

Solid Revenue. Consistent Performance. Regions reports first quarter 2023 earnings of \$588 million, earnings per diluted share of \$0.62

Apr 21, 2023

\$2.0 billion in total revenue reflects 22 percent year-over-year growth.

BIRMINGHAM, Ala.--(BUSINESS WIRE)-- Regions Financial Corp. (NYSE:RF) today reported earnings for the first quarter ended March 31, 2023. The company reported first quarter net income available to common shareholders of \$588 million and earnings per diluted share of \$0.62. Compared to the first quarter of 2022, total revenue increased 22 percent to \$2.0 billion on both a reported and adjusted basis⁽¹⁾ driven by growth in net interest income. Strong revenue growth contributed to a 39 percent increase in pre-tax pre-provision income⁽¹⁾ on both a reported basis and adjusted basis⁽¹⁾ compared to the first quarter of 2022.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20230421005077/en/>

Regions has built a high-quality deposit base that focuses on relationships starting with operating accounts for both consumer customers and commercial clients. Consistent with the company's expectations, total deposits declined approximately 2 percent, but importantly, deposits remained stable from earlier in the month of March through the end of the quarter. The company's liquidity position also remains robust as of March 31, 2023, including total available liquidity of approximately \$54 billion, which exceeds uninsured retail and non-operational wholesale deposits by approximately 3-to-1.

"Despite the recent turmoil in the industry, we delivered another solid quarter that underscores our commitment to generating consistent, sustainable long-term performance," said John Turner, President and CEO of Regions Financial Corp. "Our dedication to prudent risk management and our relationship banking approach have allowed us to build a balanced and diverse business. Even in an uncertain operating environment, executing our strategic plan allows us to be a source of strength for customers and communities while ensuring our focus remains on three primary goals – soundness, profitability, and then growth. Our core values, particularly 'focus on the customer,' consistently govern how we operate. And recent events have given us an opportunity to connect with customers, clients, and prospects to answer questions, meet needs, and provide valuable reassurance."

SUMMARY OF FIRST QUARTER 2023 RESULTS:

	Quarter Ended		
	3/31/2023	12/31/2022	3/31/2022
<i>(amounts in millions, except per share data)</i>			
Net income	\$ 612	\$ 685	\$ 548
Preferred dividends and other	24	25	24
Net income available to common shareholders	\$ 588	\$ 660	\$ 524
Weighted-average diluted shares outstanding	942	941	947
Actual shares outstanding—end of period	935	934	933
Diluted earnings per common share	\$ 0.62	\$ 0.70	\$ 0.55

Selected items impacting earnings:

Pre-tax adjusted items ⁽¹⁾ :			
Adjustments to non-interest expense ⁽¹⁾	\$ (2)	\$ (5)	\$ (1)
Adjustments to non-interest income ⁽¹⁾	(1)	50	1
Total pre-tax adjusted items ⁽¹⁾	\$ (3)	\$ 45	\$ —
Diluted EPS impact*	\$ —	\$ 0.03	\$ —

Pre-tax additional selected items**:

Provision (in excess of) less than net charge-offs***	\$ (52)	\$ (63)	\$ 82
Release of hurricane-related allowance for loan losses	—	20	—
Capital markets income (loss) - CVA/DVA	(33)	(11)	6
Residential MSR net hedge performance	(3)	(6)	(5)
Pension settlement charges	—	(6)	—

* Based on income taxes at an approximate 25% incremental rate.

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

*** The fourth quarter of 2022 provision (in excess of) less than net charge-offs excludes the \$20 million for the subsequent release of hurricane-related allowance for loan losses originally established in the third quarter of 2022.

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.

