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Berkshire Hills

Virtual Strategy Update Conference Call

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PRESENTATION

Nitin Mhatre

Good morning, everyone. I'm Nitin Mhatre, CEO of Berkshire Bank. On behalf of all Berkshire bankers and our Board of Directors, I will welcome you all to the strategic transformation launch where we'll provide you an overview of Berkshire's Exciting Strategic Transformation plan, or what we refer to as BEST.

As a quick introduction, I joined Berkshire Bank about four months ago after spending 25 years in banking at Citibank and Webster Bank. During those 25 years, I've had the opportunity to build and work with strong teams to turn around, transform and grow business unit profitability and enhance shareholder value. I believe that my experience positions me well to work with my team at Berkshire Bank to sharpen Berkshire's strategic focus and create value for all stakeholders.

Since the day I arrived, we've been working diligently and expeditiously on this transformational plan with a goal to significantly improve Berkshire's financial performance while building on our purpose to cement our position as the leading socially responsible community bank in the markets we serve. Our BEST program has been built organically, with input and commitments from senior leaders throughout our organization.

Comprehensive financial analysis and modeling was done over the last three months, with associated likelihood factors applied to each workstream of the program. Based on the work, we believe this program, by year three, will generate about $70 million to $90 million of incremental pre-tax, pre-provision net revenues, or PPNR, and deliver over 10% return on tangible common equity.

Before we get started, I want to take a moment to thank our Board of Directors, Management team and all our bankers for the collaboration in the development of BEST, as well as their enthusiastic support for our journey ahead. I'm going to be joined a little later by many of my colleagues for the Q&A session, including our Chief Operating Officer, Sean Gray; Chief Financial Officer, Subhadeep Basu; Chief Risk Officer, Greg Lindenmuth; Head of Consumer Banking, Tami Gunsch; Head of Commercial Banking, George Bacigalupo; Head of Wealth Management, Kate Hersey; Chief Human Resource and Culture Officer, Jackie Courtwright; and others.

I'm going to work from the presentation that was uploaded on our Investor Relations website, and you can see it on the screen as well. You can also see a question message box on your screen, and you may enter a question at any time during this presentation.

Please note that this presentation contains forward-looking statements as well as non-GAAP financial measures. Associated legal disclaimers are included on Slide 2.

Some of you may have heard my observations as the new CEO during the first quarter earnings call, and I want to highlight some of those again, as they're integral to our BEST initiatives.

Berkshire has a strong core, which is its 175-year history of being a purpose-driven, community-dedicated bank that truly cares about its customers, bankers and the communities that we serve. We have many talented bankers who know our markets well and have built strong relationships with customers, sponsors, centers of influence, and communities in those markets, and just the same, our non-customer-facing bankers are passionate about delivering high quality experience to all our customers.

With a new Leadership team and promotions in the key roles, there's a renewed sense of energy and focus across the organization. We're collectively driven to becoming a shining example of a socially responsible and commercially successful institution, and we share a sense of urgency to enhance shareholder value, in part through more effective capital allocation in support of strategic choices that drive growth in key customer segments, elevate our customer satisfaction levels and improve our return on capital, thereby boosting shareholder value and creating a virtuous cycle of reinvestment and enhanced shareholder distributions.

Slide 4 shows our Company at a glance. Berkshire today is a $13 billion asset sized bank, serving the needs of approximately 350,000 customers, small businesses and commercial relationships from all walks of life in our New York and New England regions. We offer a full suite of key financial solutions to help our customers bank across distribution channels of their preference. Loans comprise 67% of average earning assets, supported by a diversified deposits base of $10.2 billion.

We've always been a bank with a purpose. We understand the critical role Berkshire plays in putting people to work and deploying capital to power our local economies. We remind our customers that where they bank matters and their simple decision can significantly impact the health of their communities. At Berkshire, we bring that mantra to life through our purpose-driven business activities. For example, Berkshire supported local businesses through the pandemic by helping more than 7,000 small businesses secure nearly $1 billion in PPP loans, making us amongst the top institutions in terms of PPP loans as a percentage of assets nationally.

We create thriving neighborhoods through our community contributions, which includes our philanthropy and applied volunteerism. Berkshire is building financial equity and wellness, helping more than 86,000 people with financial literacy last year alone, and reinvesting $76 of every $100 deposited in places where we live and work, which is about 70% higher than industry average. Our commitment to social responsibility will continue to remain a central element during our transformation, because when we successfully execute BEST, it will allow us to deepen our longstanding impact on the communities.

We'll enhance our existing and add new offerings within our ecosystem of socially responsible products and services, such as our recently launched MyFreedom checking account, which helps improve financial stability of unbanked and under-banked consumers. Berkshire is charting its path forward in a highly competitive, rapidly evolving banking environment where we must significantly improve our financial performance and transform our customer experience.

Slide 6 captures the macro trends and factors that are impacting the banking sector globally. These include macroeconomic factors related to persistently low interest rates, and changing credit outlook; shifting customer and banker preferences and expectations; a rapidly accelerating technology and digital ecosystem; and associated competition and disruption from Fintechs and Neo-Banks. These factors are influencing our strategic thinking and contributing to our sense of urgency as we build our strategic transformation plan.

Additionally, we believe that recent and future market disruptions due to M&A activities amongst competitors present new opportunities for us to hire new skilled community-dedicated bankers and win new customers, and we've already begun to see this benefit accrue to us in the recent months.

Slide 7 is what I refer to as the institutional imperative. It highlights our baseline financial performance and highlights how it is behind our peers, but more importantly, it also highlights the key drivers that'll pave the path to a stronger performance. The right-hand side of the slide shows the gap versus peer median across key financial metrics, such as ROA, ROTCE, efficiency ratio and CET1 in 2020.

Key elements of opportunities for improvement are listed on the chart on the left. This includes opportunities to further strengthen our balance sheet before starting to grow it again in early 2022. Some examples of this would be running off our high-cost CDs, increasing DDA penetration and balances through dedicated programs, running off non-relationship, noncore loan balances while building capacity to grow relationship-based, higher ROE loan balances.

There are opportunities to improve margins by improving loan pricing and reducing high-cost borrowings and wholesale funding. We see opportunities to change and improve asset mix, with a higher concentration of small business and C&I loans within commercial and prudent allocation to consumer lending growth while keeping the overall commercial to consumer mix at roughly about 70%/30% over the next three years.

