REGIONS FINANCIAL CORP
Form 10-K
February 26, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
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	63-0589368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 Fifth Avenue North, Birmingham, Alabama 35203
(Address of principal executive offices)
Registrant's telephone number, including area code: (800) 734-4667
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
Depositary Shares, each representing a 1/40th Interest in a Share of 6.375% Non-Cumulative Perpetual Preferred Stock, Series A	New York Stock Exchange
Depositary Shares, each representing a 1/40th Interest in a Share of 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting 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 Act). Yes ¨ No ý

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter.

Common Stock, $.01 par value—$11,537,313,844 as of June 30, 2017.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value—1,122,565,313 shares issued and outstanding as of February 22, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the Annual Meeting to be held on April 25, 2018 are incorporated by reference into Part III.

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Glossary of Defined Terms
Agencies - collectively, FNMA, FHLMC and GNMA.
ALCO - Asset/Liability Management Committee.
AOCI - Accumulated other comprehensive income.
AMT - Alternative minimum tax.
ATM - Automated teller machine.
Basel I - Basel Committee's 1988 Regulatory Capital Framework (First Accord).
Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord).
Basel III Rules - Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013.
Basel IV - Basel Committee's revised Regulatory Capital Framework proposal released in December 2017.
Basel Committee - Basel Committee on Banking Supervision.
BHC - Bank Holding Company.
BHC Act - Bank Holding Company Act of 1956, as amended.
BITS - Technology arm of the Financial Services Roundtable.
Bank - Regions Bank.
Board - The Company’s Board of Directors.
CAP - Customer Assistance Program.
CAPM - Capital Asset Pricing Model.
CCAR - Comprehensive Capital Analysis and Review.
CD - Certificate of deposit.
CEO - Chief Executive Officer.
CET1 - Common Equity Tier 1.
CFO - Chief Financial Officer.
CFPB - Consumer Financial Protection Bureau.
COSO - Committee of Sponsoring Organizations of the Treadway Commission.
Company - Regions Financial Corporation and its subsidiaries.
CPR - Constant (or Conditional) Prepayment Rate.
CRA - Community Reinvestment Act of 1977.
DIF - Deposit Insurance Fund.
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.
EAD - Exposure At Default.
FASB - Financial Accounting Standards Board.
FDIA - Federal Deposit Insurance Act, as amended.
FDIC - The Federal Deposit Insurance Corporation.
Federal Reserve - The Board of Governors of the Federal Reserve System.
FFIEC - Federal Financial Institutions Examination Council.
FHA - Federal Housing Administration.

FHC - Financial Holding Company.
FHLB - Federal Home Loan Bank.
FHLMC - Federal Home Loan Mortgage Corporation, known as Freddie Mac.
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.
FinCen - the Financial Crimes Enforcement Network.
FINRA - Financial Industry Regulatory Authority.
FNMA - Federal National Mortgage Association, known as Fannie Mae.
FOMC - Federal Open Market Committee.
FS-ISAC - Financial Services - Information Sharing & Analysis Center.
FRB - Federal Reserve Bank.
FSOC - Federal Stability Oversight Council.
FTP - Funds Transfer Pricing.
GAAP - Generally Accepted Accounting Principles in the United States.
GCM - Guideline Public Company Method.
GDP - Gross Domestic Product.
GNMA - Government National Mortgage Association.
GTM - Guideline Transaction Method.
HUD - U.S. Department of Housing and Urban Development.
IPO - Initial public offering.
IRA - Individual Retirement Account.
IRS - Internal Revenue Service.
LCR - Liquidity coverage ratio.
LGD - Loss given default.
LIBOR - London InterBank Offered Rates.
LTIP - Long-term incentive plan.
LTV - Loan to value.
MD&A - Management’s Discussion and Analysis of Financial Condition and Results of Operations.
Morgan Keegan - Morgan Keegan & Company, Inc.
MSAs - Metropolitan Statistical Areas.
MSR - Mortgage servicing right.
MSRB - Municipal Securities Rulemaking Board.
NAV - Net Asset Value.
NM - Not meaningful.
NOL - Net Operating Loss.
NSFR - Net stable funding ratio.
NYSE - New York Stock Exchange.
OAS - Option-Adjusted Spread.
OCC - Office of the Comptroller of the Currency.

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OCI - Other comprehensive income.
OIS - Overnight Indexed Swap.
OFAC - U.S. Treasury Department - Office of Foreign Assets Control.
OLA - Orderly Liquidation Authority.
OTTI - Other-than-temporary impairment.
PD - Probability of default.
Raymond James - Raymond James Financial, Inc.
Regions Securities - Regions Securities LLC.
RICO - Racketeer Influenced and Corrupt Organizations Act.
SEC - U.S. Securities and Exchange Commission.
SERP - Supplemental Executive Retirement Plan.
SSFA - Simplified Supervisory Formula Approach.
Tax Reform - H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018.
TBA - To Be Announced.
TDR - Troubled debt restructuring.
TRACE - Trade Reporting and Compliance Engine.
U.S. - United States.
USA PATRIOT Act - Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.
U.S. Treasury - The United States Department of the Treasury.
UTB - Unrecognized tax benefits.
VIE - Variable interest entity.
Visa - The Visa, U.S.A. Inc. card association or its affiliates, collectively.
Volcker Rule - Section 619 of the Dodd-Frank Act and regulations promulgated thereunder, as applicable.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K, 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,” “e “projects,” “outlook,” “forecast,” “would,” “will,” “may,” “might,” “could,” “should,” “can,” and similar terms and expression signify forward-looking statements. 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, the risks identified in Item 1A. “Risk Factors” of this Annual Report on Form 10-K and those described below:

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of possible declines in property values, increases in unemployment rates 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.
- 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.
- 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.
- 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 Tax Reform and any future interpretations of or amendments to Tax Reform, 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, loan loss provisions or actual loan losses where our allowance for loan 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, 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 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, 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.

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- Our ability to obtain a regulatory non-objection (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us.
- 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 and intensity of such tests and requirements.
- Our ability to comply with applicable capital and liquidity requirements (including, among other things, the Basel III capital standards and the LCR rule), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition 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 non-financial benefits relating to our strategic initiatives.
- The risks and uncertainties related to our acquisition or divestiture of 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 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 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, which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business.
- 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, “denial of service” attacks, “hacking” and identity theft, 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 realize our adjusted efficiency ratio target as part of our expense management initiatives.

- Possible downgrades in our credit ratings or outlook could 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.

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- Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends to stockholders.
- Changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect how we report our financial results.
- 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.

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.

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Item 1. Business

Regions Financial Corporation is a FHC headquartered in Birmingham, Alabama that operates in the South, Midwest and Texas. The terms "Regions," "the Company," "we," "us" and "our" mean Regions Financial Corporation, a Delaware corporation and its subsidiaries, when appropriate. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance brokerage, trust services, merger and acquisition advisory services, and other specialty financing. At December 31, 2017, Regions had total consolidated assets of approximately $124.3 billion, total consolidated deposits of approximately $96.9 billion and total consolidated stockholders' equity of approximately $16.2 billion.

Regions is a Delaware corporation and on July 1, 2004, became the successor by merger to Union Planters Corporation and the former Regions Financial Corporation. Its principal executive offices are located at 1900 Fifth Avenue North, Birmingham, Alabama 35203, and its telephone number at that address is (800) 734-4667.

Banking Operations

Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At December 31, 2017, Regions operated 1,899 ATMs and 1,469 total branch outlets across the South, Midwest and Texas.

The following chart depicts the distribution of branch locations in each of the states in which Regions conducts its banking operations.

	Branches
Florida	317
Tennessee	221
Alabama	218
Mississippi	126
Georgia	119
Louisiana	101
Arkansas	85
Texas	74
Missouri	57
Indiana	52
Illinois	49
South Carolina	24
Kentucky	12
Iowa	8
North Carolina	6
Total	1,469

Other Financial Services Operations

In addition to its banking operations, Regions provides additional financial services through the following subsidiaries:

Regions Insurance Group, Inc., a subsidiary of Regions, is an insurance broker that offers the placement of insurance coverage with insurance companies or other risk bearing entities through its subsidiaries: Regions Insurance, Inc., headquartered in Birmingham, Alabama; Trilogy Risk Specialists, Inc., headquartered in Memphis, Tennessee; and Regions Insurance Services, Inc., headquartered in Memphis, Tennessee. Through its insurance brokerage operations in Alabama, Arkansas, Florida, Georgia, Indiana, Louisiana, Mississippi, South Carolina, Tennessee and Texas, Regions Insurance, Inc. offers insurance coverage for various lines of personal and commercial insurance, such as property, vehicle, casualty, life, health and accident insurance. Regions Insurance, Inc. also provides services related to employee benefits. Trilogy Risk Specialists, Inc. operates as a wholesale insurance broker assisting retail insurance brokers in placing insurance coverage for the retail brokers' customers with risk bearing entities. Regions Insurance Services, Inc. offers various insurance products, such as crop and life insurance. Regions Insurance Group, Inc. is one of the thirty-five largest insurance brokers in the United States based on annual revenues.

Regions Equipment Finance Corporation and Regions Commercial Equipment Finance, LLC, each a wholly-owned subsidiary of Regions Bank, provide equipment financing products focusing on commercial clients.

Regions Investment Services, Inc., a wholly-owned subsidiary of Regions Bank, offers investments and insurance products to Regions Bank customers, provided by licensed insurance agents. In addition, Regions Bank and Regions Investment Services, Inc. also maintain an agreement with Cetera Investment Services, LLC to offer securities, insurance and advisory services to Regions Bank customers through dually-employed financial advisors.

Regions Securities LLC, a wholly-owned subsidiary of Regions headquartered in Atlanta, Georgia, serves as a broker-dealer to commercial clients and acts in an advisory capacity to merger and acquisition transactions. Additionally, BlackArch Partners LLC is a wholly-owned subsidiary of Regions and is headquartered in Charlotte, North Carolina. BlackArch Partners LLC and its subsidiaries offer merger and acquisition services to its institutional clients and commercial entities.

Regions Affordable Housing LLC is a wholly-owned subsidiary of Regions Bank headquartered in Great Neck, New York and engages in low income housing tax credit corporate fund syndication and asset management.

Segment Information

Reference is made to Note 23 “Business Segment Information” to the consolidated financial statements included under Item 8. of this Annual Report on Form 10-K for information required by this item.

Supervision and Regulation

We are subject to the extensive regulatory framework applicable to BHCs and their subsidiaries. This framework is intended primarily for the protection of depositors, the FDIC's DIF and the banking system as a whole, and generally is not intended for the protection of stockholders or other investors. Described below are the material elements of selected laws and regulations applicable to us and our subsidiaries. These descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable law or regulation, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, financial condition or results of operations.

Overview

We are registered with the Federal Reserve as a BHC and have elected to be treated as an FHC under the BHC Act. As such, we and our subsidiaries are subject to the supervision, examination and reporting requirements of the BHC Act and the regulations of the Federal Reserve. Generally, the BHC Act provides for “umbrella” regulation of FHCs by the Federal Reserve and functional regulation of holding company subsidiaries by applicable regulatory agencies. The BHC Act also requires the Federal Reserve to examine any subsidiary of a BHC, other than a depository institution, engaged in activities permissible for a depository institution. The Federal Reserve is also granted the authority, in certain circumstances, to require reports of, examine and adopt rules applicable to any holding company subsidiary.

Regions Bank is a member of the FDIC, and, as such, its deposits are insured by the FDIC to the extent provided by law. Regions Bank is an Alabama state-chartered bank and a member of the Federal Reserve System. Its operations are generally subject to supervision and examination by both the Federal Reserve and the Alabama State Banking Department and the bank regulators are given authority to approve or disapprove mergers, acquisitions, consolidations, the establishment of branches and similar corporate actions. The federal and state banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. State and federal laws and regulations govern the activities in which Regions Bank engages, including the investments it makes and the aggregate amount of loans that may be granted to one borrower. Various consumer and compliance laws and regulations also affect its operations. Regions Bank is also affected by the actions of the Federal Reserve as it implements monetary policy. As a Federal Reserve System member bank, Regions Bank is required to hold stock in the Federal Reserve Bank of Atlanta in an amount equal to 6 percent of its capital stock and surplus. Member banks with total assets in excess of $10 billion, including Regions Bank, receive a floating dividend rate tied to 10-year U.S. Treasuries, with the maximum dividend rate capped at 6 percent.

Regions Bank and its affiliates are also subject to supervision, regulation, examination and enforcement by the CFPB with respect to consumer protection laws and regulations. Some of Regions’ non-bank subsidiaries are also subject to

regulation by various federal and state agencies, such as the SEC and FINRA in the case of our broker-dealer subsidiaries, Regions Securities LLC and BlackArch Securities LLC.
We are also subject to the disclosure and regulatory requirements of the Securities Exchange Act of 1934, as amended, as administered by the SEC. Our common stock and depository shares representing our outstanding preferred stock are each listed on the NYSE. Consequently, we are also subject to NYSE’s rules for listed companies.
Under the Dodd-Frank Act, U.S. BHCs with total consolidated assets of $50 billion or more, including Regions, are subject to enhanced prudential standards. The enhanced prudential standards include risk-based capital and leverage requirements, liquidity standards, risk management and risk committee requirements, stress test requirements and a debt-to-equity limit for companies that the FSOC has determined would pose a grave threat to systemic financial stability were they to fail such limits.
Pursuant to the Dodd-Frank Act, BHCs with total consolidated assets of $50 billion or more, such as Regions, are required to submit resolution plans to the Federal Reserve and FDIC providing for the company’s strategy for rapid and orderly resolution

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in the event of its material financial distress or failure. Regions submitted its most recent resolution plan to these agencies in December 2017 and Regions Bank anticipates submitting its resolution plan prior to the July 1, 2018 deadline. If the Federal Reserve and the FDIC determine that these plans are not credible and we do not cure the deficiencies, the Federal Reserve and the FDIC may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Company or Regions Bank or may jointly order the Company or Regions Bank to divest assets or operations to facilitate an orderly resolution in the event of failure.

Many of the provisions of the Dodd-Frank Act and other laws are subject to further rulemaking, guidance and interpretation by the applicable federal regulators. We will continue to evaluate the impact of any changes in law and any new regulations promulgated, including changes in regulatory costs and fees, modifications to consumer products or disclosures required by the CFPB and the requirements of the enhanced supervision provisions, among others.

Permissible Activities under the BHC Act

In general, the BHC Act limits the activities permissible for BHCs to the business of banking, managing or controlling banks and such other activities as the Federal Reserve has determined to be so closely related to banking as to be properly incidental thereto. A BHC electing to be treated as a FHC, like Regions, may also engage in a range of activities that are (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and that do not pose a substantial risk to the safety and soundness of a depository institution or to the financial system generally. These activities include securities dealing, underwriting and market making, insurance underwriting and agency activities, merchant banking and insurance company portfolio investments.

