WSFS Financial Corporation
2nd Quarter 2019 Earnings Conference Call
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Officers
Rodger Levenson; President, CEO
Dominic Canuso; EVP, Chief Financial Officer
Art Bacci; EVP, Chief Wealth Officer
Steve Clark; EVP, Chief Commercial Banking Officer
Rick Wright; EVP, Chief Retail Banking Officer

Analysts
Austin Nicholas; Stephens
Michael Perito; KBW
Russell Gunther; D.A. Davidson
Brody Preston; Piper Jaffray
Frank Schiraldi; Sandler O'Neill

Presentation

Operator: Good day, ladies and gentlemen, and welcome to the WSFS Financial Corporation Second Quarter 2019 Earnings Conference Call.

(Operator Instructions)

And as a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Dominic Canuso, Chief Financial Officer. Sir, you may begin.

Dominic Canuso: Thank you Amanda and thanks to all of you for taking the time to participate on our call today. With me on this call are Rodger Levenson, President and CEO; Art Bacci, Chief Wealth Officer; Steve Clark, Chief Commercial Banking Officer; and Rick Wright, Chief Retail Banking Officer.

Before Rodger begins with his remarks, I would like to read our Safe Harbor Statement. Our discussion today will include information about our management's view of our future expectations, plans and prospects that constitute forward-looking statements. Actual results may differ materially from historical results or those indicated by these forward-looking statements due to risks and uncertainties, including, but not limited to, the risk factors included in our Annual Report on Form 10-K and our most recent quarterly reports on Form 10-Q, as well as other documents we periodically file with the Securities and Exchange Commission. All comments made during today's call are subject to the Safe Harbor Statement.

With that read, I'll turn the discussion over to Rodger Levenson.

Rodger Levenson: Thanks Dominic and thank you to everyone for joining us on the call today.

In our first full quarter since the closing of the Beneficial acquisition, we posted solid core operating performance with Core Earnings Per Share of $0.88, Core ROA of 1.57% and Core Return on Tangible Common Equity of 16.09%.

As year over year and linked quarter comparisons are impacted by the timing of the Beneficial closing on March 1, we have provided an Earnings Release Supplement which is posted on our website. The Supplement includes additional details on our financial performance, a reconciliation of GAAP to Core results for key operating metrics, and an update to our full year 2019 outlook.

Our results included the impact of $13.6 million of total credit costs. As detailed in our previously released 8-K, the primary driver of credit costs related to two legacy WSFS existing non-performing C&I loans where episodic events occurred during the month of June, impacting our updated impairment analysis. Approximately 90% of the $13.2 million in net charge-offs recorded in the quarter were attributable to these two loans. Overall, our credit metrics remain stable and our exposure to the specific industries where the losses occurred is modest and manageable. As noted in the Supplemental Materials, we have updated our outlook for full year credit costs to $30 million to $35 million.

Also during the quarter, we purchased 193,888 shares of our stock. With the completion of a full quarter of operating results and continued strong capital levels, we have updated our 2019 capital plan. This includes increased buybacks in the second half of the year utilizing the stronger-than-anticipated capital levels and excess liquidity from the Beneficial combination. We intend to continue to be buyers of our stock at current or higher prices up to the remaining amount of our previously board approved share repurchase authorization program of just under 2.9 million shares.

In addition to our operating performance, we are looking forward to the final major milestone of the Beneficial integration. Teams from throughout the company have worked diligently to position us for a successful systems integration and brand conversion for the weekend of August 24th and 25th. The entire company is looking forward to moving from integration, planning and implementation to the business execution and realization of the significant long-term opportunities of our combination with Beneficial.

In summary, even with the elevated credit costs, we posted a solid quarter and first half of 2019 and remain well positioned to achieve our full year goals including a 1.50% ROA.

Now I will turn it over to Dominic for additional commentary on our financial performance and full year outlook.

Dominic Canuso: Thanks, Rodger. Good afternoon, everyone.

In our first full quarter of combined results, we made meaningful progress in the transition of our combined operating model across the organization. Core operating profit for the quarter demonstrated continued strength in our overall business performance and meaningful progress and momentum towards our long-term expectation post the combination with Beneficial.

This quarter, we recorded $15.8 million of restructuring and corporate development costs, consistent with our originally modeled expectations. As a reminder, these costs are excluded from our Core results.