There are opportunities to improve revenue mix and generate high capital efficient fee revenue through growth in SBA, mortgage banking, wealth management revenues and cash management. We also see opportunities to track and improve our net promoter scores, which we believe will improve our relationship depth and overall profitability. We also see an opportunity to leverage our ESG performance and promote it more effectively.

Based on the macro factors present in our sector, coupled with many improvement opportunities in front of us, we've created a clear plan of action: Berkshire's Exciting Strategic Transformation, or BEST. We believe that this plan gets us to high performance over the next three years and will help us achieve our vision to become the leading, socially responsible community bank in the markets that we serve.

Slide 8 highlights the key thematic pillars of the plan, which are Optimize, Digitize and Enhance. Our Optimize pillar covers all the initiatives that drive optimization of our physical footprint, processes and procurement, along with product, pricing and loan deposit mix that'll drive improved ROE.

Our Digitize pillar covers all the initiatives that improve our ability to open consumer and business accounts online and digitize originations to servicing customer journeys. This pillar will also include improving our ability to leverage digital channels for marketing and provide meaningful insights into our customers through online and mobile banking channels. Initiatives in this pillar will also enable more seamless integrations with Fintech and sales partners that will truly make us an omnichannel community bank.

Our third pillar, Enhance, covers all the initiatives where we grow profitable originations and balances in chosen segments, enhance banker engagement, customer satisfaction and net promoter scores, and enhance capital allocation and deployment for improved return on equity and return of capital to shareholders.

The hallmark of a good strategy is the choices that we make to not only do new or more things but also not do, or do less of, certain things. We have built those choices in our BEST plan. We track them in the strategic framework of participation, positioning organizational risk and technology choices. Slide 9 provides some examples of choices within that strategic framework, in terms of the things that we'll do more of and things we will do less of.

As an example, in participation, we will choose to accelerate growth in business banking, SBA lending, C&I and asset-based lending, while deepening relationships with CRE customers, along with wealth management and MyBanker programs. For those of you who may not be familiar with our MyBanker channel, it is a unique program through which we provide concierge service to our consumers and businesses. A dedicated banker takes care of your banking needs by visiting the customers, versus customers visiting the branches.

We will also increase consumer balances with high ROE while retaining our overall loans mix to 70%/30% commercial and consumer. In the same category of participation choices, Berkshire will continue to assess its branch footprint, looking at opportunities to optimize a franchise and tighten the geography while maintaining our strong record of deposit retention with the MyBanker program. Similarly, we will not participate in, or will run off, businesses that are inherently high risk or low margin and non-relationship in nature. Many of these choices are listed on the slide, and collectively, they improve our ability to effectively execute the BEST program to drive high performance.

Slide 10 outlines the components of our optimized initiatives. These include optimizing the footprint by exiting under-penetrated markets, branches and hub site consolidations; optimizing processes, includes centralizing the procurement function to consolidate and lower vendor costs; enterprise process mapping and re-engineering and automation of outsourcing, all of which will improve effectiveness and efficiencies across the bank.

In terms of optimizing the balance sheet, we'll get better before we get bigger, as I indicated earlier. This means that we'll stabilize the balance sheet in year one, grow the updated balance sheet from year two onwards to maximize ROE. We will also reduce, or eliminate, noncore, low margin, duplicated products, along with optimizing pricing, all of which will improve the dynamics and profitability of the balance sheet.

In terms of human capital, we'll review our org structure and standard control, and strengthen our performance management program to identify opportunities for human capital saves. This will also create opportunities for redeployment of talent to effectively execute our strategies and create opportunities for broader roles and higher incentive compensation for our top performers. Cumulatively, these initiatives under the Optimize pillar are projected to improve our return on tangible capital by approximately 300 basis points in year three.

On Slide 11, you'll see all key components of Digitize pillar and its cumulative financial impact. Through this pillar, we're enhancing our technology behind all our points of customer contact, branches, MyBanker, relationship managers, interactive tellers and call center, with the goal to expand customer self-service and enhance our outreach to our customers. Behind the front-end will be a strengthened data warehouse supporting our analytics and relationship views.

Of course, the mobile experience is the most exciting aspect of our work, in which we'll build forward from our leading edge account opening platform developed in partnership with Narmi. Some of these programs have already begun, and we are seeing remarkable improvements already. For example, our digital account opening for checking account was roughly 2% of total checking accounts opened last year. We're now at about 7% this year so far. Our mobile app rating was below two stars at the start of this year on iOS platform. Today, we're at 4.6 stars.

The financial contribution from digitalization is expected to include important revenue drivers based on improved customer outreach, marketing and partnerships with Fintechs that'll help us originate high-quality relationships through digital channels. The cumulative impact of all Digitize initiatives is projected to improve ROTCE by approximately 75 basis points in year three of our BEST plan.

On Slide 12, we have listed the key initiatives under the Enhance pillar of our BEST program and its ROTCE impact. Under this initiative, we will grow verticals where we have a competitive advantage and a robust market opportunity and high return on capital. This includes small business and SBA lending where we have a distinctive advantage; commercial lending, including CRE; and especially asset-based lending that extends into the mid-Atlantic region where we have a premier specialty lending group with a stellar record.

We have a talented team of CRE bankers and we'll enhance relationship focus on those originations as well, including higher deposit balances per customer; secured and unsecured consumer loans for customers in the footprint where we're able to fulfill their needs while expanding and deepening our relationships. We will do this through our existing channels, as well as Fintech partnerships. We also believe that mortgages are an important part of consumers' relationship with the community banks, like us, and we'll grow that portfolio through expanded channels.

Berkshire has been building a strong team and platform for wealth management, and we'll continue to actively grow here to improve our wallet share and fee revenue, largely through targeted relationship deepening. Our MyBanker program is proving to be a strong revenue driver and source of organic growth, and we will add more bankers to this program for further deepening customer relationships. Through these changes, our frontline teams are now poised to take advantage of the robust economic recovery in our region and capitalize on market opportunities arising from disruptions in the competitive landscape.

As part of our Enhance pillar, we'll strengthen our capital allocation process to increasingly deploy a larger portion of capital to higher ROE relationship businesses. We'll refine our capital stack to lower our cost of capital, and we'll continue to look for opportunities for capital deployment, both into high ROE businesses and back to our shareholders on an ongoing basis. As a reminder, we announced our plans for a share buyback in late April during our first quarter earnings call.

