
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2023

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File Number: 001-34034

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

63-0589368

(I.R.S. Employer Identification No.)

1900 Fifth Avenue North

Birmingham

Alabama

(Address of principal executive offices)

35203

(Zip Code)

(800) 734-4667

(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	RF	New York Stock Exchange
Depository Shares, each representing a 1/40th Interest in a Share of 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B	RF PRB	New York Stock Exchange
Depository Shares, each representing a 1/40th Interest in a Share of 5.700% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	RF PRC	New York Stock Exchange
Depository Shares, each representing a 1/40th Interest in a Share of 4.45% Non-Cumulative Perpetual Preferred Stock, Series E	RF PRE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one): ☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Securities registered pursuant to Section 12(b) of the Act:

As of August 4, 2023 there were 938,377,457 shares of the issuer's common stock, par value \$.01 per share, outstanding.

REGIONS FINANCIAL CORPORATION
FORM 10-Q
INDEX

	<u>Page</u>
Forward-Looking Statements	
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	9
Consolidated Balance Sheets	9
Consolidated Statements of Income	10
Consolidated Statements of Comprehensive Income (Loss)	11
Consolidated Statements of Changes in Shareholders' Equity	12
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14
Note 1 "Basis of Presentation"	14
Note 2 "Debt Securities"	15
Note 3 "Loans and the Allowance for Credit Losses"	18
Note 4 "Servicing of Financial Assets"	31
Note 5 "Shareholders' Equity and Accumulated Other Comprehensive Income"	32
Note 6 "Earnings per Common Share"	36
Note 7 "Pension and Other Postretirement Benefits"	37
Note 8 "Derivative Financial Instruments and Hedging Activities"	38
Note 9 "Fair Value Measurements"	42
Note 10 "Business Segment Information"	46
Note 11 "Commitments, Contingencies and Guarantees"	48
Note 12 "Recent Accounting Pronouncements"	50
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	51
Item 3. Quantitative and Qualitative Disclosures About Market Risk	81
Item 4. Controls and Procedures	81
Part II. Other Information	
Item 1. Legal Proceedings	82
Item 1A. Risk Factors	82
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	82
Item 6. Exhibits	82
Signatures	83

Glossary of Defined Terms

Agencies - collectively, FNMA and GNMA.

ACL - Allowance for credit losses.

ALCO - Asset/Liability Management Committee.

ALLL - Allowance for loan and lease losses.

Allowance - Allowance for credit losses.

AOCI - Accumulated other comprehensive income.

ARM - Adjustable rate mortgage.

ARRC - Alternative Reference Rates Committee.

Ascentium - Ascentium Capital, LLC.

ASU - Accounting Standards Update.

ATM - Automated teller machine.

Bank - Regions Bank.

Basel III Rules - Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013.

Basel Committee - Basel Committee on Banking Supervision.

BHC - Bank Holding Company.

Board - The Company's Board of Directors.

BSBY - Bloomberg Short-Term Bank Yield index.

BTFP - Bank Term Funding Program.

CAP - Customer Assistance Program.

CARES Act - Coronavirus Aid, Relief, and Economic Security Act

CCAR - Comprehensive Capital Analysis and Review.

CECL - Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments* ("Current Expected Credit Losses")

CET1 - Common Equity Tier 1.

CFPB - Consumer Financial Protection Bureau.

Clearsight - Clearsight Advisors, Inc., a mergers and acquisitions firm acquired December 31, 2021.

CME Term SOFR - Chicago Mercantile Exchange published term Secured Overnight Financing Rate.

Company - Regions Financial Corporation and its subsidiaries.

COVID-19 - Coronavirus Disease 2019.

CPI - Consumer price index.

CPR - Constant (or Conditional) prepayment rate.

Dodd-Frank Act - The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

DPD - Days past due.

DUS - Fannie Mae Delegated Underwriting & Servicing.

EnerBank - EnerBank USA, a consumer lending institution acquired October 1, 2021.

EVE - Economic Value of Equity.

FASB - Financial Accounting Standards Board.

FCA - Financial Conduct Authority.

FDIC - The Federal Deposit Insurance Corporation.

Federal Reserve - The Board of Governors of the Federal Reserve System.

FHA - Federal Housing Administration.

FHLB - Federal Home Loan Bank.

FICO - The Financing Corporation, established by the Competitive Equality Banking Act of 1987.

FICO scores - Personal credit scores based on the model introduced by the Fair Isaac Corporation.

Fintechs - Financial Technology Companies.

FOMC - Federal Open Market Committee.

FRB - Federal Reserve Bank.

GAAP - Generally Accepted Accounting Principles in the United States.

GDP - Gross domestic product.

GNMA - Government National Mortgage Association.

GSE - Government Sponsored Enterprise.

HPI - Housing price index.

IRE - Investor real estate portfolio segment.

IRS - Internal Revenue Service.

LIBOR - London InterBank Offered Rate.

LIBOR Act - Adjustable Interest Rate Act

LROC - Liquidity Risk Oversight Committee.

LTV - Loan to value.

MBS - Mortgage-backed securities.

MSAs - Metropolitan Statistical Areas.

MSR - Mortgage servicing right.

NM - Not meaningful.

OAS - Option-adjusted spread.

OCI - Other comprehensive income.

PCD - Purchased credit deteriorated.

PPP - Paycheck Protection Program.

R&S - Reasonable and supportable.

REITs - Real estate investment trust.

Sabal - Sabal Capital Partners, LLC, a diversified financial services firm acquired December 1, 2021.

SBIC - Small Business Investment Company.

SCB - Stress Capital Buffer.

SEC - U.S. Securities and Exchange Commission.

SOFR - Secured Overnight Financing Rate.

TDR - Troubled debt restructuring.

U.S. - United States.

U.S. Treasury - The United States Department of the Treasury.

USD - United States dollar.

VIE - Variable interest entity.

Visa - The Visa, U.S.A. Inc. card association or its affiliates, collectively.

Cautionary Note Regarding Forward-Looking Statements and Risk Factor Summary

This Annual Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

The terms “Regions,” the “Company,” “we,” “us” and “our” as used herein mean collectively Regions Financial Corporation, a Delaware corporation, together with its subsidiaries when or where appropriate. The words “future,” “anticipates,” “assumes,” “intends,” “plans,” “seeks,” “believes,” “predicts,” “potential,” “objectives,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “would,” “will,” “may,” “might,” “could,” “should,” “can,” and similar terms and expressions often signify forward-looking statements. Forward-looking statements are subject to the risk that the actual effects may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management’s current expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

- Current and future economic and market conditions in the United States generally or in the communities we serve (in particular the Southeastern United States), including the effects of possible declines in property values, increases in interest rates and unemployment rates, inflation, financial market disruptions and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our businesses and our financial results and conditions.
- Changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.
- Volatility and uncertainty related to inflation and the effects of inflation, which may lead to increased costs for businesses and consumers and potentially contribute to poor business and economic conditions generally.
- The impact of pandemics, including the COVID-19 pandemic, on our businesses, operations, and financial results and conditions. The duration and severity of any pandemic could disrupt the global economy, adversely affect our capital and liquidity position, impair the ability of borrowers to repay outstanding loans and increase our allowance for credit losses, impair collateral values, and result in lost revenue or additional expenses.
- Any impairment of our goodwill or other intangibles, any repricing of assets, or any adjustment of valuation allowances on our deferred tax assets due to changes in tax law, adverse changes in the economic environment, declining operations of the reporting unit or other factors.
- The effect of new tax legislation and/or interpretation of existing tax law, which may impact our earnings, capital ratios, and our ability to return capital to shareholders.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and leases, including operating leases.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, credit loss provisions or actual credit losses where our allowance for credit losses may not be adequate to cover our eventual losses.
- Possible acceleration of prepayments on mortgage-backed securities due to declining interest rates, and the related acceleration of premium amortization on those securities.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.
- Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits, which could adversely affect our net income.
- Rising interest rates could negatively impact the value of our portfolio of investment securities.
- The loss of value of our investment portfolio could negatively impact market perceptions of us.
- The effects of social media on market perceptions of us and banks generally.

- Volatility in the financial services industry (including failures or rumors of failures of other depository institutions), along with actions taken by governmental agencies to address such turmoil, could affect the ability of depository institutions, including us, to attract and retain depositors and to borrow or raise capital.
- Our ability to effectively compete with other traditional and non-traditional financial services companies, including fintechs, some of whom possess greater financial resources than we do or are subject to different regulatory standards than we are.
- Our inability to develop and gain acceptance from current and prospective customers for new products and services and the enhancement of existing products and services to meet customers' needs and respond to emerging technological trends in a timely manner could have a negative impact on our revenue.
- Our inability to keep pace with technological changes, including those related to the offering of digital banking and financial services, could result in losing business to competitors.
- Changes in laws and regulations affecting our businesses, including legislation and regulations relating to bank products and services, such as special FDIC assessments, any new long-term debt requirements, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, including as a result of the changes in U.S. presidential administration, control of the U.S. Congress, and changes in personnel at the bank regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- Our capital actions, including dividend payments, common stock repurchases, or redemptions of preferred stock, must not cause us to fall below minimum capital ratio requirements, with applicable buffers taken into account, and must comply with other requirements and restrictions under law or imposed by our regulators, which may impact our ability to return capital to shareholders.
- Our ability to comply with stress testing and capital planning requirements (as part of the CCAR process or otherwise) may continue to require a significant investment of our managerial resources due to the importance of such tests and requirements.
- Our ability to comply with applicable capital and liquidity requirements (including, among other things, the Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition and market perceptions of us could be negatively impacted.
- The effects of any developments, changes or actions relating to any litigation or regulatory proceedings brought against us or any of our subsidiaries.
- The costs, including possibly incurring fines, penalties, or other negative effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party, and which may adversely affect our results.
- Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our businesses.
- Our ability to execute on our strategic and operational plans, including our ability to fully realize the financial and nonfinancial benefits relating to our strategic initiatives.
- The risks and uncertainties related to our acquisition or divestiture of businesses and risks related to such acquisitions, including that the expected synergies, cost savings and other financial or other benefits may not be realized within expected timeframes, or might be less than projected; and difficulties in integrating acquired businesses.
- The success of our marketing efforts in attracting and retaining customers.
- Our ability to recruit and retain talented and experienced personnel to assist in the development, management and operation of our products and services may be affected by changes in laws and regulations in effect from time to time.
- Fraud or misconduct by our customers, employees or business partners.
- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- Inability of our framework to manage risks associated with our businesses, such as credit risk and operational risk, including third-party vendors and other service providers, which could, among other things, result in a breach of operating or security systems as a result of a cyber attack or similar act or failure to deliver our services effectively.
- Our ability to identify and address operational risks associated with the introduction of or changes to products, services, or delivery platforms.
- Dependence on key suppliers or vendors to obtain equipment and other supplies for our businesses on acceptable terms.
- The inability of our internal controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.
- The effects of geopolitical instability, including wars, conflicts, civil unrest, and terrorist attacks and the potential impact, directly or indirectly, on our businesses.

- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes, and environmental damage (specifically in the Southeastern United States), which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business. The severity and frequency of future earthquakes, fires, hurricanes, tornadoes, droughts, floods and other weather-related events are difficult to predict and may be exacerbated by global climate change.
- Changes in commodity market prices and conditions could adversely affect the cash flows of our borrowers operating in industries that are impacted by changes in commodity prices (including businesses indirectly impacted by commodities prices such as businesses that transport commodities or manufacture equipment used in the production of commodities), which could impair their ability to service any loans outstanding to them and/or reduce demand for loans in those industries.
- Our ability to identify and address cyber-security risks such as data security breaches, malware, ransomware, “denial of service” attacks, “hacking” and identity theft, including account take-overs, a failure of which could disrupt our businesses and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation.
- Our ability to achieve our expense management initiatives.
- Market replacement of LIBOR and the related effect on our LIBOR-based financial products and contracts, including, but not limited to, derivative products, debt obligations, deposits, investments, and loans.
- Possible downgrades in our credit ratings or outlook could, among other negative impacts, increase the costs of funding from capital markets.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally could require us to change certain business practices, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- The effects of the failure of any component of our business infrastructure provided by a third party could disrupt our businesses, result in the disclosure of and/or misuse of confidential information or proprietary information, increase our costs, negatively affect our reputation, and cause losses.
- Our ability to receive dividends from our subsidiaries, in particular Regions Bank, could affect our liquidity and ability to pay dividends to shareholders.
- Changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect our financial statements and how we report those results, and expectations and preliminary analyses relating to how such changes will affect our financial results could prove incorrect.
- Fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated.
- The effects of anti-takeover laws and exclusive forum provision in our certificate of incorporation and bylaws.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.
- Other risks identified from time to time in reports that we file with the SEC.

The foregoing list of factors is not exhaustive. For discussion of these and other factors that may cause actual results to differ from expectations, look under the captions “Forward-Looking Statements” and “Risk Factors” in Regions’ Annual Report on Form 10-K for the year ended December 31, 2022 and in Regions’ subsequent filings with the SEC.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible to predict all of them. We assume no obligation and do not intend to update or revise any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2023	December 31, 2022
	(In millions, except share data)	
Assets		
Cash and due from banks	\$ 2,480	\$ 1,997
Interest-bearing deposits in other banks	7,406	9,230
Debt securities held to maturity (estimated fair value of \$727 and \$751, respectively)	777	801
Debt securities available for sale (amortized cost of \$30,624 and \$31,367, respectively)	27,296	27,933
Loans held for sale (includes \$340 and \$196 measured at fair value, respectively)	554	354
Loans, net of unearned income	99,191	97,009
Allowance for loan losses	(1,513)	(1,464)
Net loans	97,678	95,545
Other earning assets	1,563	1,308
Premises and equipment, net	1,622	1,718
Interest receivable	575	511
Goodwill	5,733	5,733
Residential mortgage servicing rights at fair value	801	812
Other identifiable intangible assets, net	226	249
Other assets	8,945	9,029
Total assets	\$ 155,656	\$ 155,220
Liabilities and Equity		
Deposits:		
Non-interest-bearing	\$ 46,898	\$ 51,348
Interest-bearing	80,061	80,395
Total deposits	126,959	131,743
Borrowed funds:		
Short-term borrowings	3,000	—
Long-term borrowings	4,293	2,284
Total borrowed funds	7,293	2,284
Other liabilities	4,743	5,242
Total liabilities	138,995	139,269
Equity:		
Preferred stock, authorized 10 million shares, par value \$1.00 per share:		
Non-cumulative perpetual, including related surplus, net of issuance costs; issued—1,403,500 shares	1,659	1,659
Common stock, authorized 3 billion shares, par value \$0.01 per share:		
Issued including treasury stock—979,347,627 and 975,524,168 shares, respectively	10	10
Additional paid-in capital	11,979	11,988
Retained earnings	7,802	7,004
Treasury stock, at cost— 41,032,676 shares	(1,371)	(1,371)
Accumulated other comprehensive income (loss), net	(3,440)	(3,343)
Total shareholders' equity	16,639	15,947
Noncontrolling interest	22	4
Total equity	16,661	15,951
Total liabilities and equity	\$ 155,656	\$ 155,220

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
(In millions, except per share data)				
Interest income on:				
Loans, including fees	\$ 1,454	\$ 932	\$ 2,814	\$ 1,808
Debt securities	185	157	372	295
Loans held for sale	10	10	17	19
Other earning assets	90	56	177	85
Total interest income	1,739	1,155	3,380	2,207
Interest expense on:				
Deposits	260	20	439	33
Short-term borrowings	42	—	47	—
Long-term borrowings	56	27	96	51
Total interest expense	358	47	582	84
Net interest income	1,381	1,108	2,798	2,123
Provision for credit losses	118	60	253	24
Net interest income after provision for credit losses	1,263	1,048	2,545	2,099
Non-interest income:				
Service charges on deposit accounts	152	165	307	333
Card and ATM fees	130	133	251	257
Investment management and trust fee income	77	72	153	147
Capital markets income	68	112	110	185
Mortgage income	26	47	50	95
Securities gains (losses), net	—	—	(2)	—
Other	123	111	241	207
Total non-interest income	576	640	1,110	1,224
Non-interest expense:				
Salaries and employee benefits	603	575	1,219	1,121
Equipment and software expense	101	97	203	192
Net occupancy expense	73	75	146	150
Other	334	201	570	418
Total non-interest expense	1,111	948	2,138	1,881
Income before income taxes	728	740	1,517	1,442
Income tax expense	147	157	324	311
Net income	\$ 581	\$ 583	\$ 1,193	\$ 1,131
Net income available to common shareholders	\$ 556	\$ 558	\$ 1,144	\$ 1,082
Weighted-average number of shares outstanding:				
Basic	939	934	938	936
Diluted	939	940	941	943
Earnings per common share:				
Basic	\$ 0.59	\$ 0.60	\$ 1.22	\$ 1.16
Diluted	0.59	0.59	1.22	1.15

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30	
	2023	2022
	(In millions)	
Net income	\$ 581	\$ 583
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of zero and zero tax effect, respectively)	(1)	(1)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	1	1
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of (\$88) and (\$237) tax effect, respectively)	(256)	(694)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and zero tax effect, respectively)	—	—
Net change in unrealized gains (losses) on securities available for sale, net of tax	(256)	(694)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of (\$126) and (\$34) tax effect, respectively)	(370)	(109)
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of (\$8) and \$20 tax effect, respectively)	(24)	58
Net change in unrealized gains (losses) on derivative instruments, net of tax	(346)	(167)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of actuarial loss and settlements realized in net income (net of (\$1) and (\$1) tax effect, respectively)	(5)	(7)
Net change from defined benefit pension plans and other post employment benefits, net of tax	5	7
Other comprehensive income (loss), net of tax	(596)	(853)
Comprehensive income (loss)	\$ (15)	\$ (270)
	Six Months Ended June 30	
	2023	2022
	(In millions)	
Net income	\$ 1,193	\$ 1,131
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of zero and zero tax effect, respectively)	(1)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	1	2
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of \$26 and (\$618) tax effect, respectively)	77	(1,811)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and zero tax effect, respectively)	(2)	—
Net change in unrealized gains (losses) on securities available for sale, net of tax	79	(1,811)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of (\$76) and (\$140) tax effect, respectively)	(222)	(420)
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of (\$12) and \$48 tax effect, respectively)	(35)	140
Net change in unrealized gains (losses) on derivative instruments, net of tax	(187)	(560)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of actuarial loss and settlements realized in net income (net of (\$3) and (\$3) tax effect, respectively)	(10)	(13)
Net change from defined benefit pension plans and other post employment benefits, net of tax	10	13
Other comprehensive income (loss), net of tax	(97)	(2,356)
Comprehensive income (loss)	\$ 1,096	\$ (1,225)

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' Equity									
	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total	Non- controlling Interest
	Shares	Amount	Shares	Amount						
(In millions, except per share data)										
BALANCE AT JANUARY 1, 2022	2	\$ 1,659	942	\$ 10	\$ 12,189	\$ 5,550	\$ (1,371)	\$ 289	\$ 18,326	\$ —
Net income	—	—	—	—	—	548	—	—	548	—
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	(1,503)	(1,503)	—
Cash dividends declared	—	—	—	—	—	(159)	—	—	(159)	—
Preferred stock dividends	—	—	—	—	—	(24)	—	—	(24)	—
Impact of common stock share repurchases	—	—	(9)	—	(215)	—	—	—	(215)	—
Impact of common stock transactions under compensation plans, net	—	—	—	—	9	—	—	—	9	—
BALANCE AT MARCH 31, 2022	2	\$ 1,659	933	\$ 10	\$ 11,983	\$ 5,915	\$ (1,371)	\$ (1,214)	\$ 16,982	\$ —
BALANCE AT APRIL 1, 2022	2	\$ 1,659	933	\$ 10	\$ 11,983	\$ 5,915	\$ (1,371)	\$ (1,214)	\$ 16,982	\$ —
Net income	—	—	—	—	—	583	—	—	583	—
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	(853)	(853)	—
Cash dividends declared	—	—	—	—	—	(159)	—	—	(159)	—
Preferred stock dividends	—	—	—	—	—	(25)	—	—	(25)	—
Impact of common stock share repurchases	—	—	1	—	(15)	—	—	—	(15)	—
Impact of common stock transactions under compensation plans, net	—	—	—	—	(6)	—	—	—	(6)	—
BALANCE AT JUNE 30, 2022	2	\$ 1,659	934	\$ 10	\$ 11,962	\$ 6,314	\$ (1,371)	\$ (2,067)	\$ 16,507	\$ —
BALANCE AT JANUARY 1, 2023	2	\$ 1,659	934	\$ 10	\$ 11,988	\$ 7,004	\$ (1,371)	\$ (3,343)	\$ 15,947	\$ 4
Cumulative effect from change in accounting guidance	—	—	—	—	—	28	—	—	28	—
Net income	—	—	—	—	—	612	—	—	612	—
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	499	499	—
Cash dividends declared	—	—	—	—	—	(187)	—	—	(187)	—
Preferred stock dividends	—	—	—	—	—	(24)	—	—	(24)	—
Impact of common stock transactions under compensation plans, net	—	—	—	—	8	—	—	—	8	—
Other	—	—	—	—	—	—	—	—	—	15
BALANCE AT MARCH 31, 2023	2	\$ 1,659	934	\$ 10	\$ 11,996	\$ 7,433	\$ (1,371)	\$ (2,844)	\$ 16,883	\$ 19
BALANCE AT APRIL 1, 2023	2	\$ 1,659	934	\$ 10	\$ 11,996	\$ 7,433	\$ (1,371)	\$ (2,844)	\$ 16,883	\$ 19
Net income	—	—	—	—	—	581	—	—	581	—
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	(596)	(596)	—
Cash dividends declared	—	—	—	—	—	(187)	—	—	(187)	—
Preferred stock dividends	—	—	—	—	—	(25)	—	—	(25)	—
Impact of common stock transactions under compensation plans, net	—	—	5	—	(17)	—	—	—	(17)	—
Other	—	—	—	—	—	—	—	—	—	3
BALANCE AT JUNE 30, 2023	2	\$ 1,659	939	\$ 10	\$ 11,979	\$ 7,802	\$ (1,371)	\$ (3,440)	\$ 16,639	\$ 22

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2023	2022
	(In millions)	
Operating activities:		
Net income	\$ 1,193	\$ 1,131
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	253	24
Depreciation, amortization and accretion, net	124	201
Securities (gains) losses, net	2	—
Deferred income tax expense (benefit)	13	76
Originations and purchases of loans held for sale	(1,785)	(2,811)
Proceeds from sales of loans held for sale	1,591	3,168
(Gain) loss on sale of loans, net	(14)	(18)
Net change in operating assets and liabilities:		
Other earning assets	(255)	(244)
Interest receivable and other assets	4	(620)
Other liabilities	(541)	637
Other	8	(39)
Net cash from operating activities	593	1,505
Investing activities:		
Proceeds from maturities of debt securities held to maturity	24	63
Proceeds from sales of debt securities available for sale	33	1,106
Proceeds from maturities of debt securities available for sale	1,499	2,621
Purchases of debt securities available for sale	(791)	(6,789)
Net (payments for) proceeds from bank-owned life insurance	2	(1)
Proceeds from sales of loans	107	461
Purchases of loans	(232)	(571)
Net change in loans	(2,225)	(5,602)
Purchases of mortgage servicing rights	(39)	(234)
Net purchases of other assets	(72)	(41)
Net cash from investing activities	(1,694)	(8,987)
Financing activities:		
Net change in deposits	(4,784)	(809)
Net change in short-term borrowings	3,000	—
Proceeds from long-term borrowings	2,000	—
Cash dividends on common stock	(374)	(319)
Cash dividends on preferred stock	(49)	(49)
Repurchases of common stock	—	(230)
Taxes paid related to net share settlement of equity awards	(33)	(22)
Net cash from financing activities	(240)	(1,429)
Net change in cash and cash equivalents	(1,341)	(8,911)
Cash and cash equivalents at beginning of year	11,227	29,411
Cash and cash equivalents at end of period	\$ 9,886	\$ 20,500

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****NOTE 1. BASIS OF PRESENTATION**

Regions Financial Corporation ("Regions" or the "Company") provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located across the South, Midwest and Texas as well as delivering specialty capabilities nationwide. Regions is subject to the regulations of certain government agencies and undergoes periodic examinations by certain regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with GAAP and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income (loss) and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions' Annual Report on Form 10-K for the year ended December 31, 2022. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

During 2023, the Company adopted new accounting guidance. See below and Note 12 for related disclosures.

MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTY

On January 1, 2023, the Company adopted new accounting guidance that eliminated the recognition and measurement guidance for TDRs while enhancing disclosure requirements for certain loan refinancings and restructurings made to borrowers experiencing financial difficulty, also referred to as modifications to troubled borrowers. The guidance also requires disclosure of current-period gross write-offs by year of origination. Regions applied the guidance prospectively, except Regions used the modified-retrospective transition method related to the recognition and measurement of TDRs. The cumulative effect of the modified-retrospective application was a decrease in the allowance of \$38 million and an increase to retained earnings of \$28 million, net of taxes. Refer to Note 1 "Summary of Significant Accounting Policies" and Note 5 "Allowance for Credit Losses" in the Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding TDRs and the related allowance for credit loss accounting prior to the adoption of modifications to troubled borrowers guidance.

Modifications to troubled borrowers

Modifications to troubled borrowers are loans where the borrower is experiencing financial difficulty at the time of modification and are undertaken in order to improve the likelihood of repayment. Modification types classified as modifications to troubled borrowers include interest rate reductions, other than insignificant term extensions, other than insignificant payment deferrals, principal forgiveness, or any combination of these. Further details are as follows:

- Interest rate reduction modifications include instances where the absolute interest rate is reduced as part of the modification. In instances where the rate index changes for variable-rate loans, Regions evaluates whether or not the absolute interest rate decreases from the original rate to the updated rate.
- Term extensions are maturity extensions, many of which occur through renewals or restructurings.
- Payment deferrals include modifications wherein the contractual payment term is extended. Examples of payment deferral modifications include, but are not limited to, re-agings, payment delays or holidays, lengthening of amortization terms, allowing for an interest-only payment period, and capitalizing interest payments in loan restructurings.
- Regions rarely grants principal forgiveness modifications.

Modifications to troubled borrowers are subject to policies governing accrual/non-accrual evaluation consistent with all other loans of the same product type as discussed in Note 1 "Summary of Significant Accounting Policies" in the Annual Report on Form 10-K for the year ended December 31, 2022. As such, modifications to troubled borrowers may include loans remaining on non-accrual, moving to non-accrual, or continuing on accrual status, depending on the individual facts and circumstances.

Allowance for credit losses

The allowance is intended to cover expected credit losses over the contractual life of loans measured at amortized cost, including unfunded commitments. Upon the adoption of modifications to troubled borrowers guidance in January 2023, the Company eliminated TDR and reasonable expectations of a TDR ("RETDR") designations and specific measurement rules within the calculation of the allowance credit losses, which resulted in a decrease to the allowance upon application of the modified-retrospective transition method discussed above. See Note 1 "Summary of Significant Accounting Policies" in the

Annual Report on Form 10-K for the year ended December 31, 2022 for previous discussion of allowance measurement methodology for these items.

Modifications identified as modifications to troubled borrowers have no separate or distinct allowance measurement rules under the new guidance. As such, these loans are included in their respective loan pools (if they do not qualify for specific evaluation) and expected losses are determined by the Company's allowance models and qualitative framework.

FAIR VALUE MEASUREMENTS - FAIR VALUE OF FINANCIAL INSTRUMENTS

The method and assumptions used to estimate the fair value of certain financial instruments entered into in 2023 is discussed below. Refer to Note 1 "Summary of Significant Accounting Policies" in the Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding fair value measurements.

Short-term borrowings: The carrying amounts of short-term borrowings reported in the consolidated balance sheets approximate the estimated fair values, and are considered Level 2 measurements as similar instruments are traded in active markets.

