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Company Conference Presentation

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Table of Contents

Call Participants 3

Presentation 4

Question and Answer 5

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Presentation

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Good morning, again. Moving right along, I'm very pleased to have Regions Financial with us as we close out this morning's session.

[Operator Instructions] We've gotten some pretty good questions from the audience so far, so keep those coming. In addition, there's audience response polling questions we've been using, time permitting. And if we don't get to those questions today, we'll certainly publish the answers tonight. But there's 4 questions, if you [indiscernible] the next one on top and go to the second, and we find that data useful.

Next up, very pleased to have Regions Financial. We've got a full slate of the management team. I see John Turner, President and CEO, and a whole host of other members of management with him to kind of help facilitate our discussion this morning.

Before we kind of kick it off, John, maybe you want to kind of just give us some overview remarks in terms of kind of what you're seeing, hearing and thinking.

John M. Turner
President, CEO & Director

Yes. Just a couple of quick opening remarks. We want to make best use of this time for all the investors that have -- that are in attendance. So first of all, I'd be remiss if I didn't acknowledge the great work that the Regions team has done over the last 6 months responding to the challenges and the opportunities that the crisis -- the health crisis has created, responding to and reacting to social unrest across our communities and and responding to other events, like hurricanes, that have occurred in our market. So really proud of the work that our team has done and continues to do to support our customers and our communities.

We have, for the last 4 or 5 years, been working to prepare ourselves for a period of stress. We have focused on derisking our portfolios, exiting businesses that weren't generating an appropriate return on capital. We have been effectively managing, as we'll talk about, our interest rate risk with a very effective hedging strategy. We've been focusing on expenses and expense control, going back 2.5 years, to our Simplify and Grow initiative, which has transitioned into continuous improvement and allows us to manage expenses effectively while making investments in our business. And as I say, we have been investing in our business, hiring talent, investing in technology and doing other things that we think have positioned us well to work through this crisis.

Looking ahead in this uncertain environment, our markets and the economy in our markets are beginning to recover. States in the southeast were some of the last to shelter in place and some of the first to reopen. As a result of that, unemployment rates were 200 basis points or more better than the national average. The number of small businesses that were forced to close were fewer in the southeast, in particular, than in other parts of the country. And so while the recovery we think is still fragile, impacted by health concerns, impacted by social unrest, impacted by the political environment, we are seeing a recovery. We are seeing customers make appropriate adjustments to manage through this challenging period of time. And we think that we're, again, well positioned to work through the period of stretch.

We're focused on things we can control: the well-being of our associates; the -- providing capital, advice and guidance to our customers; and supporting our communities. And again, I think that's appropriate during this period of time.
So Jason, we're prepared to take any questions you have. And happy to be here this morning.

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Question and Answer

Jason Michael Goldberg
Barclays Bank PLC, Research Division

No. That's a helpful overview. I guess maybe the best place to start is, Regions has had a lot of kind of strategic initiatives under the way over the last couple of years that you've laid out. And maybe talk to how COVID-19 has kind of impacted that, maybe areas you've kind of pulled back in or other areas that perhaps you're kind of accelerating with.

John M. Turner
President, CEO & Director

Yes. I'll say, from a standpoint of acceleration, like everyone else, we've seen customers embrace digital. They've been forced to do that. So we've seen an increase over 30% in mobile deposits. We've now reached to have over 2 million active digital customers. New account openings, digitally, have reached almost 30% of all new account openings, and online and digital log-ins are up about 24% -- 23%, 24%. So clearly, a more active digital customer.

We have been investing in our mobile app and other digital capabilities. But as a result of both what we've seen in the way of changing customer preferences and our own experiences with reacting more quickly through the crisis, we've elected to accelerate our investment in both mobile and enhancing our mobile app and in our digital origination capabilities. And so those things will be a real focus of us -- of ours internally over the next 6 to 9 months.

We recently announced that we pushed out our core transformation from the 2024 time frame to 2028, again, giving us some space to make investments and to allocate resources, primarily talent, to work on how do we enhance and increase the digitization of our business. So those will be some areas where we are increasing investment and, at the same time, curtailing some activity.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Helpful. We've kind of framed the last couple of presentations, kind of just walking through the income statement. So maybe we'll kind of continue with that theme. Maybe perhaps starting with loan growth. Generally speaking, it feels like commercial has been under pressure, although maybe some green shoots there. Consumer, there's been some pockets of strength, I know, in certainly some of the areas that you're playing in. Just maybe talk to in terms of kind of what you're seeing on that front.