For a BHC to be eligible to elect FHC status, all of its subsidiary insured depository institutions must be well-capitalized and well-managed as described below under “-Regulatory Remedies under the FDIA” and must have received at least a satisfactory rating on such institution’s most recent examination under the CRA. The BHC itself must also be well-capitalized and well-managed in order to be eligible to elect FHC status. If an FHC fails to continue to be well-capitalized or well-managed after engaging in activities not permissible for BHCs that have not elected to be treated as financial holding companies, the company must enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the Federal Reserve may order the company to divest its subsidiary banks or the company may be required to discontinue or divest investments in companies engaged in activities permissible only for a BHC electing to be treated as an FHC. Furthermore, if the Federal Reserve determines that an FHC has not maintained a CRA rating of at least "satisfactory," the FHC would not be able to commence any new financial activities or acquire a company that engages in such activities, although the FHC would still be allowed to engage in activities closely related to banking and make investments in the ordinary course of conducting banking activities.

The BHC Act does not place territorial restrictions on permissible non-banking activities of BHCs. The Federal Reserve has the power to order any BHC or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the BHC.

Capital Requirements

Regions and Regions Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve.

In 2013, the federal bank regulators approved the final Basel III Rules implementing the Basel III framework as well as certain provisions of the Dodd-Frank Act. The Basel III Rules, among other things, (i) introduced a new capital measure called CET1, (ii) specified that Tier 1 capital consists of CET1 and “Additional Tier 1 capital” instruments meeting certain revised requirements, (iii) defined CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expanded the scope of the deductions/adjustments to capital as compared to existing regulations. For more information, see the “Regulatory Requirements” section of Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of

Operations” of this Annual Report on Form 10-K.
Leverage Requirements
BHCs and banks are also required to comply with minimum leverage capital requirements. These requirements provide for a minimum ratio of Tier 1 capital to total consolidated average tangible assets (as defined for regulatory purposes), called the “leverage ratio”, of 4.0% for all BHCs.
Liquidity Requirements
Liquidity risk management and supervision have become increasingly important since the financial crisis. In addition to the liquidity buffer requirement, Regions is subject to the federal banking agencies’ rules implementing Basel III’s LCR, which is designed to ensure that a covered bank or BHC maintains an adequate level of unencumbered high-quality liquid assets under an acute 30-day liquidity stress scenario. The LCR rule applies in a modified, less stringent, form to BHCs, such as Regions, having $50 billion or more but less than $250 billion in total consolidated assets and less than $10 billion in total on-balance sheet foreign exposure. Since January 1, 2017, the rule has been fully phased in. Regions is required to calculate its LCR on a monthly basis.

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If a covered company fails to meet the required LCR, it must promptly notify its primary federal banking regulator and may be required to take remedial actions. In December 2016, the Federal Reserve issued a final rule that requires BHCs, such as Regions, to disclose publicly, on a quarterly basis, quantitative and qualitative information about certain components of its LCR beginning with the fourth quarter of 2018 for modified LCR BHC's such as Regions. At December 31, 2017, Regions' LCR was above the minimum requirement.

In addition to LCR, the Basel III framework also included a second standard, referred to as the NSFR, which is designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon. In May 2016, the U.S. banking regulators issued a proposed rule to implement the NSFR for large U.S. banking organizations. BHCs with less than $250 billion, but more than $50 billion, in total consolidated assets and less than $10 billion in on-balance sheet foreign exposure, such as Regions, would be subject to a less stringent modified NSFR requirement. As proposed the NSFR rule would have taken effect on January 1, 2018; however, the U.S. banking regulators have not issued the final rule.

Comprehensive Capital Analysis and Review and Stress Testing

The Federal Reserve conducts annual analyses of BHCs with at least $50 billion in total consolidated assets to determine whether the companies have sufficient capital on a consolidated basis necessary to absorb losses in baseline, adverse and severely adverse economic conditions. Regions is also required to conduct its own semi-annual stress analysis to assess the potential impact on Regions of the economic and financial conditions used as part of the Federal Reserve's annual stress analysis.

U.S. BHCs with total consolidated assets of $50 billion or more, such as Regions, must develop and maintain a capital plan, and must submit the capital plan to the Federal Reserve as part of the Federal Reserve's CCAR process. The CCAR process is intended to help ensure that these BHCs have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress.

In addition to other limitations, our ability to make any capital distributions (including dividends and share repurchases) is contingent on the Federal Reserve's non-objection to our capital plan. Should the Federal Reserve object to a capital plan, a BHC may not make any capital distribution other than those capital distributions to which the Federal Reserve has indicated its non-objection in writing. As a result of a final rule adopted by the Federal Reserve in January 2017, beginning with the 2017 CCAR cycle, the Federal Reserve may no longer object on the basis of qualitative criteria to capital plans submitted by BHCs that have total consolidated assets of at least $50 billion but less than $250 billion, non-bank assets of less than $75 billion, and that are not U.S. global-systemically important banks, such as Regions. Our annual capital planning submission is due by April 5th and the Federal Reserve will publish the results of its supervisory CCAR review of our capital plan by June 30th of each year.

Safety and Soundness Standards

The FDIA requires the federal banking agencies to take prompt corrective action in respect of depository institutions that do not meet specified capital requirements. The FDIA establishes five capital categories ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized"), and the federa banking agencies must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the FDIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. As of December 31, 2017, both Regions and Regions Bank were well-capitalized.

An institution that is classified as well-capitalized based on its capital levels may be treated as adequately capitalized, and an institution that is adequately capitalized or undercapitalized based upon its capital levels may be treated as though it were undercapitalized or significantly undercapitalized, respectively, if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a BHC must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The BHC must also provide appropriate assurances of performance.

The FDIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality, and executive compensation and permits regulatory action against a financial institution that does not meet such standards. Regulators also must take into consideration: (i) concentrations of credit risk; (ii) interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance sheet position); and (iii) risks from non-traditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. Regulators make this evaluation as a part of their regular examination of the institution's safety and soundness. Additionally, regulators may choose to examine other factors in order to evaluate the safety and soundness of financial institutions.

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Payment of Dividends

We are a legal entity separate and distinct from our banking and other subsidiaries. The principal source of cash flow to us, including cash flow to pay dividends to our stockholders and principal and interest on any of our outstanding debt, is dividends from Regions Bank. There are statutory and regulatory limitations on the payment of dividends by Regions Bank to us, as well as by us to our stockholders.

If, in the opinion of a federal bank regulatory agency, an institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, such agency may require, after notice and hearing, that such institution cease and desist from such practice. The federal bank regulatory agencies have indicated that paying dividends that deplete an institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Under the FDIA, an insured institution may not pay a dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. See “-Safety and Soundness Standards” above. Moreover, the Federal Reserve and the FDIC have issued policy statements stating that BHCs and insured banks should generally pay dividends only out of current operating earnings.

Payment of Dividends by Regions Bank. Under the Federal Reserve’s Regulation H, Regions Bank may not, without approval of the Federal Reserve, declare or pay a dividend to us if the total of all dividends declared in a calendar year exceeds the total of (a) Regions Bank’s net income for that year and (b) its retained net income for the preceding two calendar years, less any required transfers to additional paid-in capital or to a fund for the retirement of preferred stock.

Under Alabama law, Regions Bank may not pay a dividend in excess of 90% of its net earnings unless its surplus is equal to at least 20% of capital. Regions Bank is also required by Alabama law to seek the approval of the Alabama Superintendent of Banking prior to the payment of dividends if the total of all dividends declared by Regions Bank in any calendar year will exceed the total of (a) Regions Bank’s net earnings for that year, plus (b) its retained net earnings for the preceding two years, less any required transfers to surplus. The statute defines net earnings as the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets, after deducting from the total thereof all current operating expenses, actual losses, accrued dividends on preferred stock, if any, and all federal, state and local taxes. Regions Bank cannot, without approval from the Federal Reserve and the Alabama Superintendent of Banking, declare or pay a dividend to Regions unless Regions Bank is able to satisfy the criteria discussed above.

Payment of Dividends by Regions. Our payment of dividends to our stockholders is subject to the oversight of the Federal Reserve. In particular, the dividend policies and share repurchases of a large BHC, such as Regions, are reviewed by the Federal Reserve based on capital plans submitted as part of the CCAR process and stress tests as submitted by the BHC, and will be assessed against, among other things, the BHC’s ability to achieve the required capital ratios under the Basel III Rules as they are phased in by U.S. regulators. See “-Capital Requirements” and “-Comprehensive Capital Analysis and Review and Stress Testing” above.

Support of Subsidiary Banks

Under longstanding Federal Reserve policy, which has been codified by the Dodd-Frank Act, Regions is expected to act as a source of financial strength to, and to commit resources to support, its subsidiary bank. This support may be required at times when Regions may not be inclined to provide it. In addition, any capital loans by a BHC to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a BHC’s bankruptcy, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Transactions with Affiliates

Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve’s Regulation W restrict transactions between a bank and its affiliates, including a parent BHC. Regions Bank is subject to these restrictions, which include quantitative and qualitative limits on the amounts and types of transactions that may take place, including extensions of credit to affiliates, investments in the stock or securities of affiliates, purchases of assets from affiliates and certain other transactions with affiliates. These restrictions also require that credit transactions with affiliates be collateralized and that transactions with affiliates be on market terms or better for the bank. Generally, a bank's covered transactions with any affiliate are limited to 10% of the bank's capital stock and surplus and covered transactions with all affiliates are limited to 20% of the bank's capital stock and surplus.

Deposit Insurance

Regions Bank accepts deposits, and those deposits have the benefit of FDIC insurance up to the applicable limits. Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the insured depository institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency.

Deposit Insurance Assessments. Regions Bank pays deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC. FDIC assessment rates for large institutions that have more than $10 billion in assets, such as Regions Bank, are calculated based on a "scorecard" methodology that seeks to capture both the probability that an individual large institution will fail and the magnitude of the impact on the deposit insurance fund if such a failure occurs. The FDIC has the ability to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. As of July 1, 2016, for large institutions, including Regions Bank, the initial base assessment rate ranges from 3 to 30 basis points on an annualized basis (basis point representing 1/100th of one percent). After the effect of potential base-rate adjustments, the total base assessment rate could range from 1.5 to 40 basis points on an annualized basis. The deposit insurance assessment base is calculated based on the average of total assets less the average tangible equity of the insured depository institution during the assessment period, less allowable deductions.

The FDIA establishes a minimum ratio of the DIF to estimated insured deposits of 1.15% prior to September 2020 and 1.35% thereafter. Additionally, beginning July 1, 2016, the FDIC has imposed a surcharge on the quarterly assessments of insured depository institutions with total consolidated assets of $10 billion or more, such as Regions Bank. The surcharge will continue through the earlier of the quarter that the DIF first reaches or exceeds 1.35% or December 31, 2018. During 2017, Regions Bank's total FDIC insurance assessments and surcharge were $108 million, a $9 million increase from 2016. We cannot predict whether, as a result of an adverse change in economic conditions or other reasons, the FDIC will increase deposit insurance assessment levels in the future.

For more information, see the "FDIC Insurance Assessments" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

FICO Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the FICO to impose assessments on DIF applicable deposits in order to service the interest on the FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by the FICO is in addition to the amount, if any, paid for deposit insurance. The FICO assessment rates may be adjusted quarterly to reflect a change in assessment base or a change in the amount of outstanding bonds. Regions Bank had a FICO assessment of approximately $5 million in FDIC deposit premiums in 2017, which was included in the $108 million in total FDIC insurance assessments discussed above.

Acquisitions

The BHC Act requires every BHC to obtain the prior approval of the Federal Reserve before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the BHC will directly or indirectly own or control 5% or more of the voting shares of the institution; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (iii) it may merge or consolidate with any other BHC. BHCs with consolidated assets exceeding $50 billion must obtain prior approval from the Federal Reserve before acquiring certain non-bank financial companies with assets exceeding $10 billion and provide prior written notice to the Federal Reserve before acquiring direct or indirect ownership or control of any voting shares of any company having consolidated assets of $10 billion or more. BHCs seeking approval to complete an acquisition must be well-capitalized and well-managed.

The BHC Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the U.S., or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the BHCs and banks impacted and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, and the consideration of convenience and needs of the community to be served includes the parties' performance under the CRA. The Federal Reserve must also take into account the institutions' effectiveness in combating money laundering. In addition, pursuant to the Dodd-Frank Act, the BHC Act was amended to require the Federal Reserve to, when evaluating a proposed transaction, consider the extent to which the transaction would result in greater or more concentrated risks to the stability of the U.S. banking or financial system.

Depositor Preference

Under federal law, claims of depositors and certain claims for both administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution in the “liquidation or other resolution” of such an institution by any receiver.

Volcker Rule

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and investing in, sponsoring and having certain relationships with private funds such as hedge funds or private equity funds that would be an investment company for purposes of the Volcker Rule. The final rules implementing the Volcker Rule also require that large BHCs, such as Regions, design and implement compliance programs to ensure adherence to the Volcker Rule’s prohibitions. Development and monitoring of the required compliance program may require the expenditure of resources and management attention.

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Consumer Protection Laws

We are subject to a number of federal and state consumer protection laws, including laws designed to protect customers and promote lending to various sectors of the economy and population. These laws include, but are not limited to the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Truth in Savings Act, the Electronic Funds Transfer Act, and their respective state law counterparts.

The CFPB has broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the laws referenced above, fair lending laws and certain other statutes. The CFPB has finalized a number of significant rules, including rules that impact nearly every aspect of the lifecycle of a residential mortgage loan. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, including the authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products.

Additionally, the Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

Financial Privacy and Cybersecurity

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is used in diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and application information. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

The federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management standards among financial institutions. A financial institution is expected to establish multiple lines of defense and to ensure their risk management processes address the risk posed by potential threats to the institution. A financial institution’s management is expected to maintain sufficient processes to effectively respond and recover the institution’s operations after a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations if a critical service provider of the institution falls victim to this type of cyber-attack. The Regions Information Security Program reflects the requirements of this guidance.

Community Reinvestment Act

Regions Bank is subject to the provisions of the CRA. Under the terms of the CRA, Regions Bank has a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs of its communities, including providing credit to individuals residing in low- and moderate-income neighborhoods. The CRA requires each appropriate federal bank regulatory agency, in connection with its examination of a depository institution, to assess such institution’s record in assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory agency’s assessment is part of the Federal Reserve’s consideration of applications by a bank or BHC to acquire, merge or consolidate with another banking institution or its holding company, to establish a new branch office that will accept deposits or to relocate an office. In the case of a BHC applicant, the Federal Reserve will assess the records of each subsidiary depository institution of the applicant BHC, and such records may be the basis for denying the application.

Compensation Practices

Our compensation practices are subject to oversight by the Federal Reserve. The federal banking regulators have provided guidance designed to ensure that incentive compensation arrangements at banking organizations take into account risk and are consistent with safe and sound practices. The guidance sets forth the following three key principles with respect to incentive compensation arrangements: (i) the arrangements should provide employees with incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk; (ii) the arrangements should be compatible with effective controls and risk management; and (iii) the arrangements should be supported by strong corporate governance. The guidance provides that supervisory findings with respect to incentive compensation will be incorporated, as appropriate, into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The guidance also provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk management, control or governance processes pose a risk to the organization's safety and soundness.

