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Regions Financial Corp. (RF)

Q3 2017 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Regions Financial Corporation's Quarterly Earnings Call. My name is Paula, and I'll be your operator for today's call. I would like to remind everyone that all participant phone lines have been placed on listen-only. At the end of the call, there will be a question-and-answer session. [Operator Instructions]

I will now turn the call over to Ms. Dana Nolan to begin.

Dana W. Nolan

Executive Vice President - Head of Investor Relations, Regions Financial Corp.

Thank you, Paula. Good morning, and welcome to Regions' third quarter 2017 earnings conference call. Grayson Hall, our Chief Executive Officer, will review highlights of our year-over-year financial performance; and David Turner, our Chief Financial Officer, will take you through the details compared to the prior quarter. Other members of management are also present and available to answer questions.

A copy of the slide presentation referenced throughout the call, as well as our earnings release and earnings supplement are available under the Investor Relations section of regions.com. Our forward-looking statements disclosure and non-GAAP reconciliations are included in the appendix of today's presentation and within our SEC filings. These cover our presentation materials, prepared comments, as well as the question-and-answer segment of today's call.

I will now turn the call over to Grayson.

O. B. Grayson Hall, Jr.

Chairman, President & Chief Executive Officer, Regions Financial Corp.

Thank you, Dana. Good morning, and thank you for joining our call today. Before we get started, I want to take a few minutes to speak about the hurricanes that recently impacted our footprint. I'm immensely proud of how our teams responded and met the needs of our customers, fellow associates, and our surrounding communities. Due to our market locations, we unfortunately have significant experience dealing with severe weather-related events.

Immediately following the storms, our first priority was ensuring the safety of our associates in the impacted areas. While several associates were personally affected, we were extremely grateful that none were injured. In total, 482 banking offices across 100 counties in six states were impacted by the storms. But because of our strong processes and experienced teams, we reopened 95% of them within three days, following each storm. With the exception of one branch that sustained significant damage, all banking offices are open and conducting business.

Our focus remains on helping our customers, associates, and communities begin to recover and to rebuild. And while we're still evaluating the financial impact of these storms, David will provide you with our related loss estimates shortly. Keep in mind, historically, following similar weather events, we typically experience a pick-up in economic activity associated with reconstruction efforts, along with overall deposit growth.

Despite the impact from the hurricanes, we reported solid earnings available to common shareholders for a continuing operations of $296 million during the quarter, with earnings per share of $0.25, while generating

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positive operating leverage, expanding our net interest margin, and producing solid growth in pre-tax pre-provision income. Importantly, we remain focused on expanding our customer base, as we believe it is fundamental to future income generation. This quarter, we grew checking accounts, households, credit cards, wealth management relationships, total assets under management, and consumer loans.

We continue to benefit from our asset-sensitive balance sheet and strong deposit franchise, which drove an 8% year-over-year increase in net interest income and a 30 basis point increase in net interest margin. We continue to make strides in our efforts to control expenses. Adjusted non-interest expenses decreased $32 million or 4% year-over-year, as efficiency remains a top priority of our team.

As it relates to our loan portfolio, several factors impacted balances this quarter. New and renewed loan production increased 9% year-year-year, however, consistent with the rest of the industry, borrowers accessed the capital markets to a large degree this quarter, which led to elevated loan payoffs and loan paydowns. Furthermore, we continue to execute our deliberate diversification strategy focused on achieving appropriate risk-adjusted returns. While these decisions pressure loan growth in the near term, we believe it is the right long-term strategy and a prudent approach to creating a balanced portfolio, positioning us well for future loan growth.

With respect to asset quality, our disciplined approach to credit continues to deliver positive results. Although uncertainty regarding the impact of the hurricanes remains, we continue to characterize overall credit quality as stable. Regarding efficiency, we recognize a slow growth environment could persist for some time, and therefore, we remain focused on what we can control. Our plan to eliminate $400 million in expenses is well underway. However, we now expect to achieve the majority of these eliminations by 2018 rather than 2019.

Through our work in this area, we are implementing steps to simplify and grow the bank, which will allow us to significantly improve efficiencies and effectiveness throughout the organization. We believe there is an opportunity for expense eliminations beyond the $400 million. To that end, additional efforts are underway, and we will provide more information later this year.

With that, I'll turn it over to David to cover details of the third quarter.

David J. Turner, Jr.

Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

Thank you, Grayson, and good morning, everyone. Now, let's get started with the balance sheet and take a look at average loans. In the third quarter, average loan balances declined to $79.6 billion as growth in the consumer lending portfolio was offset by declines in the business lending portfolio. Total new and renewed loan production remained strong for the quarter and approximated $16.2 billion.

Within consumer, we continue to reshape our indirect lending portfolios, with a focus on increasing overall risk-adjusted returns. This is evidenced by our decision to exit a third-party indirect auto contract, while expanding our indirect other consumer portfolio through point-of-sale offerings. As a result, average balances in the consumer lending portfolio increased $180 million or 1% quarter-over-quarter despite the strategic runoff in the indirect vehicle portfolio. Excluding this runoff, average consumer loans increased approximately $385 million.

Average indirect vehicle balances declined $180 million or 5% during the quarter. Runoff in the third-party portfolio of $205 million was partially offset by an increase of $25 million in our Dealer Financial Services portfolio. The full year average impact of the runoff portfolio is expected to be approximately $510 million.

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Our other indirect lending portfolio, which includes point-of-sale lending initiatives, continues to experience growth. Average balances increased $257 million or 26% linked quarter, aided by the purchase of approximately $138 million of unsecured consumer loans late in the second quarter. Average mortgage balances increased $171 million or 1% during the quarter. However growth continues to be constrained by a lack of housing supply across our footprint.

