

Regions Financial Corporation NYSE:RF

FQ4 2025 Earnings Call Transcripts

Friday, January 16, 2026 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.61	0.57	▼ (6.56 %)	0.60	2.37	2.33	▼ (1.69 %)	2.60
Revenue (mm)	1939.34	1934.00	▼ (0.28 %)	1919.68	7587.67	7575.00	▼ (0.17 %)	7920.76

Currency: USD

Consensus as of Jan-16-2026 12:25 PM GMT

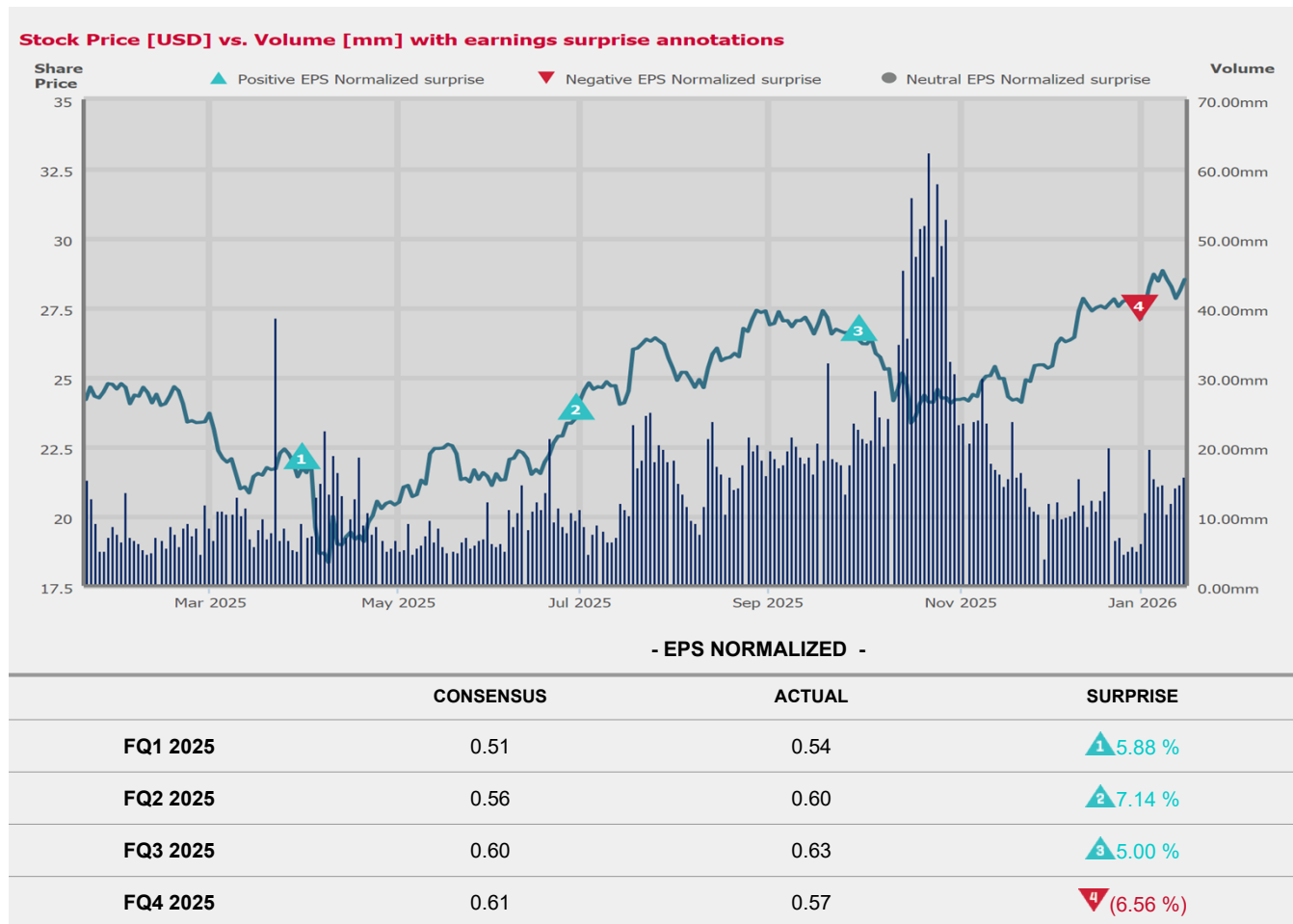


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Call Participants

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Presentation

Operator

Good morning, and welcome to the 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 Dana Nolan to begin.

Dana Nolan

EVP & Head of Investor Relations

Thank you, Chris. Welcome to Regions Fourth Quarter and Full Year 2025 Earnings Call. John and David will provide high-level commentary regarding our results. Earnings documents, which include a forward-looking statement disclaimer and non-GAAP reconciliations are available in the Investor Relations section of our website. These disclosures cover our presentation materials, today's prepared remarks and Q&A.

I will now turn the call over to John.

John M. Turner

President, CEO & Chairman

Thank you, Dana, and good morning, everyone. We appreciate you joining our call today. Before we begin, I'd like to take a moment and personally thank David Turner for his service and leadership. After a nearly 40-year career in auditing and finance, including 20 years of service at Regions, he's made the decision to retire. David has been one of, if not the longest-serving CFOs across the financial space and is highly respected given his depth of experience and his practical approach. David joined the bank at a critical moment in our history through his steady leadership, strategic insight and disciplined approach to financial management. Regions not only navigated an exceptionally challenging period for our industry, but emerged stronger, building the solid foundation we stand on today.

