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Senior EVP & CFO

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Presentation

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division
All right. We're going to get started. Up next, we're excited to have Regions Financial. Regions navigated the environment better than most, returning to NII growth, strategically using its capital and managing its costs well. Here to tell us more about the story is their wonderful CFO, David Turner; Treasurer, Deron Smithy; and joining us for the first time is Head of Corporate Banking, Brian Willman. Welcome to the stage, and look forward to chatting with you gentlemen.

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Question and Answer

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

So maybe David kick it off for us. Since the last time we heard from you, there's clearly been a lot of change, particularly on the political side. We could see a more business-friendly environment. As you think about next year, maybe just start off and talk about how you think the bank is positioned to win in 2025?

David Jackson Turner
Senior EVP & CFO

Yes. Great to be here. So we had the election. Market kind of took off. There are some things that maybe we get a bit of a break on. There are a couple of regulatory issues that we've been dealing with in terms of Basel III and long-term debt. Don't know exactly where those are going to go yet. But I think next year is set up to be a pretty good year. We do have GDP expectation of -- real GDP expectation of about 2%, so not explosive growth, but pretty solid growth.

We think, given the markets that we operate in, we're well positioned with that. We've got great capital and liquidity. We are going to make some investments primarily in people. And Brian can talk a little bit about this, but relationship managers, wealth advisers to take advantage of those growth opportunities with the migration of folks that are coming into the Southeast and the Southwest. And so we're excited about 2025 and what it could bring, and I think it could be a pretty solid year for us.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

So loan growth has obviously been slow in '24 given the uncertainty around rates and the election. Your outlook has been reflective of that, right? Loans have been modestly down. Given everything that you just mentioned, potential for good GDP growth, first, what has caused the loan growth to be subdued? And Brian, maybe what are you hearing from clients in terms of their desire to borrow into next year?

Brian Willman

Yes. Sure, Ryan. We are starting to see some signs of customer optimism. We've been growing our commitments in the Corporate Banking group really since 2019. What we haven't seen thus far is the borrowing underneath those committed lines. As a reference point, typically, we see line utilization in the mid-30s. Right now, we're around 31.5%, 32%, but every incremental percentage points, about $630 million, $640 million of funding. And so the precursor is there. As I travel around our footprint and listen to middle market, large corporate clients is -- now post election, although there's still some uncertainty around immigration reform tariffs, they feel good about the prospects for growth. And we have kind of the foundations for that.

I also would tell you, there's some puts and takes here. The -- we've been very intentional. We're a relationship bank. So we've been derisking our portfolio over the last 18 months as we saw higher rates for longer. At the same time, we started our capital markets business back in 2014 to take advantage of when the opportunity is right, whether it's real estate placements, whether it's debt capital markets. And so we saw that as a good momentum, and we're going to report a record year in capital markets fee income this year, and the trajectory is good. So that might be a headwind to balance sheet growth when you get that institutional market come back as we've seen in the third and fourth quarter.

But I feel good in terms of what I'm seeing from clients. They're going to start to tap some of their excess liquidity first, but then we do expect some drawdowns in some capital investments. And anecdotally, we're already starting to see clients prefund some inventory. They're not going to get caught flat-footed like they did with supply chain disruption. And so regardless of what happens with tariffs, I think they're going to be better positioned for that.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

And you highlighted that you've started to see some signs of an uptick. I guess, what do you think that means for your expectations for loan growth as we move into next year, recognizing we'll get really formal guidance as we get to January? But what do you think that means in a 2% GDP environment? Is there pent-up demand for us to see better loan growth? Do you think it's going to remain slower? Just how are you more broadly thinking about that?

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Brian Willman

Yes. I mean, obviously, we'll give guidance in January specific around timing. But a precursor, a leading indicator for us is the strength of our pipelines. And as a reference point, our loan and revenue pipelines at this point are about 42% higher than the same point last year. And so if you think about how that pulls through 3, 6, 8, 9 months, depending on the time of the transaction, that's what gives me comfort level in terms of positioning to a responsible growth posture.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

The 42% growth. David or Deron, you talked about modest NII growth in the fourth quarter, we'll get to the fourth quarter and a little bit, and then growth going forward. Maybe just walk through some of the moving pieces. And what will be the main one or two factors that will determine how fast do you think it could grow? And does the fact that we get more or less cuts really make that big of a difference in terms of your ability to drive net interest income growth?

