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Regions Financial Corp. (RF)

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MANAGEMENT DISCUSSION SECTION

Ryan M. Nash
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Kicking of the conference this year, we have Regions Financial. Over the past year, Regions has continued to execute on its three-year strategic plan, to improve EPS growth, efficiency and returns, through growing and diversifying revenues, managing expenses and deploying capital. Here to tell us what lies ahead for 2018 is Chairman and CEO, Grayson Hall; and joining him on stage is Chief Financial Officer, David Turner, and John Owen. Also, joining them is Dana Nolan from Investor Relations.

So, with that, I'm going to turn it over to Grayson for some prepared remarks.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

Good morning, and very much appreciate your attendance [ph] at such pleased fashion (00:00:19), but delighted to be the first to kick off the Goldman Sachs U.S. Financial Services Conference. Ryan, again, thank you. And, as Ryan mentioned, we have three of our executives with us today, David Turner, our CFO; John Owen, who heads up our Regional Banking Group; and Dana Nolan, who heads up our Investor Relations Group. Before we get started, please note our forward-looking statements disclosure included in your presentation.

Let's begin with a quick review of our progress in 2017 and move on to our thoughts for 2018. Year-to-date, as Ryan mentioned, we have continued to successfully execute our strategic initiatives and improve overall profitability. We've increased net income 7%, while increasing earnings per share 13%. We remain committed to prudent loan growth, focusing on improving risk-adjusted returns, and we continue to expect to grow loans in the fourth quarter on a point-to-point basis.

We've maintained a robust shareholder return program, returning over $1 billion in the form of dividends and share repurchases year-to-date. We remain focused on areas of our business that we can control. And to that end, we continue to grow checking accounts, households, credit cards, wealth relationship, consumer loans, as well as assets under management.

But most importantly, we experienced this growth while providing some of the best customer service, best customer experiences in the industry. For example, recently, the Temkin Group ranked Regions as the top rated bank and the fourth overall highest-rated company in customer experience. Temkin's most recent Experience

Ratings [ph] – way of (00:02:13) Experience Ratings ranked Regions number two across 20 industries. And JD Power recently ranked Regions second in retail banking and primary mortgage servicing.

To be successful in service quality and customer experience, you must have dedicated and trained associates who work together as one team to serve customers. Once again this year, Regions was named the Gallup Great Workplace award winner. This is [ph] not an acknowledgement of (00:02:43) something we are particularly proud of and underscores the strength of our overall culture.

Let's now shift our expectations in relation to 2018. With respect to the U.S. economy, we do expect to experience real GDP growth of around 2.4% in our plan, as well as modest improvements in global economic growth and labor conditions.

Within our franchise footprint, job and income growth should generally remain in line with U.S. averages with a number of states in our 15-state footprint expected to grow faster. While we remain optimistic in terms of legislative and regulatory reform, we have not, at this point, incorporated potential changes into our 2018 outlook.

In terms of assumptions, we have utilized the market forwards as of November 20, which include approximately two Fed Funds rate increases between now and the end of 2018. That being said, we remain committed to continued improvement in our financial performance regardless of economic conditions we face in 2018.

Now, let's move on to our loan portfolio. The overall health of our consumer portfolio remains strong and we see this trend continuing as it relates to consumer loan growth. While continuing to grow residential mortgage loans, we also have multiple initiatives to grow non-real-estate consumer loans. We've experienced success growing our point-of-sale and credit card portfolios.

We're also working to create a fully digital loan experience for all consumer loan types. We've implemented this functionality for unsecured lending, and we will expand into other products next year. The third-party indirect auto portfolio will continue to decline. It declined approximately $510 million from 2017 on a full-year average basis. And looking to 2018, we expect a further decline of approximately $700 million on a full-year average basis as a result of our credit management, credit quality decisions. Excluding a third-party indirect auto impact, 2017 loan growth outperformed the industry across most consumer categories. Based on what we know today, we expect that to continue in 2018.

Moving on to business loans, we remain committed to responsible growth, prudent client selectivity, judicious capital allocation, and appropriate risk-adjusted returns. We are optimistic that clarity around tax reform will provide reassurance to businesses who have been in a wait-and-see mode for some time. Competition in this space remains intense, particularly as it relates to pricing and structure, but we remain committed to our relationship return requirements. We had experienced momentum in the second half of 2017, as loan production and loan sales pipelines have improved, and we expect this momentum to continue into 2018.