As part of this pillar, we'll also roll out programs to improve employee engagement and productivity, enhanced relationship pricing programs for customers, and promote our purpose-driven positioning in our communities. Cumulatively, we project that these initiatives, under the Enhance pillar, will deliver incremental ROTCE of approximately 350 basis points in year three of our BEST plan.

Slide 13 captures the key success matrix over three years. It highlights that, through effective execution of our BEST program over the next three years, we project to deliver return on tangible common equity, or ROTCE, of 10% to 12% in year three, which is an improvement over the baseline of adjusted ROTCE in 2020 by 680 basis points to 880 basis points. Similarly, ROA is projected to increase to 100 basis points to 105 basis points, which is an improvement of 76 basis points to 81 basis points compared to the baseline of adjusted ROA in 2020. This takes our projected PPNR to $180 million to $200 million in year three, or an increase of $71 million to $91 million, compared to our baseline of adjusted PPNR in 2020. We project to be in the top quartile of banks nationally, as measured by ESG raters and indexes including MSCI, ISS, Sustainalytics and Bloomberg. Finally, we expect to be in the top quartile of net promoter score amongst banks in New England through implementation of this program.

Slide 14 provides a walkthrough of how ROTCE improves through our BEST program and other factors. Starting with ROTCE of 3.2% in 2020, we expect to gain approximately 375 basis points and 350 basis points through Optimize, Digitize and Enhance initiatives, respectively. Additionally, the components of our BEST program that address capital deployment and credit are projected to drive an additional 100 basis points to take the ROTCE for year three of the program between 10% to 12%. Please note that this does not include any benefit coming from rate increases forecasted for the next three years.

Our balance sheet is asset-sensitive at this point, and our net interest income as a percentage of revenue is over 80%. Given this, we expect larger-than-average benefits to accrue to us in the event of rate increases over the next three years. Based on our current projections, we believe we could gain 100 basis points in ROTCE from currently forecasted interest rate increase over the next three years, which would take our total ROTCE to 11% to 13% in the year three of the BEST program.

Continuing on the financial results, Slide 15 covers some additional details of the drivers of improved performance. Based on these initiatives planned, we expect our loan balances to grow at a CAGR of about 5% to 7% over the next three years; our loans-to-deposits ratio will increase from 79% in 2020 to approximately 90% in the year three of the program, pretty much in line with where we'd like to be; our efficiency ratio will improve from 69% in 2020 to approximately 60% in year three of this program; our CET1 ratio will moderate from about 14% to 11% over three years, which is more in line with the peer group.

Our balance sheet composition, especially changed from where we were at the end of Q1 2021 to where we will be at the end of year three of our BEST program is outlined here. The net message is, within the loans component of the earnings asset, the distribution of commercial to consumer will remain quite similar, with approximately 70% to 30% mix in year three. Our investments mix will decline from 33% of earning assets in Q1 '21 to about 20% in year three.

The charts at the bottom right section show the change in funding mix. The net message is that non-interest bearing deposits as a percentage of total funding mix will improve significantly from 23% in Q1 2021.

Slide 16 provides a high level overview of governance structure that we're putting in place for execution of our BEST program. The program as you now know has three thematic pillars: Optimize, Digitize and Enhance. These pillars are composed of 16 individual workstreams led by members of our Management team. Each workstream has its own specific financial objectives, which all roll up in support of the overarching BEST goals.

We are developing a strong governance and support system to power BEST and ensure accountability by creating Transformation Management office and Transformation Management Committee led by our Chief Transformation and Strategy Officer, Sumant Pustake. Our transformation is enabled through strong internal and external communications and change management, including aligning pay and performance measures with the BEST program objectives.

Our Company has a strong enterprise risk management structure and culture, and our ERM process will be a critical part of our BEST execution strategy. The execution of BEST will further be supported by an experienced Executive Leadership team. Slide 17 highlights the collective broad and deep experience of our Executive Leadership team, who has over 325 years in banking, equating to about 27 years on an average.

What brings this Leadership team together and also sets us apart is our drive and passion to empower the financial potential of our customers and communities from all walks of life. It is reflected in our philanthropic and volunteering work, including service on various nonprofit boards. These executives, along with other members of Management team, will help successfully achieve the goals of our BEST program.

Berkshire is a purpose-driven, socially responsible community bank. Consistent with my message in our Annual Report, we're ready to get better and stronger with a sense of urgency. With the launch of our BEST program, we are transforming the Company towards high-performance by adapting to changing customer preferences, becoming the leading socially responsible, omnichannel community bank in our markets, and maximizing value for all stakeholders while positioning ourselves for future growth.

From an outside-in perspective, we present an exciting change story of a purpose-driven institution that is trading marginally above tangible book value, with a new Management team that is looking at things with a fresh set of eyes and will leave no stone unturned along our path to high performance. This BEST transformation program is truly the best program for this organization and has been built from the ground up by the Leadership team. All Berkshire bankers are committed and excited to move forward with a collective resolve, confidence and passion to prove to ourselves and everyone else that purpose and performance can truly coexist, and Berkshire's purpose-driven, community-dedicated banking model will enhance value for all stakeholders, including our shareholders.

With that, I'll invite our Management team to join me and open it up to your questions. We have a phone line open for analysts and investors. You can ask questions via the phone line or through the question box in your webcast screen.

At this time, I'll turn the meeting over to our Operator for a moment to invite all your questions and will pause to bring members of our Management team on the screen to respond to your questions.

Operator, please proceed.

Operator

Our first question comes from the line of Laurie Hunsicker from Compass Point. Go ahead please, your line is open.

Laurie Hunsicker

Yes, hi, thanks, good morning. It's really nice to see you guys.

I was hoping…

Nitin Mhatre

(Cross-talking).

Laurie Hunsicker

…that you could go back a little bit to discuss your branch footprint, and obviously by the end of this year you'll be down to 106, which was great, and you referenced that may continue to shrink. Can you talk a little bit more generally how we should think about that, and specifically as we look to next year, how we should be thinking about where deposits are, where earning assets are, maybe some of your assumptions with respect to further branch closings and retentions? That's my first question, and then I have a follow-up on expenses. Thanks.

Nitin Mhatre

Sure. Thank you, Laurie, and good morning to you as well.

Maybe start out at a high level. I think you know this, based on the conversations we've had in the past, we believe that branches do play an important role for community banks, both for consumers and small businesses, and they will continue to play that important role. That said, over a period of time, we believe there'll be fewer and smaller branches in the footprint. We also believe they will be better located over time as we tighten our geography. At the same time, we believe that every decision that we make about which footprint to operate in and how we tighten our geography will be based on data and the consumer preferences.