NOTE 2. DEBT SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair value of debt securities held to maturity and debt securities available for sale are as follows:

June 30, 2023								
	Amortized Cost	Recognized in OCI ⁽¹⁾		Carrying Value	Not recognized in OCI		Estimated Fair Value	
		Gross Unrealized Gains	Gross Unrealized Losses		Gross Unrealized Gains	Gross Unrealized Losses		
(In millions)								
Debt securities held to maturity:								
Mortgage-backed securities:								
Residential agency	\$ 267	\$ —	\$ (9)	\$ 258	\$ —	\$ (20)	\$ 238	
Commercial agency	520	—	(1)	519	—	(30)	489	
	<u>\$ 787</u>	<u>\$ —</u>	<u>\$ (10)</u>	<u>\$ 777</u>	<u>\$ —</u>	<u>\$ (50)</u>	<u>\$ 727</u>	
Debt securities available for sale:								
U.S. Treasury securities	\$ 1,312	\$ —	\$ (121)	\$ 1,191			\$ 1,191	
Federal agency securities	991	—	(65)	926			926	
Obligations of states and political subdivisions	2	—	—	2			2	
Mortgage-backed securities:								
Residential agency	19,005	—	(2,435)	16,570			16,570	
Commercial agency	8,063	—	(638)	7,425			7,425	
Commercial non-agency	94	—	(13)	81			81	
Corporate and other debt securities	1,157	1	(57)	1,101			1,101	
	<u>\$ 30,624</u>	<u>\$ 1</u>	<u>\$ (3,329)</u>	<u>\$ 27,296</u>			<u>\$ 27,296</u>	

December 31, 2022

	Recognized in OCI ⁽¹⁾			Not recognized in OCI			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	
	(In millions)						
Debt securities held to maturity:							
Mortgage-backed securities:							
Residential agency	\$ 289	\$ —	\$ (10)	\$ 279	\$ —	\$ (21)	\$ 258
Commercial agency	523	—	(1)	522	—	(29)	493
	<u>\$ 812</u>	<u>\$ —</u>	<u>\$ (11)</u>	<u>\$ 801</u>	<u>\$ —</u>	<u>\$ (50)</u>	<u>\$ 751</u>
Debt securities available for sale:							
U.S. Treasury securities	\$ 1,310	\$ —	\$ (123)	\$ 1,187			\$ 1,187
Federal agency securities	898	—	(62)	836			836
Obligations of states and political subdivisions	2	—	—	2			2
Mortgage-backed securities:							
Residential agency	19,477	—	(2,523)	16,954			16,954
Residential non-agency	1	—	—	1			1
Commercial agency	8,262	—	(649)	7,613			7,613
Commercial non-agency	198	—	(12)	186			186
Corporate and other debt securities	1,219	1	(66)	1,154			1,154
	<u>\$ 31,367</u>	<u>\$ 1</u>	<u>\$ (3,435)</u>	<u>\$ 27,933</u>			<u>\$ 27,933</u>

(1) The gross unrealized losses recognized in OCI on securities held to maturity resulted from a transfer of securities available for sale to held to maturity in the second quarter of 2013.

Debt securities with carrying values of \$23.0 billion and \$8.8 billion at June 30, 2023 and December 31, 2022, respectively, were pledged to secure public funds, trust deposits and other borrowing arrangements, including the BTFP. Securities that are pledged to secure funding from the BTFP are unencumbered until an advance is taken through the program.

The amortized cost and estimated fair value of debt securities held to maturity and debt securities available for sale at June 30, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
(In millions)		
Debt securities held to maturity:		
Mortgage-backed securities:		
Residential agency	\$ 267	\$ 238
Commercial agency	520	489
	<u>\$ 787</u>	<u>\$ 727</u>
Debt securities available for sale:		
Due in one year or less	\$ 246	\$ 242
Due after one year through five years	2,723	2,519
Due after five years through ten years	329	314
Due after ten years	164	145
Mortgage-backed securities:		
Residential agency	19,005	16,570
Commercial agency	8,063	7,425
Commercial non-agency	94	81
	<u>\$ 30,624</u>	<u>\$ 27,296</u>

The following tables present gross unrealized losses and the related estimated fair value of debt securities held to maturity and debt securities available for sale at June 30, 2023 and December 31, 2022. For debt securities transferred to held to maturity from available for sale, the analysis in the tables below compares the securities' original amortized cost to its current estimated fair value. All securities in an unrealized position are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

June 30, 2023						
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(In millions)						
Debt securities held to maturity:						
Mortgage-backed securities:						
Residential agency	\$ —	\$ —	\$ 238	\$ (29)	\$ 238	\$ (29)
Commercial agency	—	—	483	(30)	483	(30)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 721</u>	<u>\$ (59)</u>	<u>\$ 721</u>	<u>\$ (59)</u>
Debt securities available for sale:						
U.S Treasury securities	\$ 247	\$ (7)	\$ 938	\$ (114)	\$ 1,185	\$ (121)
Federal agency securities	282	(8)	644	(57)	926	(65)
Mortgage-backed securities:						
Residential agency	1,790	(73)	14,765	(2,362)	16,555	(2,435)
Commercial agency	2,567	(110)	4,858	(528)	7,425	(638)
Commercial non-agency	—	—	81	(13)	81	(13)
Corporate and other debt securities	235	(5)	787	(52)	1,022	(57)
	<u>\$ 5,121</u>	<u>\$ (203)</u>	<u>\$ 22,073</u>	<u>\$ (3,126)</u>	<u>\$ 27,194</u>	<u>\$ (3,329)</u>

December 31, 2022						
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(In millions)						
Debt securities held to maturity:						
Mortgage-backed securities:						
Residential agency	\$ 251	\$ (29)	\$ 7	\$ (1)	\$ 258	\$ (30)
Commercial agency	469	(26)	24	(4)	493	(30)
	<u>\$ 720</u>	<u>\$ (55)</u>	<u>\$ 31</u>	<u>\$ (5)</u>	<u>\$ 751</u>	<u>\$ (60)</u>
Debt securities available for sale:						
U.S. Treasury securities	\$ 276	\$ (8)	\$ 903	\$ (115)	\$ 1,179	\$ (123)
Federal agency securities	766	(50)	53	(12)	819	(62)
Mortgage-backed securities:						
Residential agency	9,350	(1,005)	7,578	(1,518)	16,928	(2,523)
Commercial agency	6,110	(400)	1,503	(249)	7,613	(649)
Commercial non-agency	141	(8)	45	(4)	186	(12)
Corporate and other debt securities	736	(36)	354	(30)	1,090	(66)
	<u>\$ 17,379</u>	<u>\$ (1,507)</u>	<u>\$ 10,436</u>	<u>\$ (1,928)</u>	<u>\$ 27,815</u>	<u>\$ (3,435)</u>

The number of individual debt positions in an unrealized loss position in the tables above decreased from 1,806 at December 31, 2022 to 1,804 at June 30, 2023. The decrease in the number of securities and the total amount of unrealized losses from year-end 2022 was primarily due to changes in market interest rates. In instances where an unrealized loss existed, there was no indication of an adverse change in credit on the underlying positions in the tables above. As it relates to these positions, management believes no individual unrealized loss represented credit impairment as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the positions before the recovery of their amortized cost basis, which may be at maturity.

Gross realized gains and gross realized losses on sales of debt securities available for sale were immaterial for the three and six months ended June 30, 2023 and 2022. The cost of securities sold is based on the specific identification method. As part of the Company's normal process for evaluating impairment, management did not identify any positions where impairment was believed to exist in either of the three and six months ended June 30, 2023 or 2022.

NOTE 3. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

The following table presents the distribution of Regions' loan portfolio by segment and class, net of unearned income:

	June 30, 2023	December 31, 2022
	(In millions)	
Commercial and industrial	\$ 52,300	\$ 50,905
Commercial real estate mortgage—owner-occupied	4,797	5,103
Commercial real estate construction—owner-occupied	292	298
Total commercial	57,389	56,306
Commercial investor real estate mortgage	6,500	6,393
Commercial investor real estate construction	2,132	1,986
Total investor real estate	8,632	8,379
Residential first mortgage	19,755	18,810
Home equity lines	3,313	3,510
Home equity loans	2,425	2,489
Consumer credit card	1,231	1,248
Other consumer—exit portfolio	416	570
Other consumer	6,030	5,697
Total consumer	33,170	32,324
Total loans, net of unearned income	\$ 99,191	\$ 97,009

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on a quarterly basis. Refer to Note 1 "Summary of Significant Accounting Policies" in the Annual Report on Form 10-K for the year ended December 31, 2022, for a description of the methodology prior to the adoption of modifications to troubled borrowers accounting on January 1, 2023.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2023 and 2022.

	Three Months Ended June 30, 2023			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2023	\$ 693	\$ 126	\$ 653	\$ 1,472
Provision for loan losses	46	25	51	122
Loan losses:				
Charge-offs	(52)	—	(60)	(112)
Recoveries	21	—	10	31
Net loan (losses) recoveries	(31)	—	(50)	(81)
Allowance for loan losses, June 30, 2023	708	151	654	1,513
Reserve for unfunded credit commitments, April 1, 2023	77	27	20	124
Provision for (benefit from) unfunded credit commitments	5	(8)	(1)	(4)
Reserve for unfunded credit commitments, June 30, 2023	82	19	19	120
Allowance for credit losses, June 30, 2023	\$ 790	\$ 170	\$ 673	\$ 1,633

Three Months Ended June 30, 2022				
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2022	\$ 620	\$ 75	\$ 721	\$ 1,416
Provision for (benefit from) loan losses	(14)	15	46	47
Loan losses:				
Charge-offs	(22)	—	(48)	(70)
Recoveries	13	1	18	32
Net loan (losses) recoveries	(9)	1	(30)	(38)
Allowance for loan losses, June 30, 2022	597	91	737	1,425
Reserve for unfunded credit commitments, April 1, 2022	52	8	16	76
Provision for unfunded credit commitments	5	2	6	13
Reserve for unfunded credit commitments, June 30, 2022	57	10	22	89
Allowance for credit losses, June 30, 2022	\$ 654	\$ 101	\$ 759	\$ 1,514

Six Months Ended June 30, 2023				
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, December 31, 2022	\$ 665	\$ 121	\$ 678	\$ 1,464
Cumulative effect of accounting guidance ⁽¹⁾	(3)	(3)	(32)	(38)
Allowance for loan losses, January 1, 2023 (adjusted for change in accounting guidance)	662	118	646	1,426
Provision for loan losses	116	33	102	251
Loan losses:				
Charge-offs	(101)	—	(116)	(217)
Recoveries	31	—	22	53
Net loan (losses) recoveries	(70)	—	(94)	(164)
Allowance for loan losses, June 30, 2023	708	151	654	1,513
Reserve for unfunded credit commitments, January 1, 2023	72	21	25	118
Provision for (benefit from) unfunded credit losses	10	(2)	(6)	2
Reserve for unfunded credit commitments, June 30, 2023	82	19	19	120
Allowance for credit losses, June 30, 2023	\$ 790	\$ 170	\$ 673	\$ 1,633

Six Months Ended June 30, 2022				
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2022	\$ 682	\$ 79	\$ 718	\$ 1,479
Provision for (benefit from) loan losses	(63)	11	82	30
Loan losses:				
Charge-offs	(48)	—	(99)	(147)
Recoveries	26	1	36	63
Net loan (losses) recoveries	(22)	1	(63)	(84)
Allowance for loan losses, June 30, 2022	597	91	737	1,425
Reserve for unfunded credit commitments, January 1, 2022	58	8	29	95
Provision for (benefit from) unfunded credit losses	(1)	2	(7)	(6)
Reserve for unfunded credit commitments, June 30, 2022	57	10	22	89
Allowance for credit losses, June 30, 2022	\$ 654	\$ 101	\$ 759	\$ 1,514

(1) See Note 1 for additional information.

PORTFOLIO SEGMENT RISK FACTORS

Regions' portfolio segments are commercial, investor real estate, and consumer. Classes within each segment present unique credit risks. Refer to Note 5 "Allowance for Credit Losses" in the Annual Report on Form 10-K for the year ended December 31, 2022 for information regarding Regions' portfolio segments and related classes, as well as the risks specific to each.

CREDIT QUALITY INDICATORS

The commercial and investor real estate portfolio segments' primary credit quality indicator is internal risk ratings which are detailed by categories related to underlying credit quality and probability of default. Regions assigns these risk ratings at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. Regions' ratings are aligned to federal banking regulators' definitions and are utilized to develop the associated allowance. Refer to Note 5 "Allowance for Credit Losses" in the Annual Report on Form 10-K for the year ended December 31, 2022 for information regarding commercial risk ratings.

Regions' consumer portfolio segment has various classes that present unique credit risks. Regions considers factors such as periodic updates of FICO scores, accrual status, days past due status, unemployment rates, home prices, and geography as credit quality indicators for the consumer loan portfolio. FICO scores are obtained at origination as part of Regions' formal underwriting process. Refreshed FICO scores are obtained by the Company quarterly for all consumer loans, including residential first mortgage loans. Current FICO data is not available for certain loans in the portfolio for various reasons; for example, if customers do not use sufficient credit, an updated score may not be available. These categories are utilized to develop the associated allowance for credit losses. The higher the FICO score the less probability of default and vice versa.

The following tables present applicable credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, by vintage year as of June 30, 2023 and December 31, 2022. Gross charge-offs are also presented by vintage year for the six months ended June 30, 2023 as a result of the prospective adoption of new accounting guidance. See Note 1 and Note 12 for additional information. Classes in the commercial and investor real estate portfolio segments are disclosed by risk rating. Classes in the consumer portfolio segment are disclosed by current FICO scores. Refer to Note 5 "Allowance for Credit Losses" in the Annual Report on Form 10-K for the year ended December 31, 2022 for more information regarding Regions' credit quality indicators.

June 30, 2023

	Term Loans						Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total
	Origination Year									
	2023	2022	2021	2020	2019	Prior				
(In millions)										
Commercial and industrial:										
Risk rating:										
Pass	\$ 5,217	\$ 10,688	\$ 6,018	\$ 2,717	\$ 1,705	\$ 3,684	\$ 19,693	\$ —	\$ 83	\$ 49,805
Special Mention	244	208	103	15	13	6	469	—	—	1,058
Substandard Accrual	88	181	96	44	78	2	651	—	—	1,140
Non-accrual	14	73	48	7	5	32	118	—	—	297
Total commercial and industrial	\$ 5,563	\$ 11,150	\$ 6,265	\$ 2,783	\$ 1,801	\$ 3,724	\$ 20,931	\$ —	\$ 83	\$ 52,300
Gross charge-offs	\$ —	\$ 34	\$ 25	\$ 19	\$ 9	\$ 9	\$ 5	\$ —	\$ —	\$ 101
Commercial real estate mortgage—owner-occupied:										
Risk rating:										
Pass	\$ 337	\$ 973	\$ 1,079	\$ 739	\$ 395	\$ 950	\$ 91	\$ —	\$ (5)	\$ 4,559
Special Mention	7	17	19	30	7	26	1	—	—	107
Substandard Accrual	6	19	26	22	12	11	1	—	—	97
Non-accrual	6	—	9	8	2	8	1	—	—	34
Total commercial real estate mortgage—owner-occupied:	\$ 356	\$ 1,009	\$ 1,133	\$ 799	\$ 416	\$ 995	\$ 94	\$ —	\$ (5)	\$ 4,797
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate construction—owner-occupied:										
Risk rating:										
Pass	\$ 30	\$ 110	\$ 62	\$ 24	\$ 13	\$ 40	\$ 1	\$ —	\$ —	\$ 280
Special Mention	—	—	—	—	—	2	—	—	—	2
Substandard Accrual	2	—	—	2	—	1	—	—	—	5
Non-accrual	—	—	—	1	1	3	—	—	—	5
Total commercial real estate construction—owner-occupied:	\$ 32	\$ 110	\$ 62	\$ 27	\$ 14	\$ 46	\$ 1	\$ —	\$ —	\$ 292
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total commercial	\$ 5,951	\$ 12,269	\$ 7,460	\$ 3,609	\$ 2,231	\$ 4,765	\$ 21,026	\$ —	\$ 78	\$ 57,389
Gross commercial charge-offs	\$ —	\$ 34	\$ 25	\$ 19	\$ 9	\$ 9	\$ 5	\$ —	\$ —	\$ 101
Commercial investor real estate mortgage:										
Risk rating:										
Pass	\$ 711	\$ 1,874	\$ 1,117	\$ 658	\$ 358	\$ 199	\$ 452	\$ —	\$ (5)	\$ 5,364
Special Mention	35	325	144	21	—	19	73	—	—	617
Substandard Accrual	85	135	38	55	67	41	—	—	—	421
Non-accrual	66	—	—	—	13	19	—	—	—	98
Total commercial investor real estate mortgage	\$ 897	\$ 2,334	\$ 1,299	\$ 734	\$ 438	\$ 278	\$ 525	\$ —	\$ (5)	\$ 6,500
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial investor real estate construction:										
Risk rating:										
Pass	\$ 136	\$ 711	\$ 472	\$ 77	\$ 1	\$ 2	\$ 590	\$ —	\$ (15)	\$ 1,974
Special Mention	—	96	—	—	—	—	41	—	—	137
Substandard Accrual	—	3	—	18	—	—	—	—	—	21
Non-accrual	—	—	—	—	—	—	—	—	—	—
Total commercial investor real estate construction	\$ 136	\$ 810	\$ 472	\$ 95	\$ 1	\$ 2	\$ 631	\$ —	\$ (15)	\$ 2,132
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total investor real estate	\$ 1,033	\$ 3,144	\$ 1,771	\$ 829	\$ 439	\$ 280	\$ 1,156	\$ —	\$ (20)	\$ 8,632
Gross investor real estate charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

June 30, 2023

	Term Loans						Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total
	Origination Year									
	2023	2022	2021	2020	2019	Prior				
(In millions)										
Residential first mortgage:										
FICO scores:										
Above 720	\$ 1,094	\$ 2,753	\$ 4,475	\$ 4,591	\$ 854	\$ 2,557	\$ —	\$ —	\$ —	\$ 16,324
681-720	135	311	357	269	70	306	—	—	—	1,448
620-680	60	163	175	110	48	287	—	—	—	843
Below 620	7	63	103	82	49	403	—	—	—	707
Data not available	22	23	51	47	12	98	2	—	178	433
Total residential first mortgage	\$ 1,318	\$ 3,313	\$ 5,161	\$ 5,099	\$ 1,033	\$ 3,651	\$ 2	\$ —	\$ 178	\$ 19,755
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ 1
Home equity lines:										
FICO scores:										
Above 720	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,459	\$ 47	\$ —	\$ 2,506
681-720	—	—	—	—	—	—	346	11	—	357
620-680	—	—	—	—	—	—	191	9	—	200
Below 620	—	—	—	—	—	—	93	7	—	100
Data not available	—	—	—	—	—	—	114	5	31	150
Total home equity lines	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,203	\$ 79	\$ 31	\$ 3,313
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 2
Home equity loans:										
FICO scores:										
Above 720	\$ 108	\$ 410	\$ 430	\$ 228	\$ 105	\$ 605	\$ —	\$ —	\$ —	\$ 1,886
681-720	20	65	56	23	16	70	—	—	—	250
620-680	8	25	25	9	8	57	—	—	—	132
Below 620	—	6	9	4	7	39	—	—	—	65
Data not available	36	3	5	3	3	26	—	—	16	92
Total home equity loans	\$ 172	\$ 509	\$ 525	\$ 267	\$ 139	\$ 797	\$ —	\$ —	\$ 16	\$ 2,425
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer credit card:										
FICO scores:										
Above 720	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 713	\$ —	\$ —	\$ 713
681-720	—	—	—	—	—	—	241	—	—	241
620-680	—	—	—	—	—	—	197	—	—	197
Below 620	—	—	—	—	—	—	84	—	—	84
Data not available	—	—	—	—	—	—	15	—	(19)	(4)
Total consumer credit card	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,250	\$ —	\$ (19)	\$ 1,231
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24	\$ —	\$ —	\$ 24
Other consumer—exit portfolios:										
FICO scores:										
Above 720	\$ —	\$ —	\$ —	\$ —	\$ 83	\$ 191	\$ —	\$ —	\$ —	\$ 274
681-720	—	—	—	—	23	45	—	—	—	68
620-680	—	—	—	—	14	31	—	—	—	45
Below 620	—	—	—	—	5	19	—	—	—	24
Data not available	—	—	—	—	1	3	—	—	1	5
Total Other consumer- exit portfolios	\$ —	\$ —	\$ —	\$ —	\$ 126	\$ 289	\$ —	\$ —	\$ 1	\$ 416
Gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 5	\$ —	\$ —	\$ —	\$ 8

June 30, 2023

	Term Loans							Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total									
	Origination Year																			
	2023	2022	2021	2020	2019	Prior														
(In millions)																				
Other consumer ⁽²⁾ :																				
FICO scores:																				
Above 720	\$	800	\$	1,760	\$	578	\$	330	\$	181	\$	144	\$	117	\$	—	\$	—	\$	3,910
681-720		116		467		163		87		40		36		66		—		—		975
620-680		71		344		122		59		26		24		55		—		—		701
Below 620		21		132		66		34		17		17		25		—		—		312
Data not available		82		9		6		5		122		71		2		—		(165)		132
Total other consumer	\$	1,090	\$	2,712	\$	935	\$	515	\$	386	\$	292	\$	265	\$	—	\$	(165)	\$	6,030
Gross charge-offs	\$	20	\$	26	\$	17	\$	8	\$	4	\$	6	\$	—	\$	—	\$	—	\$	81
Total consumer loans	\$	2,580	\$	6,534	\$	6,621	\$	5,881	\$	1,684	\$	5,029	\$	4,720	\$	79	\$	42	\$	33,170
Gross consumer charge-offs	\$	20	\$	26	\$	17	\$	8	\$	7	\$	12	\$	26	\$	—	\$	—	\$	116
Total Loans	\$	9,564	\$	21,947	\$	15,852	\$	10,319	\$	4,354	\$	10,074	\$	26,902	\$	79	\$	100	\$	99,191
Total Gross charge-offs	\$	20	\$	60	\$	42	\$	27	\$	16	\$	21	\$	31	\$	—	\$	—	\$	217

December 31, 2022

December 31, 2022											
	Term Loans						Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total	
	Origination Year										
	2022	2021	2020	2019	2018	Prior					
(In millions)											
Commercial and industrial:											
Risk rating:											
Pass	\$ 11,948	\$ 7,167	\$ 3,277	\$ 2,297	\$ 1,026	\$ 3,283	\$ 19,599	\$ —	\$ 313	\$ 48,910	
Special Mention	85	120	70	30	32	1	282	—	—	620	
Substandard Accrual	248	114	39	57	53	17	500	—	—	1,028	
Non-accrual	95	55	11	9	36	6	135	—	—	347	
Total commercial and industrial	\$ 12,376	\$ 7,456	\$ 3,397	\$ 2,393	\$ 1,147	\$ 3,307	\$ 20,516	\$ —	\$ 313	\$ 50,905	
Commercial real estate mortgage—owner-occupied:											
Risk rating:											
Pass	\$ 1,058	\$ 1,175	\$ 929	\$ 479	\$ 519	\$ 626	\$ 89	\$ —	\$ (5)	\$ 4,870	
Special Mention	7	32	17	10	15	12	2	—	—	95	
Substandard Accrual	10	16	36	35	5	6	1	—	—	109	
Non-accrual	1	2	9	1	5	11	—	—	—	29	
Total commercial real estate mortgage—owner-occupied:	\$ 1,076	\$ 1,225	\$ 991	\$ 525	\$ 544	\$ 655	\$ 92	\$ —	\$ (5)	\$ 5,103	
Commercial real estate construction—owner-occupied:											
Risk rating:											
Pass	\$ 115	\$ 79	\$ 22	\$ 15	\$ 15	\$ 38	\$ 1	\$ —	\$ —	\$ 285	
Special Mention	—	—	—	—	2	—	—	—	—	2	
Substandard Accrual	2	—	2	—	—	1	—	—	—	5	
Non-accrual	—	—	1	1	—	4	—	—	—	6	
Total commercial real estate construction—owner-occupied:	\$ 117	\$ 79	\$ 25	\$ 16	\$ 17	\$ 43	\$ 1	\$ —	\$ —	\$ 298	
Total commercial	\$ 13,569	\$ 8,760	\$ 4,413	\$ 2,934	\$ 1,708	\$ 4,005	\$ 20,609	\$ —	\$ 308	\$ 56,306	

December 31, 2022

	Term Loans						Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total
	Origination Year									
	2022	2021	2020	2019	2018	Prior				
(In millions)										
Commercial investor real estate mortgage:										
Risk rating:										
Pass	\$ 2,332	\$ 1,321	\$ 634	\$ 466	\$ 257	\$ 94	\$ 490	\$ —	\$ (7)	\$ 5,587
Special Mention	229	75	—	18	—	3	38	—	—	363
Substandard Accrual	107	—	74	138	68	3	—	—	—	390
Non-accrual	52	—	—	—	—	1	—	—	—	53
Total commercial investor real estate mortgage	\$ 2,720	\$ 1,396	\$ 708	\$ 622	\$ 325	\$ 101	\$ 528	\$ —	\$ (7)	\$ 6,393
Commercial investor real estate construction:										
Risk rating:										
Pass	\$ 458	\$ 402	\$ 205	\$ 112	\$ —	\$ 1	\$ 722	\$ —	\$ (16)	\$ 1,884
Special Mention	25	52	—	—	—	—	5	—	—	82
Substandard Accrual	3	—	17	—	—	—	—	—	—	20
Non-accrual	—	—	—	—	—	—	—	—	—	—
Total commercial investor real estate construction	\$ 486	\$ 454	\$ 222	\$ 112	\$ —	\$ 1	\$ 727	\$ —	\$ (16)	\$ 1,986
Total investor real estate	\$ 3,206	\$ 1,850	\$ 930	\$ 734	\$ 325	\$ 102	\$ 1,255	\$ —	\$ (23)	\$ 8,379
Residential first mortgage:										
FICO scores:										
Above 720	\$ 2,485	\$ 4,455	\$ 4,765	\$ 899	\$ 327	\$ 2,445	\$ —	\$ —	\$ —	\$ 15,376
681-720	337	412	313	83	42	300	—	—	—	1,487
620-680	168	183	129	53	34	295	—	—	—	862
Below 620	42	92	77	52	40	379	—	—	—	682
Data not available	27	45	47	13	4	98	2	—	167	403
Total residential first mortgage	\$ 3,059	\$ 5,187	\$ 5,331	\$ 1,100	\$ 447	\$ 3,517	\$ 2	\$ —	\$ 167	\$ 18,810
Home equity lines:										
FICO scores:										
Above 720	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,620	\$ 47	\$ —	\$ 2,667
681-720	—	—	—	—	—	—	369	12	—	381
620-680	—	—	—	—	—	—	212	11	—	223
Below 620	—	—	—	—	—	—	99	8	—	107
Data not available	—	—	—	—	—	—	97	4	31	132
Total home equity lines	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,397	\$ 82	\$ 31	\$ 3,510
Home equity loans										
FICO scores:										
Above 720	\$ 436	\$ 466	\$ 250	\$ 117	\$ 106	\$ 582	\$ —	\$ —	\$ —	\$ 1,957
681-720	75	62	26	17	14	67	—	—	—	261
620-680	29	28	11	12	9	58	—	—	—	147
Below 620	4	8	4	5	7	38	—	—	—	66
Data not available	4	3	3	3	4	24	—	—	17	58
Total home equity loans	\$ 548	\$ 567	\$ 294	\$ 154	\$ 140	\$ 769	\$ —	\$ —	\$ 17	\$ 2,489
Consumer credit card:										
FICO scores:										
Above 720	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 719	\$ —	\$ —	\$ 719
681-720	—	—	—	—	—	—	246	—	—	246
620-680	—	—	—	—	—	—	204	—	—	204
Below 620	—	—	—	—	—	—	86	—	—	86
Data not available	—	—	—	—	—	—	9	—	(16)	(7)
Total consumer credit card	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,264	\$ —	\$ (16)	\$ 1,248

December 31, 2022

	Term Loans						Revolving Loans	Revolving Loans Converted to Amortizing	Unallocated ⁽¹⁾	Total										
	Origination Year																			
	2022	2021	2020	2019	2018	Prior														
(In millions)																				
Other consumer- exit portfolios:																				
FICO scores:																				
Above 720	\$	—	\$	—	\$	—	\$	102	\$	172	\$	96	\$	—	\$	—	\$	—	\$	370
681-720		—		—		—		30		40		23		—		—		—		93
620-680		—		—		—		17		30		17		—		—		—		64
Below 620		—		—		—		7		17		10		—		—		—		34
Data not available		—		—		—		1		3		3		—		—		2		9
Total other consumer- exit portfolios	\$	—	\$	—	\$	—	\$	157	\$	262	\$	149	\$	—	\$	—	\$	2	\$	570
Other consumer ⁽²⁾ :																				
FICO scores:																				
Above 720	\$	2,072	\$	674	\$	382	\$	215	\$	99	\$	80	\$	119	\$	—	\$	—	\$	3,641
681-720		493		200		106		50		23		20		66		—		—		958
620-680		348		153		73		34		19		15		55		—		—		697
Below 620		102		69		38		20		12		8		23		—		—		272
Data not available		61		6		5		130		73		5		2		—		(153)		129
Total other consumer	\$	3,076	\$	1,102	\$	604	\$	449	\$	226	\$	128	\$	265	\$	—	\$	(153)	\$	5,697
Total consumer loans	\$	6,683	\$	6,856	\$	6,229	\$	1,860	\$	1,075	\$	4,563	\$	4,928	\$	82	\$	48	\$	32,324
Total Loans	\$	23,458	\$	17,466	\$	11,572	\$	5,528	\$	3,108	\$	8,670	\$	26,792	\$	82	\$	333	\$	97,009

- (1) These amounts consist of fees that are not allocated at the loan level and loans serviced by third parties wherein Regions does not receive FICO or vintage information.
- (2) Other consumer class includes overdrafts and related gross charge-offs. Overdrafts are included in the current vintage year and the majority of overdraft gross charge-offs for the six months ended June 30, 2023 are also included in the current vintage year.

