

Regions Financial Corporation NYSE:RF

Company Conference Presentation

Wednesday, December 10, 2025 3:40 PM GMT

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	6

Call Participants

EXECUTIVES

Brian R. Willman

*Senior Executive VP & Head of
Corporate Banking Group*

David Jackson Turner

Senior EVP & CFO

John M. Turner

President, CEO & Chairman

Unknown Executive

ANALYSTS

Ryan Matthew Nash

*Goldman Sachs Group, Inc., Research
Division*

Presentation

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Up next, we're excited to have Regions joining us once again. Had another strong year, growing revenues well ahead of expenses, manage its credit well and returning capital. While growth has been slow across the industry, Regions appear as poised to deliver improving loan growth in '26 and beyond, continues to have the best-in-class deposit base, has allowed us to have the highest returns in the peer group for the last 4 or 5 years.

Here to tell us more about the strategy is CEO, John Turner. John is going to walk us through some slides. Also joining us on the stage is the illustrious CFO, David Turner; and then Head of Corporate Banking, Brian Willman. So let me turn it back over to John for his prepared remarks.

John M. Turner

President, CEO & Chairman

Okay. Yes. So I'll just start with -- I think -- thank you, Ryan, for having us. Thanks for the introduction. If you look at our performance over the last 10 years, we've been focused on creating consistent, sustainable long-term performance. That's been about focus on soundness, profitability and growth in that order of priority.

As a result of that, we've been focused on how do we improve our credit risk management, liquidity risk management, capital management processes. We've been focused on capital allocation, risk-adjusted returns. We've improved our operational and compliance processes. We think we're really well positioned today. And as a result of that have been delivering good results.

All the while we've been investing in our business, investing in talent, investing in technology and growing and diversifying our revenue base. Our focus on credit risk management, which has been about client selectivity. It's been about sound underwriting, concentration risk management has produced, we think, really good results.

Our focus on capital allocation has led us to exit certain businesses and portfolios, and it served us well in the CCAR process as capital degradation as a percentage of overall losses is best or amongst the best in our peer group. And similarly, our hedging strategy has helped us protect our PPNR and as a percentage of stress losses, again, would be at the top of the peer group.

Importantly, driving shareholder value, we have increased our dividend at a compound annual growth rate of more than 10% over each of the last 6 years, while buying back more shares on a relative basis than any of our peers.

Our focus on risk-adjusted returns and profitability, combined with capital allocation has led us to deliver industry-leading, peer-leading return on tangible common equity. We've gone from the bottom of the peer group in 2015 to the top of the peer group in each of the last 5 years, all the while making investments, we think, to continue to sustain our performance.

At the same time, our earnings per share growth has been top quartile over each of the last 3, 5 and 10 years as well. We believe in investing in our business, driving growth in our dividend and also return of capital produces nice shareholder returns for our customers.

And again, you can see here over a 3-, 5- and 10-year period, our performance. And likewise, growth in tangible book value and dividend, we think, should correlate to our share price, and we're at the top of the peer group in this category as well.

We have occasionally been criticized for not growing as fast as our peers, particularly because we're in really good markets. But if you adjust for M&A, and we would be the only one of our peers, I think, that has not done any M&A over the last 5 years, we're actually growing top quartile loans and deposits amongst our peer group over that 5-year period.

We're in some really good markets, and we believe that we can continue to deliver this kind of growth based upon on where we are. Generally, if you look at our deposit growth, again, we've experienced deposit growth amongst our peer group, and we've done that at a cost that's significantly less than we're experiencing than our peers are experiencing.

We think given both the growth in our low-cost deposit base and our very proactive hedging strategy that we can protect our margin over that time as well. Quickly, we've identified 8 priority markets that we think are really important to our growth, have tremendous opportunity to grow deposits in those markets. Over 50% of our deposit growth over the last 5 years has come from these particular markets.