In May, we began executing on our Branch Optimization Plan with the sale of five outlying branches and $178 million in customer deposits to the Bank of Princeton at a premium of 7.37%. This transaction premium was recognized in conjunction with the Day 1 accounting of the transaction. Twenty additional branches will be consolidated during the conversion weekend, with the remaining five over the next year or so. Excluding the sale, customer deposits increased $91 million or 4% annualized for the quarter, and we expect to deliver on full year expectations of Flat to slightly decreasing growth.

In addition, we are making progress on our balance sheet migration, towards additional relationship-based, higher yielding C&I loans, and returning the portfolio mix from the 38% of C&I at transaction close toward the above-50% mix prior to the acquisition. Notably in the quarter, C&I grew $76 million or 9% annualized, coinciding with $47 million of purposeful runoff in our $1.27 billion, non-strategic loan portfolio comprised of held-for-investment Residential Mortgages, almost all acquired from Beneficial, along with Student and Auto loans also acquired from Beneficial. This additional runoff combined with higher payoff in our CRE portfolio, resulting from refi's in the current interest rate environment, lands our full year expected loan growth in plus or minus 0% growth.

NIM for the quarter was a robust 4.68%, and when excluding 22 basis points of incremental accretion resulting from loan payoffs above our originally modeled expectation, NIM was slightly above the range outlined on our first quarter earnings call. When excluding all of the Beneficial Purchase Accounting Accretion, Net Interest Margin was a very healthy 4.09%. On a pro forma, comparative basis, this was a resilient 11-basis-point improvement year-over-year and a 5 basis point increase over prior quarter, both resulting from the successful balance sheet optimization, stronger loan yields and low deposit betas.

For the second half of 2019, we anticipate Net Interest Margin to be in the range of 4.25% to 4.35%, including approximately 35 basis points of originally modeled purchase accounting accretion from Beneficial. This range includes a 50 basis point decrease in both Prime and LIBOR by year-end, negatively affecting the second quarter range by 10 basis points. Additional details on actual and anticipated Net Interest Margin are in the supplemental materials posted on our website.

Core fee income increased 19% year-over-year, with 7% organic growth, diversified across all major businesses, including traditional Banking and Wealth, with notable growth in Mortgage Banking and Cash Connect. The growth rate is anticipated to slow somewhat in the second half of the year as we align pricing and features across our products as part of the integration strategy. The Core Fee income ratio of 25.3% for the quarter should maintain in the 25% to 27% range for the second half of the year.

As Rodger mentioned, we continue to see positive and healthy leading indicators in the loan portfolio, and as such, see the second half of the year's Total Credit Cost to be around 25 basis points of loans, consistent with our original Full Year outlook.

Non-interest expense of $92 million for the quarter, combined with strong net revenues, delivered a 55.7% Core Efficiency Ratio, which is consistent with the first quarter results, demonstrating that we are on pace to deliver the pro forma cost synergies ahead of our year-1 expectations of 50%, and on pace to deliver 90% of cost synergies by the calendar year 2020. The Full-year efficiency ratio for 2019 is expected to be around 57%.

While the effective tax rate of 21.9% in the second quarter was favorably impacted by the higher stock-based compensation activity, our full year expectations for the effective tax rate continues to be in the 23% to 24% range, consistent with our original outlook.

While another expectedly noisy quarter, consistent with Rodger's comments, we are pleased with both the results and the trajectory of the business and remain on track to deliver a full year Core ROA of 1.50%.

We are happy to answer any questions you may have at this time.

Questions & Answers

Operator: (Operator Instructions)

Our first question comes from the line of Austin Nicholas of Stephens.

Austin Nicholas: Hey, so I appreciate the updated NIM guidance in the supplement. I guess maybe -- could we maybe walk through the -- call it 15 basis point step-down from the core 4.09% NIM that you reported this quarter to get down to the kind of 3.94% in the back half of the year? And then maybe just some help on we should think about the trajectory of that, in terms of maybe where we're exiting the year at.

Dominic Canuso: Sure. Thank you, Austin. Yes, as we mentioned in our conversation just now, that we do anticipate the rate environment to negatively impact our rates for the second half of the year by 10 basis points. In addition, we do anticipate some additional deposit costs as we align our product pricing across our combined customer base. So it's primarily those two drivers that are resulting in the second half of the year being at 3.94% or in that range.

Austin Nicholas: Okay. And would you -- I guess, would you anticipate more pressure in the third versus the fourth? I'm just trying to understand, maybe, the cadence of the step-down, and if you could make any comments on that.

