REGIONS

Strategy. Momentum. Results. Regions reports second quarter 2021 earnings of $748 million, earnings per share of $0.77

Jul 23, 2021

Delivers solid revenue and pre-tax pre-provision income[(1)].

BIRMINGHAM, Ala.--(BUSINESS WIRE)-- Regions Financial Corporation (NYSE:RF) today announced earnings for the second quarter ended June 30, 2021. The company reported net income available to common shareholders of $748 million and earnings per diluted share of $0.77. Compared to the second quarter of 2020, total revenue grew 2 percent while pre-tax pre-provision income[(1)] increased 10 percent. Adjusted revenue[(1)] increased 1 percent while adjusted pre-tax pre-provision income[(1)] increased 3 percent. The company also generated year-to-date positive operating leverage of 3.9 percent on a reported basis and 1.8 percent on an adjusted basis[(1)] versus the comparable prior-year period.

This press release features multimedia. View the full release here: https://www.businesswire.com/news/home/20210723005088/en/

“Our teams delivered solid performance throughout the second quarter, and as a result of our strategic planning and key investments, we are well positioned to generate long-term, sustainable growth over time,” said John Turner, President and CEO of Regions Financial Corporation. “Regions operates in highly attractive markets that are benefiting from favorable population trends and strong employment opportunities. In each of these markets, our bankers are serving new and long-term customers through customized financial insights, enhanced technology and a commitment to superior service. We have taken several steps – adding talented bankers, investing in service and delivery channels, and enhancing our capabilities through our bolt-on acquisition strategy – to build on our momentum and create greater value for customers, communities, and shareholders over time.”

Key factors positioning Regions for continued growth include:

1) Digital investments are generating returns.

- Consumers are increasingly leveraging Regions' online and mobile banking enhancements with the bank generating 9% year-over-year growth in active digital banking users and 13% year-over-year growth in active mobile banking users.
- Digitized sales and capabilities in the consumer bank are delivering greater value for customers and Regions' operations.
- Artificial intelligence is creating the bank of tomorrow, enhancing and evolving the ways Regions serves customers representing all segments of the company.

2) Business segments are proving resilient.

- Key talent hires of client-facing associates, particularly in growth markets, position Regions to grow further amid long-term economic recovery from the COVID-19 pandemic.
- A consistently modernized branch network, including in growth markets such as metro Houston, Orlando, and Atlanta, combines in-person financial consultation with enhanced technology, supporting further account growth while creating greater efficiencies across Regions' retail-banking footprint.

3) Strategic decisions are delivering long-term results.

- Regions has identified high-growth markets in its existing footprint that are benefiting from population and business growth, such as Florida, Texas, and Tennessee, which further position Regions to reach more consumers and businesses with high-value financial services.
- Regions' credit quality continues to grow stronger, demonstrating resiliency and prudent risk management amid evolving economic conditions.
- Regions issued its inaugural Task Force on Climate-related Financial Disclosures ("TCFD") Report demonstrating how the company is actively working to address risks and opportunities related to climate change through sustainable business practices.

SUMMARY OF SECOND QUARTER 2021 RESULTS:

	Quarter Ended		
(amounts in millions, except per share data)	6/30/2021	3/31/2021	6/30/2020
Net income	$ 790	$ 642	$ (214)
Preferred dividends and other*	42	28	23
Net income available to common shareholders	$ 748	$ 614	$ (237)
Weighted-average diluted shares outstanding	965	968	960
Actual shares outstanding—end of period	955	961	960

Diluted earnings per common share	$ 0.77	$ 0.63	$ (0.25)
Selected items impacting earnings:			
Pre-tax adjusted items(1):			
Adjustments to non-interest expense(1)	$ (3)	$ (10)	$ (26)
Adjustments to non-interest income(1)	19	4	1
Total pre-tax adjusted items(1)	$ 16	$ (6)	$ (25)
After-tax preferred stock redemption expense(1)*	$ (13)	$ —	$ —
Diluted EPS impact**	$ —	$ —	$ (0.02)
Pre-tax additional selected items***:			
CECL provision less than (in excess of) net charge-offs	$ 384	$ 225	$ (700)
Capital markets income - CVA/DVA	(4)	11	34
MSR net hedge performance	(6)	7	2
PPP loan interest income****	43	40	18
COVID-19 related expenses	—	—	(19)

* The second quarter 2021 amount includes $13 million of Series A preferred stock issuance costs, which reduced net income available to common shareholders when the shares were redeemed.

