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Regions Financial Corp. (RF)

Credit Suisse Financial Services Forum

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MANAGEMENT DISCUSSION SECTION

Susan Roth Katzke

Analyst, Credit Suisse Securities (USA) LLC

Okay. Good morning and welcome. I'm Susan Katzke and I cover the large-cap banks for Credit Suisse. I am pleased to be joined now for a discussion with John Turner, the CEO; and David Turner, the CFO of Regions Financial.

We'll run this discussion as a fireside chat. But by all means, please e-mail in your questions and I will work them in along the way. So, John and David, thank you for being with us. Dana, thank you for joining us. I failed to mention we've got Dana Nolan from Investor Relations with us.

Thank you all for joining me again this year, albeit remotely. So, let's get started.

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QUESTION AND ANSWER SECTION

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

Q

And maybe the best place to start I think given that this is a bank and we're in the middle of a very interesting cycle here, let's start with a macro update. Really, how do you see it today, but also how do you see the path of recovery for the US economy?

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

A

Yeah. So, Susan, thanks for having us. Glad to be here this morning.

As you know, we operate across 15 states, but the bulk of our business is in 7 southeastern states and in Texas. And what we've observed really is the markets that we operate in were some of the last to shelter-in-place and the first to reopen. And as a result of that, the economies were less negatively impacted, I would say, back in the May, June, July timeframe. And as people began to reopen and move around, we saw a good bit of energy in the economy here. And I would characterize the customer base and marketplace in the fall as being sort of cautiously optimistic. And that optimism has continued to grow as we see the application of the vaccine reach more people throughout our communities.

So in general, customers are behaving exactly as – at least in our footprint, exactly as you read nationally. We're seeing an increased level of savings. Consumers are being cautious, but at the same time spending. They're spending what they have. Credit – consumer credit has been negatively impacted as consumers are not borrowing except for to buy a new house or to refinance whichever the primary activity is.

Businesses likewise are accumulating a fair amount of liquidity. They do sets, again, I think some pent-up demand for their products and their business and are optimistic that as we get through the summer, maybe the second half of the year will bring a faster growing economy. And so, we are cautiously optimistic as well, like we're trying to position our balance sheet and ourselves to recognize that there still is a fair amount of uncertainty in the marketplace, but a lot of reasons to be more optimistic.

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

Q

Great. So, I want to stay on this topic just for a minute here and I'm curious as you think about this cycle and we've all gone through a few cyclical turns, is there essentially a new playbook for recession in the US having seen the efficacy of the Fed support and fiscal stimulus which is so much different than what we've seen in prior cycles? So is the playbook different and how does that impact your risk appetite?

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

A

Well, it's hard to say whether or not the playbook is different, clearly the Federal Reserve and the Treasury pulled out all the stops because they recognized when we shut down our economy across the country, they had to do everything that they possibly could to keep businesses open and to keep jobs at a reasonable level, so that people could get back to work more quickly. The banking system was clearly much stronger and so, we were an important part of that solution. And I think there's a lot to be proud of, if you are active in the industry because of

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the way that we responded to the pandemic. And we're a key helper, if you will, catalyst in ensuring that the economy was able to sustain itself at some reasonable level.

Whether or not – I mean, the circumstances are so unusual, whether or not if we end up in a modest recession in the future, the Federal Reserve or the Treasury will be as aggressive as they were in this particular instance I think remains to be seen. But clearly, they demonstrated a willingness to pull out all the stops and I think that's been helpful.

As far as for Regions, I don't think it alters our risk appetite at all. We've got to continue to focus on doing the right kinds of business with the right kinds of customers. We learned in the financial crisis the importance of balance and diversity. We've been building over the last five, six, seven years I think a very sustainable sort of resilient balance sheet. And I think that's been proven out in this recession as we certainly have some pockets of stress in our loan portfolios, but none of those have been significant enough to create any undue stress here at Regions. And again, I think that's reflective of the risk culture that we've built since the Great Recession and it's paying dividends now.