They have really good growth dynamics, and we think present great opportunity. And finally, I'll just say that we're continuing to, as I mentioned, invest in our business, particularly in talent. We'll add 170 commercial, corporate wealth, real estate bankers over the next 3 years.

We're repositioning about 600 branch bankers. Either focused on small business or mass affluent that align well with the opportunities that we perceive in the markets that we're in. And we're continuing to invest in technology in our mobile platform. We talked often about investments in our new deposit system.

All those things we think position us really well for the future and to continue delivering the kinds of results that I demonstrated earlier. So Ryan, with that, I'll maybe settle in for some questions.

Question and Answer

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Thank you, John. Appreciate the prepared remarks.

So maybe to build on some of the things that you talked about, the banks had a really good year. Revenues continue to grow, margins expanding, controlling costs. However, loan growth remains somewhat soft for a variety of reasons, which we'll get into later.

But maybe just talk a little bit about what do you think are the key variables that are going to allow the bank to succeed as we move into 2026.

John M. Turner

President, CEO & Chairman

Well, we're going to keep doing the things that we've been doing, which is focus on capital allocation, focus on the soundness parts of our business. I think we have good opportunities to grow the business. I think we're positioned to do that given that we have the right processes and controls in place.

It's about bankers getting out and serving customers every day in our markets. And again, the markets have really good dynamics, and we think that we'll continue the kinds of trends that we have been experiencing.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Great. So I wanted to talk about sentiment in markets. I'm not talking about Georgia reading Alabama, but the sentiment in the actual lending markets. I know that you're out in the market talking to clients a lot.

Brian, I know that you're obviously out of ton. Maybe we get your updated views on both the economy across your footprint and client sentiment in terms of how you're positioned into the current -- the environment we're about to go into.

John M. Turner

President, CEO & Chairman

I think the economy is still good in our markets. We're experiencing growth at a faster rate across our particularly 7 Southeastern markets and Texas than most of the country. Good job creation. Consumers still feel confident they are continuing to spend.

Spending and savings patterns are pretty consistent with historical norms. We really haven't seen any change in that. Credit metrics are good on the consumer side and job creation is continuing throughout the Southeast. So that's important.

And similarly, I think businesses, though they are dealing with the uncertainty, and it does create some reluctance on the part of business to invest. We're seeing businesses gain a little more confidence as they have figured out how to deal with tariffs and the impact of those things and some of the other uncertainty that's been created.

And so we would, I guess, characterize the economy as decent today, but do feel like that there is continuing momentum building, and we're seeing that through activity in our -- particularly in our wholesale business that Brian might refer to.

Brian R. Willman

Senior Executive VP & Head of Corporate Banking Group

Yes. Just to underscore what John said, client sentiment in the wholesale business has been pretty positive, especially if you contrast that versus the first part of the year, we had a lot more uncertainty. They've realized how to navigate on lowering the short end of the curve and interest rates.

And so we're seeing that manifest in our wholesale pipelines. As an example, our 75% probability to close pipeline in the wholesale bank is up 84% versus this same period last year.

You also are seeing total client liquidity, which has increased at a record pace for 5 consecutive quarters. This quarter, that client liquidity is starting to come down. So to me, that's a precursor to loan growth in 2026. So I think overall, the economy, coupled with client sentiment is improving, and we'll see that borne out next year.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

We'll come back to that shortly. So there's a lot of things going on in your markets. On one side, there's banks coming into your footprint, right, including Alabama. We also there's a handful of banks going through big deals including an MOE, which is obviously creating disruption.

So when you put these together, are you seeing any of these things impacting competition, either good or bad? And do they on net present opportunities for Regions?

John M. Turner

President, CEO & Chairman

Yes. We always have competition, and we are experiencing more competition from the bigger banks. I think it's about really continuing just to execute our business well. In the 86% of our deposits are in 7 Southeastern states. When you add Texas, it's over 90% of our deposits. We've been in most of those markets for a really long time, in some instances, 150, 175 years. We have a strong brand. We have strong connectivity with our markets, local leadership. Our model is very much built around local bankers, working with industry and product expertise.