** Based on income taxes at an approximate 25% incremental rate. Second quarter of 2021 bank-owned life insurance claim is tax free.

*** Items impacting results or trends during the quarter, but are not considered non-GAAP adjustments. These items generally include market-related measures, impacts of new accounting guidance, or event driven actions.

**** Interest income for PPP loans includes estimated funding costs.

Highlights for the quarter

Compared to the first quarter of 2021, total revenue decreased approximately 2 percent on a reported basis and 3 percent on an adjusted basis(1), driven primarily by a reduction in non-interest income. Net interest income remained relatively stable, while reported net interest margin decreased 21 basis points. Adjusted net interest margin(1) decreased 9 basis points. Non-interest income decreased 3 percent on a reported basis and 6 percent on an adjusted basis(1) driven primarily by declines in both capital markets and mortgage income. Wealth management income and card and ATM fees, however, increased 5 percent and 11 percent, respectively. Service charges income remained below pre-pandemic levels but increased 4 percent compared to the first quarter. Non-interest expense decreased 3 percent on both a reported and adjusted basis(1), driven by decreases in most categories partially offset by increased marketing expense. The company's second quarter efficiency ratio improved to 56.4 percent on a reported basis while increasing modestly to 56.9 percent on an adjusted basis(1). Pre-tax pre-provision income(1) increased 1 percent on a reported basis but decreased 3 percent on an adjusted basis(1) compared to the first quarter of 2021.

Compared to the first quarter of 2021, annualized net charge-offs decreased 17 basis points to 0.23 percent of average loans, while total non-performing loans, total delinquencies and business services criticized loans also improved. The allowance for credit losses decreased 44 basis points to 2.00 percent of total loans, representing 253 percent of non-performing loans, excluding loans held for sale. Excluding PPP loans, which are fully government guaranteed, the allowance for credit losses was 2.07 percent(1) of total loans. The impact of charge-offs previously provided for, continued improvements in economic outlook due to vaccine deployment, as well as lower expectations of future credit losses due to the benefit of government stimulus programs led to a reduction in the allowance for credit losses in the quarter. The overall allowance reduction resulted in a net $337 million benefit to the credit loss provision during the quarter.

Non-GAAP adjusted items(1) impacting the company's earnings are identified to assist investors in analyzing Regions' operating results on the same basis as that applied by management and provide a basis to predict future performance. Non-GAAP adjusted items(1) in the current quarter reflect, among other items, an $18 million claim benefit in bank-owned life insurance partially offset by $2 million of severance charges within salaries and benefits. In addition, second quarter adjustments include $13 million of Series A preferred stock redemption expense.

Total revenue

	Quarter Ended						
($ amounts in millions)	6/30/2021	3/31/2021	6/30/2020	2Q21 vs. 1Q21		2Q21 vs. 2Q20	
Net interest income	$ 963	$ 967	$ 972	$ (4)	(0.4)%	$ (9)	(0.9)%
Taxable equivalent adjustment	12	11	13	1	9.1%	(1)	(7.7)%
Net interest income, taxable equivalent basis	$ 975	$ 978	$ 985	$ (3)	(0.3)%	$ (10)	(1.0)%

