United Financial Bancorp, Inc.

First Quarter 2019 Earnings Call

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CORPORATE PARTICIPANTS

William Crawford, *Chief Executive Officer and President*

Eric Newell, *Chief Financial Officer and Treasurer*

Marliese Shaw, *Executive Vice President of Investor Relations*

PRESENTATION

Operator
Good day and welcome to the United Financial Bancorp, Inc. First Quarter 2019 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. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two. 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, Sean, and good morning, everyone. Welcome to our first 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 our 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.

William Crawford
Thank you, Marliese, and thanks to all of you for joining us on today's call. Today I'll make a few high-level comments and then turn the call over to our CFO, Eric Newell.

Clearly, this was a tough quarter for United Financial Bancorp. Funding pressure and an accounting change impacted the net interest margin and earnings, despite strong loan growth. By now, you've seen our updated disclosures on D.C. Solar. The fraud alleged by the U.S. Department of Justice against the D.C. Solar companies and several of their affiliates appears to have been perpetrated against other financial institutions that were invested as well. Eric will get into more detail regarding this D.C. Solar situation, but I want to emphasize that our institution remains well capitalized, with strong credit quality, liquidity, and strong interest rate risk management.

The current yield curve and repricing deposits certainly create a difficult operating environment for many banks. United will remain focused on its four key objectives while expanding customer relationships and building new ones. We have a very talented team of bankers focused on supporting our customers and communities. I want to take this opportunity to thank our United Bancorp employees for their steadfast focus on serving both of those constituencies. I'll now turn the call over to Eric Newell, our CFO.

Eric Newell
Thanks, Bill, and good morning. Yesterday the Company reported earnings for the first quarter of 2019 of 25 cents per diluted share, which compares to the linked quarter earnings of 24 cents per diluted share and 31 cents per diluted share reported in the comparable quarter of 2018. I'll discuss some of the highlights of the quarter in a moment.

First, I'd like to discuss our subsequent disclosure and further information as it pertains to three investments the Company has made into limited-liability funds, all of which are borrowers of, and lessees to, two related companies, D.C. Solar Solutions and D.C. Solar Distribution, respectively. The two D.C. Solar companies and several of their affiliates filed for Chapter 11 bankruptcy in late January and early February 2019, following allegations of fraud by the U.S. Department of Justice. Upon learning of this news, United, along with other equity investors and funds managed by the same managing member and counsel, have acted in concert to protect and defend our interests in the bankruptcy court. Due to lack of financing to maintain the ongoing operations of these companies, the ambiguity around actual inventory in existence, and the limited information on Company affairs as a result of the government's seizure of records, each of the bankruptcy cases was converted to Chapter 7 in March.

At this time, United believes a loss is probable, but the Company is currently unable to measure the extent of the loss. If the allegations set forth in the government's affidavit prove to be accurate, the total exposure is $41.7 million of capital impact. This total exposure is composed of the carrying value of the partnerships on the Company's balance sheet; the tax credits associated with placing the inventory into service, as well as the tax-loss flow through benefits; and, finally, the effect of revaluing deferred tax assets to pre-tax reform levels from the current statutory tax rate. Factors that may assist United in measuring the loss include, but are not limited to, certainty and clarity of actual inventory in our funds, better understanding of how and when the United funds will be able to take possession of inventory; gaining clarity on the true valuation of the inventory, which drives the tax credits and the carrying value; and a better understanding of the fund's ability to re-let the inventory to maintain the in-service status. The disclosure in our press release deck provides investors the ability to see the capital impact on our regulatory ratios as the Company recognized the full loss at March 31. As you can see, we remain well capitalized per PCA standards, and capital levels strongly support the balance sheet.