Anti-Money Laundering

A continued focus of governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. The USA PATRIOT Act broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and

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strengthened the ability of the U.S. Government to help prevent, detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA PATRIOT Act require that regulated financial institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. Failure of a financial institution to comply with the USA PATRIOT Act's requirements could have serious legal and reputational consequences for the institution. Regions' banking and insurance subsidiaries have augmented their systems and procedures to meet the requirements of these regulations and will continue to revise and update their policies, procedures and controls to reflect changes required by the USA PATRIOT Act and implementing regulations. The USA PATRIOT Act also requires federal banking regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition.

In May 2016, FinCEN, which drafts regulations implementing the USA PATRIOT Act and other anti-money laundering and bank secrecy act legislation, issued final rules that require financial institutions to obtain beneficial ownership information with respect to legal entities with which such institutions conduct business, subject to certain exclusions and exemptions, and financial institutions that are subject to these final rules, including Regions, are required to comply by May 2018. Bank regulators are focusing their examinations on anti-money laundering compliance, and we continue to monitor and augment, where necessary, our anti-money laundering compliance programs.

Office of Foreign Assets Control Regulation

The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the "OFAC" rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Insurers and Insurance Brokers

Our operations in the areas of insurance brokerage and reinsurance of credit protection products are subject to regulation and supervision by various state insurance regulatory authorities. Although the scope of regulation and form of supervision may vary from state to state, insurance laws generally grant broad discretion to regulatory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling of customer funds held in a fiduciary capacity. Certain of our insurance company subsidiaries are subject to extensive regulatory supervision and to insurance laws and regulations requiring, among other things, maintenance of capital, record keeping, reporting and examinations.

Regulation of Broker Dealers

Our subsidiaries, Regions Securities LLC and BlackArch Securities LLC, are registered broker-dealers with the SEC and, as a result, are subject to regulation and examination by the SEC, FINRA and other self-regulatory organizations. These regulations cover a broad range of issues, including capital requirements; sales and trading practices; use of client funds and securities; the conduct of directors, officers and employees; record-keeping and recording; supervisory procedures to prevent improper trading on material non-public information; qualification and licensing of sales personnel; and limitations on the extension of credit in securities transactions. In addition to federal registration, state securities commissions require the registration of certain broker-dealers.

Competition

All aspects of our business are highly competitive. Our subsidiaries compete with other financial institutions located in the states in which they operate and other adjoining states, as well as large banks in major financial centers and other financial intermediaries, such as savings and loan associations, credit unions, Internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, mortgage companies and financial service operations of major commercial and retail corporations. We expect competition to remain intense among financial services companies given the relatively low interest rate and slower economic environment relative to past economic cycles. Also, future changes in monetary policy including further increases in the Federal Funds target range along with the Federal Reserve’s balance sheet normalization program, coupled with post-crisis regulatory requirements, may increase competition for certain deposit products.

Customers for banking services and other financial services offered by our subsidiaries are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although our position varies in different markets, we believe that our affiliates effectively compete with other financial services companies in their relevant market areas.

Employees

As of December 31, 2017, Regions and its subsidiaries had 21,714 full-time equivalent employees.

Available Information

We maintain a website at www.regions.com. We make available on our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports that are filed with or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934. These documents are made available on our website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Also available on the website are our (i) Corporate Governance Principles, (ii) Code of Business Conduct and Ethics, (iii) Code of Ethics for Senior Financial Officers, (iv) Fair Disclosure Policy Summary, and (v) the charters of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Risk Committee.

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Item 1A. Risk Factors

An investment in the Company involves risk, some of which, including market, liquidity, credit, operational, legal, compliance, reputational and strategic risks, could be substantial and is inherent in our business. This risk also includes the possibility that the value of the investment could decrease considerably, and dividends or other distributions concerning the investment could be reduced or eliminated. Discussed below are risk factors that could adversely affect our financial results and condition, as well as the value of, and return on investment in the Company.

Risks Related to the Operation of Our Business

Our businesses have been, and may continue to be, adversely affected by conditions in the financial markets and economic conditions generally.

We provide traditional commercial, retail and mortgage banking services, as well as other financial services including asset management, wealth management, securities brokerage, insurance, merger-and-acquisition advisory services and other specialty financing. All of our businesses are materially affected by conditions in the financial markets and economic conditions generally or specifically in the Southeastern U.S., the principal markets in which we conduct business. A worsening of business and economic conditions generally or specifically in the principal markets in which we conduct business could have adverse effects on our business, including the following:

- A decrease in the demand for, or the availability of, loans and other products and services offered by us;
- A decrease in the value of our loans held for sale or other assets secured by consumer or commercial real estate;
- An impairment of certain intangible assets, such as goodwill;
- A decrease in interest income from variable rate loans, due to declines in interest rates; and
- An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us, which could result in a higher level of nonperforming assets, net charge-offs, provisions for loan losses, and valuation adjustments on loans held for sale.

In the event of severely adverse business and economic conditions generally or specifically in the principal markets in which we conduct business, there can be no assurance that the federal government and the Federal Reserve would intervene. If economic conditions worsen or volatility increases, our business, financial condition and results of operations could be materially adversely affected.

Ineffective liquidity management could adversely affect our financial results and condition.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities during 2017 were checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

Our operations are concentrated in the Southeastern U.S., and adverse changes in the economic conditions in this region can adversely affect our financial results and condition.

Our operations are concentrated in the Southeastern U.S., particularly in the states of Alabama, Florida, Georgia, Louisiana, Mississippi and Tennessee. As a result, local economic conditions in the Southeastern U.S. significantly affect the demand for the loans and other products we offer to our customers (including real estate, commercial and construction loans), the ability of borrowers to repay these loans and the value of the collateral securing these loans. Following the financial crisis, the national real estate market experienced a significant decline in value, and the value of real estate in Florida in particular declined significantly more than real estate values in the U.S. as a whole. This decline has had an adverse impact on some of our borrowers and on the value of the collateral securing many of our loans. Although real estate in many geographies has improved, any further declines in the future may affect borrowers and collateral values, which could adversely affect our currently performing loans, leading to future delinquencies or defaults and increases in our provision for loan losses. Further or continued adverse changes in these economic conditions could materially adversely affect our business, results of operations or financial condition.

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Weather-related events and other natural disasters, as well as man-made disasters, could cause a disruption in our operations or other consequences that could have an adverse impact on financial results and condition.

A significant portion of our operations are located in the areas bordering the Gulf of Mexico and the Atlantic Ocean, regions that are susceptible to hurricanes, or in areas of the Southeastern U.S. that are susceptible to tornadoes and other severe weather events. In particular, a number of severe Atlantic hurricanes occurred in 2017, including two that impacted areas in our footprint. Many areas in the Southeastern U.S. have also experienced severe droughts and floods in recent years. Any of these, or any other severe weather event, could cause disruption to our operations and could have a material adverse effect on our overall business, results of operations or financial condition. While we maintain insurance covering many of these weather-related events, including coverage for lost profits and extra expense, there is no insurance against the disruption that a catastrophic earthquake, hurricane, tornado or other severe weather event could produce to the markets that we serve and the resulting adverse impact on our borrowers to timely repay their loans and the value of any collateral held by us. The severity and impact of future earthquakes, hurricanes, tornadoes, droughts, floods and other weather-related events are difficult to predict and may be exacerbated by global climate change. Man-made disasters and other events connected with the Gulf of Mexico or Atlantic Ocean, such as oil spills, could have similar effects.

If we experience greater credit losses in our loan portfolios than anticipated, our earnings may be materially adversely affected.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans and leases according to their terms and that any collateral securing the payment of their loans and leases may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for loan losses based on a number of factors. Our management periodically determines the allowance for loan losses based on available information, including the quality of the loan portfolio, economic conditions, the value of the underlying collateral and the level of non-accrual loans. Increases in the allowance will result in an expense for the period, thereby reducing our reported net income. If, as a result of general economic conditions, there is a decrease in asset quality or growth in the loan portfolio, management determines that additional increases in the allowance for loan losses are necessary, we may incur additional expenses which will reduce our net income, and our business, results of operations or financial condition may be materially adversely affected.

Although our management will establish an allowance for loan losses it believes is appropriate to absorb probable and reasonably estimable losses in our loan portfolio, this allowance may not be adequate. For example, if a hurricane or other natural disaster were to occur in one of our principal markets or if economic conditions in those markets were to deteriorate unexpectedly, additional loan losses not incorporated in the existing allowance for loan losses may occur. Losses in excess of the existing allowance for loan losses will reduce our net income and could adversely affect our business, results of operations or financial condition, perhaps materially.

In addition, bank regulatory agencies will periodically review our allowance for loan losses and the value attributed to non-accrual loans and to real estate acquired through foreclosure. Such regulatory agencies may require us to adjust our determination of the value for these items. These adjustments could materially adversely affect our business, results of operations or financial condition.

Weakness in the residential real estate markets could adversely affect our performance.

As of December 31, 2017, consumer residential real estate loans represented approximately 30% of our total loan portfolio. Declines in home values would adversely affect the value of collateral securing the residential real estate that we hold, as well as the volume of loan originations and the amount we realize on the sale of real estate loans. These factors could result in higher delinquencies and greater charge-offs in future periods, which could materially adversely affect our business, financial condition or results of operations.

Weakness in the commercial real estate markets could adversely affect our performance.

As of December 31, 2017, approximately 7% of our loan portfolio consisted of investor real estate loans. The properties securing income-producing investor real estate loans are typically not fully leased at the origination of the loan. The borrower's ability to repay the loan is instead dependent upon additional leasing through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space may increase. High vacancy rates could also result in rents falling. The combination of these factors could result in deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our borrowers to repay the amounts due under their loans. As a result, our business, results of operations or financial condition may be materially adversely affected.

Risks associated with home equity products where we are in a second lien position could materially adversely affect our performance.

Home equity products, particularly those where we are in a second lien position, and particularly those in certain geographic areas, may carry a higher risk of non-collection than other loans. Home equity lending includes both home equity loans and lines

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of credit. Of our $10.2 billion home equity portfolio at December 31, 2017, approximately $6.6 billion were home equity lines of credit and $3.6 billion were closed-end home equity loans (primarily originated as amortizing loans). This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values at the time of origination directly affect the amount of credit extended, and, in addition, past and future changes in these values impact the depth of potential losses. Second lien position lending carries higher credit risk because any decrease in real estate pricing may result in the value of the collateral being insufficient to cover the second lien after the first lien position has been satisfied. As of December 31, 2017, approximately $3.5 billion of our home equity lines and loans were in a second lien position.

Weakness in commodity businesses could adversely affect our performance.

Many of our borrowers operate in industries that are directly or indirectly impacted by changes in commodity prices. This includes agriculture, livestock, metals, timber, textiles and energy businesses (including oil, gas and petrochemical), as well as businesses indirectly impacted by commodities prices such as businesses that transport commodities or manufacture equipment used in production of commodities. Changes in commodity products prices depend on local, regional and global events or conditions that affect supply and demand for the relevant commodity. These industries have been, and may in the future be, subject to significant volatility. In addition, legislative changes such as the elimination of certain tax incentives could have significant impacts on this portfolio.

Industry competition may adversely affect our degree of success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment, and we expect competition to remain intense among financial services companies given the relatively low interest rate and slower economic environment relative to past economic cycles. In our market areas, we face competition from other commercial banks, savings and loan associations, credit unions, Internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, mortgage companies, and other financial intermediaries that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. In particular, the activity and prominence of marketplace lenders and other technological financial services companies have grown significantly over recent years and is expected to continue growing.

Our ability to compete successfully depends on a number of factors, including customer convenience, quality of service, personal contacts, pricing and range of products. If we are unable to successfully compete for new customers and to retain our current customers, our business, financial condition or results of operations may be adversely affected, perhaps materially. In particular, if we experience an outflow of deposits as a result of our customers seeking investments with higher yields or greater financial stability, we may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin and financial performance.

Fluctuations in market interest rates may adversely affect our performance.

Our profitability depends to a large extent on our net interest income and other financing income, which is the difference between the interest income received on interest-earning assets (primarily loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (primarily deposits and borrowings). Net interest income and other financing income also includes rental income and depreciation expense associated with operating leases for which Regions is the lessor. The level of net interest income and other financing income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the FOMC and interest rates markets.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is influenced heavily by the FOMC's actions. However, the yields generated by our loans and securities are

typically driven by both short-term and longer-term interest rates. Longer-term rates are affected by multiple factors including the actions of the FOMC through actions such as quantitative easing, and the market's expectations for future inflation, growth and other economic considerations. The level of net interest income and other financing income is therefore influenced by the overall level of interest rates along with the shape of the yield curve. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. If the interest rates on our interest-bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, our net interest income and other financing income may decline and, with it, a decline in our earnings may occur. Our net interest income and other financing income and our earnings would be similarly affected if the interest rates on our interest-earning assets declined at a faster pace than the interest rates on our interest-bearing liabilities. Despite the rate increase in December 2017, short-term interest rates remain low by historical standards. While still low relative to historical standards, increases in short term interest rates since December 2015 have contributed to growth in net interest income and other financing income and the net interest margin.
Our current one-year interest rate sensitivity position is asset sensitive. As a result, an immediate or gradual decrease in rates over a twelve-month period would likely have a negative impact on twelve-month net interest income and other financing income.

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Conversely, an increasing rate environment would likely have a positive impact on twelve-month net interest income and other financing income. However, increasing rates would also increase debt service requirements for some of our borrowers and may adversely affect those borrowers' ability to pay as contractually obligated and could result in additional delinquencies or charge-offs. Our results of operations and financial condition may be adversely affected as a result.

For a more detailed discussion of these risks and our management strategies for these risks, see the "Net Interest Income and Other Financing Income, Margin and Interest Rate Risk," "Net Interest Income and Other Financing Income and Margin," "Market Risk-Interest Rate Risk" and "Securities" sections of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

Any future reductions in our credit ratings may increase our funding costs and place limitations on business activities related to providing credit support to customers.

The major rating agencies regularly evaluate us, and their ratings are based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, ratings agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings. The ratings assigned to Regions and Regions Bank remain subject to change at any time, and it is possible that any ratings agency will take action to downgrade Regions, Regions Bank or both in the future. Additionally, ratings agencies may also make substantial changes to their ratings policies and practices, which may affect our credit ratings. In the future, changes to existing ratings guidelines and new ratings guidelines may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

Regions' credit ratings can have negative consequences that can impact our ability to access the debt and capital markets, as well as reduce our profitability through increased costs on future debt issuances. In addition, certain customers could be prohibited from placing deposits with Regions Bank. If Regions were to be downgraded below investment grade, we may not be able to reliably access the short-term unsecured funding markets, and certain customers could be prohibited from placing deposits with Regions Bank, which could cause us to hold more cash and liquid investments to meet our ongoing liquidity needs. Such actions could reduce our profitability as these liquid investments earn a lower return than other assets, such as loans. Regions' liquidity policy requires that the holding company maintain cash sufficient to cover the greater of (i) 18 months of debt service and other cash needs or (ii) a minimum cash balance of $500 million. Although this policy helps protect us against the costs of unexpected adverse funding environments, we cannot guarantee that this policy will be sufficient.