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

A

And Susan, I'd add to that, what's different this time is that, as John was mentioning, the massive amount of stimulus that came in as quickly as it did which also included direct payments to individuals, obviously the PPP program helped businesses. And I think that's all been very helpful, we've got $1.9 trillion or something that may be coming on top of that. So again, just massive stimulus that's coming in. I think that's what's creating a little bit of steepness to the yield curve.

But at the end of day, we still have 10 million people that are not employed today compared to pre-COVID. And I think this is – the stimulus program is trying to help those individuals and businesses. So 40% of those are people that were in the travel and leisure business that's really struggling and we need the vaccine to work in the economy to open up. So I know people want to get out and about travel around and maybe they can rebound, but they need a bridge to get them to a better day and hopefully that's what this will do.

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

Q

Great. So, I mean, thinking about how unprecedented this cyclical turn has been and we're going to talk about this a little bit more in a few minutes. But I'm curious historically we've gone through a cyclical turn and there have been numerous bank failures and non-bank failures, and you've kind of had a little bit of a cleansing of the competitive landscape, if you will, and some cleansing of excess. In this time around, given the speed of that action and support, there hasn't been that typical cleansing of excess. How do you think this plays out from a regulatory standpoint as well as the competitive landscape?

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

A

Well, it might imply that the excesses are not in the banking industry and I think that's actually I think been underscored here. Yes, there was an expectation we'd see more significant losses than we did and as David pointed out, the relief money that the Fed and Treasury put in the economy certainly been helpful. But I think the banking industry is just stronger, more resilient. I think we learned a lot of lessons from the 2008/2009 timeframe. And so, to the extent there are excesses those exist I think outside the banking industry primarily and I'm not sure that we've seen that play out fully yet. And so, there may be some cleansing in those spaces.

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

Q

Okay. Fair enough. So, let's get back down to your business and talk about how the optimism and cautious optimism in your footprint is translating to loan demand. And let's break it apart. Let's start with the consumer loan demand by category, the impact of stimulus and what you're seeing within your various portfolios.

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

A

I would say, across the board with respect to consumer products, with the exception of mortgage, we've seen a run-off or decline in balances as consumers are saving more and yet spending is up, I was looking this morning, card – debit card spending is up over 10% year-over-year. At the same time, credit card balances are down about 10% year-over-year. And we see that trend continuing as consumers are spending, but they're spending money that they have and I don't know – we don't see that changing for some period of time, given just the tremendous amount of liquidity that's in the market.

Mortgage on the other hand has been obviously very active, vibrant, great success story. We've made investments in mortgage now almost three years ago, two-and-a-half years ago, hiring over 100 new mortgage originators at a time when it looked like the business was getting soft. And that's really helped us significantly grow the mortgage business over the last year-and-a-half to two years and while we expect some moderating of mortgage activity in 2021, we still expect a really strong year from our mortgage team. And I think that's a real bright spot on the consumer side.

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

Q

Okay. Are there any bright spots on the wholesale side?

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

A

Yeah.

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

Q

Let's put it in context, right? I mean, we went through this wave of drawdowns just a little bit over a year ago which was fairly stunning. And then you had the pay-downs that followed and let's put PPP aside in this discussion.

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

A

Yeah.

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

Q

And as you had the pay-downs, you had so much of a shift over to the capital markets to get this business done. If I look at these [ph] VHA (11:12) data, I'm not seeing much in the way of commercial loan growth or hearing much about commercial loan demand. So, let's start with a discussion around wholesale loan demand and how you expect that to progress over the course of the next year?

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

A

Yeah, I think it's a time to be patient. It's a time to be careful. In the absence of loan demand, we had to make sure we're not reaching to do things that don't meet our risk appetite. There is obviously a tremendous amount of liquidity in the marketplace. Many of our customers have access to other forms of capital that would be more permanent or cheaper than bank debt. And we don't see that changing until the economy begins to expand in a little more rapid rate. Supply chains get firm up. They repair, companies begin to carry more inventory and working capital gets moved through the system at a faster rate. I think then we'll see some loan demand. But as you pointed out, land utilization is at historic lows. And I don't believe we see that changing in the near term at least through the first half of this year. Our hope is and belief is that the economy will begin to expand a little faster in the second half of the year and we may see more [indiscernible] (12:34) utilization then.