While we certainly will miss David's leadership, not to mention his trademark sense of humor, I'm genuinely excited about working closely with Anil Chadha, our newly appointed CFO. Anil brings a deep understanding of Regions' strategic vision and is fully aligned with our near-term goals and long-term priorities, having been a key member of David's leadership team for the past 5 years. At the same time, Anil offers a fresh perspective that will help us continue evolving and strengthening our business.

With that, let me turn to our financial results. This morning, we reported strong full year earnings of \$2.1 billion, resulting in earnings per share of \$2.30 or \$2.33 on an adjusted basis. We also generated one of the highest returns on tangible common equity in the industry at just over 18%. We also reported solid fourth quarter earnings of \$514 million, resulting in earnings per share of \$0.58 and \$0.57 on an adjusted basis. We had a few items which negatively impacted fourth quarter earnings by an additional \$0.04. Dave will provide more detail on those in a moment.

As you look at our results, it's clear we executed well against our strategic priorities and continue to build momentum heading into 2026 and beyond. We've made significant progress in hiring bankers to support our growth initiatives and our investments in priority markets continue to pay off, accounting for over 40% of our new corporate client growth during 2025. We also made meaningful progress on our multiyear effort to modernize our core systems. When complete, we will be among a very small number of regional banks operating on a true modern core platform, something we believe will strengthen our competitive position.

We launched a new native mobile app that's performing exceptionally well, earning a 4.9 out of 5-star rating in the App Store. And we continue to invest in capabilities that matter, authentication, data governance, data management and real-time data. These investments strengthen security, enhance the customer experience, support growth and expand the use of both traditional and generative AI across the company. Our transformation touches every layer of our technology stack in every business, channel and support function. We feel good about where we are and the opportunities ahead. At the same time, we've remained disciplined and focused on the fundamentals.

Loan growth was challenged in 2025. Large corporate customers took advantage of very attractive financing opportunities in the capital markets and paid down debt. Our commitment to ongoing portfolio management and focus on risk-adjusted returns also drove reductions in loans outstanding as we exited certain portfolios and relationships. However, our net interest income continued to benefit from fixed asset turnover and prudent funding cost management, and we expect those tailwinds to persist. We grew adjusted noninterest income by 5% in 2025 as our wealth management and corporate bank businesses achieved another year of record fee income. Treasury management products and services achieved a second consecutive record while capital markets posted its second best year ever. We managed expenses prudently, producing 140 basis points of adjusted positive operating leverage. And we grew

capital, increasing tangible book value per share by 20% while returning \$2 billion to shareholders through dividends and share buybacks.

In summary, we delivered solid financial results through focused strategic execution, advancing our modernization agenda, strengthening our technology foundation and driving performance across the franchise. We entered 2026 with momentum, a disciplined operating posture and a clear commitment to generating consistent, sustainable long-term performance.

Before I turn it over to David, I want to thank our 20,000 Regions associates. Their dedication to serving customers, living our values and executing with integrity is the reason we've been able to deliver the performance we're discussing today. Our progress is the result of commitment day in and day out to doing the right things the right way. Our associates continue to demonstrate what it means to serve with purpose, adapt with resilience and work as one team. I'm incredibly proud of the way we show up for our customers, our communities and for one another. I want to thank them for their leadership, their hard work and their belief in what we're building together.

With that, I'll hand it over to David to provide some highlights from the quarter and the full year.

David Jackson Turner
Senior EVP & CFO

Thank you, John. Before we move to the balance sheet, let me address additional fourth quarter items John mentioned that were not included in our non-GAAP adjusted items. We recorded \$26 million of incremental tax expense associated with adjustments to certain state income tax reserves, resulting in a full year effective tax rate of 21.4%. For the full year 2026, we expect the effective tax rate to return to the 20.5% to 21.5% range. We also incurred a total of \$14 million of incremental expense related to severance, pension settlement and Visa Class B litigation escrow funding. These items collectively reduced our fourth quarter EPS by \$0.04.

Now let's move on to the balance sheet. Average and ending loans were relatively stable versus 2024 and the third quarter. While loan demand has been modestly improving throughout 2025, we experienced over \$2 billion in strategic runoff, mainly from leveraged lending and continued resolutions within our portfolios of interest. We also saw consistently elevated refinancing of large corporate loan balances into the capital markets during 2025. The good news is that many of these headwinds are now largely behind us. Client sentiment is improving. Loan pipelines and commitments are strengthening. Excess corporate liquidity is beginning to normalize. And as John mentioned, we've made significant progress in our banker hiring initiative.

Taken together, these trends give us confidence that loan growth will return to more normal levels in 2026. For the full year, we expect average loans to be up low single digits versus 2025. Deposits continued to perform well this quarter. Ending balances were up approximately \$800 million, supported by strong customer acquisition and retention. Average deposits were roughly flat, modestly outperforming typical year-end seasonality, particularly in consumer banking, where we normally see declines ahead of tax season. Importantly, we achieved this stability while continuing to reduce total deposit costs. Rate movements continue to drive a steady mix shift from CDs into money market accounts in both consumer and wealth. Higher third and fourth quarter CD maturities helped lower our average portfolio cost and as expected, balance attrition was modest. We saw limited impact to overall balances even as some funds migrated to money market.

In the Commercial Bank, our 5-quarter trend of growing total client managed liquidity on and off balance sheet modestly reversed in the fourth quarter, driven primarily by a decline in off-balance sheet liquidity. Corporate customers are beginning to deploy excess liquidity into business investments, which we expect to support bank borrowings in 2026. Our noninterest-bearing mix remains in the low 30% range, consistent with our target and reflective of the operational nature of our deposit base. As a result, we again expect 2026 average deposits to be up low single digits versus the prior year.

