Rockville Financial Incorporated
"Rockville Financial and United Financial Bancorp Investor Conference Call"

Friday, November 15, 2013, 11:00 AM ET
Bill Crawford
Dick Collins
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OPERATOR: Good morning and welcome to the Rockville Financial and United Financial Bancorp Investor Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad, to withdraw your question, please press "*" and then "2." Please note this event is being recorded.

I would now like to turn the conference over to Bill Crawford, CEO of Rockville Financial. Please go ahead.

BILL CRAWFORD: Good morning everyone and thanks for joining us today. Please be aware of the Safe Harbor advisement on our forward-looking statement in the investor deck filed this morning. As you've read in our news release, the board of directors of United Financial Bancorp and Rockville Financial approved a definitive merger agreement in a stock-for-stock transaction.

Joining me on the call this morning are Dick Collins, United's Chairman, CEO and President; Jeff Sullivan, United's Chief Operating Officer; and Eric Newell, Rockville's newly appointed Chief Financial Officer. Strategic mergers of equal are rare for many reasons. Dick, Jeff and I with our respective boards have found a way to structure a transaction that's fair to both sets of shareholders and leaps us many years ahead of what either company could achieve independently. Both management and board teams have spent considerable time together getting to know one another and working through the tough issues. The more time we spent together, the more apparent it became we share much in common.

Dick has done a terrific job leading United Bank for many years. He and the United team have built a first-class bank with a solid reputation in their communities. Rockville also has a long history of serving customers, communities, and delivering solid financial performance. As CEO, I'm confident we have a workable governance and management structure in place. We are clear on roles and responsibilities and we are well positioned to aggressively execute the plan I'll lay out shortly.

Jeff Sullivan has been a key executive leader for United for over a decade. He has a strong connection with employees, customers, and communities. He is a very talented leader serving as their COO and previously as their Head of Commercial Banking. Jeff will become President of the bank and the holding company reporting to me, he will lead most of our key business units and serve on the board with me. I am very excited to work with Jeff and we are both committed to building a great organization together.

As we look at our go-forward management structure, we had three excellent candidates for the CFO job. I felt that Eric Newell was the right choice at this time to serve as Chief Financial Officer of the new company and both boards support this decision. Eric Newell will assume the role of Rockville Bank CFO, effective immediately.

We look forward to sharing with you details relating to this transformational opportunity for both our companies. To begin, scale matters. Through cost saves, we've become far more efficient and the modeling results reflecting that fact are compelling. For 2015, we are projecting a 57% efficiency ratio, a 1.04% return on average assets, and return on tangible common equity approaching 10% and 35% earnings accretion.

Furthermore, with an 11% tangible common equity, we can further leverage to drive additional incremental earnings per share and return on tangible common equity growth. The combined company will achieve significantly increased scale, franchise value, and scarcity value at an asset size of $4.8 billion with over 50 branch locations in continuous dense urban and suburban markets.

In 2015, the percentage of earnings per share accretion is approximately three times the tangible book value dilution. This compares favorably to recently announced merger-of-equal transactions. We are confident we can achieve at least 15% cost saves. Additionally, while we model no revenue synergies, we believe our residential mortgage and financial advisory models will provide meaningful revenue lift on a combined footprint.

United team completed two acquisitions and the Rockville executive management team joined the company from large banks bringing with them significant merger integration experience. We have intentionally modeled 50% of our cost saves in year one with a 100% achieved in year two. Given the size of this merger, it's imperative that we do an excellent job with employees, customers and our communities; so we must do this carefully and methodically and not rush the process.

While we are integrating the two companies, we will continue with our organic growth strategies to further leverage capital, drive revenue, and earnings per share growth. Both companies have historically paid attractive dividends and have not been shy about buying back shares. We will continue to use all the capital management tools available to us at the appropriate times to maximize long-term shareholder value.