Now, back to the quarter's results. The biggest catalyst is our net interest margin. As expected, we had a 5-basis point impact due to the adoption of an accounting standard at January 1, in which the Company now recognizes premiums over the time-to-a-call date versus final maturity. This accounting change impacted yields in the Company's municipal investor portfolio. The good news here is that the Company subsequently completed two repositioning exercises during the quarter, reducing the effect of the lower yields in this portfolio going forward. The market provided a de-leveraging opportunity during the quarter, in which the Company sold $120 million of investments that will be used to pay off FHLB funding, with limited impact to future income and positive impact to tangible equity.

The cost of funds increased notably in the quarter due to the decisions the Company made in the fourth quarter of 2018 in anticipation of as much — and as much of the market had priced in rate hikes throughout 2019. Obviously, the facts have changed, and the die was already cast on our strategy. Once the market's expectations for limited or known rate hikes took hold, we saw some of the shorter-duration market rates fall slightly, impacting the increase linked quarter on our LIBOR-based loans. We have been able to price down our deposit-rate specials several times over the last several months, and there will be opportunities to reduce rates on our money market deposits through the second and third quarters. This is all to say that the pricing pressure has eased a bit but should be helpful for the cost of funds. Further, FHLB costs have eased a bit as well as we have generally managed that portfolio to be relatively short, which should likewise be helpful to the cost of funds.

The yield curve is not conducive to strong asset growth at the moment, so you'll note that we have slowed our asset growth forecast from the prior quarter, and I would expect us to be at the lower end of that range. The Company continues to re-price its loan portfolios, up from run-off of lower yields into higher yields reflecting current market rates, which is helpful for the earning-asset yield overall.

In our non-interest income categories, of note would be the reduced level of mortgage banking income in the quarter, which was impacted by a $1 million decline in our mortgage servicing rates valuation due to the decline in interest rates in the quarter, having an effect of assuming a higher prepayment speed in our servicing book. Additionally, the Company did not recognize any loan-swap fee income during the first quarter.

In our non-interest expense lines, most are down linked quarter due to one-time items that occurred in the fourth quarter of 2018 that we're not going to repeat in the first quarter. The first quarter generally has some seasonality to it as it pertains to resetting of employment taxes, which will burn off as the year progresses, and the Company experienced high health claim activity in the first quarter that created an unfavorable variance as well.

Finally, in our tax line, you'll note that I've changed the forecast for the year to have a higher effective tax rate than our last call. We've decided that due to capital allocation reasons, we would like to use our capital for relationships that drive deposit growth versus using it for alternative-energy tax credits, and therefore our activity of tax credits will be down versus prior years, and our effective tax rate will be higher.

Thank you for your time this morning, and the management team and I will be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator
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 are using a speakerphone, please pick up your handset before pressing the keys. 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 with Sandler O'Neill and Partners. Please go ahead.

Mark Fitzgibbon
Hey, guys, good morning.

William Crawford
Hey, Mark.

Mark Fitzgibbon
Eric, just a follow-up on a couple of quick points that you had made. Can you help us think about what the timing might look like on the D.C. Solar? When you might get a sense from the bankruptcy trustee and be able to make a determination of what the loss looks like?

Eric Newell
That's a difficult question to answer. Obviously, the greater clarity we can get on those items that we're looking to get clarity on, the better we'll be able to put a range or identify some type of loss, which I did say we think is likely. But I don't want to put on a timeframe there, obviously we want to get clarity and identify something as soon as feasibly possible.

Mark Fitzgibbon
So do you think it's a 2019 event, that you get that clarity, or it could be further?

Eric Newell
Myself and a team of people at the Bank, we work on this every day, so the facts and circumstances change very frequently. We're continually evaluating based on new information that comes in, whether we feel that there's more clarity, and once we do have that clarity, then we'll certainly alert our investors.

Mark Fitzgibbon
Okay. And then on the effective tax rate, it sounded like the effective rate is going up, not only because of the loss of impact from the D.C. Solar, but perhaps reducing other tax credit investments. Are you selling them, or are you just letting them run off, or can you help us with that as well?