David Jackson Turner
Senior EVP & CFO

Yes, not really. The movement of the Fed or whether the Fed cuts 2 times, 3 times, 4 times next year is not really going to be a big driver. We've positioned the balance sheet relatively neutral. What's a bigger driver is, as you get those Fed cuts and normalizing rates, you get some shape back to the curve, which is a positive. We've been in a meaningful inversion for quite a long time, which has been a headwind. So that's reversing, and we're seeing nice benefits with new loan originations and/or renewals, securities, reinvestment picking up, call it, 150 to 200 basis points across all of those. And so that's $12 billion to $14 billion that we'll see reprice next year with a pretty nice tailwind. That's the biggest driver.

Second would be, to the extent we are seeing more loan growth materialize. That's going to be a nice driver. And as we continue to grow the deposit side of the business and obviously, that's a big driver of our overall profitability, those are all going to be the components. It's kind of hard to say in terms of the balance sheet growth side, what that's going to be quite yet, still kind of early, as Brian mentioned, lots of reasons to be optimistic. But we're pretty confident in being able to continue to grow net interest income over the course of the year even with lower loan growth because of the tailwind from repricing.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Got you. One of the things that we've been hearing at the conference has been banks having a lot of success repricing deposits lower post the first 3 cuts. You had -- when you last spoke, you talked about you guys are expecting like a mid-30s beta. You've put out some numbers in terms of where deposit costs already were. I think it was about 2.2%. Can you maybe just talk about how your deposit price -- repricing efforts are progressing? And how does the slower Fed maybe impact your ability to reach that cumulative low 40s level that you've talked about over time, Deron?

Deron Smithy

Yes. So largely as expected, what we said was that we'll experience a low 30s beta initially and then migrate up to the mid-30s, and that will be expected run rate for us. I would say, that's still our expectations. We expect to be low 30s fourth quarter, mid-30s first quarter. And really, that's being driven primarily by the more market-priced portion of the book in the corporate side, most of our liquidity that our customers are keeping on the balance sheet in the form of indexed money market deposits. So those are pricing readily as we get Fed cuts. And our CD book, which is relatively short, 5 to 6 months, we'll reprice over the next couple of quarters. So those are going to be the biggest drivers of our down cycle beta. And I would say trends are progressing as expected there.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

So maybe to just bring that home in terms of what it implies to the margin. You've talked about a margin in the 3.60s into next year. I think we're in the low 3.50s now. Maybe just talk about the main drivers of the margin. We obviously hit on fixed rate asset repricing. I know that you guys have obviously built a lot of liquidity. And maybe just help us think, once we get to that point, is there more to go in terms of where you think the margin will inevitably settle out as we get into that steeper yield curve environment?

Deron Smithy

Yes. So it is largely driven by just that steady improvement in balance sheet yields just given the repricing of the balance sheet. And as -- if we get a pretty steady Fed easing cycle, so nothing that is to say, consistent with a normalizing economy, then really, it will be

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driven by the fixed asset repricing. And then over time, as we continue to grow the balance sheet, grow deposits, grow low-cost core, that will help continue to fuel margin expansion. We've said we think we get to the 3.60s or 3.60-ish later next year. And I think that's a pretty steady progression throughout the year.

I do want to make one point. When we started talking about the range for the margin a couple of years ago and really in the context of trying to prepare for or protect a corridor for the net interest margin in down markets but also give us an opportunity to see nice expansion in higher rates. The liquidity regime has changed a bit since then. So we used to maintain $2 billion to $3 billion of on-balance sheet liquidity in the form of cash. Today, that's probably $7 billion or $8 billion. And so that difference probably is worth 10 to 12 basis points of the net interest margin. It's not much of a contributor to net interest income.

But as you're thinking about the margin for Regions today, being in the mid- to low 3.50s is equivalent to 3.60s prior to that -- to maintaining more liquidity. And so as we get to 3.60, that's kind of consistent with what we used to describe as being a 3.70s potential. So I think, again, it's all about timing and it's all about how long do we stay in an environment where rates are normal and you get a normal shape yield curve. But assuming that we get that for multiple years, then I could see the margin progressing into the 3.60s and perhaps pushing 3.70 a couple of years out. But it takes time to get there.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

So just focusing a minute on deposits. We've heard a handful of banks talk about solid deposit growth in the near term. How are you thinking about deposit growth and funding your balance sheet? Should we see a pickup in loan growth? And do you think we're done with the migration across the book?

