ROCKVILLE FINANCIAL
“Rockville Financial 2nd Qtr 2013 Earnings Call”

Friday, July 26, 2013, 10:00 A.M. Eastern
Marliese Shaw
Bill Crawford
John Lund
Eric Newell
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OPERATOR: Good morning and welcome to the Rockville Financial Second Quarter 2013 Earnings conference call. All participants will be in a listen only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After today's presentation, there will be an opportunity to ask questions, to ask a question, you may press star (*) then one (1) on your touchtone phone; to withdraw your question, please press star (*) then two (2). I would now like to turn the conference over to Marliese Shaw. Please go ahead.

MARLIESE SHAW: Thank you. 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 announcement. 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. And now, I would like to introduce Bill Crawford, our Chief Executive Officer and President.

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 afternoon, we released second quarter earnings. This morning, I'll provide some insight into the elements that were impactful to the second quarter results and then my team will provide a more detailed overview of the quarter and their business lines.

With me this morning is John Lund, our CFO; Scott Bechtle, our Chief Risk Officer; Mark Kucia, Head of Commercial Banking; Eric Newell, Director of Treasury; Marino Santarelli, our Chief Operating Officer; and Brandon Lorey, our Head of Consumer Lending.

I'm pleased to announce that Rockville reported solid second quarter earnings of $0.12 per share and, on a core basis, the company reported earnings of $4.1 million or $0.15 per share. The company's earnings and balance sheet reflected resiliency in the face of a significant rapid increase in long-term interest rates during the quarter. Through proactive actions, the company was able to protect the interest margin, earnings per share and tangible book value in a difficult operating environment.

Organic growth remained strong as seen in both the 29% annualized growth rate for commercial lending and the positive deposit results since the opening of our West Harford Banking Center in the first quarter. We're looking forward to continuing this positive momentum with the fourth quarter opening of our Hamden branch, which we announced earlier this week. This location will help support the already successful and growing Hamden loan production office, while also providing an opportunity to accelerate core deposit growth in New Haven County. The company will continue to seek opportunities for branch locations with substantial market share potential to support increased core deposit growth rates.

Revenue growth also continues to be an important focus for the company. Expansion in the mortgage banking business in 2012 contributed significantly to the 8% year-over-year core operating revenue growth. The increase in rates during the quarter and the lagging local competitor rates created challenges in mortgage banking spread income for the quarter. However, the company's been diligently developing other revenue sources for diversified income opportunities. Some of these revenue levers include our evolving financial advisory services division and our recently introduced private banking division, and this quarter, we did our first loan level hedge.

The company continues to work thoughtfully and in the best interests of shareholders to carefully balance investments in the company with current period profitability. As a result of this focus and the emphasis on cost containment, core operating expense has been flat for the past four quarters. Any new hires are primarily in revenue-producing areas and the company decreased FTE's by six positions in the quarter. Outside of its work with the efficiency consultant, the company completed a self-assessment of legacy expenses and made the difficult decision to eliminate nine redundant positions and close its Enfield Street branch. The company will continue to evaluate cost saving measures.

At Rockville, we remain committed to shareholder return and executing on sound capital management principles. The company recently announced its 29th quarterly dividend, completed its first stock buyback program in the second quarter, and executed 27% of the second stock buyback program at the quarter end. The company's repurchased 3.7 million shares, bringing the share count down 13% since the conversion, to 26 million shares at June 30, 2013.

At this time, I'd like to personally thank our employees for their continued focus on delivering superior customer service every day, which is the key driver of our success.

Now I'd like to turn the call over to John Lund, our CFO, to provide some further details on the quarter results.

JOHN LUND: Thank you, Bill, and good morning, everyone. Thank you for joining us on our call today. I will review our second quarter operating results and financial position as described in our earnings release yesterday afternoon.

Net income for the quarter ended June 30, 2013, of $3.3 million or $0.12 per diluted share, is largely reflective of the company's general stable net interest income and continued success in the mortgage banking business, offset by actions to remove legacy expenses from the company's run rate on a go forward basis.

Mortgage banking continues to be a key contributor to the company's success. However, results were negatively impacted by the sharp rise in long-term interest rates during the quarter. In the second quarter, the net gains from sale of loans of $1 million had declined from $2.1 million in the linked quarter. On an earnings per share basis, the effect of mortgage banking was negative by $0.05 per share, net of the MSR valuation changes. Year-to-date, net gains from sales of loans were $3.1 million, as compared to $569,000 for the first six months of 2012. This is a $2.5 million or 438% increase in net gain from sales over the prior year. We continue to observe narrow spreads in the market, however, these results reflect solid origination volume in the second quarter and the pipeline continues to be healthy.

