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Regions Financial Corporation NYSE:RF

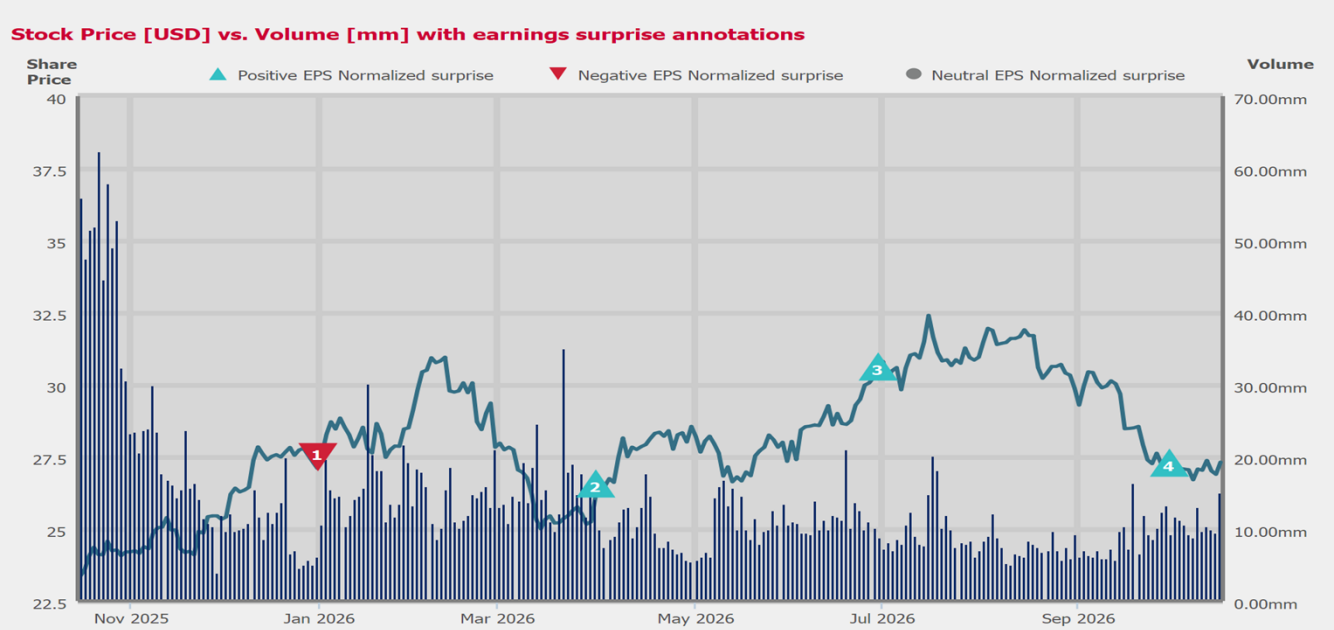
FQ3 2026 Earnings Call Transcripts

Friday, October 16, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.66	0.73	▲10.61	0.68	2.65	NA
Revenue (mm)	1997.09	1989.00	▼(0.41 %)	2025.50	7830.50	NA

Currency: USD
Consensus as of Oct-16-2026 12:56 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	0.61	0.57	1 ▼(6.56 %)
FQ1 2026	0.59	0.62	2 ▲5.08 %
FQ2 2026	0.63	0.68	3 ▲7.94 %
FQ3 2026	0.66	0.73	4 ▲10.61 %

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Presentation

Operator

Good morning, and welcome to Regions Financial Corporation's quarterly earnings call. My name is Chris, and I will be your operator for today's call. [Operator Instructions]

I will now turn the call over to Chris Best to begin.

Chris Best

Thank you, Chris. Welcome to Regions' Third Quarter 2026 Earnings Call. John and Anil will provide high-level commentary regarding our results. We ask that you review the cautionary statements included in our earnings documents, which are available in the Investor Relations section of our website. These materials contain information regarding the use of non-GAAP measures and reconciliations to the GAAP results as well as forward-looking statements about Regions' performance. These statements speak only as of today, and we undertake no obligation to update them.

I will now turn the call over to John.

John M. Turner
President, CEO & Chairman

Thank you, Chris, and good morning, everyone. We appreciate you joining our call today. Earlier this morning, we reported earnings of $611 million, resulting in earnings per share of $0.71. On an adjusted basis, earnings were $622 million or $0.73 per share. We delivered adjusted pretax pre-provision income of $870 million and an adjusted return on tangible common equity of 22%.

As we move through the second half of the year, what stands out most to me is the consistency of our performance. While continuing to generate strong financial results, we remain focused on strengthening the franchise through investments in talent, technology, products in key markets. Those investments continue to enhance our ability to serve customers and compete effectively.

Across our businesses, we continue to see healthy customer engagement. On the consumer side, we continue to grow households and checking accounts while deepening primary relationships. Commercial clients continue to invest in their businesses, technology and long-term growth initiatives. While the operating environment continues to evolve, activity levels across the franchise remain constructive.

Credit quality continued to be a source of strength during the quarter. Annualized net charge-offs were 29 basis points of average loans, while business services criticized and total nonperforming loans continued to decline. Despite these positive trends, we remain focused on actively managing risk across the portfolio. While soundness remains the foundation of our strategy, we're also generating strong momentum across our fee-based businesses.