Additionally, if Regions were to be downgraded to below investment grade, certain counterparty contracts may be required to be renegotiated or require the posting of additional collateral. Refer to Note 21 "Derivative Financial Instruments and Hedging Activities - Contingent Features" to the consolidated financial statements of this Annual Report on Form 10-K for the fair value of contracts subject to contingent credit features and the collateral postings associated with such contracts. Although the exact amount of additional collateral is unknown, it is reasonable to conclude that Regions may be required to post additional collateral related to existing contracts with contingent credit features.

The value of our goodwill and other intangible assets may decline in the future.

As of December 31, 2017, we had $4.9 billion of goodwill and $177 million of other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower economic growth or a significant and sustained decline in the price of our common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our reporting units, or if we were to experience increases in book values of a reporting unit in excess of the increase in fair value of equity, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that a future

write-down of our goodwill is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.
Identifiable intangible assets other than goodwill consist of core deposit intangibles, purchased credit card relationship assets, customer relationship employment agreement assets, and the DUS license. Adverse events or circumstances could impact the recoverability of these intangible assets including loss of core deposits, significant losses of credit card accounts and/or balances, increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non-cash impairment charge would be recorded, which could have a material adverse effect on our results of operations.
The value of our deferred tax assets could adversely affect our operating results and regulatory capital ratios.
As of December 31, 2017, Regions had approximately $163 million in net deferred tax assets (net of valuation allowance of $34 million). Our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination, we consider all positive and negative evidence available, including the impact of recent operating results, taxable income within any applicable carryback periods (post Tax Reform, NOL's generated by Regions cannot be carried back, but can be carried forward indefinitely), reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. We have determined that the deferred tax assets are more likely than not to be realized at December 31, 2017 (except for $34 million related to state deferred tax assets

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for which we have established a valuation allowance). If we were to conclude that a significant portion of our deferred tax assets were not more likely than not to be realized, the required valuation allowance could adversely affect our financial position, results of operations and regulatory capital ratios. In addition, the value of our deferred tax assets could be adversely affected by a change in statutory tax rates. On December 22, 2017, the U.S. government enacted comprehensive tax legislation that caused us to adjust the value of our deferred tax assets to a lower base rate of 21%. While the legislation adversely impacted our operating results and regulatory capital ratios for the current year, we expect the ongoing impact of this legislation to increase income from continuing operations.

Changes in the soundness of other financial institutions could adversely affect us.

Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even mere speculation about, one or more financial services companies, or the financial services industry generally, may lead to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or lease or derivative exposure due us. Any such losses may materially and adversely affect our business, financial condition or results of operations.

Our businesses may be adversely affected if we are unable to hire and retain qualified employees.

Our success depends, in part, on our executive officers and other key personnel. The market for qualified individuals is highly competitive, and we may not be able to attract and retain qualified personnel or candidates to replace or succeed members of our senior management team or other key personnel. Our compensation practices are subject to review and oversight by the Federal Reserve, the FDIC and other regulators. As a large financial and banking institution, we may be subject to limitations on compensation practices, which may or may not affect our competitors, by the Federal Reserve, the FDIC or other regulators. These limitations could further affect our ability to attract and retain our executive officers and other key personnel. For a discussion of proposed rules that may impact our compensation practices, see the “Supervision and Regulation-Compensation Practices” section of Item 1. “Business” of this Annual Report on Form 10-K.

Maintaining or increasing market share may depend on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on the ability to adapt products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. This can reduce net interest income and other financing income and non-interest income from fee-based products and services. In addition, the widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt existing products and services or develop new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology, or those new products may not achieve market acceptance. As a result, we could lose business, be forced to price products and services on less advantageous terms to retain or attract clients, or be subject to cost increases, and our business, financial condition or results of operations may be adversely affected.

We need to stay current on technological changes in order to compete and meet customer demands.

The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and may enable us to reduce costs. Our future success may depend, in part, on our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations. Some of our competitors have substantially greater resources to invest in technological improvements than we currently have. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations, may be adversely affected.

We are subject to a variety of operational risks, including the risk of fraud or theft by employees, which may adversely affect our business and results of operations.

We are exposed to many types of operational risks, including business continuity, process, third party, information technology, human resource, model, and fraud risks. Regions’ fraud risks include fraud committed by external parties against the Company or its customers and fraud committed internally by our associates. Certain fraud risks, including identity theft and account takeover may increase as a result of customers' account or personally identifiable information being obtained through breaches of retailers' or other third parties’ networks. We have established processes and procedures intended to identify, measure, monitor, mitigate, report and analyze these risks; however, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated, monitored or identified. If our risk management framework proves ineffective, we could suffer unexpected losses, we may have to expend resources detecting and correcting the failure in our systems and we may be subject to potential claims from third parties and government agencies. We may also suffer severe reputational damage. Any of these consequences could adversely affect our business, financial condition or results of operations. In particular, the unauthorized disclosure, misappropriation, mishandling or misuse of personal, non-public, confidential or proprietary information of customers could result in significant regulatory consequences, reputational damage and financial loss.

Damage to our reputation could significantly harm our businesses.

Our ability to attract and retain customers and highly-skilled management and employees is impacted by our reputation. A negative public opinion of us and our business can result from any number of activities, including our lending practices, corporate governance and regulatory compliance, acquisitions and actions taken by our regulators or by community organizations in response to these activities. Significant harm to our reputation could also arise as a result of regulatory or governmental actions, litigation, employee misconduct or the activities of our customers, other participants in the financial services industry or our contractual counterparties, such as our service providers and vendors. Damage to our reputation could also adversely affect our credit ratings and access to the capital markets.

We are subject to a variety of systems failure and cybersecurity risks that could adversely affect our business and financial performance.

Failure in or breach of our systems or infrastructure, or those of our third-party service providers (or providers to such third-party service providers), including as a result of cyber-attacks, could disrupt our businesses or the businesses of our customers. This could result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and financial losses. As a large financial institution, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As public and regulatory expectations, as well as our customers' expectations have increased regarding operational performance and information security, our systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes and hurricanes; pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber-attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers. For a discussion of the guidance that federal banking regulators have released regarding cybersecurity and cyber risk management standards, see the “Supervision and Regulation-Financial Privacy and Cybersecurity” section of Item 1. “Business” of this Annual Report on Form 10-K.

Information security risks for large financial institutions, such as Regions, have increased significantly in recent years in part because of the proliferation of Internet and mobile banking and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. Third parties with whom we or our customers do business also present operational and information security risks to us, including security breaches or failures of their own systems. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. In addition, to access our products and services, our customers may use personal computers, smartphones, tablets, and other mobile devices that are beyond our control environment. Although we believe that we have appropriate information security procedures and controls designed to prevent or limit the effects of a cyber-attack or information security breach, our technologies, systems, networks and our customers’ devices may be the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Regions’ or our customers’ confidential, proprietary and other information. We also have insurance coverage that may, subject to policy terms and conditions, cover certain losses associated with cyber-attacks or information security breaches, but it may be insufficient to cover all losses from any such attach or breach. Additionally, cyber-attacks, such as denial of service attacks, hacking or terrorist activities, could disrupt Regions’ or our customers’ or other third parties’ business operations. For example, denial of service attacks have been launched against a number of large financial services institutions, including Regions. Although these past events have not resulted in a breach of Regions' client data or account information, such attacks have adversely affected the performance of Regions Bank's website, www.regions.com, and, in some instances, prevented customers from accessing Regions Bank's secure websites for consumer and commercial applications. In all cases, the attacks primarily resulted in inconvenience; however, future cyber-attacks could be more disruptive and damaging, and Regions may not be able to anticipate or prevent all such attacks. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate and remediate any information security vulnerabilities. We may also be required to incur significant costs in connection with any regulatory investigation or civil litigation resulting from a cyber-attack or information security breach that impacts us. In addition, our third-party service providers may be unable to identify vulnerabilities in their systems or once identified, be unable to promptly provide required patches. Further, even if provided, such patches may not fully remediate any vulnerability or may be difficult for Regions to implement. The techniques used by cyber criminals change frequently, may not be recognized until launched and can be initiated from a variety of sources, including terrorist organizations and hostile foreign governments. These criminals may attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to data or our systems.

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Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber-attacks or security breaches of the networks, systems or devices that our customers use to access our products and services, could result in customer attrition, regulatory fines, civil litigation, penalties or intervention, reputational damage, reimbursement or other compensation costs, remediation costs, additional cybersecurity protection costs, increased insurance premiums and/or additional compliance costs, any of which could materially adversely affect our business, results of operations or financial condition. We could also be adversely affected if we lost access to information or services from a third party service provider as a result of a security breach, system or operational failure or disruption affecting the third party service provider. For a more detailed discussion of these risks and specific occurrences, see the "Information Security Risk" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third-party vendors carefully, performing upfront due diligence and ongoing monitoring activities, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in services provided by a vendor (including as a result of a cyber-attack, other information security event or a natural disaster), financial or operational difficulties for the vendor, or resulting from issues at third-party vendors to the vendors, failure of a vendor to handle current or higher volumes, failure of a vendor to provide services for any reason, poor performance of services, failure to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of our vendors, could adversely affect our ability to deliver products and services to our customers, our reputation and our ability to conduct our business. In certain situation, replacing these third-party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable, inherent risk to our business operations.

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors if made available. If this information is inaccurate, we may be subject to regulatory action, reputational harm or other adverse effects with respect to the operation of our business, our financial condition and our results of operations.

We are exposed to risk of environmental liability when we take title to property.

In the course of our business, we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, financial condition or results of operations could be adversely affected.

We rely on the mortgage secondary market for some of our liquidity.

In 2017, we sold 45% of the mortgage loans we originated to the Agencies. We rely on the Agencies to purchase loans that meet their conforming loan requirements in order to reduce our credit risk and provide funding for additional loans we desire to originate. We cannot provide assurance that the Agencies will not materially limit their purchases of conforming loans due to capital constraints, a change in the criteria for conforming loans or other factors. Additionally, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of the Agencies. The exact effects of any such reforms are not yet known, but they may limit our ability to sell conforming loans to the Agencies. If we are unable to continue to sell conforming loans to the Agencies, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which would adversely affect our results of operations.

We are subject to a variety of risks in connection with any sale of loans we may conduct.

In connection with our sale of one or more loan portfolios, we may make certain representations and warranties to the purchaser concerning the loans sold and the procedures under which those loans have been originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase part or all of the effected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If we are required to make any indemnity payments or repurchases and do not have a remedy available to us against a solvent counterparty, we may not be able to recover our losses resulting from these indemnity payments and repurchases. Consequently, our results of operations may be adversely affected.

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In addition, we must report as held for sale any loans that we have undertaken to sell, whether or not a purchase agreement for the loans has been executed. We may, therefore, be unable to ultimately complete a sale for part or all of the loans we classify as held for sale. Management must exercise its judgment in determining when loans must be reclassified from held to maturity status to held for sale status under applicable accounting guidelines. Any failure to accurately report loans as held for sale could result in regulatory investigations and monetary penalties. Any of these actions could adversely affect our financial condition and results of operations. Reclassifying loans from held to maturity to held for sale also requires that the affected loans be marked to the lower of cost or fair value. As a result, any loans classified as held for sale may be adversely affected by changes in interest rates and by changes in the borrower's creditworthiness. We may be required to reduce the value of any loans we mark held for sale, which could adversely affect our results of operations.

A downgrade or potential downgrade of the U.S. Government's sovereign credit rating by one or more credit ratings agencies could adversely affect our business.

Future uncertainty over U.S. fiscal policy could result in a downgrade or a reduction in the outlook of the U.S. long-term sovereign credit rating by one or more credit ratings agencies. Any downgrade, or perceived future downgrade, in the U.S. sovereign credit rating or outlook could adversely affect global financial markets and economic conditions and may result in, among other things, increased volatility and illiquidity in the capital markets, declines in consumer confidence, increased unemployment levels and declines in the value of U.S. Treasury securities and securities guaranteed by the U.S. government. As a result, our business, liquidity, results of operations and financial conditions may be adversely affected. Additionally, the economic conditions resulting from any such downgrade or perceived future downgrade may significantly exacerbate the other risks we face.

Our reported financial results depend on management's selection of accounting methods and certain assumptions and estimates.

Our accounting policies and assumptions are fundamental to our reported financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in us reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting our reported financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. The Company's critical accounting estimates include: the allowance for credit losses; fair value measurements; intangible assets; residential MSRs; and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided; recognize significant impairment on our goodwill, other intangible assets or deferred tax asset balances; or significantly increase our accrued income taxes. Any of these actions could adversely affect our reported financial condition and results of operations.

If the models that we use in our business perform poorly or provide inadequate information, our business or results of operations may be adversely affected.

We utilize quantitative models to assist in measuring risks and estimating or predicting certain financial values. Models may be used in processes such as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, forecasting financial performance, predicting losses, improving customer services, maintaining adherence to laws and regulations, assessing capital adequacy, and calculating regulatory capital levels, as well as to estimate the value of financial instruments and balance sheet items. Poorly designed, implemented, or managed models present the risk that our business decisions that consider information based on such models will be adversely affected due to the inadequacy or inaccuracy of that information. Also, information we provide to the public or to our regulators based on poorly designed, implemented, or managed models could be inaccurate or misleading. Some of the decisions that our regulators make, including those related to capital distributions to our stockholders, could be affected adversely due to the perception that the quality of the models used to generate the relevant information is insufficient.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. For example, in June 2016, the FASB issued Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, that will, effective January 1, 2020, substantially change the accounting for credit losses on loans and other financial assets held by banks, financial institutions and other organizations. The standard removes the existing “probable” threshold in GAAP for recognizing credit losses and instead requires companies to reflect their estimate of credit losses over the life of the financial assets. Companies must consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. The standard is likely to have a negative impact, potentially materially, to the allowance and capital at adoption in 2020; however,

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Regions is still evaluating the impact. It is also possible that Regions' ongoing reported earnings and lending activity will be negatively impacted in periods following adoption.

Risks Arising From the Legal and Regulatory Framework in which Our Business Operates

We are, and may in the future be, subject to litigation, investigations and governmental proceedings that may result in liabilities adversely affecting our financial condition, business or results of operations or in reputational harm.

We and our subsidiaries are, and may in the future be, named as defendants in various class actions and other litigation, and may be the subject of subpoenas, reviews, requests for information, investigations, and formal and informal proceedings by government and self-regulatory agencies regarding our and their businesses and activities. Any such matters may result in material adverse consequences to our results of operations, financial condition or ability to conduct our business, including adverse judgments, settlements, fines, penalties (including civil money penalties under applicable banking laws), injunctions, restrictions on our business activities or other relief. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government or self-regulatory agencies may result in additional litigation, investigations or proceedings as other litigants and government or self-regulatory agencies (including the inquiries mentioned above) begin independent reviews of the same businesses or activities. In general, the amounts paid by financial institutions in settlement of proceedings or investigations, including those relating to anti-money laundering matters or sales practices, have increased substantially and are likely to remain elevated. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant collateral consequences for a financial institution, including loss of customers, restrictions on the ability to access the capital markets, and the inability to operate certain businesses or offer certain products for a period of time. In addition, enforcement matters could impact our supervisory and CRA ratings, which may in turn restrict or limit our activities.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. In the future, Regions could become subject to claims based on this or other evolving legal theories.