Eric Newell
Yeah, certainty. It's a capital allocation decision. We're really looking to drive deposit growth ultimately, and some of that, we need to use our capital on the lending side to drive deposit activities as we feel that would be good for our franchise value. We're not explicitly selling any of our tax credits; just the effect going forward is going to be less than what we had done in previous years.

Mark Fitzgibbon
Okay. And then, lastly, I know there's some seasonality in the fees-and-services charge line, but it looked like it was down a little bit more than is typical. Is there anything unusual in that?

Eric Newell
I think the seasonality is really driven by the non-sufficient funds fee income. Year-over-year, it is down a little bit, but certainly on a linked quarter basis, we feel the impact because it's generally the highest in the fourth quarter. That was driving a lot of the change. I feel like there's probably not that many quarters in lots of those years where we've had no swap activity. This is the first quarter that that's occurred, there was nothing recognized in the first quarter. That, with the effect of — and I believe that the fee income from swap activities sits in that line.

Mark Fitzgibbon
Thank you.

Operator
Our next question comes from Brody Preston with Piper Jaffray. Please go ahead.

Brody Preston
Good morning, everyone. How are you?

William Crawford
Good. Hi, Brody.

Brody Preston
Hi. Does your NIM guidance sort of imply some stability from here? And I just wanted to get a sense, Eric, I know you sort of mentioned some of the deposit competition abating this quarter. Is that what's driving your sort of flattish NIM outlook from here, or is there something else?

Eric Newell
Yeah, If you kind of look at the earning asset yields. We're still seeing some benefit of assets that we originated in a much lower interest rate environment. Those are re-pricing or that flow that's coming off, whether it's prepayments or scheduled payments, those assets are moving

into a market rate. We still feel like even without any additional rate changes here, we're going to get some benefit on the earning asset side. We certainly have that same concept with some of our deposits as well, whether, it's they're in a CD that was originated in a lower rate environment that's going to re-price to our current rate, but I think one of the things that has really been driving a lot of our deposit expense increases through the last six quarters has, first been market changes, the market's not expecting that, we can kind of cross that off the list.

And a lot of the specials, whether it's money markets, where you have pooled money that can have an outsized impact, we've been able to really hold back on that. It's still fairly competitive in our markets when it comes to money market rates. We still see a lot in a few — 2.35% to 2.50% range, but we've been pretty successful in keeping our rates lower than — in that range on money market. I think we've probably two or three, or maybe even four times now through the quarter, we've reduced our CD rates that we're offering as well as our competition. So the competition has eased a bit in our markets, you have the effects of that as well as our wholesale funding, our FHLB, while it's lower as a percentage of total funding now than it has been in previous years, it is still a fairly considerable amount relative to our total funding. And we manage that book at between three and six months, FHLB rates are down as well a little bit, I think that that's what's really driving the stability this year on our NIM — our forecast.

Brody Preston
Okay. And then, I guess, turning to loan growth, C&I was pretty solid, and you mentioned some of the reallocation of capital towards growing these relationships to help grow deposits. Is that what sort of drove some of the growth this quarter, or is there anything else that's driving that? And I just wanted to get a sense for how you think it will shake out for the rest of the year.

Eric Newell
Yes, Certainly C&I is definitely a focus of ours and it has been for several years. Bill has talked from time to time about our lending center or business process to better serve our small business and business banking customers through the origination channel, which we also believe is going to be helpful in driving deposit growth. But certainly the C&I has a higher – longer – pull on the tank, so it takes a lot of time and effort, sometimes over a year, where we'll get clients that come join us on the lending side as a customer, and then it takes them some time to bring their deposits over. We're certainly enjoying the benefits of that, and there were wins this past quarter on the C&I side in terms of deposit growth, and we want to continue that.

Certainly on the consumer side, we do have the de novo branches that we opened in Fairfield County as well as downtown Hartford, and we have seen some strong early growth on both the consumer as well as the commercial side in leveraging our expanded footprint there.