Net interest margin (FTE)		2.81%		3.02%		3.19%					
Adjusted net interest margin (FTE) (non-GAAP)(1)		3.31%		3.40%		3.36%					
Non-interest income:											
Service charges on deposit accounts	$	163	$	157	$	131		6	3.8%		32	24.4%
Card and ATM fees		128		115		101		13	11.3%		27	26.7%
Wealth management income		96		91		79		5	5.5%		17	21.5%
Capital markets income		61		100		95		(39)	(39.0)%		(34)	(35.8)%
Mortgage income		53		90		82		(37)	(41.1)%		(29)	(35.4)%
Commercial credit fee income		23		22		17		1	4.5%		6	35.3%
Bank-owned life insurance		33		17		18		16	94.1%		15	83.3%
Securities gains (losses), net		1		1		1		—	—%		—	—%
Market value adjustments on employee benefit assets*		8		7		16		1	14.3%		(8)	(50.0)%
Gains on equity investment**		—		3		—		(3)	(100.0)		—	NM
Other		53		38		33		15	39.5%		20	60.6%
Non-interest income	$	619	$	641	$	573	$	(22)	(3.4)%	$	46	8.0%
Total revenue	$	1,582	$	1,608	$	1,545	$	(26)	(1.6)%	$	37	2.4%
Adjusted total revenue (non-GAAP)(1)	$	1,563	$	1,604	$	1,544	$	(41)	(2.6)%	$	19	1.2%

NM - Not Meaningful

* These market value adjustments relate to assets held for employee benefits that are offset within salaries and employee benefits expense.

** The first quarter of 2021 amount reflects a gain on sale of an equity investment.

Total revenue of approximately $1.6 billion decreased 2 percent on a reported basis and 3 percent on an adjusted basis(1) compared to the first quarter of 2021. Net interest income remained relatively stable but was negatively impacted by a lower mix of higher-yielding consumer loans. The company offset pressure on asset yields from the low interest rate environment through its interest rate hedging program, a continued focus on lower deposit costs and active cash management strategies. The company also benefited from the addition of $2 billion of securities purchases during the quarter. These additional securities purchases benefited net interest income and reported net interest margin; however, they reduce adjusted net interest margin. Strong deposit growth trends continued, and cash balances rose to new record levels, also negatively impacting net interest margin. Excluding the impact of PPP interest income and excess cash balances held at the Federal Reserve, the company's adjusted net interest margin(1) decreased 9 basis points to 3.31 percent.

Non-interest income decreased 3 percent on a reported basis and 6 percent on an adjusted basis(1), compared to the first quarter of 2021. Decreases in mortgage and capital markets income were partially offset by increases in most other categories. Mortgage income decreased 41 percent primarily due to gain on sale compression and hedge performance. Capital markets decreased 39 percent compared to an exceptionally strong first quarter of 2021. Wealth management income increased 5 percent reflecting higher sales volumes and improved market values. Reflecting increased card spend and transaction levels, service charges and card and ATM fees increased 4 percent and 11 percent, respectively. Additionally, bank-owned life insurance increased to $33 million during the quarter and included the benefit of a significant claim.

Non-interest expense

	Quarter Ended										
($ amounts in millions)	6/30/2021		3/31/2021		6/30/2020		2Q21 vs. 1Q21			2Q21 vs. 2Q20	
Salaries and employee benefits	$	532	$	546	$	527	$	(14)	(2.6)%	$	5	0.9%
Equipment and software expense		89		90		86		(1)	(1.1)%		3	3.5%
Net occupancy expense		75		77		76		(2)	(2.6)%		(1)	(1.3)%
Outside services		39		38		44		1	2.6%		(5)	(11.4)%
Professional, legal and regulatory expenses		15		29		28		(14)	(48.3)%		(13)	(46.4)%
Marketing		29		22		22		7	31.8%		7	31.8%
FDIC insurance assessments		11		10		15		1	10.0%		(4)	(26.7)%
Credit/checkcard expenses		17		14		12		3	21.4%		5	41.7%