With respect to home equity lending, average balances continue to decline during the quarter, decreasing $134 billion or 1%, as growth in average home equity loans of $44 million was offset by a decline of $178 million in average home equity lines of credit. Further, average line utilization decreased 68 basis points compared to the second quarter. Average balances in our consumer credit card portfolio increased $36 million or 3%, as a number of active cards increased approximately 2.5%.

Turning to the business lending portfolio. Average balances totaled $48.3 billion in the third quarter, a 1% decline from the second quarter despite a 1% increase in total new and renewed production. As Grayson mentioned, we experienced elevated loan payoffs and paydowns. In particular, many customers in the large corporate space accessed the fixed income market, taking advantage of favorable pricing spreads, using those proceeds to pay down or pay off bank debt. The level of payoffs and pay downs was 1.5 times higher than the previous quarter and just over 50% higher than the third quarter of last year.

A number of investor real estate loans paid off prior to maturity, reflecting the impact of low capitalization rates; and a modest increase in mergers and acquisitions was observed in the middle market space, further contributing to elevated loan payoffs. In addition, the decline in average owner-occupied commercial real estate loans reflects continued softness in demand and competition for middle market and small business loans.

As part of our risk mitigation strategy, we continued to reduce exposure in certain industries and asset classes. For example, average direct energy loans decreased $52 million or 3%, ending the quarter at $1.9 billion or approximately 2.4% of total loans outstanding; average multi-family loans decreased $58 million or 4% during the third quarter; and average medical office building loans decreased $24 million or 8%. In addition, average investor real estate construction loans declined $195 million due in part to our ongoing efforts to improve diversification between construction and term lending.

While these risk mitigation strategies have impacted average loan growth, we believe they are appropriate and will position us well for prudent and profitable loan growth in the future, while maintaining an appropriate credit risk profile. Evidence these strategies are working include: continued declines in expected loss estimates across all business lending categories; improving our relevance and profitability within the shared national credit book, where capital recycling efforts have also reduced both the probability of default and expected loss estimates by approximately 10%.

The company has reviewed approximately $33 billion of large shared national credit exposures since 2016. And as a result, we exited $4.2 billion of credit and added new or expanded existing relationships of $4.6 billion. These expanded relationships provide average trailing annual revenues that are 51% higher than all other shared national credit relationships; average trailing annual non-interest revenues that are 123% higher; and average risk adjusted returns on capital that are 252 basis points higher.

With respect to loan growth, while current pipelines are higher than they have been all year, line utilization reductions and payoffs experienced this quarter have tempered expectations. As a result, full year average loan balances, excluding the impact of third-party indirect vehicle runoff are expected to be down slightly. However,

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based on what we know today, and barring another quarter of elevated payoffs, we expect loans to grow in the fourth quarter on an end-to-end basis.

Let's move on to deposits. Similar to loans, we also continued to execute a deliberate strategy to optimize our deposit base, focusing on valuable low-cost consumer deposits, while reducing higher-cost brokered and collateralized deposits. Total average deposits decreased less than 1% during the quarter, primarily due to our strategic decision to reduce higher-cost deposits. Average deposits in the Wealth Management segment declined $276 million or 3%, as a result of ongoing strategic reductions of collateralized deposits.

Certain institutional and corporate trust customer deposits, which require collateralization by securities, continue to shift out of deposits and into other fee income producing customer investments. Average deposits in the Other segment decreased $220 million or 7% driven primarily by our strategy to reduce retail brokered sweep deposits. Average deposits in the Consumer segment experienced the seasonal decline of $153 million, while average Corporate segment deposits increased $23 million. We continue to expect full year average deposits to remain relatively stable with the prior year.

Let's take a look at the composition of our deposit base. Third quarter deposit costs remained low at 17 basis points; and total funding costs were 37 basis points, illustrating our deposit advantage. As a reminder, our deposit base is more heavily weighted towards retail customers. Approximately 75% of average interest-bearing deposits and 51% of average interest-free deposits are considered retail. In addition, we have a loyal customer base, as more than 43% of our consumer low-cost deposits have been deposit customers at Regions for more than 10 years.

And finally, approximately 50% of our deposits come from MSAs with less than 1 million people and approximately 35% from MSAs with less than 500,000 people, both are in the top quartile versus our peer group. For these reasons, we believe that our deposit base is a key component of our franchise value and is the competitive advantage in a rising rate environment.

Now let's take a look at how this impacted our results. Net interest income on a fully taxable equivalent basis was $921 million, representing an increase of $17 million or 2% from the second quarter. The resulting net interest margin was 3.36%, an increase of 4 basis points. Interest recoveries continued to benefit net interest income, adding $4 million and 2 basis points of net interest margin relative to the second quarter.

After normalizing for recoveries, net interest margin and net interest income benefited primarily from higher market interest rates driven by the June Fed funds rate hike partially offset by a decrease in average loan balances and higher interest expense associated with our holding company debt issuance early in the third quarter. Further, one additional day in the quarter benefited net interest income by approximately $5 million, but negatively impacted net interest margin by approximately 2 basis points.

Looking forward to the fourth quarter, and excluding the impact of interest recoveries, we expect net interest income and net interest margin to grow modestly in line with market expectations for December Fed funds rate increase. For the full year, we continue to expect net interest income growth in the 3% to 5% range.

So, before we move on, I want to make a couple of points about our asset sensitivity. Given the extended low rate environment, the majority of our balance sheet has essentially repriced. As a result, our natural reinvestment of fixed rate loans and securities, even at current interest rate levels, will be accretive from here. So, even if interest rates remain low, our balance sheet is positioned to deliver continued growth in net interest income.

