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Regions Financial Corp. (RF)

Credit Suisse Financial Services Forum

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CORPORATE PARTICIPANTS

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

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

OTHER PARTICIPANTS

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

MANAGEMENT DISCUSSION SECTION

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

So we're going to get started with our next speaker here. Next up for me and the large cap bank group, I'm joined by Regions Financial. Welcome back. You are my last speaker of the conference. So let me take one more opportunity to say thank you to everybody who has joined us in person or online over the last two days.

From Regions, I feel very lucky to be joined today by David Turner, Regions' CFO; Deron Smithy, Regions' Treasurer; and Ronnie Smith, the Head of Corporate. The – turning to David and Deron for one minute here. I have to tell you, your titles are very well earned with a brilliant, somewhat contrarian, move of putting hedges on the balance sheet well in front of this most recent drop in interest rates. I don't think you had a crystal ball as much as a determination to embrace the reality of cycles and momentum.

So that being the case, we look forward to digging a little bit deeper into that strategy and the balance sheet and the – where with all that you have to manage through the current environment whatever it might bring. So, why don't we start with some discussion around this macro environment. In January, you obviously sounded reasonably confident about the outlook. And while it's very early in what's gone on and where the yield curve has moved, why don't we talk about what it is that you are or aren't seeing at this point in time? And then we'll get into the balance sheet and hedging strategy a little bit.

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

Okay. Well, I'll let Ronnie also talk about this, so also there've been a lot of changes here with the past few days even.

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QUESTION AND ANSWER SECTION

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Yes.

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

A

Now we've anticipated that the economy was going to slow in 2020 and we knew – we anticipated that three years ago which is why we have the hedges in place – we'll talk about that in a minute and as we get into questions. But right now, we – there is uncertainty out there. Personal income is up, [ph] as I (2:01) noted this morning and we still feel okay there. We're talking, Ronnie's team is talking to all of our customers on the business side to try to figure out what it means to their business, what that might mean for loan demand – fees and that – of that nature.

It's too early to call. We have in our model a 1.8% GDP environment. We came out at earnings and said our loan growth expectations were going to be low single digits on an adjusted basis. So, we didn't have a lot of growth baked in already. Maybe we were a little conservative and this gets us to about what will happen. We'll see, but I think that it's too early to call any real difference from what we had at earnings, but Ronnie you want to add?

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

Yeah, David. I would say that the majority of our conversations are centering around supply chain. And that's early on; most of our clients do feel like that they have adequate inventories for about the next 30 to 45 days that are dependent on those international shipments. But the longer that this persists, is the more pressure that most of them are predicting that they will feel along the way.

That conversation quickly turns to alternative sources and so some companies, some operating companies do have alternative sources. We see more pressure in the technology space than any other space at this point. But daily contact, looking for feedback, trying to keep open lines of communication is the best thing that we can do at this point until all of us know more about what's next.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

And so in terms of [ph] book (3:50), let's talk about where financing demand was. You said you are a little bit less than 2% loan growth baked in or – I'm sorry 2% GDP growth for the year – but modest loan growth expectations. And across both the consumer and the corporate loan books, what were you seeing up until now in terms of financing demand? Because if you look at the H8 data, it wasn't exactly robust on the commercial side and some of that could have been really just a disintermediation to the debt capital markets. What are you hearing from customers on the commercial side and then let's talk consumers?

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

Yeah, David I'll take that first and then maybe you follow back up on the consumer side. But two things that really have had impact there. One, is you mentioned the debt markets that certainly opened up in the fourth quarter and

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we saw great activity and really strong fees that were produced. You could see that in the capital markets revenue that we posted in the fourth quarter.

Fixed income was very hot. Derivative type products were also very hot in the fourth quarter. So that did have some impact off of the balance sheet.