Capital markets and treasury management each delivered record revenue during the quarter, reflecting strong client engagement and continued execution across both businesses. Wealth management revenue moderated from record second quarter levels but remained strong relative to the prior year. Collectively, capital markets, treasury management and wealth management continue to perform at historically strong levels, demonstrating the strength of our diversified fee-based business model and the value we provide to our clients.

We continue to make meaningful progress on our cloud-based deposit platform implementation and broader modernization efforts. As we've discussed previously, we're taking a deliberate phased approach that we believe appropriately balances execution discipline with the scale and complexity of the initiative. This is one of the most significant technology investments in our company's history, and we remain confident in both our approach and the long-term benefits this investment will deliver.

Our commitment to long-term investment extends beyond talent and technology to the communities we serve. This year marks 30 years as the official bank of the Southeastern Conference, a milestone we're proud to celebrate. We believe the longevity of that relationship reflects the strength of our brand, the depth of our community relationships and our long-standing commitment to customers and businesses we serve.

As we look ahead, we remain confident in our position. We have a strong franchise, healthy customer relationships and a leadership team focused on execution. We believe the investments we've made and the momentum we're seeing across the business position Regions well for a strong finish to 2026 and sustained success in the years ahead.

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Now Anil will provide some highlights regarding the quarter.

Anil D. Chadha
Senior Executive VP & CFO

Thank you, John. Let's start with the balance sheet. Both average and ending loans increased modestly versus the second quarter. As expected and consistent with market trends, growth moderated from the stronger pace experienced during the first half of the year. Growth was again driven by broad-based commercial lending activity, including continued strength across several C&I categories, including government and public sector and wholesale and financial services.

While net loan growth remained concentrated among investment-grade commercial clients, production trends continue to be healthy across our emerging commercial and middle market businesses, supported by recent talent investments. Consumer loan balances declined modestly during the quarter. Growth in credit card and home equity was offset by continued softness in residential mortgage and Regions' Home Improvement Finance, reflecting the higher rate environment and muted housing market activity.

As we look ahead, current levels of client engagement, production activity and pipeline strength continue to support our confidence in the growth outlook. We continue to expect full year average loan growth to be up low single digits versus 2025.

Turning to deposits. Both average and ending balances decreased modestly, primarily reflecting activity from a few of our largest commercial customers utilizing our institutional investment services for specific investment strategies, combined with expected seasonal outflows in public funds deposits. As a reminder, the company continues to manage substantial excess client balances for our commercial clients totaling approximately $16 billion through highly liquid off-balance sheet investment solutions.

Underlying commercial trends remain healthy with continued growth in new accounts and increases in both average and ending commercial noninterest-bearing balances during the quarter. Retail deposits performed as expected with growth in new accounts, partially offset by late summer seasonal spending. Consumer money market balances continued to grow, while year-to-date small business account openings reached their highest level in the past decade, excluding the pandemic period and are approximately 100 basis points higher than the prior year period. We remain disciplined in managing deposit costs in an elevated rate environment while leveraging the strength of our deposit franchise to drive customer acquisition and retention.

Our noninterest-bearing deposit mix remained in the low 30% range, consistent with our target and reflective of the operational nature of our deposit base. We continue to expect 2026 average deposits to be up low single digits versus the prior year.

Let's shift to net interest income. Net interest income increased 2% linked quarter, building on recent momentum and supported by structural repricing dynamics and balance sheet expansion. Net interest margin increased 2 basis points to 3.68%, reflecting our strong profitability and deposit funding advantage.

During the third quarter, interest-bearing deposit costs were largely stable, increasing just 1 basis point to 1.70%. Disciplined deposit cost management and our operating account mix continues to provide a strong foundation for earnings in the current elevated interest rate environment. We expect the interest-bearing deposit beta will remain in the mid- to high 30% range through the rising rate cycle, supporting a mostly neutral interest rate risk position.

In the fourth quarter, however, lags in the repricing of certain retail deposit products following the September rate hike will provide a modest lift to net interest income. We are positioned well to benefit from higher middle and long-term interest rates through fixed rate asset turnover.

In the third quarter, yields on newly originated fixed rate assets were approximately 100 basis points higher than the yields on maturities. We expect this repricing advantage to expand to between 100 and 125 basis points in the fourth quarter, providing a tailwind that persists for multiple years, assuming current rate levels while moderating through time.

As previously mentioned, loan growth moderated during the quarter. However, we did see momentum pick up late, further supporting average balance and net interest income growth into the fourth quarter. The mix of loan growth continues to migrate towards high-quality credits. And while this creates a headwind for asset spreads, net interest income and margin, the economic trade-off is evident in improving credit results and deepening customer relationships. Similarly, while the funding mix in the third quarter was negatively impacted by the migration of certain deposits to off-balance sheet products, the resulting shift supports fee revenue.

Looking forward, we expect a more balanced loan and deposit growth profile to sustain profitability. Assuming the next Fed rate hike occurs in December, we expect fourth quarter net interest income to increase between 1% and 2%, supported by persistent tailwinds from higher rates, structural repricing, disciplined deposit cost management, balance sheet growth and the seasonal HR asset dividend. The fourth quarter net interest margin is expected to be approximately 3.70%.