Additional information relating to our litigation, investigations and other proceedings is discussed in Note 24 "Commitments, Contingencies and Guarantees" to the consolidated financial statements of this Annual Report on Form 10-K.

We may face significant claims for indemnification in connection with our sale of Morgan Keegan in 2012.

In April 2012, Regions closed the sale of Morgan Keegan and related affiliates to Raymond James. In connection with the sale, Regions agreed to indemnify Raymond James for all litigation and certain other matters related to pre-closing activities of Morgan Keegan. Indemnifiable losses under the indemnification provision include legal and other expenses, such as costs for defense, judgments, settlements and awards associated with the resolution of litigation related to pre-closing activities. As of December 31, 2017, the carrying value of the indemnification obligation is immaterial and reflects an estimate of liability; however, actual liabilities can potentially be higher than amounts reserved. The amount of liability that we may ultimately incur from indemnification claims may have an adverse impact, perhaps materially, on our financial condition or results of operations.

We are subject to extensive governmental regulation, which could have an adverse impact on our operations.

We are subject to extensive state and federal regulation, supervision and examination governing almost all aspects of our operations, which limits the businesses in which we may permissibly engage. The laws and regulations governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our stockholders or other creditors. These laws and regulations govern a variety of matters,

including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations and financial condition (including permissible types, amounts and terms of loans and investments, the amount of reserves against deposits, restrictions on dividends, establishment of branch offices, and the maximum interest rate that may be charged by law). Further, we must obtain approval from our regulators before engaging in many activities, and our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely. There can be no assurance that any regulatory approvals we may require or otherwise seek will be obtained.
Regulations affecting banks and other financial institutions are undergoing continuous review and frequently change, and the ultimate effect of such changes cannot be predicted. Changes to the legal and regulatory framework governing our operations, including the passage and continued implementation of the Dodd-Frank Act, have drastically revised the laws and regulations under which we operate. These changes have resulted in increased costs of doing business, decreased revenues and net income, and may impact our ability to effectively compete in attracting and retaining customers. Recent political developments, including the change in administration in the U.S., have added additional uncertainty to the implementation, scope and timing of regulatory reforms. Regulations and laws may be modified or repealed at any time, and new legislation may be enacted that will affect us, Regions Bank and our subsidiaries.

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Any changes in any federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles, could affect us in substantial and unpredictable ways, including ways that may adversely affect our business, financial condition or results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. Our regulatory position is discussed in greater detail in Note 14 “Regulatory Capital Requirements and Restrictions” in the Notes to the Consolidated Financial Statements in Item 8. of this Annual Report on Form 10-K.

We may be subject to more stringent capital and liquidity requirements.

Regions and Regions Bank are each subject to capital adequacy and liquidity guidelines and other regulatory requirements specifying minimum amounts and types of capital that must be maintained. From time to time, the regulators implement changes to these regulatory capital adequacy and liquidity guidelines. If we fail to meet these minimum capital adequacy and liquidity guidelines and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities.

In particular, the capital adequacy and liquidity guidelines applicable to Regions and Regions Bank under the Basel III Rules require Regions to satisfy additional, more stringent capital adequacy and liquidity standards than in the past. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions and make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower our return on equity. In addition, Basel IV significantly revises the Basel capital framework, and the impact on us will depend on the manner in which the revisions are implemented in the U.S.

We may also be required to satisfy even more stringent standards depending on whether and how supervisory bodies determine to implement additional liquidity and capital requirements, or changes to existing requirements. For more information concerning our compliance with capital and liquidity requirements, see Note 14 “Regulatory Capital Requirements and Restrictions” in the Notes to the Consolidated Financial Statements in Item 8. of this Annual Report on Form 10-K.

Rulemaking changes implemented by the CFPB will result in higher regulatory and compliance costs that may adversely affect our results of operations.

Since its formation, the CFPB has finalized a number of significant rules that could have a significant impact on our business and the financial services industry more generally. In particular, the CFPB has adopted rules impacting nearly every aspect of the lifecycle of a residential mortgage loan as discussed in the “Supervision and Regulation” section of Item 1. “Business” of this Annual Report on Form 10-K above. The CFPB has also issued guidance, which has faced Congressional opposition, that could radically reshape the automotive financing industry by subjecting indirect automobile lenders, such as Regions, to regulation as creditors under the Equal Credit Opportunity Act, which would make indirect automobile lenders monitor and control certain credit policies and procedures undertaken by automobile dealers. Compliance with the rules and policies adopted by the CFPB may limit the products we may permissibly offer to some or all of our customers, or limit the terms on which those products may be issued, or may adversely affect our ability to conduct our business as previously conducted (including our residential mortgage and indirect auto lending businesses in particular). We may also be required to add additional compliance personnel or incur other significant compliance-related expenses. Our business, results of operations or competitive position may be adversely affected as a result.

We may not be able to complete future acquisitions, may not be successful in realizing the benefits of any future acquisitions that are completed, or may choose not to pursue acquisition opportunities we might find beneficial.

We may, from time to time, evaluate and engage in the acquisition or divestiture of businesses (including their assets or liabilities, such as loans or deposits). We must generally satisfy a number of meaningful conditions prior to completing any such transaction, including in certain cases, federal and state bank regulatory approvals.

The process for obtaining required regulatory approvals, particularly for large financial institutions, like Regions, can be difficult, time-consuming and unpredictable. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain required regulatory approvals in a timely manner or at all.

Assuming we are able to successfully complete one or more transactions, we may not be able to successfully integrate and realize the expected synergies from any completed transaction in a timely manner or at all. In particular, we may be held responsible by federal and state regulators for regulatory and compliance failures at an acquired business prior to the date of the acquisition, and these failures by the acquired company may have negative consequences for us, including the imposition of formal or informal enforcement actions. Completion and integration of any transaction may also divert management attention from other matters, result in additional costs and expenses, or adversely affect our relationships with our customers and employees, any of which may adversely affect our business or results of operations. Future acquisitions may also result in dilution of our current stockholders' ownership interests or may require we incur additional indebtedness or use a substantial amount of our available cash and other liquid assets. As a result, our financial condition may be affected, and we may become more susceptible to economic conditions and competitive pressures.

Increases in FDIC insurance assessments may adversely affect our earnings.
Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of assessments we will be required to pay for FDIC insurance. If there are financial institution failures in the future, we may be required to pay higher FDIC assessments than we currently do, or the FDIC may charge additional special assessments or require future prepayments. Increases in our assessment may also be required in the future to achieve the FDIC's designated reserve ratio. These potential increases in deposit assessments or special assessments may adversely affect our business, financial condition or results of operations. See the "Supervision and Regulation-Deposit Insurance" discussion within Item 1. "Business" and the "Non-Interest Expense" discussion within Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K for additional information related to the FDIC's deposit insurance assessments applicable to Regions Bank.
Unfavorable results from ongoing stress analyses may adversely affect our ability to retain customers or compete for new business opportunities.
The Federal Reserve conducts an annual stress analysis of Regions to evaluate our ability to absorb losses in three economic and financial scenarios generated by the Federal Reserve, including adverse and severely adverse economic and financial scenarios. The rules also require us to conduct our own semi-annual stress analysis to assess the potential impact on Regions of the scenarios used as part of the Federal Reserve's annual stress analysis. A summary of the results of certain aspects of the Federal Reserve's annual stress analysis is released publicly and contains information and results specific to BHCs. The rules also require us to disclose publicly a summary of the results of our semi-annual stress analyses, and Regions Bank's annual stress analyses, under the severely adverse scenario. Although the stress tests are not meant to assess our current condition, our customers may misinterpret and adversely react to the results of these stress tests despite the strength of our financial condition. Any potential misinterpretations and adverse reactions could limit our ability to attract and retain customers or to effectively compete for new business opportunities. The inability to attract and retain customers or effectively compete for new business may have a material and adverse effect on our business, financial condition or results of operations.
Our regulators may also require us to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests, including rejecting, or requiring revisions to, our annual capital plan submitted in connection with the CCAR. The failure of our capital plan to pass the CCAR could adversely affect our ability to pay dividends and repurchase stock. In addition, we may not be able to raise additional capital if required to do so, or may not be able to do so on terms that we believe are advantageous to Regions or its current stockholders. Any such capital raises, if required, may also be dilutive to our existing stockholders.
If an orderly liquidation of a systemically important BHC or non-bank financial company were triggered, we could face assessments for the Orderly Liquidation Fund.
The Dodd-Frank Act created a new mechanism, the OLA, for liquidation of systemically important BHCs and non-bank financial companies. The OLA is administered by the FDIC and is based on the FDIC's bank resolution model. The Secretary of the U.S. Treasury may trigger a liquidation under this authority only after consultation with the President of the U.S. and after receiving a recommendation from the boards of the FDIC and the Federal Reserve upon a two-thirds vote. Liquidation proceedings will be funded by the Orderly Liquidation Fund, which will borrow from the U.S. Treasury and impose risk-based assessments on covered financial companies. Risk-based assessments would be made, first, on entities that received more in the resolution than they would have received in the liquidation to the extent of such excess, and second, if necessary, on, among others, BHCs with total consolidated assets of $50 billion or more, such as Regions. Any such assessments may adversely affect our business, financial condition or results of operations.
Risks Related to Our Capital Stock
The market price of shares of our capital stock will fluctuate.

The market price of our capital stock could be subject to significant fluctuations due to a change in sentiment in the market regarding our operations or business prospects. Such risks may be affected by:

- Our operating performance, financial condition and prospects, or the operating performance, financial condition and prospects of our competitors;
- Operating results that vary from the expectations of management, securities analysts and investors;
- Our creditworthiness;
- Developments in our business or in the financial sector generally;
- Regulatory changes affecting our industry generally or our business and operations;
- The operating and securities price performance of companies that investors consider to be comparable to us;
- Announcements of strategic developments, divestitures and other material events by us or our competitors;

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- Expectations of or actual equity dilution;
- Whether we declare or fail to declare dividends on our capital stock from time to time;
- The ratings assigned to our securities by credit-rating agencies;
- Changes in the credit, mortgage and real estate markets, including the markets for mortgage-related securities; and
- Changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility; and
- Executive management changes.

The market price of our capital stock, including our common stock and depositary shares representing fractional interests in our preferred stock, may be subject to fluctuations unrelated to our operating performance or prospects. Increased volatility could result in a decline in the market price of our capital stock.

Our capital stock is subordinate to our existing and future indebtedness.

Our capital stock, including our common stock and depositary shares representing fractional interests in our preferred stock, ranks junior to all of Regions' existing and future indebtedness and Regions' other non-equity claims with respect to assets available to satisfy claims against us, including claims in the event of our liquidation. As of December 31, 2017, Regions' total liabilities were approximately $108.1 billion, and we may incur additional indebtedness in the future to increase our capital resources. Additionally, if our total capital ratio or the total capital ratio of Regions Bank falls below the required minimums, we or Regions Bank could be forced to raise additional capital by making additional offerings of debt securities, including medium-term notes, senior or subordinated notes or other applicable securities.

We are a holding company and depend on our subsidiaries for dividends, distributions and other payments.

We are a legal entity separate and distinct from our banking and other subsidiaries. Our principal source of cash flow, including cash flow to pay dividends to our stockholders and principal and interest on our outstanding debt, is dividends from Regions Bank. There are statutory and regulatory limitations on the payment of dividends by Regions Bank to us, as well as by us to our stockholders. Regulations of both the Federal Reserve and the State of Alabama affect the ability of Regions Bank to pay dividends and other distributions to us and to make loans to us. If Regions Bank is unable to make dividend payments to us and sufficient cash or liquidity is not otherwise available, we may not be able to make dividend payments to our common and preferred stockholders or principal and interest payments on our outstanding debt. See the "Stockholders' Equity" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, shares of our capital stock are effectively subordinated to all existing and future liabilities and obligations of our subsidiaries. At December 31, 2017, our subsidiaries' total deposits and borrowings were approximately $105.2 billion.

We may not pay dividends on shares of our capital stock.

Holders of shares of our capital stock are only entitled to receive such dividends as our Board may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Furthermore, the terms of our outstanding preferred stock prohibit us from declaring or paying any dividends on any junior series of our capital stock, including our common stock, or from repurchasing, redeeming or acquiring such junior stock, unless we have declared and paid full dividends on our outstanding preferred stock for the most recently completed dividend period.

We are also subject to statutory and regulatory limitations on our ability to pay dividends on our capital stock. For example, it is the policy of the Federal Reserve that BHCs should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratios exceeding 30% of after-tax net income. Additionally, we are required to submit annual capital plans to the Federal Reserve for review before we can take certain capital actions, including declaring and paying dividends and repurchasing or redeeming capital securities. If our capital plan or any amendment to our capital plan is objected to for any reason, our ability to declare and pay dividends on our capital stock may be limited. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may be limited in our ability to declare and pay dividends on our capital stock.

Anti-takeover and banking laws and certain agreements and charter provisions may adversely affect share value.

Certain provisions of state and federal law and our certificate of incorporation may make it more difficult for someone to acquire control of us without our Board's approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a BHC. Acquisition of 10% or more of any class of voting stock of a BHC or state member bank, including shares of our common stock, creates a rebuttable presumption that the acquirer “controls” the BHC or state member bank. Also, as noted under the “Supervision and Regulation” section of Item 1. of this Annual

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Report on Form 10-K, a BHC must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including Regions Bank. One factor the federal banking agencies must consider in certain acquisitions is the systemic impact of the transaction. This may make it more difficult for large institutions to acquire other large institutions and may otherwise delay the regulatory approval process, possibly by requiring public hearings. There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt. For example, holders of our preferred stock have certain voting rights that could adversely affect share value. If and when dividends on the preferred stock have not been declared and paid for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our Board will automatically be increased by two, and the preferred stockholders will be entitled to elect the two additional directors. Also, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of the preferred stock is required to consummate a binding share-exchange or reclassification involving the preferred stock, or a merger or consolidation of Regions with or into another entity, unless certain requirements are met. These statutory provisions and provisions in our certificate of incorporation, including the rights of the holders of our preferred stock, could result in Regions being less attractive to a potential acquirer.

We may need to raise additional debt or equity capital in the future, but may be unable to do so.

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and other business purposes. Our ability to raise additional capital, if needed, will depend on, among other things, prevailing conditions in the capital markets, which are outside of our control, and our financial performance. An economic slowdown or loss of confidence in financial institutions could increase our cost of funding and limit our access to some of our customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve. We cannot be assured that capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of Regions Bank or counterparties participating in the capital markets, or a downgrade of our debt ratings, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition or results of operations.