At the same time, we have some specialized businesses that are doing a nice job expanding relationships and growing new relationships across our footprint in healthcare, in technology and defense, our financial services group as examples as we leverage the capital markets capabilities that we've continued to add and strengthen relationships.

One of the things that we've talked a lot about over the last four or five years is our focus on risk-adjusted returns and appropriate use of capital. And so, we've done a lot of recycling. We've exited certain portfolios and relationships and that activity has been very beneficial. And it will continue to be the primary focus of our wholesale business as we look forward. Effectively, leveraging – using our capital to deploy it into relationships that generate appropriate returns is our primary focus. And I think that benefits us as much as growing the wholesale business does.

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

Q

Sure. And so, let's just step back and pivot for a minute to your debt capital markets function because you actually have a pretty active debt capital markets function and I'm curious as we saw this wave of pay-downs against the drawdowns last year, how much of your commercial customers' loan demand were you able to then finance yourselves or participate in, in the capital markets?

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

A

Well, I don't have the exact numbers in front of me, but we did see obviously a significant amount of capital markets activity, particularly in the fourth quarter. A good bit of that was attributable to our M&A activity and assisting customers in selling and acquiring businesses. But we also participated in fixed income origination and shared in those equity capital – fixed income and equity capital markets fees that on – equity on much more modest basis. But that were being generated in the marketplace.

So, we continue to see nice growth in all of our capital markets capabilities and expect to continue to make investments there, continue to add talent there and to have to play a more important role with our – for our customers, with our customers as they have specific needs. That's been the whole origin of the investment we've been making there now since 2014, 2015 was to broaden our ability to help customers that we're getting from services were being provided by other institutions, and as we won more of that space, you've seen nice growth in capital markets fee income.

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

Yeah. Susan, outside of M&A, so we've talked about our capital markets business being about a $55 million per quarter business. The two drivers of that would be if we see an increase in capital markets transactions, then that could be better, and if we see M&A transactions, think of that could be better. So those are the two things that – unfortunately, this business is a little volatile, you can't – $50 million – it's not going to be $55 million every quarter, but it will be around that average for the year. So, we're hoping that we can continue to leverage the capabilities that we've added to and drive that revenue up.

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

Or actually – I mean, with the view that maybe it actually grows over time, I'm curious if you look at your commercial customers, what percentage of them – in this idea of recycling capital that you spoke to, what percentage of your commercial lending customers or your commercial customers broadly would have access to the capital markets for their financing, so that maybe there's a more permanent shift in that direction?

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

I don't know that I have a good answer for you. I don't know we've studied that statistic.

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

I'll have to get Dana to get back to you on that.

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

Okay, okay. It's just something we're thinking about as we watched all the draw-downs and the pay-downs last year, how much of a permanent shift we're starting to see here?

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

Yeah, I mean, the core of our business is still middle market, the small business customers.

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

Exactly.

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

And those customers are going to consistently rely on traditional bank debt as their primary source of capital. And so, I don't see that really changing. It's – if that's helpful.

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

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Yeah, that is helpful. Perfect. Thank you. Okay, David. Net interest revenue guidance in the path of interest rates. I think in January, you spoke to NII being maybe modestly lower sequentially in the first quarter day count for the most part as well as the lower average loan balances. So, let's get an update around that, but honestly, I mean, David, your crystal ball has been really among the very best in terms of interest rates and forward-looking approach to interest rate management. So what are you expecting? What are you positioning for at this point? So, let's talk guidance, get that off the table and talk about where do you see rates going.

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

A

Yeah. So, as we've mentioned before, the trajectory of net interest income is really going to be driven by the balance sheet. We, for the most part, neutralize the impact of interest rates through our hedging program and through some of the repositioning of our liability management efforts that we've had of late. A driver on the balance sheet will be PPP for loan forgiveness, as we had mentioned, that has slowed a bit. The driver of that is the SBA portal on forgiveness was shut down in the middle part of January.