Let's look at deposits for a moment. We continue to believe our deposit base provides a significant competitive advantage, and our deliberate strategy to grow low-cost deposits while reducing brokered and collateralized deposits continues to pay off and create a more favorable deposit balance mix. Importantly, more than two-thirds of our deposits are considered retail. Additionally, we have a very loyal customer base, over 40% of our consumer low-cost deposit dollars have been customers of Regions for more than 10 years. As such, this chart illustrates that throughout the current rising interest rate cycle, we've managed to keep deposit costs low and compare favorably to peers with a cumulative deposit beta of only 11%. We will continue to leverage this, yeah, strength into 2018.

As we look ahead, we've built an unparalleled foundation of trust and integrity with our customers, communities and associates. However, our customers' needs and requirements are continually changing and demanding more innovation on our part. The growing demand for an easier, faster and more convenient way to conduct financial business requires us to continually redefine how we do business. To that end, our board and executive management team has spent time developing and refreshing our strategic plan to transform our company into the future.

Customers will remain centric as we launch this new approach, enhancing the customer experience while also improving revenue growth, and importantly, creating greater efficiencies throughout the organization. To accomplish those, we've challenged everyone in our company to raise the bar and to raise expectations. We must make it easier and more simple for customers to do business with us, and we absolutely must make it easier for our associates to serve our customers and our communities. We're exploring new ideas, thoughts, and concepts to improve the way we approach our business, and we will simplify tasks that do not contribute to excellent customer service.

In some cases, this will require the redesign of processes as well as leveraging technology in new ways to become more efficient and more effective. This strategy will give us the flexibility and capacity to continue to invest in areas for growth, all the while our commitment to prudent risk management will not change. In fact, we fully expect this effort to enhance our risk management processes.

We believe by becoming more efficient and more effective in everything we do, we will achieve sustainable long-term growth. We are calling this new initiative, Simplify and Grow the Bank. This project is underway and we've organized our work streams into four primary categories.

First and foremost, we will focus on the customer journey and the customer experience. In support of these efforts, our digitization strategy will aid with account and application openings and will improve response time and the quality of decisions.

Also, we recently restructured all branch associate roles, eliminating a teller position throughout the network. All branch associates are now bankers, trained to provide excellent financial advice, guidance and education to help customers reach their financial goals, as well as providing traditional transaction assistance. While it's very early, we are pleased with the progress thus far.

Secondly, we're going to simplify the structure of organization. We're carefully evaluating spans and layers to streamline functions across the bank. In addition, we are reviewing committees and decision-making processes to evaluate what is necessary and most effective.

Third, we're focusing our initiatives to drive revenue growth throughout innovative solutions with plans to shorten the time it takes to get new products and new decisions made and implemented. We will continue to optimize our channels, our products, and our services to better meet customer needs in our communities. We will become more efficient by appropriately leveraging technology. Plans are underway to utilize robotics and artificial intelligence in several areas throughout the organization, as well as opportunities to enhance shared services.

And fourth and finally, we are also contributing to rationalizing our retail network, the continued rationalization of that, as well as evaluate other outsourcing opportunities. To augment and accelerate our efforts, we have engaged McKinsey & Company to help us with this Regions' initiative. A comprehensive review is underway, and we will provide more details as they become known and finalized. We completed a number of initiatives this year and had several more in process to drive revenue growth and boost our efficiency.

From a fee income perspective, we expect to continue our success of growing core accounts. This past month, we launched new platforms for wealth management and treasury management. We also recently made enhancements to our mobile application rolling out card controls for both debit and credit card accounts. Zelle [indiscernible] (00:11:11) capabilities will launch next year, along with facial recognition log-in capabilities for our customers.

We also have opportunities within our capital markets group to further integrate BlackArch Partners and to continue to grow our core capital market products and services. In addition, with tax reform clarity, we expect to experience increased contributions from our low-income housing tax credit syndicator, First Sterling.

On the expense side, as previously noted, we will continue to refine our retail network. We consolidated approximately 10% of our branches this past two years and have reduced square footage in both branches and back offices by just under 5% within the last 12 months. Through the elimination of jobs and job roles, consolidation of tellers into bankers in branches will further reduce our branch staffing. We're creating a fully digital account-opening process for loans and deposit applications and reducing back office functions.