Brody Preston
Okay. Okay. And are there any additional costs that you guys are ringing out of the mortgage operation, or has that all been sort of accounted for at this point?

Eric Newell
Yeah, in terms of the repositioning into the direct channel versus the retail channel that we had been in, that's, I would say, 99% or 100% baked, so there's no additional expenses from that repositioning exercise, and we continually will evaluate that line of business to ensure, certainly we want to serve our customers, but we also need to be prudent in allocating expenses and capital to outline our business, and if we find that there is some additional changes that we need to make, we'll certainly consider that.

Brody Preston
Okay.

Eric Newell
But none are contemplated at this time.

Brody Preston
Okay. And then I guess going back to the swap fee income, are you noticing a change in any of your credit commercial customer behavior? This may be driving the lower swap fee income, and, in your budgeting for a rebound in that line item, or —

Eric Newell
Well, if you look at the curve, most commercial customers are probably looking for certainty, and, if I was borrowing, I'd want to go as long as possible, because, in fact, it's probably cheaper to be priced off 5- or 7-year right now than being priced off LIBOR. Certainly we want our customers to go as short as possible right now, and our customers generally want to do the opposite from we want from a balance sheet perspective. I think that's what's been driving the lower volume there. We certainly expect some level of activity in terms of our swap fee income, it's not like we're expecting that to be at zero for the rest of the year, but it just happened to be this quarter, no deals were closed.

Brody Preston
Okay. And could you guys share any initial thoughts on CECL now that we're into 2019 and if you have any estimates of perhaps the impact of CECL on your reserve moving forward?

Eric Newell
Sure. That's a process that we have a team working on. It's been very focused on that for the last 24 months. We're about to embark on a model validation process, our model has been, I would say, fairly finalized, and, certainly there might be some feedback, but once we finish that validation process, we'll feel comfortable to disclose something probably in our Form 10-Q likely in the quarter that ends September 30th. We will put some estimate out there. It's just a little bit early yet. We want to go through that model validation process first.

Brody Preston
Okay. All right. And then the last one for me, in the past, you guys have talked about reaching a 1.00% ROA goal, sort of by the end of this year. Given this quarter's results and outlook, I just wanted to gauge what your long-term profitability goals are and if 1.00% is still something you guys see as possible.

William Crawford
Hey, Brody, it's Bill Crawford. I think you can look at our forecast and do the math and see that a 1.00% at a 10% effective tax rate is not in that forecast. We are looking at our operating plan and strategic plan and looking at how we can continue to improve profitability in this very difficult environment, I think our forecast stands for itself.

Brody Preston
Okay, great. I really appreciate the time, guys. Thank you very much.

William Crawford
Thanks.

Eric Newell
Thank you.

Operator
Our next question comes from Collyn Gilbert with KBW. Please go ahead.

Collyn Gilbert
Thanks. Good morning, guys.

William Crawford
Hi, Collyn.

Collyn Gilbert
Eric, if we could just start off on the tax situation, I just want to make sure I understand some of this. The $8 million or so that you guys have referenced that could be at risk of reversal, I think, how are you coming up with that estimate? What gives you clarity on that estimate, but yet the rest of it is more uncertain?

Eric Newell
Yeah, Collyn, I'm sorry, I think you're referring to a subsequent event disclosure in the 10-K.

Collyn Gilbert
The 10-K.

Eric Newell
Correct?

Collyn Gilbert
Yeah.

Eric Newell
In that disclosure, we commented about the carrying value of $19 million, and that $8 million was what's called the recapture risk. When you place this inventory into service, it needs to be in service per IRS standards for the tax credit for five years, and some of these assets haven't been in service for five years, and that recapture risk was — at that time, was identifying the risk if all of that inventory was taken out of service as of the date — I think — I don't know, I think we had said either the date that the 10-K was filed or 12/31. I don't have it in front of me. Think of that as the inventory is being taken out of service at that time, but it was initially put into service.