Rockville's three year total shareholder return is nearly 112% and United's return since conversion is almost 81%. Both companies have a history of excellent asset quality, prudent earning's growth, sound capital management, and creating significant value for shareholders. Our combined formula for success remains the same. We are becoming employer of choice that drive the customer experience and customer loyalty, which in turn drives long-term revenue growth. We offer customers an attractive alternative to the mega banks and both companies have succeeded for years executing similar strategies.

This strategic merger of equals accelerates our progress by many years, and this was one of our number one options on our list. Both banks are converted mutual, transitioned successfully to a commercial bank model with similar cultures. By combining the best from both companies, we create a much more compelling bank and equity investment for employees, customers, communities, and shareholders.

I want to thank Dick for his leadership along with our respective boards. I am very much looking forward to working with Dick, Jeff, and our new partners to build a top performing bank here in New England.

Now, I'll turn it over to Dick Collins.

DICK COLLINS: Thank you Bill and good morning everyone. I'd like to share with our listeners that I've been thinking about a combination of United and Rockville for a long time; and probably United achieved much of its growth over the years through merger of equals between cooperative banks in Massachusetts. There were very preliminary discussions about a possible merger of equals between our two banks even before Bill arrived on the scene. Nothing much came in those talks, however, but to Bill's credit, it did not take him long to understand the tremendous opportunity we had once he became President of Rockville. He and I have been talking about it now for a couple of years.

We both strongly believe this is a joining of two very good banks to become one great community bank. When you see the profit, earnings per share, efficiency, and size of the combined entity; I think you all agree that this transaction results in significant value creation for our shareholders. The combined company will be better positioned to compete and serve our customers well into the future.

This is not a deal either company had to do, and looking at all the options, we believe it is the best course of action for both companies, communities we serve, and the shareholders. We are bringing together two outstanding institutions with complementary sets of products and a shared culture of superior customer service and strong asset quality.

I am very excited about combining these two companies together, and I am confident in Bill's ability and the combined management team's ability to execute the integration and achieve the plan we are outlining today. I am so confident in the team, in fact, that I plan to retire at legal close. Bill has asked me to stay on as a consultant with him and the bank and I will, with pleasure.

I'd now like to turn the call over to Jeff Sullivan, United's Chief Operating Officer.

JEFF SULLIVAN: Thank you Dick and good morning everybody. I appreciate you joining us to learn more about this significant and exciting announcement. I am very enthusiastic about the opportunities that this merger will present and I am confident that it will be a great success. I have worked with Dick Collins at United for the past decade. During that time, our team has transformed a $700 million mutual into a $2.5 billion full-service banking organization with 38 offices.

We developed in a sustained momentum to produce consistent organic balance sheet growth and we've acquired two banks since 2009, bringing significant additional talent into our company, knowledge of how to be a good merger partner, and lots of new customer relationships. We've watched Rockville produce the same types of results in an adjacent market, which is very quickly becoming an overlapping market.

Our companies could exist for years as friendly competitors on parallel growth trajectories. When we started to talk more seriously, however, we found that the people side of the business really started to fit together. There were sacrifices and accommodations that were made by board members and members of the management team on both sides, signaling a willingness to do the right thing in the best interest of shareholders and customers.

This merger will allow us to take the best practices and high performing individuals from each company as we have done in our past mergers. By bringing the best of both teams together, we are confident that we can execute on the integration plan as a high-performing organization. We are grateful to have such talented staff members to assist us through the data conversion in late 2014 and for our future growth.

As we have worked together through this process, it has become very clear how similar our cultures are. Both companies have a strong commitment to their employees, customers, and communities. The communities that we serve will continue to benefit from our charitable giving and the donations of our employees' volunteer time. And, of course, customers will benefit from a wider branch network and enhanced products and technology.

We look forward to demonstrating these shared values to all our constituencies. This merger of equals include the strong combination of the board of directors, which will be represented equally with ten directors from Rockville and ten directors from United, including Bill Crawford and myself. The Board members have already been working well together and enjoying a collaborative effort at pushing towards the best transaction for our shareholders.