The other thing that we have tried to be disciplined about and that we feel like has developed into an expertise is really being selective on relationships that provide us more of a broad relationship return instead of just a transaction. We've moved out of a little more than $2 billion this year through a process that we refer to as capital allocation. We – I chaired that particular group within our company. We reviewed more than $30 billion last year of both new and renewed opportunities. And if we don't feel like we can gain traction developing core banking business with those entities, we redeployed that capital. And so, that created a $2 billion headwind for us. And then on top of that, what you had referenced just a moment ago – the strength in capital markets just because of where rates are – both created a little more muted growth on the balance sheet. We could have maintained growth, but it would have been more transactional than what we feel like we want to do on a go-forward basis.

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

A

So our low single digit expectations that we had going into the last couple of weeks was really driven by the growth we got to see in Ronnie's corporate banking group. On the consumer side, we have puts and takes. So, we see good, decent growth in mortgage. We see growth in card. We see growth in indirect – other consumer. But – our indirect auto book – we ceased that business so that's running off. And then the HELOC book – the production is getting overwhelmed by the pay downs and pay offs. So, the consumer growth net-net should be fairly flat than growth in the company driven by the corporate banking group.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So, let's talk about balance sheet positioning for a moment and why don't we actually start because I'm not sure that it's necessarily being appreciated in the marketplace today. Let's just kind of revisit the lay of the land in terms of the hedging strategy that you put in place?

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

A

Let me start and then we'll get Deron to cover. So three years ago – so we do a three-year strategic plan and we roll that every year – and we started about three years ago and we anticipate what GDP is going to be. So we had GDP going down to just under 2% this year and 1% next year. And with that, we believe the Fed was going to become more accommodative beginning in 2020. We're coming off a December 2018 rate increase. We had two rate increases factored into 2019 and we didn't get those. We got three cuts. So, we anticipated the reaction of the Fed, we just got our timing off a year.

But we had put in a lot of swaps. They were forward-starting swaps and floors – and Deron will talk about the nuances of that at that time – so they're out of the money and it was insurance. It was insurance for exactly what we have today, with the expectation if we were wrong and rates go the other way, well then, we're winning. We're just not winning as much. And so, we thought that was a good trade for us; it's turning out to be better. You never want to call on your insurance, but that's essentially what's happening. But you want to talk about the details.

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M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

A

Yeah, sure. So, David mentioned we have a rolling three-year plan that we – that we're always considering what are the range of possible outcomes. I think the key to the strategy was in our overarching goal is just to reduce variability in net interest income. We came from an environment when rates were very low where the deposit base, which is our competitive advantage, we couldn't extract the full value out of at low rates. As rates began to normalize and rise starting a couple of years ago, we were able to see the value of our deposit base emerge. And we knew that if rates and if the economy slowed and rates turned and went the other way, we were going to give all of that back. And so, the goal was to just simply reduce the variability of that and that was the precursor or how we thought about constructing the strategy.

And David mentioned, we felt like the economy was going to continually slow 2019 into 2020, that the risk of a recession was building. Not, we weren't forecasting that but again, wanted to be prepared for – for that potential downturn. And so, a year ago – I think it was a year ago yesterday – it was Investor Day, we wanted to be able to, which feels like 10 years in treasury years, but we wanted to be able to send a message to the market that we still had the opportunity to see our margin expand in a rising rate environment or a robust economy, but wanted to be able to put a floor on where we thought the margin could go in a declining rate environment. And I think we've largely done that with respect to short rates.

We still have some exposure, as has any bank does who engages in fixed rate term lending, as the long end of the curve declines and it certainly – it's, we've seen big moves recently – the new business that you're putting on is coming on at rates that are lower than what is maturing or amortizing. And so, most of our hedging was designed to reduce the exposure to changes in short rates, but last fall we did see that as exposure to perhaps a flattening of the yield curve where just a decline in long-term rates that we wanted to address as well.

