw a huge impact in that second quarter.

MARK FITZGIBBON: So, I guess if we look at the third quarter margin with the adjustments in there, are we in that 340-ish range? Is that a good guestimate, do you think? I know there are a lot of moving parts, but.

ERIC NEWELL: Yes, I think we reported 336 as the operating, what you're calling as core. I think that that's probably directionally correct for the third quarter. As the purchased loans roll over, get renewed, or we originate at current market rates, all else being equal, I would expect that that 336 would fall in line to what legacy Rockville reported in March. Now, I'm not giving any credit to any changes in the market and what's happening to the yield curve in that statement, but, trying to really isolate how the core NIM would trend. It would trend towards what Rockville had in the first quarter. I don't know if that helps.

MARK FITZGIBBON: It does help a lot, thank you. The last question I had was you guys have about 1.5 million shares eligible to repurchase under your current authorization. How are you thinking about repurchases at this level?

BILL CRAWFORD: Mark, obviously we look at that every day, real time. We like to take advantage of it. That said, I don't think you'll see us doing a level of repurchases that we did a year or two ago.

MARK FITZGIBBON: Thank you.

MALE SPEAKER: Thanks, Mark.

OPERATOR: Our next question comes from Travis Lan of KBW. Please go ahead.

TRAVIS LAN: Thanks. Good morning, everyone.

MALE SPEAKER: Good morning.

TRAVIS LAN: Just to circle back on the expense conversation, Eric, is it correct to assume that really no meaningful cost saves are achieved prior to the data conversion?

ERIC NEWELL: Yes.

TRAVIS LAN: Okay. Then, at what point, if we look out at 2015, at what point do you think you see cost saves fully phased in on a quarterly basis?

ERIC NEWELL: I think that if you look into the second half of '15. That's when you're really going to see a true run rate of NIE, which goes back to our original comments on expense saves in November where we were expecting to realize 50% in year one and 100% in year two. So, there's going to be some additional saves probably not to the degree that I think we'll fall into a run rate in the fourth quarter of '14, but we're going to see some additional saves in the first half of '15. So, I would look to the third and fourth quarter of '15 for a true run rate.

TRAVIS LAN: Okay, that's helpful. Then, can you guys just remind us of the post-close performance goals that you outlined with the deal; and, then your expected timing, I assume, based on those comments would be the back half of '15. Could you maybe just update us on that a little bit?

ERIC NEWELL: Yes. In terms of the operating expenses we targeted, one of the ratios that we looked at is NIE to average assets. So, we're targeting 1.9% there. I think that's one of the things that we're very focused on and we'll achieve in the back half of '15.

TRAVIS LAN: Okay. Then, can you just talk a little bit about the size of the purchase deteriorated loan in the quarter and, I assume that came from UBNK, it was no other single loan purchase, right?

BILL CRAWFORD: Yes. Mark Kucia, do you want to take that? Mark's our Chief Credit Officer.

MARK KUCIA: Sure. The provision expense, greater than half of that related to two loans. One, which was legacy Rockville, which has been on the radar screen for a long time, it's been substandard. It's a loan about $2.6 million. The other is a purchase loan, a C&I credit where they had an adverse impact to their revenues, and the company is struggling. So, that relationship is approximately $4 million.

TRAVIS LAN: All right, that's helpful.

MARK KUCIA: I would just add to that that we deemed the reserve to be adequate, asset quality remained strong, and our expectations are that will continue.

TRAVIS LAN: Okay, that's helpful. Then, Eric, if you could just give a little bit more color on the tax rate and how you expect that to trend. I know you said you expect 10% effective tax rate for the year. Does that assume where you would be with the additional merger charges? Just maybe a little bit more color on the tax rate would be helpful.

ERIC NEWELL: Yes. There are obviously some complexities with taxes with the merger. A portion of the merger expenses aren't deductible. So, I would expect that on an operating basis will normalize and settle around that 35%. But, then when you take the full year in perspective based on what's happened with the merger, that's where you get that 10% on kind of a GAAP basis.

TRAVIS LAN: Got it. Thank you very much.

OPERATOR: As a reminder, if you have a question, please press star, then one. Our next question comes from Matthew Breese of Sterne Agee. Please go ahead.

MATTHEW BREESE: Good morning, everybody.

MALE SPEAKER: Hi, Matt.

MALE SPEAKER: Morning.

MALE SPEAKER: Morning.