I think that resonates with customers. And so as long as we're staying out in front of our customers, staying connected to customers, providing great service and meeting their needs, I'm confident in our ability to continue to compete well with both large and small competitors who are coming into the markets that we serve.

And we think that we have an opportunity to continue, as I've suggested, to grow in those markets as well because of disruption that gets created as a result of some of the additional activity.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

And John, you showed in one of your slides, I think the slide that's up there, you've been hiring a lot across commercial, middle market, consumer, wealth, small business, a handful of other areas talked about relocating branch bankers.

Maybe talk a little bit about what are the benefits from -- you're seeing from these if they've started to kick in? How do you think about the payback? And are there opportunities to accelerate these?

John M. Turner

President, CEO & Chairman

on, maybe you want to talk about.

Unknown Executive

Sure. So in our priority markets that we've highlighted as an example, we've been pulling forward the 90 or so commercial middle market bankers. We expect to hire pretty much all of those by the end of this year. We are seeing some green shoots of those efforts.

As an example, 20% of our new client growth is coming from 3 states: Georgia, Florida and Texas. And so and that's the vast majority of our priority market investments we've made. We have a playbook in terms of as we attract, but that recruiting cycle is well ahead of any potential disruption that our competitors have.

So we know who we compete with in the market, who our clients have had conversations with. And so that process -- and we've demonstrated that ability in the past around payback, typically, in the middle market and down space, it's a 12- to 18-month payback that we evaluate as you go upmarket, maybe a little bit longer.

But those are all part of our investments because we do believe it's still a people-led business and relationships matter. And ultimately, to John's point, if you're giving good product and service and advice and don't give them a reason to move, you're going to defend your existing book, but you're also going to gain market share.

And that's how we go to market is what's the market growing plus a little bit to gain share.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

And the company has had better-than-expected deposit performance year-to-date. I think I'm sure the priority markets that you guys have identified has been a part of that. I think you've taken share in 7 of them.

Maybe just talk about what you guys are seeing on the deposit side, how these strategies in these markets are helping you succeed. Talk about how you're bringing in checking accounts and how you're using pricing to -- as part of your strategy.

David Jackson Turner

Senior EVP & CFO

I'll start on the consumer side and Brian can talk about the corporate side. So the consumer, we've been very successful. We're growing checking accounts just a little less than 1%, which doesn't sound like a lot. But using third-party data, we're one of the leaders in the peer group.

So consistently growing checking accounts, looking at operating accounts of a small business and our commercial business is vital to us. That's how we maintain our profitability.

And we're feeling loan growth is going to be picking up here. And so you need that core deposit growth to fund the loan growth. But do you want to talk a little bit about what we're seeing in corporate?

Brian R. Willman

Senior Executive VP & Head of Corporate Banking Group

Yes. Deposits have been a good story for us. I've mentioned in my previous comments around total client liquidity. But to me, it really starts around primacy. What penetration do you have around treasury management, the payment ecosystem. We also -- we're about 65% of our client base maintain treasury management services with us, which I think is certainly better in the average media in the industry.

And then also from a transaction account, we have about 84%, 85% penetration from a transaction. So that's a lot of information that you can glean from those clients and movement of money. But when we commit capital, we expect to get a share of wallet. And primarily, that is an operating account, no different than on our consumer basis.

But the way you wrap around that is providing ancillary services and treasury management. We've also launched investments that John alluded to around embedded ERP finance, real-time visibility into the movement of their cash for clients.

And so when you institutionalize and you give a client products and services, then you can grow with them associated market share growth.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Let's talk a little bit about loan growth, John, Brian, whoever makes the most sense. Your loan growth has been impacted by some of the strategic run-up that you've done. I think it was like \$600 million. You got another couple of hundred million to go.

Maybe just talk about what you're seeing. Brian mentioned pipelines being up in the 80s percent which sounds very good. How are you feeling about the growth into 2026? And what are some of the areas where you expect to see growth across the bank?