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Now let's turn to fee revenue performance for the quarter. Adjusted noninterest income increased 3% on a linked-quarter basis, driven primarily by record capital markets and treasury management revenue as well as growth in commercial credit fees, bank-owned life insurance income and other noninterest income, partially offset by a $28 million decline in the market value on employee benefit assets. Capital markets income increased 23% compared to the prior quarter, driven by stronger M&A advisory activity, securities underwriting and placement fees, commercial swap income and syndications revenue.

Looking ahead, activity levels remain constructive, and we continue to expect fourth quarter revenue to be within our previously communicated range of $90 million to $105 million. The timing of client activity and market conditions will influence where we land within that range. For full year 2026, we continue to expect adjusted noninterest income to grow between 3% and 5% versus 2025, with results continuing to track towards the lower end of that range.

Let's move on to noninterest expense. Adjusted noninterest expense was relatively stable compared to the prior quarter. Lower salaries and benefits expense attributable primarily to lower market value adjustments for supplemental employee benefit liabilities, along with a decline in other expense helped offset higher equipment and software expense and increased professional legal and regulatory costs during the quarter. As expected, continued investments in technology and infrastructure were offset by disciplined management across the broader expense base. Overall expense trends remain consistent with our expectations for the year. For full year 2026, we continue to expect adjusted noninterest expense to be up between 1.5% and 3.5%, and we expect to deliver full year adjusted positive operating leverage.

Regarding asset quality, we were encouraged by strong credit performance during the quarter, reflecting the strength and resiliency of our customer base and our continued disciplined approach to risk management. As John highlighted, annualized net charge-offs as a percentage of average loans declined 13 basis points to 29 basis points.

Business services criticized and nonperforming loans both improved during the quarter. The business services criticized ratio declined 30 basis points to 4.71%, while the nonperforming loan ratio declined 8 basis points to 59 basis points. The allowance for credit losses ratio declined 2 basis points to 1.61%. Continued progress within previously identified portfolios of interest were largely offset by reserves maintained for macroeconomic uncertainty and other qualitative factors, resulting in a relatively stable reserve balance during the quarter. We continue to expect full year 2026 net charge-offs to be between 40 and 50 basis points. And based on performance to date, we now expect to trend toward the lower end of that range.

Let's turn to capital and liquidity. We ended the quarter with an estimated common equity Tier 1 ratio of 10.8%, while executing $95 million in share repurchases and paying $255 million in common dividends during the quarter. Liquidity remains robust with total sources well above required levels. Modest declines during the quarter reflect the impact of higher interest rates on collateral valuations as well as the changes in loans and deposits discussed previously. Regions remains well positioned to support future loan growth while maintaining its disciplined approach to balance sheet management.

Including the impact of AOCI and reflecting the proposed Basel III endgame risk-weighted asset changes, our estimated CET1 ratio was approximately 10%. This level remains well above our target range of 9.25% to 9.75% and provides continued flexibility to support strategic growth and return capital to shareholders. Regions maintains a strong earnings profile that consistently generates capital, and we will continue to execute strategies to further reduce our sensitivity to interest rates.

Overall, we're pleased with our third quarter performance, which reflects the strength of our franchise, the resiliency of our customer base and the disciplined execution of our long-term strategy. We remain well positioned to support our customers, invest in growth opportunities and deliver sustainable value for shareholders.
With that, we'll open the line for your questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Ryan Nash with Goldman Sachs.

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

So you guys have been able to buck the trend this quarter. Deposit costs are up just 1 basis point. Maybe just talk about expectations embedded in the 4Q NII guide ahead. Anil, I know you mentioned they could lag a bit. But looking forward, just how do you think about balancing growing deposits to support the balance sheet and also continuing to maintain a peer-leading margin? Maybe just a little bit of color on how you think about incremental funding from here. And I have a follow-up.

Anil D. Chadha
Senior Executive VP & CFO

Yes. Thank you. So the most important thing to protect the margin is to make sure we continue to grow noninterest-bearing deposits. And so that has been a key focus of ours. That's why we're making the investments we are across our retail network, across the small business platform. We've seen great results so far this year. Small business operating accounts are up over 100 basis points this year. And so continuing to do that. It is day-to-day fighting, but that is the key to success.

The overall composition of our balance sheet is also what helps us. Having a relatively lower loan-to-deposit ratio is helpful, having a lower debt footprint is helpful. It allows us to continue to invest in profitable loan growth while being able to maintain deposit cost flexibility and having the funding needed to fund that growth through time. So continuing to do that, being mindful of putting on good profitable loan growth and continuing to execute growing noninterest-bearing deposits is the key to maintaining that flexibility and that deposit advantage and the NIM advantage going forward.

John M. Turner
President, CEO & Chairman

Ryan, I'd just add, we're obviously not using rate as part of our deposit strategy to grow deposits, but we can if we need to. We have about $16 billion in off-balance sheet investment-related deposits that customers are holding either in a sweep product basically or with our institutional trust department. So we know that money is -- we can easily attract that back to the bank with higher rates.

Separately, on the consumer side, back in 2022, 2023, when rates were rising, and we saw because of a very active program that we initiated to grow deposits. We grew CDs by about $7 billion, money market deposits by $4 billion, and we're able to do that at a deposit beta of about 44%. So when rates went up almost 500 basis points over that period of time. So we know we can grow deposits if we need to by using rate, and we're actively following our customer activity, but it's not part of our strategy, obviously, currently.