AGING AND NON-ACCRUAL ANALYSIS

The following tables include an aging analysis of DPD and loans on non-accrual status for each portfolio segment and class as of June 30, 2023 and December 31, 2022. Loans on non-accrual status with no related allowance totaled \$160 million comprised of commercial and investor real estate loans at June 30, 2023. Loans on non-accrual status with no related allowance totaled \$151 million comprised of commercial loans at December 31, 2022. Non-accrual loans with no related allowance typically include loans where the underlying collateral is deemed sufficient to recover all remaining principal. Loans that have been fully charged-off do not appear in the tables below.

	June 30, 2023							
	Accrual Loans							
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total	
	(In millions)							
Commercial and industrial	\$ 37	\$ 18	\$ 10	\$ 65	\$ 52,003	\$ 297	\$ 52,300	
Commercial real estate mortgage—owner-occupied	3	1	1	5	4,763	34	4,797	
Commercial real estate construction—owner-occupied	—	—	—	—	287	5	292	
Total commercial	40	19	11	70	57,053	336	57,389	
Commercial investor real estate mortgage	1	—	—	1	6,402	98	6,500	
Commercial investor real estate construction	—	—	—	—	2,132	—	2,132	
Total investor real estate	1	—	—	1	8,534	98	8,632	
Residential first mortgage	84	35	77	196	19,731	24	19,755	
Home equity lines	17	11	19	47	3,285	28	3,313	
Home equity loans	7	3	8	18	2,419	6	2,425	
Consumer credit card	9	7	15	31	1,231	—	1,231	
Other consumer—exit portfolios	4	2	1	7	416	—	416	
Other consumer	52	27	24	103	6,030	—	6,030	
Total consumer	173	85	144	402	33,112	58	33,170	
	\$ 214	\$ 104	\$ 155	\$ 473	\$ 98,699	\$ 492	\$ 99,191	

	December 31, 2022							
	Accrual Loans							
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total	
	(In millions)							
Commercial and industrial	\$ 36	\$ 20	\$ 30	\$ 86	\$ 50,558	\$ 347	\$ 50,905	
Commercial real estate mortgage—owner-occupied	7	2	1	10	5,074	29	5,103	
Commercial real estate construction—owner-occupied	—	—	—	—	292	6	298	
Total commercial	43	22	31	96	55,924	382	56,306	
Commercial investor real estate mortgage	—	—	40	40	6,340	53	6,393	
Commercial investor real estate construction	—	—	—	—	1,986	—	1,986	
Total investor real estate	—	—	40	40	8,326	53	8,379	
Residential first mortgage	87	45	81	213	18,779	31	18,810	
Home equity lines	18	12	15	45	3,482	28	3,510	
Home equity loans	8	3	8	19	2,483	6	2,489	
Consumer credit card	9	7	15	31	1,248	—	1,248	
Other consumer—exit portfolios	7	3	1	11	570	—	570	
Other consumer	46	21	17	84	5,697	—	5,697	
Total consumer	175	91	137	403	32,259	65	32,324	
	\$ 218	\$ 113	\$ 208	\$ 539	\$ 96,509	\$ 500	\$ 97,009	

MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTY

Modifications to troubled borrowers are loans where the borrower is experiencing financial difficulty at the time of modification and are undertaken in order to improve the likelihood of repayment. Typical modifications include accommodations such as renewals and forbearances. The majority of Regions' commercial and investor real estate modifications to troubled borrowers are the result of renewals of classified loans wherein there has been an interest rate reduction and/or maturity extension (that is considered other than insignificant). Similarly, Regions works to meet the individual needs of troubled consumer borrowers through its CAP. Regions designed the program to allow for customer-tailored modifications with the goal of keeping customers in their homes and avoiding foreclosure where possible. Modifications may be offered to any borrower experiencing financial hardship regardless of the borrower's payment status. Consumer modifications to troubled borrowers primarily involve an interest rate reduction and/or a payment deferral or maturity extension that is considered other than insignificant. All CAP modifications that involve an interest rate reduction, principal forgiveness, other than insignificant payment deferral or term extension and/or a combination of these are disclosed as modifications to troubled borrowers because the customer documents a financial hardship in order to participate. Refer to Note 1 "Basis of Presentation" for additional information regarding the Company's modifications to troubled borrowers.

For each portfolio segment and class, the following tables present the end of period balance of new modifications to troubled borrowers and the related percentage of the loan portfolio period-end balance by the type of modification in the three months and six months ended June 30, 2023. During the periods presented, the Company did not make any modifications of principal forgiveness.

Three Months Ended June 30, 2023									
	Term Extension		Payment Deferral		Term Extension and Interest Rate Modification		Total		
	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	
(Dollars in millions)									
Commercial and industrial	\$ 57	0.11 %	\$ 24	0.05 %	\$ —	— %	\$ 81	0.15 %	
Commercial real estate mortgage—owner-occupied	8	0.17 %	—	— %	—	— %	8	0.17 %	
Commercial real estate construction—owner-occupied	3	0.66 %	—	0.15 %	—	— %	3	0.81 %	
Total commercial	68	0.12 %	24	0.04 %	—	— %	92	0.16 %	
Commercial investor real estate mortgage	63	0.98 %	—	— %	—	— %	63	0.98 %	
Total investor real estate	63	0.73 %	—	— %	—	— %	63	0.73 %	
Residential first mortgage	27	0.14 %	—	— %	—	— %	27	0.14 %	
Home equity lines	—	— %	—	— %	1	0.02 %	1	0.03 %	
Home equity loans	2	0.06 %	—	— %	1	0.06 %	3	0.11 %	
Total consumer	29	0.09 %	—	— %	2	0.01 %	31	0.09 %	
Total	\$ 160	0.16 %	\$ 24	0.02 %	\$ 2	— %	\$ 186	0.19 %	

Six Months Ended June 30, 2023									
	Term Extension		Payment Deferral		Term Extension and Interest Rate Modification		Total		
	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	\$	% ⁽¹⁾	
(Dollars in millions)									
Commercial and industrial	\$ 61	0.12 %	\$ 182	0.35 %	\$ —	— %	\$ 243	0.47 %	
Commercial real estate mortgage—owner-occupied	10	0.21 %	—	— %	—	— %	10	0.21 %	
Commercial real estate construction—owner-occupied	3	0.66 %	—	— %	—	— %	3	0.81 %	
Total commercial	74	0.13 %	182	0.32 %	—	— %	256	0.45 %	
Commercial investor real estate mortgage	63	0.98 %	—	— %	—	— %	63	0.98 %	
Total investor real estate	63	0.73 %	—	— %	—	— %	63	0.73 %	
Residential first mortgage	49	0.24 %	—	— %	1	0.01 %	50	0.25 %	
Home equity lines	1	0.02 %	—	— %	1	0.04 %	2	0.06 %	
Home equity loans	2	0.10 %	—	— %	3	0.11 %	5	0.21 %	
Total consumer	52	0.16 %	—	— %	5	0.02 %	57	0.17 %	
Total	\$ 189	0.19 %	\$ 182	0.18 %	\$ 5	0.01 %	\$ 376	0.38 %	

(1) Amounts calculated based upon whole dollar values.

The following tables present the financial impact of modifications to troubled borrowers during the periods presented by portfolio segment, class of financing receivable, and the type of modification. During the periods presented, the Company did not make any modifications of principal forgiveness. The tables include new modifications to troubled borrowers, as well as renewals of existing modifications to troubled borrowers.

	Three Months Ended June 30, 2023			
	Term Extension	Payment Deferral	Term Extension and Interest Rate Modification	
	Weighted-Average Term Extension (in years)	Weighted-Average Payment Deferral (in years)	Weighted-Average Term Extension (in years)	Weighted-Average Reduction in Interest Rate
Commercial and industrial	1	0.5	—	—
Commercial real estate mortgage—owner-occupied	0.75	—	—	—
Commercial real estate construction—owner-occupied	0.25	—	—	—
Commercial investor real estate mortgage	0.67	—	—	—
Residential first mortgage	5	—	—	—
Home equity lines	—	—	20	1 %
Home equity loans	18	—	14	3 %

	Six Months Ended June 30, 2023			
	Term Extension	Payment Deferral	Term Extension and Interest Rate Modification	
	Weighted-Average Term Extension (in years)	Weighted-Average Payment Deferral (in years)	Weighted-Average Term Extension (in years)	Weighted-Average Reduction in Interest Rate
Commercial and industrial	1	0.5	—	—
Commercial real estate mortgage—owner-occupied	0.67	—	—	—
Commercial real estate construction—owner-occupied	0.25	—	—	—
Commercial investor real estate mortgage	0.67	—	—	—
Residential first mortgage	5	—	8	1 %
Home equity lines	19	—	18	1 %
Home equity loans	15	—	16	2 %

In addition to the financial impacts in the table above, during the six months ended June 30, 2023, there were instances of commercial and industrial payment deferrals in which the amortization period was doubled to maturity.

The following tables include aging and non-accrual performance for modifications to troubled borrowers modified in the three and six month periods since the adoption of related accounting guidance by portfolio segment and class.

Three Months Ended June 30, 2023					
	Current	30-89 DPD	90+ DPD	Non-Performing Loans	Total
	(In millions)				
Commercial and industrial	\$ 52	\$ —	\$ —	\$ 29	\$ 81
Commercial real estate mortgage—owner-occupied	4	—	—	4	8
Commercial real estate construction—owner-occupied	2	—	—	1	3
Total commercial	58	—	—	34	92
Commercial investor real estate mortgage	48	—	—	15	63
Total investor real estate	48	—	—	15	63
Residential first mortgage	25	1	—	1	27
Home equity lines	1	—	—	—	1
Home equity loans	2	—	—	1	3
Total consumer	28	1	—	2	31
	<u>\$ 134</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 51</u>	<u>\$ 186</u>

Six Months Ended June 30, 2023					
	Current	30-89 DPD	90+ DPD	Non-Performing Loans	Total
	(In millions)				
Commercial and industrial	\$ 198	\$ 2	\$ —	\$ 43	\$ 243
Commercial real estate mortgage—owner-occupied	6	—	—	4	10
Commercial real estate construction—owner-occupied	2	—	—	1	3
Total commercial	206	2	—	48	256
Commercial investor real estate mortgage	48	—	—	15	63
Total investor real estate	48	—	—	15	63
Residential first mortgage	44	4	1	1	50
Home equity lines	1	—	—	1	2
Home equity loans	4	—	—	1	5
Total consumer	49	4	1	3	57
	<u>\$ 303</u>	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 66</u>	<u>\$ 376</u>

Prior to the Company's adoption of new guidance related to modifications to borrowers experiencing financial difficulty, Regions accounted for loans in which the borrower was experiencing financial difficulty at the modification date and wherein Regions had granted a concession to the borrower as a TDR. Like modifications to troubled borrowers, TDRs were undertaken in order to improve the likelihood of repayment of a loan. However, TDR modifications were different because they may have had a stated interest rate lower than the current market rate for new debt with similar risk, other modifications to the structure of the loan that fell outside of normal underwriting policies and procedures, or in limited circumstances forgiveness of principal and/or interest. Refer to Note 1 "Summary of Significant Accounting Policies" and Note 5 "Allowance for Credit Losses" in the Annual Report on Form 10-K for the year ended December 31, 2022 for additional information.

The following tables present the end of period balance for loans modified in a TDR during the periods presented in 2022 by portfolio segment and class, and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs.

Three Months Ended June 30, 2022			
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs
			Increase in Allowance at Modification
			(Dollars in millions)
Commercial and industrial	10	\$ 23	\$ —
Commercial real estate mortgage—owner-occupied	6	1	—
Commercial real estate construction—owner-occupied	—	—	—
Total commercial	16	24	—
Commercial investor real estate mortgage	1	27	—
Commercial investor real estate construction	—	—	—
Total investor real estate	1	27	—
Residential first mortgage	368	48	1
Home equity lines	32	2	1
Home equity loans	68	5	—
Consumer credit card	—	—	—
Other consumer—exit portfolios	—	—	—
Other consumer	2	—	—
Total consumer	470	55	2
	487	\$ 106	\$ 2
Six Months Ended June 30, 2022			
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs
			Increase in Allowance at Modification
			(Dollars in millions)
Commercial and industrial	20	\$ 60	\$ —
Commercial real estate mortgage—owner-occupied	9	3	—
Commercial real estate construction—owner-occupied	—	—	—
Total commercial	29	63	—
Commercial investor real estate mortgage	2	35	—
Commercial investor real estate construction	—	—	—
Total investor real estate	2	35	—
Residential first mortgage	725	100	4
Home equity lines	54	4	2
Home equity loans	110	8	—
Consumer credit card	2	—	—
Other consumer—exit portfolios	—	—	—
Other consumer	4	—	—
Total consumer	895	112	6
	926	\$ 210	\$ 6

NOTE 4. SERVICING OF FINANCIAL ASSETS

RESIDENTIAL MORTGAGE BANKING ACTIVITIES

The fair value of residential MSRs is calculated using various assumptions including future cash flows, market discount rates, expected prepayment rates, servicing costs and other factors. A significant change in prepayments of mortgages in the servicing portfolio could result in significant changes in the valuation adjustments, thus creating potential volatility in the carrying amount of residential MSRs. The Company compares fair value estimates and assumptions to observable market data where available, and also considers recent market activity and actual portfolio experience.

The table below presents an analysis of residential MSRs under the fair value measurement method:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	(In millions)			
Carrying value, beginning of period	\$ 790	\$ 542	\$ 812	\$ 418
Additions	8	10	12	29
Purchases ⁽¹⁾	22	181	32	256
Increase (decrease) in fair value:				
Due to change in valuation inputs or assumptions	8	52	(4)	99
Economic amortization associated with borrower repayments ⁽²⁾	(27)	(15)	(51)	(32)
Carrying value, end of period	<u>\$ 801</u>	<u>\$ 770</u>	<u>\$ 801</u>	<u>\$ 770</u>

(1) Purchases of residential MSRs can be structured with cash hold back provisions, therefore the timing of payment may be made in future periods.

(2) Includes both total loan payoffs as well as partial paydowns. Regions' MSR decay methodology is a discounted net cash flow approach.

Data and assumptions used in the fair value calculation, as well as the valuation's sensitivity to rate fluctuations, related to residential MSRs (excluding related derivative instruments) are as follows:

	June 30	
	2023	2022
	(Dollars in millions)	
Unpaid principal balance	\$ 55,277	\$ 52,965
Weighted-average CPR (%)	8.1 %	7.9 %
Estimated impact on fair value of a 10% increase	\$ (42)	\$ (66)
Estimated impact on fair value of a 20% increase	\$ (79)	\$ (107)
Option-adjusted spread (basis points)	475	480
Estimated impact on fair value of a 10% increase	\$ (17)	\$ (17)
Estimated impact on fair value of a 20% increase	\$ (33)	\$ (34)
Weighted-average coupon interest rate	3.7 %	3.4 %
Weighted-average remaining maturity (months)	306	309
Weighted-average servicing fee (basis points)	27.2	27.1

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. Changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on the fair value of the residential MSRs is calculated without changing any other assumption, while in reality changes in one factor may result in changes in another, which may either magnify or counteract the effect of the change. The derivative instruments utilized by Regions would serve to reduce the estimated impacts to fair value included in the table above.

Servicing related fees, which include contractually specified servicing fees, late fees and other ancillary income resulting from the servicing of residential mortgage loans totaled \$39 million and \$28 million for the three months ended June 30, 2023 and 2022, respectively and \$77 million and \$55 million for the six months ended June 30, 2023 and 2022, respectively.

Residential mortgage loans are sold in the secondary market with standard representations and warranties regarding certain characteristics such as the quality of the loan, the absence of fraud, the eligibility of the loan for sale and the future servicing associated with the loan. Regions may be required to repurchase these loans at par, or make-whole or indemnify the purchasers for losses incurred when representations and warranties are breached.

Regions maintains an immaterial repurchase liability related to residential mortgage loans sold with representations and warranty provisions. This repurchase liability is reported in other liabilities on the consolidated balance sheets and reflects management's estimate of losses based on historical repurchase and loss trends, as well as other factors that may result in anticipated losses different from historical loss trends. Adjustments to this reserve are recorded in other non-interest expense on the consolidated statements of income.

COMMERCIAL MORTGAGE BANKING ACTIVITIES

Regions is an approved DUS lender. The DUS program provides liquidity to the multi-family housing market. In connection with the DUS program, Regions services commercial mortgage loans, retains commercial MSRs and intangible assets associated with the DUS license, and assumes a loss share guarantee associated with the loans. See Note 1 "Summary of Significant Accounting Policies" in the Annual Report on Form 10-K for the year ended December 31, 2022 for additional information. Also see Note 11 for additional information related to the guarantee.

Regions' DUS portfolio totaled \$78 million and \$81 million at June 30, 2023 and December 31, 2022, respectively. Regions periodically evaluates DUS MSRs for impairment based on fair value. The estimated fair value of the DUS MSRs was approximately \$101 million at June 30, 2023 and \$96 million at December 31, 2022.

Servicing related fees in connection with the DUS program, which include contractually specified servicing fees, late fees and other ancillary income resulting from the servicing of DUS commercial mortgage loans totaled \$6 million and \$7 million for the three months ended June 30, 2023 and 2022, respectively and \$11 million and \$14 million for the six months ended June 30, 2023 and 2022, respectively.

NOTE 5. SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

PREFERRED STOCK

The following table presents a summary of the non-cumulative perpetual preferred stock:

									June 30, 2023	December 31, 2022
	Issuance Date	Earliest Redemption Date	Dividend Rate ⁽¹⁾	Liquidation Amount	Liquidation preference per Share	Liquidation preference per Depository Share	Ownership Interest per Depository Share	Shares Issued and Outstanding	Carrying Amount	Carrying Amount
(Dollars in millions, except for share and per share amounts)										
Series B	4/29/2014	9/15/2024	6.375 % ⁽²⁾	\$ 500	\$ 1,000	\$ 25	1/40th	500,000	\$ 433	\$ 433
Series C	4/30/2019	5/15/2029	5.700 % ⁽³⁾	500	1,000	25	1/40th	500,000	490	490
Series D	6/5/2020	9/15/2025	5.750 % ⁽⁴⁾	350	100,000	1,000	1/100th	3,500	346	346
Series E	5/4/2021	6/15/2026	4.450 %	400	1,000	25	1/40th	400,000	390	390
				<u>\$ 1,750</u>				<u>1,403,500</u>	<u>\$ 1,659</u>	<u>\$ 1,659</u>

(1) Dividends on all series of preferred stock, if declared, accrue and are payable quarterly in arrears.

(2) Dividends, if declared, will be paid quarterly at an annual rate equal to (i) for each period beginning prior to September 15, 2024, 6.375%, and (ii) for each period beginning on or after September 15, 2024, three-month CME Term SOFR plus 3.536%.

(3) Dividends, if declared, will be paid quarterly at an annual rate equal to (i) for each period beginning prior to August 15, 2029, 5.700%, and (ii) for each period beginning on or after August 15, 2029, three-month CME Term SOFR plus 3.148%.

(4) Dividends, if declared, will be paid quarterly at an annual rate equal to (i) for each period beginning prior to September 15, 2025, 5.750%, and (ii) for each period beginning on or after September 15, 2025, the five-year treasury rate as of the most recent reset dividend determination date plus 5.426%.

All series of preferred stock have no stated maturity and redemption is solely at Regions' option, subject to regulatory approval, in whole, or in part, after the earliest redemption date or in whole, but not in part, at any time following a regulatory capital treatment event for the Series B, Series C, Series D, and Series E preferred stock.

The Board of Directors declared a total of \$49 million in cash dividends on all series of preferred stock during both the first six months of 2023 and 2022.

In the event Series B, Series C, Series D or Series E preferred shares are redeemed at the liquidation amounts, \$67 million, \$10 million, \$4 million, or \$10 million in excess of the redemption amount over the carrying amount will be recognized, respectively. Approximately \$52 million of Series B preferred dividends that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to common shareholders' equity. The remaining amounts listed represent issuance costs that were recorded as reductions to preferred stock, including related surplus, and will be recorded as reductions to net income available to common shareholders.

COMMON STOCK

Regions' 2022 stress testing results from the FRB reflected that the Company exceeded all minimum capital levels and the SCB will be floored at 2.5 percent for the fourth quarter of 2022 through the third quarter of 2023. As a Category IV bank, Regions was not required to participate in this year's supervisory capital stress test; however, the Company did receive its SCB reflecting planned capital changes including plans to increase its common stock dividend. From the fourth quarter of 2023 through the third quarter of 2024, the Company's SCB will remain at 2.5 percent.

On April 20, 2022, the Board authorized the repurchase of up to \$2.5 billion of the Company's common stock, permitting purchases from the second quarter of 2022 through the fourth quarter of 2024. As of June 30, 2023, Regions had repurchased approximately 725 thousand shares of common stock at a total cost of \$15 million under this plan. All of these shares were immediately retired upon repurchase and therefore were not included in treasury stock.

Regions declared \$0.20 per share in cash dividends for both the first and second quarter of 2023, totaling \$0.40 per common share for the first six months of 2023 as compared to \$0.17 per common share for the same quarterly periods of 2022, totaling \$0.34 per common share for the first six months of 2022.

On July 19, 2023, the Board declared a 20 percent increase to the quarterly common stock dividend to \$0.24 which will be payable on October 2, 2023, to stockholders of record at the close of business on September 1, 2023.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the balances and activity in AOCI on a pre-tax and net of tax basis for the three and six months ended June 30, 2023 and 2022 :

	Three Months Ended June 30, 2023		
	Pre-tax AOCI Activity	Tax Effect ⁽¹⁾	Net AOCI Activity
	(In millions)		
Total accumulated other comprehensive income (loss), beginning of period	\$ (3,812)	\$ 968	\$ (2,844)
Unrealized losses on securities transferred to held to maturity:			
Beginning balance	\$ (11)	\$ 2	\$ (9)
Reclassification adjustments for amortization on unrealized losses ⁽²⁾	1	—	1
Ending balance	<u>\$ (10)</u>	<u>\$ 2</u>	<u>\$ (8)</u>
Unrealized gains (losses) on securities available for sale:			
Beginning balance	\$ (2,984)	\$ 758	\$ (2,226)
Unrealized gains (losses) arising during the period	(344)	88	(256)
Ending balance	<u>\$ (3,328)</u>	<u>\$ 846</u>	<u>\$ (2,482)</u>
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Beginning balance	\$ (255)	\$ 65	\$ (190)
Unrealized gains (losses) on derivatives arising during the period	(496)	126	(370)
Reclassification adjustments for (gains) losses realized in net income ⁽²⁾	32	(8)	24
Change in AOCI from derivative activity in the period	(464)	118	(346)
Ending balance	<u>\$ (719)</u>	<u>\$ 183</u>	<u>\$ (536)</u>
Defined benefit pension plans and other post employment benefit plans:			
Beginning balance	\$ (562)	\$ 143	\$ (419)
Reclassification adjustments for amortization of actuarial (gains) losses and settlements realized in net income ⁽⁴⁾	6	(1)	5
Ending balance	<u>\$ (556)</u>	<u>\$ 142</u>	<u>\$ (414)</u>
Total other comprehensive income (loss)	(801)	205	(596)
Total accumulated other comprehensive income (loss), end of period	<u>\$ (4,613)</u>	<u>\$ 1,173</u>	<u>\$ (3,440)</u>

Three Months Ended June 30, 2022			
	Pre-tax AOCI Activity	Tax Effect ⁽¹⁾ (In millions)	Net AOCI Activity
Total accumulated other comprehensive income (loss), beginning of period	\$ (1,629)	\$ 415	\$ (1,214)
Unrealized losses on securities transferred to held to maturity:			
Beginning balance	\$ (13)	\$ 3	\$ (10)
Reclassification adjustments for amortization on unrealized losses ⁽²⁾	1	—	1
Ending balance	<u>\$ (12)</u>	<u>\$ 3</u>	<u>\$ (9)</u>
Unrealized gains (losses) on securities available for sale:			
Beginning balance	\$ (1,280)	\$ 326	\$ (954)
Unrealized gains (losses) arising during the period	(931)	237	(694)
Ending balance	<u>\$ (2,211)</u>	<u>\$ 563</u>	<u>\$ (1,648)</u>
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Beginning balance	\$ 303	\$ (75)	\$ 228
Unrealized gains (losses) on derivatives arising during the period	(143)	34	(109)
Reclassification adjustments for (gains) losses realized in net income ⁽²⁾	(78)	20	(58)
Change in AOCI from derivative activity in the period	(221)	54	(167)
Ending balance	<u>\$ 82</u>	<u>\$ (21)</u>	<u>\$ 61</u>
Defined benefit pension plans and other post employment benefit plans:			
Beginning balance	\$ (639)	\$ 161	\$ (478)
Reclassification adjustments for amortization of actuarial (gains) losses and settlements realized in net income ⁽⁴⁾	8	(1)	7
Ending balance	<u>\$ (631)</u>	<u>\$ 160</u>	<u>\$ (471)</u>
Total other comprehensive income (loss)	(1,143)	290	(853)
Total accumulated other comprehensive income (loss), end of period	<u>\$ (2,772)</u>	<u>\$ 705</u>	<u>\$ (2,067)</u>

	Six Months Ended June 30, 2023		
	Pre-tax AOCI Activity	Tax Effect ⁽¹⁾	Net AOCI Activity
	(In millions)		
Total accumulated other comprehensive income (loss), beginning of period	\$ (4,481)	\$ 1,138	\$ (3,343)
Unrealized losses on securities transferred to held to maturity:			
Beginning balance	\$ (11)	\$ 2	\$ (9)
Reclassification adjustments for amortization on unrealized losses ⁽²⁾	1	—	1
Ending balance	<u>\$ (10)</u>	<u>\$ 2</u>	<u>\$ (8)</u>
Unrealized gains (losses) on securities available for sale:			
Beginning balance	\$ (3,433)	\$ 872	\$ (2,561)
Unrealized gains (losses) arising during the period	103	(26)	77
Reclassification adjustments for securities (gains) losses realized in net income ⁽³⁾	2	—	2
Change in AOCI from securities available for sale activity in the period	<u>105</u>	<u>(26)</u>	<u>79</u>
Ending balance	<u>\$ (3,328)</u>	<u>\$ 846</u>	<u>\$ (2,482)</u>
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Beginning balance	\$ (468)	\$ 119	\$ (349)
Unrealized gains (losses) on derivatives arising during the period	(298)	76	(222)
Reclassification adjustments for (gains) losses realized in net income ⁽²⁾	47	(12)	35
Change in AOCI from derivative activity in the period	<u>(251)</u>	<u>64</u>	<u>(187)</u>
Ending balance	<u>\$ (719)</u>	<u>\$ 183</u>	<u>\$ (536)</u>
Defined benefit pension plans and other post employment benefit plans:			
Beginning balance	\$ (569)	\$ 145	\$ (424)
Reclassification adjustments for amortization of actuarial (gains) losses and settlements realized in net income ⁽⁴⁾	13	(3)	10
Ending balance	<u>\$ (556)</u>	<u>\$ 142</u>	<u>\$ (414)</u>
Total other comprehensive income (loss)	<u>(132)</u>	<u>35</u>	<u>(97)</u>
Total accumulated other comprehensive income (loss), end of period	<u>\$ (4,613)</u>	<u>\$ 1,173</u>	<u>\$ (3,440)</u>

	Six Months Ended June 30, 2022		
	Pre-tax AOCI Activity	Tax Effect ⁽¹⁾	Net AOCI Activity
	(In millions)		
Total accumulated other comprehensive income (loss), beginning of period	\$ 387	\$ (98)	\$ 289
Unrealized losses on securities transferred to held to maturity:			
Beginning balance	\$ (14)	\$ 3	\$ (11)
Reclassification adjustments for amortization on unrealized (gains) losses ⁽²⁾	2	—	2
Ending balance	\$ (12)	\$ 3	\$ (9)
Unrealized gains (losses) on securities available for sale:			
Beginning balance	\$ 218	\$ (55)	\$ 163
Unrealized gains (losses) arising during the period	(2,429)	618	(1,811)
Ending balance	\$ (2,211)	\$ 563	\$ (1,648)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Beginning balance	\$ 830	\$ (209)	\$ 621
Unrealized gains (losses) on derivatives arising during the period	(560)	140	(420)
Reclassification adjustments for (gains) losses realized in net income ⁽²⁾	(188)	48	(140)
Change in AOCI from derivative activity in the period	(748)	188	(560)
Ending balance	\$ 82	\$ (21)	\$ 61
Defined benefit pension plans and other post employment benefit plans:			
Beginning balance	\$ (647)	\$ 163	\$ (484)
Reclassification adjustments for amortization of actuarial (gains) losses and settlements realized in net income ⁽⁴⁾	16	(3)	13
Ending balance	\$ (631)	\$ 160	\$ (471)
Total other comprehensive income (loss)	(3,159)	803	(2,356)
Total accumulated other comprehensive income (loss), end of period	\$ (2,772)	\$ 705	\$ (2,067)

(1) The impact of all AOCI activity is shown net of the related tax impact, calculated using an effective tax rate of approximately 25 percent.

