09-Dec-2020

Regions Financial Corp. (RF)

Goldman Sachs U.S. Financial Services Conference

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CORPORATE PARTICIPANTS

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

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

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

Martha Raber
Executive Vice President & Head - Financial Risk, Regions Financial Corp.

Anil Chadha
Executive Vice President-Head of Shared Risk Services & Analytics, Regions Financial Corp.

OTHER PARTICIPANTS

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

All right. Great. Up next, we are excited to kick off day two for the regional banks with Regions Financial. Over the past year, Regions has navigated the current environment better than most by layering on timely hedges and building significant reserves across its high-risk exposures. In addition, it continues to show solid expense discipline as it gets deeper into its Simplify and Grow initiatives. Here to tell us more about the strategy is President and CEO, John Turner. Also joining him is Chief Financial Officer, David Turner. In addition, there are a handful of others in the room including Anil Chadha, Head of Risk Analytics; Ronnie Smith, Head of the Corporate Bank; Matt Lusco, Chief Risk Officer; and we also have Deron Smithy, Treasurer; and Martha Raber who's Head of Credit Financial Risk, and of course Dana Nolan. So thanks. Good morning and thanks for joining me today.

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

Good morning.

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

Good morning.

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

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QUESTION AND ANSWER SECTION

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So John, maybe to kick it off, well, I'm sure none of us expected 2020 to play out the way it did. The bank has fared better than I think many have expected, and shares are close to flat on the year. So with that as a backdrop, can you talk about how you feel the bank is positioned to succeed as we move into 2021?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. Thank you, again, for having us. I think we're very proud of what we've accomplished. We spent the last 10 years working hard. Our goal has been to build a bank that was consistently performing, that was sustainable during periods of stress. We certainly couldn't have imagined a stress like this, but we think that the work that we've done in the past to de-risk our business, to hedge our interest rate risk, to effectively manage expenses while making investments has positioned us really well. We operate in markets that have, seem to have done a little better on average than states across the country, and so we've seen little lower unemployment rates in our markets, we've seen little less closure of small businesses. Generally, our customers are cautiously optimistic; I underscore the word cautious, as are we, about the continued improvement in the economy.

We think, Ryan, the work that we've done at this point has really positioned us well to get through what likely will be a bumpy first half of 2021, maybe all of 2021 may be bumpy for all we know, but our expectation is at least the first half will be bumpy. But then, we think the economy will continue to grow and expand, and we're in position to take advantage of that, we think.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

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So maybe to dig in to some of the initiatives that the bank has going on. So Simplify and Grow has been your continuous improvement program that you've had in place for a number of years. I think you've completed, if my memory serves correct, 42 of the 92 target initiatives. A lot more have been on the expense side. As we look forward, they look a little bit more balanced between revenue and expenses. And if I look, I think 80% of the remaining savings comes from your five largest initiatives. So can you maybe just talk about what are some of the largest remaining initiatives? And as you deliver on these, should it allow you to deliver positive operating leverage over time?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. Well, our largest expense categories were people obviously, our facilities and the cost associated with the facilities, our vendor spend. That's where a good bit of our savings will continue to come over time as we work on how we improve processes, how we think about the way we do business as we adjust to the new work environment that likely we'll experience over time. We'll need less space; that gives us opportunity to reduce costs, and our sense of that is still, certainly still evolving. We are and have been and will continue to be committed to generating positive operating leverage. 2021 is a transitional year, very challenging we think to generate positive operating leverage. Our view of that commitment is longer-term. So while we may not achieve it

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in 2021, we're committed to 2022, 2023 as we begin to normalize to generating positive operating leverage, and our continuous improvement program is an important part of that.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Got it. So when you kicked off, you talked about a potential bumpy road for the first half or maybe even most of 2021. Clearly, loan balances particularly on the corporate side have been under pressure. I think they were down 3% in the most recent quarter driven by commercial paydowns. And as we look into 2021, clearly we have the headwind of PPP rolling off. So, as you look across the footprint, can you talk about the prospects for loan growth into 2021? Maybe, John, even broader, what is the sentiment like amongst your clients? And what do they need to see in order to begin [ph] corporate (00:05:12) again? And maybe compare and contrast what your expectations are on the corporate side versus what we could see on the consumer side.