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

Got it. And Anil, maybe for a follow-up, just -- given the move in rates, your capital levels fell below the 9.25% to 9.75% without factoring in Basel III. And I think TCE may have dipped a little below 7%. So maybe just talk about how you're planning on managing capital over the next few quarters given decent loan growth. Are you factoring Basel III now into expectations? And what time frame would you expect to be back in that sort of targeted range that you guys have been focused on for a period of time here?

Anil D. Chadha
Senior Executive VP & CFO

Yes. So importantly, under the current capital framework, our capital level is 10.8%. So very robust capital levels. To your point, if we wanted to pro forma for Basel III endgame, which we expect to see this year, that would take us to 10%, which is well above our 9.25% to 9.75% range. Also, we generate 50 basis points of capital every quarter. This quarter is a great example that just really shows the organic capital generation that we have quarter-to-quarter. We'll pay 20 basis points out in the dividend, grow the balance sheet. And so we organically create capital as well.

And also when you think about the impact from AOCI given last quarter's rate moves, through time, we'll see that AOCI burn down assuming flat rates. And so that's capital that accretes back to our balance sheet through time as well. And so we think we're well

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positioned given the organic capital we generate, given our overall capital position to continue to make all the investments we want to make and when appropriate, buy back shares through time as well.

Operator

Our next question comes from the line of Scott Siefers with TD Cowen.

Robert Scott Siefers
TD Cowen, Research Division

Anil, I think you noted in your prepared remarks that loan demand picked up toward the end of the quarter. I believe, hopefully, I'm not putting words in your mouth. We've heard that from a couple of regionals. So I guess questions and follow-ups. What do you think is driving that? And then on the flip side, is there a point where you think higher rates might start to impact demand a little more materially, I guess, on the negative side?

John M. Turner
President, CEO & Chairman

Yes. This is John. We have seen nice activity towards the end of the quarter, as you pointed out. Production was up year-over-year about $4 billion. We saw a 60% increase in production. And in addition to that, obviously, line utilization is up year-over-year, though down a little for the quarter. But customers are actively managing their balance sheets, investing in their business and still have a positive point of view or positive view of the economy. And so we'd expect that activity to continue.

One place where we are seeing the impact of interest rates is in the investor real estate portfolio. We see -- while we're seeing growth in multifamily as a result of previous commitments that are funding, the level of new activity is slowing because of rising cost and difficulty to make the economics of those transactions work. So that's something we'll look for in future quarters to have an impact on loan growth. But in general, business sentiment is still good.

Operator

Our next question comes from the line of Erika Najarian with UBS.

Erika Najarian
UBS Investment Bank, Research Division

I noticed that slide that you usually have in terms of where your NIM is on against the Fed funds background is in the third quarter slide. So as we think about the rate curve and as you think about your confidence in NIB growth optimization and beta, I'm wondering how we should think about the path of the net interest margin from 3.70% exit as we contemplate 2 to 3 rate hikes over the next 12 months?

Anil D. Chadha
Senior Executive VP & CFO

Yes. And we removed that slide, given that slide was really focused for the full year. And given we gave you the fourth quarter guide, we just didn't feel that slide was as necessary. But I'll address your question. We won't go too far to give '27 guidance, but we indicated we expect to exit the fourth quarter around the 3.70% margin. So when we look forward into 2027, some of the structural tailwinds that we have will continue into '27. So fixed asset repricing will continue. We quoted that to be 100 to 125 basis points in the fourth quarter. That will continue into the future at a lower rate as we go through time, but still a benefit.

And we expect the balance sheet to continue to grow into '27. And so as long as we continue to generate good noninterest-bearing deposits, maintain our deposit beta in the mid- to high 30s as rate increases, that will continue to support expansion in both net interest income and the margin into '27.

Erika Najarian
UBS Investment Bank, Research Division

Very clear. And just to follow up on Ryan's question on capital. And congratulations, by the way, on Allen being your new Treasurer. He's great. The -- as we think about rates being higher for longer on the belly of the curve, obviously, you bought back $95 million this quarter. How should we think about your priorities in terms of buybacks versus protecting capital? And you mentioned TCE. I'm wondering, Moody's has come out with tougher language for your larger bank peers, Bank of America, there's a release in Bank of America yesterday. How much are they starting to assert themselves if more in terms of the conversation about capital?

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Anil D. Chadha
Senior Executive VP & CFO

Yes. Our conversations about capital with the rating agencies have been positive. We've been very clear with how we think about regulatory capital, TCE. So our capital priorities are unchanged. We have strong capital generation. We're mindful of the interest rate environment. It's just good to remind ourselves, over the past 10 years, we've seen 11 quarters when the 10-year treasury has increased or decreased more than 50 basis points. And so we saw a big move this quarter, but we need to remind ourselves that large moves can happen. And so that's one of the reasons why we're so active in making sure that our hedging program factors that in. So you see on the slide in our appendix, the fair value hedges that we put on this quarter to protect capital in a potential rising rate environment. So we'll continue to execute strategies like that to protect capital. But because of that and the capital generation that we have, we still think our capital priorities are unchanged.