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Let's move on to non-interest income. Adjusted non-interest income decreased $13 million or 3% during the quarter, driven primarily by declines in mortgage and capital markets income, partially offset by an increase in service charges. In addition, the company incurred $10 million of operating lease impairments during the third quarter compared to $7 million incurred in the second quarter. Year-to-date, we have incurred $22 million of operating lease impairment charges, primarily attributable to oilfield services customers.

Mortgage income decreased $8 million or 20% during the quarter. Despite a 9% decline in mortgage production, sales revenue increased $1 million or 4%, primarily due to improved secondary marketing gains. However, this increase was offset by $9 million reduction in the valuation of residential mortgage servicing rights.

Capital markets income decreased $3 million or 8% driven by lower merger and acquisition advisory services and loan syndication income, partially offset by higher revenues associated with debt underwriting. Card & ATM fees were negatively impacted by the hurricanes, as the estimated impact of fee waivers was approximately $1 million in the quarter. However, service charges increased $6 million or 4% during the quarter, aided by continued checking account growth, new Now Banking accounts, and higher mobile deposit revenues.

Wealth Management income remained relatively unchanged during the quarter. Of note, our Wealth team recently launched the Regions Wealth Platform through its partnership with SEI Global Services. This new and enhanced platform is expected to benefit all customers across the wealth space, including private wealth, institutional services, and asset management, with the best-in-class online experience, while also increasing operational efficiencies.

Similarly, in an effort to improve our customer experience through innovation, we are in the process of rolling out a new iTreasury platform. This should enhance the customer's experience and further expand our product capabilities. We also announced this week plans to expand person-to-person payments and account-to-account transfer solutions through our partnership with Fiserv. We'll add Turnkey Service for Zelle and TransferNow capabilities in the first half of 2018 providing an enhanced and seamless customer experience across all payment types.

With respect to future non-interest income, we expect growth in capital markets revenue next quarter as several transactions, originally expected to close in the third quarter, are now expected to close in the fourth. In addition, we expect a modest increase in mortgage, wealth management, and card and ATM fees to collectively contribute to overall growth and adjusted non-interest income during the fourth quarter. We continue to expect full year adjusted non-interest income to remain relatively stable with the prior year.

So, let's move on to expenses. On an adjusted basis expenses were well-controlled in the third quarter, decreasing $19 million or 2% compared to the second quarter. Total salaries and benefits decreased $14 million or 3% primarily due to reduced pension settlement charges and lower health insurance costs. Professional fees decreased $7 million during the quarter, associated with lower legal and consulting costs. Provision for unfunded credit losses also decreased $5 million during the quarter. These declines were partially offset by a $5 million increase in occupancy and a $7 million increase in other real estate expenses related to branch damage, hurricane preparedness, and other storm-related charges.

Despite the impacts of operating lease impairments, pension settlements, and hurricane related charges, the adjusted efficiency ratio improved 150 basis points to 61.7% during the quarter. We continue to expect the full year adjusted efficiency ratio to be approximately 62%. The company also produced solid growth in pre-tax pre-provision income increasing 4% compared to the second quarter and 12% compared to the third quarter of the prior year on an adjusted basis.

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For the first nine months of 2017, the company generated positive operating leverage on an adjusted basis of just over 1%, reflecting growth in adjusted total revenue of 1.5%, offset by 0.3% increase in adjusted on non-interest expense. And we expect full year adjusted operating leverage of approximately 2%. With respect to taxes, the effective tax rate increased 140 basis points in the quarter to 30.9%. And our full-year guidance for the effective tax rate remains unchanged in the 30% to 31% range.

Shifting to asset quality, excluding the impact of the hurricanes, we experienced another good quarter from a credit perspective. Non-performing, criticized, and troubled debt restructured loans continue to improve. Non-performing loans declined $63 million, resulting in NPL ratio of 0.96%. We also reported a 10% and 8% decline in business services criticized and total troubled debt restructured loans, respectively. These declines were primarily driven by improvement in commercial loans.

Net charge-offs totaled $76 million in the third quarter or 38 basis points of average loans. This represents an $8 million increase over the second quarter and includes the impact of two large energy credits. For the first nine months of 2017, net charge-offs represented 41 basis points of average loans. We continue to expect, full year net charge-offs to be in the 35 basis points to 50 basis point range.

As Grayson mentioned, it's too early to assess the full impact of the hurricanes, generally, it takes up to nine months to fully evaluate storm-related losses. We are still gathering available intelligence, including direct communications with customers where possible to determine potential losses resulting from the storms.

As you would expect, our loss estimate includes a significant amount of uncertainty. Based on our current evaluations, we've provided for an incremental reserve of $40 million for loan losses, including the incremental reserve the provision for loan losses match net charge offs for the third quarter. The resulting allowance for loan losses at quarter end increased 1 basis point to 1.31% of total loans outstanding.

We continue to characterize overall credit quality as stable. However, volatility from quarter-to-quarter in certain credit metrics can be expected, especially as it relates to large dollar commercial credits, fluctuating commodity prices, and further analysis and revisions to hurricane-related exposures.

Let's move on to capital and liquidity. During the quarter, we repurchased $500 million or 34.6 million shares of common stock and declared $105 million in dividends to common shareholders, an aggressive start to our recently approved capital plan. We see the compounding benefit of executing repurchases early, but also understand the need to retain some flexibility throughout the year.

Our resulting capital ratios remained robust. Under Basel III, the Tier 1 capital ratio was estimated at 12.1%; and the fully phased-in Common Equity Tier 1 ratio was estimated at 11.2%. Finally, our liquidity position remains solid, with a low loan-to-deposit ratio of 81%. And we were fully compliant with the liquidity coverage ratio rule as of quarter end.