We're told that it will reopen the 1st of March because they're making some technology changes. They had some issues with, if you had a PPP 1.0 loan and then you wanted forgiveness, but you needed a PPP 2.0 loan, those kind of conflicted and their system wasn't setup for that. And so, they had to take it down, redo it. And so, that's going to, we're told, to reopen in the 1st of March. But then we've got to go adjust our API to talk to their APIs to make sure that we can process this. So, it could be – this forgiveness is, my point is it's going to be pushed out longer than we had thought. We still think it's there. We still have a lot of confidence in our PPP 2.0 generation. We think that's going to be in the 40% range of what we did in PPP 1.0. And so, it really comes down to timing of making those loans, running through the process and then getting the forgiveness back on track. And so, your guess is as good as mine as the timing of a particular quarter that that hits and that drives NII.

The other is the – kind of what we're talking about from a loan standpoint, our deposits grew dramatically last year. Unfortunately, a lot of that cash is sitting at the Fed earning 10 basis points, so fairly dilutive to our net interest margin [ph] but do get NII (20:18), but not a whole lot. And of late what we've seen is a steepening of the yield curve which is where I was [ph] goal and (20:26) my earlier comments is the stimulus is coming out, one would expect the curve to steepen a bit. We have been in that [ph] 1% to 1.25% (20:37) range in terms of the 10 year. Maybe that number moves up a little higher than we thought because more stimulus is coming than we had thought which gives us an opportunity to reposition some of the cash into the securities book. So, we'll do a little bit of that.

And as we think about really long-term rates, I think the Fed is pretty set to do what they can to support the economy which is to keep rates lower. So I don't see the short rates going anywhere anytime soon. Long rates, they'll do what they can on their balance sheet to kind of control that to some degree. But you have a lot of world participants in the 10-year and there's still a lot of stimulus out there and have deficit spending. That's what's going to happen. The question is where does that kind of stop. And I think we'll probably won't see a runaway along the end going much past that. I mean, maybe gets to [ph] 1.50% (21:41).

So as we think about what can happen, we do sense a pent-up desire to spend. There's a lot of cash, a lot of liquidity in the system that the governments put into the system and our clients have done a good job making money, they just aren't making that next dollar of a fixed capital investment there. They're waiting – our consumers have cash, they're waiting. Everybody wants to get out and spend. And we think if the vaccine works, people do take it, people have confidence, then people will start getting out about and spending could pick up which means inflation can pick up pretty rapidly at the latter part of this year and into 2022.

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And I think when that happens, the Fed is going to let it run [ph] hot (22:28) a bit, and there could be a little bit of effort in our opinion maybe in the back half of 2022, beginning of 2023 where rates start to move. So we have to think about our hedging program which goes out an additional four years from now. The design of that was not to let it run all the way through those four years, it was trying to give us the protection, it's worked exactly like we thought. And so, we have to think about when the right time is to take some of that down. And we don't have an answer for you today. But suffice it to say, I think you can see rates move a bit in the latter part of 2022 and 2023.

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

Q

Okay. And just to clarify, were you to start taking that down, is there a cost to taking some of that down at this point?

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

A

It's not a cost. So, the hedge is just added, it's a hedge. It was not designed to help us juice NII or to protect us in a low-rate environment because our input cost i.e. deposit costs were going to get to a level where we couldn't go any lower. And so, that's worked, [ph] they're in gain (23:41) positions right now. So any termination of our derivatives whether they be interest rate swaps or caps or floors would be – those gains are deferred and amortized over the life of the original derivative instrument.

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

Q

Understood.

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

A

So you don't get to pick up – there's not a cost to you. But the longer you wait and the market moves, your fair value goes down. And so, again we're not trying to top tick anything. We're trying to protect ourselves. And we're trying to have more stability with NII because it's two thirds of our revenue. If we can have a stable revenue stream, a predictable revenue stream, controlled expenses and have good credit, that's what we think investors want from a bank like Regions. And so far, we've done pretty good job with that. We'll just have to keep going.

