WSFS Financial Corporation
4th Quarter 2020 Earnings Conference Call
Tuesday, January 26, 2020, 1:00 PM ET

Company Participants:
Rodger Levenson; Chairman, President, Chief Executive Officer
Dominic Canuso; Chief Financial Officer
Art Bacci; Chief Wealth Officer
Steve Clark; Chief Commercial Banking Officer
Rick Wright, Chief Retail Banking Officer

Analyst Participants:
Frank Schiraldi; Piper Sandler Companies
Michael Perito; Keefe, Bruyette & Woods
Erik Zwick; Boenning & Scattergood
Russell Gunther; D.A. Davidson & Co.
Brody Preston; Stephens, Inc.

Presentation:

Operator: Ladies and gentlemen, thank you for standing by and welcome to the WSFS Financial Corporation Fourth-Quarter 2020 Earnings Conference Call. As a reminder, today's conference call is being recorded. [Operator Instructions]

I would like to turn the conference over to your host for today, Mr. Dominic Canuso, Chief Financial Officer. Sir, you may begin.

Dominic Canuso: Thank you, Valerie, and thanks to all of you for taking the time to participate on our call today. With me on this call are Rodger Levenson, Chairman, 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 the 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 thanks, everyone, for joining us today. Consistent with our recent practice, we will use the introductory section of this call to provide both a brief commentary on fourth-quarter results, as well as our outlook on 2021.

WSFS had a very solid fourth quarter, reporting Earnings Per Share of $1.20, Return On Assets of 1.73% and return on Tangible Common Equity of 19.37%. As detailed in the release and earnings supplement, core results were very close to the reported numbers after incorporating a nominal amount of noncore items.

Core PPNR of $73.4 million represented an 8% increase over the prior quarter and translated into a very healthy 2.12% of assets. These results included the impact of interest income and fee accretion from PPP, as approximately 22% of PPP loans had been forgiven by year end. It also included modestly higher purchased loan accretion in conjunction with the continued accelerated runoff of the non-relationship portfolios, primarily acquired from Beneficial. Combined with a stable base margin, this translated into a net interest margin of 3.93%.

Excluding the expected reduction in Mortgage Banking activity, fee income grew 5% versus the third quarter, with contributions from across multiple business lines.

Expenses continued to be well managed, even as we continued to make significant investments in our franchise. This includes the multi-year Delivery Transformation project and continued talent acquisition, including a total of 9 relationship managers who had joined WSFS over the past 12 months.

Overall credit trends remained stable. Total Problem Assets were flat to the third quarter. In addition, Delinquencies, non-performers and charge-offs remain at low levels and loan modifications continued to decline, to 1.4% of loans. ACL coverage of 2.73%, (excluding PPP), was also flat to the third quarter. The Provision in the quarter reflected economic forecasts consistent with prior quarters' expectations and the overall stable portfolio performance. With our strong ACL and capital levels we have ample capacity to cover potential future credit losses.

As stated in our third-quarter call, we resumed our share repurchase program in the fourth quarter, buying back 2.9 million shares for a total of just over $116 million. Share repurchases remain a good use of excess capital, with IRRs in excess of 20% at or near current price levels.

We enter 2021 optimistic and well positioned for franchise growth and investment.

I will now turn it over to Dominic for the 2021 Outlook overview. After Dominic's comments, the team will be available for Q&A.

Dominic Canuso: Thank you, Rodger. Good afternoon, everyone, and Happy New Year.

As Rodger mentioned, we look toward 2021 with continued momentum and the organic opportunities ahead, while managing through the expectations of a slow and uneven economic recovery and COVID-19 cessation.

2021 results will be impacted by the pace of the economic recovery, the timing of forgiveness of PPP loans, new PPP volume and the resulting effects of historically high liquidity positions. With that said, today we will share our outlook for underlying business performance expectations that will drive our financial performance in 2021. We have provided a summary of our outlook on Slide 5 in the 4Q Earnings Supplement on the Investor Relations portion of our Company website.

Our loan growth outlook is for mid-single digits when excluding both PPP and non-relationship one-off portfolios. Growth will primarily be driven by C&I, leasing and consumer loans. We anticipate approximately 9% of original PPP volume will be forgiven by year end. For new PPP loans, we are partnering with a leading technology partner to support our customers and acquire new relationships. While new PPP loans will not be originated on our balance sheet, resulting deposits from these loans would be. In addition, we anticipate approximately $200 million, or 20%, purposeful attrition in the runoff non-relationship portfolios.