Future issuances of additional equity securities could result in dilution of existing stockholders' equity ownership.

We may determine from time to time to issue additional equity securities to raise additional capital, support growth, or to make acquisitions. Further, we may issue stock options or other stock grants to retain and motivate our employees. These issuances of our securities could dilute the voting and economic interests of our existing stockholders.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Regions’ corporate headquarters occupy the main banking facility of Regions Bank, located at 1900 Fifth Avenue North, Birmingham, Alabama 35203.

At December 31, 2017, Regions Bank, Regions’ banking subsidiary, operated 1,469 banking offices. At December 31, 2017, there were no significant encumbrances on the offices, equipment and other operational facilities owned by Regions and its subsidiaries.

See Item 1. “Business” of this Annual Report on Form 10-K for a list of the states in which Regions Bank’s branches are located.

Item 3. Legal Proceedings

Information required by this item is set forth in Note 24 “Commitments, Contingencies and Guarantees” in the Notes to the Consolidated Financial Statements, which are included in Item 8. of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

Information concerning the Executive Officers of Regions is set forth under Item 10. “Directors, Executive Officers and Corporate Governance” of this Annual Report on Form 10-K.

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PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Regions common stock, par value $.01 per share, is listed for trading on the New York Stock Exchange under the symbol RF. Quarterly high and low sales prices of and cash dividends declared on Regions common stock are set forth in Table 27 “Quarterly Results of Operations” of “Management’s Discussion and Analysis”, which is included in Item 7. of this Annual Report on Form 10-K. Information relating to compensation plans under which Regions' equity securities are authorized for issuance is presented in Part III, Item 12. As of February 22, 2018, there were 45,495 holders of record of Regions common stock (including participants in the Computershare Investment Plan for Regions Financial Corporation).

Restrictions on the ability of Regions Bank to transfer funds to Regions at December 31, 2017, are set forth in Note 14 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements, which are included in Item 8. of this Annual Report on Form 10-K. A discussion of certain limitations on the ability of Regions Bank to pay dividends to Regions and the ability of Regions to pay dividends on its common stock is set forth in Item 1. “Business” under the heading “Supervision and Regulation—Payment of Dividends” of this Annual Report on Form 10-K.

In connection with Regions' acquisition of BlackArch Partners LLC ("BlackArch") on October 20, 2015, Regions issued 831,766 shares of Regions common stock to the former owners of BlackArch as partial consideration for the acquisition. The shares issued in the transaction are exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2). Pursuant to contingent payment provisions in the purchase agreement, if certain conditions are met, Regions will issue up to 1,528,234 additional shares of Regions common stock to the former owners of BlackArch over the four-year period following the acquisition. During 2017 and 2016, an additional 134,837 shares and 196,991 shares were issued, respectively, leaving 1,196,406 additional shares to be potentially issued. Each of the former owners of BlackArch are accredited investors and no underwriters or placement agents were involved in connection with issuance of Regions common stock.

The following table presents information regarding issuer purchases of equity securities during the fourth quarter of 2017.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1—31, 2017	3,404,389	$ 15.67	3,404,389	$ 916,863,211
November 1—30, 2017	18,456,841	$ 15.68	18,456,841	$ 627,104,962
December 1—31, 2017	9,208,500	$ 16.99	9,208,500	$ 470,513,669
Total 4th Quarter	31,069,730	$ 16.07	31,069,730	$ 470,513,669

Regions' Board authorized, effective June 28, 2017, a new $1.47 billion common stock repurchase plan, permitting repurchases from the beginning of the third quarter of 2017 through the end of the second quarter of 2018. As of December 31, 2017, Regions had repurchased approximately 65.7 million shares of common stock at a total cost of approximately $1.0 billion under this plan. The Company continued to repurchase shares under this plan in the first quarter of 2018, and as of February 21, 2018, Regions had additional repurchases of approximately 12.5 million shares of common stock at a total cost of approximately $235.0 million. All of these shares were immediately retired upon repurchase and, therefore, will not be included in treasury stock.

Restrictions on Dividends and Repurchase of Stock

Holders of Regions common stock are only entitled to receive such dividends as Regions' Board may declare out of funds legally available for such payments. Furthermore, holders of Regions common stock are subject to the prior dividend rights of any holders of Regions preferred stock then outstanding.

Regions understands the importance of returning capital to stockholders. Management will continue to execute the capital planning process, including evaluation of the amount of the common dividend, with the Board and in conjunction with the regulatory supervisors, subject to the Company's results of operations. Also, Regions is a BHC, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends.

On November 1, 2012, Regions completed the sale of 20 million depositary shares each representing a 1/40th ownership interest in a share of its 6.375% Non-Cumulative Perpetual Preferred Stock, Series A, par value $1.00 per share ("Series A Preferred Stock"), with a liquidation preference of $1,000 per share of Series A Preferred Stock (equivalent to $25 per depositary share). The terms of the Series A Preferred Stock prohibit Regions from declaring or paying any dividends on any junior series of its capital stock, including its common stock, or from repurchasing, redeeming or acquiring such junior stock, unless Regions has declared and paid full dividends on the Series A Preferred Stock for the most recently completed dividend period. The Series A Preferred Stock is redeemable at Regions' option in whole or in part, from time to time, on any dividend payment date on or after

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December 15, 2017 or in whole, but not in part, at any time within 90 days following a regulatory capital treatment event (as defined in the certificate of designations establishing the Series A Preferred Stock).

On April 29, 2014, Regions completed the sale of 20 million depositary shares each representing a 1/40th ownership interest in a share of its 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B, par value $1.00 per share ("Series B Preferred Stock"), with a liquidation preference of $1,000 per share of Series B Preferred Stock (equivalent to $25 per depositary share). The terms of the Series B Preferred Stock prohibit Regions from declaring or paying any dividends on any junior series of its capital stock, including its common stock, or from repurchasing, redeeming or acquiring such junior stock, unless Regions has declared and paid full dividends on the Series B Preferred Stock for the most recently completed dividend period. The Series B Preferred Stock is redeemable at Regions' option in whole or in part, from time to time, on any dividend payment date on or after September 15, 2024, or in whole but not in part, at any time following a regulatory capital treatment event (as defined in the certificate of designations establishing the Series B Preferred Stock).

PERFORMANCE GRAPH

Set forth below is a graph comparing the yearly percentage change in the cumulative total return of Regions common stock against the cumulative total return of the S&P 500 Index and the S&P 500 Banks Index for the past five years. This presentation assumes that the value of the investment in Regions' common stock and in each index was $100 and that all dividends were reinvested.

	Cumulative Total Return					
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Regions	$100.00	$ 140.22	$ 152.32	$ 141.78	$ 217.49	$ 267.40
S&P 500 Index	100.00	132.37	150.48	152.55	170.78	208.05
S&P 500 Banks Index	100.00	135.72	156.78	158.10	196.54	240.87

Item 6. Selected Financial Data
The information required by Item 6. is set forth in Table 1 “Financial Highlights” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, which is included in Item 7. of this Annual Report on Form 10-K.
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
Item 7A. Quantitative and Qualitative Disclosures about Market Risk
EXECUTIVE OVERVIEW
Management believes the following sections provide an overview of several of the most relevant matters necessary for an understanding of the financial aspects of Regions Financial Corporation’s (“Regions” or “the Company”) business, particularly regarding its 2017 results. Cross references to more detailed information regarding each topic within MD&A and the consolidated financial statements are included. This summary is intended to assist in understanding the information provided, but should be read in conjunction with the entire MD&A and consolidated financial statements, as well as the other sections of this Annual Report on Form 10-K.
2017 Results
Regions reported net income from continuing operations available to common shareholders of $1.2 billion, or $1.00 per diluted share, in 2017 compared to net income available to common shareholders from continuing operations of $1.1 billion, or $0.87 per diluted share, in 2016.
Net interest income and other financing income (taxable-equivalent basis) from continuing operations totaled $3.6 billion in 2017 compared to $3.5 billion in 2016. The net interest margin (taxable-equivalent basis) was 3.32 percent in 2017, reflecting an 18 basis point increase from 2016 primarily due to the increases in yields on earning assets, particularly loans, exceeding the slight increase in total funding costs.
The provision for loan losses totaled $150 million in 2017 compared to $262 million in 2016. This decrease was primarily due to improving economic conditions driving broad-based improvements in credit metrics, particularly in the latter half of 2017. Additionally, payoffs and paydowns of criticized loans and improved risk ratings of commercial loans resulted in a decrease to the 2017 provision level. Net charge-offs were 0.38 percent of average loans in 2017, compared to 0.34 percent in 2016. A hurricane-related loan loss provision of $40 million was recorded in 2017 as a result of several hurricanes that impacted Regions' footprint.
Non-interest income from continuing operations was $2.1 billion in 2017 and $2.2 billion in 2016. The decrease was driven primarily by declines in mortgage income and income from bank-owned life insurance, as well as insurance proceeds and other recoveries that were recorded in 2016 (that did not repeat in 2017), and operating lease impairments recorded in 2017. These decreases were partially offset by increases in service charges on deposit accounts, card and ATM fees, investment management and trust fee income, and capital markets fee income. See Table 5 "Non-Interest Income from Continuing Operations" for further details.
Non-interest expense from continuing operations was $3.6 billion in both 2017 and 2016. While non-interest expense from continuing operations was relatively consistent in 2017, there were increases in salaries and employee benefits, furniture and equipment expenses, outside services, FDIC insurance assessments, and professional, legal and regulatory expenses. Decreases in branch consolidation, property and equipment charges, provision (credit) for unfunded credit losses, and loss on early extinguishment of debt offset the increases discussed above. See Table 6 "Non-Interest Expense from Continuing Operations" for further details.
On December 22, 2017, Tax Reform was enacted. Effective January 1, 2018, Tax Reform reduces the maximum corporate statutory federal income tax rate from 35 percent to 21 percent. As a result of enactment, the Company recognized additional income tax expense of approximately $52 million in the fourth quarter of 2017, which included $25 million related to revaluation of its net deferred tax assets, $23 million related to the revision of its proportional amortization calculation associated with low-income housing investments, and $4 million related to revaluation of the reserve for unrecognized tax benefits. See Note 20 "Income Taxes" to the consolidated financial statements for further details.

A discussion of activity within discontinued operations is included at the end of "Operating Results" in the MD&A section of this report.

For more information, refer to the following additional sections within this Form 10-K:

- "Operating Results" section of MD&A

Capital

Capital Actions

As part of its 2017 CCAR submission, Regions' proposed capital plan included increasing its quarterly common stock dividend from $0.065 per share to $0.09 per share beginning in the third quarter of 2017 and the execution of up to $1.47 billion in common share repurchases. The 2017 capital plan covers the period from the third quarter of 2017 through the second quarter of 2018. The Federal Reserve did not object to the capital plan.

Management expects to continue to evaluate the amount of the common stock dividend with the Board and in conjunction with regulatory supervisors, subject to the Company's results of operations.

Regions' Board approved the share repurchase plan. The share repurchase authority granted by the Board was available at the beginning of the third quarter of 2017 and will continue through the second quarter of 2018. As of December 31, 2017, Regions had repurchased approximately 65.7 million shares of common stock at a total cost of approximately $1.0 billion under this plan. The Company continued to repurchase shares under this plan into the first quarter of 2018. These shares were immediately retired upon repurchase and therefore are not included in treasury stock.

For more information, refer to the following additional sections within this Form 10-K:

- "Stockholders' Equity" discussion in MD&A
- Note 15 "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)" to the consolidated financial statements

Regulatory Capital

Regions and Regions Bank are required to comply with regulatory capital requirements established by Federal and State banking agencies. Under the Basel III Rules, Regions is designated as a standardized approach bank and, as such, began transitioning to the Basel III Rules in January 2015 subject to a phase-in period extending to January 2019. When fully phased in, the Basel III Rules will increase capital requirements through higher minimum capital levels as well as through increases in risk-weights for certain exposures. The Basel III Rules maintained the minimum guidelines for Regions to be considered well-capitalized for Tier 1 capital and Total capital at 6.0% and 10.0%, respectively. At December 31, 2017, Regions' Basel III Tier 1 capital and Total capital ratios were estimated to be 11.86% and 13.78%, respectively.

The Basel III Rules also officially defined CET1. When fully phased in on January 1, 2019, the minimum ratio of CET1 to risk-weighted assets will be at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0% upon full implementation). Regions' Basel III CET1 ratio at December 31, 2017 was estimated to be 11.05%. Regions estimates its fully phased-in CET1 ratio (non-GAAP) at December 31, 2017 to be 10.95%.

For more information, refer to the following additional sections within this Form 10-K:

- "Supervision and Regulation" discussion within Item 1. Business
- Table 2 - "GAAP to Non-GAAP reconciliation" in MD&A
- "Regulatory Requirements" section of MD&A
- Note 14 "Regulatory Capital Requirements and Restrictions" to the consolidated financial statements

Loan Portfolio and Credit

During 2017 total loans decreased by $148 million or 0.2 percent compared to 2016, which included decreases in the commercial real estate and investor real estate portfolio classes, as well as the home equity and indirect-vehicles classes within the consumer portfolio. Largely offsetting these decreases were increases in the commercial and industrial portfolio class, as well as the residential first mortgage and indirect-other classes within the consumer portfolio. Commercial real estate loans decreased $676 million as a result of continued softness in demand and increasing competition for middle market and small business loans. Investor real estate loans declined $640 million as a number of investor real estate loans paid off prior to maturity reflecting the impact of low capitalization rates. Home equity balances decreased $523 million as the pace of run-off continued to exceed production. Indirect-vehicles loans decreased $714 million, primarily due to the termination of a third-party arrangement during the fourth quarter of 2016. This balance is expected to continue to decrease during 2018. Commercial and industrial loans increased $1.1 billion, driven primarily by new relationships and expansion of existing relationships in government and institutional banking, technology and defense, financial services, and real estate investment trust portfolios, which more than offset declines in energy balances and the impact of large corporate customers utilizing the fixed income market to pay down and pay off bank debt. Residential first mortgage loans experienced a $621 million increase, with approximately $2.8 billion in new loan originations retained on the balance sheet during 2017. Indirect-other consumer loans also increased by $547 million, primarily due to continued growth in new point-of-sale initiatives and the bulk purchase of $138 million in loans during the second quarter of 2017.

The economy has been and will continue to be the primary factor which influences Regions' loan portfolio. Customers continued to benefit from improvement in overall economic conditions in 2017, with considerable positive economic momentum as the year ended. While improving economic growth trends resulted in higher market interest rates during the year, interest rates and inflation remained relatively low in 2017. These factors generated excess cash for Regions' customers that has been used to support spending in other areas, including paying down debt and increasing savings as was experienced in 2016. Labor market and housing market conditions continued to improve at a steady pace over the course of 2017. Overall, the positive economic

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momentum is expected to continue in 2018. Management's expectation for 2018 average loan growth is in the low single digits, excluding the impact of the indirect-vehicle loan portfolio.