John M. Turner

President, CEO & Chairman

Do you want to start?

Brian R. Willman

Senior Executive VP & Head of Corporate Banking Group

Yes, sure. So I mentioned the pipeline piece. For us, the derisking of the portfolios of interest that we've alluded to, through the first 3 quarters was about \$900 million. This quarter, about \$300 million. So the vast majority will happen in 2025.

That's been a little bit of a headwind to our growth. As we also see line utilization has been at historical lows for us, around 30%. Each full percentage point translates about \$650 million of outstandings. But the main precursor to that is total client liquidity as well as customer confidence.

As I alluded to the fourth quarter, we're starting to finally see customers work through some of that excess liquidity. And so that would give us confidence in their ability to start drawdown. But they're making capital investments. The M&A pipeline is picking up. We're seeing that in terms of the convergence of bid-ask spread from buyers and sellers.

And so I think that will help foster loan growth. And then also the interest rate environment clarity too has been a little bit more clear as we go into '26. So we feel good that this is kind of a pivot point for us in our portfolio.

Just to level set, though, we will always be looking at return on deployed capital, risk-adjusted return. That is a standard operating procedure for us. But the vast majority of those identified portfolios of interest will work through in '25.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

So we're now 2 months into the quarter. Just David, any thoughts on how things are progressing? I think we were talking about 1% to 2% NII growth, the margin back in the 360s, some moving pieces on capital markets. Maybe just talk to us about what you're seeing quarter-to-date.

Anything changed since you gave us?

David Jackson Turner

Senior EVP & CFO

Nothing's really changed from the last meeting that we had. NII continues to perform like we expect it to perform. NIR is performing. I will tell you, capital markets is a little more episodic, in particular, the M&A component of that. So we have a nice pipeline of M&A opportunities, as Brian just mentioned.

Whether those get closed in the quarter or not is what is the push pull on that. So we'll see what happens there. The rest of the businesses are doing fine, expenses well controlled.

Credit well controlled, criticized classified, nonperformers continuing to get better. We will have elevated charge-offs coming from our portfolios of interest. And then we think we get next year, we'll be in that 40 to 50 basis point range for charge-offs. Capital continues to look good. We generate a lot of capital in the quarter.

When you don't have loan growth, you have a lot that you can put to work or buy it back. So we hadn't had a lot of loan growth, so we've been able to buy back more than normal, and that's been helpful.

So yes, all in all, I think we're going to finish strong in the quarter. More importantly, set us up for, I think, 2026 could be very good for us as well.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

So maybe to pivot to how you're thinking about 2026, let's talk with some about some of the revenue components. So Brian talked about you're feeling better about an inflection of loan growth. So that obviously should be positive. You've had good success with the margin, right?

So the margin expected to be in the mid-3.60s this quarter. We're expecting further steepness in the yield curve. Maybe just talk about the key drivers for the margin from here and talk about your ability to make progress over the medium term towards that high 3.70s, 3.80 margin that you've talked about.

John M. Turner

President, CEO & Chairman

Yes. So you're right. We will finish with a margin in the mid-360s for the fourth quarter. We should be able to march to 370 by the end of next year. That's going to be driven by loan growth that we see happening.

Our front book, back book benefit is still out there with a steepener, that's beneficial. We pick up about 125 basis points today on it. That starts to dwindle over time. And anyway, that will be a big part of our driving force. And then the third thing is really deposit cost management.

So we have -- through our guide, that's predicated on a mid-30s beta deposit cost beta. And I think that we're at about 33% today. We are reacting pretty nicely to changes from the Fed in terms of rate cuts.

Brian is actually a little ahead of the game. And so I feel if we can continue to control those deposit costs, that will also be a driver of our margin outperformance in 2026.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

So you guys have had tremendous success in fee income this year, wealth, capital markets payments. I think you've had 5% growth year-to-date. As you look ahead, what are the areas that you're most excited about into '26? Can we continue to see this kind of momentum? And where do you feel your value proposition is really differentiated in these areas?