Deposit growth is expected in the mid-single digits, driven by existing customer loyalty and continued market share growth. Our expectations would be either enhanced or offset by excess customer liquidity impacts resulting from both additional PPP volume, government stimulus and the pace of the economic recovery.

Net interest margin outlook is in the range of 3.65% to 3.80%, which includes approximately 24 to 28 basis points of purchase loan accretion and approximately 6 to 10 basis points impact from PPP, including both interest income and fee accretion skewed towards the first half of the year. The NIM range also includes an approximate 11 basis point negative impact from elevated customer liquidity. While we will optimize excess liquidity through our investment portfolio, it will generate lower yield from our loans and is dilutive to NIM. Our NIM range assumes deposit betas continue to improve in the first half of the year, resulting in a very low average total customer deposits cost for the year of approximately 14 basis points.

Our fee income growth is in the mid-single digits when excluding the full-year impact of Durbin and the lower mortgage fee revenue coming off a record year in 2020. Our diversified fee income results in a fee income ratio in the ratio of 26% to 28% and is supported by double-digit growth in Wealth.

Provision cost expectations are in the range of $20 million to $25 million, driven by loan growth. The combination of CECL and uncertain pace of economic recovery and the potential for additional government stimulus all result in a very unpredictable credit environment. We are very comfortable with our ACL coverage and to the extent the economy recovers faster, and loss content is expected to be lower, we would be in a position to release reserves.

An efficiency ratio outlook in the low 60s is driven by the expectations I've just walked through, along with our continued long-term strategic investments in our franchise. These investments in talent, specifically the full-year impact of new relationship managers across our lending businesses and continued investment in our delivery transformation are all supported by business cases with strong return on investments and IRRs and are expected to increase future growth rates, improve the scale of our business model and products, enhance operational efficiencies and support our sustainable high-performing financial results going forward.

The tax rate is expected to be approximately 24% for the year.

Lastly, we remain in the fortunate position of having strong capital and liquidity levels that are well in excess of our internal targets. We intend to continue share buybacks in 2021 as one of our primary vehicles for capital deployment. The pace and amount will be dependent upon a number of factors, including potential investment opportunities, WSFS share price, ongoing capital generation and potential reserve releases if the economic recovery accelerates. We are excited about the prospects of our future growth opportunities, executing on our strategic investments and strengthening our position as the largest locally headquartered community bank in our region.

We will now open up the call for questions you may have.

Questions & Answers:

Operator: Thank you. [Operator Instructions] Our first question comes from Frank Schiraldi of Piper Sandler.

Frank Schiraldi: Good afternoon, just a couple of -- first, I wondered, Dominic, if you could talk a little bit more about the NIM mechanics for next year. And specifically, you talked about the slightly less in excess liquidity and continued reduction in deposit rates. I know originally when you did the Beneficial deal the idea was the loan replacement rates, as you switch from non-relationship to relationship commercial, would create increased loan yields overall. Is that still the case? And it wouldn't seem to be, given what your margin expectations are next year.

Dominic Canuso: Sure. Thanks, Frank. Yes. Clearly, as shown on Slide 6 of our supplement, there's a lot of moving parts with regard to NIM as we exit 2020 into 2021. We do see the continued improvement in customer deposits, as I mentioned. So that will improve what we call that base NIM in the range of 3.35% to 3.42% next year.

To your question regarding portfolio migration as we focus on continuing to grow the portfolio and improve the mix towards relationship-based, higher-yielding C&I, that continues to be true. The challenge in this environment is that loans that are paying off are at a higher rate than loans being booked. And so that's skewing in the short term that migration benefit. But as rates stabilize and in fact improve, you would see that more prevalent in our base NIM going forward.

Frank Schiraldi: Okay. So with the rate picture as it is, which of course you point out that's the outlook for 2021, the replacement rates -- setting aside PPP, the replacement rates on the loan book as you mix shift will continue to eat away at yields. Is that fair?

Dominic Canuso: That is correct. It would continue to put pressure on the base NIM, but that would be offset by improved customer funding cost and the portfolio migration.