Regarding expectations, while 2017 has been challenging in many respects, we still expect to meet our overall profitability targets for the year. We were able to accomplish this because our asset-sensitive balance sheet continues to benefit from increasing interest rates, including the benefit of our core deposit base. And at the same time, we are continuing to exercise solid expense management. I've provided an update on each of these targets on the previous pages of the deck. Those updates are summarized again on this slide for your reference.

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So, in conclusion, despite the negative impacts from recent hurricanes, we reported solid third quarter results and remain focused on continuing to execute our strategic plan to drive growth and shareholder value. And to that end, as Grayson mentioned, we expect to achieve the majority of the $400 million expense eliminations by 2018, one-year ahead of schedule and are committed to achieving additional expense reductions over and above the $400 million amount. And we look forward to providing additional details to you later this year.

With that, we thank you for your time and attention this morning. And I'll now turn it back over to Dana for instructions on the Q&A portion of the call.

Dana W. Nolan
Executive Vice President - Head of Investor Relations, Regions Financial Corp.

Thank you, David. Before we begin the Q&A, as a courtesy to others, please limit your questions to one primary and one follow-up to accommodate as many participants as possible. We will now open the line for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] Your first question comes from Peter Winter of Wedbush Securities.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, Peter.

Peter J. Winter
Analyst, Wedbush Securities, Inc.

Q

Good morning. I was just curious, how much is left in terms of the balance sheet repositioning on the commercial side and in indirect auto?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

So, in indirect auto, that runoff usually takes about 2.5 years to runoff. It cost us somewhere in the $500 million range, as we mentioned. So, we just now finished about a year, so we have about 1 1/2 years, round numbers, Peter.

Peter J. Winter
Analyst, Wedbush Securities, Inc.

Q

Okay. And on the commercial side?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

So, we think about repurposing, we got, round numbers, we had talked about another $1 billion that we were looking at. The truth is we continue to see opportunities to look at all of our relationships as they continue to come

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through and mature. And so, it's hard to explain to you exactly how much in terms of runoff would occur. It's really the opportunity to look at a lot of large corporate relationships as they come up for renewal.

John Turner
Senior Executive Vice President-Head of Corporate Banking Group, Regions Financial Corp.
A

Yes. Hi, Peter. This is John Turner. I would say that our expectation was that we would begin to see an inflection point in the third and fourth quarter. Obviously, we were surprised by the amount of paydowns in the third quarter and just the amount of liquidity that flowed into the bank. The timing of the transition from becoming less dependent on construction lending, particularly, in real estate and matching that with an increase in term lending has been a little slower than we thought. We do see that pipeline now building, and so believe that we will, based upon what we know today, grow loans on an end-to-end basis in the fourth quarter. Our pipelines are stronger. Our production has improved quarter-over-quarter and year-over-year, and so we believe, we're beginning to see some momentum building in the loan portfolio based upon what we know today.

Peter J. Winter
Analyst, Wedbush Securities, Inc.
Q

Got it. And just a quick follow-up question. Of the $400 million in planned expenses, how much have you realized so far?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Well, we had talked about the $300 million that we were going to – that we found and the extra $100 million which got us to the $400 million, we would find by 2019. We've now updated that guidance to tell you we'll find the majority of that extra $100 million in 2018. But we want to reserve kind of concluding on what 2018 looks like for a later part in the year, because there are investments that we're making. There's investments in technology, in particular. And so, in December, we'll give you better guidance in terms of what that means for 2018. And we are also looking beyond the $400 million over the next three years, 2018, 2019 and 2020. We'll give you guidance on that in December as well.

Peter J. Winter
Analyst, Wedbush Securities, Inc.
Q

Okay. Thank you.

Operator: Your next question comes from Michael Rose of Raymond James.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Good morning, Michael.

Michael Rose
Analyst, Raymond James & Associates, Inc.
Q

Hey, good morning. Just a follow-up on the expense question. Can you just remind us, what areas of the expense base the $400 million is going to come from? And then maybe just a follow-up on that question, the $400 million. How much do you think will be on a net basis, where you mentioned some investments? Thanks.

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David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, so I'll answer the last question. We really want to reserve that, Michael, for December, because we're continuing to finalize our budget and our strategic plans for the next three years. So, we'll have a better net response to you then.

As we think about how we're going to simplify and grow our bank, we're really looking at all processes that we have, starting with how we serve the customer, all the way to how the back office enables the front office to deliver our products and service. Our goal is really to simplify how our customers bank with us and how our associates serve our customers.

So, it's a broad-base initiative that'll be looking at how we can leverage technology to get more efficient and to have a more effective response in many areas. And so, we continue to look at branches as we've done. We've consolidated more branches than any peer since the crisis. And we've looked at a lot of square footage, even outside of the branch in terms of opportunities for savings, so it's pretty broad-based.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Yeah, Michael. I think that just to reiterate what David said, we continue to look at how we can do business more efficiently and still making sure we're doing business effectively. And as David mentioned, part of that strategy has been in our customer channels. And year-over-year, our branches are down almost 7%. We've been pretty aggressive in trying to rationalize our physical points of presence. But we've also been very judicious in looking at all of our operational processes to try to streamline those, to make them more efficient.

We've invested in some technologies that have allowed us to continue to reduce our staffing levels, to be more efficient. And we've worked very diligently with all of our vendor partnerships to try to rationalize our expenditures with third-parties. And you're going to see us continue to keep expense management at a really high level of focus and priority over the next several quarters. It's an imperative and a low rate, slow growth environment.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Michael, let me add one other thing. You know what our goal is with regards to efficiency in 2018. And as Grayson just mentioned, our expectations are to do what we have to, to achieve those expectations that we laid out at our Investor Day, regardless of the environment that might be ahead of us, and a slow growth, whether rates are up or down; or whether they're up or flat. And so, that's what our reason for focusing on the expense initiative.