And then in the 10-K, we also — I think we had mentioned $18 million or — I don't have it in front of me — there was a larger number, which would be a total reversal of all the tax credits that we've experienced or we've recognized in prior periods. That would assume that the inventory was never placed into service per the IRS regulations. Think of the $8 million as a subset of that $18 million.

Collyn Gilbert
Got it.

Eric Newell
Does that kind of clear that up for you?

Collyn Gilbert
Yeah. Yeah, it does.

Eric Newell
When you add the $18 million and the $19 million, you get something that's smaller than the number that we put out today, which is the $41.7 million, and having had more time to study the impact on the balance sheet, if we were to experience a total loss, there is a deferred on our balance sheet that's related to these investments, and that deferred was re-priced down to the statutory tax rate of 21% last year, with reform, but lot of these deferreds occurred pre-tax reform, there's actually an adverse impact of about $4 million to $5 million by writing the deferred back up to the statutory tax rate. That's that third element that bridges— we didn't contemplate that concept in our 10-K disclosure, but we contemplated it here in this updated disclosure.

Collyn Gilbert
Okay, so that was going to be my next question — would it change the DTA on the linked quarter basis? So that's why the DTA balance changed, because of the —

Eric Newell
No, none of this has actually impacted our balance sheet as of yet. This would be all pro forma.

Collyn Gilbert
Oh, okay.

Eric Newell
I think the reason that our DTA changed linked quarter was due to the unrealized loss on our balance sheet from the investment portfolio. It dramatically changed in the quarter, and I think that has an affect on our DTA line.

Collyn Gilbert
Got it, okay. Okay. And then just wanting to understand, the updated guidance on the tax rate of the 14% to 16%, that does or does not include the assumption of loss-forward tax benefits on D.C. Solar?

Eric Newell
It does not.

Collyn Gilbert
It does not, okay. The 14% to 16% is just simply just your other tax investment strategy plans?

Eric Newell
Correct.

Collyn Gilbert
Not anything related to D.C. Solar, okay. If we think about like the $19 million on a go-forward basis, if you do not get those tax benefits, what that would do to your tax rate?

Eric Newell
The tax rate — I'm thinking through the answer, how to answer this question — the $19 million is simply — it's fairly disconnected from the go-forward tax rate. The $19 million was representing some of the tax benefit in prior periods, if we had to impair the $19 million, it wouldn't affect our go-forward tax rate.

Collyn Gilbert
Okay. So there's not $19 million of current tax-related investments that you have on the balance sheet?

Eric Newell
No, there are, but we're using an equity method of accounting for those.

Collyn Gilbert
Okay.

Eric Newell
Once we looked at the future cash flows of those equity investments and understand what they truly will be, that would be what would affect the carrying value of those investments.

Collyn Gilbert
Okay. Okay. And then one final question as it relates to the tax strategy. With the new guide of the 14% to 16% tax rate, do you have any clarity as to what we should assume on the LP loss line?

Eric Newell
I know that in prior quarters, I have provided some forecasts on that. I would just say that our current forecasts on the total fee income line are between $36 million and $38 million. We obviously stand by that, because that's what we just put out, I would look at some of the other line items and then just back into the LP loss.

Collyn Gilbert
Okay.

Eric Newell
But it should be a little bit lower this year than prior years because of the lower level of investment we're making.

Collyn Gilbert
Okay. Okay. Got it. And then just on the growth that you guys saw this quarter on the installment line, just curious as to what specifically was in that consumer book that was driving that growth, what your outlook is there within that portfolio?

Eric Newell
I would say — installment lines, do you mean other consumers?

Collyn Gilbert
Yeah. Hold on —

Eric Newell
Yeah, I believe that- ok,

Collyn Gilbert
The $425 million?