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

Q

Yes, you have done a good job. And just to clarify, with the protection of the hedges, if we think about your near-term NII guidance, not to dwell too much on guidance, but pushing out some of the PPP forgiveness and a little bit less, but potentially in the way of loan growth, I assume you're still in the range of modestly lower for the first quarter.

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

A

Yeah, we have it. We're not changing that. But you hit exactly what the moving parts are. And of course, this...

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

Q

Okay.

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

...the 10-year getting out a little bit is incrementally helpful, but it's such a short period of time. It's hard to really change the guidance we gave you.

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

Perfect. Perfect. Okay. And then just quickly in terms of credit and any update on the path of loss realization or loan loss reserve release that has changed really since January?

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

I'll go back and say the same thing. I know it sounds like a broken record, but we've given you guidance on what we think charge-offs would be for the year, 55 to 65 basis points. And the provisioning, what we've learned at least through the CECL thing this year is or you need to really wait until the date that you set the allowance which is the end of the quarter.

Now, we're not quite as volatile as we were in those three weeks in March of this past year. And so, things are starting to get a little more predictable, but CECL is a funny accounting standard and it by design creates this massive volatility which is one of the reasons why I don't like it. But in any event, I think we just need to wait to get the bar, see what the macro environment looks like, we're pleased with how credit has been performing for us, we've done an awful lot of work in particular in our commercial, our Corporate Banking group loan by loan, lot more interaction with our customer base, understanding their business challenges. And we feel like we've really have our hands around credit. Now, there's certain industries, obviously, that are more vulnerable, but yeah I think we're in pretty decent shape with credit. We just can't answer when we're going to "release the reserves", I don't like that word either, but I think I know what you mean. Reserve is kind of bad.

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

I'll be back to you on March 31.

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

Okay.

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

So, let's turn to kind of strategic initiatives, if you will. And I already have the questions coming out on M&A. But let's put that up for two minutes right now. And let's just start with simplify and grow which I kind of think isn't necessarily really a thing anymore at Regions because it's just the way you run your business. But do you want to talk about kind of how that's evolved into your business from both an expense management as well as growth initiatives?

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

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Yeah, sure, so you're right to point out that it's just part of our business. As a matter of fact, we don't even use the word simplify and grow. We use the words continuous improvement. And John kind of had us put that in because we're trying to send the message not only to you or/and other investors, but our people, our 20,000 people at work here, that it's incumbent upon us to get better every day at whatever we do. And so, yes, we have specific projects where we're asking people once they finish a project go into the next one, find a way to get better. We've done a great job with that, but we have a lot more we can do. We aren't leveraging technology to the fullest extent as we think we can. That takes time and effort and we're working on it. And so, continuous improvement was not a cost reduction exercise.

Early on, simplify and grow was really working on our efficiency, but we've kind of moved into continuous improvement which is how do we make banking easier for our customers, how do we make banking easier for our associates to serve our customers. And so, leveraging technology as a way to do that, it has a revenue component to it and an expense component to it. And I think if we stay on that as one of the ways we've been able to keep our expenses relatively stable and we'll continue to work on our efficiency ratio because we've had revenue initiatives that have helped the denominator and we're going to keep that up every day. It's just part of the fabric of who we are.

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

Q

Okay. So when you think about more to do on the technology side of the equation and let's leave this into M&A as we kind of move to our time limit here, and this is really an increasingly hot topic in the land of the regional, super-regional banks. This time last year, you had announced the Ascentium acquisition, Ascentium Capital, and I know you've been very clear in your interest in bolt-on acquisition. You've also touched on some interest in bank deals as well. So, we've seen some activity. Why don't you update us on your interest in both the bolt-on acquisitions as well as bank deals?

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

A

Well, we remain very interested in bolt-on acquisitions, non-bank opportunities. You mentioned Ascentium Capital was a bit of a financial technology play, as an example. They have some technology that we think is unique that we can apply across our business, across our branch system to help us grow loans to small businesses. We've made investments in a number of different capital markets type capabilities. We've mentioned earlier invested in mortgage, buying mortgage servicing rights and other things. And we want to continue to do that. None of those are big home run type investments. They're all smaller investments, but each has a positive impact on our ability to serve customers and we continue to see the benefits to non-interest revenue through those acquisitions. So, we'll continue to do that.