Michael Rose
Analyst, Raymond James & Associates, Inc.

Q

Thanks, David. That's actually what I was trying to get at it. But maybe just my follow-up, you guys put a decent provision for the hurricanes this quarter. If I go back to Katrina, I think you guys spoke about $100 million and the losses came in a lot less than that. Should that same dynamic occur here? Should we think about the future pace of provisioning to be more in line with loan growth, and you'd basically grow into that excess provisioning? Is that the right way to think about it?

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Barbara I. Godin
Chief Credit Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yeah, this is Barb Godin. I wouldn't call it excess provisioning. What we do is when we look at the Hurricanes, Katrina, of course, being a very different hurricane than the three that we experienced, including a lot of the rules and regs, and how people got money back from Katrina and what happens now, so we take a very methodical approach to sizing up.

Our exposure could be to the hurricanes, not just from the physical exposure, but we reach out to customers, we reach out to others. We use a third-party service to help us do some reconnaissance work, et cetera. And so, we come up with what our best estimate is, recognizing the hurricane came in at the end of the quarter. Best estimate at this point, as you know, is about $40 million. We're going to continue to refine that.

As David said, it will take us roughly over the next nine months for us to fully get that number resolved, but we'll have much more clarity even as we move into next quarter on that number. Insofar as the rest of our allowance goes, we feel comfortable with the methodology that we use around where we set our allowance for the company. So, again, we certainly don't count on any bleed over from something like a hurricane.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

But I do think that...

Michael Rose
Analyst, Raymond James & Associates, Inc.
Q

Okay, that's helpful.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

...from Barb's comments that every day, we're learning a little bit more from our customers. And then obviously the more information that we get from customers and communities, the more refined our estimates are for those losses. And historically, as Barb mentioned, within about a nine-month period, we've got a great degree of certainty about what that potentially is. We've taken what we believe to be a disciplined and prudent approach to what we've done this quarter. But for certainty, we've got to let it play out.

Michael Rose
Analyst, Raymond James & Associates, Inc.
Q

Thanks for taking my questions.

Operator: Your next question comes from Matt O'Connor of Deutsche Bank.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Good morning, Matt.

Q

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Good morning. This is Rob from Matt's team. Just on expenses versus your adjusted expense number of $880 million. I was just curious how should we think about the 4Q level and then how much of the specific items that you called out this quarter should we expect to be repeated this quarter and thereafter, specifically the hurricane-related expenses, branch consolidation charges, et cetera?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Well, we had a very solid quarter from an expense management standpoint. I think you've you got a look at the hurricanes and the expenses that we incurred, both direct and through the expense categories in addressing the hurricanes, but also the provisioning we took as well. So, David, if you want to try to frame that?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

So, I think that, clearly, as we mentioned, the hurricanes, three of them, happened right here at the end of the quarter, so we did our best to estimate losses, both on the credit side, as well as the non-credit side. We'll have some adjustments in the fourth quarter. I don't expect those to be of any great magnitude thus far based on what we know today.

And as we think about expenses, we still are within our guidance that we provided at the end of the year. That would be less than 1%, given your guidance that we believe our operating leverage for the year will be approximating 2%. So, I think your question's also leading into what does it look like for 2018. And we're just going to ask you to be a little patient till we get to December, and we'll give you a better net number for both 2018, 2019, and 2020.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Just a look at the third quarter, and when we have hurricanes like this, we dispatch an awful lot of our team members with supplies and generators, and so forth. We have a lot of payers. We have a lot of expenses that occur when these events happen, in our response to them. And then we've also take taken a very supportive stance on waiving fees and so forth during the event period to try to accommodate our customers getting through these tough situations, and so – but in spite of that, we still posted up a really solid quarter from an expense management perspective.

Q

Okay. And then just separately, with regards to the NIM and net interest income. Beyond 4Q, how are you thinking about your ability to grow net interest income dollars next year, ex the benefit of any additional rate hikes?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah. So, provided a little bit of guidance in terms of where our balance sheet is currently positioned right now with regards to even rates, where they are, as we have fixed rate loans maturing in securities that are rolling over that we can reinvest to have some accretion in net interest income and resulting margin.

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We do believe, as we mentioned, that we'll grow loans in the fourth quarter. We'll give you guidance in terms of loan growth relative to 2018 again in December. But we expect to continue to benefit without a rate increase. And of course, the probability of a December increase is in the plus 80% right now, which is why we gave you the guidance on NIM in the fourth quarter to be up modestly.

Q

Okay. Thank you very much.

Operator: Your next question comes from Geoffrey Elliott of Autonomous Research.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, Geoffrey.

Geoffrey Elliott
Analyst, Autonomous Research LLP

Q

Good morning. Thanks for taking the question. Maybe back to the efficiency ratio, because I think it's important to clarify the target from the Investor Day of adjusted efficiency ratio less than 60%. You said that, that still stands for full year 2018, just want to make sure everyone's on the same page on that?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Yeah, that's correct.

Geoffrey Elliott
Analyst, Autonomous Research LLP

Q

Great. And then in terms of the expense initiatives that you've run so far, I guess, there's always a trade-off between saving expenses and avoiding a negative impact on revenues. Is there anything that you've done so far that stands out as having been particularly effective in that trade-off? Just some color around that might help us think about how we look at expenses going forward and where more saves can come from?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Probably the biggest impact has been how we've sort of rationalized not only our physical footprint in terms of numbers of branches, but also how we format those branches from a staffing perspective.

And so, I'll ask John Owen to speak to that for just a moment.