Eric Newell
Yeah. That was the — some growth seasonality we see in our marine lending unit, where we have some retail loan originations. We generally see some origination in the first quarter. Everyone wants to buy their boats in the winter.

Collyn Gilbert
Okay.

William Crawford
This is Bill. I think most of our growth going forward, you'll see a lot in the commercial area of C&I, some real estate, and some small business, and consumer will be slower.

Collyn Gilbert
Okay. For some reason, I was thinking you guys were holding the marine portfolio flat. I didn't realize that you were still looking to grow that.

Eric Newell
No, we're not looking to grow it. I mean, it's seasonal, you would see that number come down in the fall, and that comes back in the winter.

Collyn Gilbert
Got it. Okay, the balances more or less for the year should be fairly flat within that?

Eric Newell
Right.

Collyn Gilbert
Okay.

Eric Newell
And I think the total marine, whether it's retail or floor planned, is 2.00% to 2.50% of our loan book.

Collyn Gilbert
Okay, got it. Okay. And then, just finally, just tying this back to, you guys talked about reallocating capital to some of the deposit initiatives, can you just talk a little bit more about that and sort of where you see just overall deposit growth going this year and where you see the composition of that being?

Eric Newell
Certainly. A couple of the initiatives that we've been allocating capital to are our de novo branches, whether it was Greenwich or Westport or Downtown Hartford, and we've seen some successes there. And the reason that we wanted to embark on that strategy is that we did have a loan production office for many years in Fairfield County, and we saw that our lack of presence there for those customers was prohibiting their ability to have a deposit relationship with us. We've been able to leverage our existence down there over the last several years to grow some deposit growth. It's more of a business banking or wholesale banking strategy versus a consumer strategy, but, we have seen some consumer growth there.

We also have been spending the last several, 18 months in really improving the business process and how we underwrite small business and business banking loans, we can better serve that customer more quickly and in a technical fashion that reduces their need to have to give us a bunch of paper and wait four to eight weeks for a loan decision. And while that loan is very important for the flexibility of that customer, we're also then able to say, "Listen, you need to bring your deposit relationship to us," and, at the same time, we can also cross sell from the small business or business banking customer into their personal accounts, whether it's a mortgage, home equity, or their own personal operating account. That's an area that we feel that we have underserved our customer on, and we believe that's something that we think will drive growth in future periods as we continue to roll that program out.

We've seen very good deposit growth from our wholesale banking practice, and I think a lot of that is due to our C&I focus over the many years, and we're still seeing dividends and the ability to go up-market and also drive deposit growth from our C&I customers. That's where our biggest focus is on, is C&I, looking at our commercial real estate book, understanding, are there opportunities for us to win deposit business there as well as our de novo branches?

Collyn Gilbert
Okay. Okay. That's helpful. And then do you have any kind of definitive targets, either near term or long term in terms of what you think you could get, the non-interest-bearing deposit bucket to be as a percentage of overall deposits? I know that's kind of been gradually coming down, but where you would like to take that?

Eric Newell
Right now, we're about 14%, that number has been fairly flat, but what's interesting, throughout that, we've been growing in the retail channel, we've been growing our DDA for the last several years. It came in a little bit in 2018, but we've been growing that 10% year-over-year, which we attribute to better execution and better compensation practices. Certainly, we'd love to get that 14% ratio higher. I don't want to put out a specific goal, but I feel that some of the work that I was, some of the projects I've been talking about, particularly the C&I and the business banking or small business underwriting, should assist us in driving that ratio to a more favorable level.

William Crawford
Yeah, Collyn, this is Bill. As we see slowing asset growth from where we've been historically, and that gives us a better opportunity to change the composition. When you look at our checking growth, it's sort of been aligned with what our earning asset growth looked like, and that's why we're still at 14 percent, but as we slow asset growth, we should be able to start to see some more improvement in that number, because that is — as you identified, that's a key metric to getting our funding costs lower.