Branch consolidation, property and equipment charges	—	5	10	(5)	(100.0)%	(10)	(100.0)%
Visa class B shares expense	6	4	9	2	50.0%	(3)	(33.3)%
Loss on early extinguishment of debt	—	—	6	—	—%	(6)	(100.0)
Other	85	93	89	(8)	(8.6)%	(4)	(4.5)%
Total non-interest expense	$ 898	$ 928	$ 924	$ (30)	(3.2)%	$ (26)	(2.8)%
Total adjusted non-interest expense(1)	$ 895	$ 918	$ 898	$ (23)	(2.5)%	$ (3)	(0.3)%

NM - Not Meaningful

Non-interest expense decreased 3 percent on both a reported and adjusted basis(1) compared to the first quarter of 2021. Salaries and benefits decreased 3 percent driven primarily by a reduction in production-based incentives and payroll taxes partially offset by merit increases that became effective April 1st. Professional fees decreased 48 percent resulting primarily from lower legal costs. Additionally, other expenses and occupancy expense decreased 9 percent and 3 percent, respectively. Partially offsetting these decreases was a 32 percent increase in marketing expense driven by the timing of marketing campaigns.

The company's second quarter efficiency ratio was 56.4 percent on a reported basis and 56.9 percent on an adjusted basis(1). The effective tax rate was 22.6 percent reflecting improved pre-tax income.

Loans and Leases

	Average Balances						
($ amounts in millions)	2Q21	1Q21	2Q20	2Q21 vs. 1Q21		2Q21 vs. 2Q20	
Commercial and industrial	$ 43,140	$ 42,816	$ 49,296	$ 324	0.8%	$ (6,156)	(12.5)%
Commercial real estate—owner-occupied	5,634	5,678	5,804	(44)	(0.8)%	(170)	(2.9)%
Investor real estate	7,282	7,222	7,019	60	0.8%	263	3.7%
Business Lending	56,056	55,716	62,119	340	0.6%	(6,063)	(9.8)%
Residential first mortgage	16,795	16,606	14,884	189	1.1%	1,911	12.8%
Home equity	6,774	7,085	8,042	(311)	(4.4)%	(1,268)	(15.8)%
Indirect—other consumer*	2,174	2,352	3,111	(178)	(7.6)%	(937)	(30.1)%
Indirect—vehicles**	690	850	1,441	(160)	(18.8)%	(751)	(52.1)%
Consumer credit card	1,108	1,151	1,230	(43)	(3.7)%	(122)	(9.9)%
Other consumer	954	995	1,137	(41)	(4.1)%	(183)	(16.1)%
Consumer Lending	28,495	29,039	29,845	(544)	(1.9)%	(1,350)	(4.5)%
Total Loans	$ 84,551	$ 84,755	$ 91,964	$ (204)	(0.2)%	$ (7,413)	(8.1)%
Adjusted Business Lending (non-GAAP)(1)	$ 52,293	$ 52,149	$ 58,906	144	0.3%	$ (6,613)	(11.2)%
Adjusted Consumer Lending (non-GAAP)(1)	26,896	27,155	26,911	(259)	(1.0)%	(15)	(0.1)%
Adjusted Total Loans (non-GAAP)(1)	$ 79,189	$ 79,304	$ 85,817	$ (115)	(0.1)%	$ (6,628)	(7.7)%

NM - Not meaningful.

* A portion of indirect other consumer is an exit portfolio due to the company's decision not to renew a 3rd party relationship in the fourth quarter of 2019.

** Indirect vehicles is an exit portfolio.

Average loans and leases remained stable compared to the prior quarter. Excluding the company's indirect auto and indirect-other consumer exit portfolios, and outstanding PPP loans, adjusted average loans and leases(1) also remained stable; however, adjusted ending loans and leases increased approximately $740 million or 1 percent. Adjusted average business lending(1) remained stable as growth in corporate lending across asset-based lending, healthcare, transportation, energy, and financial services was offset by declines in middle market lending. While still well below pre-pandemic levels, commercial loan line utilization levels ended the quarter modestly higher at approximately 39.6 percent. Excluding exit portfolios, adjusted average consumer lending(1) decreased 1 percent as growth in residential first mortgage was offset by declines in other categories.