So we started – we've described them as rate locks and it's pretty simple. If we just put forward-starting hedges on that were a proxy for locking in the market of where new loans would come on in the future. And those were first – the first part of the quarter – those were roughly at a push. They were put on, call it a receive rate of around 1.80%, and that's roughly – on the 10-year – and that's roughly where the 10-year was. But obviously, we've seen a big move today. We still have about $3 billion of those hedges that originally we had intended to tear up as the loans came on and just take whatever the gain/loss is, and that would effectively influence the yield one way or the other. Our decisions have changed a bit or our strategy has changed a bit. We think those are likely more valuable to us left in play.

And so, if you think about the hedging that we have in the aggregate is just $23.5 billion-ish, I think. That is five years in duration and so, if you just think about the value that that's creating for us today – it's over $1 billion worth of value that we will accrete into income over the next five years. And so, it does give us nice protection. Clearly, this low rate environment is not conducive to anything we're hoping to do in terms of trying to grow revenue, but it is – certainly, these hedges help us to stabilize revenue and give us a more firm foundation from which to grow.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So, that's a perfect segue into allowing you to comment, if you'd like to, on first quarter guidance. I assume that your margin is hanging in there a little bit better than the average of your peer group. But if you would update your guidance for the first quarter and just confirm what you're seeing, if you would, on the net interest margin and net interest revenue, that would be helpful.

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M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.
A

Yes. So, we've messaged that we expected the margin to expand as our hedges became active in the first quarter, expand into the low-3.40%s. And we think – we certainly think that is intact. The impact of rate changes that we're seeing today on the long end, those will take some time to...

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Right.

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.
A

...play out through a repricing of your book. But we expect the margin to expand into the low-3.40%s – low to-mid 3.40%s – and be relatively stable for the first half of the year. But if we stay in this lower rate environment for an extended period, you could see then the impacts of a repricing balance sheet have some modest pressure in the second half of the year. But as we think about where we are from a long-term rate standpoint and the fact that if we were to stay here for an extended period, the Fed would likely need to take action.

We think the changes in short rates, that's a fairly muted impact to us. The long end, will have some impact over time, but we still think that for the full year our net interest margin can be in that 3.40%-ish range. Certainly, if we move lower on long-term rates, there's some additional pressure that we may see. But again, high 3.30%s or around 3.40% for a full year even in this environment we think is achievable.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Okay, well done. So let's switch topics a little bit. And let's go to the next hot topic of the day, which is always M&A. So, you actually – I was going to start with bank M&A – but let's talk about what you did yesterday. Yesterday morning you announced the acquisition of Ascentium Capital which is an equipment leasing – equipment finance company. So let's talk about that in terms of what the acquisition brings to you as well as kind of when we think about bolt-on deals, what else you might like to do. How this fits in broadly?

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

You want me to kick it off.

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

Yeah, let me kick it off. So, yeah, Ascentium is going to be a great bolt-on for us. We've told everybody we were looking for things like that. They're very well-known and very experienced. Most of these are loans not leases. They got both...

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Okay.

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

... but most of them are loans and they're essential equipment loans for small businesses. Ronnie will talk a little bit more about why that's important. But it gives us some more diversification. It gives us a great platform to really leverage into our 400,000 small business customers that we have, where we may have a deposit relationship, calling that a customer, and gives us an opportunity, really, provide a product that they may need in terms of Ascentium equipment financing.

They have 100,000 customers, too, that would give us an opportunity to cross-sell into them. And then 4,000 vendors that we could have – that they have relationships with. So it's – it'll take some time to get all that working through the system. And you ignore the CECL – and in our deck we said CECL day two – that's really CECL the acquisition piece of CECL.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Okay.

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

Okay. The word day two really came from the fact we already had day one which was January 1. So our mind was saying day two, but I think that confused everybody and [ph] led (16:19) that a little bit. And that's kind of the one and done charge that you get on an acquisition. And we could debate the merits of CECL all day, but anyway that's the accounting.