I am excited to speak with you today about the experienced management team that will be leading this new combined organization. The leadership team that we have identified has significant experience, in diligence and integration. These very talented individuals have already spent quite a bit of time together during the due diligence process and have been enjoying working together. We have completed two-way due diligence and confirm that these are two high quality companies with strong operational and risk management practices.

We are focused on delivering very strong operating results to our shareholders and look forward to generating an opportunity for significant value creation. The combined deposits are reflective of a top market share position among community banks in the Hartford MSA, a number two position in the Springfield MSA and ranks ninth and sixteenth in the New Haven and Worcester MSAs respectively.

Both New Haven and Worcester have strong demographics and opportunities for increasing market share by providing the customer service our banks are known for with an expanded product suite that we couldn't have efficiently delivered independently.

And now, I will turn the call over to Rockville's Chief Financial Officer, Eric Newell.

ERIC NEWELL: Thanks Jeff and good morning. I'll review the major assumptions used in the modeling and modeling the combination of the two companies and the pro forma impact. First, I would like to note that there are supplemental materials that will be referenced from today's call that were released this morning and are available at both Rockville's and United's websites. To access those materials you may go on to the Investor Relations section of either company's website.

Rockville is deemed to be the accounting acquirer in this transaction and the United's assets will come over to the surviving entity at fair value on legal close. To start, the deal value of $369 million is 100% stock with a fixed exchange ratio of 1.3472 of Rockville shares offered for each share of United. There are no callers, caps, or floors on the exchange ratio. Based on the closing price from last night, the price exchange ratio will result in a premium of 14% or $18.35 per share.

The resulting ownership will be Rockville Financial at 49% and United Financial at 51% on a fully diluted basis. We are estimating 27 million shares to be issued to current United shareholders resulting in a pro forma share count of 53 million at close. The price paid to United's shareholders is 1.4 times tangible book value.

Major modeling assumption is on page 13 of the deck including cost savings of 15% or $17.6 million on a combined basis, which will largely be achieved through the elimination of redundancy of back office staffing and other efficiencies that we expect to realize over two years. Due to the estimated time it will take for our data conversion and the importance of maintaining legacy staff in certain operational back office areas, we expect to take actions to keep the majority of employees through the conversion.

We also expect that nearly one-third of our planned reductions will be achieved through attrition. For these two reasons, we phased in the realization of cost savings by 50% in year one, and 100% in year two in the model.

Pro forma non-interest expense for the company is approximately $100 million with an estimated 57% efficiency ratio. We have a high level of confidence that the 15% [sic] cost saving number is achievable and we will put a lot of energy behind achieving this number and we'll periodically update our investors on the progress made. No revenue synergies are modeled; however, as noted on page 16, we will review achievable opportunities in mortgage banking and financial advisory services among other identified areas. We will speak you on future calls and meetings about opportunities as we realize them.

A pre-tax restructuring charge of $34 million is modeled with approximately 7% of this charge coming through on day one and the remainder taken in the latter part of the year one. There is no balance sheet restructuring included in this charge and we anticipate minimal restructuring is needed due of the favorable interest rate risk positioning of both companies. We are anticipating approximately four branch consolidations. We have eight branches that are within two miles of each other. We are continuing to study consolidation and we will update you on our findings at the appropriate time.

We model the core deposit intangible at 1.14% of deposits or $13.8 million, which will be amortized on an accelerated basis over ten years. We have identified a gross credit market of $30 million, representing 1.6% of the carrying value of United's loan portfolio as of September 30, 2013. Remember that $554 million of loans on the balance sheet are carried at fair value as they were purchased from New England Bank and CMB. Other fair value markets total to a pre-tax $1.4 million…actually a negative 1.4 million change, which are amortized over various estimated lives of those assets.