John B. Owen
Senior Executive Vice President & Head-Regional Banking Group, Regions Financial Corp.

A

Sure. Our Investor Day a few years ago, we laid out a plan to consolidate between 100 and 150 branches over a three-year period. We beat that; we're about 163 branches right now at the end of two years, so a year in advance of that. As Grayson said, at the same time, we've also rolled out a new online and mobile banking platform. The other thing I'd point out in the face of consolidations on the consumer side, we continue to grow revenue from

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customer accounts, grow deposits, and grow loans. So, even with the branch consolidations, I think we're having a very balanced approach, both on the digital side and on the physical branch side.

Geoffrey Elliott
Analyst, Autonomous Research LLP

Q

Great. Thanks very much.

Operator: Your next question comes from Steve Moss of FBR.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, Steve.

Steve Moss
Analyst, FBR Capital Markets & Co.

Q

Hi, good morning. I was wondering on your end of period loan growth commentary, if you could help give some color around what your expectations of the drivers are for fourth quarter growth here?

John Turner
Senior Executive Vice President-Head of Corporate Banking Group, Regions Financial Corp.

A

Yeah. So, it's John Turner again. And I would say, first of all, our markets were probably some of the slowest to recover in the country when we look at GDP. And over the last two years, we've had some headwinds as we've thought about trying to remix our business. We've also had to deal with energy recession, concerns about multi-family and our desire to change our mix of business. All that came together to have a probably larger than expected impact on loan growth.

As we look forward, what we're beginning to see is market strengthening. And so, in our core businesses, our portfolios are improving. And some of our specialized businesses like tech and defense, like financial services, we're seeing a good bit of activity in those markets. And so, pipelines are strengthening. And then our Regions Business Capital asset-based lending platform is active; and we expect it to have a good year in 2018. And so, as we look at our pipelines, we look across our markets, we're seeing strengthening in those economies, and we're seeing frankly better execution amongst our teams, which we believe is going to lead to again some positive momentum given what we know today.

Steve Moss
Analyst, FBR Capital Markets & Co.

Q

That's helpful. And then where does the – what's the balance of your shared national credit as of September 30?

John Turner
Senior Executive Vice President-Head of Corporate Banking Group, Regions Financial Corp.

A

The actual balances are effectively unchanged. I think our commitments are in the range of $38 billion; outstandings, roughly $19 billion. Commitments are up modestly; outstandings are down a little year-over-year, a couple hundred million dollars. But we've generally tried to hold those balances about flat and are again remixing the business, exiting some relationships as David pointed out, entering others as we see opportunities to be more relevant and to gain more of our customers' share of wallet.

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Steve Moss
Analyst, FBR Capital Markets & Co.

Q

And one last one if I may, just wondering, where are you looking to invest in the franchise in 2018, as we think about expenses here?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, so, we've mentioned quite a few technology investments in our prepared comments in terms of helping our customers bank easier with us and helping our associates serve our customers. So, you're going to continue to see investments in digital, will be a big investment that we need to have. And I think the whole simplify and grow the bank, again, a lot of initiatives there in terms of process. So, we think technology will enable us to have more efficient and effective processes through that implementation, which is going to cost us a little bit of money, which is why we don't want to answer the question for 2018 just yet.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

But you will see as we go through our simplify and grow initiatives, we want to try to continue to enhance and strengthen the customer experience. But, we also want to try to find more ways to create more effectiveness and more efficiency in the back office, in particular, in risk and compliance. And we believe there's technology solutions that will allow us to do a better job in risk and compliance through robotics and artificial intelligence. We believe some of those investments we make can really find a way to make us not only do a better job, but do that job in a more streamlined manner.

Steve Moss
Analyst, FBR Capital Markets & Co.

Q

Thank you very much.

Operator: Your next question comes from Betsy Graseck of Morgan Stanley.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, Betsy.

Elizabeth Lynn Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. I had a follow-up on the discussion. I think, David, you were mentioning how the front book is coming in better than the back book. Were you speaking about the overall portfolio, so that would reflect some mix shift of where you're generating some of your incremental assets, or was that more specific around what you're seeing in your securities book at current yields, and what you're seeing in C&I and CRE. Can you just give us some color there on that would be helpful.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah, Betsy, it's actually both of those. We're looking at the total portfolio, the fixed rates that exist on both in consumer and in the business side, as well as the securities book that rolls over every month. And so, it's a

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combination of those two – or three things that we believe will help us to be accretive in terms of net interest income, even if rates stay kind of where they are.

Elizabeth Lynn Graseck
Analyst, Morgan Stanley & Co. LLC

Q

And how are you thinking about NIM in that situation? I mean, obviously, we've got deposit betas that are beginning to rise here, so what's your thought on that?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

So, we do believe though as rates continue to increase and the pace of those rates increase, deposit betas will also increase. We've been fortunate thus far, our deposit beta is around 10% thus far. Quarter-over-quarter, we were about 14%, but [ph] light to-date (50:40), about 10%. We believe this is a unique advantage for Regions, and that our deposit base skews to our retail depositors, where we're in smaller markets; we're in those markets where deposit cost or deposit pricing is less sensitive. And that we will have a better deposit beta relative to our peers, consistent with what we experienced last up-cycle. So, we think there's continued benefit for us to actually extract the value out of our deposit franchise, as we finally get rates increasing.

Elizabeth Lynn Graseck
Analyst, Morgan Stanley & Co. LLC

Q

And then, just on – again, the front book/back book question. Are you also suggesting that spreads in C&I and CRE and some of your other asset classes are stabilizing here, or your yields are up enough to offset any spread compression?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

It's a great question. So, spreads clearly have tightened up since a year ago. That's why you saw not just with Regions, but a lot of our peers with access to the capital markets, that's why you saw our $1 billion issuance in the third quarter, a little earlier than we had originally intended because of that spread tightening.