(2) Reclassification amount is recognized in net interest income in the consolidated statements of income.

(3) Reclassification amount is recognized in securities gains (losses), net in the consolidated statements of income.

(4) Reclassification amount is recognized in other non-interest expense in the consolidated statements of income. Additionally, these accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost (see Note 7 for additional details).

NOTE 6. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic earnings per common share and diluted earnings per common share:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	(In millions, except per share data)			
Numerator:				
Net income	\$ 581	\$ 583	\$ 1,193	\$ 1,131
Preferred stock dividends	(25)	(25)	(49)	(49)
Net income available to common shareholders	\$ 556	\$ 558	\$ 1,144	\$ 1,082
Denominator:				
Weighted-average common shares outstanding—basic	\$ 939	\$ 934	\$ 938	\$ 936
Potential common shares	—	6	3	7
Weighted-average common shares outstanding—diluted	\$ 939	\$ 940	\$ 941	\$ 943
Earnings per common share:				
Basic	\$ 0.59	\$ 0.60	\$ 1.22	\$ 1.16
Diluted	0.59	0.59	1.22	1.15

The effects from the assumed exercise of 8 million and 5 million in restricted stock units and awards and performance stock units for the three and six months ended June 30, 2023, respectively, were not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share.

The effects from the assumed exercise of 6 million and 4 million in restricted stock units and awards and performance stock units for the three and six months ended June 30, 2022, respectively, were not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share.

NOTE 7. PENSION AND OTHER POSTRETIREMENT BENEFITS

Regions' defined benefit pension plans cover certain employees as the pension plans are closed to new entrants. The Company also sponsors a SERP, which is a non-qualified pension plan that provides certain senior executive officers defined benefits in relation to their compensation.

Net periodic pension cost (benefit) included the following components:

	Qualified Plans		Non-qualified Plans		Total	
			Three Months Ended June 30			
	2023	2022	2023	2022	2023	2022
	(In millions)					
Service cost	\$ 6	\$ 9	\$ —	\$ 1	\$ 6	\$ 10
Interest cost	21	14	1	—	22	14
Expected return on plan assets	(30)	(35)	—	—	(30)	(35)
Amortization of actuarial loss	6	7	—	1	6	8
Net periodic pension (benefit) cost	3	(5)	1	2	4	(3)

	Qualified Plans		Non-qualified Plans		Total	
			Six Months Ended June 30			
	2023	2022	2023	2022	2023	2022
	(In millions)					
Service cost	\$ 11	\$ 18	\$ 1	\$ 1	\$ 12	\$ 19
Interest cost	42	28	3	1	45	29
Expected return on plan assets	(60)	(70)	—	—	(60)	(70)
Amortization of actuarial loss	12	13	1	3	13	16
Net periodic pension (benefit) cost	5	(11)	5	5	10	(6)

The service cost component of net periodic pension (benefit) cost is recorded in salaries and employee benefits on the consolidated statements of income. Components other than service cost are recorded in other non-interest expense on the consolidated statements of income.

Regions' funding policy for the qualified plans is to contribute annually at least the amount required by IRS minimum funding standards. Regions made no contributions during the first six months of 2023.

Regions also provides other postretirement benefits, such as defined benefit health care plans and life insurance plans, that cover certain retired employees. There was no material impact from other postretirement benefits on the consolidated financial statements for the six months ended June 30, 2023 or 2022.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The following tables present the notional amount and estimated fair value of derivative instruments.

	June 30, 2023			December 31, 2022		
	Notional Amount ⁽¹⁾	Estimated Fair Value		Notional Amount	Estimated Fair Value	
		Gain ⁽¹⁾⁽²⁾	Loss ⁽¹⁾⁽²⁾		Gain ⁽²⁾	Loss ⁽²⁾
(In millions)						
Derivatives in fair value hedging relationships:						
Interest rate swaps	\$ 1,423	\$ 6	\$ 156	\$ 1,423	\$ 1	\$ 158
Derivatives in cash flow hedging relationships:						
Interest rate swaps	27,800	56	889	30,600	19	668
Interest rate options	1,500	15	15	—	—	—
Total derivatives in cash flow hedging relationships	29,300	71	904	30,600	19	668
Total derivatives designated as hedging instruments	<u>\$ 30,723</u>	<u>\$ 77</u>	<u>\$ 1,060</u>	<u>\$ 32,023</u>	<u>\$ 20</u>	<u>\$ 826</u>
Derivatives not designated as hedging instruments:						
Interest rate swaps	\$ 113,232	\$ 3,078	\$ 3,065	\$ 94,220	\$ 2,315	\$ 2,335
Interest rate options	12,054	93	75	12,506	94	85
Interest rate futures and forward commitments	1,280	10	4	985	8	5
Other contracts	11,934	166	154	12,173	172	127
Total derivatives not designated as hedging instruments	<u>\$ 138,500</u>	<u>\$ 3,347</u>	<u>\$ 3,298</u>	<u>\$ 119,884</u>	<u>\$ 2,589</u>	<u>\$ 2,552</u>
Total derivatives	<u>\$ 169,223</u>	<u>\$ 3,424</u>	<u>\$ 4,358</u>	<u>\$ 151,907</u>	<u>\$ 2,609</u>	<u>\$ 3,378</u>
Total gross derivative instruments, before netting		\$ 3,424	\$ 4,358		\$ 2,609	\$ 3,378
Less: Netting adjustments ⁽³⁾		3,336	2,833		2,504	1,925
Total gross derivative instruments, after netting		<u>\$ 88</u>	<u>\$ 1,525</u>		<u>\$ 105</u>	<u>\$ 1,453</u>

- (1) In the second quarter of 2023, the Company entered into additional trades to transition remaining derivative exposure from LIBOR to SOFR. The table reflects net notional presentation and gross asset and liability presentation to capture the economic impact of the trades. As a part of this transition, the Company is applying certain optional expedients and exceptions in previously adopted accounting relief for hedges.
- (2) Derivatives in a gain position are recorded as other assets and derivatives in a loss position are recorded as other liabilities on the consolidated balance sheets. Includes accrued interest as applicable.
- (3) Netting adjustments represent amounts recorded to convert derivative assets and derivative liabilities from a gross basis to a net basis in accordance with applicable accounting guidance. The net basis takes into account the impact of cash collateral received or posted, legally enforceable master netting agreements, and variation margin that allow Regions to settle derivative contracts with the counterparty on a net basis and to offset the net position with the related cash collateral.

HEDGING DERIVATIVES

Derivatives entered into to manage interest rate risk and facilitate asset/liability management strategies are designated as hedging derivatives. Derivative financial instruments that qualify in a hedging relationship are classified, based on the exposure being hedged, as either fair value hedges or cash flow hedges. See Note 1 "Summary of Significant Accounting Policies" of the Annual Report on Form 10-K for the year ended December 31, 2022, for additional information regarding accounting policies for derivatives.

FAIR VALUE HEDGES

Fair value hedge relationships mitigate exposure to the change in fair value of an asset, liability or firm commitment.

Regions enters into interest rate swap agreements to manage interest rate exposure on the Company's fixed-rate borrowings. These agreements involve the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreements. Regions also enters into interest rate swap agreements to manage interest rate exposure on certain of the Company's fixed-rate prepayable and non-prepayable debt securities available for sale. These agreements involve the payment of fixed-rate amounts in exchange for floating-rate interest receipts.

CASH FLOW HEDGES

Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions.

Regions enters into interest rate swaps, options (e.g., floors, caps and collars), and agreements with a combination of these instruments to manage overall cash flow changes related to interest rate risk exposure on variable rate loans. The agreements effectively modify the Company's exposure to interest rate risk by utilizing receive fixed/pay LIBOR or SOFR interest rate swaps and interest rate floors. As of June 30, 2023, Regions is hedging its exposure to the variability in future cash flows into 2029.

As of June 30, 2023, cash flow hedges were held at a pre-tax net loss of \$719 million, which includes pre-tax net gains of \$98 million related to terminated cash flow floors and swaps. Regions expects to reclassify into earnings approximately \$391 million in pre-tax expenses due to the net receipt/ payment of interest and amortization on all cash flow hedges within the next twelve months. Included in this amount is \$37 million in pre-tax net gains related to the amortization of terminated cash flow floors and swaps.

The following tables present the effect of hedging derivative instruments on the consolidated statements of income and the total amounts for the respective line items affected:

	Three Months Ended June 30, 2023		
	Interest Income	Interest Income	Interest Expense
	Debt securities	Loans, including fees	Long-term borrowings
	(In millions)		
Total income (expense) presented in the consolidated statements of income	\$ 185	\$ 1,454	\$ (56)
Gains/(losses) on fair value hedging relationships:			
Interest rate contracts:			
Amounts related to interest settlements on derivatives	\$ —	\$ —	\$ (16)
Recognized on derivatives	—	—	(14)
Recognized on hedged items	—	—	14
Income (expense) recognized on fair value hedges	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (16)</u>
Gains/(losses) on cash flow hedging relationships: ⁽¹⁾			
Interest rate contracts:			
Realized gains (losses) reclassified from AOCI into net income ⁽²⁾	\$ —	\$ (32)	\$ —
Income (expense) recognized on cash flow hedges	<u>\$ —</u>	<u>\$ (32)</u>	<u>\$ —</u>

	Three Months Ended June 30, 2022		
	Interest Income	Interest Income	Interest Expense
	Debt securities	Loans, including fees	Long-term borrowings
	(In millions)		
Total income (expense) presented in the consolidated statements of income	\$ 157	\$ 932	\$ (27)
Gains/(losses) on fair value hedging relationships:			
Interest rate contracts:			
Amounts related to interest settlements on derivatives	\$ —	\$ —	\$ (1)
Recognized on derivatives	14	—	(24)
Recognized on hedged items	(14)	—	24
Income (expense) recognized on fair value hedges	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1)</u>
Gains/(losses) on cash flow hedging relationships: ⁽¹⁾			
Interest rate contracts:			
Realized gains (losses) reclassified from AOCI into net income ⁽²⁾	\$ —	\$ 78	\$ —
Income (expense) recognized on cash flow hedges	<u>\$ —</u>	<u>\$ 78</u>	<u>\$ —</u>

	Six Months Ended June 30, 2023		
	Interest Income	Interest Income	Interest Expense
	Debt securities	Loans, including fees	Long-term borrowings
	(In millions)		
Total income (expense) presented in the consolidated statements of income	\$ 372	\$ 2,814	\$ (96)
Gains/(losses) on fair value hedging relationships:			
Interest rate contracts:			
Amounts related to interest settlements on derivatives	\$ —	\$ —	\$ (29)
Recognized on derivatives	—	—	9
Recognized on hedged items	—	—	(9)
Income (expense) recognized on fair value hedges	\$ —	\$ —	\$ (29)
Gains/(losses) on cash flow hedging relationships: ⁽¹⁾			
Interest rate contracts:			
Realized gains (losses) reclassified from AOCI into net income ⁽²⁾	\$ —	\$ (47)	\$ —
Income (expense) recognized on cash flow hedges	\$ —	\$ (47)	\$ —

	Six Months Ended June 30, 2022		
	Interest Income	Interest Income	Interest Expense
	Debt securities	Loans, including fees	Long-term borrowings
	(In millions)		
Total income (expense) presented in the consolidated statements of income	\$ 295	\$ 1,808	\$ (51)
Gains/(losses) on fair value hedging relationships:			
Interest rate contracts:			
Amounts related to interest settlements on derivatives	\$ —	\$ —	\$ 1
Recognized on derivatives	36	—	(88)
Recognized on hedged items	(36)	—	88
Income (expense) recognized on fair value hedges	\$ —	\$ —	\$ 1
Gains/(losses) on cash flow hedging relationships: ⁽¹⁾			
Interest rate contracts:			
Realized gains (losses) reclassified from AOCI into net income ⁽²⁾	\$ —	\$ 188	\$ —
Income (expense) recognized on cash flow hedges	\$ —	\$ 188	\$ —

(1) See Note 5 for gain or (loss) recognized for cash flow hedges in AOCI.

(2) Pre-tax

The following tables present the carrying amount and associated cumulative basis adjustment related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities in fair value hedging relationships.

	June 30, 2023		December 31, 2022	
	Hedged Items Currently Designated		Hedged Items Currently Designated	
	Carrying Amount of Assets/(Liabilities)	Hedge Accounting Basis Adjustment	Carrying Amount of Assets/(Liabilities)	Hedge Accounting Basis Adjustment
	(In millions)		(In millions)	
Debt securities available for sale ⁽¹⁾	\$ 24	\$ —	\$ 23	\$ —
Long-term borrowings	(1,248)	149	(1,239)	158

(1) Carrying amount represents amortized cost.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Company holds a portfolio of interest rate swaps, option contracts, and futures and forward commitments that result from transactions with its commercial customers in which they manage their risks by entering into a derivative with Regions. The Company monitors and manages the net risk in this customer portfolio and enters into separate derivative contracts in order to reduce the overall exposure to pre-defined limits. For both derivatives with its end customers and derivatives Regions enters into to mitigate the risk in this portfolio, the Company is subject to market risk and the risk that the counterparty will default.

The contracts in this portfolio are not designated as accounting hedges and are marked-to market through earnings (in capital markets income) and included in other assets and other liabilities, as appropriate.

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. At June 30, 2023 and December 31, 2022, Regions had \$182 million and \$118 million, respectively, in total notional amount of interest rate lock commitments. Regions manages market risk on interest rate lock commitments and mortgage loans held for sale with corresponding forward sale commitments. Residential mortgage loans held for sale are recorded at fair value with changes in fair value recorded in mortgage income. Commercial mortgage loans held for sale are recorded at either the lower of cost or market or at fair value based on management's election. At June 30, 2023 and December 31, 2022, Regions had \$396 million and \$233 million, respectively, in total notional amounts related to these forward sale commitments. Changes in mark-to-market from both interest rate lock commitments and corresponding forward sale commitments related to residential mortgage loans are included in mortgage income. Changes in mark-to-market from both interest rate lock commitments and corresponding forward sale commitments related to commercial mortgage loans are included in capital markets income.

Regions has elected to account for residential MSRs at fair value with any changes to fair value recorded in mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the effect of changes in the fair value of its residential MSRs in its consolidated statements of income. As of June 30, 2023 and December 31, 2022, the total notional amount related to these contracts was \$3.5 billion and \$3.4 billion, respectively.

The following table presents the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the consolidated statements of income for the periods presented below:

Derivatives Not Designated as Hedging Instruments	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	(In millions)			
Capital markets income:				
Interest rate swaps	\$ 4	\$ 36	\$ (24)	\$ 67
Interest rate options	12	5	21	16
Interest rate futures and forward commitments	4	3	8	(1)
Other contracts	8	5	6	8
Total capital markets income	28	49	11	90
Mortgage income:				
Interest rate swaps	(7)	(38)	—	(84)
Interest rate options	(2)	1	1	(9)
Interest rate futures and forward commitments	1	(21)	—	(5)
Total mortgage income	(8)	(58)	1	(98)
	<u>\$ 20</u>	<u>\$ (9)</u>	<u>\$ 12</u>	<u>\$ (8)</u>

CREDIT DERIVATIVES

Regions has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Swap participations, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty if the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction and have maturities between 2023 and 2029. Swap participations, whereby Regions has sold credit protection have maturities between 2023 and 2035. For contracts where Regions sold credit protection, Regions would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction. Regions bases the current status of the prepayment/performance risk on bought and sold credit derivatives on recently issued internal risk ratings consistent with the risk management practices of unfunded commitments.

Regions' maximum potential amount of future payments under these contracts as of June 30, 2023 was approximately \$446 million. This scenario occurs if variable interest rates were at zero percent and all counterparties defaulted with zero recovery. The fair value of sold protection at June 30, 2023 and 2022 was immaterial. In transactions where Regions has sold credit protection, recourse to collateral associated with the original swap transaction is available to offset some or all of Regions' obligation.

Regions has bought credit protection in the form of credit default indices. These indices, which meet the definition of credit derivatives, were entered into in the ordinary course of business to economically hedge credit spread risk in commercial mortgage loans held for sale whereby the fair value option has been elected. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty if losses on the underlying index exceed a certain threshold, dependent upon the tranche rating of the capital structure.

CONTINGENT FEATURES

Certain of Regions' derivative instrument contracts with broker-dealers contain credit-related termination provisions and/or credit related provisions regarding the posting of collateral, allowing those broker-dealers to terminate the contracts in the event that Regions' and/or Regions Bank's credit ratings falls below specified ratings from certain major credit rating agencies. The aggregate fair values of all derivative instruments with any credit-risk-related contingent features that were in a liability position on June 30, 2023 and December 31, 2022, were \$25 million and \$17 million, respectively, for which Regions had posted collateral of \$24 million and \$20 million, respectively, in the normal course of business.

NOTE 9. FAIR VALUE MEASUREMENTS

See Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2022 for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. Assets and liabilities measured at fair value rarely transfer between Level 1 and Level 2 measurements. Marketable equity securities and debt securities available for sale may be periodically transferred to or from Level 3 valuation based on management's conclusion regarding the observability of inputs used in valuing the securities. Such transfers are accounted for as if they occur at the beginning of a reporting period.

The following table presents assets and liabilities measured at estimated fair value on a recurring basis:

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3 ⁽¹⁾	Total Estimated Fair Value	Level 1	Level 2	Level 3 ⁽¹⁾	Total Estimated Fair Value
(In millions)								
Recurring fair value measurements								
Debt securities available for sale:								
U.S. Treasury securities	\$ 1,191	\$ —	\$ —	\$ 1,191	\$ 1,187	\$ —	\$ —	\$ 1,187
Federal agency securities	—	926	—	926	—	836	—	836
Obligations of states and political subdivisions	—	2	—	2	—	2	—	2
Mortgage-backed securities:								
Residential agency	—	16,570	—	16,570	—	16,954	—	16,954
Residential non-agency	—	—	—	—	—	—	1	1
Commercial agency	—	7,425	—	7,425	—	7,613	—	7,613
Commercial non-agency	—	81	—	81	—	186	—	186
Corporate and other debt securities	—	1,100	1	1,101	—	1,153	1	1,154
Total debt securities available for sale	\$ 1,191	\$ 26,104	\$ 1	\$ 27,296	\$ 1,187	\$ 26,744	\$ 2	\$ 27,933
Loans held for sale	\$ —	\$ 276	\$ 64	\$ 340	\$ —	\$ 177	\$ 19	\$ 196
Marketable equity securities in other earning assets	\$ 735	\$ —	\$ —	\$ 735	\$ 529	\$ —	\$ —	\$ 529
Residential mortgage servicing rights	\$ —	\$ —	\$ 801	\$ 801	\$ —	\$ —	\$ 812	\$ 812
Derivative assets ⁽²⁾ :								
Interest rate swaps	\$ —	\$ 3,140	\$ —	\$ 3,140	\$ —	\$ 2,335	\$ —	\$ 2,335
Interest rate options	—	95	13	108	—	91	3	94
Interest rate futures and forward commitments	—	10	—	10	—	8	—	8
Other contracts	1	165	—	166	3	169	—	172
Total derivative assets	\$ 1	\$ 3,410	\$ 13	\$ 3,424	\$ 3	\$ 2,603	\$ 3	\$ 2,609
Derivative liabilities ⁽²⁾ :								
Interest rate swaps	\$ —	\$ 4,110	\$ —	\$ 4,110	\$ —	\$ 3,161	\$ —	\$ 3,161
Interest rate options	—	90	—	90	—	85	—	85
Interest rate futures and forward commitments	—	4	—	4	—	5	—	5
Other contracts	3	150	1	154	2	124	1	127
Total derivative liabilities	\$ 3	\$ 4,354	\$ 1	\$ 4,358	\$ 2	\$ 3,375	\$ 1	\$ 3,378

(1) All following disclosures related to Level 3 recurring assets do not include those deemed to be immaterial.

(2) As permitted under U.S. GAAP, variation margin collateral payments made or received for derivatives that are centrally cleared are legally characterized as settled. As such, these derivative assets and derivative liabilities and the related variation margin collateral are presented on a net basis on the balance sheet.

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on Level 3 assets represent only a portion of the risk to market fluctuations in Regions' consolidated balance sheets. Further, derivatives included in Levels 2 and 3 are used by ALCO in a holistic approach to managing price fluctuation risks.

The following tables present an analysis of residential MSRs for the three and six months ended June 30, 2023 and 2022, respectively.

	Residential mortgage servicing rights			
	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
	(In millions)			
Carrying value, beginning of period	\$ 790	\$ 542	\$ 812	\$ 418
Total realized/unrealized gains (losses) included in earnings ⁽¹⁾	(19)	37	(55)	67
Additions	8	10	12	29
Purchases	22	181	32	256
Carrying value, end of period	<u>\$ 801</u>	<u>\$ 770</u>	<u>\$ 801</u>	<u>\$ 770</u>

(1) Included in mortgage income. Amounts presented exclude offsetting impact from related derivatives.

RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Residential mortgage servicing rights

The significant unobservable inputs used in the fair value measurement of residential MSRs are OAS and CPR. This valuation requires generating cash flow projections over multiple interest rate scenarios and discounting those cash flows at a risk-adjusted rate. Additionally, the impact of prepayments and changes in the OAS are based on a variety of underlying inputs including servicing costs. Increases or decreases to the underlying cash flow inputs will have a corresponding impact on the value of the MSR asset. The net change in unrealized gains (losses) included in earnings related to MSRs held at period end are disclosed as the changes in valuation inputs or assumptions included in the MSR rollforward table in Note 4.

The following tables present detailed information regarding material assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of June 30, 2023, and December 31, 2022. The tables include the valuation techniques and the significant unobservable inputs utilized. The range of each significant unobservable input as well as the weighted-average within the range utilized at June 30, 2023 and December 31, 2022 are included. Following the tables are descriptions of the valuation techniques and the sensitivity of the techniques to changes in the significant unobservable inputs.

June 30, 2023				
Level 3 Estimated Fair Value at June 30, 2023	Valuation Technique	Unobservable Input(s)		Quantitative Range of Unobservable Inputs and (Weighted-Average)
(Dollars in millions)				
Recurring fair value measurements:				
Residential mortgage servicing rights ^(b)	\$801	Discounted cash flow	Weighted-average CPR (%)	6.6% - 18.4% (8.1%)
			OAS (%)	4.4% - 8.2% (4.8%)

(1) See Note 4 for additional disclosures related to assumptions used in the fair value calculation for residential mortgage servicing rights.

December 31, 2022				
Level 3 Estimated Fair Value at December 31, 2022	Valuation Technique	Unobservable Input(s)		Quantitative Range of Unobservable Inputs and (Weighted-Average)
(Dollars in millions)				
Recurring fair value measurements:				
Residential mortgage servicing rights ⁽¹⁾	\$812	Discounted cash flow	Weighted-average CPR (%)	6.1% - 15.1% (7.4%)
			OAS (%)	4.8% -8.2% (5.1%)

(1) See Note 6 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2022 for additional disclosures related to assumptions used in the fair value calculation for residential mortgage servicing rights.

FAIR VALUE OPTION

The Company elected the option to measure certain commercial mortgage loans held for sale at fair value. Commercial mortgage loans held for sale are valued based on traded market prices for comparable commercial mortgage-backed securitizations, into which the loans will be placed, adjusted for movements of interest rates and credit spreads. At June 30, 2023 and December 31, 2022, the balance of these loans was immaterial.

The Company has elected the option to measure certain commercial and industrial loans held for sale at fair value, as these loans are actively traded in the secondary market. The Company is able to obtain fair value estimates for substantially all of these loans through a third party valuation service that is broadly used by market participants. While most of the loans are traded in the market, the volume and level of trading activity is subject to variability and the loans are not exchange-traded. The balance of these loans held for sale was immaterial at June 30, 2023 and December 31, 2022.

Regions has elected the fair value option for all eligible agency residential first mortgage loans originated with the intent to sell. This election allows for a more effective offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. Fair values of residential first mortgage loans held for sale are based on traded market prices of similar assets where available and/or discounted cash flows at market interest rates, adjusted for securitization activities that include servicing values and market conditions, and are recorded in loans held for sale. At June 30, 2023, the aggregate fair value of these loans totaled \$257 million compared to aggregate unpaid principal of \$253 million. At December 31, 2022 the aggregate fair value of these loans totaled \$160 million compared to aggregate unpaid principal of \$157 million.

Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on loans held for sale. The following details net gains and losses resulting from changes in fair value of residential mortgage loans held for sale, which were recorded in mortgage income in the consolidated statements of income during the three and six months ended June 30, 2023 and 2022. A net loss resulting from changes in fair value of residential mortgage loans held for sale totaled \$1 million for the three months ended June 30, 2023 and compared to a net gain of \$1 million for the six months ended June 30, 2023. Net losses resulting from changes in fair value of residential mortgage loans held for sale totaled \$16 million and \$39 million for the three and six months ended June 30, 2022, respectively. These changes in fair value are mostly offset by economic hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

NON-RECURRING FAIR VALUE MEASUREMENTS

Items measured at fair value on a non-recurring basis include loans held for sale for which the fair value option has not been elected, foreclosed property and other real estate and equity investments without a readily determinable fair value; all of which may be considered either Level 2 or Level 3 valuation measurements. Non-recurring fair value adjustments related to loans held for sale, foreclosed property and other real estate are typically a result of the application of lower of cost or fair value accounting during the period. Non-recurring fair value adjustments related to equity investments without readily determinable fair values are the result of impairments or price changes from observable transactions. The balances of each of these assets, as well as the related fair value adjustments during the periods, were immaterial at both June 30, 2023 and December 31, 2022.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of June 30, 2023 are as follows:

	June 30, 2023				
	Carrying Amount	Estimated Fair Value ⁽¹⁾	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	\$ 9,886	\$ 9,886	\$ 9,886	\$ —	\$ —
Debt securities held to maturity	777	727	—	727	—
Debt securities available for sale	27,296	27,296	1,191	26,104	1
Loans held for sale	554	554	—	490	64
Loans (excluding leases), net of unearned income and allowance for loan losses ⁽²⁾⁽³⁾	96,047	91,889	—	—	91,889
Other earning assets	1,563	1,563	735	828	—
Derivative assets	3,424	3,424	1	3,410	13
Financial liabilities:					
Derivative liabilities	4,358	4,358	3	4,354	1
Deposits with no stated maturity ⁽⁴⁾	116,237	116,237	—	116,237	—
Time deposits ⁽⁴⁾	10,722	10,613	—	10,613	—
Short-term borrowings	3,000	3,000	—	3,000	—
Long-term borrowings	4,293	4,284	—	4,283	1
Loan commitments and letters of credit	143	143	—	—	143

- (1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for estimated changes in interest rates, market liquidity and credit spreads in the periods they are deemed to have occurred.
- (2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. The fair value discount on the loan portfolio's net carrying amount at June 30, 2023 was \$4.2 billion or 4.3 percent.
- (3) Excluded from this table is the sales-type, direct financing, and leveraged lease carrying amount of \$1.6 billion at June 30, 2023.
- (4) The fair value of non-interest-bearing demand accounts, interest-bearing checking accounts, savings accounts, and money market accounts is the amount payable on demand at the reporting date (i.e., the carrying amount) as these instruments have an indeterminate maturity date. Fair values for time deposits are estimated by using discounted cash flow analyses, based on market spreads to benchmark rates.