Frank Schiraldi: Right. Okay. And then, in terms of the problem -- total problem loans have been pretty stable and obviously the COVID modifications continue to fall. I was just wondering, how do you see -- do you think those classified, criticized balances -- do you assume that they'll be fairly flat for the next few quarters, until you get better outlook on the economic side? Or do you start to see that fall as we start to see charge-offs pick up? Just wondering how and timing of what we should look for and how you see those balances playing out, directionally, over the next few quarters.

Dominic Canuso: Sure. I'll pass it on to Steve Clark to talk a little bit about what he's seeing in regard to specific customers and working with those relationships. And then I could speak a bit to how we're thinking about those trends with regard to CECL and the provision.

Steve Clark: Yes, Frank, this is Steve. I would just say that, as we've spoken in past quarters, we really have completed our review of risk ratings. And the migration was minimal in the fourth quarter, kind of consistent with our expectation. We continue on a quarterly basis to review all of our risk ratings, so certainly any improvement or deterioration will be dependent upon the economy and the recovery and the vaccine. But right now, we think we've taken an appropriately conservative approach and feel like we really have a good handle on our current risk ratings.

Dominic Canuso: And, Frank, just to kind of share thoughts around how CECL considers this, as we've laid out on Slide 8 in our materials, of the $229 million of ACL that we have currently, around $100 million, or 44% of it, is related to economic forecast impact. So that would presume that the economic factors would put pressure on some of those metrics. And those have been reserved against. But, as Steve mentioned, we've gone through the significant reviews and now it's just based on quarterly performance.

Frank Schiraldi: Okay. And then, just a quick one on comp. I think you had said that the fourth quarter was impacted by incentive comp. And just wondering as it pertains to modeling for next year what a reasonable run rate would be for the comp line?

Dominic Canuso: Sure. Well, as I mentioned, our compensation and salaries would continue to increase as we made strategic investments to add to our associate base, particularly on the lending side and through relationship managers. When we plan, we presume we will hit target and that would be more, therefore, our incentive compensation metrics on a normal, more normalized, basis. Hopefully that helps answer your question.

Frank Schiraldi: So you do think that the comp will migrate higher from -- if I just compare 4Q to the run rate beginning next year that's a decent place to start and then, to your point, you continue to invest in new lenders?

Dominic Canuso: That's correct.

Frank Schiraldi: Okay. All right. Thank you.

Dominic Canuso: Thank you Frank.

Operator: Our next question comes from Michael Perito of KBW.

Michael Perito: Good afternoon guys and Happy New Year. A couple of things. Rodger, I was wondering if maybe just to start here before I ask a little bit about the model, obviously 2020 was not the year I imagined you guys expected or planned for. And I was just curious, how do you -- where should we think about you guys kind of from here in terms of -- I know you typically lay out a multiyear internal strategic plan. And can you maybe just give us an update of how you're thinking about that process? I mean, is there a situation where you kind of take 2020 and then readjust everything going around? Or do you try to get right back on the plan that was laid out 12 months ago, after the kind of the obscure 12 months here? Just any thoughts or insights around how you guys are thinking about the next handful of years and planning after the year we just had would be great to start.

Rodger Levenson: Sure. Thanks for the question, Mike. It is something that the management team and the Board have been spending time on over the last several months. As you'll recall, this is the final year of the current strategic plan and obviously the middle year was certainly impacted by the whole COVID situation. So, as we move through this year, as has been our historical practice we will update that with a new three-year strategic plan. Obviously, the financial metrics for this year are impacted by the significant rate and credit environment changes with CECL that weren't contemplated within those original financial metrics. But the overall strategy has not changed. And then, as we move through this year we'll be working on that strategic plan and we'll present an updated three-year plan when we get to the end of next year.

I would say overall though, Mike, the takeaway I would want everybody to come away with is everything that has occurred this year for us just confirms the strategic rationale of the combination with Beneficial and the very large opportunity we see that that presented to us. We got interrupted, but we've continued to invest heavily, as we've talked about, with RMs and other things and we feel very optimistic about our growth opportunities in 2021 and beyond.

Michael Perito: And can you remind us how you guys think about kind of core capital? I think couple quarters ago you mentioned something about it in the slide deck. But after this active fourth quarter with share repurchases, it actually seems like there might be some line of sight, depending on your activity in the next quarter, to kind of get into a more normalized capital basis than the levels you were at post-Beneficial. Can you remind us how you think about the capital levels at a more normalized level for this balance sheet at this time?