And as I mentioned before, we'll roll out artificial intelligence in our contact centers this month and have identified and are working on several other opportunities where artificial intelligence will create additional efficiencies in us serving our customers. Two years ago, we provided information regarding long-term financial targets. Although the operating environment has been more challenging than it was anticipated at that point in time, we remain committed to achieving these long-term targets and are on track to actually deliver.

Now, let's look at expectations for 2018. Full year average loans are expected to grow in the low-single digits excluding the third-party indirect vehicle portfolio. Full year average deposits are expected to grow in the low-single digits excluding collateralized wealth management deposits. We expect to generate adjusted operating leverage of 3% to 5% supported by net interest income and other financing income growth of 3% to 5%, adjusted non-interest income growth of 3% to 5%, and relatively stable adjusted non-interest expenses.

We expect to achieve a full-year adjusted efficiency ratio of less than 60%. Assuming no changes from a tax reform perspective, we expect a full-year effective income tax rate of 30% to 32%, obviously, subject to change. And from a credit perspective, full-year net charge-offs are expected to be in the range between 35 basis points and 50 basis points.

As we think about 2018 and beyond, we believe we're well-positioned for growth and improved profitability. We will continue to execute our strategic initiatives. Our asset-sensitive balance sheet, including our low-cost deposit funding base, will continue to provide a competitive advantage. We will continue to leverage innovation and identify cost saving opportunities throughout our bank as a result of the initiatives that we have embarked upon. We have the capital sufficient to support organic growth, strategic opportunities and a robust shareholder return.

And finally, our asset quality remains stable as we've continued to experience broad-based credit improvements in most of our credit metrics. In conclusion, we believe that our strategic initiatives will further strengthen our competitive position and drive growth and efficiencies, resulting in consistent and sustainable long-term performance.

And with that, I'll stop and both David Turner and John Owen will assist me in taking your questions. Thank you.

QUESTION AND ANSWER SECTION

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

Q

Great. Thanks, Grayson. Maybe just kicking off, you talked about the engagement of McKinsey with the new strategy of simplifying and growing the bank. Can you talk about the decision to hire McKinsey? What has been included in your plan in terms of expectations of both revenue and expenses? And could there be upside from this in terms of outlook?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Ryan, that's a great question. And, as you know, two years ago, we presented a three-year strategic plan. We revisit that plan in the late summer, early fall of each year, and refresh that plan with our executive management team and with our board. And as we're going through that process this year and looking backwards over what had happened in the first two years, we really felt like that we needed to raise our expectations to raise our performance in order to perform in the way that we thought was appropriate given the operating environment that we've been in and the probability of the operating environment we would face going forward.

And as we did that, we – as you recall, we initially announced the $300 million cost-saving plan two years ago. We increased that to $400 million, and then accelerated that to – instead of completing that [ph] four-year (00:16:38) plan in 2019 to doing that in 2018. So, we really felt like we needed to stretch farther, we needed to work harder, and so we embarked on this initiative. And I'll let John Owen, who is driving this initiative for our company, talk about the process we went through to select a third party to assist us. We've been on a long journey of improving profitability and improving expense efficiency, but felt like that it was time for us to embark with a third party and doing that even better.

So, John?

John B. Owen
Senior Executive Vice President & Head-Regional Banking Group, Regions Financial Corp.

A

Yeah. We went through a process last quarter where we really brought in five different firms to sit down with us, really give us their ideas around how do we Simplify and Grow the Bank. We ended up selecting McKinsey to that process. McKinsey really had a more strategic [ph] view we thought (00:17:26).

When you think about what we're going to do in simplify and grow, I'll give you some tracks we're thinking about. Making banking easier is really about how do we make the loan process easier in both commercial and consumer, and really streamline from a digital standpoint, we'll be offering every consumer loan category through a digital offering. So, if a customer wants to talk to a banker, they can. If a customer does not want to talk to a banker, they can go straight through the digital offering.

Another track I want to talk to you about really is around branch consolidation and other facility consolidation. And we've consolidated about 163 branches over the last two years. That was our commitment at Investor Day. We exceeded that commitment about a year earlier. So, you'll see us consolidate other branches. There's still opportunities for two-for-one consolidations, three-for-one consolidations, and also around some of our back office functions, contact center, sort of our mortgage processing, there's opportunity to consolidate some shared services.