Net charge-offs totaled $307 million, or 0.38 percent of average loans, in 2017, compared to $277 million, or 0.34 percent in 2016, reflecting some large-dollar commercial loan charge-offs within the energy, healthcare and education sectors. Total non-accrual loans, past due loans and troubled debt restructurings decreased year-over-year. Criticized commercial and investor real estate loans decreased $1.2 billion in 2017 compared to 2016. The decrease was driven primarily by payoffs and paydowns of criticized commercial loans, as well as improved risk ratings in the commercial loan portfolio. The allowance for loan losses was 1.17 percent of total loans, net of unearned income at December 31, 2017, a decrease from 1.36 percent at December 31, 2016. The coverage ratio of allowance for loan losses to non-performing loans was 1.44x at December 31, 2017 compared to 1.10x at December 31, 2016.

For more information, refer to the following additional sections within this Form 10-K:

- Adjusted Non-Accrual Loans and Selected Ratios within the "Table 2 - GAAP-to-Non-GAAP Reconciliation"
- "Allowance for Credit Losses" discussion within the "Critical Accounting Policies and Estimates" section of MD&A
- "Provision for Loan Losses" discussion within the "Operating Results" section of MD&A
- "Loans," "Allowance for Credit Losses," "Troubled Debt Restructurings" and "Non-performing Assets" discussions within the "Balance Sheet Analysis" section of MD&A
- Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements
- Note 5 "Loans" to the consolidated financial statements
- Note 6 "Allowance for Credit Losses" to the consolidated financial statements

Net Interest Income and Other Financing Income, Net Interest Margin and Interest Rate Risk

In 2017, the net interest margin increased 18 basis points to 3.32 percent, due to an increase in yields on earning assets exceeding the slight increase in total funding costs. Net interest income and other financing income (taxable equivalent basis) increased $148 million in 2017, driven primarily by higher market interest rates and prudent deposit cost management, partially offset by lower average loan balances. Management expects adjusted net interest income and other financing income (non-GAAP and non-taxable equivalent basis) to increase in the range of 3 percent to 5 percent in 2018.

For more information, refer to the following additional sections within this Form 10-K:

- "Net Interest Income and Other Financing Income and Net Interest Margin" discussion within the "Operating Results" section of MD&A
- "Interest Rate Risk" discussion within "Risk Management" section of MD&A

Liquidity

At the end of 2017, Regions Bank had $1.9 billion in cash on deposit with the Federal Reserve and the loan-to-deposit ratio was 83 percent. Cash and cash equivalents at the parent company totaled $1.7 billion. Regions' liquidity policy related to minimum holding company cash 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.

At December 31, 2017, the Company's borrowing capacity with the Federal Reserve was $16.4 billion based on available collateral. Borrowing availability with the FHLB was $13.1 billion based on available collateral at the same date. The Company has approximately $16.6 billion of unencumbered liquid securities available for pledging. Regions also maintains a shelf registration statement with the U.S. Securities and Exchange Commission that can be utilized by the Company to issue various debt and/or equity securities. Additionally, Regions' Board has authorized Regions Bank to issue up to $5 billion in aggregate principal amount of bank notes outstanding at any one time. No issuances were made in 2017. However, on January 23, 2018, Regions issued $550 million of 2.75% senior bank notes and $350 million of senior floating rate bank notes tied to three-month LIBOR, both of which were made under this program.

In 2014, the Federal Reserve, the OCC and the FDIC approved a final rule implementing a minimum LCR requirement for certain large BHCs, savings and loan holding companies and depository institutions, and a less stringent LCR requirement (the "modified LCR") for other banking organizations, such as Regions, with $50 billion or more in total consolidated assets. The final rule imposes a monthly calculation requirement. As of January 1, 2017, the LCR calculation has been fully phased in. The regulatory agencies finalized a rule that requires quarterly public disclosures of certain LCR measures beginning in October 2018 for Regions. At December 31, 2017, the Company was fully compliant with the LCR requirements.

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For more information, refer to the following additional sections within this Form 10-K:
- "Supervision and Regulation" discussion within Item 1. Business
- "Short-Term Borrowings" discussion within the "Balance Sheet Analysis" section of MD&A
- "Long-Term Borrowings" discussion within the "Balance Sheet Analysis" section of MD&A
- "Regulatory Requirements" section of MD&A
- "Liquidity Risk" discussion within the "Risk Management" section of MD&A
- Note 12 "Short-Term Borrowings" to the consolidated financial statements
- Note 13 "Long-Term Borrowings" to the consolidated financial statements

2018 Expectations

Management expectations for 2018 are noted below:
- Full year average loan growth in the low single digits compared to 2017 average balances, excluding the impact of the third-party indirect-vehicle loan portfolio
- Full year average deposit growth in the low single digits compared to 2017 average balances, excluding brokered and Wealth Institutional Services deposits
- Adjusted positive operating leverage of approximately 3 to 5 percent
- Adjusted net interest income and other financing income (non-taxable equivalent basis) growth of 3 to 5 percent
- Adjusted non-interest income growth of 3 to 6 percent
- Adjusted non-interest expenses relatively stable
- Adjusted efficiency ratio less than 60 percent
- Effective income tax rate of 20 to 22 percent
- Full year net charge-offs of 35 to 50 basis points; based on recent trends and current market conditions, currently expect to be at the lower end of the range

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-K. For more information related to the Company's 2018 expectations, refer to the related sub-sections discussed in more detail within Management's Discussion and Analysis of this Form 10-K.

GENERAL

The following discussion and financial information is presented to aid in understanding Regions' financial position and results of operations. The emphasis of this discussion will be on continuing operations for the years 2017, 2016 and 2015; in addition, financial information for prior years will also be presented when appropriate.

Regions' profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income and other financing income as well as non-interest income sources. Net interest income and other financing 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 and other financing 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. Net interest income and other financing income also includes rental income and depreciation expense associated with operating leases for which Regions is the lessor. 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, insurance activities, capital markets and other customer services which Regions provides. Results of operations are also affected by the provision for loan 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.

Regions' business strategy has been and continues to be focused on providing a competitive mix of products and services, delivering quality customer service and maintaining a branch distribution network with offices in convenient locations.

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Recent Acquisitions

On October 17, 2016, Regions announced the acquisition of the low income housing tax credit corporate fund syndication and asset management businesses of First Sterling Financial, Inc., which is one of the leading national syndicators of investment funds benefiting from low income housing tax credits. The acquisition complements Regions' existing low income housing tax credit origination business and further expands the Company's capabilities to serve more clients and communities.

Dispositions

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James. The sale closed on April 2, 2012. Regions Investment Management, Inc. and Regions Trust were not included in the sale; they are included in the Wealth Management segment.

Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. Other expenses related to the transaction are also included in discontinued operations. Refer to Note 3 “Discontinued Operations” and Note 24 “Commitments, Contingencies, and Guarantees” to the consolidated financial statements for further details.

Business Segments

Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance and other specialty financing. Regions carries out its strategies and derives its profitability from three reportable segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder split between Discontinued Operations and Other. See Note 23 “Business Segment Information” to the consolidated financial statements for further information on Regions’ business segments.

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Table 1—Financial Highlights

	2017	2016	2015	2014	2013
	(In millions, except per share data)				
EARNINGS SUMMARY					
Interest income, including other financing income	$3,988	$3,814	$3,603	$3,589	$3,647
Interest expense and depreciation expense on operating lease assets	448	416	296	309	384
Net interest income and other financing income	3,540	3,398	3,307	3,280	3,263
Provision for loan losses	150	262	241	69	138
Net interest income and other financing income after provision for loan losses	3,390	3,136	3,066	3,211	3,125
Non-interest income	2,105	2,153	2,071	1,903	2,096
Non-interest expense	3,624	3,617	3,607	3,432	3,556
Income from continuing operations before income taxes	1,871	1,672	1,530	1,682	1,665
Income tax expense	614	514	455	548	561
Income from continuing operations	1,257	1,158	1,075	1,134	1,104
Income (loss) from discontinued operations before income taxes	8	8	(22)	21	(24)
Income tax expense (benefit)	2	3	(9)	8	(11)
Income (loss) from discontinued operations, net of tax	6	5	(13)	13	(13)
Net income	$1,263	$1,163	$1,062	$1,147	$1,091
Net income from continuing operations available to common shareholders	$1,193	$1,094	$1,011	$1,082	$1,072
Net income available to common shareholders	$1,199	$1,099	$998	$1,095	$1,059
Earnings per common share from continuing operations – basic	$1.01	$0.87	$0.76	$0.79	$0.77
Earnings per common share from continuing operations – diluted	1.00	0.87	0.76	0.78	0.76
Earnings per common share – basic	1.01	0.87	0.75	0.80	0.76
Earnings per common share – diluted	1.00	0.87	0.75	0.79	0.75
Return on average common stockholders' equity	7.56 %	6.74 %	6.21 %	6.90 %	7.09 %
Return on average tangible common stockholders’ equity (non-GAAP)[(1)]	11.01	9.69	8.96	10.00	10.59
Return on average assets from continuing operations	0.96	0.87	0.83	0.91	0.91
BALANCE SHEET SUMMARY					
As of December 31					
Loans, net of unearned income	$79,947	$80,095	$81,162	$77,307	$74,609
Allowance for loan losses	(934)	(1,091)	(1,106)	(1,103)	(1,341)
Assets	124,294	125,968	126,050	119,563	117,288
Deposits	96,889	99,035	98,430	94,200	92,453
Long-term debt	8,132	7,763	8,349	3,462	4,830
Stockholders’ equity	16,192	16,664	16,844	16,873	15,660
Average balances					
Loans, net of unearned income	$79,846	$81,333	$79,634	$76,253	$74,924
Assets	123,976	125,506	122,265	118,352	117,712
Deposits	97,341	97,921	96,890	93,481	92,646

Long-term debt	7,076	8,159	5,046	4,057	5,206
Stockholders' equity	16,665	17,126	16,916	16,620	15,411
SELECTED RATIOS					
Basel I Tier 1 common regulatory capital (non-GAAP) [3]	N/A%	N/A%	N/A%	11.65 %	11.21 %
Basel III common equity Tier 1 ratio [2]	11.05	11.21	10.93	N/A	N/A
Basel III common equity Tier 1 ratio—Fully Phased-In Pro-Forma (non-GAAP) [1][2][3]	10.95	11.05	10.69	11.00	10.58
Tier 1 capital [2][3][4]	11.86	11.98	11.65	12.54	11.68
Total capital [2][3][4]	13.78	14.15	13.88	15.26	14.73
Leverage capital [2][3][4]	10.01	10.20	10.25	10.86	10.03
Tangible common stockholders' equity to tangible assets (non-GAAP) [1]	8.71	8.99	9.13	9.66	9.15
Efficiency ratio	63.19	64.20	66.15	65.42	65.69
Adjusted efficiency ratio (non-GAAP) [1]	62.16	63.28	64.87	64.45	64.46

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	2017	2016	2015	2014	2013
	(In millions, except per share data)				
COMMON STOCK DATA					
Cash dividends declared per common share	$0.315	$0.255	$0.23	$0.18	$0.10
Common equity book value per share	13.55	13.04	12.35	11.81	11.04
Tangible common book value per share (non-GAAP)[1]	9.16	8.95	8.52	8.18	7.47
Market value at year-end	17.28	14.36	9.60	10.56	9.89
Market price range: [5]					
High	17.58	14.73	10.87	11.54	10.52
Low	13.00	7.00	8.54	8.85	7.13
Total trading volume	3,704	5,241	4,243	3,689	3,962
Dividend payout ratio	31.48 %	29.25 %	30.76 %	22.80 %	13.31 %
Stockholders of record at year-end (actual)	46,143	48,958	51,270	57,529	63,815
Weighted-average number of common shares outstanding					
Basic	1,186	1,255	1,325	1,375	1,395
Diluted	1,198	1,261	1,334	1,387	1,410

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N/A - not applicable.

(1) See Table 2 for GAAP to non-GAAP reconciliations.

(2) Current year Basel III common equity Tier 1, Tier 1 capital, Total capital, and Leverage capital ratios are estimated.

(3) Regions' regulatory capital ratios for years prior to 2015 have not been revised to reflect the retrospective application of new accounting guidance related to investments in qualified affordable housing projects.

(4) Beginning in 2015, Regions' regulatory capital ratios are calculated pursuant to the phase-in provisions of the Basel III Rules. All prior period ratios were calculated pursuant to the Basel I capital rules.

(5) High and low market prices are based on intraday sales prices.

NON-GAAP MEASURES

The table below presents computations of earnings and certain other financial measures, which exclude certain significant items that are included in the financial results presented in accordance with GAAP. These non-GAAP financial measures include "adjusted allowance for loan losses to non-performing loans, excluding loans held for sale ratio", “adjusted net interest margin”, “adjusted fee income ratio”, “adjusted efficiency ratio”, “return on average tangible common stockholders’ equity”, average and end of period “tangible common stockholders’ equity”, and “Basel III CET1, on a fully phased-in basis” and related ratios. Regions believes that expressing earnings and certain other financial measures excluding these significant items provides a meaningful base 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 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 (management only), and presentations to investors of Company performance.

The adjusted allowance for loan losses to non-performing loans, excluding loans held for sale ratio (non-GAAP), which is a measure of credit quality performance, is generally calculated as adjusted allowance for loan losses divided by adjusted total non-accrual loans, excluding loans held for sale. Management believes that excluding the portion of the allowance for loan losses related to direct energy loans and the direct energy non-accrual loans will assist investors in analyzing the Company's credit quality performance absent the volatility that has been experienced by energy businesses. The allowance for loan losses (GAAP) is presented excluding the portion of the allowance related to direct energy loans to arrive at the adjusted allowance for loan losses (non-GAAP). Total non-accrual loans (GAAP) is presented excluding direct energy non-accrual loans to arrive at adjusted total non-accrual loans, excluding loans held for sale (non-GAAP), which is the denominator for the allowance for loan losses to non-accrual loans ratio.

The adjusted efficiency ratio (non-GAAP), which is a measure of productivity, is generally calculated as non-interest expense divided by total revenue on a taxable-equivalent basis. The adjusted fee income ratio (non-GAAP) is generally calculated as non-interest income divided by adjusted total revenue on a taxable-equivalent basis. Management uses these ratios to monitor performance and believes these measures provide meaningful information to investors. Non-interest expense (GAAP) is presented excluding 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 adjustments to arrive at adjusted non-interest income (non-GAAP), which is the numerator for the adjusted fee income ratio. Net interest income and other financing income on a taxable-equivalent basis (GAAP) is presented excluding certain adjustments related to Tax Reform to arrive at adjusted net interest income and other financing income on a taxable-equivalent basis (non-GAAP). Net interest income and other financing income 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 efficiency and adjusted fee income ratios.

Tangible common stockholders' equity ratios have become a focus of some investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Traditionally, the Federal Reserve and other banking regulatory bodies have assessed a bank's capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. 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, this measure is 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, Regions believes that it is useful to provide investors the ability to assess Regions' capital adequacy on this same basis.