David Jackson Turner

Senior EVP & CFO

Yes. I think we'll continue to see growth in those same areas. So let's just go through 5 major categories. Service charges will continue to grow. Treasury management is embedded in that. Those service charges grow because we are continuing to grow customers and growing new logos in the commercial space or checking accounts in the consumer space is important to us.

Interchange continues to be pretty resilient. We should see that continue to grow a bit. Wealth management has done a good job of adding people. So we have part of our folks, you can see on the slide, still up 30 wealth -- private wealth advisers that will help us grow customers.

And assuming the market continues to stay healthy, which I think it will, that will be supportive of continued growth in wealth management. Mortgage should have a little bit more of a rebound. We've gotten the 10-year down a little bit.

It drifts even a little lower, you're talking about 6 and change of 30-year fixed rate mortgages, that gets to be pretty affordable. If we get housing costs to come down a little bit, which -- to make it more affordable for everybody, that would be helpful, too. So I think those are the 5 categories.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Maybe as a follow-up, Brian, you talked about 65% penetration rate in treasury management. Obviously, it's a competitive area across the bank, but you've seen good success. Maybe just talk about how you're differentiating, how you're ensuring that you're getting that transaction account and treasury management?

And do you foresee this as continuing to be a big avenue of growth for the bank?

Brian R. Willman

Senior Executive VP & Head of Corporate Banking Group

Yes, I do, Ryan. You have to have product capability. You have to continue to invest in the platforms. But as the market continues to have competition, both bank and non bank, we've made investments and partnerships. As an example, we'll announce a Digital Lockbox partner.

We've invested in the health care payment space. We've given tools to our bankers like Cash Flow Adviser, Cash Flow IQ, all around digital banker enablement and customer transaction, less friction and view. So that will be something that we will continue to make investments in.

Even though we're at that 63%, 65%, that's still a lot of opportunity to improve. We've also, on this slide, don't underestimate the small business opportunity. That is a market that is underpenetrated for us relative to where our franchise is. Think about the Ascentium essential equipment business that we bought and have rolled out nationwide, but you think about 450 or so thousand customers that are in footprint.

When we make an essential equipment loan, we don't have the ability to open a deposit account at this point digitally at close. We have to refer them to the branch. That will change in the middle of '26, we'll have a digital fulfillment for small business. So I think that and it will be a bundled TM solution, you'll have an ability to have a business Visa, all while serving the clients' needs.

So Ryan, I think that fee income stream we'll continue to see increase. And we're on track to have a record year in both treasury management and capital markets in '25. So we're going to build on that momentum. When you also invest in bankers, you have an expectation that they'll grow their book of business as well, both penetrating the existing book and acquire new logos.

David Jackson Turner

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Senior EVP & CFO

I'll add on that small business. So we have 400,000 small businesses today. And you can see on the slide in our priority markets, there are 5 million, and there are 12 million in our total footprint. So just a little bit more penetration, having this digital platform will be helpful to us. But as important, 300 of those consumer bankers are fully dedicated to those small businesses around the branches that we think have the biggest ability to continue to grow.

And that's a good source of low-cost core deposits for us.

John M. Turner
President, CEO & Chairman

The only other thing I'd add, it really is about a disciplined approach to capital allocation and a focus on returns. We're big enough to have the tools to understand what our customers are doing with us and what the profitability of those relationships are commit first to soundness, second to profitability and third to growth.

And we've been willing to give up some growth for the benefit of profitability and returns. And we're going to continue to be committed to that. I think that's the right approach. I think that's what our shareholders want. We want to create that consistent, sustainable performance, and that's about a commitment to capital allocation.

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

And I appreciate you going to capital allocation because that's where we were about to go next, John. So when I think about your capital, almost 11% CET1, 9.5% on an adjusted basis, right in the middle of your target range.

Maybe let's just start off talking about what the capital priorities look like at this point.

