



Sandy Spring Bancorp Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Matt Schultheis with Ferris Baker Watts.

Matt Schultheis - Ferris Baker Watts

Good afternoon. Related to your 90 days past due, obviously there was the increase one quarter, and you said that was tied to three credits that are all now current?

Hunter R. Hollar

That is correct, Matt.

Matt Schultheis - Ferris Baker Watts

Did you see any slippage in credit quality tied to your home equity portfolio?

Hunter R. Hollar

None whatsoever in our home equity portfolio at this point in terms of past dues or problem credit -- absolutely none.

Matt Schultheis - Ferris Baker Watts

You continue to shift your asset mix towards loans away from securities. How long do you think you can keep that up, as far as your liquidity is concerned? You obviously have a better picture of pledge securities than I would at this point, so --

Philip J. Mantua

We are probably at the break point on that today with our portfolio being about 15% of total assets. You may recall from a goal or target standpoint, that's about the low-end of where we wanted to take the investment portfolio, and you are correct; on a pledge basis, we are starting to be up against it a little bit in that respect, so we are probably about as far as we can go in that respect and in terms of using the vehicle for funding future loan growth.

Matt Schultheis - Ferris Baker Watts

So basically if you continue to grow loans faster than deposits, you are going to have to increase your wholesale --

Philip J. Mantua

We will either borrow at appropriate rates or we will be a little more aggressive in the local markets, as we were at a point in time before for special CD monies, which I think is, as you know, one of the more significant tools available to us within the customer base.

Matt Schultheis - Ferris Baker Watts

Lastly, you guys mentioned your LIFT program and I was wondering if you are willing to start giving us some benchmarks we could measure by as far as cost phase, cost containment? And related to that, whether you expect to see non-interest expenses grow in '08 versus '07 or whether this lift program may actually drive your overhead costs, you know, your non-interest expenses down year over year.

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