John M. Turner
President, CEO & Director

Yes. Obviously, when the virus was -- initially impacted the economy, we saw a real increase in line utilization pretty quickly. Companies began to pay lines of credit back as the asset conversion cycle slowed as -- or actually sped up, I guess, created liquidity as companies went to the capital markets, creating liquidity.

Since then, we've seen customers -- the commercial customers much more reserved, maintaining and accumulating liquidity. There are some pockets, to your point, of business that are doing well. But I'd say, all in all, we think that currently, anyway, commercial loan growth is muted. I think that was the term you used.

On the consumer side, we've seen very good activity, obviously, in mortgage and some growth in mortgages. We hold additional loans on the balance sheet. On the other hand, our indirect auto portfolio, indirect consumer unsecured, at [both end and better runoff, and so those portfolios are declining today. Card as well, paying down as customers deleverage.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Right. And I guess the positive growth on the flip side has been, and it looks like continues to be extremely robust. Maybe talk to kind of what you're seeing both on the consumer side and the wholesale side and the ability to kind of further reduce deposit costs from here.

David Jackson Turner

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Senior EVP & CFO

Yes. Sure, Jason. So to your point, we have continued to see deposit growth, both in the consumer and the business service side. The business service side has probably been a bit quicker, faster than the consumer side. A lot of that's going into noninterest-bearing deposits, so that's helping us continue to bring down deposit costs.

We have a few more ticks to go on deposit costs, coming down from what we saw in the second quarter. And we've seen more expensive deposits continue to mature and -- like CDs and things of that nature that are a little more expensive. So like I said, there's a little bit more room to come to help us from an NII standpoint as deposit costs get reset a bit lower.

We are seeing more deposit growth than we had anticipated and -- but we haven't deployed all that cash. We have a disproportionate amount of cash sitting at the Fed, earned 10 basis points. So while we get some NII pickup, it does weigh on our margin, and you'll see that coming through this quarter.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Okay. And maybe we can kind of stick with that. I guess you kind of brought up the margin. But I guess previously, you kind of talked to NII down, I think, 1.5% to 2.5% sequentially in Q3. We've had several things, kind of talked about net interest income being lower than expected in the back half of the year. Can you maybe kind of maybe talk to your kind of current expectations?

David Jackson Turner
Senior EVP & CFO

Yes. So relative to that range, I think we're a little better or at the lower end of that or the higher, depending on -- it's closer to that minus 1.5%, however you want to look at it, to -- we'll see how we finish. But again, driven in part by the deposit growth that we've seen, the prepayments on the mortgage-backed securities portfolio, maybe a tad better there as well.

And so for us, I think continuing to deploy some of that excess cash in the securities book or continuing to look for opportunities to have some liability management, I think, will be in order for us in the second half of the year so that we can do the best job we can to hold NII.

But this particular quarter, I think you'll see it slightly down.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

It's interesting, you talked about prepayment on MBS being a bit better because [I don't think] you kind of talked about that being worse this quarter for what it's worth. And I guess it sounds like to date, you haven't necessarily put kind of that deposit to work, but that's something you think you could do before the year is out?

David Jackson Turner
Senior EVP & CFO

Yes. I think we're looking at getting some opportunities to redeploy that. Our fear has been, one, it's just hard to put in work when you have the curve where it is right now. But I think we can put incremental dollars in the securities book. Deposits, we were looking for maybe deposits to actually move the other way and move fairly rapidly, and we didn't want to be caught in a tough spot there. So we've had excess cash that we're holding.

As this continues to play out there, we're looking at maybe being a little more aggressive putting that to work. And I think that would be in order for the second half of the year.

Let me comment on the -- where you started on the prepayments. My comment was relative to what we told you earlier, which was we expected prepayments to go up in the quarter. And we do expect that, but maybe not as much as we originally had thought, but still an increase.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Appreciate it.