On page 15, we discuss the favorable pro forma impact to Rockville shareholders. For modeling purposes, we used three estimates for 2014 and 2015 for Rockville and management estimates for United. While neither company provides earnings guidance, we wanted to conservatively model EPS accretion and therefore took the lower management estimate. When cost saves are fully realized in 2015, we anticipate earnings per share accretion of approximately 30% for both sets of shareholders. Day one tangible book value dilution to Rockville shareholders is 11.1% and the earn-back is 4.7 years using the crossover method.

We have added transparency on the calculation of a dilution on page 21 of the deck. We view the crossover method as the most conservative approach taking a pro forma Rockville Financial tangible book value per share on a standalone basis and comparing consolidated pro forma tangible book value per share; the 4.7 years being the inflection point when a consolidated tangible book value exceeds standalone.

Internal rate of return and return on invested capital, two ratios we have discussed with investors to measure the success of capital deployment are approximately 19% and 11%, both of which indicate long-term shareholder value creation. Return on invested capital or ROIC is Rockville's preferred measure for value creation for shareholders on a capital deployment. Taking the contribution of the income provided by United and dividing it by a total invested capital, which is made up of a hurdle rate of tangible common equity of 8% on United's pro forma tangible asset and tangibles created by the transaction in the restructuring charge, the difference between IRR and ROIC is that, IRR uses a terminal multiple in the calculation and ROIC does not.

We anticipate tangible common equity to exceed 11% at close, putting us higher than many of our local peers and affording us a continued capital management strategy of opportunistically repurchasing shares and paying dividend. We expect to stabilize at a dividend payout ratio between 50% and 55%. We are currently modeling an annual dividend of $0.40 per share, which is flat to Rockville shareholders and is a 22.5% increase to United's shareholders, when the exchange ratio is applied to the annualized dividend currently paid by United. We will consider share repurchases at the appropriate time.

On page 14 of the deck, we review due diligence efforts of both Rockville and United on each other. Credit due diligence was performed using a two-team approach with members of our risk and commercial credit teams and an outside loan review advisory team reviewing 73% of individual loans, an impressive penetration of the portfolio, which gives us a high confidence on our gross credit market. Outside of credit, there was a strong team, which performed due diligence on financial reporting, controls, legal, and core technology providers.

Finally, I'd like to take a moment to discuss our integration approach, which we also highlight on page 11 of the deck. Bill and Dick have established an integration management office or IMO that will be the strategic focal point of all our integration efforts. The IMO, which will have a small executive management team with many years of integration experience will drive the process and also report progress to the combined board of directors and regulatory constituencies.

Work groups and action teams have been and will be established to address many key areas, which include human resource integration, technology integration, financial reporting integration, and communications. The various teams have efforts underway and will continue to work tirelessly to move us towards our anticipated close date in the middle of 2014, as well as data conversion in the second half of next year.

Thank you for your time this morning. And now Dick, Bill, Jeff, and I would be happy to have any questions you have.

Q&A

OPERATOR: We will now begin the question and answer session. To ask a question, you may press "*" then "1" on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "*" and then "2." At this time we will pause momentarily to assemble our roster.

Our first question is from Theodore Kovaleff of Informed Sources Service Group. Please go ahead.

THEODORE KOVALEFF: Yes, I am interested in knowing how much interaction you have had with the regulators? That is to say, did you clear it with them before or?

BILL CRAWFORD: Yes, Theodore. This is Bill Crawford, CEO of the company. We've personally visited with the FDIC, the Federal Reserve, and the State of Connecticut, and gave them a heads up as to what we were thinking about, and we are encouraged by those meetings. Obviously, this is subject to regulatory approval. And we'll be moving as fast as we can to work through the approval process with our regulators.

DICK COLLINS: Theodore, this is Dick Collins from United Bank. I guess I can confirm that on our side, we have touched base with our primary regulator [indiscernible] who indicated interest in following up with what we are doing, and should be on track in that regard as well.

THEODORE

KOVALEFF: Okay, good. Thank you.

OPERATOR: Our next question is from Damon DelMonte of KBW. Please go ahead.