The good news for us is, like you mentioned, we have done optimization and consolidation in the past, and we've really done it very well. I'm going to ask Sean, if you could give maybe some data as to how we performed so far, and then I'll come back to what the plan is for the future may be.

Sean.

Sean Gray

Sure. As you know, we announced 16 earlier in the year; we are through 12, so that benefit will continue to run through, going into the future. We have four more scheduled for the remainder of this year. That remains on track, on schedule, on budget. That brings us to about 20 branch consolidations in the last three years, and we've done about 41 in just under a decade.

It's a very formal process. We look at branch profitability down to that exact branch, we validate with third parties. We then look at, as Nitin was talking about, how that branch is contributing to the density in that market, our market penetration. Then obviously, the speed of digital adoption is changing behaviors. We ultimately believe we've got a great track record of performance. In those consolidations, we've retained over 95% of our deposits, so we feel good. Ultimately it's a good process, and we think we can continue branch optimization into the future and continue to bring that branch count down.

Nitin Mhatre

Should we ask maybe Tami to give more color around how we're actually retaining those deposits?

Tami, are you there?

Tami Gunsch

Yes, I am. Good morning, everyone.

Sean really covered how we look at branch optimization, is one of the things that we do and where our track record was to really retain over 95% of deposits is really identifying the branches that we're going to consolidate and really reaching out to our customers through our relationship managers through the branches, or are MyBankers post-consolidation, to really give us the opportunity to retain all of our customers. That has been very successful through our consolidation. As Sean mentioned, we have consolidated over 41 branches and retained over 95% of our deposits, so our teams do a really nice job and interact with our customers prior to our branch consolidations.

Nitin Mhatre

Thank you, Tami.

Laurie, does your address your question?

Laurie Hunsicker

Yes, and just maybe, can you help us think a little bit more broadly—so, from 106, do we potentially go down another 10 to 20 branches, or what is baked into your efficiency ratio assumptions?

Nitin Mhatre

I don't want to give you specific guidance, Laurie, but what you could safely assume is we'll continue the process of managing consolidation that's data-based. I would say in the plan, what we have is in the range of maybe 5% to 10%, if that option lends itself based on the consumer behavior and the foot traffic.

Laurie Hunsicker

Got it, so 5% to 10% down from the 106? Is that— am I thinking about that—

Nitin Mhatre

Yes.

Laurie Hunsicker

Okay, great.

Nitin Mhatre

Yes.

Laurie Hunsicker

Then on your efficiency ratio guide of 69% going down to 60%, can you maybe also help us think a little bit about both revenue and top line, or maybe put that in the framework of sort of non-interest expense over assets, or can you help us tighten that a little bit, just in terms of how we're thinking about that? Maybe just, as you put all of these pieces together, maybe also help us think about margin, because stripping out some of the noise, your margin is looking like it's dropping down to a 245 level as we roll into 2022. Can you help us think a little bit about what that is looking like when you put all these pieces together? Thanks.

Nitin Mhatre

Sure, I'll let Subhadeep answer the question and come back to your latter point that you made.

Subhadeep Basu

Hi, Laurie. This is Subhadeep, nice to hear from you.

Laurie Hunsicker

Good morning.

Subhadeep Basu

On the efficiency ratios, as Nitin referenced earlier on in the presentation, there are a variety of forces at play here. On the expense side, as Sean was talking to it earlier as well, we will continue to rationalize our brand footprint, and we have already started that journey. That's going to continue, and that obviously delivers substantial numbers on the expense side.

Secondly, we're looking at our real estate footprint and where the post-pandemic work environment takes us, and we definitely feel that there's an opportunity, in addition to also providing flexibility to our coworkers. We're looking at FTE opportunities for reductions and how do we sort of manage to that, and then obviously, we're going to look at our current needs, our efficiency rates and manage to that as well, from an FTE standpoint. Also, we're looking at centralization of procurement activities. We believe, as we have seen in the industry, that will deliver expense saves for us as an institution.

Then lastly, it's the technology stack we are looking at in terms of retirement of older technology stacks and vendor redundancies that it creates, which will help us on the expense standpoint.

On what we are going to do, is we're going to self-fund this transformation through our expense reduction efforts. We're going to use some of the expense saves to hire bankers, which will drive frontline revenue growth. We'll also deploy into technology to enhance productivity, to enhance customer experience. What you're going to see in terms of us driving towards the 60% ratio is a combination or a dynamic effect of revenues and expenses, and you can see that play out over the next three years or so.

In terms of your question around the NIM, Nitin gave the guidance around the PPNR lift and where that's going to take us in year three. We are focused, obviously, on NII. The other thing that Nitin also talked about is asset mix shift. That's going to also have an impact on NII and NIM. In summary, our guidance will be that the NIM will definitely trend higher from where it is, and we as a bank, and you'll continue to see the benefits that we get in the out quarters.

Nitin Mhatre

Okay. Thanks, Subha.

Laurie Hunsicker

Okay, thanks. I'll leave it there.

Subhadeep Basu

Thanks, Laurie.

Nitin Mhatre

Thanks.

Operator

Our next question comes from the line of Anthony Elian (phone) with JPMorgan. Go ahead please, your line is open.

Anthony Elian

Hi, good morning, everyone. Thanks for taking the questions and for the presentation today.

Can you talk more about improving the revenue mix and more specifically on the path to enhancing the overall top line growth profile of the Company?

Nitin Mhatre

Oh, absolutely. I think some of that was included in the presentation deck, Anthony. And first of all, thank you. That's a great question.

I'd say a couple of different things. One is changing the asset mix itself, and I think you'll see some of those parameters that I laid out. The other part is driving down the cost of funds, both through the consumer small business mix as well as taking down the cost of borrowings on the financial balance sheet. The other side of it is changing the mix within both consumer and commercial portfolios that enhances our margins along the way.

There is also a tremendous amount of focus built into the fee income, because currently we're operating about 17% to 18% in 2020. We believe this takes us at a significantly high number in the three years that we build this plan out for. It's a combination of those three or four factors that improves our revenue significantly, and like Subhadeep mentioned earlier, the expense save that we get, largely from the Optimize pillar part of our BEST transformation plan, invests into those activities. That will help us facilitate that. We've modeled this out, and we believe these are all components that have very high likelihood to be achieved over three years.

Anthony Elian

Great, thank you.