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. Well, as I said earlier, I think our customers are cautiously optimistic, and we think that bodes well for expansion of the economy and ultimately some loan growth as the economy begins to stabilize, normalize; people get back to doing the things that they've historically done. I think commercial or corporate loan growth will be difficult to achieve in 2021. Inventory levels are down, borrowings under lines of credit are down, liquidity is way up, so we expect customers to put that liquidity to work first as they begin to expand inventories and use their working capital to grow their businesses.

On the consumer side, similarly, the consumer is well-situated. We've got a couple of runoff portfolios still in our book. Indirect auto, we're exiting the indirect unsecured business, and so those will be headwinds as we grow our mortgage book, as we grow our equity lending portfolio to offset those things. So we're not anticipating much, if any loan growth in 2021 but believe as the economy begins to expand again that the latter part of the year and in 2022 we should see some loan growth.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

John, you mentioned a handful of businesses that you've exited. Indirect auto, parts of unsecured consumer under the GreenSky partnership. As you look across the bank, where do you think we are in terms of optimization of whether it's the lending portfolio or different – or various fee businesses? And what criteria are you using to determine whether or not a business or a lending vertical stays or goes?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. Well, I would say optimization is an ongoing effort, and we can always get better at how we think about allocation of capital. It's one of the, I think, real opportunities that we continue to have, is a more disciplined, a continued disciplined focus on allocation of capital and returns on capital. And we think about returns on a couple different dimensions, returns on tangible common equity, returns on regulatory capital, how do we think about what we're getting paid, how broad is our relationship both on the commercial and the consumer side. I don't know that we – that there are any specific businesses or portfolios that we think we may need or want to exit, but our ongoing allocation of capital to relationships is an important part, I think, of both our strategy and our ability to generate positive results over time as we think about how we use that capital.

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Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Maybe sticking with the revenue side. So we saw a hit to fees early in the onset of COVID. They bounced back nicely in recent quarters driven by mortgage and capital markets and – but some consumer fee categories are still down, and David has indicated that it'll probably stay depressed for a period of time. So, as you look into 2021, what do you see as the biggest driver of fees across the bank at this point?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

We've been investing in mortgage. We actually began making those investments 2.5 or so years ago, and we think that as a result of that we're actually taking market share. Had a tremendous year in mortgage. Don't anticipate it will be quite as good in 2021. We believe that mortgage will continue to be an important driver of fee revenue. We've made investments in wealth management, capital markets, and we're continuing to grow our consumer checking business. And as we do that, it brings with us card activation and additional fee income associated with just the expansion of consumer checking. So while it is true that certain categories of fee income have declined during the pandemic and may not recover, we see other sources of revenue that will make up for that loss of NIR in the future.

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

A

Yeah, Ryan, I'll add to that that one of the things that we're looking for is if we can get some – get the vaccine, get the virus under control and if we start travel on a bit more, commercial interchange is really heavily predicated on travel, and so that's been depressed since March. So we don't anticipate that coming back just yet but there's a chance, there's an opportunity I should say if we can get to open up again. So that could be a positive.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Got it. So I think you, over the past few months, extended your vendor support on your core systems I think till 2028 which I guess hopefully lowers the investment burden for you. So can you maybe just talk about how this is allowing you to reallocate funds into some revenue-enhancing initiatives? What are those initiatives? And what are the priorities for CapEx spending over the next [indiscernible] (00:10:28)?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah. So priorities would be digital, digital, and digital. We...

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

We missed the third one.

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

We did extend our agreements with our vendors. That gives us more time which we think is really helpful as we can make that transition of our core systems in a more orderly and less, I guess, with less pressure on us to get it done. It also allows, to your point, to distribute the cost over a longer period of time while making investments

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importantly in things like digital. So coming out of the crisis, one of the things we wanted to do was capture some of the behaviors that we thought were things that we wanted to do in the future. We made decisions more quickly. We implemented technology more quickly.