From an automation standpoint, Grayson mentioned artificial intelligence. We started about a year ago with IBM Watson and we've been working with IBM now for about a year. Our first really area we focused on was our IRA contact center area. Where we are today is in our large contact center. So, for our contact center, we have roughly 900 associates that take about 7 million calls a month. And what we're doing is putting Watson into actually intercept some of those calls, answer the call, resolve a call [ph] without ever going to an agent. Second act – (00:18:54) use case we're doing is around listening to the calls, Watson listens live. When the caller stops speaking, Watson will pop the answer on the screen so the contact center rep has a consistent answer, a clear answer and also reduces our training time for our reps. So, again, from a consistency standpoint, service standpoint, expense standpoint, we think that'll be a real win.

The last thing we're doing with Watson is our BSA/AML area. A lot of opportunity over the – I would say, over the last few years, the bar has been raised and raised in terms of – we've had 26,000 pages of rules and guidance that have come at the banking industry. And when you do that, you get a lot of process, you get a lot of people [ph] that go in place (00:19:31) to solve a solution. I think the opportunity today is really go back and automate with AI and robotics [ph] and really take – (00:19:37) that process is very manual-intensive and make it very automated. So, these are just some of the activities we're doing.

We're about six, seven weeks into the planning process in McKinsey. When we get through that in about another couple of weeks, we'll be kind of rationalizing what we think the major work streams are and also kind of what the range of [ph] saving to our (00:19:55) expenses and also revenue opportunities, so we're few weeks away from that.

O. B. Grayson Hall, Jr. A
Chairman, President & Chief Executive Officer, Regions Financial Corp.

Yeah, I think it's important to understand that while we've engaged a third party, this is a Regions' initiative, we own it, we're accountable for it. We had a number of initiatives underway that we believe a third party could [ph] help (00:20:16) reconfirm and revalidate that we're on the right path. But we also were looking for a partner that could bring fresh, new ideas, possibly challenge us on some perceived assumptions we had about our organization.

And so, we think we've picked a very good partner to do that. There's obviously a lot of people very good at this. But most importantly, this is just an effort to raise the level of expectations internally in our company for building a simpler and better bank. It's also got to be one that enhances the customer experience and strengthens overall risk management capabilities. Both of those, we're very committed to doing.

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

And I'll add to the second part of Ryan's question. From an expense standpoint, we brought a bulk of that $100 million forward into 2018. We will leverage the work that McKinsey is helping us with to identify specific aspects of that that will benefit 2018. There's further improvement we think in the efficiency ratio over and above that, we have not quantified that. That's the piece that will come later. So, we think there's – even though we're committing to the less than 60% now, we think there's opportunities beyond that over time.

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

Thank you. Grayson, when I think about 2017, you were able to deliver on your goals despite a very challenging backdrop for loan growth as you were remixing parts of the portfolio. Can you talk about expectations for growth heading into 2018? As you've gone out and talked to your clients, is there a sense that there's pent-up demand, if we are to get tax reform that we could see loan growth potentially being better than low-single digits?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.
A

Yeah, absolutely. I think our conviction is more optimistic today than it has been for quite some time. We had good loan production in the third quarter. But we also experienced some fairly strong pay-offs and pay-downs as a number of our commercial customers access public debt markets that we have not anticipated. We've seen that – that activity normalize to a certain degree, and we've seen our sales pipelines for loan production improve and strengthen, and we're seeing some optimism, some confidence on the part of our customers to invest in long-term capital expenditures. And so we do anticipate being able to demonstrate a degree of momentum in the first quarter around loan growth. And based off what we're seeing in our discussions, that momentum will carry into 2018 seeing what we see today.

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

David, now that tax reform [ph] has passed or (00:23:17) likely become legislation, a two-part question: one, what do you think this means for your tax rate? I know there's a lot of uncertainty in terms of the reconciliation. And how do you think about this in terms of the competitive landscape? What businesses you think this could potentially get competed away? How much would you think you'll be able to hold over time?