Then my follow-up, what are some of the drivers of the 5% to 7% loan growth? Is this 5% to 7% all organic, or does it also include any potential banker hires you expect to make?

Nitin Mhatre

Yes, you nailed it. It's a combination of three or four things. One is, we have, as I mentioned in my comments, extremely talented bankers throughout the organization that know our markets and the customers and the sponsors and the centers of influence really, really well. We will leverage that, enhance the productivity, stronger performance management, different and improved compensation plans, so that's going to help improve the volume production from the existing sales force.

We will hire new frontline bankers as well and support staff that supports that new production. I'm going to ask my colleague George to give an update about how we're doing there in a minute.

George, why don't you go now; talk about what you're seeing in the market in terms of new hires.

George Bacigalupo

Thank you, Nitin. Good morning.

Because of the mergers that we're seeing in our markets, both in New England and mid-Atlantic, there are uncertainties in the market and there are opportunities to hire some well-qualified bankers to enhance our businesses. Just in the recent months or so we've hired Scott Vickery and Lance Reagan to head up a team of business bankers for the Boston market. We've also recently hired Ben Garcia to help our mid-Atlantic group with an ABL Banker coming from Wells Fargo Bank. We also have hired Tim Kensky from Bank of America, a middle market lender based in Albany.

We also have a number of other potential hires that we're working on that will really enhance the areas that we're looking to grow, specifically ABL, business banking and middle market in the coming years.

Nitin Mhatre

Thank you, George.

Anthony, to go back to your question about, so it is organic, the short answer is, yes. How it is organic is we're going to improve the productivity of the existing sales force, supplement the sales force like George talked about, and there is a significant amount of frontline hiring that's baked into this plan.

That comes across the board for consumers, business banking and commercial. We are also redeploying or enhancing our digital proposition, so that's going to get us a certain amount of incremental production, and then there are Fintech partnerships. Predominantly, organic plan, but significant number of broad levers to do that.

Anthony Elian

Great, thanks for taking the question.

Nitin Mhatre

Hope that helps. Sure.

Operator

There are no further telephone questions at this time.

Kevin Conn

Thank you, James.

Good morning, this is Kevin Conn, Investor Relations and Corporate Development Officer at Berkshire Hills Bancorp. I'll be the moderator for the webcast questions.

Our first question is, congratulations on what seems to be a comprehensive strategic plan, targeting PPNR growth of $70 million to $90 million. How confident do you feel about execution of the plan?

Nitin Mhatre

Oh, that's a great question. Thanks for sharing that.

Very confident is what I would say if I were to give a short answer. The reason why we feel very confident is multifold. Number one, I feel confident about this having seen this experience and felt it before, in terms of how we can do the transformation leveraging the team that you have. The other exciting part about this organization is this has been built organically from ground-up, which I think makes it really engaging and exciting for the totality of the organization.

We've done a comprehensive amount of modeling while we build this, and I mentioned that in my remarks as well earlier. We model each workstream and applied likelihood factors to each of those workstreams, and we feel very confident that there's a good likelihood of achievement of each of those workstreams. We put a good governance structure around it. What's exciting about this program is, really, what we're doing in effect is reactivating that organic growth muscle of the organization.

I have Sean here, and Sean could give you maybe some color around—because we've based certain assumptions in terms of how much can we originate organically, but we also looked at our history. Maybe Sean could give a little bit of perspective as to why we feel good about the numbers that we projected.

Sean.

Sean Gray

Sure. We feel good, obviously, because of balance. The plan consists of revenue enhancements with the necessary expense discipline. As we look back, we've been here before. In 2018, we originated $2.2 billion in new loan originations, and 92% of our commercial bankers are still here. What you've just heard George say is we've got a very healthy pipeline of available talented bankers.

The bankers that are with us today are excited; they're ready to accelerate growth. They're ready to play a part in the on-boarding of new bankers, so we've got a track record that speaks to it and a BEST plan that enhances it.

On the expense side, as recently as 2019, we were a sub-60 efficiency ratio; so BEST allows us to build upon that, brings that discipline back. Ultimately, we feel good that we'll have the right balance.

Then lastly, and I think Nitin hit it on the head, organizationally, we've rallied together to build the plan together and now to execute on that plan, so we feel good.

Nitin Mhatre

Thank you, Sean.

Just going back quickly, it's an organic plan built by the team, comprehensive modeling, good governance structure, and we recognize, there will be execution risk in any plan, but I think the governance structure makes sure that, along the way, we course-correct as needed, but keep the totality of the plan intact. That's why we feel very confident about this plan. Thank you.

Kevin Conn

The next question comes from Kelly Motta from KBW.

What is the upside from higher rates? What do you assume for the go-forward rate environment in your forward interest rate projection?

Nitin Mhatre

Hi, Kelly, good morning.

I'll let Subhadeep answer that question. I'll also point you back to the presentation where we have, in the ROTCE walk, how much there is improvement, and Subhadeep could give you more color around that.

Subhadeep Basu

Thanks, Nitin. Hi, Kelly, good to hear from you.

In the scenario analysis that we did that was highlighted in Nitin's presentation, we showed approximately 100 basis points benefit to ROTCE in year three, and for this we assumed one interest rate hike in '22, one in '23, and three in '24. I think if you look at the market consensus or the expectations, we're probably going to get higher than that, but I think one important point to point out here, I want to connect to the last question, is, when we did our modeling of PPNR, everything, we didn't build in any benefits from interest rate hikes. Not that we are dependent on macro factors, but that gives us the added comfort that if there are macro tailwinds, that'll help us probably overshoot that target.

I think going back to history a little bit, when the last set of rate hikes happened, we were not in an adequate position, or maybe the ideal position, because we were over-reliant on wholesale funding and our core deposits weren't there. Where we are today is in a much better place. We have significantly reduced the reliance on wholesale funding, and that will continue to go down during the course of the year. And the plan: we intend to almost bring down to zero the reliance on some of the definitely higher cost to wholesale funding.

As Nitin said, we are asset-sensitive. We definitely stand to benefit from the short end of the curve rising.

Nitin Mhatre

Very well said, Subhadeep, and I'm just going to reiterate, Kelly, the point that he made, which is very important to us as we were building this over the last three months.

We did not want to rely on the rate changes for the plan to be successful. If you see the ROTCE walk, our 3.2% ROTCE in 2020 goes to between 10% to 12%, without the benefit of the rate increases. If there are rate increases, which there very likely will be, that gets us another 100 basis points. I think on its own, the plan stands for itself, and then I think there'll be incremental benefits that come along the way. Thank you for the question.