Collyn Gilbert
Okay. That's helpful. And then just one final question, just on the NIM. Your guidance range is still 2.80% to 2.85%. What do you think would need to happen to get you to the high end of that range?

Eric Newell
The curve would need to steepen.

Collyn Gilbert
Okay. Okay. Got it. I will leave it there. Thanks, guys.

William Crawford
Thanks, Collyn.

Operator
As a reminder, if you would like to ask a question, you may press star, then one. Our next question comes from Mike Shay with Strategic Value Bank Partners. Please go ahead.

Mike Shay
Hey, good morning.

William Crawford
Good morning.

Eric Newell
Hi, Mike.

Mike Shay
Just one quick question on the non-interest income side. I know in the past, you've commented on wealth management and how that factors into everything. I'm just wondering if you could maybe update how that looked for the first quarter and then where you're tracking on that front.

Eric Newell
Certainly. I haven't provided specific numbers in terms of how it contributes to fee income, but we continue to be able to grow that business, and we've seen our assets under management, which I'm not certain if we disclosed at this point, but we've seen that number grow fairly significantly. And what's really nice about this business is that it's matured to the point where when we were initially growing it, there was a lot of what we call bridge payments to draw talent to us and give them a guarantee for a little bit as they grow the business, and the business has grown to the point where a lot of those bridges have burned off, so our bottom line revenue numbers are contributing more strongly in 2019 and expected to continue as they've done prior years. And also, the shift from what used to be very transaction based has moved to more of assets under management, in the event that one of our wealth advisors decides to choose another opportunity elsewhere, that fee income isn't going away from us right away. It will take some time, but, more importantly, in attracting new talent to join United Wealth Management, we don't need to offer those bridges to the extent that we had to before, because we can prove that our business has worked and is working and, they don't need as much of a guarantee, which helps reduce the expense side.

Now, I would also say one of the things that has been a great success for us that we've put in place over the last couple of years is what we call Premier Bankers. They're Series 6 folks that sit in many of our branches, and they're able to talk not only about deposit products but non-deposit products, and we've found that with those Premier Bankers sitting in a branch, that the branch actually has better deposit growth and performance than those branches that do not, and we feel that it's really driven by their ability to build a relationship with our customer or a new customer coming in, that's holistic in approach and not just simply, "Hey, we want only to put your opportunity funds into a CD," but maybe it makes sense for them to split some of that in a CD and put it in to wealth management products. I don't know if that helps, but, I mean, that's more color versus specificity, but —

Mike Shay
Yeah, no, that's very helpful. I was looking more on the color side for that.

Eric Newell
Okay.

Mike Shay
But flip side for the specificity piece, I'm just curious, I know you noted some seasonal weakness, non-interest on the commercial transaction accounts. Just maybe a bit of detail on, how that timing tends to go and what you're tracking for, say, full-year '19, non-interest deposit growth there.

Eric Newell
I'm sorry, I didn't fully understand your question. You're asking about seasonality on non-interest deposits, where it pertains to commercial?

Mike Shay
That's correct. That's what I was—

Eric Newell
Yeah, what we generally see in a first quarter is tax payments. A lot of the contractors that we have, they will spend down their accounts, and then it becomes a receivable, and then later in the year, our contractors will get paid for the work that they've been doing. It's interesting, we've studied this, and it actually has a fairly notable impact on DDA balances in the first quarter, but you also have a lot of smaller customers, business customers or wholesale banking customers, that will have tax payments in their first quarter, or they might pay bonuses to their staff in the first quarter. That's the seasonality that we generally see in the first quarter.

Mike Shay
Okay, got it. That's it for me. Thanks.

Eric Newell
Okay.

Operator
This now concludes our question-and-answer session. I would like to turn the conference back over to Mr. William Crawford for any closing remarks.

CONCLUSION

William Crawford
Okay. Well, we appreciate your interest in United Bank, and we appreciate you being on the call with us. And I hope everyone has a great day. Thank you.

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