David Jackson Turner
Senior EVP & CFO

Yes. So what we're seeing today, Brian alluded to it, but we're seeing primarily on the corporate side, our customers carrying some excess liquidity or more liquidity into year-end. I'm not sure that stays with us longer term. It may be some positioning for things to come. But the trends on the consumer side have stabilized, and we're growing consumer deposits consistent with growing accounts and households. And as our consumers get wage increases and improve their lifestyles, we'll see those balances grow accordingly.

But that's a relatively slow progression. But that's our expectation is that we'll now start to see what has been a normalization of rate-related movements and normalization after the pandemic give way to just growth that is more consistent with our long-term experiences as we grow clients and accounts and households. Yes, go ahead.

Brian Willman

Well, I was just going to underscore on the wholesale side. We maintain the primary operating account for 85% of our Corporate Banking group clients, ex Ascentium. Having said that, you still have to acquire new logos. And so we've grown treasury management new relationship 6% this year. We expect that trend to continue, maybe slightly higher. We've also embedded some analytical tools, primacy campaign within our existing book. And so I do think that's going to be a driver. And then down market, within small business, that's primarily a payments TM deposit business. And so we're expanding our coverage bankers down market, middle market and below the small business by 20% over the next 12 to 18 months to cover that opportunity in addition to on the road map, a digital portal too. So think about an omnichannel experience there to gather and service those deposits.

David Jackson Turner
Senior EVP & CFO

I was going to add that last point. The investment, you're going to see, when we get to January, a little bit more of a growth story. Part of that is going to be investments in bankers both in the branch and then what Brian just mentioned 4 small business opportunities. And that's not a lending play, that's a deposit play and the payments play and fee play. And I think that could be meaningful. Because where you were going is, to the extent you start growing loans faster than deposits that weighs on your margin, and we get that. So -- but we think we have a lot of migration of companies and, frankly, we have 12 million small businesses in our footprint for which we bank 3.6% of those. So we have a huge upside opportunity, but we have to spend some money to make all that happen.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

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Got you. Helpful. We'll come to expenses shortly. Brian touched upon some of the things, treasury management, as an example, fee income has been a pretty good -- it's been a real bright spot for the company despite capital markets firing on all cylinders. Maybe just talk about what's driven the better performance this year and what businesses are you most excited about into '25?

Brian Willman

Well, I'll start. I think as I referenced, capital markets run rate will report a record revenue in capital markets. TM is a similar story. We're on track for a record year there. What we've tried to do really is 2 things. One, as we want to expand our coverage bankers, that also means more new logos clients. At the same time, it's penetration of the existing book. And so we've equipped some tools, data analytical tools, cash flow adviser. We recently launched the summer embedded ERP finance that ties to our clients' ERP systems. You get real-time data without manual uploads. You also get visibility in terms of the transaction volume in terms of payments. And so that allows us to look at working capital needs.

What I would tell you from an industry perspective, we've really leaned into financial services. We've had a good story around energy. In our footprint, our economist tells us we have about $7 billion of infrastructure spending already approved at the state level. You put a 2x leverage on that, that's a pretty good tailwind for growth in our core footprint. And so I view multiple factors from capital markets TM. The other thing is you have to be mindful of price. To Deron's point, we've been very strong around maintaining the core operating account. You have to manage your ECR effectively with that. But clients are holding more liquidity, and so we want to benefit from managing that.

David Jackson Turner
Senior EVP & CFO

Yes. The broader point on the noninterest revenue is our noninterest revenue is pretty predictable.

Brian Willman

Yes.

David Jackson Turner
Senior EVP & CFO

I mean, you have service charge for which treasury management is a component of that, done well there. That growth comes from growth in accounts. So being in the right parts of the country where you can have that growth help you. Mortgage has been reasonably solid. It's had some challenges because of rates. We do believe production will pick up in 2025. And that should help there. Our wealth group hired additional people. So we've seen growth in wealth. Part of that comes from new accounts and part of that comes from the market that's just done well and then our interchange is doing well.

So very predictable income statement with the exception of capital markets. It's a little more episodic, and it has several businesses embedded in that. Most of that activity in our capital markets is driven by interest rates. So a lower rate environment, more conducive to real estate capital markets, in particular, M&A activity, which is really episodic. Obviously, we're not selling derivatives at this point. That will come back. So we're excited about -- capital markets is $80 million, $90 million a quarter business for us. And we do have line of sight to that getting to $100 million per quarter in time, but we need a better rate environment for that to.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

And so the rates would be the biggest driver of that?