John M. Turner
President, CEO & Chairman

Sure. Support organic growth, pay a dividend. We will use it to support non depository acquisitions if we need to inorganic growth and then finally, return it to shareholders.

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

You had an announcement this morning, David. I think it was a new \$3 billion buyback over 2 years. Maybe just talk about your ability to utilize that? And how do you think about toggling that between using it to buy back shares versus what sounds like it's going to be a better loan growth environment. Can you use all of that even in an improving loan growth environment?

David Jackson Turner
Senior EVP & CFO

Yes. So first off, don't read too much into this, all right? So we had a \$2.5 billion share repurchase plan that was approved that was expiring in December 31. So we had our Board meeting yesterday. It just happened to hit today. And really wouldn't think about the conference for that. I didn't get a lot of questions, but that \$3 billion is just -- we're not going to use all that most likely in that period of time, but it gives us cushion to be able to do it if need be.

We much rather use our capital to grow. As John just mentioned, our first order of priority is to support our business. And we'd love to use that as much for loan growth as we can.

It second goes to the dividend, having an appropriate dividend for the earnings stream that we have that's protected under any kind of reasonable circumstance. And then we bought mortgage servicing rights before. We've done some securities repositioning when it made sense. Those are getting harder to make sense. We've bought some non bank businesses over time. And then we really don't like to buy our stock back, but we will do that because we don't want our capital to continue to accrete too much.

So we think our 9.5% number is the right number for us, for our business model, for our risk profile. We know there's a lot of discussion on some G-SIBs that what they think their capital can go to.

We determine what our capital needs to be based on our risk profile with all the data we have going back to going back to the great financial crisis. So 9.5% is a good number for us, and you should see us monitor pretty close to that. And so if you just do some math, you know that with loan growth, you can't spend all that in the share repurchase, but it's available for us should we need it.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

You joke that yesterday, I wasn't smart enough to figure that out. I have to wait for the team to do it later.

John M. Turner

President, CEO & Chairman

News might have helped you.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

So John, obviously, you did not mention M&A in your traditional bank M&A in your remarks. There was obviously an article in the American Banker that identified the regions as financial institution. It may sound like a suspect than a crime.

But any comments that you'd want to make about that? And if not, what would strategically be a priority for you if you did choose to pursue M&A?

John M. Turner

President, CEO & Chairman

Yes. So I think we've been consistent saying that we're not -- bank M&A is not a part of our strategy. And we have, we think, a great strategy. It's a strategy we've been executing over the last 8 years, and it's delivered the kinds of results that we've been posting. Our strategy going forward is much the same, and we think that we can continue to execute, deliver on that strategy and produce the kinds of results that we have been Bank M&A is distracting.

It's difficult to execute. It's difficult to reach economic agreements that are favorable to our shareholders, we think. And so it's just not part of our strategy. In addition to that, we have a big technology project underway that we've talked about that we are getting closer to completing, but it won't be completed until 2027.

A lot of resources dedicated to that. We're effectively going to convert ourselves, 5 million customers. We converted from one deposit system to another. A lot of risk associated with the project. We're on track. We feel really good about it.

But as a result of that, we just don't think that bank M&A per se is -- should be part of our strategy today. Having said that, we run the bank for the benefit of our shareholders, and there's a lot going on in the industry today, a lot of M&A activity, and there will likely be more. And so we're paying attention. We're interested in what's going on, but it's not a core part of our strategy.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

I guess with the systems integration, it's almost like you're doing an acquisition on yourself.

John M. Turner

President, CEO & Chairman

Well, we are. Yes, we absolutely are. All the planning that goes with -- most all of the planning goes with an acquisition, particularly the technical aspects of it, we have to do.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

A couple of other questions I want to touch up on in the last 5 minutes here. So David, I think earlier in the year, you promised positive operating leverage for next year, which was good to hear.