And so we got a couple initiatives that we're investing in that we think will have near-term impact. One is upgrades to our mobile banking platform which continues to improve and is rated as now in the top quartile we think of the industry and improving every day, and that's key to our continuing to grow consumer checking accounts. We're investing in e-signature which has enterprise-wide application and helps us reduce costs and then online origination capabilities across all our platforms. And we think we get a kind of a 2:1 at least return on revenue versus expense associated with those investments.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

So maybe sticking with the theme of expenses. You spoke earlier about your efficiency initiatives regarding Simplify and Grow. And when I think about some of the things you highlighted, personnel and real estate, third party spend, digital the main areas where you're investing across the bank. And as I was preparing for the conference, I was struck by the fact that core expenses have been in the $3.4 billion to $3.5 billion range literally since 2011. So where are we going to see incremental savings come from and is this enough to allow you to make the necessary investments in talent and technology? And can you continue to hold the line on expenses as you've done for the last 10 years?

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

A

Yeah, Ryan. So we think we've done a pretty good job. As you've mentioned, our compound annual growth rate is less than 1% in expenses over the last four years, and we seek to keep expenses flat year-in, year-out. Now we have a couple things that we have to pay for. One, our Ascentium transaction that we acquired in April only had three months of expense or three quarters of expense this year and will have an extra quarter next year. We have inflation that's baked into our run rate, roughly 2%, 2.5%. Most of that is driven by merit but also vendor increases. And then, we're making investments as John mentioned in terms of digital and other areas. We have to pay for that, and if we're going to keep expenses flat then we have savings elsewhere.

So to-date, our number one driver of expense is our salaries and benefits; it's 55% of the expense base. We've been able to reduce branch count. That's an area – we still have more branches than others on a relative basis. Part of that is our geography and where we operate. But given the transformation, quick transformation to digital will cause us to continue to evaluate the branch count. So I think you'll see consolidations be pretty strong for us and we're seeking to move on that which is a cost savings for us. We're continuing – continuous improvement is all about everybody, all 20,000 people in the company looking at how to improve whatever they're responsible for and leveraging technology and going through a process improvement. And over time, attrition will help take care of people and get that down. So that's an area of focus.

Our square footage should be down. Part of that is branches; the other part of that is our office. And what we haven't determined yet is what does the return to new normal look like and how does that tie in to our real estate, our square footage program. And I think that we – it's too early to call on that. We certainly want people ultimately to come back together to build the team and keep the culture going, but can we leverage the return to new normal and save there is something we're looking at. Clearly vendors. We have – our Head of Procurement is really – you got to have to go through his team on vendor spend. We really are watching that very closely both on demand management but when we have to have a third party really challenging how much we're going to pay for that. So there's no area of expense that we're not just hitting on extremely hard because the goal, and we're going

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to update this at January so we're not giving you guidance for next year, but our goal all along has been trying to keep expenses relatively stable year-on-year.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Just maybe one follow-up on branches. So I think you're scheduled to reduce the count by 54 this year and I think you've discussed another 60 next year. But thinking about all the things you said about digital and if I look at some of your stats, mobile deposits up 50%, account openings up 24%, can we see an acceleration of branch closures just given the move to digital and how things are moving? And second, maybe a question for John. As you think about the de novo strategies you've outlined in markets like Houston, Atlanta, St. Louis and some of the others you're ramping, does this at all change the approach to expansion markets and the way you approach the markets?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

I don't think so. I mean, we, first of all, I think we've been consistent in the process we use to evaluate branches and, as a result, have been closing on average 40 to 50 branches a year. As I recall, we've closed over 400 branches since 2014, and so that process will continue. I don't expect us necessarily to accelerate closing branches, but we'll be very deliberate and methodical in our approach. We believe that customers continue to want to come into branches. Despite the fact that mobile log-ins are up 22%, branch transactions are down 23%, branch traffic is still very important. Customers come into our branches for advice and guidance, for education and to take care of things that are particularly important to them.