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of December 31, 2022 are as follows:

	December 31, 2022				
	Carrying Amount	Estimated Fair Value ⁽¹⁾	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	\$ 11,227	\$ 11,227	\$ 11,227	\$ —	\$ —
Debt securities held to maturity	801	751	—	751	—
Debt securities available for sale	27,933	27,933	1,187	26,744	2
Loans held for sale	354	354	—	335	19
Loans (excluding leases), net of unearned income and allowance for loan losses ⁽²⁾⁽³⁾	94,044	89,540	—	—	89,540
Other earning assets	1,308	1,308	529	779	—
Derivative assets	2,609	2,609	3	2,603	3
Financial liabilities:					
Derivative liabilities	3,378	3,378	2	3,375	1
Deposits with no stated maturity ⁽⁴⁾	125,971	125,971	—	125,971	—
Time deposits ⁽⁴⁾	5,772	5,697	—	5,697	—
Long-term borrowings	2,284	2,376	—	2,375	1
Loan commitments and letters of credit	153	153	—	—	153

- (1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for estimated changes in interest rates, market liquidity and credit spreads in the periods they are deemed to have occurred.
- (2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. The fair value discount on the loan portfolio's net carrying amount at December 31, 2022 was \$4.5 billion or 4.8 percent.
- (3) Excluded from this table is the sales-type, direct financing, and leveraged lease carrying amount of \$1.5 billion at December 31, 2022.
- (4) The fair value of non-interest-bearing demand accounts, interest-bearing checking accounts, savings accounts, and money market accounts is the amount payable on demand at the reporting date (i.e., the carrying amount) as these instruments have an indeterminate maturity date. Fair values for time deposits are estimated by using discounted cash flow analyses, based on market spreads to benchmark rates.

NOTE 10. BUSINESS SEGMENT INFORMATION

Each of Regions' reportable segments is a strategic business unit that serves specific needs of Regions' customers based on the products and services provided. The segments are based on the manner in which management views the financial performance of the business. The Company has three reportable segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder in Other. Additional information about the Company's reportable segments is included in Regions' Annual Report on Form 10-K for the year ended December 31, 2022.

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. As these enhancements are made, financial results presented by each reportable segment may be periodically revised. Accordingly, the prior periods were updated to reflect these enhancements.

The following tables present financial information for each reportable segment for the periods indicated:

Three Months Ended June 30, 2023					
	Corporate Bank	Consumer Bank	Wealth Management	Other	Consolidated
	(In millions)				
Net interest income	\$ 515	\$ 819	\$ 47	\$ —	\$ 1,381
Provision for (benefit from) credit losses	85	71	2	(40)	118
Non-interest income	185	267	113	11	576
Non-interest expense	312	686	106	7	1,111
Income before income taxes	303	329	52	44	728
Income tax expense (benefit)	76	82	13	(24)	147
Net income	\$ 227	\$ 247	\$ 39	\$ 68	\$ 581
Average assets	\$ 70,180	\$ 37,597	\$ 2,055	\$ 43,942	\$ 153,774

Three Months Ended June 30, 2022

	Corporate Bank	Consumer Bank	Wealth Management	Other	Consolidated
	(In millions)				
Net interest income	\$ 466	\$ 600	\$ 42	\$ —	\$ 1,108
Provision for (benefit from) credit losses	67	69	2	(78)	60
Non-interest income (loss)	235	311	105	(11)	640
Non-interest expense (benefit)	286	567	101	(6)	948
Income before income taxes	348	275	44	73	740
Income tax expense (benefit)	87	68	11	(9)	157
Net income	<u>\$ 261</u>	<u>\$ 207</u>	<u>\$ 33</u>	<u>\$ 82</u>	<u>\$ 583</u>
Average assets	\$ 63,311	\$ 36,293	\$ 2,141	\$ 60,081	\$ 161,826

Six Months Ended June 30, 2023

	Corporate Bank	Consumer Bank	Wealth Management	Other	Consolidated
	(In millions)				
Net interest income	\$ 1,040	\$ 1,657	\$ 101	\$ —	\$ 2,798
Provision for (benefit from) credit losses	165	138	4	(54)	253
Non-interest income	347	525	226	12	1,110
Non-interest expense	626	1,275	215	22	2,138
Income before income taxes	596	769	108	44	1,517
Income tax expense (benefit)	149	192	27	(44)	324
Net income	<u>\$ 447</u>	<u>\$ 577</u>	<u>\$ 81</u>	<u>\$ 88</u>	<u>\$ 1,193</u>
Average assets	\$ 69,639	\$ 37,378	\$ 2,070	\$ 44,343	\$ 153,430

Six Months Ended June 30, 2022

	Corporate Bank	Consumer Bank	Wealth Management	Other	Consolidated
	(In millions)				
Net interest income	\$ 899	\$ 1,147	\$ 77	\$ —	\$ 2,123
Provision for (benefit from) credit losses	135	140	5	(256)	24
Non-interest income (loss)	419	615	207	(17)	1,224
Non-interest expense (benefit)	565	1,123	196	(3)	1,881
Income before income taxes	618	499	83	242	1,442
Income tax expense	154	125	21	11	311
Net income	<u>\$ 464</u>	<u>\$ 374</u>	<u>\$ 62</u>	<u>\$ 231</u>	<u>\$ 1,131</u>
Average assets	\$ 61,810	\$ 36,283	\$ 2,135	\$ 61,550	\$ 161,778

NOTE 11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

COMMERCIAL COMMITMENTS

Regions issues off-balance sheet financial instruments in connection with lending activities. The credit risk associated with these instruments is essentially the same as that involved in extending loans to customers and is subject to Regions' normal credit approval policies and procedures. Regions measures inherent risk associated with these instruments by recording a reserve for unfunded commitments based on an assessment of the likelihood that the guarantee will be funded and the creditworthiness of the customer or counterparty. Collateral is obtained based on management's assessment of the creditworthiness of the customer. Credit risk is represented in unused commitments to extend credit, standby letters of credit and commercial letters of credit. Refer to Note 23 "Commitments, Contingencies and Guarantees" in the Annual Report on Form 10-K for the year ended December 31, 2022 for more information regarding these instruments.

Credit risk associated with these instruments is represented by the contractual amounts indicated in the following table:

	June 30, 2023	December 31, 2022
	(In millions)	
Unused commitments to extend credit	\$ 64,784	\$ 65,460
Standby letters of credit	1,882	1,962
Commercial letters of credit	19	75
Liabilities associated with standby letters of credit	23	35
Assets associated with standby letters of credit	26	37
Reserve for unfunded credit commitments	120	118

LEGAL CONTINGENCIES

Regions and its subsidiaries are routinely subject to actual or threatened legal proceedings, including litigation and regulatory matters, arising in the ordinary course of business. Litigation matters range from individual actions involving a single plaintiff to class action lawsuits and can involve claims for substantial or indeterminate alleged damages or for injunctive or other relief. Regulatory investigations and enforcement matters may involve formal or informal proceedings and other inquiries initiated by various governmental agencies, law enforcement authorities, and self-regulatory organizations, and can result in fines, penalties, restitution, changes to Regions' business practices, and other related costs, including reputational damage. At any given time, these legal proceedings are at varying stages of adjudication, arbitration, or investigation, and may relate to a variety of topics, including common law tort and contract claims, as well as statutory consumer protection-related claims, among others.

Assessment of exposure that could result from legal proceedings is complex because these proceedings often involve inherently unpredictable factors, including, but not limited to, the following: whether the proceeding is in early stages; whether damages or the amount of potential fines, penalties, and restitution are unspecified, unsupported, or uncertain; whether there is a potential for punitive or other pecuniary damages; whether the matter involves legal uncertainties, including novel issues of law; whether the matter involves multiple parties and/or jurisdictions; whether discovery or other investigation has begun or is not complete; whether material facts may be disputed or unsubstantiated; whether meaningful settlement discussions have commenced; and whether the matter involves class allegations. As a result of these complexities, Regions may be unable to develop an estimate or range of loss.

Regions evaluates legal proceedings based on information currently available, including advice of counsel. Regions establishes accruals for those matters when a loss is considered probable and the related amount is reasonably estimable. Additionally, when it is practicable and reasonably possible that it may experience losses in excess of established accruals, Regions estimates possible loss contingencies. Regions currently estimates that the aggregate amount of reasonably possible losses that it may experience, in excess of what has been accrued, is immaterial. While the final outcomes of legal proceedings are inherently unpredictable, management is currently of the opinion that the outcomes of pending and threatened matters will not have a material effect on Regions' business, consolidated financial position, results of operations or cash flows as a whole.

As available information changes, the matters for which Regions is able to estimate, as well as the estimates themselves, will be adjusted accordingly. Regions' estimates are subject to significant judgment and uncertainties, and the matters underlying the estimates will change from time to time. In the event of unexpected future developments, it is possible that an adverse outcome in any such matter could be material to Regions' business, consolidated financial position, results of operations, or cash flows as a whole for any particular reporting period of occurrence.

Some of Regions' exposure with respect to loss contingencies may be offset by applicable insurance coverage. However, in determining the amounts of any accruals or estimates of possible loss contingencies, Regions does not take into account the availability of insurance coverage. To the extent that Regions has an insurance recovery, the proceeds are recorded in the period the recovery is received.

GUARANTEES

FANNIE MAE LOSS SHARE GUARANTEE

Regions sells commercial loans to Fannie Mae through the DUS lending program and through other platforms. The DUS program provides liquidity to the multi-family housing market. Regions services loans sold to Fannie Mae and is required to provide a loss share guarantee equal to one-third of the principal balance for the majority of the commercial servicing portfolio. At June 30, 2023 and December 31, 2022, the Company's DUS servicing portfolio totaled approximately \$5.1 billion and \$4.9 billion, respectively. Regions has additional loans sold to Fannie Mae outside of the DUS program that are also subject to a loss share guarantee and at June 30, 2023 and December 31, 2022, these serviced loans totaled approximately \$541 million and \$655 million, respectively. Regions' maximum quantifiable contingent liability related to all loans subject to a loss share guarantee was approximately \$1.9 billion at June 30, 2023 and \$1.8 billion at December 31, 2022. The Company would be liable for this amount only if all of the loans it services for Fannie Mae, for which the Company retains some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement. Therefore, the maximum quantifiable contingent liability is not representative of the actual loss the Company would be expected to incur. The estimated fair value of the associated loss share guarantee recorded as a liability on the Company's consolidated balance sheets was immaterial at both June 30, 2023 and December 31, 2022. Refer to Note 1 "Summary of Significant Accounting Policies" in the Annual Report on Form 10-K for the year ended December 31, 2022 for additional information.

NOTE 12. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Adopted (or partially adopted) in 2023			
ASU 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	This Update is intended to improve the decision usefulness of information provided to investors about certain loan refinancing, restructurings, and write-offs. The amendments in the Update eliminate the accounting guidance for TDRs by creditors that have adopted CECL while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors made to borrowers experiencing financial difficulty. The Update also requires that a public business entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases. The amendments in this Update should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs for which there is an option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption.	January 1, 2023	The adoption of this guidance did not have a material impact. See Note 1 Basis of Presentation for additional information.
2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	This Update clarifies how the fair value of equity securities subject to contractual sale restrictions is determined. ASU 2022-03 clarifies that a contractual sale restriction should not be considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities.	January 1, 2023	The adoption of this guidance did not have a material impact.

Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Not Yet Adopted			
ASU 2023-02, Investments — Equity Method and Joint Ventures (Topic 323) Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method	This Update allows entities to elect to account for equity investments made primarily for the purpose of receiving income tax credits using the proportional amortization method, regardless of the tax credit program through which the investment earns income tax credits, if certain conditions were met. The Update also sets forth the conditions needed to apply the proportional amortization method. The Update further eliminates certain low income housing tax credit-specific guidance to align the accounting more closely for low income housing tax credits with the accounting for other equity investments in tax credit structures and require that the delayed equity contribution apply only to tax equity investments accounted for using the proportional amortization method.	January 1, 2024	The adoption of this guidance is not likely to have a material impact. Regions will continue to evaluate through date of adoption.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following discussion and analysis is part of Regions Financial Corporation's ("Regions" or the "Company") Quarterly Report on Form 10-Q filed with the SEC and updates Regions' Annual Report on Form 10-K for the year ended December 31, 2022, which was previously filed with the SEC. This financial information is presented to aid in understanding Regions' financial position and results of operations and should be read together with the financial information contained in Regions' Annual Report on Form 10-K. See Note 1 "Basis of Presentation" and Note 12 "Recent Accounting Pronouncements" to the consolidated financial statements for further detail. The emphasis of this discussion will be on the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 for the consolidated statements of income. For the consolidated balance sheets, the emphasis of this discussion will be on the balances as of June 30, 2023 compared to December 31, 2022.

This discussion and analysis contains statements that may be considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. See pages 6 through 8 for additional information regarding forward-looking statements.

CORPORATE PROFILE

Regions is a financial holding company headquartered in Birmingham, Alabama, that operates in the South, Midwest and Texas. In addition, Regions operates several offices delivering specialty capabilities in New York, Washington D.C., Chicago and other locations nationwide. Regions provides financial solutions for a wide range of clients including retail and mortgage banking services, commercial banking services and wealth and investment services. Further, Regions and its subsidiaries deliver specialty capabilities including merger and acquisition advisory services, capital market solutions, home improvement lending and others.

Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At June 30, 2023, Regions operated 1,276 total branch outlets. Regions carries out its strategies and derives its profitability from three reportable business segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder in Other. See Note 10 "Business Segment Information" to the consolidated financial statements for more information regarding Regions' segment reporting structure.

Regions' business strategy is focused on providing a competitive mix of products and services, delivering quality customer service, and continuing to develop and optimize distribution channels that include a branch distribution network with offices in convenient locations, as well as electronic and mobile banking.

Regions' profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income as well as non-interest income sources. Net interest income is primarily the difference between the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions' net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, card and ATM fees, mortgage servicing and secondary marketing, investment management and trust activities, capital markets and other customer services which Regions provides. Results of operations are also affected by the provision for credit losses and non-interest expenses such as salaries and employee benefits, occupancy, professional, legal and regulatory expenses, FDIC insurance assessments, and other operating expenses, as well as income taxes.

Economic conditions, competition, new legislation and related rules impacting regulation of the financial services industry and the monetary and fiscal policies of the Federal government significantly affect most, if not all, financial institutions, including Regions. Lending and deposit activities and fee income generation are influenced by levels of business spending and investment, consumer income, consumer spending and savings, capital market activities, and competition among financial institutions, as well as customer preferences, interest rate conditions and prevailing market rates on competing products in Regions' market areas.

SECOND QUARTER OVERVIEW

Second Quarter Operating Environment

In the first six months of 2023, the banking industry was impacted by the failure of three U.S. depository institutions. Outside of the U.S., an international bank also suffered a crisis in confidence. The circumstances surrounding these events were largely driven by a sudden decline in deposits and lack of available liquidity to replace the deposit declines at the institutions. In March 2023, the BTFP was created by the Federal Reserve to support American businesses and households by making additional funding available to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors, as an additional source of secured funding backed by high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress. In addition to the uncertainty brought by these events, the Federal Reserve

delivered three additional 25 basis-point rate hikes as inflation continued to stay above target levels. Accordingly, there is now heightened focus on the banking industry as a whole. Regions believes that its deposits are diversified across stable categories and are granular in nature which lessens the probability of sudden declines in deposits. Additionally, Regions maintains a variety of liquidity sources to fund its obligations and performs various evaluations to determine appropriate levels of available liquidity. See the discussion below and within the "Debt Securities", "Deposits", "Market Risk-Interest Rate Risk" and "Liquidity" sections for further information.

Economic Environment in Regions' Banking Markets

Regions' baseline forecast anticipates real GDP growth of 2.0 percent in 2023 and 0.9 percent in 2024. The pace of economic activity remains restrained by elevated inflation and higher interest rates. Though real GDP growth surprised to the upside over the first half of 2023, Regions' forecast anticipates markedly slower growth over the coming quarters, reflecting slower growth in real consumer spending and weakness in business spending on equipment and machinery. Though single family construction and sales appear to have bottomed, it remains to be seen whether the developing rebound can withstand the recent upturn in mortgage interest rates. While the labor market remains tight, there are signs of cooling demand for labor, and job growth has become less broadly based over recent months. Though the pace of inflation has slowed, it remains considerably above the FOMC's target rate and further hikes in the Fed funds rate in 2023 cannot be ruled out. The economic data and the financial markets remain quite volatile, and there are lingering concerns that credit conditions could tighten to the point the economy slips into recession. These factors are contributing to considerable uncertainty around the Company's near-term economic outlook.

Spending on motor vehicles and discretionary services such as travel, tourism, recreation, entertainment, and dining out have been key supports for consumer spending over recent months. At some point, however, it is expected that spending in both areas will slow, combining with continued softness in consumer spending on goods to limit growth in total consumer spending. While there is still a considerable pool of excess savings on household balance sheets, those balances are being run off as the cumulative effects of higher inflation and higher interest rates continue to stress household budgets. That said, monthly debt service burdens remain below pre-pandemic levels, due to the preponderance of fixed-rate debt on household balance sheets.

Reflecting decelerating job growth and declines in the average length of the workweek, growth in labor earnings has slowed, and will slow further over coming quarters if job growth slows as anticipated. Job growth has become less broadly based across private sector industry groups over recent months, with notable weakness in trade, transportation, and warehousing. Manufacturing payrolls have come under pressure as conditions in the factory sector remain challenging, reflecting dimming capital spending on equipment and machinery, inventories having largely been right-sized after pandemic-related disruptions, and slowing global economic growth. Regions' baseline forecast anticipates further deceleration in job growth to push the unemployment rate higher over coming quarters.

While inflation has slowed somewhat over recent months, both headline and core inflation remain well above the FOMC's 2.0 percent target rate. While inflation pressures are expected to ease further as the pace of the overall economic activity slows, the FOMC is not yet convinced inflation is firmly on a path back to their target rate. As such, further Fed funds rate hikes cannot be ruled out, particularly as headline inflation is showing signs of reaccelerating. The FOMC must balance concerns over inflation against concerns over financial stability in light of recent stresses in the banking system. Either way, once the FOMC reaches a stopping point, Regions thinks they will hold the funds rate steady at the terminal rate for some time to come.

Patterns of economic activity within the Regions footprint are expected to be broadly similar to those seen in the U.S. as a whole. A number of states within the footprint have seen heightened flows of domestic in-migration since the onset of the pandemic, which has resulted in more rapid rates of job growth and more rapid growth in housing costs. If, as anticipated, the broader economy slows and labor market conditions loosen, it could be that migration patterns will shift over coming quarters. That said, job growth for the Company's footprint as a whole is expected to be faster than that for the U.S. as a whole. Some of the metro areas which had, prior to the increase in mortgage interest rates, seen the largest increases in house prices could experience price declines in excess of the national average, but continued robust population growth in these markets will help stem significant declines in house prices.

The continued economic uncertainty, as described above, impacted Regions' forecast utilized in calculating the ACL as of June 30, 2023. See the "Allowance" section for further information.

Second Quarter Results

Regions reported net income available to common shareholders of \$556 million or \$0.59 per diluted share in the second quarter of 2023 which was stable compared to net income available to common shareholders of \$558 million or \$0.59 per diluted share in the second quarter of 2022.

Net interest income (taxable-equivalent basis) totaled \$1.4 billion in the second quarter of 2023 compared to \$1.1 billion in the second quarter of 2022. The net interest margin (taxable-equivalent basis) was 4.04 percent in the second quarter of 2023, reflecting a 98 basis point increase from the same period in 2022. The increases in net interest income and net interest margin were primarily driven by a significant increase in market interest rates and average loan growth. A decline in average cash

balances also contributed to the increase in net interest margin. Higher deposit and overall funding costs, which are expected in a rising rate environment, partially offset the increases in interest income.

The provision for credit losses totaled \$118 million in the second quarter of 2023 compared to \$60 million in the second quarter of 2022. The current quarter provision reflects continued normalization of asset quality, modest changes in the economic outlook and loan growth. Net charge-offs totaled \$81 million, or 0.33 percent of average loans, in the second quarter of 2023, compared to \$38 million, or 0.17 percent in the second quarter of 2022, reflecting increased net charge-offs in the commercial and industrial and other consumer loan portfolios. The allowance as a percent of total loans, net, increased slightly to 1.65 percent at June 30, 2023, compared to 1.63 percent at December 31, 2022. Refer to the "Allowance for Credit Losses" section for further detail.

Non-interest income was \$576 million in the second quarter of 2023 compared to \$640 million in second quarter of 2022. The decrease was primarily driven by decreases in capital markets income, mortgage income and service charges on deposit accounts. The declines were partially offset by improvements in investment service fee income and market valuation adjustments on employee benefit assets. See Table 22 "Non-Interest Income" for further details.

Non-interest expense was \$1.1 billion in the second quarter of 2023 compared to \$948 million in second quarter of 2022. The increase was driven by increases across several categories, with the largest related to operational losses due to an increase in check fraud. See Table 23 "Non-Interest Expense" for further details.

Regions' effective tax rate was 20.2 percent in the second quarter of 2023 compared to 21.2 percent in the second quarter of 2022. See the "Income Taxes" section for further details.

Capital

Regions and Regions Bank are required to comply with regulatory capital requirements established by Federal and State banking agencies, which include quantitative requirements including the CET1 ratio. At June 30, 2023, Regions' CET1 ratio was estimated to be 10.07 percent. For additional information on Regions' regulatory capital requirements see the "Regulatory Requirements" section.

Regions participates in supervisory stress testing conducted by the Federal Reserve and its SCB is currently floored at 2.5 percent. See Note 5 "Shareholders' Equity and Accumulated Other Comprehensive Income (Loss)" to the consolidated financial statements for further details.

The Board authorized, on April 20, 2022, the repurchase of up to \$2.5 billion of the Company's common stock, permitting purchases from the second quarter of 2022 through the fourth quarter of 2024. The Company did not repurchase any shares in the first half of 2023.

On July 19, 2023, the Board declared a 20 percent increase to the quarterly common stock dividend to \$0.24 which will be payable on October 2, 2023, to stockholders of record at the close of business on September 1, 2023.

Expectations

2023 Expectations ⁽¹⁾	
Category	Expectation
Total Adjusted Revenue ⁽²⁾⁽³⁾	Up 6-8%
Adjusted Non-Interest Expense	Up ~6.5%
Adjusted Operating Leverage	positive
Ending Loans	Up 3-4%
Ending Deposits	Modestly lower over the second half of 2023
Net Charge-Offs / Average Loans	~35 bps
Effective Tax Rate	21-22%

(1) Expectation for CET1 is to manage at or modestly above 10 percent over the near term.

(2) Expectation for net interest income, which utilizes the market implied forward interest rate curve as of June 30, 2023, as a component of adjusted total revenue is full-year 2023 growth of 12-14 percent.

(3) Expectation for non-interest revenue as a component of adjusted total revenue includes full-year 2023 service charges of approximately \$575 million.

The reconciliation with respect to these forward-looking non-GAAP measures is expected to be consistent with the actual non-GAAP reconciliations within Management's Discussion and Analysis of this Form 10-Q. For more information related to the Company's 2023 expectations, refer to the related sub-sections discussed in more detail within Management's Discussion and Analysis of this Form 10-Q.

BALANCE SHEET ANALYSIS

The following sections provide expanded discussion of significant changes in certain line items in asset, liability, and shareholders' equity categories.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased approximately \$1.3 billion from year-end 2022 to June 30, 2023 resulting from a decrease in cash balances on deposit with the FRB. In the first six months of 2023, the decline in cash was driven by an expected decline in deposits and growth in loans, partially offset by an increase in borrowed funds. See the "Loans", "Liquidity", "Deposits", and "Borrowed Funds" sections for more information.

DEBT SECURITIES

The following table details the carrying values of debt securities, including both available for sale and held to maturity:

Table 1—Debt Securities

	June 30, 2023	December 31, 2022
	(In millions)	
U.S. Treasury securities	\$ 1,191	\$ 1,187
Federal agency securities	926	836
Obligations of states and political subdivisions	2	2
Mortgage-backed securities:		
Residential agency	16,828	17,233
Residential non-agency	—	1
Commercial agency	7,944	8,135
Commercial non-agency	81	186
Corporate and other debt securities	1,101	1,154
	<u>\$ 28,073</u>	<u>\$ 28,734</u>

Debt securities available for sale, comprising 20 percent of earning assets, constitute approximately 97 percent of the securities portfolio. They are an important tool used to manage interest rate sensitivity and provide a primary source of liquidity for the Company, as much of the portfolio is highly liquid. Additionally, some of the securities portfolio is eligible to be used as collateral for funding of various types of borrowings. See the "Liquidity" section for more information on these arrangements. Regions maintains a highly-rated securities portfolio consisting primarily of agency MBS. See Note 2 "Debt Securities" to the consolidated financial statements for additional information. Also see the "Market Risk-Interest Rate Risk" section for more information.

The average life of the debt securities portfolio at June 30, 2023 was estimated to be 5.6 years, with a duration of approximately 4.7 years. These metrics compare with an estimated average life of 5.8 years and a duration of approximately 4.8 years for the portfolio at December 31, 2022.

Debt securities decreased \$661 million from December 31, 2022 to June 30, 2023 primarily driven by decreases in residential agency securities and commercial agency securities. In the first six months of 2023, Regions reinvested only a portion of principal paydowns and maturities.

LOANS HELD FOR SALE

Loans held for sale totaled \$554 million at June 30, 2023, consisting of \$257 million of residential real estate mortgage loans, \$267 million of commercial loans, \$29 million of consumer and other performing loans, and \$1 million of non-performing loans. At December 31, 2022, loans held for sale totaled \$354 million, consisting of \$160 million of residential real estate mortgage loans, \$153 million of commercial loans, \$38 million of consumer and other performing loans, and \$3 million of non-performing loans. The levels of residential real estate mortgage loans held for sale that are part of the Company's mortgage originations fluctuate depending on the timing of origination and sale to third parties. Commercial loans held for sale include commercial mortgage loans originated for sale to third parties and commercial loans originally recorded as held for investment when management has the intent to sell. Levels of commercial loans held for sale fluctuate based on timing of sale to third parties.

LOANS

Loans, net of unearned income, represented 73 percent of interest-earning assets as of June 30, 2023. The following table presents the distribution of Regions' loan portfolio by portfolio segment and class, net of unearned income:

Table 2—Loan Portfolio

	June 30, 2023	December 31, 2022
	(In millions, net of unearned income)	
Commercial and industrial	\$ 52,300	\$ 50,905
Commercial real estate mortgage—owner-occupied	4,797	5,103
Commercial real estate construction—owner-occupied	292	298
Total commercial	57,389	56,306
Commercial investor real estate mortgage	6,500	6,393
Commercial investor real estate construction	2,132	1,986
Total investor real estate	8,632	8,379
Residential first mortgage	19,755	18,810
Home equity lines	3,313	3,510
Home equity loans	2,425	2,489
Consumer credit card	1,231	1,248
Other consumer—exit portfolios	416	570
Other consumer	6,030	5,697
Total consumer	33,170	32,324
	<u>\$ 99,191</u>	<u>\$ 97,009</u>

PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes disclosed in Table 2, explain changes in balances from year-end 2022 and highlight the related risk characteristics. Regions believes that its loan portfolio is well diversified by product, client, and geography throughout its footprint. However, the loan portfolio may be exposed to certain concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country. See Note 3 "Loans and the Allowance for Credit Losses" to the consolidated financial statements for additional discussion.

Commercial

The commercial portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases and other expansion projects. Commercial and industrial loans increased \$1.1 billion since year-end 2022, driven by a continued increase in line commitments. In the first six months of 2023, commercial and industrial loan growth was broad-based, primarily driven by increases in the utilities, information (including telecommunications), energy, real estate, and retail trade industries.

The commercial portfolio also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing on land and buildings, and are repaid by cash generated by business operations. Owner-occupied commercial real estate construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower.

Over half of the Company's total loans are included in the commercial portfolio segment. These balances are spread across numerous industries, as noted in the table below. The Company manages the related risks to this portfolio by setting certain lending limits for each significant industry.

The following tables provide detail of Regions' commercial lending balances in selected industries.