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David Jackson Turner
Senior EVP & CFO

I just want to -- I want to clear that up to make sure we've got that.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

No. I appreciate that. And I guess, in John's opening remarks, he mentioned the hedging strategy. But I think hedges added $60 million to NII in Q2. I think we were looking for like $95-or-so million in Q3. Maybe just kind of talk to how hedges have benefited you, how that plays out and kind of what happens or when kind of the hedges stop adding to results because, obviously, a tough environment to add new hedges.

David Jackson Turner
Senior EVP & CFO

Yes. So we had started putting on our hedges a number of years ago because we knew that the economy was going to slow. We knew rates were going to be down. We didn't know exactly the timing, and they actually moved to '19 a little sooner than we thought. So our hedges became effective in 2020. First quarter was pretty muted, only $10 million worth of benefit, $60 million in the second. And we expect now $95 million plus for the remainder of the term, which is these swaps and floors were put on with 5-year terms.

And so we get a lot of questions on -- today, the fair value of those swaps are about $1.8 billion pretax, sitting in OCI, which is, by the way, not in our capital -- not in our regulatory capital ratios. We get a lot of questions on why not tier those up and take them into income. And the math -- the accounting didn't work that way. You tier them up, and then you have to amortize the gain over time.

And frankly, while we think the risk of rates going lower is pretty low, it's not 0. And frankly, we got them for protection as a hedge. If we're wrong and rates go the other way, while our $1.8 billion of value may go down, that means we're earning that much more on the portfolio itself. So it's a hedge. I mean that's what it's for, and it wasn't -- it was to protect us.

And so given the comments that the Fed said last week on we're going to let things run a little hotter from an inflation standpoint before we start raising rates, I think that having a rate increase anytime in the near term is pretty low. And I think even before that, the Chairman said, "We're not thinking about, thinking about, thinking about raising rates." I think there are 3 thinking abouts. So I think this is going to be a pretty -- there's no need for us to worry about taking those off. If we see rates starting to increase, then maybe we'd change our mind, but that's not offing right now.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Fair enough. And then just last question on the topic. But you've talked to kind of a NIM in the mid- to high 3s kind of ex PPP and cash. I guess how do you feel about that? And then if the kind of PPP cash drag was 19 basis points last quarter, it sounds like there'll be a little bit more than that this quarter. Is that a fair observation?

David Jackson Turner
Senior EVP & CFO

Yes. I think it's incrementally a bit more with the excess cash that we had in PPP that we won't get to those numbers in the 3.30s. But over time, we still think that our guidance there, ex PPP, is in order.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

That's fair. And maybe just shifting gears to the fee income front. I think one of the themes emerging from this conference is mortgage continues to be strong. Some of the consumer and commercial fees that were adversely impacted last quarter starting to come back. Maybe just talk to kind of what you're seeing in the marketplace and just what opportunities you have on that front.

David Jackson Turner
Senior EVP & CFO

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Yes. So I'll start with mortgage. Mortgage has continued to be strong, as a matter of fact, stronger than we had anticipated. We had typically been a purchase shop, where about 70% of our production was purchased and 30% refi, and that's flipped on us. We still have a lot of purchases, but we have refis or we just overwhelm that. So continue to make good, solid revenue there. I'll say our expense base is going to have to reflect increased incentives and pay for those that are generating the mortgages. But that's going to be a good story for the third quarter, and we suspect, for the rest of the year. And frankly, we think '21 can have a pretty solid mortgage year as well.

The question is, can it be as good as '20? Don't know, but it should be a pretty solid one.

As it relates to other NIR-type categories, service charges, in particular, service charges for us are really 2 things. One is the monthly service charge you get if you don't keep enough balances with us. That's down because there's stimulus and consumers are being careful on how they spend their money. So they have higher balances and they're avoiding service charges.

The bigger play in total service charges, NSF fees, which are also down because, again, more money in customers' accounts, they're spending it more wisely. And that's cost us about $10 million to $12 million a month. And we expect that to persist. We think -- we're not confident we can get back to those levels that we had pre-COVID because we think there could be -- consumers are getting a little more cautious on how they spend and a little smarter, so we don't know that we will get back to the service charge pre-COVID. So we expect that $10 million to $12 million to persist a bit longer.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Before we get off the revenue picture, maybe John, flip it back to you. But maybe just talk to -- because I think there's a revenue opportunity here. Have you observed any disruptions in your market? You have BB&T and SunTrust getting together; First Horizon, IBKC getting together. Have you taken any proactive measures to kind of benefit from hiring away individuals from other teams? Or just what opportunities are there? Are these companies integrating? Some of them change their names, hire people and your thoughts around that.