With respect to bank M&A, our point of view really hasn't changed. And that is we're not actively interested in bank M&A. We believe we have a really solid plan. We want to continue to execute that plan. M&A is hard. It's disruptive. It is oftentimes not successful. And so, we think that this based upon our own view of our internal plans that if we continue to execute our plan and do that well, we'll continue to see the benefits of our execution in an improving currency. As our currency improves over time, then we are better positioned to potentially anticipate an M&A activity, if we decide to do that, but it is not a strategic imperative for us today. It's not something that we're actively considering.

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

Q

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Okay, that's about as clear as you could be. I am curious even though you're not actively considering and I hear what you're saying, are you concerned at all as we contemplate a shift in the composition of the Fed that the window or opportunity to do a transaction might be less [ph] reported (32:15), if you will, on a go forward basis.

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

A

I mean, I think that's possible, certainly, but I have to think that when transactions are announced that they – the management teams involved think they make good sense, think they benefit ultimately customers and communities, obviously, shareholders, and that we'll continue to see M&A activity approved by the regulator. So, I don't worry so much about that. But again we're not actively contemplating M&A. So, it's not something I think a lot about.

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

Q

Understood. I am curious. With so much activity kind of in and around your footprint, do you find yourselves to be a net beneficiary of others who are actually distracted right now?

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

A

Well, we think then we're continuing to hire, we think, some of the good talent from many of our competitors. We are growing our consumer and small business customer base. And we think we're based upon data we get from different industry support groups. We think we're growing faster than our peers. We operate in some of the best markets in the country. Over 50% of all job growth over the last 10 years and 52% I think of population growth over the last 10 years has been in the markets that we operate in. And so we think that we are well-positioned in some really attractive markets. And what we need to do is just continue to execute our plan and now provide an appropriate amount of growth for us to deliver nice returns for our shareholders over time.

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

Q

Okay. Fair enough. I have to say, I mean, the theme that really recurs in having a conversation with all of you is the degree of conservatism with which you're running the bank, the determination to protect the house and grow and grow at a responsible pace, and I think that's kind of a refreshing message, if you will.

The one question that I need to ask in terms of conservatism as we wrap up this session here is around capital because you have tended to also err on the conservative side in terms of setting your CET1 target relative to both the requirement to stressed capital buffer, the CCAR outlook, where do you stand on that target that you said well in excess of your required minimum? And how would you potentially see that changing or what would cause you to be willing to perhaps take it down even...

[indiscernible] (35:04)

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

A

Yeah. So, we have our range of 9.5% to 10%. We said we're going to operate at the higher end of that goal of 10% because there was a lot of uncertainty. As that uncertainty continues to decline, again the vaccine, economy opens up, feel better about it, that's a driver of maybe being able to reduce that. The other is we did get the scenario for CCAR for this year. We are not required to participate. However, based on our resubmission that we

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did in December and the results we got from that, our degradation of capital was far less than the 3% SCB that we have that you know we appealed, we didn't win the appeal. But in any event, we believe we would be no worse than the floor and that's what that resubmission told us.

Looking at the scenario, the scenario was equal or better on all the metrics with the exception of commercial real estate which got worse yet again. And we just don't have that much investor real estate that creates a big problem for us. So, we are leaning towards participating and running the scenarios through. That gives us further confidence that maybe we don't have to have as much capital and so, we can change our range here in the not too distant future. And when we do, we'll come back and update that for our shareholders.

Susan Roth Katzke

Analyst, Credit Suisse Securities (USA) LLC

Okay. Well, I think that's a perfect note to close out this session on. David and John, thank you so much again for sharing your insights, for the candid responses to the questions. And I certainly hope I see you face to face in the next 12 months, if not in, Miami this time next year. Thank you so much.

John M. Turner

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

Thank you, Susan.

David Jackson Turner

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

Thank you, Susan. We appreciate it.

Susan Roth Katzke

Analyst, Credit Suisse Securities (USA) LLC

Thank you.

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