DAMON DELMONTE: Hi. Good morning guys. How are you?

BILL CRAWFORD: Hi, Damon.

DAMON DELMONTE: I guess my first question just in regards to integration, whose operating platform are you using? And do any upgrades need to be made to that or is it capable of handling a five plus billion in asset bank?

BILL CRAWFORD: Eric, I'll let you take that one.

ERIC NEWELL: We have a technology committee that has been named and we'll start to meet and go through those questions that you asked. Rockville is on Jack Henry; United is on Connecticut or COCC and we have not made any decisions at this point and we will be accessing both technology solutions on each side to make sure to determine who has the best fit going forward.

DAMON DELMONTE: Okay. And you had said that the system's integration will probably happen at the end of 2014?

ERIC NEWELL: Our target is fourth quarter 2014, yes.

DAMON DELMONTE: Okay. And then I guess with regards to the pro forma numbers, you put in there the price, to tangible price to 2014 estimates and 2015, the key part of that equation is that Rockville's $13.62? So I guess I'm trying to say, I am trying to back into what the implied EPS is for those 2014 and 2015.

ERIC NEWELL: Damon, you had to ask a question that I don't have an answer to. Let me follow up with you on that. I want to say it's probably Rockville's price, but I got to confirm that.

DAMON DELMONTE: Okay. I guess asked differently, I just…

ERIC NEWELL: You know what, I got confirmation, it is.

DAMON DELMONTE: Okay. So, then kind of inferring from that then, just to kind of ballpark it, you are looking at around $1.01 for 2014 and $1.04, $1.05 in earnings for 2015?

ERIC NEWELL: Yes.

DAMON DELMONTE: Okay. And then I guess just my last question, could you go through the $34 million restructuring charge? Could you just give a little bit of detail as to what that's comprised of?

ERIC NEWELL: Yes. A big portion of that is…some of the executives that will be leaving the combined entity have some change of control payments. That's a big portion of it. We also have some severance, state pay and outplacement services for those that will be leaving us. We have some accelerated vesting due to preferred stock in options that have to vest at legal close and we have some data conversion costs in there, anticipated data conversion, and probably the remainder is consultancy, helping us with the deals — bankers, legal.

DAMON DELMONTE: Okay. So that's all I had for now. I'll hop out and let somebody else come in. Thank you very much.

BILL CRAWFORD: Thanks, Damon.

OPERATOR: Our next question is from Matthew Breese at Sterne Agee. Please go ahead.

MATTHEW BREESE: Good morning, everybody.

BILL CRAWFORD: Hey, Matthew.

MATTHEW BREESE: On the revenue side, could you talk a little bit more about the most complementary business lines between the two companies, both on the lending side and then on the non-interest income side, the fee side?

BILL CRAWFORD: Yes. We've got on our financial advisory model, right now we have five of those people on the combined footprint; we think we go to about twenty and those are all commissioned financial advisors. Then on the mortgage lending side, we have about twenty now at Rockville. On the combined organization we would be somewhere around 45, and again those are commissioned sales people. We don't need any additional infrastructure to support those mortgage operations. And so we think that would provide meaningful revenue lift. Jeff, you want to talk a little bit about the commonalities between our commercial lending businesses and our retail businesses?

JEFF SULLIVAN: Yes, absolutely thanks Bill. Hey, Matt. I think one of the things that we found as we were going through due diligence is that there was very little overlap in our commercial banking platforms. We've got a strong…the United folks have a strong team in Worcester and in Western Mass, and Rockville folks obviously have got presence east of the Connecticut River and is extending their footprint down into the New Haven County very nicely. And even though we do overlap a little bit heading towards New Haven County, we've really got a strong team of folks down there; they're going to work very well together. United focuses on a little bit higher concentration of C&I business, and we've added a good deal of CRE from our Boston loan production offices. And Rockville has a great commercial real estate office down here that's got a very wide reach and it's got into a couple of other complementary niche businesses as they have grown as well. So there is really a great complementary footprint with very little overlap and lots of room for us to grow it further.