John M. Turner
President, CEO & Director

Well, I would say just generally, in a market with this much uncertainty and disruption, there are opportunities. The challenge is interacting with customers and and building relationships when you can't necessarily get out and see a prospect or a customer. The good news is we hopefully have laid the groundwork over time. We've been calling actively in our markets. And as opportunities arise, as customers begin to -- as they find themselves needing capital, needing advice, needing guidance, they're looking for -- potentially looking for a new banking relationship, are we in the right place.

So we're out always recruiting, not specifically from the institutions you named, but just broadly, always looking for building a better team, building a stronger team. We've been actively recruiting, have been, I think, over the last 6 months, adding talent and even senior talent in this environment. Feel very good about the progress we've made and momentum in our new business development activities.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Fair enough. Maybe shifting gears to expenses in an environment where persistent low interest rates are going to -- clearly hedging helps, but it's not the end all, be all. Regions has kind of had this continuous improvement mindset. But just how do you go about tackling costs in the current environment? And has digital technology spend changed at all based on kind of customer behavior?

John M. Turner
President, CEO & Director

Yes. I may have mentioned this earlier. But first of all, we're very committed to continue to effectively manage our expenses to generally hold our expenses flat while making investments for the future, and that is particularly investments in technology. We have that, coming out of the pandemic, I think I mentioned, decided to accelerate some investments in mobile and online digital origination capabilities, transitioning dollars and human resources from longer-term projects to things that we think can have a real impact in the short run to meet changing customer preferences. And so we're very much doing that.

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But our intention is to always manage expenses well so that we can make investments. We are committed to positive operating leverage over time, recognizing 2021 may be a very challenging year to accomplish that. We haven't made that commitment and may not, given that it just would be mathematically very challenging. But we are committed over time. We want to manage expenses, making investments that enhance the business over the long run, and we'll continue to do that.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

No. Understood. Maybe we'll turn to credit quality topic [this year]. I see you have some people around the room to probably help in this area. But I guess one of the questions we get a lot on Regions is you do kind of screen that relatively higher reserve. But is that indicative of your being conservative, or just have a higher loss content portfolio? You did see losses tick up at Regions in more places than others in Q2. Some of that was the acquisition, some of that was energy and restaurants. Can you maybe talk to kind of some near-term credit trends and kind of what your expectations are? And then we can kind of maybe build up on that.

John M. Turner
President, CEO & Director

Yes. I think in terms of near-term credit trends, we obviously saw customers, both on the wholesale and consumer side, seek deferrals quickly as they should have. And so we saw spike in requests for deferrals initially. Thankfully, that's come -- that activity has come way down. And I think we've published some numbers indicating that today, commercial customers who have deferrals represent about 1% of our total customer base. Consumer deferrals have likewise come down significantly. We've had a small number of customers ask for a second deferral. And so that bodes really well, we think, for overall credit quality.

Haven't seen a real deterioration in the level of past dues. We did see some uptick in criticized and classified loans, to be expected, given the conditions that we were and are experiencing. That activity has moderated. And so I would say that we feel like we are appropriately reserved given the risk that we perceived in our portfolio, over the life of the loans in our portfolio, given the economic conditions that existed at the end of the second quarter.

And so we'll continue to manage our portfolio actively. Ronnie Smith like to say that we've had more conversations, more regularly with our customers than we ever had, and I'm sure that's true. We're staying very close to our customers, evaluating risks every day, from the top down and bottoms up. And I feel like, notwithstanding the fact that we had large charge-offs in the second quarter, that the risk in our portfolio is very manageable and well reserved.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

I guess to maybe delve some of that. But you made a comment, total reserve for the current economic conditions at the end of 2Q. I guess we've fast forward to end of Q3, it feels like the economic conditions, and you've kind of touched on this in your prepared remarks, particularly given the reopening we've seen in the southeast, maybe perhaps a little bit better than anticipated. So how do we think about the whole reserve build process going forward, particularly that we're living in this new CECL world?

Anil, you want to take that question?

