
Bank 'Weather Team' Prepares for Storms..... 2

THE WALL STREET JOURNAL.

Bank 'Weather Team' Prepares for Storms

By Gina Heeb

1,115 words

24 November 2023

The Wall Street Journal

J

B1

English

Copyright 2023 Dow Jones & Company, Inc. All Rights Reserved.

Kyle Puchta is up well before dawn most days, poring over weather forecasts that Regions Financial purchases from a private contractor based in Norway. Whenever there is a hurricane, tornado or other disaster coming the bank's way, he sends a 5 a.m. email to prep colleagues on how to get ready.

The 59-year-old Puchta, a senior vice president in corporate security at Regions, is the point man for a unit of 75 employees known inside the bank as the "SWAT Team" or the "Weather Team." The role wasn't intended to focus on weather when Puchta started it in 2011, but he spends at least half of his time on it these days.

"We never have an off time," Puchta said in an interview at the Regions operations center, housed in an office park 15 miles south of the bank headquarters in Birmingham, Ala.

Sometimes, his early-morning emails are the start of swift action: Branches must be boarded up, mobile units and ATMs must be sent to areas where the power went out. The reports also inform the bank's longer-term planning. Executives review them for clues on how natural disasters will affect the balance sheet, now and years in the future.

It is just one piece of the bank's attempt to adjust to a planet where extreme weather is becoming more commonplace. Even when there are no alerts for the weather team to monitor -- and the bank gets thousands each year -- there is a disaster playbook to refine and quarterly weather reports to put together. The possibilities it must consider are numerous: customers whose businesses or properties are destroyed, households that can't get homeowners insurance, havoc in the oil-and-gas industry.

For Chief Executive John Turner preparing for climate change is a matter of math. "We lend money," he said. "And we want to make sure we get paid back."

Regions is an old-school Southern bank, not known for flashy **technology** or a major presence on Wall Street. Its 1,300 branches run across hurricane country in the Southeast and parts of Tornado Alley in the Midwest, as well as states such as Texas that are prone to all kinds of extreme weather.

Companies of all types are at risk from supercharged heat waves, storms, floods and wildfires. Some are already turning their whole business upside down: the fishermen who switch to kelp farming when the lobsters move north; the burger joint that must keep kitchen employees cool when the air conditioner breaks down in triple-digit heat. Banks, at the very least, will have to make bets on how trillions of dollars in loans will hold up against climate change. They may have to reassess which businesses and households they can afford to do business with and where -- shifts that would ripple through the economy.

Big global banks are taking an expansive approach to the issue of climate change, believing they have an important role in stopping it by redirecting lending and pushing clients to make changes.

Regions is doing more than other banks of its size, but it hasn't exactly reworked its whole business model.

A large part of its approach is simply planning out how loans might go bad or how many branches and ATMs might be destroyed in a storm. Executives said climate-change risks haven't stopped the bank from lending to certain industries, like oil and gas, or in certain places. And the bank hasn't announced a pledge to, for example, become carbon neutral.

But Regions has changed the way it underwrites and monitors loans, executives said. Bankers have to consider how exposed a property is to floods or other disasters before they make a loan, for example, or whether a company has timber tracts or oil fields concentrated in one area.

The bank is also watching how insurance could affect the businesses and households that it banks, since many are finding it much harder and more expensive to get property insurance.

"If you were to ask me what keeps you up at night, it would be real-estate lending and risk on the mortgage side," said Kate Danella, head of consumer banking at Regions.

Big-but-not-huge banks like Regions are already under pressure this year from high interest rates and new capital rules, and several midsize banks collapsed earlier this year. That makes tamping down on risk without cutting into profits more important.

Last month, federal regulators for the first time rolled out rules on how banks with more than \$100 billion in assets, including Regions, should prepare for risks related to climate change. The Federal Reserve has asked six of the largest banks, including JPMorgan Chase and Bank of America, to go a few steps further by mapping out their ability to handle different climate scenarios.

Some other big regional banks have started to think about how to model climate risk, though those efforts are in early stages. The U.S. banking industry mentioned climate change in at least 800 calls or securities filings in 2022, compared with more than 500 a year earlier, according to Factiva data. In much of the decade before, banks mentioned it on a few dozen calls or filings a year at most.

Mother Nature isn't exactly easy to predict, so preparing for weather-related losses isn't either.