Rodger Levenson: Yes, sure. We've talked about, as we've laid out the impact of the reserve build and the capital buffers that we have, we remain over our internal bank and holding company capital level target. And we like to have a buffer above that. Obviously, the buyback program in the fourth quarter significantly reduced those buffers, but we still have a way to go. And there's a lot of things that go into the mix there in terms of, as Dominic outlined, what we see as potential opportunities to invest in the business, what's going on with the credit, whether it's good things like reserve releases, or future challenges, and then just the overall economic environment. So, we're closer to those levels than we were before with what occurred in the fourth quarter, but there's still some more excess capital for us to deploy within the construct of all those dynamics.

Michael Perito: Great, helpful. Thank you. And then just two modeling questions for Dominic. One, just the non-interest income outlook commentary that that -- I think all-inclusive, flat year on year, is that based around approximately $169 million kind of core fee number for 2020? Or is there other adjustments to that that we should be thinking of when you guys lay that out?

Dominic Canuso: No, I think the number you just mentioned is in the ballpark of growth. I think the two significant impacts that are in play is, first, the full-year impact of Durbin and then clearly what may happen with mortgage banking and the volumes and particularly in the refi space and secondary market rates. Mortgage banking has been around mid-to-high teens of our total fee income and clearly then would have an impact. So, we've stripped those two out to provide an outlook on the remaining fee trends.

Michael Perito: Got it. And then as I think about the balance sheet mix, obviously there will still be quite a bit of run-off in 2021, as you laid out. But any initial thoughts? Dominic, I realize we're moving out a little bit here, but -- and this kind of piggybacks on the earlier question. But as we get into 2022, do you kind of see that -- assuming the rate environment's pretty similar, I mean, do you kind of see that becoming the year where some of the remixing will take hold in the margin in terms of kind of getting on with some of the stuff you're running off and reshuffling into the commercial lending that you guys are targeting. But do you think that that's a probability that the kind of impact to the margin will be more at least noticeable in 2022 as you see it today? Or is there any other dynamics we should be thinking about?

Dominic Canuso: Yes, it's a great question. And first and foremost is the balance sheet migration is occurring today. It's just difficult to see in this interest rate environment. So, with a stable rate environment for a period of time and then -- or a rising rate -- you'll see the expansion of the NIM based on those relationship-based spreads that we have in the marketplace. And then it would continue to accelerate from there, particularly as we focus on the C&I and even some of our leasing growth that we see with high single digits, low double-digit yields from that portfolio as well.

Michael Perito: Great. Thank you. Appreciate it.

Operator: Our next question comes from Erik Zwick of Boenning & Scattergood.

Erik Zwick: Good afternoon guys, if I could, just starting with the loan growth, I'd be curious to know where the pipeline sits today versus maybe three months ago. And have you seen any improvement in that over the past month or two since we've gotten some progress on vaccine approval and distribution? Or what may drive that to help support the outlook that you talked about previously?

Dominic Canuso: Sure. Steve, do you want to handle that question?

Steve Clark: Yes, sure. Erik, so the commercial pipeline -- we look at like a 90-day weighted average -- is up from where it was a quarter ago. It's about $215 million and that's kind of our forecast of what we expect to close and fund over that period of time on a weighted average basis. The pipeline had gotten as low as $175 million, $165 million going back a quarter or two. So, we certainly see increased activity for us. It's really market-share opportunities related to, in part, our new relationship managers that have joined us and, in part, to some of the disruption we're seeing at some of the bigger bank competitors. So, it's really not related to economic growth. It is really related to market share opportunities.

Erik Zwick: Thanks. I appreciate the color there. And then, just thinking about any particular industries that are driving that? And then also just as the bank has grown larger over the past few years, are you starting to have some success moving up in terms of customer size? And is that presenting more opportunities as well?

Steve Clark: So, I think there is no specific industry in the C&I space. We are generalists and we look at all industries across the board. In the CRE side we continue to see nice opportunities in multifamily space and residential land and residential vertical development. So those segments continue to be active.

And I apologize. I forgot the second half of your question.

Erik Zwick: Just in terms of customer size and loan size, have you had success in kind of moving up market now that the balance sheet is larger?