But Ronnie, why don't you talk a little bit about what we see in the deal?

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

Yeah, it's an acquisition that I'm really excited about because it's a space that we do not have expertise in on the lower end. We have a very solid Regions' equipment finance group, but most of that is focused on upstream or at least the way that we define upstream [ph] provides (16:54).

And not to repeat the press release, but it's a $2 billion asset company; they produce about $1.5 billion a year. And they've been somewhat capital and liquidity restrained and so we've seen them actively selling off which, given our liquidity position along with the capital position that we hold, we're going to be able to allow that to grow naturally. And we feel like over the next five-year period we could double the amount of assets that are outstanding. It provides us with double-digit return from a yield standpoint. The risk is a bit higher, but still at about a 2.5% charge-off rate; it creates really nice margins for us.

As we took a look at this transaction though, we made it – we made the decision based on it as a standalone entity – tagging on a little bit to what David said. We really have not factored in the 400,000 small businesses that exist within our company today that now will have access to financing of essential business equipment. And that's really key because that's at the core of what Ascentium does. They look for opportunities to be a secured lender with equipment that's essential for the business to operate each day. And some of the quality that we see coming out of that space is simply because of that. So, when I think about the gap that it fills for us, the yield that it gives to us, and the upside opportunities to cross-sell into their client base but also our client base, it's a pretty compelling story for us.

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Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And so, what else might you look to acquire in that bolt-on, whether it's additional, I hate to call it gaps, but...

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

Right.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

...where you could benefit from an incremental loan portfolio, loan expertise or region on the corporate side, or more broadly, for Regions?

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

A

Well, we've looked at – continuing to – so we've been carrying about 50 basis points of excess capital for opportunities like this. We gave you a slide in the release that said our capital is likely to be in the middle of the 9%, 9.5%, so call it 9.25% in terms of capital, so we still have a little bit of excess there to put forth for opportunities.

Opportunities are when we see products or services that we don't have or we don't – or better than what we have – in this case, their technology was better than what we have and we weren't serving that market. That's the kind of bolt-ons we look for. So we don't have anything specific. We look at a lot of non-bank transactions. Obviously there's Fintech that are coming up with good ideas that serve customers. From time to time, we've partnered with Fintechs. You could call this a little bit of a Fintech if you want. And so, nothing specific, but we're still in the game of looking for more non-bank transactions than bank M&A.

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

Just one other brief comment. Listening to your clients really directs you where the demand is. And so, as we've started thinking about this small business equipment finance world, it really came back from our clients, on taking a look at balance sheets, what they were doing, who was financing. And then also on the capital markets side, we do feel like, as we continue to build out that particular group, there are other products that we do – don't offer today to our clients they're taking advantage of. And that may not be a bolt-on acquisition as much as it is developing talent and space in the capital markets group. So, we continue to try to do the basics of banking, that is, listen back to our clients. What are you utilizing, what do you need and how can we help provide that solution.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So let's go one step further into bigger bank deals, with you or without you. I have to say I've been fascinated by the level of activity, in the Southeast in particular, and we know the demographics in the market are very good. And many of the metro markets in the Southeast remain extremely fragmented. So when you think about that, I'm curious what your view is on the pace of consolidation in the Southeast. And how if you look at either under – feeling the need to create scale as opposed to continuing to do business the way you're doing

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business today and taking advantage of disruptions that exist in the marketplace alongside integration and et cetera? How do you think about the alternatives today?

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

A

Yeah. So, there has been a lot of activity with regionals and those that are smaller. I think you're going to continue to see most of the activity be around these smaller institutions. And we use the word scale a lot in the industry. We like to think about it in terms of share. So, when you have share in the market that you are in, most of our markets don't have a money center – a money center presence. We are the money center bank. When you have that kind of density in the market, that's where your profitability really comes from.