Sean Gray

Thanks, Kelly.

Kevin Conn

The next question is, can you talk about the general pace of the implementation and steps? Any color on what you are addressing first; any yardsticks we should look at to track progress with the best implementation?

Nitin Mhatre

The short answer would be, yes, and I think there is a cadence applied in the governance structure that we have that's built through the Transformation office that will track not just the overarching pillars of the program but at each workstream and the sub-workstreams that are embedded in it. We can't give you the cadence in terms of which ones are the initiatives that we're launching first versus the other, but what we could tell you is the plan really ramps up from year two onwards, in terms of the delivery of the key metrics that we've outlined in those presentation slides.

Kevin Conn

The next question from the webcast.

Don't you think that there are issues with the whole stakeholder concept and profitability? Longer term, how can you compete with other banks who focus more on profitability?

Nitin Mhatre

I'm going to ask my colleague, Gary Levante, to add more color in terms of why we believe that a socially responsible community bank cannot just survive but thrive and maximize stakeholder and shareholder value. You saw some of the stats there, and I think it's very, very compelling. There's a clear distinction between a community bank that is socially responsible versus a socially responsible community bank that delivers or maximizes stakeholder value. We believe we belong to the latter. There is a tremendous amount of history and the strength of history that we have, and we're going to take that as an advantage and drive that purpose into profit.

Gary, if you're on, could you talk about how we've done this in the past and what the feedback we're seeing from our consumers and small businesses and the reinvestment that we do in our communities?

Gary Levante

Thanks, Nitin, so much, for that question.

I appreciate this question coming in from the audience, because there aren't many successful businesses that are not in successful communities. The two are inexorably linked. We view purpose as driving profit, and profit driving our purpose, and that cycle of social impact builds trust with our consumers. It strengthens our reputation. It improves our risk management practices. It ultimately enhances that community bank model. It goes well beyond just philanthropy and community involvement to ensure that we're doing business in a way that's environmentally, socially and ethical, harnessing our core competencies, our capital, our product, our services, to address those topics that are most material to our business and to our stakeholders.

I'm going to provide a couple examples of this in practice that highlight how commercial success and social impact can take Berkshire Bank to greater heights. The first example that I'd provide is the Futures Fund. The Futures Fund was launched in collaboration with Black Economic Council of Massachusetts and the Mass LGBTQ Chamber. This product provided low interest, low barrier to entry lines of credit to assist Main Street businesses that were impacted by the coronavirus pandemic. Not only did we develop an innovative product that met a community need for businesses on our main streets that could not or did not have the access to government relief programs. Most of these businesses were new customers to the bank. Not only that, now we're their primary bank because we answered the call when they needed help the most.

The second example that I want to provide is on a different lens, and it speaks to our goal that we announced a couple years ago to move towards procuring 100% of our electricity from renewable sources. We recognize that an important tactic to ultimately get to that end goal was going to be solar virtual net metering agreements. Not only is this allowing us to elevate the amount of renewable electricity that we're getting to power our operations, this has an approximately 12% cost save over normal electricity supplies. Not only does it make good sense for the environment, it makes great sense for the business. BEST is going to allow us to amplify that impact to drive bottom line benefits to our shareholders and to our stakeholders through these purpose-driven business activities.

Nitin Mhatre

Very well said, Gary, thank you.

Kevin Conn

Our next webcast question comes from Chris Chouinard at Davis Capital Partners.

You said you want to get better before you get bigger. How do you balance getting better? That often means with a smaller balance sheet, with still growing revenues?

Nitin Mhatre

Oh, absolutely, great question. I think that's the theme that we're using consistently here. It's all about getting better before we get bigger, and part of the reason why we say that is because we see inherent opportunities within the existing balance sheet to improve the return on equity while potentially reducing that in the earlier part of the program. That starts growing up, and then when it grows, it gets you the dual benefit of the balance sheet growth as well as the ROE that is maximized. That's the theme around better before getting bigger. We do see, in the plan, the modeled out plan does start getting growth into 2022 onwards, so it's the early part of the phase where we sort of clean up or improve our balance sheet and the dynamics on the balance sheet and improve the margins and the ROE.

We believe that's the absolute right way to go about it, as opposed to just have this—getting bigger for the sake of getting bigger doesn't necessarily help, and I think that's what we plan to course-correct here. Thank you.

Kevin Conn

A question from Gerry Cronin from Elizabeth Park Capital.

What will differentiate Berkshire Bank from Rockland Trust and other competitors once the transformation is completed?

Nitin Mhatre

Well, I think that's—I could talk about that for a long time, but I'll give a simple answer. The simple answer would be, we would become the leading socially responsible community bank in New England and Eastern New York region, that's one. We will exemplify that by not just the financial metrics that we talked about, the ROA, the ROTCE, the PPNR growth, but also by becoming the top quartile bank in terms of our NPS and also top quartile bank in terms of our ESG performance.

The other part that is exciting for us is also how we leverage technology while retaining our personal touch, and we call this DigiTouch approach, by which we actually deploy and try to provide the best possible technology and technical services to our consumers and businesses while retaining the personal touch of a community bank like some which you talked about. I think we'll combine this better, and the reason why we feel good about why we'll combine this better is because we've made significant amount of investments in the previous years to integrate all of these platforms more seamlessly.

At this point, I might actually ask our CIO, Jason White, to talk about some of the investments that we made in technology that facilitates better integration with the technology platforms.

Jason, are you there?

Jason White

I am, thank you, Nitin.

Over the past couple years, we've built a strong foundation with our existing investments, including SalesForce CRM, the platform integrations that Nitin was speaking of. We've invested in middleware for our API integrations to pull all the Fintechs that we are looking at and that we have integrated together through this platform.

We've implemented a best-in-class online account opening solution, which Sean and Nitin both referred to. We replaced our call center solution with a state-of-the-art solution, increased our customer satisfaction ratings, as Nitin mentioned, in our mobile app. We're in a great position to optimize those investments by continuing to drive efficiencies in our infrastructure, enhancing our customer and online mobile experience, and continued development in customer journeys and digital marketing.

Future technology investments will include new Fintech partnerships for digital solutions, expanding our online presence for things such as small business online applications, customer self-service capabilities and a customizable digital banking suite, and a data-first approach, implementing a cloud-based data warehouse, allowing for customer segmentation pinpoint marketing.