During the second quarter, the company executed on two key initiatives to drive down its expense run rate going forward. Both initiatives were the result of an analysis the company completed to assess legacy expenses that were creating inefficiencies and hindering profitability. Firstly, the company judiciously studied positions in each functional area and discovered nine positions that were deemed to be redundant within the organization and were subsequently eliminated.

Salary and benefits expense increased by $438,000 or 5%, as compared to the linked quarter, due to the severance expense associated with these position eliminations. This action negatively impacted second quarter earnings by $0.02 per share. On an annualized basis, these eliminations will result in a $1.1 million decline in salary and benefits expense commencing in the third quarter.

Occupancy and equipment expense increased $774,000 or 54%, over the linked quarter, due to the company's decision to close its Enfield Street branch location. The execution of a lease termination agreement resulted in $809,000 of accelerated rental and leasehold improvement expense during the second quarter and negatively impacted earnings by $0.03 per share. On an annualized basis, the branch closing will result in a $403,000 decline in expense beginning upon the closure of the branch in the fourth quarter.

The aforementioned expense cuts were the results of an internal self-assessment of non-interest expenses. The company did begin work with an efficiency consultant in the first quarter and that study is providing the company with the ability to fine tune processes and create operating efficiencies that will position the company for success in the future.

The company will continue to seek and implement cost-saving measures and we believe the measures taken in the second quarter evidence our ability to make tough, thoughtful decisions. We were delighted to share the company's strong operating results with the shareholders by way of dividends representing 84% of the company's earnings for the quarter. On a core basis, the dividend represented 68% of the company's operating earnings.

Rockville completed its first stock repurchase plan in the second quarter and completed 27% of its new stock repurchase plan between its initiation on May 20th and the end of the second quarter. So far, execution on this plan has been favorable. Shares were repurchased at an average cost of $13.15, while the average trading price was $13.18. Including both stock buyback activity and dividends, the company has returned $25 million to its shareholders in the quarter.

To conclude, we are pleased with the strong core operating results for the quarter and the continued organic growth the company's experiencing. Going forward, we will continue to focus on capital management, prudent growth, maintaining asset quality and on seeking opportunities to mitigate interest rate risk.

Eric Newell, our Director of Treasury, will now provide further detail on the impact of market rate volatility during the quarter.

ERIC NEWELL: Thank you, John, and good morning. The second quarter presented challenges to the company that were not unique to Rockville. However, management believes strategies put in place in previous quarters were directly attributable to the resiliency of the company's financial results we are reporting today. The volatility of market rates during the quarter had a notable impact on capital and rate sensitive business lines, such as mortgage banking and in the investment portfolio. I will address each of these individually.

During the quarter, tangible book value was impacted by several actions taken by management, as well as other actions outside of our control, reducing tangible book value per share to $11.11. This compares to $11.38 per share at March 31. The adverse impact was driven by the change in the unrealized loss during the quarter, due to a rise in market rates. Throughout 2012 and into 2013, management has diligently reduced the duration of the investment portfolio by introducing shorter duration corporate debt, government backed asset-backed securities, and collateralized loan obligations. By reducing the proportion of mortgage backed collateral in the portfolio and increasing municipal debt, the result was reduced negative convexity along with a shorter duration, better preparing the portfolio for the rise in interest rates experienced during the quarter. Nevertheless, the company had an approximate $10 million change in the unrealized gain during the quarter, reducing tangible book value per share $0.27. However, this was positively offset by forward starting hedges that were put in place throughout 2012, whereby the company entered into three year forward starting hedges and then will be effectively paying fixed rates for seven years beyond that. The value changes in the hedges running through accumulated other comprehensive income offset the investment portfolio impact, resulting in a net $0.15 per share negative impact during the quarter.

Also in the quarter, management aggressively returned capital to investors through dividends and the repurchase program. During the quarter, the company repurchased $1.7 million shares, which resulted in $0.16 per share dilution during the quarter. As we have frequently mentioned, management believes share repurchases are a risk-free acquisition and payback under five years is appropriate.