Anil Chadha
Executive VP & Head of Shared Risk Services and Analytics of Regions Bank

Sure, I'll be glad to. This is Anil Chadha. So I think the way to think about that is through 2 lenses. One, you alluded to the economic environment. The view we had as of the second quarter, we do see that performing at or better as we look forward. So that's positive.

More importantly is really us paying attention to our portfolios and how our portfolios are performing. Whether it's the corporate book, commercial book, small business, consumer, we feel really good about how those portfolios are performing.

We've talked about deposit balances and how prudent the customers are on both the business services and consumer. From a credit standpoint, that's very positive to us. They're paying down lines where they can. They're managing their

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financial position very prudently. So all this points to, I would say, broadly speaking, whether it's the macro environment or credit performance, that the portfolio is performing at or slightly better than what we saw as of the second quarter. We still recognize there's significant uncertainty that still exists in the markets today. And the pandemic clearly is still weighing on certain segments more than others. So we need to make sure we stay on top of this. The pace of the recovery is something, clearly, that we'll be monitoring as we think about the reserve on a go-forward basis.

John M. Turner
President, CEO & Director

As I said earlier, it's, we think, still a fragile recovery. Still a lot of uncertainty, a lot of big issues that could impact the economy. And so I agree with Anil. I think it's going to be a fairly slow recovery. And we're going to be careful and cautious as we think about the impact of a variety of things on the economy of resulting portfolio and reserves that we maintain.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

I guess when you look at the loan portfolio, I guess, which areas, in particular, are you kind of most concerned with? I know energy, several years ago, that actually a decent contribution. If you feel like you've worked that down. Your commercial real estate book feels a lot different today than it did a decade ago. So maybe just talk to how the book has improved and what you've done there. And then which areas are you keeping kind of a closest eye on?

John M. Turner
President, CEO & Director

Yes. I think it would be an interesting review to go back and look 10 years at where Regions was in 2009, '10 versus where we are today. And if there's a lesson we learned from the Great Recession, it was the importance of balance and diversity. And so to your point, when you look across our portfolios, I think there's very good balance, both in terms of asset classes, segments, subsegments, geographies that are all reflected in our portfolio.

Energy is under some stress, but we have, to your point, managed that down. Our exposure is largely in E&P and midstream lending. And while we have some -- have had incurred losses in E&P, we don't expect the losses to be any more [significant]

[Technical Difficulty]

and energy has been a profitable business for us. It's what we've been in for a long time, and it will continue to be a profitable business. We just have to manage the volatility associated with it.

Restaurant, challenged; retail, some segments are challenged; and then the hotel industry, anything hospitality-related. And we're still seeing those businesses under pressure but some modest recovery, and that's a positive thing. So those would be the areas of concern. We don't see anything else emerging yet that gives us any pause. And all the exposures, because of the way that we have created a balanced portfolio, all the exposures we think are manageable.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

Helpful. As we shift to capital, maybe one place to start, was the Ascentium acquisition you did last quarter. Clearly, that was a use of capital. Maybe talk to kind of why you think that was a good acquisition and maybe just an update in terms of how that's progressing.

David Jackson Turner
Senior EVP & CFO

Yes. So you brought enough in terms of capital, but I'll expand that. So we knew we were going to use capital there. That's why we were at the higher end of our operating range. It just happened to be that it closed in the middle of a pandemic, and we ended up having provisions a little higher than that, which, as I tell people, provisions over charge-offs are just moving capital from CET1 to the allowance. So you still have loss absorption there.

And so your comment is really about capital, and so you really got to think about common equity Tier 1, the allowance for loan losses and other comprehensive income for us in terms of the ability to absorb losses We feel very good about where

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we are there. We -- our common equity Tier 1 did dipped below our range of 9% to 9.5%. It dipped to 8.9%. We expect to build that back. You'll see that in the third quarter. We'll build it up a little bit more to get back to where we were pre-Ascentium in that 9.4%, 9.5% range, hopefully, by the year -- end of the year.

As we think about the acquisition, we're very happy with the acquisition. If we could have picked timing, maybe we would have picked it differently. But we are very excited about that business. It's a well-run business. The folks that are 470 people that came over really understand that business. And that being said, we've issued a lot of deferrals in the business early on. Those are way down. Our loss rates went a tad higher in the last quarter than we had anticipated, coming back the other way, back to something where we expect to be, maybe even a tad better. So it's performing -- if you look at all in, it's performing about where we thought it would perform. And we're in the middle of a pandemic with small business customers.