Nitin Mhatre

Thank you, Jason.

To bring that back, we're talking about an institution with a 175-year history of being purpose-driven, community-dedicated, socially responsible bank; we'll deploy that and attach that with the smart technology choices that we're making to create this unique combination of DigiTouch, as we call it, and that will maximize the shareholder value. I think that will make us a unique organization as compared to the organizations that you mentioned, amongst many others. Thank you.

Kevin Conn

The next question from the web.

You have a 14% CET1 capital ratio. What is your excess capital? How big is it, and how will it be deployed during BEST?

Nitin Mhatre

Subhadeep?

Subhadeep Basu

Hi, thanks for that question, great question.

I think first and foremost, I would like to point out that we are amongst the best capitalized banks in the country where we are with our common equity Tier 1 capital. In terms of the question around excess capital, we believe it's in the low hundreds of millions of dollars.

Where we are today, we're going to effectively deploy capital towards a number of initiatives. Before I get there, I again want to point out, as we talked about at our first quarter earnings call, we continue to believe the Management and the Board that deploying excess capital in the form of share buybacks continues to be a focus for us. That was the announcement in terms of buying back $60 million worth of shares, was essentially reflective of that philosophy.

Now moving onto how will we utilize our capital. As you can imagine, we will still have significant amounts of excess capital even post the buybacks, and we'll organically generate capital through the BEST initiatives, and that is reflective in the numbers that we talked about from a ROTCE and a PPNR perspective.

We are going to deploy this capital in, I would say, three principal ways. One is supporting our organic balance sheet growth; secondly, continuing our dividend payouts to our shareholders; and thirdly, absolutely continuing down the path of doing share buybacks as and when the opportunities present themselves.

You will continue to hear more from us as the Management and the Board continues to engage in discussion on opportunities that present to ourselves in the three-year course of the plan.

Nitin Mhatre

Thank you, Subhadeep.

Kevin Conn

Our next question from the web is, does Berkshire have any current Fintech partners?

Nitin Mhatre

Yes, we do. I'll ask Jason to give an update about where we are, who do we partner with today, and then just share my thinking about how our thinking is evolving over time.

Jason.

Jason White

Sure. As of today, I mentioned that we have future and active reviews going on with different Fintech partners at this point to support the different workstreams that Nitin mentioned in the BEST plan. But as of today, you've heard the name Narmi; that's our best-in-class online account opening solution. Alloy is our fraud and KYC solution. We partnered with a company called Segment, a Fintech company called Segment, that delivers us key life indicated transactional data for our customer base that we can use in the warehouse that Nitin was speaking of, to analyze and further penetrate our customer base, to digitally market to those customers based on those key lifestyle indicators.

We pull that all together through Sandbox Banking; that is our current middleware provider. Those are our kind of top Fintech providers as to how they pull together. Again, just handing it back to Nitin saying that we are actively looking into Fintechs for small business applications, like I mentioned earlier.

Nitin Mhatre

Yes, thank you, Jason.

To just kind of finish that point of, and we continue to engage in conversations with other partnerships and partners that improve our value proposition to our consumers and businesses and bankers as well. Thank you.

Kevin Conn

Your next question from the webcast is, how will you grow fee revenue? Specifically, how will you grow your wealth management business?

Nitin Mhatre

Yes, happy to answer that, and I have my colleague here, Kate Hersey, who leads the Wealth Management business. Kate, do you want to give an overview at a high level in terms of what our thinking is to grow Wealth Management business?

Kate?

Kathryn Hersey

Yes, thank you.

We see significant opportunities to build relationships with existing Berkshire clients throughout our footprint, and we're leveraging data to identify opportunities. We've built new solutions, including socially responsible investing strategies and income opportunity portfolios to meet client demand. We're also exploring potential strategic partnerships and pursuing talent acquisition.

Nitin Mhatre

Thank you, Kate.

I think just to step back a little bit on the broader question about how we look at improving fee opportunities, you heard from Kate about the Wealth Management component, but we're also investing into SBA and mortgage banking and cash management units to improve our fee revenue that goes into the model. Thank you.

Kevin Conn

The next question is on credit. Have you made any changes to your credit policies following the pandemic and the credit issues during that pandemic?

Nitin Mhatre

Sure. I'll ask our Chief Risk Officer, Greg Lindenmuth, to give an overarching view about where we stand, and I'll come back with what our thinking is going forward.

Greg.

Gregory Lindenmuth

Thank you very much, Nitin.

Except for curtailing lending in our COVID-sensitive segments, we have not made significant changes to our lending policies. They still remain very well designed to remain competitive as well as risk balanced. As competitive factors as well as emerging risks develop over time, we routinely revisit our policies.

Nitin Mhatre

Excellent. Going forward, just to supplement what Greg said, we have a robust program that we continue to make stronger, and as and when the opportunities present itself, if we have to make adjustments, that is embedded into the governance structure that we've built around credit risk and enterprise risk management. Thank you.

Kevin Conn

The next web question is from Steven Duong from RBC Capital Markets.

On the Digitize pillar, what is the approximate breakout between revenue and expenses of the 75 basis point ROTCE improvement? And do you have any general digital statistics, digital account openings, where you expect to be and the future date, things of that nature?

Nitin Mhatre

Sure, so I'll break it up into two parts. Broadly speaking, the Digitize pillar has two thematic components under it. One is doing things that improve the banker and the customer experience, digitizing those journeys from originations to servicing and creating new insights and alerts for the consumers and businesses. That's one component of the Digitize pillar.

The other component of it, which is the revenue generating component, is to align and integrate the partnerships and alignments that we need to have to make sure we're originating loans and deposit accounts digitally.

I think the second part of your question about what's the North Star. You heard the statistics in my script about how we used to be about 2% of the accounts opened last year, checking accounts, were through digital channels, we are at about 7%. We believe our North Star is about high 20s. But we're also focused on quality of the accounts, so we're not just obsessed about, let's just get our digital percentage to a certain level, but also make sure the quality of the accounts is good.

I'm going to ask Sean to maybe give more color around what we're seeing in terms of the quality of the accounts that we've originated so far through the digital channels for deposits.

Sean Gray

Sure, thanks, Nitin.

Quality really breaks down to two components: the funding rate of that digital account and then the retention and fraud protection. Jason talked about Alloy being our fraud protection, KYC provider, so we have seen a positive impact from going digital with our new Narmi and Alloy solution, has seen a positive lift in reducing the amount of fraud within our online account opening.