Table 3—Commercial Industry Exposure

	June 30, 2023		
	Loans	Unfunded Commitments	Total Exposure
		(In millions)	
Administrative, support, waste and repair	\$ 1,597	\$ 939	\$ 2,536
Agriculture	276	262	538
Educational services	3,441	893	4,334
Energy	1,795	3,105	4,900
Financial services	7,031	8,879	15,910
Government and public sector	3,153	462	3,615
Healthcare	3,180	2,586	5,766
Information	2,935	1,274	4,209
Manufacturing	5,148	4,912	10,060
Professional, scientific and technical services	2,690	1,685	4,375
Real estate ⁽¹⁾	9,395	9,186	18,581
Religious, leisure, personal and non-profit services	1,560	642	2,202
Restaurant, accommodation and lodging	1,436	301	1,737
Retail trade	2,798	2,228	5,026
Transportation and warehousing	3,448	1,802	5,250
Utilities	3,039	3,056	6,095
Wholesale goods	4,373	3,568	7,941
Other ⁽²⁾	94	1,694	1,788
Total commercial	<u>\$ 57,389</u>	<u>\$ 47,474</u>	<u>\$ 104,863</u>

	December 31, 2022 ⁽³⁾		
	Loans	Unfunded Commitments	Total Exposure
		(In millions)	
Administrative, support, waste and repair	\$ 1,531	\$ 930	\$ 2,461
Agriculture	332	251	583
Educational services	3,311	978	4,289
Energy	1,559	3,132	4,691
Financial services	6,923	7,681	14,604
Government and public sector	3,196	456	3,652
Healthcare	3,650	2,359	6,009
Information	2,767	1,470	4,237
Manufacturing	5,323	4,941	10,264
Professional, scientific and technical services	2,604	1,626	4,230
Real estate ⁽¹⁾	9,097	8,809	17,906
Religious, leisure, personal and non-profit services	1,611	648	2,259
Restaurant, accommodation and lodging	1,360	356	1,716
Retail trade	2,501	2,297	4,798
Transportation and warehousing	3,303	1,832	5,135
Utilities	2,510	2,793	5,303
Wholesale goods	4,394	3,876	8,270
Other ⁽²⁾	334	2,201	2,535
Total commercial	<u>\$ 56,306</u>	<u>\$ 46,636</u>	<u>\$ 102,942</u>

(1) "Real estate" includes REITs, which are unsecured commercial and industrial products that are real estate related.

(2) "Other" contains balances related to non-classifiable and invalid business industry codes offset by payments in process and fee accounts that are not available at the loan level.

(3) As customers' businesses evolve (e.g. up or down the vertical manufacturing chain), Regions may need to change the assigned business industry code used to define the customer relationship. When these changes occur, Regions does not recast the customer history for prior periods into the new classification because the business industry code used in the prior period was deemed appropriate. As a result, year over year changes may be impacted.

Investor Real Estate

Loans for real estate development are repaid through cash flows related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment consists of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Total investor real estate loans increased \$253 million in comparison to year-end 2022 balances.

The Company's total non-owner-occupied commercial real estate lending consists of both unsecured commercial and industrial loans that are real estate related (including REITs) and investor real estate loans and are considered to be well diversified across property types. The following table provides detail of these loans:

Table 4— Unsecured Commercial Real Estate and Investor Real Estate Exposure

	June 30, 2023	
	Loan Balance	Percent of Total ⁽²⁾
	(In millions)	
Residential homebuilders	\$ 968	6.2 %
Apartments	3,957	25.2 %
Industrial	2,239	14.3 %
Condominium	13	0.1 %
Diversified	2,290	14.6 %
Business offices	1,770	11.3 %
Residential land	74	0.5 %
Retail	1,436	9.2 %
Healthcare	1,297	8.3 %
Hotel	928	5.9 %
Other	676	4.3 %
Commercial land	21	0.1 %
Total ⁽¹⁾	<u>\$ 15,669</u>	<u>100 %</u>

(1) Owner-occupied commercial real estate is not included as the principal source of repayment is individual businesses, which more closely aligns with the commercial portfolio credit performance.

(2) Amounts calculated based on whole dollar values.

Residential First Mortgage

Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. These loans increased \$945 million in comparison to year-end 2022 balances, driven by approximately \$1.6 billion in new loan originations retained on the balance sheet through the first six months of 2023.

Home Equity Lines

Home equity lines are secured by a first or second mortgage on the borrower's residence and allow customers to borrow against the equity in their homes. Home equity lines decreased \$197 million in comparison to year-end 2022 balances, as payoffs and paydowns continue to outpace production. Substantially all of this portfolio was originated through Regions' branch network.

Beginning in December 2016, new home equity lines of credit have a 10-year draw period and a 20-year repayment term. During the 10-year draw period customers do not have an interest-only payment option, except on a very limited basis. From May 2009 to December 2016, home equity lines of credit had a 10-year draw period and a 10-year repayment term. Prior to May 2009, the predominant structure was a 20-year draw period with a balloon payment upon maturity. The term "balloon payment" means there are no principal payments required until the balloon payment is due for interest-only lines of credit.

The following table presents information regarding the future principal payment reset dates for the Company's home equity lines of credit as of June 30, 2023. The balances presented are based on maturity date for lines with a balloon payment and draw period expiration date for lines that convert to a repayment period.

Table 5—Home Equity Lines of Credit - Future Principal Payment Resets

	First Lien	% of Total	Second Lien	% of Total	Total
	(Dollars in millions)				
2023	\$ 35	1.05 %	\$ 26	0.78 %	\$ 61
2024	96	2.91 %	65	1.94 %	161
2025	93	2.80 %	96	2.90 %	189
2026	126	3.80 %	135	4.09 %	261
2027	318	9.59 %	265	8.00 %	583
2028-2032	911	27.48 %	895	27.01 %	1,806
2033-2037	60	1.83 %	106	3.20 %	166
Thereafter	4	0.13 %	3	0.10 %	7
Revolving Loans Converted to Amortizing	46	1.40 %	33	0.99 %	79
Total	<u>\$ 1,689</u>	<u>50.99 %</u>	<u>\$ 1,624</u>	<u>49.01 %</u>	<u>\$ 3,313</u>

Home Equity Loans

Home equity loans are also secured by a first or second mortgage on the borrower's residence, are primarily originated as amortizing loans, and allow customers to borrow against the equity in their homes. Substantially all of this portfolio was originated through Regions' branch network.

Consumer Credit Quality Data

The Company calculates an estimate of the current value of property secured as collateral for both residential first mortgage and home equity lending products ("current LTV"). The estimate is based on home price indices compiled by a third party. The third party data indicates trends for MSAs. Regions uses the third party valuation trends from the MSAs in the Company's footprint in its estimate. The trend data is applied to the loan portfolios taking into account the age of the most recent valuation and geographic area.

The following table presents current LTV data for components of the residential first mortgage, home equity lines and home equity loans classes of the consumer portfolio segment. Current LTV data for some loans in the portfolio is not available due to mergers and systems integrations. The amounts in the table represent the entire loan balance. For purposes of the table below, if the loan balance exceeds the current estimated collateral the entire balance is included in the "Above 100%" category, regardless of the amount of collateral available to partially offset the shortfall.

Table 6—Estimated Current Loan to Value Ranges

June 30, 2023					
	Residential First Mortgage	Home Equity Lines of Credit		Home Equity Loans	
		1st Lien	2nd Lien	1st Lien	2nd Lien
(In millions)					
Estimated current LTV:					
Above 100%	\$ 27	\$ 1	\$ —	\$ 2	\$ 1
Above 80% - 100%	1,774	2	3	6	6
80% and below	17,652	1,673	1,612	2,122	286
Data not available	302	13	9	2	—
	<u>\$ 19,755</u>	<u>\$ 1,689</u>	<u>\$ 1,624</u>	<u>\$ 2,132</u>	<u>\$ 293</u>
December 31, 2022					
	Residential First Mortgage	Home Equity Lines of Credit		Home Equity Loans	
		1st Lien	2nd Lien	1st Lien	2nd Lien
(In millions)					
Estimated current LTV:					
Above 100%	\$ 64	\$ 2	\$ —	\$ 2	\$ 1
Above 80% - 100%	1,456	3	3	9	8
80% and below	17,015	1,830	1,627	2,205	233
Data not available	275	20	25	28	3
	<u>\$ 18,810</u>	<u>\$ 1,855</u>	<u>\$ 1,655</u>	<u>\$ 2,244</u>	<u>\$ 245</u>

Consumer Credit Card

Consumer credit card lending represents primarily open-ended variable interest rate consumer credit card loans.

Other Consumer—Exit Portfolios

Other consumer—exit portfolios includes lending initiatives through third parties consisting of loans made through automotive dealerships and other point of sale lending. Regions ceased originating new loans related to these businesses prior to 2020 and therefore the portfolio balance has decreased \$154 million from year-end 2022.

Other Consumer

Other consumer loans primarily include indirect and direct consumer loans, overdrafts and other revolving loans. Other consumer loans increased \$333 million from year-end 2022 primarily driven by increases in consumer home improvement loans.

Regions considers factors such as periodic updates of FICO scores, unemployment, home prices, and geography as credit quality indicators for consumer loans. FICO scores are obtained at origination and refreshed FICO scores are obtained by the Company quarterly for most consumer loans. For more information on credit quality indicators refer to Note 3 "Loans and the Allowance for Credit Losses".

ALLOWANCE

The allowance consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. Unfunded credit commitments includes items such as letters of credit, financial guarantees and binding unfunded loan commitments.

The allowance totaled \$1.6 billion at both June 30, 2023 and December 31, 2022, which represents management's best estimate of expected losses over the life of the loan and credit commitment portfolios. Key drivers of the change in the

allowance are presented in Table 7 below. While many of these items overlap regarding impact, they are included in the category most relevant.

Table 7— Allowance Changes

	Allowance for Credit Losses
	(In millions)
Allowance for credit losses, December 31, 2022	\$ 1,582
Cumulative change in accounting guidance ⁽¹⁾	(38)
Allowance for credit losses, January 1, 2023	\$ 1,544
Net charge-offs	(83)
Provision over (less than) net charge-offs:	
Economic/Qualitative	19
Other portfolio changes ⁽²⁾	116
Total provision over (less than) net charge-offs	52
Allowance for credit losses, March 31, 2023	\$ 1,596
Allowance for credit losses, April 1, 2023	\$ 1,596
Net charge-offs	(81)
Provision over (less than) net charge-offs:	
Economic/Qualitative	30
Other portfolio changes ⁽²⁾	88
Total provision over (less than) net charge-offs	37
Allowance for credit losses, June 30, 2023	\$ 1,633

(1) See Note 1 for additional information.

(2) This line item includes the net impact of portfolio growth, portfolio run-off, pay-downs, changes in the mix of total outstanding loans, and credit quality changes.

The table below reflects a range of macroeconomic factors utilized in the Base forecast over the two-year R&S forecast period as of June 30, 2023. The unemployment rate is the most significant macroeconomic factor among the allowance models and continues to be at a normalized level with forecasted periods expected to remain relatively consistent.

Table 8— Macroeconomic Factors in the Forecast

	Pre-R&S Period	Base R&S Forecast							
		June 30, 2023							
	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024	3Q2024	4Q2024	1Q2025	2Q2025
Real GDP, annualized % change	1.2 %	0.9 %	0.9 %	1.2 %	1.1 %	1.2 %	1.3 %	1.4 %	1.6 %
Unemployment rate	3.5 %	3.6 %	3.8 %	3.9 %	4.1 %	4.2 %	4.3 %	4.3 %	4.2 %
HPI, year-over-year % change	(1.1)%	(3.1)%	(4.1)%	(4.8)%	(3.1)%	0.3 %	2.1 %	2.9 %	3.3 %
CPI, year-over-year % change	4.0 %	3.4 %	3.1 %	2.8 %	2.7 %	2.5 %	2.2 %	2.1 %	2.1 %

In deriving any forecast, Regions benchmarks its internal forecast with external forecasts and external data available. Regions' June 2023 baseline forecast weakened compared to the March 2023 forecast driven by several factors. Weak growth in real GDP is expected in 2023, with weakness in real private domestic demand expected to be weak for the remainder of 2023. As business investment in equipment and machinery contracts, intellectual property products remain the key driver of growth in overall business investment. A slowdown in job growth is anticipated, as well as a low labor force participation rate that will limit any increase in the unemployment rate over the forecast horizon. As measured by CPI, inflation is expected to slow further but remain above the FOMC's 2.0 percent target into 2024. Renewed disruptions in global supply chains, excessive monetary policy tightening, and heightened financial volatility provide significant downside uncertainty over the near-term forecast. See the Economic Environment in Regions' Banking Markets discussion in the "Second Quarter Overview" section for additional information.

Credit metrics are monitored throughout each quarter in order to understand external macro-views, trends and industry outlooks, as well as Regions' internal specific views of credit metrics and trends. In the second quarter of 2023, asset quality continued to normalize, as expected, within certain select sectors of the commercial and consumer portfolios. Total net charge-offs remained stable, decreasing by \$2 million compared to the first quarter of 2023. Commercial and investor real estate criticized balances increased approximately \$314 million, which included a decrease in classified balances of \$51 million compared to the first quarter of 2023. Non-performing loans, excluding held for sale, and non-performing assets both decreased approximately \$62 million compared to the first quarter of 2023.

While Regions' quantitative allowance methodologies strive to reflect all risk factors, any estimate involves assumptions and uncertainties resulting in some level of imprecision. The qualitative framework has a general imprecision component which is meant to acknowledge that model and forecast errors are inherent in any modeling estimate. In the second quarter of 2023 the general imprecision remained stable due to uncertainty.

Based upon the factors discussed above, the June 30, 2023 allowance increased slightly compared to the first quarter of 2023 due to uncertainty in the economic forecast, loan growth, continued credit normalization and qualitative considerations. Based on the overall analysis performed, management deemed an allowance of \$1.6 billion to be appropriate to absorb expected credit losses in the loan and credit commitment portfolios as of June 30, 2023.

Details regarding the allowance and net charge-offs, including an analysis of activity from previous years' totals, are included in Table 9 "Allowance for Credit Losses". Net charge-offs increased \$80 million year-over-year, primarily driven by an increase in commercial and industrial and other consumer net charge-offs. As noted, economic trends such as interest rates, unemployment, volatility in commodity prices, collateral valuations and inflationary pressure will impact the future levels of net charge-offs and may result in volatility of certain credit metrics during the remainder of 2023 and beyond. See the "Second Quarter Overview" section for details on expectations for net charge-offs in 2023.

Table 9—Allowance for Credit Losses

	Six Months Ended June 30	
	2023	2022
	(Dollars in millions)	
Allowance for loan losses at January 1	\$ 1,464	\$ 1,479
Cumulative effect from change in accounting guidance ⁽¹⁾	(38)	—
Allowance for loan losses, January 1 (as adjusted for change in accounting guidance) ⁽¹⁾	1,426	1,479
Loans charged-off:		
Commercial and industrial	101	44
Commercial real estate mortgage—owner-occupied	—	4
Residential first mortgage	1	—
Home equity lines	2	2
Home equity loans	—	1
Consumer credit card	24	20
Other consumer—exit portfolios	8	10
Other consumer	81	66
	217	147
Recoveries of loans previously charged-off:		
Commercial and industrial	31	25
Commercial real estate mortgage—owner-occupied	—	1
Commercial investor real estate mortgage	—	1
Residential first mortgage	1	3
Home equity lines	5	7
Home equity loans	—	2
Consumer credit card	3	4
Other consumer—exit portfolios	2	4
Other consumer	11	16
	53	63
Net charge-offs (recoveries):		
Commercial and industrial	70	19
Commercial real estate mortgage—owner-occupied	—	3
Commercial investor real estate mortgage	—	(1)
Residential first mortgage	—	(3)
Home equity lines	(3)	(5)
Home equity loans	—	(1)
Consumer credit card	21	16
Other consumer—exit portfolios	6	6
Other consumer	70	50
	164	84
Provision for loan losses	251	30
Allowance for loan losses at June 30	1,513	1,425
Reserve for unfunded credit commitments at January 1	118	95
Provision for (benefit from) unfunded credit losses	2	(6)
Reserve for unfunded credit commitments at June 30	120	89
Allowance for credit losses at June 30	\$ 1,633	\$ 1,514

	Six Months Ended June 30	
	2023	2022
Loans, net of unearned income, outstanding at end of period	\$ 99,191	\$ 93,458
Average loans, net of unearned income, outstanding for the period	\$ 97,933	\$ 89,297
Net loan charge-offs (recoveries) as a % of average loans, annualized ⁽²⁾ :		
Commercial and industrial	0.27 %	0.08 %
Commercial real estate mortgage—owner-occupied	(0.01)%	0.12 %
Commercial real estate construction—owner-occupied	(0.16)%	(0.02)%
Total commercial	0.25 %	0.09 %
Commercial investor real estate mortgage	— %	(0.03)%
Commercial investor real estate construction	(0.02)%	— %
Total investor real estate	(0.01)%	(0.02)%
Residential first mortgage	— %	(0.03)%
Home equity lines	(0.15)%	(0.24)%
Home equity loans	(0.01)%	(0.05)%
Consumer credit card	3.42 %	2.77 %
Other consumer—exit portfolios	2.63 %	1.36 %
Other consumer	2.41 %	1.80 %
Total Consumer	0.58 %	0.41 %
Total	0.34 %	0.19 %
Ratios ⁽²⁾ :		
Allowance for credit losses at end of period to loans, net of unearned income	1.65 %	1.62 %
Allowance for loan losses to loans, net of unearned income	1.53 %	1.52 %
Allowance for credit losses at end of period to non-performing loans, excluding loans held for sale	332 %	410 %
Allowance for loan losses to non-performing loans, excluding loans held for sale	308 %	386 %

(1) See Note 1 for additional information.

(2) Amounts have been calculated using whole dollar values.

Allocation of the allowance for credit losses by portfolio segment and class is summarized as follows:

Table 10—Allowance Allocation

	June 30, 2023			December 31, 2022		
	Loan Balance	Allowance Allocation	Allowance to Loans % ⁽¹⁾	Loan Balance	Allowance Allocation	Allowance to Loans % ⁽¹⁾
(Dollars in millions)						
Commercial and industrial	\$ 52,300	\$ 677	1.29 %	\$ 50,905	\$ 628	1.23 %
Commercial real estate mortgage—owner-occupied	4,797	106	2.21	5,103	102	2.00
Commercial real estate construction—owner-occupied	292	7	2.31	298	7	2.29
Total commercial	57,389	790	1.38	56,306	737	1.31
Commercial investor real estate mortgage	6,500	138	2.12	6,393	114	1.78
Commercial investor real estate construction	2,132	32	1.50	1,986	28	1.38
Total investor real estate	8,632	170	1.97	8,379	142	1.69
Residential first mortgage	19,755	104	0.52	18,810	124	0.66
Home equity lines	3,313	78	2.34	3,510	77	2.18
Home equity loans	2,425	24	1.00	2,489	29	1.17
Consumer credit card	1,231	127	10.33	1,248	134	10.75
Other consumer—exit portfolios	416	31	7.58	570	39	6.84
Other consumer	6,030	309	5.13	5,697	300	5.27
Total consumer	33,170	673	2.03	32,324	703	2.18
Total	\$ 99,191	\$ 1,633	1.65 %	\$ 97,009	\$ 1,582	1.63 %

(1) Amounts have been calculated using whole dollar values.

NON-PERFORMING ASSETS

The following table presents non-performing assets as of June 30, 2023 and December 31, 2022:

Table 11—Non-Performing Assets

	June 30, 2023	December 31, 2022
	(Dollars in millions)	
Non-performing loans:		
Commercial and industrial	\$ 297	\$ 347
Commercial real estate mortgage—owner-occupied	34	29
Commercial real estate construction—owner-occupied	5	6
Total commercial	336	382
Commercial investor real estate mortgage	98	53
Total investor real estate	98	53
Residential first mortgage	24	31
Home equity lines	28	28
Home equity loans	6	6
Total consumer	58	65
Total non-performing loans, excluding loans held for sale	492	500
Non-performing loans held for sale	1	3
Total non-performing loans ⁽¹⁾	493	503
Foreclosed properties	15	13
Total non-performing assets ⁽¹⁾	\$ 508	\$ 516
Accruing loans 90+ days past due:		
Commercial and industrial	\$ 10	\$ 30
Commercial real estate mortgage—owner-occupied	1	1
Total commercial	11	31
Commercial investor real estate mortgage	—	40
Total investor real estate	—	40
Residential first mortgage ⁽²⁾	53	47
Home equity lines	19	15
Home equity loans	8	8
Consumer credit card	15	15
Other consumer—exit portfolios	1	1
Other consumer	24	17
Total consumer	120	103
Total accruing loans 90+ days past due	\$ 131	\$ 174
Non-performing loans ⁽¹⁾ to loans and non-performing loans held for sale	0.50 %	0.52 %
Non-performing loans, excluding loans held for sale ⁽¹⁾ to loans	0.50 %	0.52 %
Non-performing assets ⁽¹⁾ to loans, foreclosed properties, non-marketable investments, and non-performing loans held for sale	0.51 %	0.53 %

(1) Excludes accruing loans 90+ days past due.

(2) Excludes residential first mortgage loans that are 100% guaranteed by the FHA and all guaranteed loans sold to Ginnie Mae where Regions has the right but not the obligation to repurchase. Total 90+ days or more past due guaranteed loans excluded were \$24 million at June 30, 2023 and \$34 million at December 31, 2022.

Non-performing loans at June 30, 2023 decreased \$10 million as compared to year-end 2022 levels. The same economic trends that impact net charge-offs, as discussed above, will impact the future level of non-performing assets. Circumstances related to individually large credits could also result in volatility.

The following table provides an analysis of non-accrual loans (excluding loans held for sale) by portfolio segment:

Table 12— Analysis of Non-Accrual Loans

Non-Accrual Loans, Excluding Loans Held for Sale for the Six Months Ended June 30, 2023				
	Commercial	Investor Real Estate	Consumer ⁽¹⁾	Total
	(In millions)			
Balance at beginning of period	\$ 382	\$ 53	\$ 65	\$ 500
Additions	174	48	—	222
Net payments/other activity	(87)	(3)	(7)	(97)
Return to accrual	(34)	—	—	(34)
Charge-offs on non-accrual loans ⁽²⁾	(96)	—	—	(96)
Transfers to held for sale ⁽³⁾	(3)	—	—	(3)
Balance at end of period	<u>\$ 336</u>	<u>\$ 98</u>	<u>\$ 58</u>	<u>\$ 492</u>

Non-Accrual Loans, Excluding Loans Held for Sale for the Six Months Ended June 30, 2022				
	Commercial	Investor Real Estate	Consumer ⁽¹⁾	Total
	(In millions)			
Balance at beginning of period	\$ 368	\$ 3	\$ 80	\$ 451
Additions	149	1	—	150
Net payments/other activity	(85)	(1)	(10)	(96)
Return to accrual	(81)	—	—	(81)
Charge-offs on non-accrual loans ⁽²⁾	(43)	—	—	(43)
Transfers to held for sale ⁽³⁾	(10)	—	—	(10)
Transfers to real estate owned	(2)	—	—	(2)
Balance at end of period	<u>\$ 296</u>	<u>\$ 3</u>	<u>\$ 70</u>	<u>\$ 369</u>

(1) All net activity within the consumer portfolio segment other than sales and transfers to held for sale (including related charge-offs) is included as a single net number within the net payments/other activity line.

(2) Includes charge-offs on loans on non-accrual status and charge-offs taken upon sale and transfer of non-accrual loans to held for sale.

(3) Transfers to held for sale are shown net of charge-offs recorded upon transfer.

GOODWILL

Goodwill totaled \$5.7 billion at both June 30, 2023 and December 31, 2022. Refer to Note 1 "Summary of Significant Accounting Policies" and Note 9 "Intangible Assets" to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2022 for the methodologies and assumptions used in the goodwill impairment analysis.

DEPOSITS

Regions competes with other banking and financial services companies for a share of the deposit market. Regions' ability to compete in the deposit market depends heavily on the pricing of its deposits and how effectively the Company meets customers' needs. Regions employs various means to meet those needs and enhance competitiveness, such as providing a high level of customer service, competitive pricing and convenient branch locations for its customers. Regions also serves customers through providing centralized, high-quality banking services through the Company's digital channels and contact center.

The following table summarizes deposits by category and by segment:

Table 13—Deposits by Category and by Segment

	June 30, 2023	December 31, 2022
	(In millions)	
Non-interest-bearing demand	\$ 46,898	\$ 51,348
Interest-bearing checking	22,892	25,676
Savings	14,217	15,662
Money market—domestic	32,230	33,285
Time deposits	10,722	5,772
	<u>\$ 126,959</u>	<u>\$ 131,743</u>
Consumer Bank segment	\$ 81,554	\$ 83,487
Corporate Bank segment	35,332	37,145
Wealth Management segment	7,176	9,111
Other ⁽¹⁾⁽²⁾	2,897	2,000
	<u>\$ 126,959</u>	<u>\$ 131,743</u>

(1) Other deposits represent non-customer balances primarily consisting of wholesale funding (for example, Eurodollar trade deposits, selected deposits and brokered time deposits).

(2) Includes brokered deposits totaling \$2.0 billion at June 30, 2023 and \$1.2 billion at December 31, 2022.

Total deposits at June 30, 2023 decreased approximately \$4.8 billion compared to year-end 2022 levels, largely in line with expectations. Consumer and wealth management deposits declined by approximately \$3.9 billion with declines across most interest-bearing products, partially offset by an increase in time deposits, reflecting continued rate-seeking behavior of higher-balance customers. Corporate deposits declined approximately \$1.8 billion, primarily in non-interest-bearing demand deposits, also driven by rate-seeking behavior and utilization of off-balance sheet funding solutions. These deposit declines were offset by an increase of other segment deposits of approximately \$897 million reflecting additional brokered deposits entered into in the second quarter to maintain diversified funding sources.

Regions believes that its deposits are diversified across stable categories and include insured and collateralized deposits, with consumer deposits making up more than 60 percent of the total deposit base. Furthermore, corporate deposits include those that are operational in nature (where the primary use is certain operational services such as clearing, custody, payments or other cash management activities). A significant amount of the Company's deposit base is insured by the FDIC or collateralized, with approximately \$7.5 billion in deposits collateralized in public funds or in trusts at June 30, 2023. The amount of estimated uninsured deposits totaled \$47.3 billion at June 30, 2023, therefore over 60 percent of total deposits are insured by the FDIC. The Company's deposits are also granular in nature as evidenced by an average deposit account balance of approximately \$18 thousand at June 30, 2023. The estimates of uninsured deposits and average account size were based on methodologies used in the Company's Call Report, which is prepared on an unconsolidated bank basis.

See the "Second Quarter Overview" section for details on expectations for deposits in 2023. See also the "Liquidity" and "Market Risk-Interest Rate Risk" sections for further discussion.

BORROWED FUNDS

Short-Term Borrowings

Short-term borrowings, which consist of FHLB advances, were \$3.0 billion at June 30, 2023, and there were no short-term borrowings outstanding at December 31, 2022. The levels of these borrowings can fluctuate depending on the Company's funding needs and the sources utilized.

Short and long-term funding from the FHLB and FRB are secured by pledged assets, primarily certain loan portfolios which are also subject to blanket lien arrangements with the FHLB and FRB. As of June 30, 2023, Regions' blanket lien arrangements with these entities covered a total loan balance of approximately \$94.1 billion and included loans from various loan portfolios. However, borrowing capacity with the FHLB and FRB is contingent on a subset of the blanket lien portfolios which are eligible and pledged according to the parameters for each counterparty.

Short-term secured borrowings, such as securities sold under agreements to repurchase and FHLB advances, are a portion of Regions' funding strategy. See the "Liquidity" section for further detail of Regions' borrowing capacity with the FHLB.

Table 14—Long-Term Borrowings

	June 30, 2023	December 31, 2022
	(In millions)	
Regions Financial Corporation (Parent):		
2.25% senior notes due May 2025	\$ 747	\$ 747
1.80% senior notes due August 2028	646	646
7.75% subordinated notes due September 2024	100	100
6.75% subordinated debentures due November 2025	153	153
7.375% subordinated notes due December 2037	298	298
Valuation adjustments on hedged long-term debt	(149)	(158)
	<u>1,795</u>	<u>1,786</u>
Regions Bank:		
FHLB advances	2,000	—
6.45% subordinated notes due June 2037	496	496
Other long-term debt	2	2
	<u>2,498</u>	<u>498</u>
Total consolidated	\$ 4,293	\$ 2,284

Long-term borrowings increased by approximately \$2.0 billion from year-end 2022 as the Company utilized FHLB advances during the second quarter of 2023. See the "Liquidity" section for further detail of Regions' borrowing capacity with the FHLB.

Ratings

The Company's credit ratings reflect the debt ratings information of Regions Financial Corporation and Regions Bank by Standard and Poor's, Moody's, Fitch and Dominion Bond Rating Service Morningstar. During the six months ended June 30, 2023, there were no changes to the Company's ratings by any of the aforementioned ratings agencies compared to December 31, 2022. See the "Ratings" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2022 Annual Report on Form 10-K for additional information.

As part of an industry-wide evaluation, on August 7, 2023, Moody's affirmed all long-term and short-term ratings and updated the outlook to negative from stable reflecting several sources of strain on the U.S. banking sector.

REGULATORY REQUIREMENTS

CAPITAL RULES

Regions and Regions Bank are required to comply with regulatory capital requirements established by Federal and State banking agencies. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and selected off-balance sheet items, and also qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject the Company to a series of increasingly restrictive regulatory actions. Under the Basel III Rules, Regions is designated as a standardized approach bank. Regions is a "Category IV" institution under the FRB's rules for tailoring enhanced prudential standards.