And we made a transition over two years ago now to a single job family in our branches so that everybody in the branch can do every function of the branch, and that really positioned us we think very well when the pandemic hit and we had to begin operating our branches in a different environment. Going forward, we think those branches will still be important. And what customers actually want is to bank with us multiple ways when they want to, how they want to. And so I think we're going to continue to make investments in branches while making investments in digital, and the key will be can we create the same great experience in the branch that we do through our digital channels, online, call center, et cetera, to create that good omni-channel experience customers are looking for.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

So the team has probably done a better job than any other bank out there in terms of preserving the net interest margin due to the hedging program that was put in in the latter part of 2018 to really preserve NII. And if I think about it, the core margin is hovering around 3.40%, and I think the expectation is it's going to remain in the 3.30s over the coming quarters. Can you maybe just remind us of some of the drivers to keep it relatively stable? How long could that last if the rate backdrop doesn't change into 2021? And then maybe for both David and Deron, maybe just talk about the sensitivities to long-term rates? I think your fixed rate production is somewhere around 100 basis points dilutive. But how does it evolve if we get curve steepening in the coming quarters?

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

A

Deron, you want to take that?

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

A

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Yeah, sure. So, Ryan, you've got all the relevant statistics right. So obviously, I think we've done a good job of neutralizing the impact to short rates. The long-term rates do continue to present a challenge from a reinvestment standpoint. So you're right, they were roughly 100 basis points. It's improved a little bit of late. It's probably 90 basis points across securities and loans of a headwind from a repricing standpoint. And so obviously any incremental steepening in the curve helps to offset that. And that'll play out over the next year or so, but ultimately that runs its course as well.

But I think your question more is, well, how do we overcome that? And it's really two ways. One, we continue to have some deposit leverage, deposit cost leverage. And so we'll see deposit costs come down in this quarter. We'll see them come down, albeit at a slower pace into early next year, so that helps to offset that. We – but primarily, the way we'll offset it over time is through stability in the balance sheet and a return of loan demand and growth in the balance sheet. And so, again, we reduced the variability. You can't completely escape the impact of low rates. We've reduced that variability and, over time, we'll overcome it through the business and through growth in the balance sheet.

The last point is despite what we're seeing from a reinvestment standpoint, we are seeing some positives from a loan spread standpoint. We're starting to see spreads widen in the commercial space over the last few months, couple of quarters. Expect that to be a bit sustained, and some of that is just general market and some of it is what we're doing internally from a client selection standpoint, focus on improving returns and focusing on growing profitable relationships. And so we do think that continues into the future and helps us to overcome the rate dynamic.

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

A

Yeah. Let me add to that, Ryan, because it's important for everybody to understand how we think about loan growth. You heard earlier we think loan growth will be challenged in 2021. But we're here, we're open for business to make loans to all creditworthy borrowers when we can develop a fulsome relationship. What we don't want to do is, because of the pressure with loan growth is to go chase that loan growth and get ourselves in a credit problem. As much as we want to grow the balance sheet, we are being very selective. When we can have a good relationship, we are all over it. We think there are going to be some opportunities in our market. There's a lot of disruption that are going on through different acquisitions. And so we think there could be some opportunities there but we're going to be very careful on how we go through and proceed with that type of growth.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Maybe just one follow-up on the discussion. So there's obviously a wide gap between the core and the reported margin because of highly elevated liquidity. Just maybe talk a little bit about the strategy of deploying liquidity, Deron. Do you think most of this sticks around? And if so, what is the action plan for deploying the liquidity and how are you approaching that?

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

A

Yeah. So we've been pretty active there on both sides of the balance sheet. We obviously have seen tremendous deposit flows and that's enabled us, over the last several quarters, to reduce all of our wholesale funding. Our home loan bank advances are down to zero. We've been able to tender for debt. We've called more expensive debt. And so we continue to look for opportunities to reduce funding costs from a wholesale standpoint, but those are clearly becoming less available as we've exhausted most of the opportunities there.

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We have recently grown the securities portfolio in the third quarter. We grew it $3 billion, and that's really reflecting the fact that we do think a fair amount of these deposits stay with us longer-term. But as we've alluded to, there's a tremendous amount of excess liquidity that has been built up by companies and individuals. And as the economy continues to improve, they'll look to put that to work first. And so we do expect that deposits will normalize over time, but certainly a meaningful amount will stay with us and we see opportunities to put that to work.