Let's shift to net interest income. Despite lower-than-anticipated loan growth, net interest income grew by 2% linked quarter at the upper end of our expected range. Additionally, the net interest margin rebounded to 3.7%, up 11 basis points, inclusive of the nonrecurring benefits from higher-than-anticipated seasonal HR-related asset dividends and credit-related interest recoveries. The balance sheet remains well positioned for the current and expected environment. Our neutral interest rate positioning performed as designed in the quarter with very little impact to net interest income from the Fed's interest rate cuts. In the fourth quarter, interest-bearing deposit costs declined 16 basis points, equating to a 36% linked quarter beta. The falling cycle interest-bearing deposit beta is 33%, and we remain confident in a mid-30s beta with the potential to outperform over time.

Net interest income also benefited from fixed asset turnover in the fourth quarter as a steep yield curve continued to support term loan and securities pricing levels. While we expect these benefits to persist in 2026 and beyond, asset repricing is exposed to [middle] and long-term rate fluctuations. To mitigate a portion of this exposure, we added \$3.5 billion of forward starting received fixed swaps scheduled to begin throughout 2026. These hedges distinct from our short-term rate protection are intended to lock in rate levels on

future loan and securities production. Finally, the increase in margin was partly due to lower earning asset balances, including cash, which is now within the range we consider sufficient for liquidity management.

Turning our attention to 2026. We expect net interest income to grow between 2.5% and 4%. The first quarter will be modestly lower, driven by fewer days and timing of HR-related asset dividends and the benefit from interest recoveries that benefited the fourth quarter. We anticipate sequential growth thereafter, supported by a well-protected interest rate risk position, continued fixed asset turnover and balance sheet growth. After normalizing for nonrecurring items in the fourth quarter, a mid-360s net interest margin is a better starting point when looking to 2026. We expect the margin to be around 3.7% in the first quarter, elevated by day count. A continuation of positive trends throughout the year supports a low to mid-370s net interest margin in the fourth quarter of 2026.

Now let's take a look at fee revenue performance during the quarter. Adjusted noninterest income increased 5% in 2025, but declined 6% versus the third quarter. The quarter-over-quarter decline in capital markets reflects postponed M&A transactions and normal seasonality in loan syndication and securities underwriting activity. Real estate capital markets and commercial swap activity was further impacted by the temporary government shutdown. For 2026, we expect capital markets quarterly revenue of \$90 million to \$105 million, trending near the lower end of the range early in the year and moving higher as the year progresses. Wealth Management delivered record full year revenue and a fourth consecutive quarter of growth, supported by continued sales momentum and a favorable market backdrop.

Mortgage income increased 8% in 2025. However, fourth quarter results were negatively impacted by changes to MSR valuations and net hedge performance.

Service charges increased 4% in 2025, led by another record year in treasury management and strong growth in consumer checking and operating accounts across small business and commercial customers. For full year 2026, we expect adjusted noninterest income to grow between 3% and 5% versus 2025.

Let's move on to noninterest expense. Adjusted noninterest expense increased 2% in 2025 and was stable quarter-over-quarter. Salaries and benefits rose 3% in 2025, driven by higher health insurance costs, higher revenue-based incentives and hiring tied to growth initiatives. Equipment software expenses increased 4% in 2025. As we continue our core modernization and migrate further to Software-as-a-Service solutions, technology costs will run a bit higher. Historically, technology spend has been 9% to 11% of revenue. Going forward, we expect it to be between 10% to 12%. Over time, these investments will drive efficiency and allow us to manage headcount lower through attrition. For full year 2026, we 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, annualized net charge-offs as a percentage of average loans increased 4 basis points to 59 basis points, reflecting material progress on resolutions within previously identified portfolios of interest, which were reserved for in prior periods. Business services criticized and total nonperforming loans decreased 9% and 8%, respectively, as risk rating upgrades continue to outpace downgrades. The resulting NPL ratio declined 6 basis points to 73 basis points. As a result of the improvement in Business Services criticized loans and NPLs as well as continued resolutions and stressed portfolios, the allowance for credit losses decreased \$27 million. The allowance for credit loss ratio declined 2 basis points to 1.76%, while the allowance as a percentage of NPLs actually increased to 242%. We expect full year 2026 net charge-offs to be between 40 and 50 basis points. Should macro conditions continue to improve, we have the opportunity to operate towards the lower end to the middle part of that range for the year.

Let's turn to capital and liquidity. We ended the quarter with an estimated common equity Tier 1 ratio of 10.8%, while executing \$430 million in share repurchases and paying \$231 million in common dividends. When adjusted to include AOCI, common equity Tier 1 remained unchanged compared to the prior quarter at an estimated 9.6%. We expect to manage common equity Tier 1 inclusive of AOCI around this level, providing meaningful flexibility to meet proposed and evolving regulatory changes, support strategic growth and continue increasing the dividend and repurchasing shares commensurate with earnings. Likewise, liquidity remains stable and robust with ample capacity to support growth.

As you've heard throughout the call, we feel good about the progress we made this year and importantly, the momentum we're carrying into 2026. Many of the 2025 headwinds are behind us and the underlying trends, loan pipelines, deposit strength, fee income growth and continued improvement in credit are all moving in the right direction. We're executing well, investing where it matters and doing it with the same discipline around capital, expense management and returns that have served us well over the years. There's a lot of opportunity in front of us across our markets, across our businesses, supported by the ongoing modernization of our core systems. We believe we're well positioned to take advantage of those opportunities and to continue delivering consistent, sustainable long-term performance for our shareholders.

This covers our prepared remarks. We'll now move to the Q&A portion of the call.

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

David, just wanted to say congratulations on the retirement. You will certainly be missed on these calls. Maybe not by me, but I'm assuming by others.