I think there's still a lot of competition out there. Spreads are down. They're not down dramatically from a year ago, call it, 9 basis points across the board, different asset classes. And I think that we don't have an expectation that'll continue to grind down, but I don't see it having a massive reversal either.

Elizabeth Lynn Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And then just lastly, NIM, your comments there about 4Q going up. Not making any commentary about NIM for 2018 yet, but NII moving higher, that's the takeaway?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

That's correct. Consistent with the expectations for December rate increase, that's right.

Elizabeth Lynn Graseck
Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Got it. Okay. Thanks so much.

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Operator: Your next question comes from Ken Usdin of Jefferies.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Good morning.

Kenneth M. Usdin
Analyst, Jefferies LLC
Q

Thanks. Good morning, guys. Understanding your comments about potential volatility to come post hurricane on the credit front, just given that this quarter was the biggest energy charge-off quarter you had; you had 10% reductions in almost every metric of non-performers, classifieds, TDRs, et cetera, could you just help us understand what your underlying trajectory looks to be for losses? Any reason to expect any change in the loss rate? And couldn't we still continue to see ongoing reserve releases from here, given all of that?

Barbara I. Godin
Chief Credit Officer & Senior Executive Vice President, Regions Financial Corp.
A

Good morning, Ken. It's Barb. Relative to the charge-offs, you're right, we did have a $28 million energy charge-off quarter. That was oilfield services. Primarily, we're seeing an end coming to that book. I think you will start to see that over the coming quarters. The energy itself, and E&P, and other sectors has really played itself out, little bit of oilfield services left.

Relative to improvements and things like our non-performing loans, out of our top 11 credits, eight of them were actually payoffs that came. And it was very broad-based. There was only one that was energy; and the rest were just a mix of everything else. That was good to see 90-day delinquency behave, criticized classified, we've talked about, et cetera. So, all in, as we think about where credit is stable for the time being.

And in terms of the allowance, the allowance, obviously, as you heard me say, we follow a methodology, and as things get better in our book, the allowance will follow as well. But we, again, don't anticipate the allowance that were going down to, for example, a 1% level, et cetera. But there could be some room for improvement in the allowance ratio.

Kenneth M. Usdin
Analyst, Jefferies LLC
Q

Yeah. And then I was just going to say that. Hopefully, you start to see some loan growth from here and have to provide a little bit, but it would just seem with these metrics that you'd be at least offsetting that with ongoing improvement and related releases?

Barbara I. Godin
Chief Credit Officer & Senior Executive Vice President, Regions Financial Corp.
A

You're right, but again, both Mr. Turner and Mr. Owen are working very hard as is the rest of the company to make sure that the growth story is going to be a great story for us, particularly, as we look forward over the next few quarters, and as well enough to release as much in my allowance, because we'll be offsetting loan growth.

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Kenneth M. Usdin
Analyst, Jefferies LLC

Q

Okay, understood. Thank you, Barb.

Operator: Your next question comes from Jennifer Damba of SunTrust.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, Jennifer.

Jennifer Demba
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Yeah. My question really revolves around the energy book. Barb, do you think that energy bookings bottomed at this point, or do you think we'll continue to see some contraction?

Barbara I. Godin
Chief Credit Officer & Senior Executive Vice President, Regions Financial Corp.

A

In terms of – let me go with outstandings, first. I think you're going to see some contraction in our oilfield services. Loan balances will continue to decline somewhat in our midstream. We're happy with that part of the book. We're going to actually see us growing that part of the book. Same thing with E&P. There's opportunities in there.

Relative to the credit quality pieces, again, the only piece that we really are still spending some time and attention on is the oilfield services piece. And that, too, again, as I mentioned this quarter, we saw a lot come through this quarter. And I think that, too, is resolving itself pretty quickly.

Jennifer Demba
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Operator: Your next question comes from John Pancari of Evercore ISI.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Good morning, John.

John Pancari
Analyst, Evercore Group LLC

Q

Good morning. I just wanted to – on the topic of capital, wanted to see how you would – as you're looking at deployment, how would you prioritize M&A in the grand scheme of things? And then, also, on that front how do you view whole bank M&A versus non-bank deals? And then lastly, what would be your target size deals, if you were to look at anything on the bank side? Thanks.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

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John, first of all, our focus right now is primarily on trying to execute on our fundamentals to grow the bank organically, manage expenses with an awful lot of focus and attention, and deliver all the numbers that we have tried to project to you in our Investor Day and have tracked very closely with. As David mentioned, we'll give you an idea of sort of what we think 2018 looks like in December.

I think that when you look at the options we got in deploying our capital, we, first and foremost, would love to deploy it in the loan growth as Barb had mentioned earlier. And of course John Turner and John Owen are both pushing hard inside the company to do that and do it prudently. We have executed on a number of non-bank acquisitions that we think have been of the size and nature that has been accretive to our company. We continue to look for those where they're at.

We also monitor the bank M&A market very closely. We look at that. We look for when the economics of that makes sense for our company. But quite frankly, and quite candidly, right now, that's not a primary focus of ours. Now, we just don't see that window of opportunity at this juncture. That could change. The math could change on that, the economics can change. But for right now, we don't see that as a tremendous opportunity for our company.