David Jackson Turner
Senior EVP & CFO

Yes.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

All right. Great. David, you mentioned making investments in bankers. Regions is always known for its strong expense discipline in many years of flat costs. Recently, you've had low to mid-single-digit cost with the exception of this year. I think you've talked in the past about 2.5% to 3% as being kind of more normal. So can you maybe just talk about where you're planning on making investments in 2025? How does that differ from '24? And what does that mean for your overall expense plan into next year?

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David Jackson Turner
Senior EVP & CFO

Yes. So we have a little bigger plan in terms of adding people in '25 than we did in '24. Those are relationship managers in the corporate banking group, wealth advisers in the wealth group. You'll see us build some branches. We still are making investments in cyber and consumer compliance, things of that nature. We have to pay for all that because we still have a goal generating positive operating leverage next year in 2025. So we're embarking on a quest of process -- map all of our processes so that we can find duplication of effort, manual controls, things that we can tighten up and leverage. This technology spend, which has been 9% to 11% of revenue, and the risk is that goes up.

So we need to leverage it. If we're going to spend money on the technology, we need to leverage it and take out the manual processes. So as we have natural attrition in our people, we don't have to backfill them because we have technology. Now I said that as if it were simple. It's a lot of hard work that we have to go through, but we've been very effective in keeping our costs down. We work our vendors pretty hard. We have more branches than everybody on a relative basis. You'll see us tighten that up a bit. But we're always going to have more branches because of where we operate in the country. It's a more expansive geography and we're in a bunch of small towns in Alabama, Mississippi, Tennessee, Louisiana and so forth, and you have to have a physical point of presence.

That being said, we're going to try to tighten it up as best as we can while still serving our customers appropriately. So I think we can control our expenses well into 2025 and to make the investments we need to make.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Got you. So usually at this point, I would have asked you about your ability to generate positive operating leverage next year. But you've already committed to that. So it's less fun. And you'd answered it on last quarter's earnings call. So there's not as much of a mystery in there. But I guess the question that I'll ask this time is, how do you balance the amount of positive operating leverage while making the necessary investments? And is there a level of efficiency that the bank is targeting over time? I know you used to talk about 55 or potentially even below. We're obviously in the high 50s today. What is the goal where you'd like to see the company...

David Jackson Turner
Senior EVP & CFO

Yes. So we're one of the more efficient banks. We can still be more efficient than we are today. I think targeting the mid-50s in time is a good short-term goal. But it actually needs to be even less than that. That's going to take some doing. That's going to take the things I just talked about in terms of leveraging technology. When you get into -- if you try to force positive operating leverage every year and not make the investments you need to make to grow, that's a problem. But if we have a time where you need to make the investments and just give up on positive operating leverage, I think the market gets that as long as you tell them that's what's coming.

This -- but, of course, we said last year at this conference we would not have positive operating leverage in '24 and we didn't. And so I think we can make the investments we need to make. We have some tailwinds coming from revenue, as Deron mentioned, in terms of front book, back book being in good parts of the market stable to growing NIR. So I think we can make the investments and still generate positive operating leverage, the amount of which we're not going to tell you today. We will tell you that in January. So you'll have to wait.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

We'll figure it out. So maybe just talk a little bit about technology for a second. I know you're several years into upgrading your systems, and maybe we're in the middle innings. How is the transformation progressing? What are the milestones? What's been completed? And you've been indicating for a couple of quarters now that you think overall tech spend is going up. Maybe just talk a little bit about what's actually driving that?

David Jackson Turner
Senior EVP & CFO

All right. So relative to the transformation, just to make sure everybody knows what that means, we're doing several things. The first one is we're putting in a new commercial loan system. So we're going with AFSVision. We're on the AFS platform, but it's an on-prem platform going to a cloud version, it's called AFSVision. That will be in, call it, latter part of the second, third quarter of 2025. We're in good shape with that. That's a little less of a heavy lift relative to the next big thing, which is our deposit system. That's a big deal. That's a couple of years away in terms of getting that done, but we've been working on it for a while. That cost and spend is in our

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run rate today. And then we got to put in a new general ledger system too, which is a couple -- would be just after we do the deposit system.