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

Yeah. So, we're still in the formative stage of that. We do think we have – we'll have something on taxes perhaps by the end of the year. It's hard to understand exactly what component will be there. We know we have certain things like not being able to [ph] duct (00:23:55) FDIC expenses, offset by a reduction in rate. Net-net, it will be a positive to us. We think based on what we see today that our effective rate will be down into that lower-20% range from our 30%, 32% that Grayson just mentioned. We will have at enactment, when the rule is enacted – not when it's effective, but when it's enacted, we'll have an adjustment at that time. So, if it's this year, we'll have a one-time that could be a hit or could be a benefit, we don't know because it depends on the effective date as you think about some of the temporary differences and when they turn around.

So, there's a lot more to work out to understand that immediate impact, but we think the ongoing – again, will be in that lower-20s. Well, you're asking the question, how will that impact business? It's a little early to tell. I've heard this [ph] will you compete it away (00:24:55). We're always in a competitive mindset, and that's a good thing for our country. Competition, it makes us all better. So, I think we'll just have to see how – what impact that's going to be. Having clarity around taxes we think is a positive for future investment for all businesses. So, we think it's a plus.

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

One of the things that Grayson highlighted in the presentation is just your competitive advantage on the deposit side, we've started see this coming through. I think your cycle-to-date beta has been around 11% versus the industry at around 16%. We've heard some banks starting to talk about competition picking up a little bit. Can you maybe talk about what you're seeing across different channels, retail, wealth and commercial? And in your outlook, can you maybe tell us what you're assuming for each of these or for the beta as a whole?

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

A

Yeah. So, I'll start with the second part of that. So, our beta assumption, so we have a couple of rate increases in 2018, as we just mentioned. Our beta assumptions starts at 40%, going up to 60%, that's been consistent with what we told you last year. We've obviously outperformed, we're at 11% year-to-date. Because of our consumer deposit base, our beta has been lower than we had anticipated, lower than our peer group. And we're seeing relatively light pressure there. And we think with the pace of the increase being maybe two increases, perhaps we can extract more value out of our deposit base and not have to increase rates there.

We have seen some competition on the business side, and it's been more one-off, as we see rate increases coming through each time, we – probability for a December increase is pretty high. And I think that we'll get phone calls from certain customers, but that's where the relationship matters. And being a relationship bank is a competitive advantage for us and we believe that's helped us keep our deposit betas down on the commercial side. The beta you've seen thus far has been really index deposits. We have certain deposits that are tied to Fed Funds and that's really been the driver. So, again, we expect our beta assumption to outperform.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

John, your thoughts on our deposit advantage.

John B. Owen
Senior Executive Vice President & Head-Regional Banking Group, Regions Financial Corp.

A

Yeah. When you look at our deposits, we've grown deposits – low-cost deposit [ph] a little over (00:27:12) $2 billion year-over-year. When you look at that, about half our branch network's in small markets, small communities, and those tend to be much more sticky deposits. I think going forward our ability to gather deposits is still an advantage for us, and those markets are performing well. Also our metro markets, we're actually seeing good growth there as well. So, I'm optimistic on the consumer front on the deposit side.

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

Q

Grayson, one of the things that you've noted in the presentation was that you're not assuming any change to the regulatory outlook. Now, Congress has discussed the bill to raise the SIFI limit from $50 billion to $250 billion, well, there's apparently a bipartisan agreement. I think you guys ended last quarter at a – just below $125 billion in assets, so well below that $250 billion. Now, if we assume this does become legislation next year, what do you think this means for the bank in terms of: one, running the bank on a daily basis using some of your capital; and then as a second part of the question, have you started to see any changes on the ground just yet?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

Yeah. I mean – well, first of all, Ryan, I think that a lot of the – lot of changes has been made in the industry [ph] and (00:28:18) our bank has been constructive. They've made us a better bank, a better bank from a service perspective and a better bank from a safety and soundness perspective, and a lot of the things we've put in place, we continue to strengthen. If you look at the regulatory reform, it's really been constructive over the last couple [ph] or (00:28:36) three years.

Every year, we've seen a little bit – we've seen changes that have been beneficial [indiscernible] (00:28:47) regulation based off the size and complexity of financial institutions. We've seen that in particular in the capital planning processes, and we think that continues. We think that the trajectory of regulatory rationalization continues, and we think it helps our business be more flexible and more dynamic in the way we manage capital and the way we manage liquidity. And so, it's hard to predict that pace of improvement, but clearly we've seen constructive changes that we believe helps us run our business in a more effective manner.