I will say, Ryan, there are marginal opportunities. The recent steepening in the curve makes it a bit more incrementally attractive. But absolutely, it's still – it's not a great entry point for adding securities in a meaningful way. We may do some marginal investments here. But if you look at, in general, where mortgage spreads are and just spreads in general for investment products, there's a lot of demand as well as the Fed being very active in those markets. And so we don't think there's a lot of value that's being created by growing the securities portfolio in a big way, but there could be some marginal increases there.

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

A

Yeah. And I guess on the long end forecast, we still don't see that moving dramatically. We think there are a couple things at work here that work to offset each other. We do see steepening coming through maybe deficit spending and/or stimulus, things of that nature. But then you've got the FOMC and the Fed continuing to pump in stimulus and increase the balance sheet which serves to offset that a bit. So we don't see the long end moving dramatically. It's up a bit more and that's an opportunity should we get more steepening than we think.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. But you mentioned stimulus. Maybe a question for John and Martha. Just, one, how important is further stimulus to the health of your client base? Maybe talk about it in the context of some of the high-risk exposures that you have. And which parts of the portfolio are you still the most concerned about and how does that influence your view on the ultimate range of outcomes of losses in 2021?

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah, I think we'd like to see some – Congress appropriate some additional stimulus targeted to the services industries, so restaurants, hotels, hospitality-related industries and those companies that serve them, and then targeted to consumers who work in those industries. Those seem to be, without question, the hardest hit. The portfolios that we are actively managing and have some concerns about are energy, restaurant, hotel and to some extent office, although our office portfolio is really solid, we believe, and then anything hospitality-related. And so additional stimulus particularly for small business targeted at those industry sectors I think could be very helpful get us through the period of time when the vaccine really begins to put people in position where they begin to travel again and move around.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Maybe as – sorry. Go ahead, Martha. Sorry about that.

Martha Raber
Executive Vice President & Head - Financial Risk, Regions Financial Corp.

A

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I'm sorry. I was just going to add since you mentioned my name that the way John framed it up is spot on. All of those sectors are stressed due to the pandemic. But we're – we've been cautiously optimistic and we've also been a little surprised about how well the clients in those sectors are reacting and responding to the headwinds that are facing them. There is a lot of stress there, and we do think that additional stimulus that would be targeted to those sectors would be very welcomed and would go a long way to continue to repair those sectors in the coming months.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

So maybe as a follow-up to that, if we do get additional stimulus, is that enough in and of itself to begin releasing reserves? And then we had a handful of banks talk about where they think losses are headed. I think someone on the team talked last quarter that you still felt less [indiscernible] (00:28:04) still felt confident about some of the ranges that you gave couple of years ago about Investor Day. Can you maybe just help us understand how do you think about the ultimate loss content that we could experience in 2021? Do you feel confident that that range that we've heard from others is where the ultimate outcome could be for Regions?

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

A

Yeah. So Ryan, I'll start and let Anil Chadha talk a little bit about the fact we really don't have stimulus baked into our reserve methodology right now, so that could be a positive if that comes. But we really aren't – don't want to give guidance in terms of charge-offs for next year. What we've said is we'd be in that 55% to 65% range this next quarter. Things that can – and we do think, still think that charge-offs will peak in 2021. But what we're seeing is as Martha just mentioned, we're seeing some of our most troubled industries and customers actually react pretty positively. It's encouraging. Credit metrics are encouraging, but we need to wait to get to the end of each quarter. As you know, it's incredibly volatile. We have to wait to get to the end of the quarter and we'll make adjustments to the reserve that we need to have. We'll come out and we'll give you guidance in January as to what we think next year will be. But we are feeling incrementally better where we are right now, but it's – there's still some uncertainty out there that we need to be careful of. Anil, won't you add to that?

Anil Chadha
Executive Vice President-Head of Shared Risk Services & Analytics, Regions Financial Corp.