The issue that we're seeing is technology costs, while it's, I think, fairly consistent between the banks of 9 to 11 basis -- percentage points of revenue. The risk is as we shift to Software-as-a-Service, the good news is you get the latest and greatest of whatever version that software is on, but you're going to pay for that. And once you embed your business in these programs, the software companies, the technology companies go happy. So you better pick your partner very well, but those costs seem to be going up each time. So I think there's a risk in not just our industry but all industries. The technology costs are going to be a higher percentage of your revenue going forward. And the only way to pay for that is to have less cost in terms of human capital.

Now how all that works and the timing, I think, is tricky, and I can't answer that. But we certainly are looking for that and just making sure that net-net, we keep our costs as tight as we can and become more efficient over time, like I said, trying to get to that mid-50s in the shorter term and the lower 50s over time.

Brian Willman

Maybe just one point on the AFSVision transition to the cloud. There is a revenue piece to that because you're going to get real-time benchmarking data around pricing relative to that subsector. So even though there's a cost embedded to that, there is some offshoots from revenue over time once that's fully implemented being in cloud.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Got you. So we're 2 months into the quarter, David or Deron, maybe any updates in terms of the expectations that you had laid out? I know it sounds like deposit growth is coming in little bit better. It sounds like you're having success in terms of bringing down deposit costs? I think you said the capital markets $80 million, $90 million, credit. Maybe just a broad update on how things are progressing in the fourth quarter?

Deron Smithy

Yes. So I'll start. As I said, deposits, I think, are tracking a little better than our expectations, primarily on the corporate and commercial side. Deposit costs continue to come down in line with expectations. We're seeing rational behavior across our markets. And so we're seeing the opportunity to sort of follow our game plan there. So no real change to the outlook.

David Jackson Turner
Senior EVP & CFO

Yes. NIR, all that's coming in as we discussed. Now we do have -- M&A has picked up. So the issue we have is whether some deals get closed in the fourth quarter or do they spill over into the first. And if you recall, last year, that's what happened to us. We had a really good first quarter of '24 because deals in the fourth quarter of '23 didn't happen. So I don't know if we're going to have that issue. Like I said, we do have a couple of things that are pending, and it's now December 11. So we'll see what happens.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

I seem to be getting a daily text from David as a [indiscernible]...

David Jackson Turner
Senior EVP & CFO

Yes. expenses are in line with where we are, capital and liquidity. Credit is in pretty good shape. I do want to remind everybody that we said we'd be at charge-offs at around 50 basis points for the year. We're at 47, 48 through the third quarter, implying we'll have higher charge-offs in the fourth quarter. We have a couple deals, in particular, related to office we have well reserved for. That will come through probably a charge-off in the fourth quarter that will cause that to spike a little bit. But when you step back and look at credit, we're actually in pretty good shape.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

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Maybe just to build on that. Credit loss has obviously been running in, like you said, the upper end of the 40 and 50. But we've seen NPLs leveling off. The allowance has been steady. I guess, how are you thinking about credit from beyond here? And what are the areas that you're still paying the most attention to?

David Jackson Turner
Senior EVP & CFO

Yes. So as we've said, things are normalized and we put a page in our deck to show you what that meant. And we did it in the context of NPL levels, which I think our average has been about 106 basis points. We're at 85-ish. So you're going to see that bounce between 85 and that 100 basis point area. Charge-offs, we said 40 to 50. They're a little higher at the upper end of our range because of office in particular. We have other portfolios of interest, senior housing and trucking.

Trucking just had a lot of supply coming in and demand is not -- there's no equilibrium there. So you have some charge-offs in trucking that will come through. And senior housing is actually get better, but we have a deal that's probably going to result in a charge-off. Again, well reserved for, we have 179 reserve. We don't see that changing materially. And like I said, net-net, we feel good about where credit is.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Shifting to capital, and maybe I'll start with specifics before we talk a little bit more high level. Deron, you've successfully executed on a handful of securities restructurings. I think they're supposed to add $70 million to NII in 2025. And you've been able to do it in relatively short earn backs. Can you maybe just talk about how you're thinking about additional securities repositionings? And how are you thinking about that relative to buyback? And where are sort of the pressure points in terms of how much more you're willing to do?

Deron Smithy

Sure. Those strategies started earlier in the year really as part of our broader balance sheet management activities to position the balance sheet to be prepared to manage through what is the declining -- expected declining rate environment. And so originally, we were selling shorter-dated securities, reinvesting a little longer duration, which helped us to maintain our duration in the securities portfolio. And we talked about a 3-year earn back as sort of being the line in the sand that we've drawn to create that population for that. As we have worked through that and we've had some changes in rates, we're sort of running out of raw material there a little bit. So it's harder to find those bonds that fit that profile. But there's still a little bit left there.