And I think I would just add to Bill's take that we did not model layering on each other's top strength of revenue producers on the other platform when we did our projections. We really looked at standalone projections to come up with the accretion numbers. So we think that there are a lot of additional opportunities there that we did not model because we wanted to be as conservative as possible.

BILL CRAWFORD: Matt, one other thing, we will be examining operational efficiency in each of our major lines in terms of commercial banking, retail, mortgage, because we do think we are going to have an opportunity in terms of technology in putting these two companies together to become a lot more efficient in how we do things. And so we are very much looking forward to that exercise.

MATTHEW BREESE: As we think about organic loan growth with the combined institution and the ability for you to cross-sell a little bit, so were you thinking that there is a leg up in terms of organic loan growth potential?

BILL CRAWFORD: One thing that United has done very well is on the cross-sell. And we are looking forward to working with their systems to better penetrate our existing customers. But yes, in terms of our organic loan growth, what we've done in the past, we are going to certainly be able to do that. I think with this merger we'll also be able to continue to attract high-quality loan teams who want to join us and move their books; that remains the focus for us.

MALE SPEAKER: And then I'll add a little color on that. We have been very judicious; both companies have with not pushing the accelerator to the floor in terms of trying to get to the legal lending limit. In a combined company, our legal lending limit is going to be north of $75 million. But the core of where our growth is going to come from is still going to be from organic, small, medium-sized business C&I opportunities. We just think that the platform and the convenience factor and the technology are going to allow us to get there. So we are not looking to be something that we haven't been in the past. I think we are just looking to do an even better job at what our core strengths are.

MATTHEW BREESE: And then in terms of the margin, outside of a simple weighted average of the two companies, how much will accretable income affect the margin day one in the first quarter?

BILL CRAWFORD: Eric, I'll let you take that one.

ERIC NEWELL: The interest mark that we put in the model is $1.4 million on a pre-tax basis. So because it's so de minimis, it won't be impactful to the margin in the first quarter.

MATTHEW BREESE: so we really should we be just thinking about a weighted average then?

ERIC NEWELL: Yes.

MATTHEW BREESE: Okay. And then my last question, regarding the dividend, Rockville is at a current run rate of $0.40 a year, and in the deck you noted that a payout ratio of 50% to 55% is what you are targeting. So should we be reading into that little bit as we look out over the next couple of years?

ERIC NEWELL: I think for the 2014 and 2015, for the model purposes, we kept the dividend, the Rockville dividend flat. But certainly as the companies' two balance sheets come together and stabilize, our goal for capital management is to pay out between 50% and 55% payout ratio.

BILL CRAWFORD: And that said Matt, obviously we are going to always evaluate all of our capital deployment alternatives and make the best choices for where we are.

MATTHEW BREESE: Go ahead. Thank you very much.

BILL CRAWFORD: Thanks.

OPERATOR: Our next question is from Brad Rinschler at FIG Partners. Please go ahead.

BRAD RINSCHLER: Hey, good morning, guys. Congratulations.

BILL CRAWFORD: Thanks, Brad.

BRAD RINSCHLER: Just a quick one, my other question was already answered. Just on the footprint, one, you had said that you guys are probably going to close four branches, could that would be potentially more as you go along? Are you actually…you think it's actually going to be four?

BILL CRAWFORD: Yes, we are going to work together and evaluate efficiency in all of our lines of business and all of our back room areas and so, as we go through that process, we'll work to look and see what opportunities there are now. But there were four that were that were very obvious and so we will be working on those shortly.

BRAD RINSCHLER: And Bill, you acquired those branches out in the eastern part of the state and have actually started to build out there. Is that something you guys would look to do maybe in the future is build out, follow that board scenario, also its branches, because obviously that's kind of a hole in your footprint now. It's actually an interesting area for you guys, especially with the [multiple speakers] company?