Dominic Canuso: Sure. And just to add some clarification, the 50 basis point decrease in the rate environment is expected with 25 basis points in the month of July at the end of the next Fed meeting, and then another 25 basis point decrease in September, as consistent with market expectations today. Obviously that is all subject to data and further expectations, but you would anticipate, because of that, that there would be some step-down in the third quarter with additional step-down in the fourth quarter.

Austin Nicholas: Okay, that's helpful. And then maybe just on the fee income guide, can I confirm that the guidance is really using the -- call it $138million core number from 2018, and then when we think about the 2019 number, we're backing out the Beneficial fee income, which is amounting to something in that $14million to $15million range for the full year? Is that the way to think about the guide on the fee income?

Dominic Canuso: It is. So we are normalizing for the growth from Beneficial when we talk about the fee income growth to be more organic-based.

Austin Nicholas: Okay, that's helpful. And then I guess maybe -- I appreciate the efficiency guide that you highlighted, but any commentary specifically just on how we should think about the run rate on the expenses in the third and fourth quarter?

Dominic Canuso: Sure. I think, obviously, the first full quarter here of combination allows us to have a clear view of what the current base is. We do expect in the third quarter to begin seeing benefits from the post-integration efforts, but clearly that would be only one month of benefit. Those will be offset somewhat by normal growth in the business, and in particular, investment in the fee revenue strategies that we anticipate over the longer term. And then that would compound in the fourth quarter with a full quarter savings post-combination and post-conversion, but again, offset by continued investment in the business lines.

Austin Nicholas: Okay, that's helpful. And then maybe just one last one. I saw there was the credit, $20-million or so credit that moved to non-performer this quarter. Could you maybe just speak a little bit about -- maybe if there was -- what type of industry that was, or any commentary you could give on that credit? And maybe its relationship to the bank and any help that we -- just on kind of describing the credit, that you could provide.

Rodger Levenson: Sure, Austin. It's Rodger. So it's a locally based C&I credit. It's broadly in the healthcare space. I would generally describe it as a group of outpatient specialty hospitals.

Operator: And the next question comes from the line of Michael Perito of KBW.

Michael Perito: I wanted to maybe just follow up on that last question. Obviously the credit migrated in the quarter, but you provided the updated credit cost guidance for the year, and it would seem fair to assume that you don't expect any real loss content to materialize from that. I was wondering if you could just provide some more specifics as to why that's the case, whether it's well collateralized or secured, or just any other details there would be helpful.

Rodger Levenson: Yes, so it's Rodger again. So we went through our normal impairment analysis, which evaluates, obviously, the collateral, and we feel that we have it appropriately reserved for where the situation stands at this point.

Michael Perito: Got it, okay. Helpful, thank you. I also wanted to circle back towards the fee question, and really just a broader question. Dominic, you made a couple comments about kind of aligning Beneficial with the legacy WSFS on the fee and deposit pricing side. I was wondering if you could maybe provide a little bit more specifics there. I guess, did that comment in the deck -- I didn't exactly follow about the fee income comment in the updated outlook slide that you guys put out on your supplement. Can you just provide a little bit more specifics about what the drivers on both the fee and deposit pricing side are, that are kind of aligning, I guess, Beneficial and legacy WSFS?

Dominic Canuso: Sure. Good question. So I would say there's really two major impacts on combining the products across our customer base and Beneficial customers. The first is on the deposit pricing. As we look across our entire footprint, there will be a consolidation of products that result in some migration, upwards and downwards, on our deposit pricing. In the near term, there will be some products that are kind of grandfathered, but no longer are offered, and there would be associated promotional offerings to support through the transition. On the fee income side, as we align the products, primarily we evaluated the posting order on our overdrafts and aligning those products will result in kind of a one-time step-down on some of the product -- the fees generated from those products.

Michael Perito: Got it. But is it fair to say, based on your commentary -- you guys did, I think, in the second quarter here, if we back out some of those gains, it would be like $41 million of core non-interest income, but you still expect that, based on your 25% to 27% of revenue comment, to grow in the back half of the year off of that figure, correct?

Dominic Canuso: We do, yes.

Michael Perito: Okay. I was also wondering -- I noticed the 150-basis-point ROA comment in the earnings supplement, that you maintain that -- greater than that for the year, but I was curious, and I know it's kind of a big ask, but just -- you guys provided further kind of profitability clarity after you announced the deal, but obviously the rate environment has changed dramatically, and I was wondering if you were willing to provide any updated thoughts about kind of where that 150 can move in the future, with what we know now based on the rate environment and what you know now also on the cost savings, and everything else in front of you that you didn't necessarily have when you announced the deal over a -- almost a year ago.