With respect to the TCE ratio, I've commented on this before, but the inclusion of cash flow hedges in that calculation, I think, is meaningful. For us, that's the core of our franchise value is our deposit base. And so being able to maintain that duration and capitalize on that through time, through revenue is important for us. And so we will make sure that we make good risk management decisions around that. But the TCE ratio really only reflecting one side of that trade, if you will, we think, is a big disadvantage of that ratio. And so we think the changes to regulatory capital, those make sense, and we'll monitor TCE, but the inclusion of cash flow hedges is one that I think I wouldn't want to impact how we risk manage our balance sheet.

Operator

Our next question comes from the line of Ebrahim Poonawala with Bank of America.

Ebrahim Huseini Poonawala
BofA Securities, Research Division

Just talk to us about from a deposit growth standpoint, I think, John, you shared some stats in your remarks, I believe, earlier. But as we think about deposit growth and bringing in new customers, what seems to [indiscernible] doing more to sort of deepen the relationship? And similarly, on the consumer side, because all we hear is competitive dynamics, a lot of promotions from sort of non-market banks in the Southeast. So if you don't mind sharing some color around how should we think about lower cost core deposit growth from here?

John M. Turner
President, CEO & Chairman

Yes. I mean it is our focus. And we've dedicated our consumer banking teams to focus on acquiring the new customer checking households and new small business checking households. Our commercial bankers are focused on winning new logos, new middle market business. And that really is our objective. We're using feet on the street to do that by and large. And we think we're in really great markets. We continue to recruit a lot of wonderful bankers. We are enabling them with a lot of really good technology, provides insights about customers and prospects, and we're focused on execution. And as a result of that, we're growing consumer checking accounts. We're growing small business checking accounts, and that's really the core of the business, right?

So as we deepen those relationships through providing customers with debit cards, with credit cards, with equity lines of credit and/or mortgages, investment products. On the other side, small businesses with treasury management, payment capabilities and sometimes credit. Those are relationship deepening activities. We think we've talked about growth in treasury management and penetration rates up over 7%. Again, it's a focus on helping customers manage the cash flow in their business, manage the cash in their business and also take advantage of emerging new payments products that really help their businesses and help speed up cash flow as assets convert.

So I think our team is doing a really nice job, and we're seeing that in household growth and feel good about what that will mean over time as those customers activate their accounts, use their cards and do other things that result in more deposit balances coming to the bank.

Anil D. Chadha
Senior Executive VP & CFO

And EB, I'll just add to that. We really understand the nature of our deposit base and our deposit customers. We're very proud of the 30-ish percent of our deposit base that's noninterest-bearing. But even that interest-bearing portion, we understand the rate-seeking behavior of that population. We're able to test into that population and grow deposits in a very targeted fashion. This is where being in some of the best growth markets in the country works to our advantage because we can do very targeted opportunities and offers to

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grow deposits in that bucket that we have very well defined and add to our deposit base while still protecting the noninterest-bearing deposit base, as John just alluded to.

John M. Turner
President, CEO & Chairman

The other thing I'd just make a point, we've grown our mass affluent customer base by about 8% year-over-year and 85% of those customers come from our own customer base. So we're acquiring younger customers. We believe, based upon information provided by industry sources at about 3x the rate that many of our peers are, and we're converting those customers over time to be more mass affluent in nature. And as a result, their balances and their relationships grow. So a really important part of our strategy, and I think producing really good results.

Ebrahim Huseini Poonawala
BofA Securities, Research Division

That's an interesting stat on the younger customers. So thanks for sharing all that color. One quick question on -- you didn't mention AI, mostly in terms of -- we've heard some of your peers talk about redirecting tech investment towards cyber risk because of AI. Just talk to us how big of a lift is that? And just how all of that is informing your concern around cyber threats, I mean, not just at Regions, but obviously, the entire system.

Anil D. Chadha
Senior Executive VP & CFO

Yes, absolutely. So investing in cyber defense has always been something very critical for us and is even more heightened in today's environment. We are actively participating across many different industry consortiums to ensure that our cyber defense protocols are advancing as this technology evolves. And to your point, it does involve meaningful expense, both new expense and redirection of existing associates, and that's embedded in our cost base. We do expect that to continue through time. It's the new reality that we live in today. So we're definitely front and center with that. Our CISO is actively involved with our counterparts across the industry, and we have a great team working to make sure that our customers can continue to have the trust in us that we know is incredibly valuable to them. So that is an important investment that we will constantly make to make sure that trust is maintained.

And we're able to monitor in terms of how AI is being used across different platforms, so we can track activity and how it may impact our deposit base. We're seeing very low traffic through that channel. We'll continue to monitor that. We've talked before about why we don't believe that's a meaningful threat to our deposit base, but we can monitor that as well. But to your point, it's an important investment, broadly speaking, that we need to make as a company and one that we'll absolutely continue to do.

Operator

Our next question comes from the line of Ken Usdin with Autonomous Research.

Kenneth Michael Usdin
Bernstein Autonomous LLP

One question on betas. You mentioned that you still expect that the cumulative betas in this up cycle to be in the mid- to upper 30s. And last cycle, they were higher than that. And I'm just wondering just what the difference is and if it's -- what you could tell us about either the mix of deposits or the granularity of the deposit base that gives you that continued confidence that you can kind of keep it in that much better than peer range.