BILL CRAWFORD: Yes, I know, obviously in the New Haven area, we've been very aggressive there; we think New Haven County is a great opportunity for us. Worcester also, Jeff, do you want to talk a little bit about United strategy, because I do you think of the Worcester and as you go towards Boston, it gets really interesting.

JEFF SULLIVAN: Yes, absolutely. Thanks, Bill. I think that's the story, Worcester has been a real success story in terms of its economy recovering from the recession and a lot of emerging industries there. We know Worcester well. We've got a good lending team there. Dick Collins was the CEO of a bank in Worcester for 25 years at one point in his career. And so you know, we value that market and we've been growing it steadily. In terms of the retail side, as you move east from Worcester, the demographics start to become even more compelling and they are as good as anything you would find anywhere on our footprint. So that represents an obvious opportunity for us going forward and on a combined scale we will be able to do some continued de novo expansion without harming our earnings.

BRAD RINSCHLER: Okay. Thanks, guys.

OPERATOR: Our next question is from Howard French at Journal Inquirer. Please go ahead.

HOWARD FRENCH: Yes, hi, folks, thanks for taking my call.

BILL CRAWFORD: Hi, Howard.

HOWARD FRENCH: Could you expand a little bit; maybe I know Eric mentioned probably about four branches likely will be surplus? Is there at this point any sense of where those might be located and a total number perhaps of anticipated job reductions as part of the restructuring? Can you tell us that?

BILL CRAWFORD: Yes, Howard. What we've done is we've looked at each business line and tried to figure out where we need to be from a staffing perspective. And so we've done a lot of preliminary work on that. We are going to do more detailed work on that. And we are going to be able to do this over two years. And so, I think there will be an opportunity, as Eric mentioned, for us to get some attrition — to get a lot of these saves through attrition, but there will be job loss. But at this point, we are not ready to specify specific numbers, and we continue to work on the branches and we will get communication out on what specific branches, later on in this process.

HOWARD FRENCH: Okay. Thank you very much.

BILL CRAWFORD: Thanks, Howard.

OPERATOR: As a reminder, if you would like to ask a question, please press "*" and then "1." And our next question is from Adam Hurwich of Ulysses Management. Please go ahead.

ADAM HURWICH: Hi, good morning. In looking at slide eight, I am looking at your capital position on a pro forma basis and looking at your guidance on a 50% payout ratio on earnings, it looks like you are going to be managing your capital position primarily to the share buyback. Am I thinking about it correctly and would it be fair to say, you've got approximately $2.00 of excess capital per share, again, based on slide eight, that you've got in terms of flexibility going forward?

BILL CRAWFORD: Yes, I think about it as a $160 million of excess capital approximately and we are always going to look at all of our ways to deploy capital effectively. Buyback is certainly one that both companies have been aggressive with in the past and we'll evaluate that when we are able to do it. We also have organic growth as another lever and obviously the dividend. Eric, would you have anymore comments on that?

ERIC NEWELL: No, you've got it.

BILL CRAWFORD: All right.

ADAM HURWICH: Thank you very much.

BILL CRAWFORD: Yes.

OPERATOR: Our next question is from Eric Grubelich of Highlander. Please go ahead.

ERIC GRUBELICH: Hi, good morning. Just as a follow-up on the buyback issue, your buyback that's currently in place, is any of it under a 10b5 plan, where you will be able to continue to do that, or are you effectively frozen now until the deal closes?

ERIC NEWELL: We are effectively frozen now until the deal closes.

ERIC GRUBELICH: Okay, that's what I thought. Thanks.

BILL CRAWFORD: Thanks, Eric.

OPERATOR: At this time, I am not showing any further questions. So I'd like to turn the conference back over to Mr. Crawford for any closing remarks.

BILL CRAWFORD: Okay. Well, thank you for joining us. Obviously, we are all very excited about this transformational opportunity for our two companies. And we are always glad to take questions and we look forward to getting out on the road and hopefully seeing plenty of you. So I hope everybody has a wonderful weekend and thanks for joining us.

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