Steve Clark: So, we're not focused on moving up market per se. Our core business is privately-held companies with revenues of, in the commercial bank, ranging from $3 million to $5 million up to about $150 million. That is our market. We really don't view us as going above that. We really think that space, privately-held companies, gives us the best opportunity to really deliver all of our products and services across the bank.

Erik Zwick: Got it. Thank you. And then, switching gears a little bit, in terms of the delivery transformation, as you look at 2021 are there any particular areas of the organizations or business lines that are targeted for investment this year? And what specific kind of products or systems are you looking to invest in?

Dominic Canuso: Thanks, Erik. This is Dominic. I would just remind everyone that, as we've said, this is a delivery transformation initiative. These aren't just a few projects, but significant investment across the board, including customer-facing risk modules and back office efficiency. So, it's really across the board. And they're intended to provide value across the entire organizations, including the implementation of a CRM tool, specifically Salesforce, across the bank this year; enhancements and Encino for customer-facing speed to market and tying that into CRM' some other infrastructure capabilities, something like a MuleSoft to ensure that our technology stack is compatible across all of these types of investments; next-generation sales and service for onboarding and support, both our retail customers and in the branch, online, on the phone and even small business. So, it's really a significant investment across all our platforms to really drive growth and efficiency going forward.

Erik Zwick: Thanks, Dominic. And then kind of changing gears again to asset quality and the $15 million multi-family commercial relationship that moved to nonaccrual that was noted in the press release. Any kind of specifics you can provide there? Is that one specific project or is that the total relationship? And what is the plan to kind of manage that at this point?

Steve Clark: Erik, this is Steve again. So that particular relationship, it is one CRE relationship consisting of two loans that total $15 million. And the properties are actually multi-family student housing located in a very desirable section of Philadelphia. So, the loans were originally underwritten at 65% loan to value. And the properties are currently 80% occupied. So, we are working with the borrower and we certainly expect this situation to be resolved favorably.

Erik Zwick: Thanks, Steve. Just one last one for me and then I'll drop off. You've talked a lot about capital already and feeling there's a good use for deploying capital into share repurchases. You did an increase to the common dividend in 2020. What would prompt you to potentially do that in '21 or in the years ahead?

Dominic Canuso: Sure, Erik. This is Dominic. So, just to restate, our long-stated practice with regard to capital deployment is first looking at our core earnings and typically returning 25% of our core earnings split equally between routine share buybacks regardless of price and then a purposely low dividend. And then to the extent, as we've seen recently, given excess capacity and capital and positive share price, to redeploy that through incremental share repurchases. Clearly this a unique environment and we would want to see the sustainable earnings that we anticipate coming out of 2020 to 2021 and then we'd look to maintain those relationships of returning 25% of that core capital between the share buyback and the dividend moving forward, as we had in the 5 years leading up to 2020.

Erik Zwick: Great. Thanks for taking my questions this afternoon.

Operator: Our next question comes from Russell Gunther of Davidson.

Russell Gunther: Good afternoon guys, I just have a few follow-ups. The first, with regard to the fee income conversation you mentioned the double-digit in Wealth Management for '21. Are you able to share any color as to the fundamentals behind -- that would support that growth rate?

Dominic Canuso: Art, do you want to take that question?

Art Bacci: Sure. Good afternoon, Russell. Our institutional trust business has grown double digits over the last eight years. And right now, I can tell you that January typically is a slower month after the rush to securitize at the end of the year. But this January continues to be fairly active with tax law changes proposed potentially out there and gifting rules potentially changing. There's still very active personal trust activity. We saw a 13% increase in account openings at the end of the year. So that bodes well for fee income going into 2021, as well as we ended the year with on the advisory side the AUM was at a record high for us and the market at the end of the year was -- our AUM was up 7% from third quarter so, since we bill in arrears, we've got 7% first-quarter fee income growth just based on the market. And then you add on hopefully some good net client inflows and I feel pretty confident that double digit is achievable.

Russell Gunther: I appreciate the color there. And switching gears a bit, Dominic, I think I heard you say $200 million is the targeted runoff portfolio shrinkage for this year. And if I heard that right it's a bit of a deceleration from a more recent clip. So just curious as to what's driving that assumption.