John Pancari
Analyst, Evercore Group LLC

Q

Okay. Thanks, Grayson. And then on the margin front, the deposits that you've been allowing to run off, the higher-cost deposits, I'm sorry if I missed this, but what is the average cost of what you have been now running off? Thanks.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

I don't have that, John, in front of me. What we think about though is we have collateralized deposits that don't provide us much liquidity value at all, because we've had to post up securities for that. It gives us a little bit of diversification, if you will, from things like the FHLB, but – and let's just call it wealth management or a trust deposit, where our customers are really looking for a better deal. And we're willing to give them. We don't want that deposit that really is going to show more of a 100% beta as rates move. And so, we are sitting here with a loan deposit ratio of 81%, 82%. And it just doesn't make sense for us to continue to hold on to those tight deposits, and we'll continue to let those roll off.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

And if you look at it, I mean, over the last several quarters, we've really strengthened the composition of our deposit base. And we think it's one of the core strengths of the company. And we've rationalized some of our higher-cost deposits that whether it be collateralized deposits or public funds deposits. And under these liquidity rules, we want to make sure that we're building a high-quality deposit base that we can depend on quarter in and quarter out. And so, we feel very good about the deposit base that we've built. Obviously, in this environment, we've been able to really make that composition shift very gracefully and feel good about where we're at today on deposits.

John Pancari
Analyst, Evercore Group LLC

Q

Okay. Thank you. And just one more, back to Steve's question around the shared national credits, thanks for giving us the number. What portion of that portfolio of $19 billion in outstandings are you the lead arranger? I

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know you've done a fair amount of repurposing with that exposure, so curious where you stand now in terms of which ones you're lead on? Thanks.

John Turner
Senior Executive Vice President-Head of Corporate Banking Group, Regions Financial Corp.
A

So, John, we would say that we had a lead position right or left in a little over a 10% of the opportunities that we're – left, only about 10% of the opportunities that we're engaged in. I don't have the number on right.

John Pancari
Analyst, Evercore Group LLC
Q

Okay. Thank you.

Operator: Your next question comes from Vivek Juneja of JPMorgan.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Good morning, Vivek.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

Morning. Just want to follow up on that cost savings, just to take back a little bit further. So, you're expecting $400 million through the end of 2018. Where are you thus far in that number? How much of that $400 million have you achieved thus far?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yeah. So, Vivek, what we recently changed was when we added the $100 million – so we had an original $300 million plan. We added $100 million earlier and said, we would find that through 2019. We've now adjusted that extra $100 million to say, we'd find the majority of that in 2018. So, not much of that component is actually in our current run rate. And we'll give you better guidance as to what that means in December.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

So, meaning, of the remaining $300 million, what you're saying is not – most of that is already done, given that you're only one more quarter away from the end of 2017. There's something less than just one quarter worth that you're expecting to still add. Is that a fair interpretation?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yeah, that'd be fair.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

Okay. Second thing, insurance. Fees have been coming down last three quarters, trying to understand just what your plans are for the business.

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David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yes. So, we continue to evaluate the risk-adjusted returns on all of our businesses. We evaluate the diversification of our businesses and geographies. And as it relates to insurance, you're quite right, the industry has had a down premium market for some time. That's starting to reverse actually recently and so – but we continue, we're going through our strategic planning process, where we're looking at all of our businesses as we speak. And we will give you, again, more guidance as to what that looks like for our next three years. And we'll lay that out in December.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

And what about acquisitions on that one? Haven't seen you all do anything much, is that just lack of opportunities, or have you decided to just step off that a little?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yes. So, we backed off that a little bit. You know that industry very well. The multiples of cash flow became very expensive, and it was hard for us to justify the types of investment it was going to take us to get any type of sizable acquisition done. So, what you've really seen of late are really smaller acquisitions of producers that we've put into that business. But it's really right this minute cost prohibitive for us to spend the type of cash flow it's going to be required to do a deal.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

Yeah. And one last thing, your target for CET1 were – what are you targeting and by when, if you can just remind us?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
A

Yes. So, we've laid out target, Common Equity Tier 1 in the 9.5% range. We had originally targeted that for the end of 2018. We can't quite get there by the end of 2018, it'll be into 2019 before we get there, kind of given where our loan growth and our capital plans are laid out. We will update that as we do our CCAR next April, but we expect to approach that sometime in 2019.

Vivek Juneja
Analyst, JPMorgan Securities LLC
Q

Yeah. Thank you.

Operator: Your final question comes from Saul Martinez of UBS.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Good morning, Saul.

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Saul Martinez
Analyst, UBS Securities LLC

Q

Hi. How are you? Sorry to beat a dead horse here. I just want to understand the mechanics around the cost save. So, at your Investor Day you highlighted that $300 million over the next three years, which about 35% to 45% of that would be in 2016 and the remainder would be kind of split between 2017 and 2018. So, essentially, what you're saying is that still holds, but the incremental $100 million or so will be mostly achieved in 2018? Am I understanding that correctly?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

That's correct, Saul.

Saul Martinez
Analyst, UBS Securities LLC

Q

Okay. Okay, great. Just a final question, if the 10-year kind of stays where we're at, 2.4%, even gravitates up, what does that mean for premium am, going forward?

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yes. So, we've kind of gotten to the point where our premium amortization is really not as important to us in terms of what our ultimate net interest income and margin are. We're sitting here in the mid-30s in terms of amortization. That might drift a bit lower, but not appreciably. So, we're looking at maybe it bottoms out in the low-30s to high-20s.

Saul Martinez
Analyst, UBS Securities LLC

Q

Okay. Got it. So not really much of a change.

David J. Turner, Jr.
Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.

A

Yeah.

Saul Martinez
Analyst, UBS Securities LLC

Q

All right, terrific. Thanks so much.

Operator: This concludes today's question-and-answer session. I will now turn the floor back over for any closing remarks.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

No, thank you. We very much appreciate your time and your interest in Regions, and look forward to speaking to you at the end of next quarter. Thank you.

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Operator: Thank you. This concludes today's conference all. You may now disconnect.

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