Anil D. Chadha
Senior Executive VP & CFO

Yes. One point of differentiation is the magnitude of the change before, I think, drove a higher beta. But in terms of what gives us confidence is really it's that granularity of understanding the nature of our deposit base. So not just thinking about it "in aggregate" but understanding we have a portion of our customer base that's 100% beta, and we understand and can back test to see how that changes through time. And so by actively monitoring betas across different cohorts, if you will, of our deposit base, and tracking that and seeing the consistency of performance, that's what really gives us confidence in our guide looking forward.

John M. Turner
President, CEO & Chairman

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I think, too, Ken, just embedded in the numbers were some of the -- maybe some of the data I shared about our growing deposits, intentionally growing deposits, interest-bearing deposits in 2022 and 2023. You might remember that was a period of time when banks were actively seeking deposit growth. There's a lot of pressure on deposits. And so at that time, as I mentioned, we grew CDs by $7 billion and money market deposits by $4 billion. As a result, the deposit beta was higher at 44%, as I recall.

Anil D. Chadha
Senior Executive VP & CFO

Yes. And to your remixing point, we have -- as you'd expect, as rates have moved higher, our kind of starting point today does have some of that remixing already baked into it.

Kenneth Michael Usdin
Bernstein Autonomous LLP

Okay. Got it. And just on the loan book, I think we're just from here, is the loan book kind of just all moving in the same direction? Like you've kind of gotten past all those runoff books, I believe, for the most part. And so is it kind of just like business as usual from here and just really depending on the environment and what you're facing in terms of the consumer and commercial side of the business?

John M. Turner
President, CEO & Chairman

Yes. I think if you look at loan growth over the quarter, consumer loan growth has been a little bit of a headwind. And since a good bit of our consumer loan growth -- consumer loan balances are in the mortgage portfolio, shouldn't expect to see a lot of growth in consumer loans, if any growth over the next quarter, 2, 3 depending upon where rates are.

On the other side, our wholesale business grew significantly. If you look at H.8 data, we grew a little faster than the H.8 data in the corporate banking business. So we feel good about the path of loan growth from here. And to your point, it should be business as usual, absent the impact on the consumer business from rates.

Anil D. Chadha
Senior Executive VP & CFO

And I'll just point, in the quarter, we saw really nice growth in IRE as well, up about 2.4%. As you look towards where rates may go in the future, that will be kind of a governor as to how much growth we see there in terms of what may go to the capital markets if rates level out a little bit. But to John's point, we're really proud of the growth that we're seeing. And when you break it down portfolio by portfolio, we think the comparison to H.8 data is kind of reaffirming our belief that we're growing as our markets grow.

Operator

Our next question comes from the line of John Pancari with Evercore ISI.

John G. Pancari
Evercore ISI Institutional Equities, Research Division

On the securities side, I know you mentioned that you'll continue to review actions to manage your interest rate sensitivity. I know you further repositioned the securities book this quarter, $845 million or so. Can you just talk to us about potential further actions there to adjust your rate sensitivity via the securities book and other actions that you're taking as part of that expectation to manage rates?

Anil D. Chadha
Senior Executive VP & CFO

Yes. So we're going to maintain the discipline that you've seen from us in terms of looking at the return profile of those transactions. And so about $850 million that we executed this quarter, that $15 million loss had about a $2 million -- sorry, a 2-year payback on that. And so we've been consistent with thinking about that from a payback of less than 3 years, and we'll do that through time. As rates move around, we're constantly evaluating any opportunities and as securities pull closer to maturity, the lack of liquidity benefit also provides opportunity there. I wouldn't expect to see too much given what we're seeing right now. But given our history, you should expect us to continue to manage that.

Regarding the overall securities portfolio, we feel good about the size and composition of where it sits right now. We'll continue to manage the risk from interest rates, as I mentioned before, through continuing to use fair value swaps on securities to make sure that

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we're monitoring capital risk. And then we feel good about our mix of HTM right now at about 16%. We'll monitor that through time. But all in all, I feel like we're well positioned in this rate environment.

John G. Pancari
Evercore ISI Institutional Equities, Research Division

Okay. Great. And then separately, on the credit side, credit trends were particularly solid and improved a bit this quarter. Just given the move in rates and the inflationary concerns and macro volatility out there, any signs of erosion that you're seeing early signs worth flagging? And is it -- I know your ACL ratio bumped down a little bit this quarter. Is it fair to assume that likely stable from here just given the backdrop? Or do you think you're probably going to see that compress incrementally?

John M. Turner
President, CEO & Chairman

Yes. No, we think stable from here, John, based on what we know. We think the net charge-off range based on the composition of our portfolio is somewhere between 40 and 50 basis points. We're still working on a few large credits that we had identified as problems in those portfolios of interest. How and when they get resolved will impact results and could increase charge-offs modestly in a given quarter.

But for the year, we would expect charge-offs within the 40 to 50 basis point range and likely at the low end of that range. And we think we see stability from here forward. A little weakness in the multifamily business, primarily in Texas as just as a geography, some softness in absorption rates. But otherwise, we continue to watch office and transportation given the things that are still impacting those portfolios, but they have improved. And obviously, as you see that in our results, and we would expect, as I said, stability from here.