Dominic Canuso: Sure. I think it would be relatively consistent trends as we've seen in that run-off residential mortgage portfolio. But some of the other categories, the participation portfolios and leveraged loans, had chunkier, larger loans that had refinanced or paid off over the last few years that will not re-occur. So, when you take the blended portfolio as it stands today, we'd likely see somewhat of a lower run rate than we've seen in the last few years. Again, though, that's contingent upon I think a significant portion to what will happen with the residential mortgage market.

Russell Gunther: Got it. Okay. Very helpful. Thank you. And then, within the provision guidance are you guys able to share a range and sort of timing and magnitude of what that contemplates for realized losses and net charge-offs?

Dominic Canuso: So, we don't share that level of detail. What we can say and clearly have seen in our credit metrics that performance continues to be relatively stable. I think there's still a lot in play with regard to the pace of the economic recovery. What we have seen in the last few quarters is that the major forecasts for GDP and unemployment are stable to slightly improving. So that's helping. But ultimately what needs to be understood is the extent to which PPP and government stimulus are either pushing out the loss content or otherwise mitigating it. And I think we have a couple quarters to go here to fully understand that.

Russell Gunther: Okay. No, I get that. And then last question -- we're back to capital deployment. The three-year strategic plan was mentioned, and I believe the one that we're currently in had at some point articulated remaining on the sidelines from a depository M&A perspective. Is that still the case? Or are there opportunities that may present themselves where WSFS would be willing to announce a depository deal in 2021?

Rodger Levenson: So this is Rodger. I'll jump in on that, Russell. So, as we've said a number of times, the strategic plan and our focus has been on this what we think is just an incredible organic growth opportunity in this greater Philadelphia, Delaware region, as being the only locally headquartered bank of size and scale to compete with the big guys. It's a very unique market position. So, we are very focused on that. We keep our eyes open for other things. But it really would have to be something that would be consistent with our strategic plan and additive to that objective in terms of our current market position for us to pick our heads up and turn away from the organic growth opportunity.

Russell Gunther: Understood. Okay. Great. Rodger, Dominic, everybody, thanks for taking my questions. That's it for me.

Operator: Thank you. [Operator Instructions] Our next question comes from Brody Preston of Stephens, Inc.

Brody Preston: Good afternoon everyone. I just wanted to circle back on a couple of the fee income businesses, Dominic. Just on Cash Connect, you all have done a pretty good job just in terms of the unit growth there, in terms of the ATMs and particularly on the smart safe side of the business. But net revenue trends seem to be relatively flattish from 3Q to 4Q. How should we be thinking about the revenue growth trajectory of that business in 2021, especially now that interest rates have definitely found a bottom?

Dominic Canuso: Sure. Good question. So, yes, we continue to see top-line opportunity particularly with regard to units and total cash serviced. In particular we're seeing outsized growth continue in our Smart Safe and reconciliation products, which bring higher yielding returns to the division and to the bank.

Year over year, though, clearly the impacts of COVID and the lower interest rate will have somewhat of an impact, so there will be muted year-over-year growth in net revenues. But a lot of that is managed also in our expense base and some improvements being made in the scalability of the business. So, while net revenues, in particular fee revenue, won't necessarily see meaningful growth year-over-year, again, because of the full-year impact of the interest rate environment and COVID, we do anticipate to see continued bottom-line growth and to see ROAs consistent with 2020.

Brody Preston: Okay. Thank you for that. And then on the Wealth side of the business, obviously continued strong growth there and I appreciate some of the guidance. But I just wanted to ask about one of the hires you made earlier in the summer, Salvatore coming over from PNC. Has he gotten up to speed yet? Or is part of your guide for double-digit growth part of him continuing to build his business and bring over some of his old book?

Dominic Canuso: Steve, do you want to start with just on-boarding and what you see in the future? And I think there's a tremendous overlap with Art, so maybe he can share his thoughts as well.

Steve Clark: Yes. So, as it relates to Sal Patti, he joined us in August of last year and after 23 or so years at a competitor bank. The last three or so of those years he ran the Wealth business for that bank. But prior to that and all of his career prior he was really in the commercial lending, commercial banking space. So, his activity, while he has kind of a foot in both Commercial and Wealth, his activity really has been focused so far on commercial opportunities. And I don't want to speak for Art, but I don't believe any production that may be generated by Sal is in Wealth's forecast.