Deposits

($ amounts in millions)	Average Balances						
	2Q21	1Q21	2Q20	2Q21 vs. 1Q21		2Q21 vs. 2Q20	
Customer low-cost deposits	$ 126,315	$ 117,775	$ 104,159	$ 8,540	7.3%	$ 22,156	21.3%
Customer time deposits	4,813	5,158	6,690	(345)	(6.7)%	(1,877)	(28.1)%
Corporate treasury time deposits	1	4	72	(3)	(75.0)%	(71)	(98.6)%
Corporate treasury other deposits	3	—	—	3	NM	3	NM
Total Deposits	$ 131,132	$ 122,937	$ 110,921	$ 8,195	6.7%	$ 20,211	18.2%

($ amounts in millions)	2Q21	1Q21	2Q20	2Q21 vs. 1Q21		2Q21 vs. 2Q20	
Consumer Bank Segment	$ 78,200	$ 72,949	$ 65,722	$ 5,251	7.2%	$ 12,478	19.0%
Corporate Bank Segment	42,966	40,285	36,409	2,681	6.7%	6,557	18.0%
Wealth Management Segment	9,519	9,281	8,382	238	2.6%	1,137	13.6%
Other	447	422	408	25	5.9%	39	9.6%
Total Deposits	$ 131,132	$ 122,937	$ 110,921	$ 8,195	6.7%	$ 20,211	18.2%

Total average deposit balances increased 7 percent to a new record high in the second quarter of 2021. All three business segments experienced deposit growth with the largest contribution within the Consumer segment reflecting the impact of government stimulus payments as well as new account growth.

Asset quality

($ amounts in millions)	As of and for the Quarter Ended		
	6/30/2021	3/31/2021	6/30/2020
ACL/Loans, net	2.00%	2.44%	2.68%
ALL/Loans, net	1.90%	2.33%	2.51%
Allowance for credit losses to non-performing loans, excluding loans held for sale	253%	280%	395%
Allowance for loan losses to non-performing loans, excluding loans held for sale	240%	268%	370%
Provision for (benefit from) credit losses	$(337)	$(142)	$882
Net loans charged-off	$47	$83	$182
Net loan charge-offs as a % of average loans, annualized	0.23%	0.40%	0.80%
Non-accrual loans, excluding loans held for sale/Loans, net	0.79%	0.87%	0.68%
NPAs (ex. 90+ past due)/Loans, foreclosed properties, non-marketable investments and non-performing loans held for sale	0.93%	0.90%	0.74%
NPAs (inc. 90+ past due)/Loans, foreclosed properties, non-marketable investments and non-performing loans held for sale*	1.09%	1.09%	0.91%
Total TDRs, excluding loans held for sale	$620	$577	$626
Total Criticized Loans—Business Services**	$3,222	$3,756	$4,225

* Excludes guaranteed residential first mortgages that are 90+ days past due and still accruing.

** Business services represents the combined total of commercial and investor real estate loans.

The impact of expected charge-offs previously provided for, continued improvements in the economic outlook due to vaccine deployment, as well as lower expectations of future credit losses due to the benefit of stimulus programs, resulted in a net $337 million benefit from credit losses during the second quarter of 2021. The resulting allowance for credit losses was equal to 2.00 percent of total loans and 253 percent of total non-accrual loans, excluding loans held for sale. Excluding PPP loans, which are fully government guaranteed, the allowance for credit losses amounted to 2.07 percent[(1)] of total loans. Annualized net charge-offs decreased 17 basis points to 0.23 percent of average loans, matching the company's lowest level in over a decade. The decrease reflects broad-based improvement across the commercial and consumer loan portfolios, as well as recoveries associated with strong collateral asset values. Total non-accrual loans, excluding loans held for sale, total delinquencies, and total business services criticized loans all improved during the quarter.