Total revenue

(\$ amounts in millions)	Quarter Ended						
	3/31/2023	12/31/2022	3/31/2022	1Q23 vs. 4Q22		1Q23 vs. 1Q22	
Net interest income	\$ 1,417	\$ 1,401	\$ 1,015	\$ 16	1.1%	\$ 402	39.6%
Taxable equivalent adjustment	13	13	11	—	NM	2	18.2%
Net interest income, taxable equivalent basis	\$ 1,430	\$ 1,414	\$ 1,026	\$ 16	1.1%	\$ 404	39.4%
Net interest margin (FTE)	4.22%	3.99%	2.85%				
Non-interest income:							
Service charges on deposit accounts	\$ 155	\$ 152	\$ 168	3	2.0%	(13)	(7.7)%
Card and ATM fees	121	130	124	(9)	(6.9)%	(3)	(2.4)%
Wealth management income	112	108	101	4	3.7%	11	10.9%
Capital markets income	42	61	73	(19)	(31.1)%	(31)	(42.5)%
Mortgage income	24	24	48	—	NM	(24)	(50.0)%
Commercial credit fee income	26	25	22	1	4.0%	4	18.2%
Bank-owned life insurance	17	17	14	—	NM	3	21.4%
Securities gains (losses), net	(2)	—	—	(2)	NM	(2)	NM
Market value adjustments on employee benefit assets*	(1)	(9)	(14)	8	88.9%	13	92.9%
Insurance proceeds	—	50	—	(50)	(100.0)	—	NM
Other	40	42	48	(2)	(4.8)%	(8)	(16.7)%
Non-interest income	\$ 534	\$ 600	\$ 584	\$ (66)	(11.0)%	\$ (50)	(8.6)%
Total revenue	\$ 1,951	\$ 2,001	\$ 1,599	\$ (50)	(2.5)%	\$ 352	22.0%
Adjusted total revenue (non-GAAP)⁽¹⁾	\$ 1,952	\$ 1,951	\$ 1,598	\$ 1	0.1%	\$ 354	22.2%

NM - Not Meaningful

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

Total revenue of approximately \$2 billion decreased 2 percent on a reported basis but remained stable on an adjusted basis⁽¹⁾ compared to the fourth quarter of 2022. Net interest income increased during the quarter to a record \$1.4 billion or 1 percent compared to the fourth quarter attributable to the company's asset sensitive balance sheet and stable funding profile. Lower cash balances also supported the net interest margin, which increased 23 basis points to 4.22 percent.

Non-interest income decreased 11 percent on a reported basis compared to the fourth quarter of 2022 primarily driven by an insurance reimbursement in the prior quarter that did not repeat. Adjusted non-interest income⁽¹⁾ decreased 3 percent compared to the fourth quarter of 2022. Capital markets income decreased 31 percent driven by negative CVA/DVA valuation adjustments reflecting lower long-term interest rates and volatility in credit spreads. Excluding the impact of CVA/DVA, capital markets income increased 4 percent as growth, primarily in securities underwriting and placement and real estate capital markets, was partially offset by declines in advisory transaction markets. Card & ATM fees decreased 7 percent driven primarily by seasonally lower interchange as well as a card rewards liability adjustment. Service charges increased 2 percent as seasonally higher treasury management fees helped offset 2 fewer business days in the quarter. Wealth management income increased 4 percent compared to the prior quarter despite volatile market conditions. Market value adjustments on employee benefit assets (which are offset in salaries and benefits and other non-interest expense) decreased modestly during the quarter.

Non-interest expense

(\$ amounts in millions)	Quarter Ended							
	3/31/2023	12/31/2022	3/31/2022	1Q23 vs. 4Q22		1Q23 vs. 1Q22		
Salaries and employee benefits	\$ 616	\$ 604	\$ 546	\$ 12	2.0%	\$ 70	12.8%	
Equipment and software expense	102	102	95	—	NM	7	7.4%	
Net occupancy expense	73	74	75	(1)	(1.4)%	(2)	(2.7)%	
Outside services	39	41	38	(2)	(4.9)%	1	2.6%	
Professional, legal and regulatory expenses	19	23	17	(4)	(17.4)%	2	11.8%	
Marketing	27	27	24	—	NM	3	12.5%	
FDIC insurance assessments	25	18	14	7	38.9%	11	78.6%	
Credit/checkcard expenses	14	14	26	—	NM	(12)	(46.2)%	
Branch consolidation, property and equipment charges	2	5	1	(3)	(60.0)%	1	100.0%	
Visa class B shares expense	8	7	5	1	14.3%	3	60.0%	
Other	102	102	92	—	NM	10	10.9%	
Total non-interest expense	\$ 1,027	\$ 1,017	\$ 933	\$ 10	1.0%	\$ 94	10.1%	
Total adjusted non-interest expense ⁽¹⁾	\$ 1,025	\$ 1,012	\$ 932	\$ 13	1.3%	\$ 93	10.0%	

NM - Not Meaningful

Non-interest expense increased 1 percent on both a reported and adjusted⁽¹⁾ basis compared to the fourth quarter of 2022. Salaries and benefits increased 2 percent primarily due to merit increases and a seasonal increase in payroll taxes. FDIC insurance assessments increased 39 percent attributable to an increase in the assessment rate charged to all financial institutions.

The company's first quarter efficiency ratio was 52.3 percent on a reported basis and 52.2 percent on an adjusted basis⁽¹⁾. The effective tax rate was 22.4 percent in the first quarter.