Anil D. Chadha
Senior Executive VP & CFO

Yes. And I would just point you maybe to 3 things as you think about the allowance from here. As John mentioned, there's a couple of credits that we're still monitoring. They're fully reserved for. So if they charge off over time, you should expect us to reduce the allowance by a like amount. Continue to look at the economic environment. Clearly, that's something that could be variable, and so we'll keep an eye on that. And then also just as importantly is the origination profile, we've talked a lot about investment-grade credits. And so just mathematically, if that should continue into the future, we don't need to hold as much reserves against those given the better credit risk. So that could play out just in terms of the math as the ratio moves from here.

Operator

Our next question comes from the line of David Chiaverini with Jefferies.

David John Chiaverini
Jefferies LLC, Research Division

I wanted to ask about capital markets and the outlook. You're guiding $90 million to $105 million. I was curious as to your expectation in terms of with the higher rate backdrop, the extent to which this could impact your CRE customers. Are you seeing any impact at all thus far?

John M. Turner
President, CEO & Chairman

Well, it has had an impact on the business over the last, call it, 12 to 18 months. So we did have a good quarter in the third quarter across all components of our capital markets business, including the real estate business. We have a couple of transactions that actually could go to the secondary market and on the verge depending on what happens with rates over the next few weeks. And so we're guiding to $90 million to $105 million, and we think that's a solid range. If those transactions work, maybe it's on the upper end of that range. But today, we would say somewhere between 90 and 105 is where we ought to end the quarter.

David John Chiaverini
Jefferies LLC, Research Division

Got it. And then on the expense side and the cloud-based deposit platform, remind us, is there any change in timing in terms of when you expect that to be completed? And then can you refresh us on your latest thoughts on the M&A front?

John M. Turner

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President, CEO & Chairman

Sure. So on the deposit system platform, we'll begin a pilot of associates, friends and family, so to speak, in the next week or 2. And assuming that goes well, we'll start a larger pilot in the first quarter of 2027, and our intention is to convert customers over time in 2027, completing sometime toward the end of the second quarter into the third quarter of 2027. And all that is on track at the moment.

In terms of M&A, our position is unchanged. We've said we're not interested in depository M&A. We have a really good plan. We continue to execute our plan. We can deliver top quartile, top decile results based on return on tangible common equity as a primary metric. And we think that, that's still very achievable. We have this project going on. It is consuming everyone's attention internally. Likely the largest technology project we've done. We're effectively converting ourselves.

So we need to get through that project before we think about M&A. And I would say that when we get through it, we'll have a lot of the conversation about our interest. But today, because I think we'll have some capabilities that will position us well if we wanted to participate. But today, we are not a candidate to participate in depository M&A.

Operator

Our next question comes from the line of Matt O'Connor with Deutsche Bank.

Matthew Derek O'Connor
Deutsche Bank AG, Research Division

I was just hoping you can talk about the wealth fees. Sorry if I missed it earlier, but they were down a little bit 2Q, up to 5% year-over-year. Obviously, like equities have been strong, but remind us kind of how impacted they are by equity levels versus fixed income and maybe just versus other things that might be in there like annuity sales or just some of the moving pieces.

Anil D. Chadha
Senior Executive VP & CFO

Yes. So I'd break the drivers into 2 buckets. First, to your point, is just portfolio composition. And so looking at both equities and bonds, I'd say drives around 40% to 50% of the overall performance of the business. But most importantly, production within our financial advisers is what drives the growth as well. And so this is a place where we've really been committed to investing. This business has done very well for us. You've seen us post record quarters in prior quarters. This quarter, we ticked down just a little bit, still seeing good production and expect that to return. But as you think about the drivers of revenue, I'd break it into those buckets.

John M. Turner
President, CEO & Chairman

And I'd make the point, just we will end -- likely end the year with a record year in wealth management. So while we had a little softness in the quarter, relatively speaking, it's going to be a really good year for wealth management, and we would expect that trend to continue.

Operator

Our next question comes from the line of Ryan Kenny with Morgan Stanley.

Ryan Michael Kenny
Morgan Stanley, Research Division

So just following up on the conversation around the core deposit system conversion. It's been in the works for a few years now. And just wondering if you could give an update on the timing and do the capabilities that you're launching need to evolve given that we now are facing the rise of AI tools and real-time payments? And which specific capabilities do you think will most be able to help you enhance your customer product set?

John M. Turner
President, CEO & Chairman

Yes. So we are on schedule to deliver the platform in 2027. And as I mentioned earlier, we'll start a pilot in the next week or 2, and that pilot will gravitate to a much larger set of customers after the first of the year and we will convert customers in waves over the course of the year, likely completing that toward the end of the second quarter or sometime early in the third quarter based on what we know today.

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The platform will be a contemporary platform. We think this gives us a lot of capabilities that we don't have today. It's a real-time system. And we think that will be an advantage that we have and something we can bring to our customers will also allow us to bring products, pricing mechanisms to customers that we don't have today. We think we can do -- we'll be able to do that much more quickly. And so we're excited about the capabilities.

With respect to artificial intelligence, again, we think the system is one component of a transformation of our business as we think about how do we make it easier for our bankers and our customers to do business. How do we transform our client onboarding experience, sales enablement, problem resolution. The new system in combination with artificial intelligence and process improvement driven by bankers that know and understand our processes are things that we think will give us a real competitive advantage once the system is in place and we can begin to combine technology with process improvement and quality bankers.