MATTHEW BREESE: I wanted to go back to the margin for just a second, specifically the purchase accounting for value marks. I know the average earning asset piece is a little bit diluted because of the timing of the deal. But, the $4.9 million specifically, how will that look next quarter? Is that going to be somewhat similar next quarter, and going forward as the lifetime marks play out?

ERIC NEWELL: When it comes down to the loan size, Matt, that's the one I would focus on because that's where the volatility is. So, the effect on the interest expense, that's not going to be as volatile. But, with loans, the benefit that we received in the second quarter is not the level that we're expecting to see in the third quarter. So, if you take that affect and almost half it, I would say 50 to 60% of what we experienced for the net benefit on interest income is what we're expecting in the third quarter.

Now, that's not taking into account any type of large prepayments on any type of loans or whatnot. So, we're using a level yield in terms of the realization of these marks. So, obviously, if there's more principal that comes in than expected, that would change.

MATTHEW BREESE: So, specifically, it would be the loan mark, which is $3.4 million and you want to say cut that in half. Is that correct?

ERIC NEWELL: Directionally, yes. That's what we're expecting. I would say 50 to 60%, Matt.

MATTHEW BREESE: So, that $4.9 million next quarter would look more like $1.7 to $2 million. Is that accurate?

ERIC NEWELL: You're probably a little light, but I would directionally put you more towards the $2 million.

MATTHEW BREESE: Okay. The actual core margin excluding all of the purchase accounting marks, you're saying is going to hedge closer to 315 you reported first quarter. Over what period of time do you think?

ERIC NEWELL: All else being equal, yes. Now, I mean that doesn't consider what's changing with the yield curve. It's the yield curve from the beginning of the year has flattened out, particularly in the five to seven year part of the curve. So, there could be some challenges there. But, if we just keep everything equal as the purchased assets particularly on the loan side roll off, and we originate at the new market yields, I would expect that that 336 would fall to our legacy rating.

MATTHEW BREESE: Over what period of time?

ERIC NEWELL: Well, the adjusted, prepay adjusted loan life for the total portfolio that we purchased from United is 60 months.

MATTHEW BREESE: Okay, so over five years.

ERIC NEWELL: Yes.

MATTHEW BREESE: Got it, okay. Then I know you guys had touched on the expense saves and headed to the one-nine expenses to average assets. Could you just give us an idea of how expenses on an absolute basis will shake out once the data conversion is all said and done?

ERIC NEWELL: You mean in terms of a dollar amount?

MATTHEW BREESE: Exactly.

ERIC NEWELL: Well, if you look at the NIE level what with the two companies on an annualized basis when we combined and just added them together, it was $120 million of NIE. We were talking about a 15% save, so that kind of shakes you out around $100 to $105 million.

BILL CRAWFORD: The other thing Matt, it's Bill, we continue to evaluate cost saving opportunities on the combined enterprise. We literally work on that every week, every month. Also, we will continue to look opportunistically at commercial team lift-outs and mortgage lift-outs, financial advisors; the last two, of course, being commission based. But, we continue to feel very good about our ability to make this a highly efficient company and to make sure where we are investing operating expense dollars that we're getting a very strong return on those investments. So, I think we still feel very good about the guidance we provided back in November.

MATTHEW BREESE: Related to the guidance back in November, could you touch on the profitability metric goals that you set out? Specifically the one percent ROA and near 10% return on tangible common equity goals. Are those achievable as well by the back half of '15?

ERIC NEWELL: That is definitely what we're trending towards. One of the challenges that has presented itself since November is what the market rates have given us. Rates have come in fairly significantly and we have a flattening of the curve. So, that could present some challenges in terms of earning asset growth, and the contributions that earning asset growth brings to the bottom line. But, we still remain committed towards that approaching a one percent ROA and 10% ROE number.

BILL CRAWFORD: Yes. The big one on our books is the 10% return on tangible common equity given what's happened with the ten-year and what we think is going to happen. What that's going to mean is we're going to have to grow earning assets a little stronger and probably cut a little deeper net basis because of where the ten-year is. We see the opportunity to do that. Obviously we have to get through our conversion first and then Q1, Q2, Q3 next year we continue to fine tune and make progress along those. I think the real answer is going to be what do you see in, Q3, Q4 run rates 2015 for our company.

MATTHEW BREESE: Thank you, guys.

ERIC NEWELL: Thanks, Matt.

OPERATOR: This concludes our question and answer session. I would now like to turn the conference back over to management for any closing remarks.

BILL CRAWFORD: Look, just want to thank everybody for your continued interest in our company. You guys have a great summer. Take care.

OPERATOR: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.