So, we look at opportunities to continue to densify the markets that we are already in first. And so, while we're not focused on bank M&A, we have our strategic plan we want to execute with – and bolt-ons are a piece of that. We continue to look at opportunities in our markets to densify and – but one thing that we all ought to remember is, doing these transactions are really difficult. They take a lot of time. They're distracting. You've got cultural integration that you're going to go through. And all of us get through that. It just takes time to do it. So, you need to be very careful with what you pick.

So, we continue to monitor opportunities. And what the market's telling us is that doing a right way transaction with the normal premium that you would see is not acceptable. People just aren't – investors aren't willing to let you do that. So you've seen these low – low premium deals and low being defined 10% and under – as being where investors want this market to go. So clearly, there are opportunities to capitalize on cost saves and things of that nature in putting two banks together that – but the seller has to be willing to ride a little longer than they otherwise would. And so they want a good quality organization as to become partner with.

For us, we believe we have to earn our right to be independent every day. And we're executing our strategic plan to get our return up. We've done a good job of that. There's more work to do. We have to become more efficient and if we stay focused on that then we can control our destiny and maybe there is an opportunity that comes in our way one day. But we're not going to force anything, and especially in this environment where there's a lot, even more uncertainty that gets created. But we think we've been very patient and we think we're well-positioned to take advantage of something should that arise.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And so it's interesting, let's talk about simplifying growth for a minute because that's almost your own internal merger integration in certain respects, creating opportunities both on the expense side and the revenue side. And so it's really – it's still pretty early innings in that simplifying growth program and realizing the benefits. You want to update us a little bit on where you stand, given that I think in January, you spoke to being about a third complete?

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

A

Yeah. So, I'll take you back to that three year strategic planning process, acknowledge that we were in a really good credit cycle, we had rising rates. We had benefits that we thought weren't going to continue to inure to us and that we need to do something different. So that was why we started simplifying growth. We had to become more efficient. That's why we did the hedging program.

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And so, we have about 70 projects we've identified through simplifying growth. We've completed 27 of those. We have 43 left. But we've actually internally changed the name from simplifying growth to continuous improvement. And the idea is that we have to figure out, all 19,000 of us who work at the company, John Turner, our CEO, has said, whatever you do, you've got to figure out how to do that better tomorrow. You've got to think about how technology may help you do that.

And so, I think we have of those 43 that are left, more of them are slanted towards revenue than expense. So, the early part, the 27, most of those were leaning more heavily towards expense than revenue, so we're starting to see that shift. And you'll see those get completed, then we'll complete some 15 of them this year, and then we'll add another 15.

So, this is something that we're going to continue to do because at our efficiency ratio, where we are and the challenges of revenue growth, we just have to figure out how to deliver our products and services more efficiently. And we're not where we need to be. I don't think our industry is either. And if we don't move in the industry, somebody will, and the Fintechs and others that will get into our space. We're continuously looking for opportunities there and excited about the fact that, because of it, we've gone in with keeping expenses flat this year; that's a big driver of it.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. So, let me – with five minutes on the clock – let me ask if I have any questions for the team up here or I will keep going. In the back, [ph] Mike (27:23).

Q

[indiscernible] (27:25 – 27:38)

M. Deron Smithy
Executive Vice President & Treasurer, Regions Financial Corp.

A

Yeah, the short answer is yes. We think we're fairly insulated from what the Fed may do. The shape of the curve matters – a steeper curve or higher long term rates are helpful – but we're fairly insulated to what the Fed may do.

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

A

Yeah, I'll add to that. It's in a weird way beneficial most likely because that gives us an opportunity to reduce deposit costs even further if that starts to happen, so, and we're protected on the revenue side.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Let's use this last five minutes to talk a little bit about credit quality and kind of around your guide for net charge-offs to increase to about 45 basis points to 55 basis points from 40 basis points to 50 basis points in 2019 which is a very kind of manageable uptick. That it's pretty consistent with what we're seeing across our universe of banks or what we would expect to see across the banks. Is this in your view normalization? Is there any – are you seeing any weakness across the sectors, commercial versus consumer, and let's begin on the corporate portfolio a little bit if we could?