Ryan Michael Kenny
Morgan Stanley, Research Division

And then separately on consumer deposits. So it seems like you're not seeing much of an impact from AI agents on consumer checking balances. But are you seeing any impact from inflation driving loan balances?

Anil D. Chadha
Senior Executive VP & CFO

Yes. No, it's something we monitor very clearly. I'd just remind you of a couple of metrics. So our average customer deposit account balance is right at $5,200. That's a similar number to what I've shared with you before. And the median is still right around $900. And so we have not seen a meaningful shift in that. We talked earlier this year about the benefit of taxes and how that's a buffer for higher costs across the board. But really aren't seeing much movement. We track energy costs. And so year-over-year, the impact of higher gasoline prices on our customers is about $24 a month. And so our customers are very resilient, and we see that in their deposit balances.

Operator

Our next question comes from the line of Christopher Spahr with Wells Fargo.

Christopher James Spahr
Wells Fargo Securities, LLC, Research Division

First is just a little clarification. So the comments on the higher tech spend in the quarter, is that tied at all to the transformation or the systems upgrade?

Anil D. Chadha
Senior Executive VP & CFO

That's just investment in cybersecurity. So think about Frontier AI and investments that we're making to ensure we have a trustful platform for our customers. And some of that is just a redirectment of existing spend and then some marginal spend as well. But all that's in the numbers for the quarter.

Christopher James Spahr
Wells Fargo Securities, LLC, Research Division

And then will there -- once you get towards the second half of next year, will there be any kind of relief on the expense side or headcount with the -- when you're finally done with the deposit conversion?

Anil D. Chadha
Senior Executive VP & CFO

So I think a couple of things. One, we will move on to a new general ledger platform as well. And so there'll be continued investments in tech spend. I won't give you too much guidance into 2027. But look, we think technology investment is something that we will continue to do. There are ample projects that we think can enable our business investment as we compete in markets that we're in today. And so we're very focused on a couple of key projects today.

But when we bring those online, there are plenty of other projects that we think technology can bring to bear to help our bankers support our customers day in and day out. And we have some great business cases that we'll be executing upon in years to come. So

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I won't go too far in terms of headcount going forward. But I think what you should see is us continuing to invest in capabilities that will enable our bankers to serve our customers.

Christopher James Spahr
Wells Fargo Securities, LLC, Research Division

Okay. I guess what I'm getting at to is I believe in the past, you've talked about total tech spend being a little elevated above your, what, 10% to 11% range of revenues, if I recall right. And if that -- will that continue beyond the second half and into '28?

John M. Turner
President, CEO & Chairman

I think it will continue for a couple of years. It will start to come down as revenue starts to grow.

Operator

Our next question comes from the line of Chris McGratty with KBW.

Christopher Edward McGratty
Keefe, Bruyette, & Woods, Inc., Research Division

Maybe asking the expense putting the deposit conversation and the tech spend together. It feels like there's a path to continued operating leverage beyond 2026. Any pushback to that observation?

Anil D. Chadha
Senior Executive VP & CFO

Generating positive operating leverage through time is a commitment of ours. When you have significant investments like we have right now, the timing of them, as you can imagine, when you start depreciating capital spend and bringing on SaaS-related expenses is important just in terms of the math. And so the timing of all that will impact positive operating leverage. We're still committed to delivering it.

But as we get closer to giving guidance for 2027, we'll clarify that. But the underlying core of our business, the revenue we generate, the expense discipline is unchanged. When we have significant projects like this, there becomes a bit of a math exercise that we can go through. But the core of our business, our core strategy is unchanged. And as we get closer to '27, we'll update you on our guidance.

John M. Turner
President, CEO & Chairman

Chris, we're committed to delivering positive operating leverage.

Christopher Edward McGratty
Keefe, Bruyette, & Woods, Inc., Research Division

Great. Yes. That's right. Okay. And then, John, the follow-up would be hearing on not ready for depositories. But I guess when that date potentially comes, can you just -- I know it's been a while, but what would kind of the ideal wave your wand situation be? Any parameters or guidepost would be great.

John M. Turner
President, CEO & Chairman

I'm sorry, I missed the first part of the question...

Anil D. Chadha
Senior Executive VP & CFO

Transaction.

John M. Turner
President, CEO & Chairman

For transaction, M&A. Yes. Okay. Got it. I'm sorry. So I think as we think about depository M&A, if we were interested, we probably will be most focused on creating more density in markets that we're in. We're in a lot of really great markets. And I think we had an

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opportunity to again, create more density, build a stronger business in some of the markets we're in where we're not as present, that would certainly be a consideration.

I mean, in the end, we have a very good, obviously, low-cost deposit base, very loyal customer base. And I think any acquisition that we might consider if we were interested in depository M&A would have to be one that was complementary, certainly not going to be the same as, but would be complementary to the customer base that we currently have and the deposit base we have. That would be my primary focus.

Operator

This concludes our question-and-answer session. I would now like to turn the call back over to John Turner for closing comments.

John M. Turner
President, CEO & Chairman

Okay. Well, thank you very much. Again, we're awfully proud of our quarter and the consistent performance we continue to deliver. Appreciate your interest in our company and participating today, and hope you have a great weekend. Thank you.

Operator
This concludes today's teleconference. You may disconnect your lines at this time.

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