David Jackson Turner

Senior EVP & CFO

Thank you, Ryan. [indiscernible].

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

I was actually hoping to get to come on now out of you. So I'll take the sports insult. But maybe to start with loan growth. So at the conference last month, you guys talked about pipelines being up over 80% and you were growing commitments. Maybe just unpack for us the loan growth guidance, how much do you anticipate coming from C&I, from consumer. And within the outlook, is there any further runoff baked in or movements into capital markets that's embedded in there?

John M. Turner

President, CEO & Chairman

Yes. So Ryan, it's John. Thank you for the question. First of all, customer sentiment is generally positive, and I think the environments are pretty good. That being commercial customers, I should say. We have seen nice increase in pipeline activity quarter-over-quarter, year-over-year, and we believe that's a catalyst for growth. We're beginning to see customers use some of their excess liquidity, which we think is also a precursor, obviously, to borrowing and increased line utilization. We've talked about the good markets that we're in. About 40% of our new logos, new customers came from the new markets that we're in. We're continuing to hire bankers. We've targeted hiring almost 120 bankers over a 2-year period. We hired about 50 in 2025. So we're working toward adding those additional bankers.

They'll all be -- or virtually all be in our priority markets, those 8 priority markets where we think we have real opportunity. We're adding small business bankers in our branches that's separate from those 120 commercial bankers that we want to add. So we believe those activities really set the foundation for growth. We're leaning into our expertise. We have some really strong specialized industry groups, particularly in energy and health care, power and utilities, where we think we're going to continue to see expansionary activities, and we really like our real estate banking team and all the capital markets products that we have to go with that. And we think position us to grow on the wholesale side of the business.

So while we're guiding to lower single-digit loan growth, I think we feel good about how we're positioned today. We've seen nice commitment growth. And again, pipeline activity is positive. On the consumer side, I would say, let customers are still in really good shape from our perspective. Activity is still good. While we don't expect a lot of growth out of our consumer business, I expect that we'll see some. But the primary driver will be our commercial banking activities and leaning into the strength of our franchise, both our core markets and our growth markets, our priority markets where we have opportunities.

The final question you had was related to runoff. We think we've worked through most of the portfolio-shaping activities that have been underway over the last 12 to 18 months. And so I don't believe that would be a headwind as it has been particularly through 2025.

Ryan Matthew Nash

Goldman Sachs Group, Inc., Research Division

Got you. Maybe as my follow-up. So John, the banks over the last 10 years have been focused on improving returns, and it's obviously resulted in you guys having peer-leading returns. And the environment now feels like the markets are much more focused on growth and you're obviously taking steps with a lot of the hiring that you guys are doing. But maybe just talk a little bit about how you're

thinking about the trade-off between growth and returns at this point? And do you foresee that a lot of this hiring that you're doing is going to result in an uptick in growth over time so that you guys are going to be growing more in line with peers. How do you think about that trade-off over the medium term?

John M. Turner
President, CEO & Chairman

Well, I'd say, first and foremost, we're focused on capital allocation on risk-adjusted returns on ensuring that we're delivering top quartile returns on tangible common equity. That's our focus. That was our commitment back to ourselves and to the market in 2014, 2015. And I think that focus has allowed us to continue to shape our business in a way that we are performing at the top of our peer group from a return on tangible common equity perspective. And as a result, our shareholders are benefiting as a result of that.

And I would say that as we think about growth, we've historically said we want to grow with the economy plus a little, and that reflects the good markets that we're in. I think that will always be true. Our desire is to deliver consistent, sustainable, long-term performance to eliminate some of the volatility that had characterized our franchise back in the 2000s and early 2000s in particular, and I guess, all through the 2000s through that decade. And I think we've generally done that.

And so -- to me, there's no trade-off between growth and returns. We need to make sure that we're sound first, we're profitable second and that we're growing third. And we think we can do all those things, given the markets that we're in.

David Jackson Turner
Senior EVP & CFO

Ryan, I'll add, this is David. There's a lot of discussion about balance sheet growth. We also -- we are fixated on earnings per share growth with the right return profile. And our earnings per share growth has been quite nice over an extended period of time relative to the peer group. So there are a lot of other ways to continue to make money. We acknowledge we want to grow the balance sheet, but you need to do it in a responsible way when it's there. And if you try to force it, you're going to get yourself in trouble. We've been very disciplined with that. We're in great markets with the hires that John mentioned, and we think we can grow faster on the balance sheet than what you've seen at least in 2025.

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

I was trying to let you get off feeds on your last call, David, but I appreciate the color.

Operator

Our next question comes from the line of Scott Siefers with Piper Sandler.

Robert Scott Siefers
Piper Sandler & Co., Research Division

David, I was hoping you could maybe help to kind of unpack the fourth quarter capital markets performance and outlook. The postponed M&A transaction is definitely understandable, given the shutdown, but you had also in the release noted the lower syndication and securities underwriting activity that it kind of feels like the year will start on the slower end but pickup from there. So just curious about any comments about pipeline, why it trajectories or leaps back up after the first quarter, et cetera.

David Jackson Turner
Senior EVP & CFO

Yes. We feel good about capital markets in total. The loan syndications have a little bit of seasonality there in the fourth quarter, came in a bit weaker than we had hoped, but we believe that can pick up in 2026. We'll have a little bit of a slow start in the first quarter, but it will pick up, and we're -- we believe that guidance that we've given you is pretty good.

M&A activity by its nature is a bit episodic. We do have a lot in the pipeline that just didn't get closed in the fourth quarter. We expect that to get closed in the first half of the year. And so we think capital markets, it had its second best year in its history. It just had a -- we just didn't have the fourth quarter where we wanted it to be. So we think we're going to rebound and feel very confident that we're going to get that up on a run rate in the guidance that we've given you.