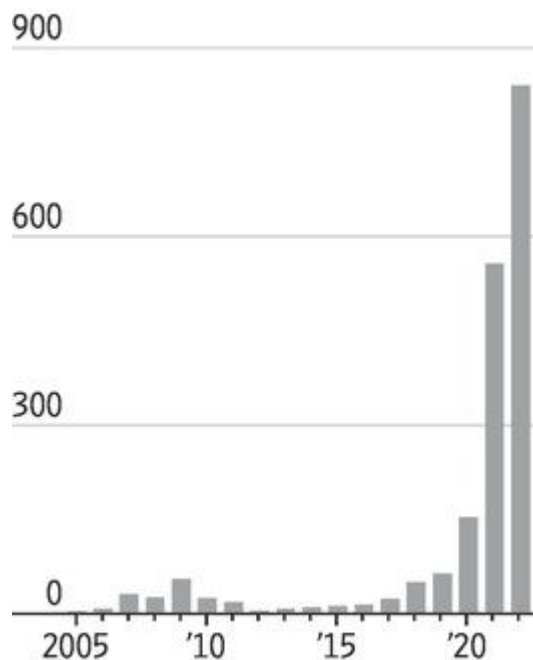
In 2005, for example, Regions initially estimated losses from Hurricane Katrina would be around \$70 million, but they turned out to be less than \$10 million. Last year, the bank put away \$20 million for Hurricane Ian, which hit Florida, then reversed it the next quarter. Having lower-than-expected losses isn't bad, but those reserves drag on profits.

"It's hard to be precise, and that's why we believe that being conservative and hanging up a bigger reserve early on is better for our customers and our shareholders," said Regions Chief Financial Officer David Turner, who isn't related to the CEO. "Just go ahead and take your medicine."

Regions named climate change as a risk factor in its annual filing with securities regulators as early as 2010. The phrase now appears in that filing a dozen times. "You can't not recognize that we are seeing more severe climate-related events," John Turner said.

"Weather-related events, other natural or man-made disasters, climate change and the transition to a lower-carbon economy pose shorter- and longer-term risks to our business," the bank wrote in its most recent annual filing with the Securities and Exchange Commission, "and are expected to increase over time."

Number of U.S. bank calls and securities filings that mention climate change



Source: Factiva

Document J000000020231124ejbo0001j

Search Summary

Text	(technology OR "AI" OR fintech OR "digital banking" OR "cloud computing" OR blockchain OR cybersecurity OR "machine learning" OR "data analytics" OR "big data" OR "predictive analytics" OR "cloud migration" OR "edge computing" OR "5G banking" OR "API banking" OR "open banking" OR "data governance" OR "data monetization" OR "digital transformation" OR "quantum computing" OR "AI-driven banking" OR "AI in compliance" OR "AI-powered fraud detection" OR "AI in customer service" OR "AI in investment banking" OR "conversational AI" OR "generative AI" OR "robo-advisors" OR "natural language processing" OR "algorithmic trading" OR "automated risk assessment" OR "AI regulatory challenges" OR "embedded finance" OR neobanks OR "Banking as a Service" OR "BaaS" OR regtech OR suptech OR "decentralized finance" OR DeFi OR "cryptocurrency adoption" OR "Central Bank Digital Currencies" OR CBDCs OR tokenization OR "real-time payments" OR "Buy Now Pay Later" OR BNPL OR "cyber resilience" OR "Zero Trust security" OR "identity verification" OR "fraud detection" OR "insider threats" OR "AI-driven cybersecurity" OR "financial data breaches" OR "data privacy laws" OR GDPR OR CCPA OR "operational risk management" OR "regulatory compliance technology" OR KYC OR "Know Your Customer" OR AML OR "Anti-Money Laundering" OR "hyper-personalization in banking" OR "customer-centric banking" OR "omnichannel banking" OR "digital wallets" OR "contactless payments" OR "voice banking" OR "biometric authentication" OR "wearable banking" OR "banking UX/UI innovations" OR "financial inclusion technology")
Date	10/01/2023 to 12/31/2023
Source	The New York Times Or The Wall Street Journal Or The Economist Or Forbes
Author	All Authors
Company	Regions Financial Corp
Subject	All Subjects
Industry	All Industries

Region	All Regions
Language	English
Results Found	1
Timestamp	7 March 2025 4:58 AM GMT