Rodger Levenson: So this is Rodger, Michael. I presume you're referring to the 160 that we had referred to for 2020 going forward?

Michael Perito: Correct, yes.

Rodger Levenson: Yes. So obviously we've gone through our normal mid-year updating of our plan with starting to have a look into 2020. We think that is still -- and obviously we're a ways away from it -- we think that it's still achievable, considering everything that we've learned since then, but obviously it's contingent upon us on executing, particularly on the revenue side, and I would highlight, as you know, we've started out with a little bit smaller balance sheet than we had originally thought, but we have a line of sight into that and obviously we'll be spending a lot more time in that very shortly here as we work to develop our 2020 plan.

Michael Perito: Helpful, Rodger, thank you. And then just one last one and I'll step back, but just -- I started to notice in the area some increased marketing around the transaction, and I was just curious for just some general comments about what the reception's been thus far, and how has it met relative to your expectations, and as we approach the conversion, do you feel good about kind of the brand marketing and cost that you've put in and trying to create awareness around the WSFS brand in Philadelphia?

Rodger Levenson: Yes, thanks for noticing that, and I would say the reception in the market has been extremely positive, and I think this has, really, at this point, exceeded our expectation in terms of the buzz in the marketplace. And I would highlight that we're really kind of only halfway through that brand campaign that will kick into high gear in the next few weeks leading up to the conversion with some television advertisements and some increased radio and print, and that will go straight through a conversion and well into the third quarter. So, so far, we are very, very pleased with the brand campaign.

Operator: And our next question comes from the line of Russell Gunther of D.A. Davidson.

Russell Gunther: Wanted to get a sense, if you could share with us, what your expectations are around the pace of runoff in those identified portfolios. Is this a steady type of clip we could expect? Is there an appetite, perhaps, for a bulk loan sale? I'd just like to get your thoughts on that if I could.

Dominic Canuso: Sure, Russell. It's Dominic. How are you doing?

Russell Gunther: Good, hey.

Dominic Canuso: So on the runoff portfolio, clearly these are nonstrategic loans that we no longer originate, much of which is derived from the held-for-investment residential mortgage portfolio that we had originally modeled, at the time, in a rising-rate environment, to run off commensurately with the average life of those loans. Clearly with the decreasing-rate environment, what we're seeing is an acceleration of payoffs due to refinancing, and we see that in our refi business ourselves, that year-over-year our refi originations on our fee-based business is up 100%. So, consistent with the rate environment, we would expect the runoff pace in the second quarter to continue for that portfolio for the foreseeable future.

Russell Gunther: Okay, great. I appreciate that. Yes?

Rodger Levenson: So I would just add to that, obviously we consider all of our options. I'd say at this point, particularly for that residential mortgage book, we don't see the need to do that. I would just highlight again that these mortgages, although they were primarily broker-originated, are all within our footprint, and we think these are a great opportunity to engage with these customers and potentially get fuller relationships. So we have a plan in place that we're actively connecting with those customers and want to see how that progresses before we would make any decisions to do anything differently.

Russell Gunther: All right, thanks for that, Rodger. And just wanted to get your sense as to what's driving the expectation for flat core loan growth in the back half of the year? You guys had really strong C&I growth. I think you expect that to continue a bit. Is it just continued paydowns, or maybe just share a little bit about what's handicapping the core commercial in the back half.

Steve Clark: So Russell, Steve Clark here. Agreed, the first -- the second quarter, the first full quarter with Beneficial, the C&I activity was very encouraging. And our pipeline right now is strong. We have about $150million pipeline, 90-day weighted average, and in addition to that, we have about $200 million of commitments that we closed in the first half of the year that have not funded, so we do expect fundings over the next six to 12 months under those previously closed commitments. But on the commercial side, there is pretty heavy refinance activity, and there's three kind of portfolios that we view as non-core, and these are participations purchased in multi-family, in broadly syndicated deals and in leveraged loans. These are all part of the legacy Beneficial portfolio. So we will allow those to run off, and we'll exit when appropriate. So that headwind on the commercial side that I just described kind of brings us in, we think, around flat for the year.

Russell Gunther: Okay. Yes, that's very helpful color. I guess last question from me would be if you could size up what that -- the aggregate portfolio you just mentioned on the commercial side, the legacy Beneficial of the multi-family, syndicated, leveraged loans, just to get a sense for what that headwind could look like.