The rise in rates during the quarter altered our secondary marketing strategy. Management continually evaluates the appropriateness of selling new origination volume to the secondary market or maintaining in the portfolio. Considerations by management include market spreads in the secondary market, as well as interest rate risk strategy. Management diligently assesses local competitor pricing to insure the company remains competitive to protect origination volume. During the quarter, local pricing lagged changes to market pricing. In order to protect the company's market share gains, management determined it was appropriate to remain competitive in the market and the results of this decision was that for a portion of the quarter, new originations were designated as held for investment. Consequently, gains normally identified at lock for loans held for sale were not recognized during that time period and the income realized during the quarter fell to $1.1 million.

Worth noting, however, is the income realized during the quarter due to the rise in the value of the company's mortgage servicing rights due to the assumed extension in the life of these assets because of lower prepayment speeds. The increased value of the mortgage servicing rights is a natural hedge for the lower income from the secondary marketing business line.

The net interest margin during the quarter increased to 3.48% from 3.47% in the first quarter of 2013. During the quarter, the company recognized $367,000 of prepayment fees from commercial loan prepayment. Excluding this prepayment income, NIM would have been 3.41%.

Loan yields declined due to yield pressures that existed during the first quarter and much of the second quarter in the commercial loan book, as well as a high proportion of residential loan production being sold into the secondary market, causing higher yielding portfolio assets to refinance and reducing the overall yield of the portfolio. The investment portfolio yield improved during the quarter, and increased as a proportion of earning assets due to the addition of collateralized loan obligations, government backed asset securities, and corporate debt. The actions offset to a small degree the yield's decline in the loan book.

The cost of funding declined during the quarter by 5 basis points. The improved cost of funds is attributed to a reduced level of higher cost certificates of deposit and opportunistic use of short term wholesale funding.

As long term market rates rose in the quarter and steepness of the yield curve became more favorable, management decided to keep incremental wholesale funding short to maximize the growing steepness of the yield curve. The company continues to be minimally liability sensitive. Interest rate risk is front and center in management's decision making process. The company continues to add variable rate assets in the investment portfolio, as well as in the residential and commercial loan portfolios. Loan level hedging continues to be a strategic focus of management, allowing us to capture premiums, as well as originating variable rate assets that are attractive to sophisticated commercial customers.

Furthermore, management has embarked on a strategy using a measured approach to incent retail customers to go out on the funding curve, while management utilizes more nimble, wholesale funding throughout the curve. The likelihood to reduce the cost of funding further has become even more challenging as we start to see local pricing become more competitive and the company takes more defensive strategies to preserve and grow core deposits in our retail and commercial channels.

At this time, Mark will provide some further detail on the company's commercial banking business.

MARK KUCIA: Thank you, Eric, and good morning, everyone.

After rebuilding the pipeline in the first part of the year, the company reported strong growth in the commercial loan portfolio in the second quarter of over 7% on a linked quarter basis. The commercial loan growth was realized in both the commercial real estate and C&I portfolios. We expect to see continued growth in average commercial outstandings and the full quarter of interest income on the second quarter's closings to reflect positively in the third quarter's results, as many of the closings happened at the end of the quarter.

The pipeline is solid, boosted by the efforts of our new private banking team and our C&I expansion west. We have a track record of year after year solid commercial loan growth and we believe that the current pipeline levels support a continuation of this trend. We also continue to look for top commercial banking talent to increase our production capacity statewide. It is important to note, however that the environment remains extremely competitive and we will continue to exercise discipline around both credit and pricing.

Rockville's asset quality remains strong and is top amongst its peer group by nearly every performance metric. Non-performing assets decreased by $3 million during the second quarter, bringing the ratio of non-performing assets to total assets down to 0.73%.

As Eric mentioned, we are now offering loan level hedging to our customers, which is favorable to the company from both an interest rate risk perspective and in providing additional fee income opportunities in an extremely competitive market. Expansion of this program should provide favorable results in these areas as we go forward.

Finally, the company retained Greenwich Associates during the quarter to measure the customer experience. Specifically, Greenwich measures customer loyalty and overall satisfaction and the initial feedback on our commercial banking group was favorable. The company was pleased with the results and will continue to use this tool to make sure the customer experience at Rockville Bank is first rate.

Thank you. At this time, Marino will discuss results of retail deposit and financial advisory initiatives.

MARINO SANTARELLI: Thank you, Mark and good morning everyone.

I would like to share this morning the success of our new West Hartford Banking Center. After only five months of operation, this branch has grown to over $25 million in deposits as of the end of June and is comprised of strong growth in both the retail and commercial deposits. The company continues to see very strong momentum in this new market and the results are currently ahead of plan.