Loans and Leases

(\$ amounts in millions)	Average Balances							
	1Q23	4Q22	1Q22	1Q23 vs. 4Q22		1Q23 vs. 1Q22		
Commercial and industrial	\$ 51,158	\$ 50,135	\$ 43,993	\$ 1,023	2.0%	\$ 7,165	16.3%	
Commercial real estate—owner-occupied	5,305	5,362	5,506	(57)	(1.1)%	(201)	(3.7)%	
Investor real estate	8,404	8,290	7,082	114	1.4%	1,322	18.7%	
Business Lending	64,867	63,787	56,581	1,080	1.7%	8,286	14.6%	
Residential first mortgage	18,957	18,595	17,496	362	1.9%	1,461	8.4%	
Home equity	5,921	6,017	6,163	(96)	(1.6)%	(242)	(3.9)%	
Consumer credit card	1,214	1,207	1,142	7	0.6%	72	6.3%	
Other consumer—exit portfolios	527	613	987	(86)	(14.0)%	(460)	(46.6)%	
Other consumer*	5,791	5,533	5,445	258	4.7%	346	6.4%	
Consumer Lending	32,410	31,965	31,233	445	1.4%	1,177	3.8%	
Total Loans	\$ 97,277	\$ 95,752	\$ 87,814	\$ 1,525	1.6%	\$ 9,463	10.8%	

NM - Not meaningful.

* Other consumer loans includes EnerBank (Regions' point of sale home improvement portfolio).

Average loans and leases increased 2 percent compared to the prior quarter driven primarily by growth in commercial and industrial lending, investor real estate, residential first mortgages and EnerBank. Growth in average business lending was broad-based across the utilities, retail trade, and financial services industries. Commercial loan line utilization levels ended the quarter at approximately 43.7 percent, increasing 27 basis points over the prior quarter, while line commitments grew approximately \$1.5 billion during the quarter.

Deposits

(\$ amounts in millions)	Average Balances				
	1Q23	4Q22	1Q22	1Q23 vs. 4Q22	1Q23 vs. 1Q22

Customer low-cost deposits	\$ 122,228	\$ 127,544	\$ 132,829	\$ (5,316)	(4.2)%	\$ (10,601)	(8.0)%
Customer time deposits	6,813	5,462	5,905	1,351	24.7%	908	15.4%
Corporate treasury other deposits	1	1	—	—	NM	1	NM
Total Deposits	<u>\$ 129,042</u>	<u>\$ 133,007</u>	<u>\$ 138,734</u>	<u>\$ (3,965)</u>	<u>(3.0)%</u>	<u>\$ (9,692)</u>	<u>(7.0)%</u>
<i>(\$ amounts in millions)</i>	1Q23	4Q22	1Q22	1Q23 vs. 4Q22		1Q23 vs. 1Q22	
Consumer Bank Segment	\$ 82,200	\$ 83,555	\$ 83,054	\$ (1,355)	(1.6)%	\$ (854)	(1.0)%
Corporate Bank Segment	36,273	38,176	42,609	(1,903)	(5.0)%	(6,336)	(14.9)%
Wealth Management Segment	8,463	9,065	10,407	(602)	(6.6)%	(1,944)	(18.7)%
Other	2,106	2,211	2,664	(105)	(4.7)%	(558)	(20.9)%
Total Deposits	<u>\$ 129,042</u>	<u>\$ 133,007</u>	<u>\$ 138,734</u>	<u>\$ (3,965)</u>	<u>(3.0)%</u>	<u>\$ (9,692)</u>	<u>(7.0)%</u>

Ending Balances as of

<i>(\$ amounts in millions)</i>	3/31/2023		3/31/2022		3/31/2023		
	3/31/2023	12/31/2022	3/31/2022	vs. 12/31/2022	vs. 3/31/2022		
Consumer Bank Segment	\$ 83,296	\$ 83,487	\$ 85,219	\$ (191)	(0.2)%	\$ (1,923)	(2.3)%
Corporate Bank Segment	35,185	37,145	42,836	(1,960)	(5.3)%	(7,651)	(17.9)%
Wealth Management Segment	7,941	9,111	10,420	(1,170)	(12.8)%	(2,479)	(23.8)%
Other	2,038	2,000	2,547	38	1.9%	(509)	(20.0)%
Total Deposits	<u>\$ 128,460</u>	<u>\$ 131,743</u>	<u>\$ 141,022</u>	<u>\$ (3,283)</u>	<u>(2.5)%</u>	<u>\$ (12,562)</u>	<u>(8.9)%</u>

Consistent with the company's expectations, total ending deposits declined approximately 2 percent, while total average deposit balances decreased 3 percent in the first quarter of 2023 compared to the fourth quarter of 2022. Following primarily seasonal patterns, average Consumer deposits declined 2 percent, while Corporate and Wealth Management deposits experienced declines of 5 and 7 percent, respectively.