Obviously, there's a lot of things going on in the expense base, systems upgrade, further investments in tech, frontline bankers. How do you think about balancing the pace of investment with generating operating leverage?

And given that next year should be a stronger top line year, how do we think about operating leverage relative to the amount you did this year?

David Jackson Turner
Senior EVP & CFO

Yes. So I'm still not going to answer your question until January, but a good try. We believe we can generate positive operating leverage in 2026. You're right that as we talked about, the revenue side should be pretty robust. We've been pretty good expense managers, I'd say. Our campaign annual growth rate over the last 8 years, I think it has been about just under 3%, 2.8%. And we do a good job of staying on top of our pay.

We're on people and vendors and all third parties, and we're going to continue to do that. We do know that we need to make investments, in particular, in people. We've already got tech investments. John just talked about that.

But we're also investing in people, and you see -- well, they're not on your slide, but 180 people that we're investing in, and we can take that and spend that money. So we still have a discussion with the businesses about generating positive operating leverage.

We think that's important, but we also have to make investments. So you're trying to figure out where the sweet spot is. I had talked to you or somebody earlier that said we will generate positive operating next year. It's likely to be -- is it going to be consistent with this year? We'll have to wait and see.

But it depends on how -- what our timing of expenses and how fast we get all the people in. But...

John M. Turner
President, CEO & Chairman

I think implied in your question is, are we investing enough in our business? Could we invest more? And there is a balance that we have to achieve. And we ask ourselves that question periodically, could we give up some return for the investments that will benefit the future? Are we sacrificing the future for the present? And our view is no.

As we look at our plans, we think about and examine the investments we are making, the markets we're in, the opportunities we think we have, it's our belief that we'll continue to deliver these kinds of results over the next 3, 5, 10 years given the investments we're making at the current rate. We think the balance is right. But we have to examine that on a consistent basis, and we do.

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

Yes. That was actually going to be my next question. So I appreciate you answering that. So maybe let's just get an update on the systems upgrade. You talked about it not being complete until '27. Talk about how it's progressing. And then Brian made a comment about, like as an example, opening small business accounts.

This will give you an ability to do so digitally, you can't do now. Like maybe just talk about any other things that this is going to allow you to do that most peers can't do because obviously, not many banks have gone through this kind of technological overhaul.

John M. Turner
President, CEO & Chairman

So the digital origination is separate from the larger project we refer to internally as Regions 2.0, which is primarily the deposit system conversion. We're also in 2026, converting our commercial loan system from one AFS platform to another. And that is going well.

This digital origination capability that we will deliver, I guess, in the first quarter.

Brian R. Willman
Senior Executive VP & Head of Corporate Banking Group

Second. Yes, second quarter.

David Jackson Turner
Senior EVP & CFO

Both...

John M. Turner

President, CEO & Chairman

And so we do have -- we are investing in technology on a current basis while building for the future. We have just completed all the big integration work between Temenos and all the APIs that we will use in order to connect their systems, our system to broader capabilities.

And we're moving to the user accepts testing phase. And that's a critical part will occur over the next 6 months as we deliver capabilities to users to make sure that what our businesses and other users thought they were going to get, they are going to get.

And then we'll move to a pilot phase in the latter part of 2026 and then begin converting customers in 2027. So far, the project has gone really well. It's highly complex. We're using third parties for support, including Accenture, who's been great, really helped us.

And so we're pleased with the progress, but it's something we're watching and talking about virtually every day because of the significance of it.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

And David, any financial impact to think of? Is that already sort of baked in to that?

David Jackson Turner

Senior EVP & CFO

Yes. Cost of all that's baked in. We do think the benefits of having this new system in will -- it's going to be increase our speed to market dramatically. Today, if we want a new product or service, all the coding that has to go into an old mainframe system just takes forever after you got to test it and all that.

This will be more of a plug-and-play type development of an API that you can let it rip pretty quickly. And we think that's going to be a game changer relative to the peer group. And to your earlier point, nobody has really gone through this type of a core modernization yet.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

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

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.