Additionally, due to a continued increase in market share based on defections from larger financial institutions and cross selling efforts from both our retail network and MLO generated mortgages, retail checking balances grew by $18 million or 6%, for the first half of the year. We are seeing positive traction across the retail network in net new checking accounts and total consumer and business non-interest bearing accounts grew by $22 million during the second quarter. We are pleased that the mix of core versus time deposits has been improving and transforming to a mix more reflective of a commercial bank. Since the company's conversion, the mix has migrated to 65% core and 35% time deposits versus 55% core and 45% time deposits in March 2011.

Another successful revenue driver in the second quarter is our financial advisory business, Rockville Financial Services. We reorganized this business in the fourth quarter of 2012 and have realized significant quarterly growth rates in revenue from this business line. After two consecutive quarters of 37% increases in fee income in the fourth and first quarters, the fees from this business line grew by 112% in the second quarter of 2013 to $303,000. For comparison purposes, I'd like to note that fee income from this business line for the entire year of 2012 was $383,000.

The company has added four very experienced investment advisors from local competitors to assist our customers with their financial planning needs and the positive momentum we are experiencing is reflected in the quarter's financial results.

I would like to thank our team for their dedication, enthusiasm, and continued commitment to delivering a superior customer service experience.

Next, I'd like to hand it over to Brandon Lorey, our Consumer Lending Executive, to provide an update on that area. Brandon.

BRANDON LOREY: Thank you, Marino and good morning, everyone.

I'm happy to report that in my short tenure here at Rockville thus far, I've seen considerable progress made in products mix, process, and turnaround times. Despite the increase in long term interest rates during the second quarter, Rockville's residential mortgage pipeline remained healthy and is increasingly driven by the purchase mortgage market. The introduction of mortgage loan officers in 2012 has provided an opportunity for the company to continue to grow residential mortgage production through the relationships with local realtors. In fact, at June 30th, purchase mortgages comprised 48% of total applications in the pipeline, compared to only 24% of applications at year-end. We continue to opportunistically seek mortgage loan officers to grow the business to meet our existing retail and commercial footprint demand.

As of June 30, 2013, the company had increased the number of MLO's to 15 from 14 in the linked quarter and 12 at June 30th of 2012. At the same time, the company has been diligently working to optimize our current structure to improve efficiencies and turnaround times. The number of underwriters and processors in this business has decreased to 20 at June 30th, from 24 in the linked quarter and the prior period.

Additionally, turn times have decreased considerably despite a growing pipeline and increasing complexity in our product suite. The company is also investigating additional product offerings to continue to drive volume and profitability. Rockville has an opportunity to redesign the product and pricing structure of its home equity business, which has had little activity over the last few years and has the potential to become a real growth opportunity for the organization. As we begin to ramp up the home equity production, we will expect to see some portfolio growth within those segments in the coming quarters.

While gains on sales of loans in the secondary market declined in the second quarter, they have been and will continue to be a significant driver to the company's profits. The residential mortgage pipeline remains strong and our mortgage loan officers are taking market share every day with Rockville Bank increasing purchase mortgage market share in the state of Connecticut during the second quarter to 1.4% from 1% in the prior quarter. Tolland County increased to 4.8% from 4.6%, and Harford County increased to 4.3% from 2.5%, when compared to the linked quarter.

Thank you all for your time this morning and now Bill, John, Mark, Eric, Scott, Marino and I will be happy to answer any questions that you may have.

OPERATOR: At this time, we will now begin the question and answer session. To ask a question, you may press star (*) then one (1) on your touchtone phone. If you are using a speakerphone, please pickup your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). One moment while we assemble the queue.

Our first question comes from Mark Fitzgibbon with Sandler O'Neill.

MARK FITZGIBBON: Hey, guys, good morning.

BILL CRAWFORD: Hey, Mark.

MARK FITZGIBBON: The first question I had I think is for Eric. Eric, I guess I'm curious, is the plan to move the balance sheet to an asset-sensitive position over time and, if so, how long do you think it will take to get there? And in that same vein, how are you thinking about the net interest margin, the core margin for the back half of this year?

ERIC NEWELL: I'll take the second question first. The NIM compression that you saw from the first quarter to the second quarter when you exclude the prepayment fee income, if we assume that there's not more favorable rate changes in the intermediate part of the yield curve, it's probably indicative of what we see for quarterly changes with NIM in the second half of the year.