That being said, though, when you look at it through a use of capital standpoint, the financial metrics for using your capital to reposition the securities portfolio have been materially better than share repurchase. And so obviously, we're also thinking about AOCI and the inclusion of -- in CET1 going forward. And so from that perspective, it's capital neutral, but it does improve your run rate, which is accretive to both earnings, EPS as well as tangible book value over time. So less opportunities in the traditional balance sheet management strategy. But as we think about uses of capital, we still think it makes sense to continue executing those in smaller bite-sized pieces. The financial contribution from doing so is still materially better than share repurchase.

David Jackson Turner
Senior EVP & CFO

Even over in excess of a 3-year payback, we set that kind of arbitrarily, but we do the math to figure out which one is better. You should see us continue to do that at some level.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Yes. And we were talking about it last night, I said, even close to a 5 year, you're still getting a better earn-back than you are if you're buying back stock. David, maybe just pulling up on capital. You're above 10.5%. Last time you reported, you were above 9% adjusted. Maybe that's taken a small hit just because rates have come in. Obviously, you're well above the targeted level of, call it, 9.5% at the midpoint. Maybe just talk about how you're thinking about the capital ratio from here? And given that a lot of these regulations either are going to be delayed or watered down, how does that change the way you think about managing the capital ratio?

David Jackson Turner
Senior EVP & CFO

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Yes. So our target range is still 9.25% to 9.75% on CET1, including AOCI. At the end of the third quarter, that measure was 9.1%. I think our actual reported CET1 was 10.6%. And so -- now that backed up, that 9.1% is down to 8.8%, 8.9% because of the tenure. No, we don't know what the regime is going to be on capital. Last we heard, we may not be in Basel III, but we may still have the AOCI. So we're kind of treating it as if we did. And we believe getting to that 9.5% with AOCI embedded, while it creates a little bit of short-term pain, it probably creates more optionality for us going forward. So you should see us accrete up just a little bit. Now AOCI is coming to us too through repositioning and just time. And so 9.5% is the number, and we'll get there probably sooner rather than later.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

So the markets have been more upbeat that we're going to see some M&A come back in this next 2-year window. You haven't done a bank deal in a while. But I'm curious if your stance has changed at all in terms of your thought process and if it has, what would you be looking for in a partner?

David Jackson Turner
Senior EVP & CFO

Yes. So we've been consistent with M&A. It's not our focal point. Continuing to focus on our business, serving our customers, taking advantage of growth opportunities in the markets that we serve is really where we want to spend our time. That being said, we understand scale does matter, maybe matters more now going back to the technology conversation we just had. Marks have been tough to do, regulatory uncertainty has been tough. You start getting a little bit more clarity there. We obviously have always looked at different entities and run numbers just like everybody does.

And so we're not saying we never would do it. It's just not our focus today. And I think we've got plenty of opportunity to grow without it. But if something were to happen and change, it just kind of made sense for us, then that could change the calculus. But not where we're spending our time.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Maybe one last question for Mr. Willman since this is first time on the stage with us here. You talked about utilization being depressed by, call it, 250, 300 basis points. When you're out talking to corporates, what are they waiting to see to actually start to draw down -- to actually start to borrow? I know you said they have to draw down on some of their cash first. But we talked about last night, there's always uncertainty in the market. So what are they really waiting to see in order to draw down further?

Brian Willman

Yes. I would say, one, it was the pace of rates; two, obviously, election, which is behind us and also the resiliency and strength of the consumer, what's ultimately the demand for their output. So I think all 3 of those factors are coming into more clarity. I think they've realized that they've been sitting on cash and liquidity for too long, and that's not a good return on their capital. So I would say, the general feeling is outside of a few industries that we've highlighted as they feel good about the prospects for '25 and finally putting that capital.

The other thing is there's a lot of businesses that have been biding time. There's a big spread between the bid and the ask for privately held businesses to sell. And so we do expect that uptick, and we're already starting to have those conversations and seeing that in the sell side business. So I think all those factors together is a little bit different than we were 12 months ago.

Ryan Matthew Nash
Goldman Sachs Group, Inc., Research Division

Great. Well, we're out of time. Please join me in thanking the Regions team.

David Jackson Turner
Senior EVP & CFO
Thank you.

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