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

Okay, so we increased that from 40 basis points to 50 basis points last year to 45 basis points to 55 basis points primarily because of the change in mix with what was on our balance sheet. We had added some consumer products that have higher charge-off rates, but we feel very confident we're getting paid for that risk. That didn't contemplate our acquisition we just had. We think that, that can still fall within the bounds, but that will obviously increase from your – those loss rates on those loans are about 2.5%.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Right.

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

So we don't get too fixated on the charge-off rate as much as we do what the return on the products and services that we have. But nonetheless, it's a good question; we've been in a good credit quality environment for a long time. There is some normalization of that. You can see it on the consumer side in particular. But we don't see anything – this morning, again, when you see personal income increasing over what we thought, that's helpful – the consumer's actually in pretty good shape. And so, our corporate banking group charge-offs have been really good. We have some of our smaller businesses within that, that have higher charge-offs. Again, we're trying to ensure we get paid for that risk.

But Ronnie, you want to talk a little bit about it?

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

Sure. On the – what we define as corporate banking – we had the best year that we've had in quite some time with just 11 basis points of average charge-offs for the year. So, the quality coming out of 2019 is very strong. Now, with that said, we've got a really strong focus back in the energy space. We're still a Gulf States bank and so we really have attention on the energy portion.

To size that, we have about $5 billion of commitments in that space. Midstream and upstream make up the majority of that. OFS is about a $400 million balance outstanding; that's well down from where we have been in the past. And we're very selective on oil field services simply because of the volatility in that space. We're looking for clients that have really strong equity positions, proven ability to work through deep cycles. And so, that's rarified dollars for us when we move into OFS. And after years of experience in that space, it's something pretty personal to me that we make the right selectivity within a commodity driven area.

The other area that we are focusing on is restaurants, and not really all of restaurant, but just in the fast casual area. We continue to see pressure in that particular group. If I look back at what was a record low for us from a charge-off standpoint at 11 basis points, that was ticked up even to the 11 basis points by fast casual. So that would be another area where we have really strong focus.

Early indications, another area that has our early attention, we're not seeing strong weakness in, but transportation seems to – supply base in transportation has moved up. We don't see as many tractor and trailer orders going on, so it looks like the industry is correcting just a bit, but that does have our attention as well, if I were going to highlight two or three areas that really has our focus at this point. And with...

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Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

And just to be clear, this – you're looking at this as opposed to seeing any...

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

We're looking at that.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

...outright deterioration.

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank

A

Yeah. Absolutely. Thanks for the clarification. We're just talking about early indicators of things that we're putting a circle around and really setting the bar a bit higher on what we pursue in that space.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Perfect.

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

A

And I think all that's been considered in our CECL reserve that we booked in our day one...

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay.

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

A

...in January.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Rather than, go ahead.

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

A

Can I add one other thing.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

You may.

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

Because we were talking about simplifying growth and I failed to mention that, it's not just about growing revenues and reducing expenses. It's also the investments that we're making in people, so commercial RMs, wealth advisors, mortgage loan originators, our investments in technology. We have to keep doing that. So, we're making room to make those investments. We're not just cutting costs because if we were doing that, we could cut a lot more than you're seeing.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

So the investment continues in the franchise.

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

The investment continues in the franchise.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

Perfect. I think that's a perfect way to end this fireside chat. I thank you so much...

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

Thank you.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

...for joining us today, David, Deron, Ronnie thank you for coming...

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

Thank you. Yeah.

Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)
Q

...back to the conference.

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

Appreciate it.

Ronald G. Smith
Senior Executive VP & Head of Corporate Banking Group, Regions Bank
A

Thank you.

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Susan Roth Katzke
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Thank you.

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