We will be tracking the funding rate and retention of those new accounts, and I'm happy to report we've got a very high, 98%, 99%-plus funding rate of those accounts, so these are good, real customers that we can deploy MyBankers to and enhance those relationships.

Nitin Mhatre

Thank you, Sean.

I think just to bring it back again, this is how we make the Digitize component of our strategic pillar not just self-fund, but also create about 75 basis points of ROTCE. Thank you.

Kevin Conn

The next question from the webcast.

With the areas you're looking to grow, small business lending, SBA, mortgage, wealth, etc., do you have the platform in place and it's leveraging your current people, or are there some redirection of cost savings into building out more scale?

Nitin Mhatre

Broadly speaking, we are looking at the existing platforms that we have. Jason's talked about some of the investments that we made in the past that will help us facilitate some of the integrations that we're looking at that make those journeys better for the customer. I'll just keep it high level and say we do have good platforms today. We have made investments in the past that we will leverage to make sure the journeys for originations, and in some cases servicing, are streamlined. We'll continue to look for additional enhancements in those journeys that we'll fund through this program while reinvesting into the future growth.

Kevin Conn

Next question from the web.

Nobody wants to limit your capital for growth, but long-term shareholders have had a dividend cut in half. What is the dividend policy going forward?

Nitin Mhatre

I'll let Subhadeep start and I'll come back to it later.

Subhadeep.

Subhadeep Basu

Thank you for that question.

In terms of our dividend policy, this is one of the core components of the BEST program in terms of how we deploy capital to shareholders. Yes, as we all know, as net income fluctuates, our dividends and dividends for any company fluctuates with that. We are looking to grow net income aggressively, and that is probably quite evident in some of the numbers that we shared earlier in terms of ROTCE and PPNR. We fully expect that dividends will grow commensurate with the net income growth.

Nitin Mhatre

Subhadeep, thank you.

Roughly speaking, if we stay at about 40% payout ratio with the growth and the earnings power, you will see the gain in the dividends. We're also tracking how the dividend payouts look in terms of the yield that we provide, and we want to stay competitive throughout this program. Thank you.

Kevin Conn

The next question from the webcast is on balance sheet optimization. Obviously there's a ton of liquidity in the banking system that everyone is trying to deploy. How are you thinking about the size of the balance sheet and runoff in this part of the BEST plan?

Nitin Mhatre

Yes. I think it is similar to the question that came before. We've got to get better before we get bigger, which means we'll improve the geography of the balance sheet and maximize the ROE of the balance sheet in the first year, roughly about first year of this program, before we start getting it to be bigger. The big part of the increase in the balance sheet will come largely from business banking, SBA, ABL and growing CRE and C&I commensurately with the GDP growth in the market, and on the consumer side, grow the consumer personal loans and mortgage banking balance sheet.

There is a growth built into the plan, but the first year of the plan really just optimizes the geography of the balance sheet before the growth begins. That's the plan to grow it.

Kevin Conn

The next question from the webcast is, how should we be thinking about medium-term credit provision expense? Will it be similar to pre-pandemic conditions?

Nitin Mhatre

Subhadeep?

Subhadeep Basu

Yes. Thanks for the question.

I will revert back to our first quarter guidance that we provided. We expect, on our core portfolio, to go back to our pre-pandemic provisioning expenses and ACL to loans ratio in 2022. Having said that, as is quite evident from the BEST program, we plan to grow the balance sheet and with the slight change in asset mix. As a result of that, you can see provision expenses change, keeping up with sort of assets that we're putting onto our balance sheets.

Nitin Mhatre

Thank you, Subhadeep.

Kevin Conn

Our last question is, what is your current technology spend priority?

Nitin Mhatre

Yes. I will again pass the ball to Jason to give you a quick overview, but I'll just start with what my general thinking about technology is.

I think technology has evolved very, very rapidly, as you know, and especially in the last three to five years. The scope of what it does has moved from data storage to data management, all the way into creating differentiated customer experiences for us.

It has gotten more democratized, so even the largest banks in the country with billions of dollars of technology budgets are relying on some Fintech partnerships to deliver those exceptional customer experiences. The good news about this is, the democratized part of this is, we are able to speak with same partners and Fintech partners as platform-as-a-service or software-as-a-service and connect them to our ecosystem of what we call is the DigiTouch approach.

I'll ask Jason to talk about what the components of the technology investments are at a high level.

Jason.

Jason White

Thank you, Nitin.

I did hit on a couple of these components earlier, but really, the near-term focus will be on getting that data warehouse built, implementing that data. We have that data for a data-first approach; that's key number one. We can take that data and integrate into our, Nitin mentioned customer journeys, enhance those customer journeys with the data, enhance our customer experience with that data. Really, that data-first approach is key.

Secondly, we're going to be taking a look at the employee experience. We're going to take a look at our business process maps. We're going to automate and leverage the tools that we've put in place over the past couple of years to enhance that experience.

Thirdly, we're going to take a look at the current platforms that we have now, integrate more into our sales force environment, utilizing that middleware I spoke of, and take a look at our customer digital suite, introduce new self-service capabilities, as well as customization in the future. Those are kind of my three top priorities that layer right into this to support those workstreams.

Nitin Mhatre

Thank you, Jason.

Kevin, you mentioned that was the last question. Are there any other new questions that have come up, or are we good?

Kevin Conn

I've got one more, Nitin, as the final, final question. It's from Luke Wooten at Manulife.

The question is, how much investment is needed over the next 18 months for the Optimize pillar?

Nitin Mhatre

Kevin, I think the short answer for that one would be, the Optimize pillar, as we talked about, in the ROTCE world, gets us about 300 basis points of incremental value to where we are. There is components of investments that essentially are self-funding the initiatives for future growth. I'll just leave it at the high level without getting into specific guidance within each of those components.

If that was the last question, Kevin, can you confirm that, please?

Kevin Conn

Yes, that was the last question from the webcast, Nitin.

Nitin Mhatre

Excellent, thank you so much.

I just want to say thank you all for making the time for this discussion. We hope you found this overview of our transformational BEST program helpful and, equally importantly, you'll walk away knowing that our collective result, confidence and passion to deliver high performance is driving us to become the leading socially responsible community bank in the markets we serve and deliver outsized returns for our shareholders.

We'll keep you updated on the progress of this program at appropriate forums. Thank you once again, and have a wonderful day.