Art Bacci: Brody, this is Art. We do work with closely with Sal. I do think there will be some benefit to the Wealth team from Sal. And I think one of the nice things I'm seeing is just the coordination and the communication and the teamwork that's really going well between the Commercial RMs and the Wealth team. And it's really generated a really nice strong pipeline coming into 2021. And we, like Commercial, have spent a good portion of the fourth quarter talking to private bankers and advisors and, now that the year-end has passed, we probably will restart some of those conversations.

So, I think in general we have the opportunity to continue to invest in talent in Wealth. And with the coming together with Commercial and being able to go to clients with an offering that's both for their business and for them personally, I think it's going to be a great opportunity for us.

Brody Preston: Okay. Thank you for that. And then, one of the, I guess, highlights of the Beneficial deal was the ability to cross-sell some of the fee income line items that you have, and that Beneficial didn't necessarily have. And part of that was Mortgage. And obviously you and others have had a great year there. But I wanted to ask, were you able to sort of penetrate that market and cross sell into Beneficial's customers? And did I guess maybe the low-rate environment help pull that through? Or is there still more wood to chop there where you could better penetrate, I guess Beneficial's customer base and help Mortgage out a little bit more in 2021 to a greater degree than maybe some of your peers had the ability to do?

Dominic Canuso: Sure, Brody. This is Dominic. Yes, there's tremendous opportunity ahead, both in not only cross-selling to existing and legacy Beneficial customers who did not have those products served to them at Beneficial, but across our expanded footprint due to that combination in the greater Philadelphia markets and New Jersey, South Jersey, and Southeastern Pennsylvania and Delaware. And so while 2020 was disruptive and the interest rate environment was a bit challenging, I think what we saw in mortgage was an example of the opportunity that exists with that significant growth in that business, both in originations and loans closed and the overall volume in customer service.

We still see the opportunity, whether it's credit cards, Small Business, SBA, Private Banking, et cetera, a tremendous opportunity ahead. We're still very focused on that. We had made significant investments in staffing and capabilities in 2019 and 2020 to take advantage of those opportunities. And we were prepared -- if you recall, right when COVID hit was our 1-year anniversary of the close of the combination and the 6-month anniversary of the conversion. So, we were very focused on executing on those business cases and strategies. And COVID did disrupt that for a couple quarters here. But, if anything, what we've learned so far is the opportunities ahead are as big, if not bigger, than what we had anticipated from the combination.

Art Bacci: And, Dominic, this is Art, if I may add on. We added four advisors at the end of 2019 in anticipation of being able to work with the Beneficial branch network. Clearly COVID, with the shutdown of the branches, or restricting access to the branches, impacted that. But we continued to do outreach and email and we've really seen the benefit of that as the branches opened up in the second half of the year WIG Investment group, AUM group, well, well into the double digits as we saw the relationships with the Beneficial branches really start to kick in. So, I'm really hopeful that we can continue that momentum into 2021.

Brody Preston: Okay, great. And last one for me, Dominic. I'm sorry if you covered it already. But the margin guidance seems to imply less of a liquidity drag in 2021 than what happened in the fourth quarter. And so, should the expectation be for you to deploy some of the excess liquidity that you got this quarter further into securities balances? Or is it earmarked for -- obviously it would be better for loan growth but just wanted to get a sense for what the plan is for the excess liquidity moving forward.

Dominic Canuso: Sure. And even in 2020 we increased the size of our investment portfolio about 20% year over year. And we see continued opportunities to do that, to leverage this excess liquidity, in a disciplined and appropriate manner. So that's where we would deploy it and put it to work. Clearly the pace of recovery, customer behaviors and spending with those deposits and then incremental deposits that would result from the second round of PPP would put pressure on the NIM rate, but obviously be accretive on an earnings perspective.

Brody Preston: Yes. All right. Great. Thank you all for taking my questions this afternoon. I appreciate it.

Dominic Canuso: Thanks Brody.

Operator: Thank you. I'm showing no further questions at this time. I'd like to turn the call back over to Rodger Levenson for any closing remarks.

Rodger Levenson: I just would like to say thanks for everybody for joining us on the call today. Dominic and I will be virtually out on the road in the coming weeks and look forward to connecting with many of you at that time. Thanks, everybody.

Operator: Thank you. Ladies and gentlemen, this does conclude today's conference. Thank you for participating. You may now disconnect. Have a great day.