Steve Clark: It is approximately $350 million in participation purchased multi-family and the broadly syndicated, leveraged loan transactions.

Operator: (Operator Instructions)

Our next question comes from the line of Brody Preston of Piper Jaffray.

Brody Preston: Just a quick question on the accretable yield. Wanted to know what the all-in contribution from accretable yield was, both from Beneficial and from past deals?

Dominic Canuso: Sure, yes. In this second quarter, given the larger balance sheet now, it's about 3 basis points. So it's not meaningful, but absolutely contributes to the net interest margin. But as we've expected over the last few years, since our previous purchases, that will continue to run off toward zero.

Brody Preston: Okay, so I guess for this quarter the all-in accretion number was closer to 62 basis points, and then the legacy, I guess, accretion will sort of whittle down to zero here over the next 18, 24 months, somewhere in there?

Dominic Canuso: Correct.

Brody Preston: Okay. Okay, great. And then with regard to the CRE prepays that you highlighted in the press release, just wanted to get a sense for what the blended yield was on the stuff that refied away.

Steve Clark: So this is, Brody, Steve Clark again. So I don't have the specific on that portfolio, the CRE portfolio, but kind of the blended yield on payoffs for the entire commercial portfolio was about [5.68%].

Brody Preston: Okay, okay. And so I guess that's, I guess, relatively in line with what your loan yield was last quarter, correct? So I guess when I think about the pace of prepays moving forward, I know you highlighted the $350 million from that non-core commercial book. I guess, what are you guys thinking about in terms of the pace of pay-downs from this book moving forward?

Steve Clark: So we believe it'll occur over the next three years. We don't expect it all to occur this year at all. We think as rates reset in our notes, the market is pricing much more aggressively, and we'll see these loans refinance out.

Brody Preston: Okay, okay. And then could you give me a reminder as to what percent of the total loan portfolio is tied to LIBOR and what percent is tied to prime?

Dominic Canuso: Sure. I would say about 50% of it is variable, and of that, 60% is LIBOR and 40% is prime.

Brody Preston: Okay, great. Thank you very much for that. And then I guess just turning to the securities book real quick, I know you're sort of relevering some of that portfolio from the optimization strategy. Just wanted to get a sense for how much you have left, if any, in terms of additional, I guess, outside security purchases.

Dominic Canuso: At this point -- and I apologize, I missed the first part of the question.

Rodger Levenson: Yes, I can jump in, Brody. We've completed the balance sheet optimization, so we don't see any significant releveraging of the securities portfolio.

Dominic Canuso: Yes. At this point in time, at the end of June, we've completed the rebalancing of the balance sheet and hit our internal targets of mix for investment securities.

Brody Preston: Okay, great. And then for expenses for the quarter, do you have the number for what the full impact to the full quarter was from Beneficial to 2Q expenses?

Dominic Canuso: We do not have that explicitly.

Brody Preston: Okay. I guess I'm just trying to -- the expense number was pretty good this quarter, and so I wanted to maybe get a sense for if you've sort of extracted some of the cost savings already.

Rodger Levenson: So this Rodger again. I'll jump in. We will get you, Brody, the specific number, but I would tell you that, as we said previously, the modeling -- and this is holding true for the cost savings -- is 50% this year. Most of that will kick in, in the third quarter, with the brand and systems integration, because that's when we will be closing 20 of the locations, as Dominic said, realizing those cost saves, and then also the FTE impact kicks in during the third quarter as well. That's really where most of the savings come, but we will get you some information with some of the specifics for this quarter.

Brody Preston: Okay, great. Thank you for that, Rodger. And then I guess I just wanted to quickly turn to the provision. Was there a specific reserve attached to either of the two credits charged off this quarter?

Rodger Levenson: So there were reserves on both of those credits that were then charged off for this quarter, correct.

Brody Preston: Oh, okay. Do you happen to have the number?

Rodger Levenson: We don't provide specific numbers on specific credits, obviously for customer and other confidentiality reasons.

Brody Preston: Oh, okay. Okay. And then I guess for -- I guess, as I just think about your specific reserves in relation to the $20.2million C&I credit this quarter, I guess, could you give us a sense for, I guess, the trajectory of C&I-specific reserves that we might see in the 10Q?

Rodger Levenson: So I would say -- again, I don't have that specific number off the top of my head. But we went through our normal impairment allowance. I don't think you're going to see a material change in the level of reserves for our broad C&I portfolio. But we will get you that number also, Brody.