Federal banking agencies allowed a phase-in of the impact of CECL on regulatory capital. At December 31, 2021, the add-back to regulatory capital was calculated as the impact of initial adoption, adjusted for 25 percent of subsequent changes in the allowance. The amount is phased-in over a three-year period beginning in 2022. At June 30, 2023, the net impact of the addback on CET1 was approximately \$204 million or approximately 16 basis points. The add-back amount will decrease by approximately \$100 million each year, or approximately 8 basis points, in the first quarters of 2024 and 2025.

Regions participates in supervisory stress testing conducted by the Federal Reserve and its SCB is currently floored at 2.5 percent. See Note 5 "Shareholders' Equity and Accumulated Other Comprehensive Income" to the consolidated financial statements for further details regarding CCAR results.

The following table summarizes the applicable holding company and bank regulatory requirements:

Table 15—Regulatory Capital Requirements

	June 30, 2023 Ratio ⁽¹⁾	December 31, 2022 Ratio	Minimum Requirement	Minimum Requirement plus SCB ⁽²⁾	To Be Well Capitalized
Common equity Tier 1 capital:					
Regions Financial Corporation	10.07 %	9.60 %	4.50 %	7.00 %	N/A
Regions Bank	10.77	10.77	4.50	7.00	6.50 %
Tier 1 capital:					
Regions Financial Corporation	11.38 %	10.91 %	6.00 %	8.50 %	6.00 %
Regions Bank	10.77	10.77	6.00	8.50	8.00
Total capital:					
Regions Financial Corporation	13.14 %	12.54 %	8.00 %	10.50 %	10.00 %
Regions Bank	12.24	12.10	8.00	10.50	10.00
Leverage capital:					
Regions Financial Corporation	9.52 %	8.90 %	4.00 %	4.00 %	N/A
Regions Bank	9.03	8.80	4.00	4.00	5.00

(1) The current quarter Basel III CET1 capital, Tier 1 capital, Total capital, and Leverage capital ratios are estimated.

(2) Reflects Regions' SCB of 2.50 percent. SCB does not apply to leverage capital ratios.

See the "Second Quarter Overview" section for details on expectations for CET1.

Proposed new rules for U.S. implementation of capital requirements under Basel IV rules, more recently referred to as the Basel III "Endgame", were issued on July 27, 2023. These proposed rules include broad-based changes to the risk-weighting framework for various credit exposures and operational risk capital requirements. The Company is studying the proposals and evaluating their impacts. Additional discussion of the current Basel III Rules, their applicability to Regions, recent proposals and final rules issued by the federal banking agencies and recent laws enacted that impact regulatory requirements is included in the "Supervision and Regulation" subsection of the "Business" section in the 2022 Annual Report on Form 10-K and the "Regulatory Requirements" section of Management's Discussion and Analysis in the 2022 Annual Report on Form 10-K. Additional discussion and is also included in Note 12 "Regulatory Capital Requirements and Restrictions" to the consolidated financial statements in the 2022 Annual Report on Form 10-K.

LIQUIDITY

Regions maintains a robust liquidity management framework designed to effectively manage liquidity risk in accordance with sound risk management principals and regulatory expectations. The framework establishes sustainable processes and tools to effectively identify, measure, mitigate, monitor, and report liquidity risks beginning with Regions' Liquidity Management Policy and the Liquidity Risk Appetite Statements approved by the Board. Processes within the liquidity management framework include, but are not limited to, liquidity risk governance, cash management, liquidity stress testing, liquidity risk limits, contingency funding plans, and collateral management. While the framework is designed to comply with liquidity regulations, the processes are further tailored to be commensurate with Regions' operating model and risk profile.

See the "Liquidity" section for more information. Also, see the "Supervision and Regulation—Liquidity Requirements" subsection of the "Business" section, the "Risk Factors" section and the "Liquidity" section in the 2022 Annual Report on Form 10-K for additional information.

SHAREHOLDERS' AND TOTAL EQUITY

Shareholders' equity was \$16.6 billion at June 30, 2023 as compared to \$15.9 billion at December 31, 2022. During the first six months of 2023, net income increased shareholders' equity by \$1.2 billion, cash dividends on common stock reduced shareholders' equity by \$374 million, and cash dividends on preferred stock reduced shareholders' equity by \$49 million. Changes in AOCI decreased shareholders' equity by \$97 million, primarily due to derivative instruments as a result of changes in market interest rates during the six months ended June 30, 2023. The cumulative effect from the adoption of new accounting guidance that eliminated TDRs and created modifications to troubled borrowers increased shareholders' equity by \$28 million.

Total equity includes noncontrolling interest of \$22 million and \$4 million at June 30, 2023 and December 31, 2022, respectively. The noncontrolling interest represents the unowned portion of a low income housing tax credit fund syndication, of which Regions held the majority interest at June 30, 2023 and December 31, 2022.

See Note 5 "Shareholders' Equity and Accumulated Other Comprehensive Income (Loss)" section for additional information.

NON-GAAP MEASURES

The table below presents computations of earnings and certain other financial measures, which excludes certain adjustments that are included in the financial results presented in accordance with GAAP. These non-GAAP financial measures include "adjusted non-interest expense", "adjusted non-interest income", "adjusted total revenue", "adjusted total revenue, taxable-equivalent basis", and "adjusted operating leverage ratio". Regions believes that excluding certain items provides a meaningful base for period-to-period comparison, which management believes will assist investors in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business because management does not consider the activities related to the adjustments to be indications of ongoing operations. Regions believes that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management. Management and the Board utilize these non-GAAP financial measures as follows:

- Preparation of Regions' operating budgets
- Monthly financial performance reporting
- Monthly close-out reporting of consolidated results
- Presentations to investors of Company performance
- Metrics for incentive compensation

Non-interest expense (GAAP) is presented excluding adjustments to arrive at adjusted non-interest expense (non-GAAP). Net interest income (GAAP) is presented with taxable-equivalent adjustments to arrive at net interest income on a taxable-equivalent basis (GAAP). Non-interest income (GAAP) is presented excluding adjustments to arrive at adjusted non-interest income (non-GAAP). Net interest income (GAAP) and adjusted non-interest income (non-GAAP) are added together to arrive at adjusted total revenue (non-GAAP). Net interest income on a taxable-equivalent basis (GAAP) and adjusted non-interest income (non-GAAP) are added together to arrive at adjusted total revenue on a taxable-equivalent basis (non-GAAP). The adjusted operating leverage ratio (non-GAAP), which is a measure of productivity, is calculated as the year over year percentage change in adjusted total revenue on a taxable-equivalent basis (non-GAAP) less the year over year percentage change in adjusted total non-interest expense (non-GAAP). Management uses this ratio to monitor performance and believes it provides meaningful information to investors.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes selected items does not represent the amount that effectively accrues directly to shareholders.

The following table provides: 1) a reconciliation of non-interest expense (GAAP) to adjusted non-interest expense (non-GAAP), 2) a reconciliation of non-interest income (GAAP) to adjusted non-interest income (non-GAAP), 3) a computation of adjusted total revenue (non-GAAP), 4) a computation of adjusted total revenue on a taxable-equivalent basis (non-GAAP) and 5) presentation of the operating leverage ratio (GAAP) and the adjusted operating leverage ratio (non-GAAP).

Table 16—GAAP to Non-GAAP Reconciliations

		Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
		(Dollars in millions)			
ADJUSTED REVENUE AND OPERATING LEVERAGE RATIOS					
Non-interest expense (GAAP)	A	\$ 1,111	\$ 948	\$ 2,138	\$ 1,881
Adjustments:					
Branch consolidation, property and equipment charges		(1)	6	(3)	5
Adjusted non-interest expense (non-GAAP)	B	\$ 1,110	\$ 954	\$ 2,135	\$ 1,886
Net interest income (GAAP)	C	\$ 1,381	\$ 1,108	\$ 2,798	\$ 2,123
Taxable-equivalent adjustment (GAAP)		12	11	25	22
Net interest income, taxable-equivalent basis (GAAP)	D	\$ 1,393	\$ 1,119	\$ 2,823	\$ 2,145
Non-interest income (GAAP)	E	\$ 576	\$ 640	\$ 1,110	\$ 1,224
Adjustments:					
Securities (gains) losses, net		—	—	2	—
Leveraged lease termination gains		—	—	(1)	(1)
Adjusted non-interest income (non-GAAP)	F	\$ 576	\$ 640	\$ 1,111	\$ 1,223
Total revenue (GAAP)	C+E=G	\$ 1,957	\$ 1,748	\$ 3,908	\$ 3,347
Adjusted total revenue (non-GAAP)	C+F=H	\$ 1,957	\$ 1,748	\$ 3,909	\$ 3,346
Total revenue, taxable-equivalent basis (GAAP)	D+E=I	\$ 1,969	\$ 1,759	\$ 3,933	\$ 3,369
Adjusted total revenue, taxable-equivalent basis (non-GAAP)	D+F=J	\$ 1,969	\$ 1,759	\$ 3,934	\$ 3,368
Operating leverage ratio (GAAP) ⁽¹⁾				3.14 %	1.86 %
Adjusted operating leverage ratio (non-GAAP) ⁽¹⁾				3.59 %	1.62 %

(1) Amounts have been calculated using whole dollar values.

Table 17 "Consolidated Average Daily Balances and Yield/Rate Analysis" presents a detail of net interest income (on a taxable-equivalent basis), the net interest margin, and the net interest spread.

Table 17—Consolidated Average Daily Balances and Yield/Rate Analysis

	Three Months Ended June 30					
	2023			2022		
	Average Balance	Income/Expense	Yield/Rate ⁽¹⁾	Average Balance	Income/Expense	Yield/Rate ⁽¹⁾
(Dollars in millions; yields on taxable-equivalent basis)						
Assets						
Earning assets:						
Federal funds sold and securities purchased under agreements to resell	\$ 1	\$ —	5.02 %	\$ —	\$ —	— %
Debt securities ⁽²⁾	31,588	185	2.35	31,429	157	2.00
Loans held for sale	539	10	7.11	704	10	5.39
Loans, net of unearned income ⁽³⁾⁽⁴⁾	98,581	1,466	5.94	90,764	943	4.15
Interest-bearing deposits in other banks	6,111	79	5.21	22,246	45	0.81
Other earning assets	1,411	11	3.05	1,445	11	2.79
Total earning assets	138,231	1,751	5.06	146,588	1,166	3.18
Unrealized gains/(losses) on securities available for sale, net ⁽²⁾	(3,064)			(2,107)		
Allowance for loan losses	(1,497)			(1,419)		
Cash and due from banks	2,320			2,386		
Other non-earning assets	17,784			16,378		
	<u>\$ 153,774</u>			<u>\$ 161,826</u>		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Savings	\$ 14,701	5	0.12	\$ 16,200	5	0.12
Interest-bearing checking	22,979	63	1.09	27,533	6	0.09
Money market	31,567	130	1.66	31,348	4	0.05
Time deposits	9,114	62	2.74	5,600	5	0.34
Total interest-bearing deposits ⁽⁵⁾	78,361	260	1.33	80,681	20	0.10
Federal funds purchased and securities sold under agreements to repurchase	17	—	5.23	—	—	—
Short-term borrowings	3,242	42	5.06	7	—	1.01
Long-term borrowings	3,517	56	6.42	2,328	27	4.53
Total interest-bearing liabilities	85,137	358	1.69	83,016	47	0.22
Non-interest-bearing deposits ⁽⁵⁾	47,178	—	—	58,911	—	—
Total funding sources	132,315	358	1.08	141,927	47	0.13
Net interest spread ⁽²⁾			<u>3.37</u>			<u>2.95</u>
Other liabilities	4,548			3,495		
Shareholders' equity	16,892			16,404		
Noncontrolling interest	19			—		
	<u>\$ 153,774</u>			<u>\$ 161,826</u>		
Net interest income /margin on a taxable-equivalent basis ⁽⁶⁾		<u>\$ 1,393</u>	<u>4.04 %</u>		<u>\$ 1,119</u>	<u>3.06 %</u>

(1) Amounts have been calculated using whole dollar values.

(2) Debt securities are included on an amortized cost basis with yield and net interest margin calculated accordingly.

(3) Loans, net of unearned income include non-accrual loans for all periods presented.

(4) Interest income on loans, net of unearned income, includes hedging expense of \$32 million and hedging income of \$78 million for the three months ended June 30, 2023 and 2022, respectively. Interest income on loans, net of unearned income, also includes net loan fees of \$32 million and \$26 million for the three months ended June 30, 2023 and 2022, respectively.

(5) Total deposit costs are calculated by dividing total interest expense on deposits by the sum of interest-bearing deposits and non-interest-bearing deposits. The rates for total deposit costs equaled 0.83% and 0.06% for the three months ended June 30, 2023 and 2022, respectively. The computation of taxable-equivalent net interest income is based on the statutory federal income tax rate of 21% adjusted for applicable state income taxes net of the related federal tax benefit.

	Six Months Ended June 30					
	2023			2022		
	Average Balance	Income/Expense	Yield/Rate ⁽¹⁾	Average Balance	Income/Expense	Yield/Rate ⁽¹⁾
(Dollars in millions; yields on taxable-equivalent basis)						
Assets						
Earning assets:						
Federal funds sold and securities purchased under agreements to resell	\$ —	\$ —	— %	\$ 1	\$ —	0.18 %
Debt securities ⁽²⁾	31,815	372	2.34	30,391	295	1.94
Loans held for sale	464	17	7.16	743	19	5.13
Loans, net of unearned income ⁽³⁾⁽⁴⁾	97,933	2,839	5.81	89,297	1,830	4.11
Interest-bearing deposits in other banks	6,308	151	4.84	24,414	58	0.48
Other earning assets	1,376	26	3.85	1,376	27	3.84
Total earning assets	137,896	3,405	4.95	146,222	2,229	3.06
Unrealized gains/(losses) on securities available for sale, net ⁽²⁾	(3,072)			(1,333)		
Allowance for loan losses	(1,462)			(1,445)		
Cash and due from banks	2,340			2,294		
Other non-earning assets	17,728			16,040		
	<u>\$ 153,430</u>			<u>\$ 161,778</u>		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Savings	\$ 15,058	9	0.12	\$ 15,871	10	0.13
Interest-bearing checking	23,833	117	0.99	27,651	8	0.06
Money market	32,042	221	1.39	31,375	6	0.04
Time deposits	7,970	92	2.34	5,752	9	0.32
Total interest-bearing deposits ⁽⁵⁾	78,903	439	1.12	80,649	33	0.08
Federal funds purchased and securities sold under agreements to repurchase	8	—	5.23	—	—	—
Short-term borrowings	1,829	47	5.04	8	—	0.54
Long-term borrowings	2,905	96	6.61	2,359	51	4.29
Total interest-bearing liabilities	83,645	582	1.40	83,016	84	0.20
Non-interest-bearing deposits ⁽⁵⁾	48,378	—	—	58,516	—	—
Total funding sources	132,023	582	0.89	141,532	84	0.12
Net interest spread ⁽²⁾			<u>3.55</u>			<u>2.85</u>
Other liabilities	4,719			3,188		
Shareholders' equity	16,676			17,058		
Noncontrolling interest	12			—		
	<u>\$ 153,430</u>			<u>\$ 161,778</u>		
Net interest income/margin on a taxable-equivalent basis ⁽⁶⁾		<u>\$ 2,823</u>	<u>4.13 %</u>		<u>\$ 2,145</u>	<u>2.96 %</u>

(1) Amounts have been calculated using whole dollar values.

(2) Debt securities are included on an amortized cost basis with yield and net interest margin calculated accordingly.

(3) Loans, net of unearned income include non-accrual loans for all periods presented.

(4) Interest income on loans, net of unearned income, includes hedging expense of \$47 million and hedging income \$188 million for the six months ended June 30, 2023 and 2022, respectively. Interest income on loans, net of unearned income, also includes net loan fees of \$62 million and \$48 million for the six months ended June 30, 2023 and 2022, respectively.

(5) Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing deposits and non-interest-bearing deposits. The rates for total deposit costs equaled 0.70% and 0.05% for the six months ended June 30, 2023 and 2022, respectively.

(6) The computation of taxable-equivalent net interest income is based on the statutory federal income tax rate of 21%, adjusted for applicable state income taxes net of the related federal tax benefit.

Net interest income is Regions' principal source of income and is one of the most important elements of Regions' ability to meet its overall performance goals. Both net interest income and net interest margin are influenced by market interest rates and in the first six months of 2023, the FOMC increased the Fed funds rate by 75 basis points. See the "Second Quarter Overview" for a discussion of recent FOMC activity.

Net interest income (taxable-equivalent basis) and net interest margin increased in both the second quarter and first six months of 2023 compared to the same periods in 2022. The increases were driven primarily by significantly higher short-term and long-term interest rates and higher average loan balances. Higher deposit and funding costs, due to the rising rate environment, partially offset the increases in net interest income and net interest margin.

MARKET RISK—INTEREST RATE RISK

Regions' primary market risk is interest rate risk. This includes uncertainty with respect to absolute interest rate levels as well as relative interest rate levels, which are impacted by both the shape and the slope of the various yield curves that affect the

financial products and services that the Company offers. As its primary tool to analyze this risk, Regions measures the change in its net interest income in various interest rate scenarios compared to a base case scenario. Net interest income sensitivity to market rate movements is a useful short-term indicator of Regions' interest rate risk.

In addition to net interest income simulations, Regions also utilizes an EVE analysis as a measurement tool to estimate risk exposure over a longer-term horizon. EVE measures the extent to which the economic value of assets, liabilities and off-balance sheet instruments may change in response to fluctuations in interest rates. Importantly, EVE values only the current balance sheet, does not incorporate the balance sheet growth assumptions used in the net interest income sensitivity analyses, and results are highly dependent on imprecise assumptions for products with embedded prepay optionality and indeterminate maturities. The imprecise assumptions in preparing an EVE analysis limit its efficacy.

Sensitivity Measurement—Financial simulation models are Regions' primary tools used to measure interest rate exposure. Using a wide range of sophisticated simulation techniques provides management with extensive information on the potential impact to net interest income caused by changes in interest rates. Models are structured to simulate cash flows and accrual characteristics of Regions' balance sheet. Assumptions are made about the direction and magnitude of interest rate movements, the slope of the yield curve, and the changing composition of the balance sheet that results from both strategic plans and customer behavior. Among the assumptions are expectations of balance sheet growth and composition, the pricing and maturity characteristics of existing business and the characteristics of future business. Interest rate-related risks are expressly considered, such as pricing spreads, the pricing of deposit accounts, prepayments and other option risks. Regions considers these factors, as well as the degree of certainty or uncertainty surrounding their future behavior.

The primary objective of asset/liability management at Regions is to coordinate balance sheet composition with interest rate risk management to sustain reasonable and stable net interest income throughout various interest rate cycles. In computing interest rate sensitivity, Regions compares a set of alternative interest rate scenarios to the results of a base case scenario derived using "market forward rates." See the "Second Quarter Overview" section for details on expectations for net interest income in 2023. The set of alternative interest rate scenarios includes instantaneous parallel rate shifts of various magnitudes. In addition to parallel rate shifts, multiple curve steepening and flattening scenarios are contemplated. Regions includes simulations of gradual interest rate movements phased in over a six-month period that may more realistically mimic the speed of potential interest rate movements.

Exposure to Interest Rate Movements—Regions' balance sheet is naturally asset sensitive, with net interest income increasing with higher interest rates, and decreasing with lower interest rates. This is the result of approximately half of the loan portfolio floating contractually with market rate indices, and funding from a large, mostly stable retail deposit portfolio. Importantly, the stability and rate sensitivity of Regions' deposit portfolio has been proven over multiple interest rate cycles. With this natural balance sheet profile, the ability to utilize discretionary asset duration strategies within the investment portfolio and through cash flow hedges is critical for interest rate risk management. As of June 30, 2023, Regions evidenced a mostly balanced asset/liability position, with an asset duration of approximately 2.7 years and a liability duration of approximately 2.9 years, using historically-informed approximations. The securities portfolio duration was approximately 4.7 years and is appropriate for Regions' risk profile in order to offset the long-duration deposit liabilities. While the available for sale securities and cash flow hedging portfolios are recorded on the balance sheet including current unrealized losses, deposit value increases have more than offset these losses through the rising rate environment. The additional value of deposits in a higher rate environment will be realized in the form of lower-cost funding when compared with wholesale sources. Deposits are recorded on the balance sheet at carrying value and, for certain financial statement footnote disclosures, the estimated fair value of deposits with no stated maturity is equal to their carrying value, consistent with industry practices. However, in the sensitivity analysis of the balance sheet management does contemplate a fair value of deposits with no stated maturity. See Note 9 "Fair Value Measurements" to the consolidated financial statements for additional information.

As of June 30, 2023, Regions was asset sensitive to both gradual and instantaneous parallel yield curve shifts as compared to the base case for the 12-month measurement horizon ending June 2024. The estimated exposure associated with the rising and falling rate scenarios in Table 18 below reflects the combined impacts of movements in short-term and long-term interest rates. An increase or reduction in short-term interest rates (such as the Fed Funds rate, the rate of Interest on Excess Reserves, SOFR and BSBY) will drive the yield on assets and liabilities contractually tied to such rates higher or lower. Under either environment, it is expected that changes in funding costs and balance sheet hedging income will only somewhat offset the change in asset yields.

Net interest income remains exposed to intermediate and long-term yield curve tenors. While this was a headwind to net interest income during a low rate environment, it represents a tailwind to net interest income growth as the yield curve rises and remains elevated. An increase in intermediate and long-term interest rates (such as intermediate to longer-term U.S. Treasuries, swaps and mortgage rates) will drive yields higher on certain fixed-rate, newly originated or renewed loans, increase prospective yields on certain investment portfolio purchases, and reduce amortization of premium expense on existing securities in the investment portfolio. The opposite is true in an environment where intermediate and long-term interest rates fall.

The interest rate sensitivity analysis presented below in Table 18 is informed by a variety of assumptions and estimates regarding the progression of the balance sheet in both the baseline scenario as well as the scenarios of instantaneous and gradual shifts in the yield curve. Though there are many assumptions which affect the estimates for net interest income, those pertaining to deposit pricing, deposit mix and overall balance sheet composition are particularly impactful. Given the uncertainties associated with tightening monetary policy on industry liquidity levels and the cost of that liquidity, management evaluates the impacts from these key assumptions through sensitivity analysis. Sensitivity calculations are hypothetical and should not be considered to be predictive of future results.

The Company's baseline balance sheet assumptions include management's best estimate for balance sheet changes in the coming 12 months. In the first six months of 2023, Regions experienced a decline in low-cost deposit balances, both from the normalization of balances acquired from stimulative policies, as well as from late-cycle rate seeking behavior by higher-balance customers. The baseline projects deposit balances to decline modestly through the end of the year. Assuming runoff mimics the expected total deposit mix, an additional deposit outflow of \$1 billion would reduce net interest income by \$26 million over 12 months in the parallel +100 basis point scenario in Table 18. Conversely, if an additional \$1 billion are retained a positive benefit of \$26 million would be expected over 12 months in the parallel +100 basis point scenario in Table 18.

In rising rate scenarios only, management assumes that the mix of legacy deposits will change versus the base case as informed by analyses of prior rate cycles. Management assumes that in rising rate scenarios, some remixing shift from non-interest-bearing to interest-bearing products will occur. The magnitude of the remixing shift is rate dependent and equates to approximately \$3.5 billion over 12 months in the parallel +100 basis point scenario in Table 18. Furthermore, over the 12 month horizon, an increase of \$1 billion in deposit remixing would decrease net interest income by approximately \$28 million, and a decrease of \$1 billion in deposit remixing would increase net interest income by \$28 million.

The deposit beta is calibrated using the experience from prior rate cycles and is dynamic across both interest rate level and time. In the base case scenario, management expects an approximate 35 percent full cycle interest-bearing deposit beta by year-end 2023, and for the beta to drift towards 40 percent in 2024. The parallel +100 basis point shock scenario in Table 18 also incorporates an incremental beta of approximately 45 percent above the base case scenario. Incremental deposit pricing outperformance or underperformance of 5 percent in the parallel +100 basis point shock would increase or decrease net interest income by approximately \$40 million.

The table below summarizes Regions' positioning over the next 12 months in various parallel yield curve shifts (i.e., including all yield curve tenors). The scenarios are inclusive of all interest rate hedging activities. More information regarding hedges is disclosed in Table 19 and its accompanying description.

Table 18—Interest Rate Sensitivity

	Estimated Annual % Change in Net Interest Income June 30, 2023 ⁽¹⁾⁽²⁾ (in millions)
Gradual Change in Interest Rates	
+ 200 basis points	\$ 62
+ 100 basis points	39
- 100 basis points	(96)
- 200 basis points	(202)
Instantaneous Change in Interest Rates	
+ 200 basis points	\$ 13
+ 100 basis points	25
- 100 basis points	(139)
- 200 basis points	(295)

(1) Disclosed interest rate sensitivity levels represent the 12-month forward looking net interest income changes as compared to market forward rate cases and include expected balance sheet growth and remixing.

(2) All active cash flow hedges, including forward starting hedges, are reflected within the measurement horizon. See Table 20 for additional information regarding hedge start and maturity dates.

Regions' comprehensive interest rate risk management approach uses derivatives, as discussed further below, and debt securities to manage its interest rate risk position.

During the second quarter of 2023, the Company did not engage in meaningful hedging transactions.

Since June 30, 2023, the Company executed transactions to opportunistically extend incremental downside rate protection over a longer horizon and reduce exposure to large falling rate movements. The Company added \$1.0 billion of forward starting swaps, which will become active in 2026 and mature 3 years from their start dates. The receive fixed rates on these cash flow

hedges averaged 3.48 percent, paying overnight SOFR. The Company also added \$500 million of forward starting interest rate options, which will become active in 2025 and mature 4 years from their start dates. These options were constructed with net purchased interest rate floors at a weighted-average strike of 2.00 percent. To offset the cost of these floors, the strategy includes sold interest rate caps with a weighted-average strike of 6.20 percent.

Interest rate movements may also have an impact on the value of Regions' securities portfolio, which can directly impact the carrying value of shareholders' equity.

Derivatives—Regions uses financial derivative instruments for management of interest rate sensitivity. ALCO, which consists of members of Regions' senior management team, in its oversight role for the management of interest rate sensitivity, approves the use of derivatives in balance sheet hedging strategies. Derivatives are also used to offset the risks associated with customer derivatives, which include interest rate, credit, and foreign exchange risks. The most common derivatives Regions employs are forward rate contracts, forward sale commitments, futures contracts, interest rate swaps, interest rate options (caps, floors and collars), and contracts with a combination of these instruments.

Forward rate contracts are commitments to buy or sell financial instruments at a future date at a specified price or yield. Futures contracts subject Regions to market risk associated with changes in interest rates. Because futures contracts are cash settled daily, there is minimal credit risk associated with futures. Interest rate swaps are contractual agreements typically entered into to exchange fixed for variable (or vice versa) streams of interest payments. The notional principal is not exchanged but is used as a reference for the size of interest settlements. Interest rate options are contracts that allow the buyer to purchase or sell a financial instrument at a predetermined price and time. Forward sale commitments are contractual obligations to sell market instruments at a future date for an already agreed-upon price. Foreign currency contracts involve the exchange of one currency for another on a specified date and at a specified rate. These contracts are executed on behalf of the Company's customers and are used by customers to manage fluctuations in foreign exchange rates. The Company is subject to the credit risk that another party will fail to perform.

Regions has made use of interest rate swaps and options in balance sheet hedging strategies to effectively convert a portion of its fixed-rate funding position to a variable-rate position, to effectively convert a portion of its fixed-rate debt securities available for sale portfolio to a variable-rate position, and to effectively convert a portion of its floating-rate loan portfolios to fixed-rate. Regions also uses derivatives to economically manage interest rate and pricing risk associated with its mortgage origination business. In the period of time that elapses between the origination and sale of mortgage loans, changes in interest rates have the potential to cause a decline in the value of the loans in this held-for-sale portfolio. Futures contracts and forward sale commitments are used to protect the value of the loan pipeline and loans held for sale from changes in interest rates and pricing.

The following table presents additional information about hedging interest rate derivatives used by Regions to manage interest rate risk:

Table 19—Hedging Derivatives by Interest Rate Risk Management Strategy

	June 30, 2023			
	Notional Amount	Weighted-Average		
		Maturity (Years)	Receive Rate	Pay Rate
	(Dollars in millions)			
Derivatives in fair value hedging relationships:				
Receive variable/pay fixed swaps - debt securities available for sale ⁽¹⁾⁽²⁾⁽³⁾	\$ 23	8.6	3.1 %	2.7 %
Receive fixed/pay variable swaps - borrowed funds ⁽³⁾	1,400	3.3	0.6 %	5.2 %
Derivatives in cash flow hedging relationships:				
Receive fixed/pay variable swaps - floating-rate loans ⁽¹⁾⁽²⁾⁽³⁾	\$ 27,800	3.4	3.0 %	4.7 %
Interest rate options ⁽⁴⁾	1,500	4.8		
Total derivatives designated as hedging instruments	\$ 30,723			

(1) Floating rates represent the most recent fixing for active derivatives and the first forward fixing for future starting derivatives.