Capital and liquidity

	As of and for Quarter Ended		
	6/30/2021	3/31/2021	6/30/2020
Common Equity Tier 1 ratio[(2)]	10.4%	10.3%	8.9%
Tier 1 capital ratio[(2)]	11.9%	11.9%	10.4%
Tangible common stockholders' equity to tangible assets (non-GAAP)[(1)]	7.58%	7.43%	7.72%

Tangible common book value per share (non-GAAP)[(1)*]	$11.94	$11.46	$11.16
Loans, net of unearned income, to total deposits	63.9%	65.4%	77.5%

* Tangible common book value per share includes the impact of quarterly earnings and changes to market value adjustments within accumulated other comprehensive income as well as continued capital returns.

Regions maintains a solid capital position as estimated capital ratios remain well above current regulatory requirements. The Tier 1[(2)] and Common Equity Tier 1[(2)] ratios were estimated at 11.9 percent and 10.4 percent, respectively, at quarter-end.

During the second quarter, the company repurchased 8 million shares of common stock for a total of $179 million and declared $147 million in dividends to common shareholders. Earlier this week, the Board of Directors declared a 10 percent increase to the company's quarterly common stock dividend to $0.17 per share.

The company voluntarily participated in the Federal Reserve Supervisory Stress Test administered during the first half of 2021 and exceeded all minimum capital levels under the provided scenarios. As a result, Regions' preliminary Stress Capital Buffer requirement will be 2.5 percent. Regions' robust capital planning process is designed to ensure the efficient use of capital to support lending activities, business growth opportunities and appropriate shareholder returns.

(1) Non-GAAP; refer to pages 6, 7, 11, 12, 13, 15, 19, 21, 22, 23 and 26 of the financial supplement to this earnings release.

(2) Current quarter Common Equity Tier 1, and Tier 1 capital ratios are estimated.

Conference Call

In addition to the live audio webcast at 10 a.m. ET on July 23, 2021, an archived recording of the webcast will be available at the Investor Relations page of www.regions.com following the live event. A replay of the earnings call will also be available beginning Friday, July 23, 2021, at 2:30 p.m. ET through Monday, August 23, 2021. To listen by telephone, please dial 855-859-2056, and use access code 9147309.

About Regions Financial Corporation

Regions Financial Corporation (NYSE:RF), with $156 billion in assets, is a member of the S&P 500 Index and is one of the nation's largest full-service providers of consumer and commercial banking, wealth management, and mortgage products and services. Regions serves customers across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates more than 1,300 banking offices and approximately 2,000 ATMs. Regions Bank is an Equal Housing Lender and Member FDIC. Additional information about Regions and its full line of products and services can be found at www.regions.com.

Forward-Looking Statements

This release may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. 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 unemployment rates, 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 earnings.
- Possible 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.
- The impact of pandemics, including the ongoing COVID-19 pandemic, on our businesses, operations, and financial results and conditions. The duration and severity of the ongoing COVID-19 pandemic, which has disrupted the global economy, has and could continue to 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. The pandemic could also result in goodwill impairment charges and the impairment of other financial and nonfinancial assets, and increase our cost of capital.
- 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 law, adverse changes in the economic environment, declining operations of the reporting unit or other factors.
- The effect of changes in tax laws, including the effect of any future interpretations of existing tax law or any enactment of new domestic tax legislation and corporate tax rates, 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 low 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.
- 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, 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 recent change in U.S. presidential administration and control of the U.S. Congress, 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 or other regulatory capital instruments, 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 business.
- 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, including our pending acquisition of EnerBank and risks related to such acquisition including: the possibility that regulatory and other approvals and conditions are not received or satisfied on a timely basis or at all, or contain unanticipated terms and conditions; delays in closing the proposed transaction; expected synergies, cost savings and other financial or other benefits might not be realized within the expected timeframes or might be less than projected; difficulties in integrating the business; and the inability of Regions to effectively cross-sell products to EnerBank's customers.
- 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 business 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.
- Dependence on key suppliers or vendors to obtain equipment and other supplies for our business 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 impact 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 business 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 a possible downgrade in the U.S. government's sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.
- 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.
- Other risks identified from time to time in reports that we file with the SEC.
- 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 any damage to our reputation resulting from developments related to any of the items identified above.