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

Q

When I think about the business review that you're doing, we've seen other banks do these, they tend to be, pick your timeframe, 18 to 24 months [ph] perhaps to see it to (00:29:42) implement. Given what we've seen in the industry in terms of valuation differentials, plus you're now engaging with McKinsey, does this completely remove you from thinking about M&A as a strategy for the bank over the next two years?

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp.

A

I think that clearly we've seen a number of our peers use initiatives like the one we're embarking on, sort of throughout the recovery period in trying to rationalize expenses and making sure that we can still perform in the operating environment that we're facing. And we've done this internally over the last three years, and we're bringing in a third-party to help now. We believe the timing is right. I think you have to get the timing correct, and with the number of initiatives we had underway and the point where we're today, we believe we're doing it – this is absolutely the right time for Regions.

How that affects M&A, and we've said this before, we are primarily focused on improving the fundamentals of our organization. We are focused on delivering better service quality and more organic growth in getting our business model calibrated correctly to create long-term sustainable success for our franchise. We looked at M&A. As you've seen, we've done a handful of what we would call bolt-on acquisitions in the non-bank space. We continue to do that. As we've discussed multiple times, we still believe where market valuations are and with the initiatives we have going on that this is not the time for Regions to be looking at bank M&A in any urgent way. That being said, we still monitor it. We still know what's going on in the market, and we still realize that those kind of transactions are opportunistic in nature, but that's not our focus today.

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

Q

And given that M&A is not the focus, David, maybe can you just talk about the goal that you guys have set at getting at or around 9.5% CET1, given your outlook for modest loan growth, is that still a target, and could we actually see a better payout in the [indiscernible] (00:32:05)?

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

A

Yeah. So, that's a great question. We have been committed to getting our return to the 12% to 14% return on tangible common equity by the end of – for 2018. In order to do that, we have to work on the numerator and the denominator. We've talked a lot about the numerator, but the denominator really is getting that common equity Tier 1 to 9.5%. We'll get close to that at the end of the year.

As we get closer to that 9.5%, we'll focus on tightening that up. We laid out 9.5% some time ago and since then, we've continued to de-risk our portfolios some, you've seen energy coming down, construction lending coming down. And so, perhaps, there's an opportunity for us to modify that 9.5%. I will tell you, as risk increases, the 9.5% will go up. As risk comes down, 9.5% goes lower. So, we'll calibrate that a little closer as we get to that by the end of the – closer to that by the end of this year.

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

Maybe there's time for one question from the audience, if there's one. [ph] Pete (00:33:13)?

Q

[indiscernible] (00:33:21).

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

No.

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp. A

No.

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

Positive operating leverage...

O. B. Grayson Hall, Jr.
Chairman, President & Chief Executive Officer, Regions Financial Corp. A

He's asking about positive operating leverage.

Q

Thanks for the target on positive operating leverage. There we go. And I understand that McKinsey is in process and you talked about in 2019 [indiscernible] (00:33:36) efficiency. Would you characterize it as significant potential and positive operating leverage in 2019? I know you can't give any – given you're in the process, you can't give any promises on expenses and revenues, but would you characterize it as significant?

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

The question was can we see positive operating leverage in 2019 and will it be significant.

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

Yeah. So, we're going to have positive – we laid out our expectations for positive operating leverage in 2018. We're not going to commit to that additional component yet what we think McKinsey can bring – help us through our program bring to the table which will be revenue and efficiencies, it's both sides of the equation as we try to improve effectiveness of things like risk management.

So, I think we'll have solid operating leverage going forward. You've seen the revenue growth numbers. We're really focused on controlling the expense base at the same time of being able to grow revenue even faster. But we're going to wait, [ph] Peter till (00:34:38) we get a little further down the road, we'll give you more guidance. We will have Investor Day in about February of 2019. We will give you the scorecard for what we did for this three-year period that we will have completed in 2018, then we'll give you another three years and put some fence post in the ground at that time.

Ryan M. Nash

Analyst, Goldman Sachs & Co. LLC

Great. Well, please join me in thanking the Regions team.

O. B. Grayson Hall, Jr.

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

Thank you very much.