(2) Includes forward starting notional. For more information on notional by year, see Table 20.

(3) Floating rates include the static spread associated with SOFR conversion.

(4) Interest rate options have an average cap strike of 6.23% and a floor of 1.81%.

The following table presents the average asset hedge notional amounts that are active during each of the remaining quarterly and annual periods. Asset hedge notional amounts mature prior to the end of 2031, with an immaterial amount of notional maturing in early 2032.

Table 20—Schedule of Notional for Asset Hedging Derivatives

	Average Active Notional Amount									
	Quarters Ended		Years Ended							
	9/30/2023	12/31/2023	2024	2025	2026	2027	2028	2029	2030	2031
	(in millions)									
Asset Hedging Relationships:										
Receive fixed/pay variable swaps	\$ 14,959	\$ 18,018	\$ 20,411	\$ 18,989	\$ 15,529	\$ 10,708	\$ 4,862	\$ 9	\$ —	\$ —
Receive variable/pay fixed swaps	—	—	—	—	—	15	23	23	23	23
Net receive fixed/pay variable swaps	<u>\$ 14,959</u>	<u>\$ 18,018</u>	<u>\$ 20,411</u>	<u>\$ 18,989</u>	<u>\$ 15,529</u>	<u>\$ 10,693</u>	<u>\$ 4,839</u>	<u>\$ (14)</u>	<u>\$ (23)</u>	<u>\$ (23)</u>
Interest rate options	\$ —	\$ —	\$ 1,001	\$ 1,500	\$ 1,500	\$ 1,500	\$ 499	\$ —	\$ —	\$ —

(1) All cash flow hedges are reflected within the 12-month measurement horizon and included in income sensitivity levels as disclosed in Table 18.

Regions manages the credit risk of these instruments in much the same way as it manages credit risk of the loan portfolios by establishing credit limits for each counterparty and through collateral agreements for dealer transactions. For non-dealer transactions, the need for collateral is evaluated on an individual transaction basis and is primarily dependent on the financial strength of the counterparty. Credit risk is also reduced significantly by entering into legally enforceable master netting agreements. When there is more than one transaction with a counterparty and there is a legally enforceable master netting agreement in place, the exposure represents the net of the gain and loss positions with and collateral received from and/or posted to that counterparty. Most hedging interest rate swap derivatives traded by Regions are subject to mandatory clearing. The counterparty risk for cleared trades effectively moves from the executing broker to the clearinghouse allowing Regions to benefit from the risk mitigation controls in place at the respective clearinghouse. The “Credit Risk” section in this report contains more information on the management of credit risk.

Regions also uses derivatives to meet the needs of its customers. Interest rate swaps, interest rate options and foreign exchange forwards are the most common derivatives sold to customers. Other derivative instruments with similar characteristics are used to hedge market risk and minimize volatility associated with this portfolio. Instruments used to service customers are held in the trading account, with changes in value recorded in the consolidated statements of income.

The primary objective of Regions’ hedging strategies is to mitigate the impact of interest rate changes, from an economic perspective, on net interest income and other financing income and the net present value of its balance sheet. The overall effectiveness of these hedging strategies is subject to market conditions, the quality of Regions’ execution, the accuracy of its valuation assumptions, counterparty credit risk and changes in interest rates.

See Note 8 “Derivative Financial Instruments and Hedging Activities” to the consolidated financial statements for a tabular summary of Regions’ year-end derivatives positions and further discussion.

Regions accounts for residential MSRs at fair market value with any changes to fair value being recorded within mortgage income. Regions enters into derivative transactions to economically mitigate the impact of market value fluctuations related to residential MSRs. Derivative instruments entered into in the future could be materially different from the current risk profile of Regions’ current portfolio.

LIBOR TRANSITION

On March 5, 2021, the FCA announced that LIBOR would not be available for use after December 31, 2021 and would not be published after June 30, 2023. Regions ceased origination of all new LIBOR-based lending on December 31, 2021. Further, on March 15, 2022, the LIBOR Act was signed into law with the purpose of establishing a clear and uniform process for replacing LIBOR in existing contracts upon the formal cessation of USD LIBOR. Among the provisions of this legislation, contracts may be transitioned to SOFR to gain a legal safe harbor. The Company has assessed the impact of this legislation and allowed certain clients to fallback to SOFR upon the cessation of LIBOR, consistent with the guidelines in the legislation.

Through the first half of 2023, the Company continued to make progress on its LIBOR transition goals. On June 9, 2023, the Company announced the replacement of LIBOR with a three-month CME Term SOFR reference rate on Series B and Series C preferred stock when the instruments convert to a floating rate on their respective conversion dates (see Note 5 “Shareholders’ Equity and Accumulated Other Comprehensive Income (Loss)” for further details).

As of June 30, 2023, the Company held instruments that were impacted by the discontinuance of LIBOR, including \$3.3 billion in loans and \$215 million in investment securities. All remaining LIBOR loans and securities will transition in accordance with the terms delineated in the LIBOR Act on their next reset date through the 12-month period ending June 30, 2024 with an estimated 15 percent of total remaining LIBOR balances outstanding at December 31, 2023. Regions is not impacted by the introduction of synthetic LIBOR within its loan portfolio.

As of June 30, 2023, the Company held \$77.4 billion in derivative products that were impacted by the discontinuance of LIBOR. All remaining LIBOR derivatives will transition to SOFR in accordance with the LIBOR Act on their next reset date through the period ending October 3, 2023.

In the third quarter of 2020, Regions adopted temporary accounting relief for affected transactions that reference LIBOR. See Note 1 "Summary of Significant Accounting Policies" in Regions' Annual Report on Form 10-K for the year ended December 31, 2020 for details.

LIQUIDITY

Liquidity is an important factor in the financial condition of Regions and affects Regions' ability to meet the needs of the Company and its customers. Regions' goal in liquidity management is to maintain diverse liquidity sources and reserves sufficient to satisfy the cash flow requirements of depositors and borrowers, under normal and stressed conditions. Accordingly, Regions maintains a variety of liquidity sources to fund its obligations, as further described below. See also Note 11 "Commitments, Contingencies and Guarantees" to the consolidated financial statements for additional discussion of the Company's funding requirements. Furthermore, Regions performs specific procedures, including scenario analyses and stress testing to evaluate and maintain appropriate levels of available liquidity in alignment with liquidity risk.

Regions' operation of its business provides a generally balanced liquidity base which is comprised of customer assets, consisting principally of loans, and funding provided by customer deposits and borrowed funds. Maturities in the loan portfolio provide a steady flow of funds, and are supplemented by Regions' deposit base.

Cash reserves, liquid assets and secured borrowing capabilities aid in the management of liquidity in normal and stressed conditions, and/or meeting the need of contingent events such as obligations related to potential litigation. As part of its normal management practice, Regions maintains collateral and operational readiness to utilize secured funding sources such as FHLB, FRB or BTFP on a same-day basis (subject to any practical constraints affecting these market participants). While the securities portfolio is a primary source of liquidity, the secured borrowing capabilities, in addition to cash reserves on hand, assist in alleviating the Company's need to sell securities for funding purposes. Liquidity needs can also be met by borrowing funds in national money markets, though Regions does maintain limits on short-term unsecured funding due to the volatility that can affect such markets.

The following table summarizes the Company's available sources of liquidity as of June 30, 2023:

Table 21—Liquidity Sources

	Availability as of June 30, 2023	
	(in billions)	
Cash at the FRB ⁽¹⁾	\$	7.4
Liquid securities free to use, including at BTFP ⁽²⁾		20.0
Liquid corporate bonds		0.6
Other unencumbered securities		0.1
FHLB borrowing availability		10.3
FRB borrowing availability through the discount window		14.5
Total liquidity sources	\$	52.9

(1) Includes small in transit items that may not yet be reflected in the Fed master account closing balance.

(2) Securities pledged under the BTFP are measured at par value, as provided in the program, resulting in additional collateral of approximately \$1.9 billion at June 30, 2023.

The balance with the FRB is the primary component of the balance sheet line item "interest-bearing deposits in other banks." At June 30, 2023, Regions had approximately \$7.4 billion in cash on deposit with the FRB and other depository institutions, a decrease from approximately \$9.2 billion at December 31, 2022, partially driven by the expected decline in deposits during the period. Refer to the "Cash and Cash Equivalents" and "Deposits" sections for more information.

The securities portfolio also serves as a primary source and storehouse of liquidity. Proceeds from maturities and principal and interest payments of securities provide a continual flow of funds available for cash needs (see Note 2 "Debt Securities" to the consolidated financial statements). Furthermore, the highly liquid nature of the available for sale securities portfolio (for example, the agency guaranteed MBS portfolio) can be readily used as a source of cash through various secured borrowing arrangements, including the BTFP. In March 2023, the Federal Reserve created the BTFP as an additional liquidity source, under which securities may be pledged at their par value for a lending arrangement up to one year in length. Regions' securities portfolio consists of U.S. Treasury securities, federal agency securities, MBS and corporate and other debt. In evaluating the liquidity within the securities portfolio, "liquid securities free to use" are primarily comprised of U.S Treasury securities and agency MBS. These highly liquid securities include free to pledge securities as well as the incremental borrowing availability under the BTFP, which is based on collateral values being measured at par value under the program. Additionally, certain corporate bonds are considered to be highly liquid. Other unencumbered securities, primarily non-agency commercial MBS, also serve as a source of liquidity.

Regions' financing arrangement with the FHLB adds additional flexibility in managing the Company's liquidity position. As of June 30, 2023, Regions had \$3.0 billion in short-term FHLB borrowings, \$2.0 billion in long-term FHLB borrowings and had additional borrowing capacity from the FHLB, as shown in Table 21. FHLB borrowing capacity is determined based on eligible securities and loan amounts that can be used in collateral for future borrowing capacity. Additionally, investment in FHLB stock is required in relation to the level of outstanding borrowings. The FHLB has been and is expected to continue to be a reliable and economical source of funding.

Regions has additional borrowing availability with the FRB through the discount window as shown in Table 21. FRB borrowing capacity is determined based on eligible loan amounts that can be used as collateral for future borrowing capacity.

Regions maintains a shelf registration statement with the SEC that can be utilized by Regions to issue various debt and/or equity securities. Additionally, Regions' Board has authorized Regions Bank to issue up to \$10 billion in aggregate principal amount of bank notes outstanding at any one time. Refer to Note 11 "Borrowed Funds" to the consolidated financial statements in the 2022 Annual Report on Form 10-K for additional information.

Regions may, from time to time, consider opportunistically retiring outstanding issued securities, including subordinated debt in privately negotiated or open market transactions for cash or common shares. Regulatory approval would be required for retirement of some instruments. See Note 5 "Shareholders' Equity and Accumulated Other Comprehensive Income (Loss)" to the consolidated financial statements for additional information.

Regions' liquidity policy requires the holding company to maintain cash sufficient to cover the greater of (1) 18 months of debt service and other cash needs or (2) a minimum cash balance of \$500 million. Cash and cash equivalents at the holding company totaled \$2.2 billion at June 30, 2023. Overall liquidity risk limits are established by the Board through its Risk Appetite Statement and Liquidity Policy. The Company's Board, LROC and ALCO regularly review compliance with the established limits.

CREDIT RISK

Regions' objective regarding credit risk is to maintain a credit portfolio that provides for stable credit costs with acceptable volatility through an economic cycle. Regions has various processes to manage credit risk as described below. In order to assess the risk profile of the loan portfolio, Regions considers risk factors within the loan portfolio segments and classes, the current U.S. economic environment and that of its primary banking markets, as well as counterparty risk. See the "Portfolio Characteristics" section found earlier in this report for further information regarding the risk characteristics of each loan type. See further discussion of the current U.S. economic environment in the "Economic Environment in Regions' Banking Markets" section.

INFORMATION SECURITY RISK

Regions faces information security risks, such as evolving and adaptive cyber-attacks that are conducted regularly against financial institutions in attempts to compromise or disable information systems. Such attempts have increased in recent years, and the trend is expected to continue for a number of reasons, including increases in technology-based products and services used by us and our customers, the growing use of mobile, cloud, and other emerging technologies, and the increasing sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties or fraud on the part of employees.

Even when Regions successfully prevents cyber-attacks to its own network, the Company may still incur losses that result from customers' account information being obtained through breaches of retailers' networks that enable customer transactions. The related fraud losses, as well as the costs of re-issuing new cards, may impact Regions' financial results. In addition, Regions also relies on some vendors to provide certain business infrastructure components, and although Regions actively assesses and monitors the information security capabilities of these vendors, Regions' reliance on them may also increase exposure to information security risk.

In the event of a cyber-attack or other data breach, Regions may be required to incur significant expenses, including with respect to remediation costs, costs of implementing additional preventative measures, addressing any reputational harm and addressing any related regulatory inquiries or civil litigation arising from the event. Refer to the "Information Security Risk" section in Management's Discussion and Analysis included in the Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion of Regions' information security risk.

PROVISION FOR CREDIT LOSSES

The provision for credit losses is used to maintain the allowance for loan losses and the reserve for unfunded credit losses at a level that in management's judgment is appropriate to absorb expected credit losses over the contractual life of the loan and credit commitment portfolio at the balance sheet date. The provision for credit losses totaled \$118 million during the second quarter of 2023 compared to \$60 million during the second quarter 2022. The provision for credit losses totaled \$253 million for the first six months of 2023 compared to \$24 million for the first six months of 2022. Refer to the "Allowance" section for further detail.

NON-INTEREST INCOME

Table 22—Non-Interest Income

	Three Months Ended June 30		Quarter-to-Date Change 6/30/2023 vs. 6/30/2022	
	2023	2022	Amount	Percent
	(Dollars in millions)			
Service charges on deposit accounts	\$ 152	\$ 165	\$ (13)	(7.9)%
Card and ATM fees	130	133	(3)	(2.3)%
Capital markets income	68	112	(44)	(39.3)%
Investment management and trust fee income	77	72	5	6.9 %
Mortgage income	26	47	(21)	(44.7)%
Investment services fee income	33	30	3	10.0 %
Commercial credit fee income	28	23	5	21.7 %
Bank-owned life insurance	19	16	3	18.8 %
Market value adjustments on employee benefit assets - other	—	(17)	17	100.0 %
Other miscellaneous income	43	59	(16)	(27.1)%
	<u>\$ 576</u>	<u>\$ 640</u>	<u>\$ (64)</u>	<u>(10.0)%</u>

	Six Months Ended June 30		Year-to-Date Change 6/30/2023 vs. 6/30/2022	
	2023	2022	Amount	Percent
	(Dollars in millions)			
Service charges on deposit accounts	\$ 307	\$ 333	\$ (26)	(7.8)%
Card and ATM fees	251	257	(6)	(2.3)%
Capital markets income	110	185	(75)	(40.5)%
Investment management and trust fee income	153	147	6	4.1 %
Mortgage income	50	95	(45)	(47.4)%
Investment services fee income	69	56	13	23.2 %
Commercial credit fee income	54	45	9	20.0 %
Bank-owned life insurance	36	30	6	20.0 %
Market valuation adjustments on employee benefit assets - other	(1)	(31)	30	96.8 %
Securities gains (losses), net	(2)	—	(2)	NM
Other miscellaneous income	83	107	(24)	(22.4)%
	<u>\$ 1,110</u>	<u>\$ 1,224</u>	<u>\$ (114)</u>	<u>(9.3)%</u>

NM - Not Meaningful

Service Charges on Deposit Accounts

Service charges on deposit accounts include overdraft fees, corporate analysis service charges, non-sufficient fund fees, and other customer transaction-related service charges. During the second quarter and six months ended June 30, 2023, service charges decreased compared to the same periods in 2022, primarily as a result of overdraft-related policy enhancements that eliminated non-sufficient fund fees in mid-June 2022. Additionally, in the second quarter of 2023, the Company added Regions' Overdraft Grace feature, which compliments the overdraft-related policy enhancements. An increase in fees from treasury management services partially offset the overall decline in service charges.

Capital Markets Income

Capital markets income primarily relates to capital raising activities that include securities underwriting and placement, loan syndication, as well as foreign exchange, derivatives, merger and acquisition and other advisory services. Capital markets income decreased in the second quarter and six months ended June 30, 2023 compared to the same periods in 2022, driven primarily by negative credit/debit valuation adjustments due to rate and spread movements. To a lesser degree, capital markets was negatively impacted by declines in syndication revenue and M&A advisory fees. Partially offsetting these decreases was an

increase in securities underwriting and placement fees in the second quarter and first six months of 2023 compared to the same periods in 2022.

Mortgage Income

Mortgage income is generated through the origination and servicing of residential mortgage loans for long-term investors and sales of residential mortgage loans in the secondary market. The decrease in mortgage income in the second quarter and six months ended June 30, 2023 compared to the same periods in 2022 was due primarily to lower mortgage production and sales as a result of higher market interest rates. Additionally, mortgage income for the six months ended June 30, 2022 included approximately \$12 million in gains associated with the re-securitization and sale of Ginnie Mae loans previously repurchased from their pools.

Subsequent to quarter-end, the Company purchased the rights to service approximately \$6.2 billion in residential mortgage loans.

Investment Services Fee Income

Investment services fee income represents income earned from investment advisory services. Investment services fee income increased during the second quarter and six months ended June 30, 2023 compared to the same periods in 2022 due primarily to the rising interest rate environment, which has driven increases in fixed annuity rates and the related investment income. Also contributing were increases in assets under management due to additional financial advisors.

Commercial Credit Fee Income

Commercial credit fee income includes letters of credit fees and unused commercial commitment fees. Commercial credit fee income increased during the six months ended June 30, 2023 compared to the same period in 2022 driven primarily by an increase in unused commercial line fees.

Market Value Adjustments on Employee Benefit Assets

Market value adjustments on employee benefit assets are the reflection of market value variations related to assets held for certain employee benefits. Unfavorable market value adjustments on employee benefit assets decreased in the second quarter and six months ended June 30, 2023 compared to the same periods in 2022 due to market volatility. The adjustments are offset in salaries and benefits and other non-interest expense.

Securities Gains (Losses), net

Net securities gains (losses) primarily result from the Company's asset/liability management process. See Table 1 "Debt Securities" section and Note 2 "Debt Securities" to the consolidated financial statements for more information.

Other Miscellaneous Income

Other miscellaneous income includes net revenue from affordable housing, valuation adjustments to equity investments, fees from safe deposit boxes, check fees and other miscellaneous income. Net revenue from affordable housing includes actual gains and losses resulting from the sale of affordable housing investments, cash distributions from the investments and any related impairment charges. Other miscellaneous income decreased in the second quarter and six months ended June 30, 2023 compared to the same periods in 2022 primarily due to a decline in commercial loan and leasing related fee income and a customer's bankruptcy-related distribution in the second quarter of 2022 that did not repeat.

NON-INTEREST EXPENSE

Table 23—Non-Interest Expense

	Three Months Ended June 30		Quarter-to-Date Change 6/30/2023 vs. 6/30/2022	
	2023	2022	Amount	Percent
	(Dollars in millions)			
Salaries and employee benefits	\$ 603	\$ 575	\$ 28	4.9 %
Equipment and software expense	101	97	4	4.1 %
Net occupancy expense	73	75	(2)	(2.7)%
Outside services	42	38	4	10.5 %
Marketing	26	22	4	18.2 %
Professional, legal and regulatory expenses	20	24	(4)	(16.7)%
Credit/checkcard expenses	15	13	2	15.4 %
FDIC insurance assessments	29	13	16	123.1 %
Visa class B shares expense	9	9	—	— %
Operational losses	95	13	82	NM
Branch consolidation, property and equipment charges	1	(6)	7	116.7 %
Other miscellaneous expenses	97	75	22	29.3 %
	<u>\$ 1,111</u>	<u>\$ 948</u>	<u>\$ 163</u>	<u>17.2 %</u>

	Six Months Ended June 30		Year-to-Date Change 6/30/2023 vs. 6/30/2022	
	2023	2022	Amount	Percent
	(Dollars in millions)			
Salaries and employee benefits	\$ 1,219	\$ 1,121	\$ 98	8.7 %
Equipment and software expense	203	192	11	5.7 %
Net occupancy expense	146	150	(4)	(2.7)%
Outside services	81	76	5	6.6 %
Marketing	53	46	7	15.2 %
Professional, legal and regulatory expenses	39	41	(2)	(4.9)%
Credit/checkcard expenses	29	39	(10)	(25.6)%
FDIC insurance assessments	54	27	27	100.0 %
Visa class B shares expense	17	14	3	21.4 %
Operational losses	108	25	83	332.0 %
Branch consolidation, property and equipment charges	3	(5)	8	160.0 %
Other miscellaneous expenses	186	155	31	20.0 %
	<u>\$ 2,138</u>	<u>\$ 1,881</u>	<u>\$ 257</u>	<u>13.7 %</u>

NM - Not Meaningful

Salaries and Employee Benefits

Salaries and employee benefits consist of salaries, incentive compensation, long-term incentives, payroll taxes, and other employee benefits such as 401(k), pension, and medical, life and disability insurance, as well as, expenses from liabilities held for employee benefit purposes. Salaries and employee benefits increased in the second quarter of 2023 and the first six months of 2023 compared to the same periods in 2022 primarily due to increases in base salaries and higher benefit expenses partially offset by a decline in incentive compensation. Full-time equivalent headcount increased to 20,349 at June 30, 2023 from 19,673 at June 30, 2022 further contributing to the increase in salaries and employee benefits.

Credit/checkcard Expenses

Credit/checkcard expenses include credit and checkcard fraud and expenses. Credit/checkcard expenses decreased in the first six months of 2023 compared to the same period in 2022 due to a debit card accrual increase in the first quarter of 2022 related to a previous matter that did not repeat.

FDIC Insurance Assessments

FDIC insurance assessments increased in the first six months of 2023 compared to the same period in 2022 due to higher FDIC premium expenses primarily resulting from a two basis point increase in the quarterly assessment rate schedules charged to all financial institutions effective for the first quarter of 2023. To a lesser degree, changes in other factors including continued credit normalization and declining cash balances contributed to the increase.

The FDIC has estimated losses resulting from recent large regional institution failures, including the portion attributable to protection of uninsured depositors under the Systemic Risk Exception. Federal law requires that any losses to the FDIC's Deposit Insurance Fund related to this action be repaid by a special assessment on banks. In the second quarter of 2023, the FDIC released a proposal for the special assessment related to the two March 2023 bank failures, estimated at \$15.8 billion. The assessment to cover these losses is proposed to be paid at an annual rate of approximately 12.5 basis points over eight quarterly assessment periods beginning in the first quarter of 2024. If the proposal is finalized as drafted, Regions would pay approximately \$111 million. The full amount would be accrued concurrent with the finalization of the rule. Regions expects the special assessment to be deductible for income taxes.

Operational Losses

Operational losses include losses related to fraud, execution, delivery and process management, and damage to physical assets. Operational losses increased in the second quarter and first six months of 2023 compared to the same periods in 2022 due to elevated fraud losses stemming from a spike in check fraud in the second quarter of 2023; however, the Company has since implemented effective countermeasures and losses have returned to normalized levels. An increasing fraud loss trend has been experienced by banks across the industry.

Branch Consolidation, Property and Equipment Charges

Branch consolidation, property and equipment charges include valuation adjustments related to owned branches when the decision to close them is made. Accelerated depreciation and lease write-off charges are recorded for leased branches through and at the actual branch close date. Branch consolidation, property and equipment charges also include costs related to occupancy optimization initiatives. During the second quarter of 2022, the Company recognized gains on the disposition of branch properties.

Other Miscellaneous Expenses

Other miscellaneous expenses include expenses related to communications, postage, supplies, certain credit-related costs, foreclosed property expenses, mortgage repurchase costs, and other costs (benefits) related to employee benefit plans. Other miscellaneous expenses increased in the second quarter of 2023 and first six months of 2023 compared to the same periods in 2022 primarily due to higher non-service based pension-related expenses and, to a lesser degree, higher fees associated with licenses and taxes.

INCOME TAXES

The Company's income tax expense for the three months ended June 30, 2023 was \$147 million compared to \$157 million for the three months ended June 30, 2022, resulting in effective tax rates of 20.2 percent and 21.2 percent, respectively. The Company's income tax expense for the six months ended June 30, 2023 was \$324 million compared to \$311 million for the six months ended June 30, 2022, resulting in effective tax rates of 21.4 percent and 21.6 percent, respectively. See the "Second Quarter Overview" for the Company's near-term expectations for future tax rates.

The effective tax rate is affected by many factors including, but not limited to, the level of pre-tax income, the mix of income between various tax jurisdictions with differing tax rates, enacted tax legislation, net tax benefits related to affordable housing investments, bank-owned life insurance income, tax-exempt interest and nondeductible expenses. In addition, the effective tax rate is affected by items that may occur in any given period but are not consistent from period-to-period, such as the termination of certain leveraged leases, share-based payments, valuation allowance changes and changes to unrecognized tax benefits. Accordingly, the comparability of the effective tax rate between periods may be impacted.

At June 30, 2023, the Company reported a net deferred tax asset of \$955 million compared to \$943 million at December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information presented in the "Market Risk" section of Part 1, Item 2 is incorporated herein by reference.

Item 4. Controls and Procedures

Based on an evaluation, as of the end of the period covered by this Form 10-Q, under the supervision and with the participation of Regions' management, including its Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer have concluded that Regions' disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective. During the quarter ended June 30, 2023, there were no changes in Regions' internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Regions' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required by this item is set forth in Note 11 "Commitments, Contingencies and Guarantees" in the Notes to the Consolidated Financial Statements (Unaudited) in Part I. Item 1. of this report, which is incorporated by reference.

Item 1A. Risk Factors

There are no material changes to the risk factors set forth in Regions' Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 20, 2022, the Board authorized the repurchase of up to \$2.5 billion of the Company's common stock, permitting purchases from the second quarter of 2022 through the fourth quarter of 2024.

During the six months ended June 30, 2023, Regions did not repurchase any outstanding common stock.

Item 6. Exhibits

The following is a list of exhibits including items incorporated by reference

- | | |
|------|--|
| 3.1 | Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by registrant on August 6, 2012. |
| 3.2 | Certificate of Designations, incorporated by reference to Exhibit 3.3 to the Form 8-A filed by registrant on April 28, 2014. |
| 3.3 | Certificate of Designations, incorporated by reference to Exhibit 3.4 to the Form 8-A filed by registrant on April 29, 2019. |
| 3.4 | Certificate of Designations, incorporated by reference to Exhibit 3.1 to the Form 8-K filed by registrant on June 5, 2020. |
| 3.5 | Certificate of Designations, incorporated by reference to Exhibit 3.6 to the Form 8-A filed by registrant on May 3, 2021. |
| 3.6 | By-laws as amended and restated, incorporated by reference to Exhibit 3.2 to the Form 8-K filed by registrant on July 21, 2021. |
| 10.1 | Form of Associate Performance Stock Unit Notice and Award Agreement under the Regions Financial Corporation 2015 Long Term Incentive Plan (2023). |
| 10.2 | Form of Associate Performance Unit Notice and Award Agreement under the Regions Financial Corporation 2015 Long Term Incentive Plan (2023). |
| 10.3 | Amendment Three to the Regions Financial Corporation Non-Qualified Excess 401(k) Plan (Amended and Restated as of June 1, 2020). |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials are formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Changes in Shareholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File, formatted in Inline XBRL (included within the Exhibit 101 attachments). |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 8, 2023

Regions Financial Corporation

/s/ Karin K. Allen

Karin K. Allen

**Executive Vice President and Assistant Controller
(Chief Accounting Officer and Authorized Officer)**

CERTIFICATIONS

I, John M. Turner, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Regions Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ JOHN M. TURNER, JR.

John M. Turner, Jr.
President and Chief Executive Officer

CERTIFICATIONS

I, David J. Turner, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Regions Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ DAVID J. TURNER, JR.

David J. Turner, Jr.
Senior Executive Vice President and
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Regions Financial Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 2023 (the “Report”), I, John M. Turner, Jr., Chief Executive Officer of the Company, and David J. Turner, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN M. TURNER, JR.

John M. Turner, Jr.
President and Chief Executive Officer

/s/ DAVID J. TURNER, JR.

David J. Turner, Jr.
Chief Financial Officer

Date: August 8, 2023

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Regions Financial Corporation and will be retained by Regions Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.