Asset quality

<i>(\$ amounts in millions)</i>	As of and for the Quarter Ended		
	3/31/2023	12/31/2022	3/31/2022
Allowance for credit losses (ACL) at period end	\$1,596	\$1,582	\$1,492
ACL/Loans, net	1.63%	1.63%	1.67%
ALL/Loans, net	1.50%	1.51%	1.59%
Allowance for credit losses to non-performing loans, excluding loans held for sale	288%	317%	446%
Allowance for loan losses to non-performing loans, excluding loans held for sale	266%	293%	423%
Provision for credit losses	\$135	\$112	\$(36)
Net loans charged-off	\$83	\$69	\$46
Net loans charged-off as a % of average loans, annualized	0.35%	0.29%	0.21%
Non-performing loans, excluding loans held for sale/Loans, net	0.56%	0.52%	0.37%
NPAs (ex. 90+ past due)/Loans, foreclosed properties, and non-performing loans held for sale	0.58%	0.53%	0.39%
NPAs (inc. 90+ past due)/Loans, foreclosed properties, and non-performing loans held for sale*	0.71%	0.75%	0.53%
Total Criticized Loans—Business Services**	\$3,725	\$3,149	\$2,539

* 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.

Overall asset quality continued to normalize during the quarter. Non-performing loans increased to 0.56 percent of total loans and business services criticized loans increased 18 percent, while total delinquencies decreased 16 percent. Total net charge-offs for the quarter were \$83 million, or 35 basis points of average loans. Provision expense totaled \$135 million for the quarter.

The increase to the allowance for credit losses compared to the fourth quarter was attributable primarily to economic conditions and continued normalization of credit quality partially offset by a reduction in the allowance associated with the elimination of the accounting for troubled debt restructured loans.

The allowance for credit loss ratio remains at 1.63 percent of total loans, while the allowance as a percentage of nonperforming loans was 288 percent.

Capital and liquidity

	As of and for Quarter Ended		
	3/31/2023	12/31/2022	3/31/2022
Common Equity Tier 1 ratio ⁽²⁾	9.8%	9.6%	9.4%
Tier 1 capital ratio ⁽²⁾	11.2%	10.9%	10.8%
Tangible common stockholders' equity to tangible assets (non-GAAP) ⁽¹⁾	6.31%	5.63%	5.93%
Tangible common book value per share (non-GAAP) ^{(1)*}	\$10.01	\$9.00	\$10.06
Loans, net of unearned income, to total deposits	76.3%	73.6%	63.3%

* 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 with estimated capital ratios remaining well above current regulatory requirements. The Common Equity Tier 1⁽²⁾ and Tier 1⁽²⁾ ratios were estimated at 9.8 percent and 11.2 percent, respectively, at quarter-end.

The company's liquidity position also remains robust as of March 31, 2023, including total available liquidity of approximately \$54 billion, including cash held at the Federal Reserve, FHLB borrowing capacity, unencumbered securities, borrowing capacity at the Federal Reserve's discount window, and the Federal Reserve's new Bank Term Lending Plan facility. The loan to deposit ratio ended the quarter at 76 percent.

During the first quarter, the company declared \$187 million in dividends to common shareholders and did not repurchase any shares of Regions' common stock.

(1) Non-GAAP; refer to pages 11, 14, 15 and 17 of the financial supplement to this earnings release for reconciliations.

(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 April 21, 2023, an archived recording of the webcast will be available at the Investor Relations page of www.regions.com following the live event.

About Regions Financial Corporation

Regions Financial Corporation (NYSE:RF), with \$154 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 1,250 banking offices and more than 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.

About Regions Foundation

Regions Foundation supports community investments that positively impact the communities served by Regions Bank. The Foundation engages in a grant making program focused on priorities including economic and community development; education and workforce readiness; and financial wellness. The Foundation is a nonprofit 501(c)(3) corporation funded primarily through contributions from Regions Bank.

Forward-Looking Statements

This release may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. 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, 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.

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 adjusted 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 adjusted 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 adjusted fee income and adjusted efficiency ratios. Net loan charge-offs (GAAP) are presented excluding adjustments to arrive at adjusted net loan-charge offs (non-GAAP). Adjusted net loan charge-offs as a percentage of average loans (non-GAAP) are calculated as adjusted net loan charge-offs (non-GAAP) divided by average loans (GAAP) and annualized. 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.

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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