John M. Turner
President, CEO & Chairman

I would just add with respect to real estate corporate banking and capital markets-related activities. We're adding a couple of bankers to that business, and we think that will be a catalyst for some additional revenue, improving interest rate environment helps as well. So it's -- the business is pretty well balanced, I think, between a variety of sources of revenue, and we expect that 2026 will be another good year for capital markets, and we should see nice growth over 2025 performance.

Robert Scott Siefers

Piper Sandler & Co., Research Division

Perfect. And then so the deposit beta performance, it sounds like it's going very well and could still ultimately outpace your expectations? Just maybe some additional thoughts on pricing trends, what you're seeing competitively and especially how they move from here if we get another couple of rate cuts throughout '26.

David Jackson Turner

Senior EVP & CFO

Yes. So that last part of your question is important. We want to remain competitive, but we also have to acknowledge where the market is going. We had a pretty big CD maturity quarter, as we told you at the last conference we were at in the fourth quarter that helped propel that 36 basis point improvement over beta for the quarter, 33% on a cumulative. We think -- and our guidance has really centered around the mid-30% change. And so we think if you look at the first quarter, we'll have another \$3.5 billion of CD maturities. We got another \$5 billion in the second quarter. It's a pretty big quarter there. So being reactive, we've had nice reactivity from our Corporate Banking group and our Consumer Banking group and the Wealth group to react to what's going on in the marketplace to watch what the Fed is doing, but also to stay competitive in the markets that are important.

Robert Scott Siefers

Piper Sandler & Co., Research Division

Terrific. Okay. And David, just congratulations on your retirement. We'll certainly miss you on these calls and elsewhere.

David Jackson Turner

Senior EVP & CFO

Thank you, Scott. Appreciate it.

Operator

Our next question comes from the line of Gerard Cassidy with RBC.

Gerard Sean Cassidy

RBC Capital Markets, Research Division

David, congratulations. You leave big shoes to fill. Good luck in the future endeavors.

David Jackson Turner

Senior EVP & CFO

Thank you, Gerard. I appreciate it.

Gerard Sean Cassidy

RBC Capital Markets, Research Division

John and David, can you share with us -- you mentioned in the slide, I think it was Slide 3 on the loans about the downsizing of the portfolio, and you specifically pointed out about \$2.6 billion of loans in '25 were refinanced through the capital markets. Can you share with us what's the attraction that the customers are seeing? Is it lower rates, easier terms? What's the real driver of that going into the capital markets?

John M. Turner

President, CEO & Chairman

Gerard, most of that activity is in investment-grade credits within our real estate corporate banking business, so REITs within the energy portfolio and financial services, insurance companies that we bank. And so the cost of capital was lower, they could borrow more cheaply, terms were potentially better. It's an activity that does occur on an annual basis. We see particularly in those 3 industries, customers enter the capital markets and raise some capital and that activity occurred this year as well. Probably a little

earlier than it does sometimes, oftentimes, within the REIT portfolio, particularly it's the third quarter of the year, but we did see a fair amount of activity in 2025.

Gerard Sean Cassidy
RBC Capital Markets, Research Division

Was it more pronounced, John, in '25 than years past that you can recall?

John M. Turner
President, CEO & Chairman

It seems to be. Yes, it seems to have been because the market was not open for a while and then when it did open, we did see a lot of activity.

Gerard Sean Cassidy
RBC Capital Markets, Research Division

Got it. And then just following up on credit quality. Obviously, credit is in good shape. You guys have identified the higher risk portfolios of office, commercial real estate and trucking and transportation. Any color on the trends you mentioned that the backdrop is getting better economically for trucking. What are you guys seeing in those higher-risk portfolios as we look into '26?

John M. Turner
President, CEO & Chairman

Yes. Well, first of all, I'd say, to your point, credit quality or the deterioration in credit quality peaked a couple of quarters ago, we've seen 4 quarters of improvement in nonperforming loans, down from 96 basis points to 73 basis points. Criticized loans down 32% over a 4-quarter period. Charge-offs, which is a trailing indicator, reached a high point this quarter at 59 basis points. We expect that obviously to come down. We're guiding to 40 to 50 basis points and feel very confident that we'll perform within that range. So we do expect to continue to see improvement in credit quality.

I would say trucking and transportation is getting better, but still challenged from our perspective. Other industries like forest products, some construction-related activity or building materials industry is still struggling a little bit. But in general, I would say we continue to see, as reflected and the metrics in our own portfolio, continued improvement. And so are optimistic about 2026 and beyond.

David Jackson Turner
Senior EVP & CFO

Gerard, I'll add. So we're sitting with an allowance for loan loss -- credit loss of 1.76% right now. We put a schedule in the back of our appendix, it shows you at kind of Day 1 CECL was, which is when an environment is pretty benign from a credit standpoint. That implies based on the current portfolio that we have today that our reserve could be 1.64%. So over time, and we can debate what that means in terms of over time. You should expect us all things being equal to get back to a normalized environment, that 1.76% to trend down to 1.64%. You saw a bit of that. We're down 2 basis points this quarter, and you should see that trend continue throughout '26.

Operator

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

John G. Pancari
Evercore ISI Institutional Equities, Research Division

David, you're a legend, best of luck, we will miss you. And apparently, other banks are going to miss you too. I've been gearing from a number of other executives just saying how much they're going to miss seeing [indiscernible] management. So -- and Anil, welcome. We look forward to working with you. So just a question on the capital front. Just given the CET1 at 10.8%. You did the \$430 million of buybacks in the fourth quarter. I mean, could you just kind of frame how you're thinking about the pace of buybacks as you look at the capital need for organic? You talked about loan growth generally improving and some of the runoff slowing. So how do you balance that in terms of the pace of buybacks that you think is reasonable as you look at '26.