In terms of the positioning on the balance sheet, a lot of it really comes down to taking advantage of the steepness of the yield curve. Our view is that the front end of that curve will remain anchored due to easing from the Federal Reserve Bank. Obviously, we've seen that intermediate part of the curve has improved in terms of a higher yield in the second quarter. So, one of the things that we're constantly thinking about is how do we capture that steepness in the yield curve in terms of spread income. So one of the things that I noted in the prepared commentary is that we incrementally - any wholesale funding that we had to roll in the quarter stayed fairly short to take advantage of that steepness in the curve. But what we're constantly doing is modeling and making sure that we kind of stay within that minimal liability sensitive position and be nimble enough on the wholesale side where, if we feel that we need to, we can change strategy and extend the duration of liability side to take more of a neutral asset liability approach.

MARK FITZGIBBON: Thank you.

ERIC NEWELL: The other thing I'd want to remind you of is the hedges that we have, the $100 million notional that is on the balance sheet as of June 30th. Many of those aren't effective until the middle of 2015 and into 2016 and the result of that is, once they do become effective, we now have 7-year duration money on the liability side of the balance sheet. So that will also help in the campaign of bringing out our duration on the liability side.

MARK FITZGIBBON: Okay. And then, secondly, Mark, I know that you'd said the pipeline is really strong. I wondered if you could share with us the size of that and maybe the average rate coming in on the pipeline?

MARK KUCIA: The pipeline is good, boosted by the efforts of our western C&I initiative, our new private banking team, and our southern team. The pipeline, right now, has a lot of, I would say, new C&I opportunities, probably more so, there's more weighted in that regard right now than real estate. In terms of pricing, as you know, pricing rates have come up 80-90 bps, so we're looking at, we price these things in real time as we go forward. So rates have come up and we're pricing higher and, of course, anything floating, prime rated, tied to prime is still at the same level.

MARK FITZGIBBON: Okay. But you don't have at your fingertips the size of the pipe?

MARK KUCIA: The pipeline, in terms of — I would tell you that it's adequate. It's sufficient to meet the objectives that we've set for commercial loan growth for the year.

MARK FITZGIBBON: Okay. And then, also on, a question on the expenses. I know that you detailed the $1.5 million of cost savings, I guess I'm curious, is that separate and distinct from the synergies that you hope to achieve from that efficiency consultant that you hired? Have they brought forward their results yet?

BILL CRAWFORD: Ah, yes, it is. Mark, Bill Crawford. Yes, we identified the $1.5 million ourselves. It was basically in redundant positions and branches, and so that's the $1.5 million. The things we're working on with the efficiency consultant, we're in process on different things, but some examples, branch staffing, branch hours, converting customers to electronic statement versus paper statement, product redesign, getting more efficiency on our mortgage operation, our service charge levels, overdraft privilege, getting paper out of the bank – so there's a lot of different things we're working on when you convert from a sort of mutual thrift model to a commercial bank. There are a lot of things you can do around collecting dimes and quarters that turn into dollars. So this is longer term in nature, but we believe there's a lot of efficiency opportunity inside the company.

MARK FITZGIBBON: Thank you.

BILL CRAWFORD: Thanks, Mark.

OPERATOR: Our next question comes from Matthew Breese with Sterne Agee.

BILL CRAWFORD: Hey, Matt.

MATTHEW BREESE: You know, I guess I wanted to follow up on the expense question. There's a lot of moving parts in there right now with branch openings and branch closings and then with the reduction in FTE's, So I guess my question is, by year end, I mean, where do you kind of see the expense line item if total expense is shaking out? Or, if you don't want to answer that question quantitatively, where's core expenses today and what kind of growth rate do you think we could see on top of that?

BILL CRAWFORD: Matt, I think a key principle is we're always trying to manage current period profitability and investment in the company and, right now, it's a difficult environment to grow revenue because of what's going on in interest rates and where rates are. So, correspondingly, when we look to reinvest the company, in the company, in new things, we want to find expense saves to do that with. So we're very focused on the non-interest expense line and really focused on sort of core NIE to average assets and we want to leverage the production capacity we have inside the bank to continue to grow revenue. But that's the key thing is we try to keep NIE and revenue aligned closely.

MATTHEW BREESE: So the goal is to keep that ratio flat?

BILL CRAWFORD: Yes, we want to keep that flat. Where we want to really get the separation, the lift, though, is on the revenue side. We've made a lot of investments in commercial banking, in mortgage banking, and private banking and we plan to leverage those investments over the next couple of quarters to drive revenue.