So it really speaks to, strategically, this business is serving small businesses for central equipment, things they have to have to run the business. And that's a bit of a mitigation in terms of loss. And so we're excited about it. We think, long term, it's going to be wonderful for us. And again, I'll -- if we could pick a different time...

John M. Turner
President, CEO & Director

I'd add this, just from a strategic perspective. Increasingly, small business lending is being sort of disintermediated away as well. Point-of-sale lenders, third parties, financial technology companies, everybody is after a consumer from point-of-sale origination to small business. And what we see here is a unique origination model through vendor relationships that allow us to -- they have -- Ascentium had 100,000 customers. We see an opportunity, strategically, to take that platform, that origination platform, drive it through our markets and, at the same time, continue to expand banking relationships with those 100,000 customers that we acquired.

So we have 400,000 small business customers. Ascentium had 100,000 lending relationships. The combination of those 2 things, we think, helped significantly improve our small business platform.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

That makes sense. I guess one of the questions I still get about Regions is just around the dividend that has this trailing 4-quarter mindset at the moment. I think you've kind of alluded to that it stays into effect in Q4. You feel like you're okay. Is that still true? And then what happens if they kind of extended it into next year? How does that, Kind of playing into your thoughts around it?

David Jackson Turner
Senior EVP & CFO

Yes. So last time we spoke about it, we said it was only for the third quarter, but likely to be for the fourth quarter and into the first quarter, kind of getting through this, whatever capital review they're going to have in the fourth quarter. And so based on our forecast, we feel comfortable we're going to continue to be able to pay the dividend at the rate that we have today. And so we're -- we haven't changed our conviction on that.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

That's helpful. I guess in the past, you've talked about making investments in markets like Atlanta, Houston, St. Louis. We haven't touched on that. But kind of in this post-COVID world, is that something you're still interested in? Are there different markets you're now focused on? And just how should we think about that?

John M. Turner
President, CEO & Director

Yes. They are -- it is something we're still interested in. Those are investments we continue to make. Our performance in those markets has been good. We are growing at sort of 2x the rate of our growth in our more core traditional markets, new account openings. Our de novo strategy built around sort of a thin network we have found to be very effective, and we'll continue to extend that. Our focus today is primarily on Atlanta, Orlando, Houston. And over time, and we'll continue to expand that as we see opportunities.

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Jason Michael Goldberg
Barclays Bank PLC, Research Division

And then I know we've done some work with you guys around CECL, so maybe just a question on that. We're about 3 quarters in of using it for setting credit reserves. When it was proposed, it got a lot of criticism and I think continues to be questioned. But maybe kind of what's kind of your updated thoughts on it now that we're almost 3 quarters through?

David Jackson Turner
Senior EVP & CFO

I'll try to be brief.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

You want me to stop the clock so you could take as long as you need.

David Jackson Turner
Senior EVP & CFO

And it's proven to be procyclical. Just like we said, it creates massive uncertainty for everybody on this call. Hence, the question is you're trying to figure out what the provisioning is going to be. And it's -- we still need to work at it. And having calculated life of loan losses is one thing, but putting that change through the income statement and messing up the economics of lending, having to recognize all that expense for life of loan really is a disincentive to lend in the middle of a pandemic. That's what we don't want. We want the financial services sector to be a source of strength, which I think we are, to make loans to creditworthy borrowers to help in this type of environment. CECL works against that.

There are some tweaks that we could make. We're going to continue to work on it and try to work with all the stakeholders to see if we can't be helpful in getting a better answer out there. And I'm hopeful that we can make some tweaks to it. But it's proving to be procyclical, and it's a little disappointing from that standpoint.

Jason Michael Goldberg
Barclays Bank PLC, Research Division

No. I kind of expected that answer. We have about 3 minutes on the clock, so maybe I'll just go through some of the ARS questions. But just as we've asked all the companies is what are your position in Regions with 43% saying overweight, which is up from something closer to 25% to 30% each of the last 2 years. The next question is, where do you expect Region's NIM to be in 2021? And the answer was 3.10 to3.20, which I think is a bit below that 3.30 number, David, that you talked to. So we'll see what happens on that front.
And anything to follow-up the next 2. But I guess we don't have the time.

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