Brody Preston: Okay, thank you. And then quickly, last two from me. I know I'm taking up time. But with regard to Cash Connect, you guys have done a pretty good job managing the cash in non-owned ATMs down. Just wanted to get a sense for if there's a minimum level that you sort of identified that you need to run the business at its current size of the 28,900 ATMs and smart safes.

Dominic Canuso: Sure. This is Dominic. I would say we see it more as a portfolio mix that we're targeting, and we're looking for one third on balance sheet, two thirds off balance sheet, for the bailment business. In addition, though, as we look towards growing the smart safe business, that will primarily be funded on-balance-sheet, but then to balance that as we look to offer our other fee-based services for ATMs that we're not providing bailment, that will balance that mix. So those are the targets we're looking for. You clearly see some progress made over the last quarter and the last year, both driving bottom line growth and significant ROA improvement.

Brody Preston: Okay, great. And then on the cash manage, that seemed to have a pretty good jump over the linked quarter. Just wanted to get a sense for what drove that, if that was maybe signing on one or two large customers or just you had pretty decent widespread adoption of smart safes this quarter? Was it that, or was there anything seasonally driving it? Thank you.

Dominic Canuso: Yes, sure. And that's in that third group that I was speaking about where we are providing reconcile and cash logistics services to customers where we're not providing the bailment, but we're managing the program. So you'll see that number hopefully continue to grow, but there was clearly a step up, as we've made some progress in offering those products and services to nonbailment customers.

Operator: And the next question is from the line of Frank Schiraldi of Sandler O'Neill.

Frank Schiraldi: Just a couple of questions left. So just on the efficiency target for the year, the efficiency ratio, bringing that down from a 58% guide to 57%, does that reflect an improvement of where you expect to end up down the road, or does that just reflect maybe pulling out some expenses a bit earlier than you had anticipated?

Dominic Canuso: Sure. I would say it doesn't necessarily change our ultimate expectations with regard to the post-Beneficial opportunities. It's primarily end-year, just honing in on the performance. This is being delivered by the higher yields that we've seen in the portfolio, offset by -- and, I should say, the lower deposit betas, and then some accelerated cost savings in the first half of the year before we hit the conversion weekend.

Frank Schiraldi: Okay. And then just as far as the margin goes, I mean, I kind of feel like there's some moving parts -- there are a lot of moving parts, but if I think about the back half of the year and where you guys have guided to, I assume there's some level of rate cut that's already kind of in the NIM this quarter, just given sort of the front-running we've seen from LIBOR. I'm just kind of wondering if you can break it down in terms of your thoughts on what a given 25 basis point rate cut kind of does to the NIM, all else equal, and if that slows over the second into the third, as maybe, I don't know, you hit floors, or on the deposit side, you can move deposit pricing lower, more on the second 25-bp or third 25-bp move. I'm just trying to get a sense, as we look into 2020 as well, of where we could see NIM move.

Dominic Canuso: Sure. Thanks, Frank. This is Dominic. The first thing I'll say is, when you look at our interest rate sensitivity analysis at the end of the second quarter, it's pretty consistent where we were at the end of the first quarter post-combination with Beneficial, and with that, our asset sensitivity has declined to more neutral, so it positions us well for the rate environment we're in. For every 25 basis point change on a full year basis, our net interest income would compress or expand by 0.5% or $2.3 million on a full year basis. That would be linear up to a 50 basis point or a 75 or a 100 basis-point increase. Given where rates are today, floors wouldn't necessarily kick in until really the first 100-basis-point decrease.

Frank Schiraldi: Got you, okay. Great. That's helpful. And then just before I leave, you might have touched on it already, but obviously it has a pretty successful mix shift in the quarter, and there's two pieces to that; one was the significant pay-downs you saw, but just on the C&I growth, is that sort of a -- that high-single-digit level, is that sort of thought of as sustainable here as we look into at least what the pipeline looks like in 3Q?

Steve Clark: Frank, this is Steve again. I would say that's probably aggressive. I would say really on the C&I side we'd be very pleased with kind of low-to-mid. We think 9% for the quarter annualized was a little bit of an outlier.

Operator: Thank you. And with no further questions in the queue, I'd like to turn the conference back over to Mr. Rodger Levenson for the closing remarks.

Rodger Levenson: Thank you, and thanks everybody for participating on the call today. Dominic and I look forward to seeing many of you when we go back on the road in September. But as always, we're always available to address any other questions you have prior to then. Thanks everybody again and have a good day.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone have a great day.