Anil D. Chadha
Head of Corporate Finance & Controller

Sure, John. This is Anil. I'll take that. So we look at -- every quarter, we generate about 40 basis points of capital, and we'll pay a dividend about 18 basis points of that. To your point, beyond that, our #1 focus is to invest back into our business through good loan growth. When we see that, we're definitely going to fund that with capital. When we don't see that, we're going to step in and buy back shares like we saw us do this quarter. So the \$430 million is really a testament to what we were seeing in terms of loans coming on to the balance sheet. We saw an opportunity early in the quarter, in particular when the stock price was down a bit and stepped in and bought back shares then. So our goal is to always invest in loan growth. And when we see that good quality loan growth, we're going to step in there and generate and invest capital into that.

David Jackson Turner
Senior EVP & CFO

I'll add. So we're at 9.6% on an adjusted CET1 adjusted for AOCI. Our range is 9.25% to 9.75%. So we're right on top of that, have a little extra. And we're going to do exactly what Anil said, use it for loans and then buy it back if it's not there -- if the loan growth is not there.

John G. Pancari
Evercore ISI Institutional Equities, Research Division

Got it. Okay. Very helpful. And then separately, I guess, if you could just give us your updated thoughts around M&A potential, whole bank M&A. Just given we obviously pick up -- we know that there is a potential need for scale in certain businesses, certain markets, obviously, that you could argue is needed here. And then lastly, just, I guess, [indiscernible] we could see this M&A window close. How do you view it? What's your updated thoughts on that front?

John M. Turner
President, CEO & Chairman

Yes, maybe I answer the last part first. The window clearly is open, but I don't think decision-making of any sort of should be driven by whether the window is open or closed. I mean, ultimately, it ought to be about whether or not a transaction is in the best interest of the bank's shareholders and will create value for shareholders over time. We remain -- our position is unchanged. We're -- M&A is not -- depository M&A is not part of our strategy today. We are continuing to observe what's going on in the marketplace. We do not suffer from fear of missing out at this point. We're going to continue to operate our business, execute our plan, focus on our transformation of our core deposit system and all that goes with that over the next 15 to 18 months and just continue to do what we've been doing.

Operator

Our next question comes from the line of Peter Winter with D.A. Davidson.

Peter J. Winter
D.A. Davidson & Co., Research Division

John, I wanted to ask about just overall banking. Obviously, it's a very competitive business, but do you see risk of losing market share as these bigger regional banks are coming into your markets? Or is it really an opportunity on taking advantage of some dislocation?

John M. Turner
President, CEO & Chairman

Well, we think it's an opportunity. And we, again, are in really good markets, core markets where we've been for 125, 150, in some instances, 175 years. We have really strong brand. We have very good market share, bankers that are well known in their communities and do a really good job taking care of our customers. And we have an opportunity to grow in those markets, and we are doing that. Separately, we're in growth markets. We talk about our 8 priority markets where we have the chance to grow and last year, about 40%, as I said earlier, of our new commercial banking relationships were won in those markets.

And so I view it as an opportunity to continue to grow. We're going to focus on our customers on providing unique ideas and solutions to help them grow their businesses, whether they be businesses or consumers, we're going to take care of our customers. And I think we'll have an opportunity to continue to grow our business and regardless of what the conditions are in the markets that we operate.

Peter J. Winter
D.A. Davidson & Co., Research Division

Got it. And then can you talk about where you are in the process of the modernization of the platform and maybe highlight some of the benefits from this initiative versus competitors?

John M. Turner
President, CEO & Chairman

Sure. So we have worked through all the very difficult integration work, and we've now entered the user testing phase, and that will go on for likely the next 2-plus quarters. We should sometime in the third quarter move to production in a pilot phase, where we'll begin with a small cohort of customers piloting the system to ensure that it does everything that we believe it will do, and that will lead us to beginning a conversion of our customer base in early 2017, assuming everything continues to go as planned, been really happy with the progress we're making. Team's doing a great job. It is a super complex and challenging effort, but we have been, as I said, really pleased with the effort and activity and the progress that we're making.

To your question about the benefits to us, we think that will give us a speed to market flexibility as we're going to offer customers new products. It will support our ambition to be sound in that the system will be very contemporary in nature. We're not customizing any aspect of it, so we can continue to update the system as the vendor provides updates and that will be super helpful to us. It also, I think, will enhance our ambition to provide a really great experience, an omnichannel experience to our customers. And we think that, that will be really, really important.

Another benefit is in order to convert your 5 million customers from one system to another, you have to go through the process of cleansing all your data, organizing your data in a way that will facilitate a lot of things, including additional work we're doing around artificial intelligence and generative AI. So we think there are a lot of benefits, both direct and indirect that will support the business and are excited about how that will position us going forward.

Peter J. Winter
D.A. Davidson & Co., Research Division

And David, I'll add my congratulations to retirement. It's truly been very enjoyable working with you over these years.

David Jackson Turner
Senior EVP & CFO

Thank you, Peter. I appreciate it.

Operator

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

Christopher James Spahr
Wells Fargo Securities, LLC, Research Division

My question is regarding the expense outlook. And just looking at the head count increase, the competition increase, a large regional bank basically kind of threw down the gauntlet earlier today talking about how they're kind of expanding to growth markets. And I understand that you're going to kind of defend your market share or try to grow that. But I'm just wondering like how you're going to be able to keep costs kind of with inflation where it is and with higher head count.

And then second, the follow up will be on the tech initiative and the increase in tech spend, I get it where you are, that you see kind of manage headcount lower through attrition. I'm just wondering your ability to do that in the time line for that as well.