MATTHEW BREESE: Okay, and then where would you put core expenses for this quarter at, ex one-time items?

BILL CRAWFORD: We were 14.5 for Q2 of 2013, this year.

MATTHEW BREESE: I guess my second question is could you just remind me of what the mortgage banking pipeline looked like at quarter end? Stuff that you look forward to selling in the third quarter and then how have gain on sales spreads changed from call it March to June?

BILL CRAWFORD: Yeah, I'll let Brandon take that question. Brandon?

BRANDON LOREY: Sure, so, as Eric had mentioned, we're opportunistically looking at the pipeline through the month as spreads were narrowing and moving some loans into portfolio, which was the key driver of that decline, quarter-over-quarter. I can tell you similar to the commercial pipeline, we are continuing to grow the purchase portion of that. Over 50% of our application volume is purchase now, which is great to see as the refinance business dwindles. Yet the pipeline is staying relatively flat or actually increasing a little on a quarter-over-quarter basis. So we're confident we'll be able to keep the ball rolling as we're bringing on additional loan officers to bring in that business.

BILL CRAWFORD: But Matt, clearly spreads industry wide deteriorated in the second quarter and that had a lot to do with what happened in our mortgage revenue number.

MATTHEW BREESE: That's all I have. Thank you very much, guys.

BILL CRAWFORD: Thanks.

OPERATOR: Again, if you have a question, please press star (*) then one (1). This concludes our question and answer session. I would like to turn the conference back over to Bill Crawford for closing remarks.

BILL CRAWFORD: Okay, well, thanks.

OPERATOR: Sorry, we do have one more.

BILL CRAWFORD: Okay.

OPERATOR: Came in slightly late. Ah, Mr. James Gibson from Punch & Associates.

JAMES GIBSON: Hi, guys. I just wanted to learn a bit more about financial services and maybe you could just describe in a bit more detail how many people you have now, what sort of assets you have, how the fee structure looks and maybe how big of a business you'd like to create there.

BILL CRAWFORD: Sure, Marino, I'll have you take that question.

MARINO SANTARELLI: Okay, well, we're certainly in the early stages of this. We've seen very good momentum for four folks, financial advisors that we hired. They're very experienced. They're from our competitors. They actually have, many of them, they all have a customer following themselves. We created a very strong partnership with our branch folks to make sure they get in front of the right kind of customers who have true financial planning needs and are looking for a little more sophisticated kind of product. We're building that volume. We're seeing the revenue from it, as we mentioned in my remarks that the revenue is increasing on a monthly basis. We see this as a, probably 2-3 years to get it really where we want it to be. We'll continue to add financial advisors, which will be key — is to find the right advisors and create the right partnerships. I think that's the secret ingredient here.

BILL CRAWFORD: Yeah, what we think the potential is, James, is right now we have four based on our current branch network. We want to go to ten and we think this is worth a couple million dollars a year to us in fee income to the bank, so we've got to get up to ten and get them fully executing. We work with a broker dealer known as Infinex. They're owned by banks. They have about 200 different banks participate and, essentially, it's just providing services to the customers in the branch that have these needs and so our goal is to be one of the absolute top Infinex banks in their system and we have a pretty good idea of what the numbers look like there.

JAMES GIBSON: Okay, thanks. And, in terms of the fee structure, is it sort of a flat percentage of asset fee or is it more a transactional type fee structure?

BILL CRAWFORD: We're doing both, we're doing transactional business for the customer who need those products, and some managed money, as well.

JAMES GIBSON: Okay. And you mentioned, I think, in your prepared remarks that it has some synergies with the commercial business. A lot of the customers are the same right?

BILL CRAWFORD: Absolutely. As you know, I come from Wachovia / Wells Fargo, and this was a very big business for them and remains a big business for them. It's one that Rockville was really not in at all and what we're trying to do here is just better meet the needs of our existing customer base; and so we believe we have a lot of potential in this business.

JAMES GIBSON: Great, thanks.

BILL CRAWFORD: Okay.

OPERATOR: I would like to turn the conference back over to Bill Crawford for closing remarks.

BILL CRAWFORD: Well, all right, well, thank you for your continued interest in our company. Obviously, we're very excited about Rockville and our future. We continue to stay focused on strong organic growth, obviously, mitigating interest rate risk. We've been returning a lot of capital to shareholders. We feel that buying back our stock is one of the very best investments we can make in addition to investing in the business; and, like always, if you have any questions or concerns, give us a call. Hope everyone has a great day.

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