A

Yeah. You summarized it very well. And each of those factors that, David, you mentioned as well as Martha, that comes into play as we think about the allowance and the timing of any future changes in the allowance. So each quarter we look at what's evolving in a positive way but also very mindful of the risk. The way John described the specific pockets of risk within certain sectors in the small businesses, the companies that feed the restaurant, retail, hospitality sector, these are all risks that we have to continue to monitor. And clearly, as we approach the end of the fourth quarter, we're very mindful of the potential for further stimulus but we're also very mindful of the risks that exist with the surge in cases of the virus, what does that mean in terms of localized shutdowns. So these are all things we have to take into consideration in each quarter. In the past, the allowance would follow our ability to monitor that, assess the risk and feel comfortable with the coverage at each point.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

So David, you mentioned we are getting towards the end of the quarter. Any thoughts on how 4Q is progressing from a high level and any changes to expectations that you wanted to highlight at this point?

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

Well, I think you really need to go back to what we had at our last conference deck that we sent out. And we gave you pretty decent guidance in terms of charge-offs; I just mentioned that. Talked about NII at that time being flat to maybe slightly down. All that's predicated on, a bit on PPP forgiveness too. We talked about that line utilization is still low, at that – 41% is where we were last time we talked. So all those are kind of the guidance that we had given you then, and we're encouraged with the fourth quarter, but we got a few weeks to go.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC
Q

Got it. And maybe shifting gears to talk a little bit about capital. I mean, you're back in the low to mid-9s and you're expecting it to continue to increase. Can you maybe just talk about the near to intermediate-term priorities for capital heading into 2021? And if the Fed were to give us the green light, how aggressive can you be in terms of deploying capital?

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

Well, certainly. So going back through as we think about capital, we want to use it for organic growth first and then pay our shareholders a reasonable dividend. And we look for opportunities to have bolt-on acquisitions like the Ascentium Capitals of the world or portfolios that might come up from time to time, and we use then our share repurchases as the toggle to keep us at our targeted capital level. So for common equity Tier 1, that target is 10%. We've talked about accreting up to that. We had pretty good accretion in the third quarter. We'll see what it looks like for the fourth quarter, but hopefully we can continue to accrete to that.

Even if we were at 10% today, as you know, we are precluded from repurchasing our shares. We, as well as others, are in the process of going through the supplemental CCAR submission. We'll hear about that just before Christmas, we understand, and so there's more to come on that front. We don't know – we've obviously run our own stress tests, but we'll have to wait and see what our regulatory supervisor's results are relative to that and whether there's any type of concern or regime change with regards to allowing people to repurchase shares.

I think there's still uncertainty. Everybody feels that especially with this, as Anil mentioned, with the case counts going up. I think we're all trying to be a bit cautious here. As much as we'd like to optimize capital, I think being a bit conservative at this point is prudent. And that's where we've changed our capital target as you know from 9% to 10% because of the environment. That can change, go another way if things open up a bit and we get control of the virus, but that's where we are today. Hey Deron, anything to add to that, if I left anything open?

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

No. No, I think that's well said.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC
Q

We've got about a minute to go here. And John, David talked about disruptions in your market. I know the bank hasn't done a whole bank deal in over 10 years; I think those were FDIC deals. The currency has strengthened, you're in a better position post the outperformance. Has the pandemic at all changed your approach to M&A? And if it has, what would your approach be and your criteria for doing a deal?

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John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

A

Yeah, yeah. It hasn't changed our approach. We – our focus, primary focus is still on non-bank acquisitions, adding capabilities in capital markets, wealth management, acquiring mortgage servicing rights, doing the things that we've done over the past few years to grow and diversify revenue and add to our capabilities. As we think about depositary acquisitions, bank acquisitions, we've said that we had to build a stronger currency and that we believe that if we just executed our plan that we could deliver outstanding results for our shareholders, that bank M&A is disruptive and we didn't want to do anything to get in the way of executing on that plan. Recognizing there's a lot going on in the marketplace, we'll continue to watch the market, continue to understand what the implications of all that is and are. But our focus is still on executing our plan and strengthening our currency so that we can earn the right to potentially be an acquirer one day.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Great. I think we're out of time. So on behalf of me and all the investors, I just want to say thank you very much for participating and look forward to engaging again on the fourth quarter earnings call and hopefully look forward to seeing you in person next year.

John M. Turner
President, Chief Executive Officer & Director, Regions Financial Corp.

Yeah. Thank you.

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

Thank you, Ryan.

Martha Raber
Executive Vice President & Head - Financial Risk, Regions Financial Corp.

Thank you.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Thanks, everyone.

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