Anil D. Chadha
Head of Corporate Finance & Controller

Yes. Thanks for the question. This is Anil. So it's an important question and something that we've been focused on for going back 10 years. There's always been important places where we need to invest in our business, whether it's in risk management, whether it's in security and of course, growing our bankers is something that we've been very focused on over the past couple of years. We always have to find ways to fund that growth. And over the past 10 years, you can see in our slide deck, our compound annual growth rate for expenses is 2.8%. So it's incumbent upon us every day to make sure we're making the right investments to grow revenue, making the right investments in technology, but also find ways to fund those investments. That's been a critical part of our history. It's something really important to us now. It's evident in our expense guide for the next year, and it's evident in our commitment to positive operating leverage. So it's something we've seen before, and it's something that we continue to execute day in and day out.

Operator

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

David John Chiaverini
Jefferies LLC, Research Division

I had a follow-up on loan growth and the pace of hiring. So you mentioned about hiring 120 bankers over 2 years. You did 50 in 2025. I'm curious, how does this pace compared to the prior say, 3- to 5-year trend? And do you expect incremental hiring above this pace as you take advantage of the M&A disruption?

John M. Turner
President, CEO & Chairman

Yes. So it would be a bit of an uptick in hiring, I would say, over the previous, I think your time frame was 3 years and reflects our -- double the pace, I would say, reflects our commitment to, again, growing primarily in these primary markets where -- or priority markets where we see opportunity. With respect to incremental hiring, one of our expectations of our leaders in our markets is that they're constantly recruiting and identifying who the best bankers are in the markets that they operate in.

And so to the extent that we find an opportunity to hire a banker or a team of bankers who are recognized in their markets as being really good at what they do, and we think they'd be a great addition to the Regions team. I expect our teams will recruit them to come to work for us, whether they're included in the 120 targeted bankers or not. So we're actively looking for bankers all the time who can provide great service to our customers and be additive to our teams.

David John Chiaverini
Jefferies LLC, Research Division

Great. And as we think about the guide of low single digit for 2026, as the headwinds subside, it sounds like borrower sentiment is improving. Pipelines are up significantly. You're mostly through the runoff. Is this low single digit this year kind of a step function to mid-single digit looking out to 2027?

John M. Turner
President, CEO & Chairman

I think that's reasonable to assume. We're not -- we haven't committed to that yet. Dana won't let me provide the guidance beyond 2026. But I think you can expect momentum to continue -- we expect momentum to continue to build in our business, particularly as we're recruiting more talent and we're benefiting from the opportunities that are in our markets.

David John Chiaverini
Jefferies LLC, Research Division

Great. And David, congrats on your retirement.

David Jackson Turner
Senior EVP & CFO

Thank you. I appreciate it.

Operator

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

Ebrahim Huseini Poonawala
BofA Securities, Research Division

I guess just one -- a couple of follow-up questions. One, on the systems conversion, John and David, I'm not sure if you mentioned when this will all be completed. And in the meantime, does it restrict your ability to do something? I heard your comments around M&A earlier, but if you wanted to, does it sort of restrict the flexibility in the meantime or not?

John M. Turner
President, CEO & Chairman

We expect to be completed towards the latter part of 2027. And I would say technically, it does not restrict our ability to do an M&A transaction. Practically, it would be very challenging, we believe. So that is a factor and certainly in how we think about how we're positioned relative to M&A and outreach.

Ebrahim Huseini Poonawala
BofA Securities, Research Division

Got it. And just one follow-up on the loan growth front. When we think about just the tariff uncertainty and maybe the Supreme Court is going to rule on this next week, do you think that may materially change sort of sentiment among your customers when they think about borrowing and investing? Or do you think they have enough clarity today to kind of move forward with expected plans?

John M. Turner
President, CEO & Chairman

We think they have enough clarity. I don't hear and don't talk with many customers who are overly focused on that topic now.

Ebrahim Huseini Poonawala
BofA Securities, Research Division

Got it. Anil, congratulations and David all the best. I look forward to seeing you, sir.

David Jackson Turner
Senior EVP & CFO

Thank you. Appreciate it.

Operator

Our next question comes from the line of Betsy Graseck with Morgan Stanley.

Betsy Lynn Graseck
Morgan Stanley, Research Division

David, I'll throw in my comments, too. Thank you so much for the time and insights over the years, and I hope that wherever retirement takes you, you have a fantastic and enjoyable time.

David Jackson Turner
Senior EVP & CFO

Thank you, Betsy. I really appreciate it.

Betsy Lynn Graseck
Morgan Stanley, Research Division

And Anil, I look forward to working with you. I do just have 2 short follow-ups. One is just on the net interest margin, as you discussed way earlier in the call. starting -- coming in, in 1Q similar to where we are today and then dipping down a bit and then ending the year roughly where we are today, if I have that right. And I'm just wondering what is the dip down a function of? And how low does it go during that pressure point?

David Jackson Turner
Senior EVP & CFO

Yes. I think -- so first off, we need to level set where we finished. So we had about 4 basis points of NIM in there through things that won't -- that we aren't counting on repeating interest recoveries being one in the HR asset dividend, which was unusually high. We always have a little bit of that. Doesn't mean we won't have an interest recovery. We just don't count on it. So that's 4 basis points. So we start with 3.66%. We think we'll finish the quarter -- first quarter at 3.70%, and it will inch up from there throughout the year. And maybe we get a few more points on top of that, somewhere between the low 3.70s% and the mid-3.70s% perhaps. And that's assuming you see our assumption is that we have that mid-30% beta expectation in our loan growth in low single digits, I think, would be important. And we have -- we don't have any big changes in the 10-year in particular as we get repricing -- fixed asset repricing benefits.