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” of Regions' Annual Report on Form 10-K for the year ended December 31, 2020 and the "Risk Factors" of Regions' Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 as filed with the SEC.

Further, statements about the potential effects of the COVID-19 pandemic on our businesses, operations, and financial results and conditions may constitute forward-looking statements and 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, including the scope and duration of the COVID-19 pandemic (including any resurgences), actions taken by governmental authorities in response to the COVID-19 pandemic and their success, the effectiveness and degree of acceptance of any vaccines, and the direct and indirect impact of the COVID-19 pandemic on our customers, third parties and us.

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. 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.

Regions' Investor Relations contact is Dana Nolan at (205) 264-7040; Regions' Media contact is Jeremy King at (205) 264-4551.

Use of non-GAAP financial measures

Management uses pre-tax pre-provision income (non-GAAP) and adjusted pre-tax pre-provision income (non-GAAP), as well as the adjusted efficiency ratio (non-GAAP) and the adjusted fee income ratio (non-GAAP) to monitor performance and believes these measures provide meaningful information to investors. Non-interest expense (GAAP) is presented excluding certain adjustments to arrive at adjusted non-interest expense (non-GAAP), which is the numerator for the efficiency ratio. Non-interest income (GAAP) is presented excluding certain adjustments to arrive at adjusted non-interest income (non-GAAP), which is the numerator for the fee income ratio. Adjusted non-interest income (non-GAAP) and adjusted non-interest expense (non-GAAP) are used to determine adjusted pre-tax pre-provision income (non-GAAP). Net interest income (GAAP) on a taxable-equivalent basis and non-interest income are added together to arrive at total revenue on a taxable-equivalent basis. Adjustments are made to arrive at adjusted total revenue on a taxable-equivalent basis (non-GAAP), which is the denominator for the fee income and efficiency ratios. Regions believes that the exclusion of these adjustments provides a meaningful basis for period-to-period comparisons, 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. It is possible that the activities related to the adjustments may recur; however, 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.

The allowance for credit losses (ACL) as a percentage of total loans is an important ratio, especially during periods of economic stress. Management believes this ratio provides investors with meaningful additional information about credit loss allowance levels when the impact of SBA's Paycheck Protection Program loans, which are fully backed by the U.S. government, and any related allowance are excluded from total loans and total allowance which are the denominator and numerator, respectively, used in the ACL ratio. This adjusted ACL ratio represents a non-GAAP financial measure.

Tangible common stockholders' equity ratios have become a focus of some investors and management believes they may assist investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Analysts and banking regulators have assessed Regions' capital adequacy using the tangible common stockholders' equity measure. Because tangible common stockholders' equity is not formally defined by GAAP or prescribed in any amount by federal banking regulations it is currently considered to be a non-GAAP financial measure and other entities may calculate it differently than Regions' disclosed calculations. Since analysts and banking regulators may assess Regions' capital adequacy using tangible common stockholders' equity, management believes that it is useful to provide investors the ability to assess Regions' capital adequacy on this same basis.

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 stockholders.

Management and the Board of Directors utilize non-GAAP measures as follows:

- Preparation of Regions' operating budgets
- Monthly financial performance reporting
- Monthly close-out reporting of consolidated results (management only)
- Presentation to investors of company performance
- Metrics for incentive compensation

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Source: Regions Financial Corporation