Betsy Lynn Graseck
Morgan Stanley, Research Division

Okay. Great. And then on the -- John, you talked about the tech spend going from 9% to 11% of revs to 10% to 12% and that, that offset would be headcount. And I'm just wondering, is that expected to be managed in a way that the tech investment spend and the headcount offset each other in each quarter? Or should we expect any kind of expense ratio changes as you're going through this, which sounds like -- of course, but you tell me.

John M. Turner
President, CEO & Chairman

Yes. Betsy, we don't have any big initiatives planned. I mean again, as I think Anil pointed out, one of the, we believe, strengths of the company is how effectively we managed our expenses over the last 10-plus years. And so we're always looking for opportunities to improve. There are areas that are probably obvious to you where there -- we believe there's opportunity for improvement and use of technology, which will result in reallocation of headcount more than likely in the places where we have a chance to support growth. So I think we'll manage it over time as, again, as the opportunities develop, it won't be part of a broad onetime initiative.

David Jackson Turner
Senior EVP & CFO

Betsy, that comment was meant to be a very broad comment. It was not to be a back-ended way of saying we're going to have volatility in our quarterly expense structure because of it. So don't read that into it.

Operator

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

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

Interested in your trends in consumer account checking account growth. That's been a big focus for the larger banks this quarter and the number of accounts they're opening. With your exceptional retail deposit base, can you just talk about trends in new account growth?

John M. Turner
President, CEO & Chairman

Yes. We're seeing nice growth in consumer checking accounts. Again, our focus is on a core consumer checking customer, one that is going to have a direct deposit with us is going to actively use their debit card and use their checking account, that is our history. That is the source of our very loyal low-cost deposit base, and that's what we're continuing to focus on growing. We have seen a nice increase in digital originations. So as we have developed our digital capabilities, our mobile banking platform has continued to improve, and we're seeing additional enhancements to our growth initiatives as a result of that.

Customer has to have a direct deposit with us for us to count on a new -- oh, yes, well, I should say also, we just introduced a new capability allows our customer to pretty easily move their direct deposit from a competitor to Regions, which has resulted in, I think, a nice increase -- some uptick in activity.

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

Great. And just a finer point on the tech question. The 10% to 12%, is that a kind of a 1-year catch-up? Or is that kind of the new level set? I know you've been at 9% to 11% for a bit of time.

John M. Turner
President, CEO & Chairman

Yes. Yes, we'd say that's a new level set. We've been running at about 11%. So the upper end of that 9% to 11% range. So we've shifted our guidance to 10% to 12%.

Operator

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

Erika Najarian
UBS Investment Bank, Research Division

Actually, most of my questions have been asked and answered, but maybe just one for Anil, since you're on the line. Could you give us a sense of when you take over and fill these very large shoes that David has left for you. What would you tell investors your sort of top 3 priorities are as you take on the role?

Anil D. Chadha

Head of Corporate Finance & Controller

Yes. First, it's great to step into the role with the stability that we have. We have a great strategic plan that John has outlined and the Board has approved, and it's critical for us to continue to execute that. It's nice to come in when you're performing very well. It's incumbent upon us to continue to do that. And David has built a phenomenal team in finance, great partnerships with our businesses. And that is job #1, 2 and 3 is to continue on the great path we've been on, execute our plan and to continue to deliver great financial performance.

Erika Najarian

UBS Investment Bank, Research Division

Got it. And David, you'll be missed, but I'm sure investors won't miss you smoking on the golf course and it's scary to think that you're actually potentially going to get better and lower your headcount. So congratulations, and welcome again, Anil.

Operator

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

Matthew Derek O'Connor

Deutsche Bank AG, Research Division

I was hoping you guys could talk about your leverage to the recovery in commercial real estate. Obviously, there's the credit aspect of it. And you've pretty clear about being past the worst there and being well reserved for remaining office losses. But as we think about from a loan volume perspective, obviously, we're seeing industry loans inflect. It does seem like there's more and more momentum building. So how do you think about that leverage? You do have a good slide in there showing a lot of maturities coming in the next couple of years, which is the case for the industry. So is that upside risk as we think about growing loans overall? Or is there a risk that more of the CRE loans get refied away from you than expected?

David Jackson Turner

Senior EVP & CFO

Yes. I mean we've -- so we've been very successful when things mature to be being able to refinance those. The rate environment is helping a bit more on growth in that space, in particular, in multifamily because we've been able to -- as rates have come down, the math is starting to work. So before the rates came down, we were demanding more of a down payment to make math work for us, but that didn't happen with the developer. So now it's coming into equilibrium. We're seeing demand for multifamily. We're seeing more opportunity there and yes, we had derisked commercial real estate over the years, but that is not constraining our ability to grow when we get paid for the risk that we take. And so hopefully, we'll have the opportunity to grow over time.

John M. Turner

President, CEO & Chairman

Yes. I'd just add, Matt, we have really strong real estate banking teams, great customer base. We have developed, I think, a portfolio of products that allows us to meet our customers' needs across variety of financing capabilities and requirements. And I feel like it's a business that we will continue to invest in. We'll continue to see it, grow, and I'm confident that we will -- it will be an important contributor to our longer-term success, both on the balance sheet and the income statement as capital markets activity picks up.

Okay. That's all our call today. Thank you very much for your participation and your support of Regions. We appreciate it. And everybody, congratulations. I'll add my congratulations to David Turner, done a great job for us here, been an important -- really important member of our leadership team. We will miss him and his sense of humor, but are excited about Anil and his filling the role of CFO. So thank you again for your participation, all the best.

Operator

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

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