The Basel Committee's Basel III framework will strengthen international capital and liquidity regulations. When fully phased in, Basel III will increase capital requirements through higher minimum capital levels as well as through increases in risk-weights for certain exposures. Additionally, the Basel III rules place greater emphasis on common equity. The Federal Reserve released its final Basel III Rules detailing the U.S. implementation of Basel III in 2013. Regions, as a standardized approach bank, began transitioning to the Basel III framework in January 2015 subject to a phase-in period extending through January 2019. Because the Basel III implementation regulations will not be fully phased in until 2019 and, are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures. Since analysts and banking regulators may assess Regions' capital adequacy using the fully phased-in Basel III framework, Regions believes that it is useful to provide investors information enabling them to assess Regions' capital adequacy on the 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.

The following tables provide: 1) a reconciliation of allowance for loan losses (GAAP) to adjusted allowance for loan losses (non-GAAP), 2) a reconciliation of non-accrual loans (GAAP) to adjusted non-accrual loans (non-GAAP), 3) a computation of adjusted allowance for loan losses to non-performing loans, excluding loans held for sale (non-GAAP), 4) a reconciliation of net income (GAAP) to net income available to common shareholders (GAAP), 5) a reconciliation of non-interest expense (GAAP) to adjusted non-interest expense (non-GAAP), 6) a reconciliation of net interest income and other financing income/margin, taxable equivalent basis (GAAP) to adjusted net interest income and other financing income/margin, taxable equivalent basis (non-GAAP), 7) a reconciliation of non-interest income (GAAP) to adjusted non-interest income (non-GAAP), 8) a computation of adjusted total revenue (non-GAAP), 9) a computation of the adjusted efficiency ratio (non-GAAP), 10) a computation of the adjusted fee income ratio (non-GAAP), 11) a reconciliation of average and ending stockholders' equity (GAAP) to average and ending tangible common stockholders' equity (non-GAAP) and calculations of related ratios (non-GAAP), 12) a reconciliation of stockholders' equity (GAAP) to Basel III CET1, on a fully phased-in basis (non-GAAP), and calculation of the related ratio based on Regions' current understanding of the Basel III requirements (non-GAAP).

Table 2—GAAP to Non-GAAP Reconciliation

		Year Ended December 31				
		2017	2016	2015	2014	2013
		(Dollars in millions)				
Allowance for loan losses (GAAP)	A	$934	$1,091	$1,106	$1,103	$1,341
Less: Direct energy portion		82	147	151	28	15
Adjusted allowance for loan losses (non-GAAP)	B	$852	$944	$955	$1,075	$1,326

Total non-accrual loans, excluding loans held for sale (GAAP)	C	$650	$995	$782	$829	$1,082
Less: Direct energy non-accrual loans		220	311	83	37	—
Adjusted total non-accrual loans, excluding loans held for sale (non-GAAP)	D	$430	$684	$699	$792	$1,082
Allowance for loan losses to non-performing loans, excluding loans held for sale (GAAP)	A/C	1.44x	1.10x	1.41x	1.33x	1.24x
Adjusted allowance for loan losses to non-performing loans, excluding loans held for sale (non-GAAP)	B/D	1.98x	1.38x	1.37x	1.36x	1.23x

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		Year Ended December 31				
		2017	2016	2015	2014	2013
		(Dollars in millions, except per share data)				
Net income (GAAP)		$1,263	$1,163	$1,062	$1,147	$1,091
Preferred dividends (GAAP)		(64)	(64)	(64)	(52)	(32)
Net income available to common shareholders (GAAP)	E	$1,199	$1,099	$998	$1,095	$1,059
Non-interest expense (GAAP)	F	$3,624	$3,617	$3,607	$3,432	$3,556
Significant items:						
Contribution to Regions' charitable foundation associated with Tax Reform		(40)	—	—	—	—
Professional, legal and regulatory expenses [1][2]		—	(3)	(48)	(93)	(58)
Branch consolidation, property and equipment charges		(22)	(58)	(56)	(16)	(5)
Loss on early extinguishment of debt		—	(14)	(43)	—	(61)
Salary and employee benefits—severance charges		(10)	(21)	(6)	—	—
Gain on sale of TDRs held for sale, net		—	—	—	35	—
Adjusted non-interest expense (non-GAAP)	G	$3,552	$3,521	$3,454	$3,358	$3,432
Net interest income and other financing income (GAAP)		$3,540	$3,398	$3,307	$3,280	$3,263
Taxable-equivalent adjustment		90	84	75	63	54
Net interest income and other financing income, taxable-equivalent basis	H	3,630	3,482	3,382	3,343	3,317
Reduction in leveraged lease interest income resulting from Tax Reform		6	—	—	—	—
Adjusted net interest income and other financing income, taxable equivalent basis (non-GAAP)	I	$3,636	$3,482	$3,382	$3,343	$3,317
Net interest margin (GAAP) [3]		3.32 %	3.14 %	3.13 %	3.21 %	3.20 %
Reduction in leveraged lease interest income resulting from Tax Reform		0.01	—	—	—	—
Adjusted net interest margin (non-GAAP)		3.33 %	3.14 %	3.13 %	3.21 %	3.20 %
Non-interest income (GAAP)	J	2,105	2,153	2,071	1,903	2,096
Significant items:						
Securities (gains) losses, net		(22)	(6)	(29)	(27)	(26)
Insurance proceeds [4]		—	(50)	(91)	—	—
Leveraged lease termination gains, net		(1)	(8)	(8)	(10)	(39)
Gain on sale of affordable housing residential mortgage loans [5]		(5)	(5)	—	—	—
Gain on sale of other assets [6]		—	—	—	—	(24)
Adjusted non-interest income (non-GAAP)	K	2,077	2,084	1,943	1,866	2,007
Total revenue, taxable-equivalent basis	H+J=L	$5,735	$5,635	$5,453	$5,246	$5,413
Adjusted total revenue, taxable-equivalent basis (non-GAAP)	I+K=M	$5,713	$5,566	$5,325	$5,209	$5,324
Efficiency ratio (GAAP)	F/L	63.19 %	64.20 %	66.15 %	65.42 %	65.69 %
Adjusted efficiency ratio (non-GAAP)	G/M	62.16 %	63.28 %	64.87 %	64.45 %	64.46 %

Fee income ratio (GAAP)	J/L	36.70 %	38.21 %	37.98 %	36.28 %	38.72 %
Adjusted fee income ratio (non-GAAP)	K/M	36.39 %	37.45 %	36.50 %	35.83 %	37.70 %
Average stockholders' equity (GAAP)		$16,665	$17,126	$16,916	$16,620	$15,411
Less: Average intangible assets (GAAP)		5,103	5,125	5,099	5,103	5,136
Average deferred tax liability related to intangibles (GAAP)		(148)	(162)	(170)	(182)	(188)
Average preferred stock (GAAP)		820	820	848	754	464
Average tangible common stockholders' equity (non-GAAP)	N	$10,890	$11,343	$11,139	$10,945	$9,999
Return on average tangible common stockholders' equity (non-GAAP)	E/N	11.01 %	9.69 %	8.96 %	10.00 %	10.59 %

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		Year Ended December 31				
		2017	2016	2015	2014	2013
		(Dollars in millions, except share data)				
TANGIBLE COMMON RATIOS-CONSOLIDATED						
Ending stockholders' equity (GAAP)		$16,192	$16,664	$16,844	$16,873	$15,660
Less: Ending intangible assets (GAAP)		5,081	5,125	5,137	5,091	5,111
Ending deferred tax liability related to intangibles (GAAP)		(99)	(155)	(165)	(172)	(188)
Ending preferred stock (GAAP)		820	820	820	884	450
Ending tangible common stockholders' equity (non-GAAP)	O	$10,390	$10,874	$11,052	$11,070	$10,287
Ending total assets (GAAP)		$124,294	$125,968	$126,050	$119,563	$117,288
Less: Ending intangible assets (GAAP)		5,081	5,125	5,137	5,091	5,111
Ending deferred tax liability related to intangibles (GAAP)		(99)	(155)	(165)	(172)	(188)
Ending tangible assets (non-GAAP)	P	$119,312	$120,998	$121,078	$114,644	$112,365
End of period shares outstanding	Q	1,134	1,215	1,297	1,354	1,378
Tangible common stockholders' equity to tangible assets (non-GAAP)	O/P	8.71 %	8.99 %	9.13 %	9.66 %	9.15 %
Tangible common book value per share (non-GAAP)	O/Q	$9.16	$8.95	$8.52	$8.18	$7.47
BASEL III COMMON EQUITY TIER 1 RATIO—FULLY PHASED-IN PRO-FORMA[7]						
Stockholders' equity (GAAP)		$16,192	$16,664	$16,844		
Non-qualifying goodwill and intangibles		(4,972)	(4,955)	(4,958)		
Adjustments, including all components of accumulated other comprehensive income, disallowed deferred tax assets, threshold deductions and other adjustments		712	489	286		
Preferred stock (GAAP)		(820)	(820)	(820)		
Basel III common equity Tier 1—Fully Phased-In Pro-Forma (non-GAAP)	R	$11,112	$11,378	$11,352		
Basel III risk-weighted assets—Fully Phased-In Pro-Forma (non-GAAP)[8]	S	$101,498	$102,975	$106,188		
Basel III common equity Tier 1—Fully Phased-In Pro-Forma ratio (non-GAAP)	R/S	10.95 %	11.05 %	10.69 %		

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(1) Regions recorded $3 million, $50 million and $100 million of contingent legal and regulatory accruals during the second quarter of 2016, the second quarter of 2015 and the fourth quarter of 2014, respectively, related to previously disclosed matters. The fourth quarter of 2014 accruals were settled in the second quarter of 2015 for $2 million less than originally estimated and a corresponding recovery was recognized.

(2) In the fourth quarter of 2013, Regions recorded a non-tax deductible charge of $58 million related to previously disclosed inquiries from government authorities concerning matters from 2009. The 2013 matters were settled in

the second quarter of 2014 for $7 million less than originally estimated and a corresponding recovery was recognized.

(3) Refer to Table 3 for computation of net interest margin.

(4) Insurance proceeds recognized in the third quarter of 2016 are related to the previously disclosed settlement with the Department of Housing and Urban Development. Insurance proceeds recognized in 2015 are related to the settlement of the previously disclosed 2010 class-action lawsuit.

(5) Gain on sale of affordable housing residential mortgage loans in the fourth quarter of 2016 was due to the decision to sell approximately $171 million of loans to Freddie Mac. Approximately $91 million were sold with recourse, resulting in a deferred gain of $5 million, which was recognized during the second quarter of 2017.

(6) In the third quarter of 2013, Regions recorded a $24 million gain on sale of a non-core portion of a Wealth Management business.

(7) The amounts and the resulting ratios are estimated. Regulatory capital measures for periods prior to 2015 were not revised to reflect the retrospective application of new accounting guidance related to investments in qualified affordable housing projects. As a result, those calculations are not included in the table.

(8) Regions continues to develop systems and internal controls to precisely calculate risk-weighted assets as required by Basel III on a fully phased-in basis. The amounts included above are a reasonable approximation, based on our understanding of the requirements.

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CRITICAL ACCOUNTING ESTIMATES AND RELATED POLICIES

In preparing financial information, management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses for the periods shown. The accounting principles followed by Regions and the methods of applying these principles conform with GAAP and general banking practices. Estimates and assumptions most significant to Regions are related primarily to the allowance for credit losses, fair value measurements, intangible assets (goodwill and other identifiable intangible assets), residential MSRs and income taxes, and are summarized in the following discussion and in the notes to the consolidated financial statements.

Allowance for Credit Losses

The allowance for credit losses ("allowance") consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. Unfunded credit commitments include items such as letters of credit, financial guarantees and binding unfunded loan commitments. The allowance represents management's estimate of probable credit losses inherent in the loan and credit commitment portfolios as of period end. Regions determines its allowance in accordance with GAAP and applicable regulatory guidance.

For non-accrual commercial and investor real estate loans equal to or greater than $2.5 million, the allowance for loan losses is based on note-level evaluation considering the facts and circumstances specific to each borrower. For all other commercial and investor real estate loans, the allowance for loan losses is based on statistical models using a PD and an LGD. Historical default information for similar loans is used as an input for the statistical model.

For residential first mortgages, home equity lending and other consumer-related loans, individual products are reviewed on a group basis (e.g., residential first mortgage pools). Historical loss information for similar loans is used as an input for the models.

Factors considered by management in determining the adequacy of the allowance include, but are not limited to: 1) detailed reviews of individual loans; 2) historical and current trends in gross and net loan charge-offs for the various classes of loans evaluated; 3) the Company's policies relating to delinquent loans and charge-offs; 4) the level of the allowance in relation to total loans and to historical loss levels; 5) levels and trends in non-performing, criticized, classified and past due loans; 6) collateral values of properties securing loans; 7) the composition of the loan portfolio, including unfunded credit commitments; 8) management's analysis of current economic conditions; and 9) migration of loans between risk rating categories.

In support of collateral values, Regions obtains updated valuations for large commercial and investor real estate non-performing loans on at least an annual basis. For loans that are individually identified for impairment, those valuations are currently discounted as appropriate from the most recent appraisal to consider continued declines in values. The discounted valuations are utilized in the measurement of the level of impairment in the allowance calculation. For loans that are not individually identified for impairment and secured by collateral, Regions considers the impact of declines in valuations in the loss given default estimates within the allowance calculation.

The allowance is sensitive to a variety of internal factors, such as modifications in the mix and level of loan balances outstanding, portfolio performance and assigned risk ratings. As a matter of business practice, Regions may require some form of credit support, such as a guarantee. Guarantees are legally binding and entered into simultaneously with the primary loan agreements. Evaluation of guarantors' ability and willingness to pay is considered as part of the risk rating process, which provides the basis for the allowance for loan losses for the commercial and investor real estate portfolios. In concluding that the risk rating is appropriate, Regions considers a number of factors including whether underlying cash flow is adequate to service the debt, payment history, and whether there is appropriate guarantor support. Accordingly, Regions has concluded that the impact of credit support provided by guarantors has been appropriately considered in the calculation and assessment of the allowance for loan losses.

The allowance is also sensitive to a variety of external factors, such as the general health of the economy, as evidenced by volatility in commodity prices, changes in real estate demand and values, interest rates, unemployment rates, bankruptcy filings, fluctuations in the GDP, and the effects of weather and natural disasters such as droughts, floods and hurricanes.

Management considers these variables and all other available information when establishing the final level of the allowance. These variables and others have the ability to result in actual loan losses that differ from the originally estimated amounts.

Management considers the current level of the allowance appropriate to absorb losses inherent in the loan and credit commitment portfolios. Management's determination of the appropriateness of the allowance requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance to be increased or decreased in future periods. In addition, bank regulatory agencies, as part of their examination process, may require changes in the level of the allowance based on their judgments and estimates. Given the current phase of the credit cycle, volatility in certain credit metrics is to be expected. Additionally, changes in circumstances related to individually large credits or certain portfolios may result in volatility.

Management's estimate of the allowance for the commercial and investor real estate portfolio segments could be affected by estimates of losses inherent in various product types as a result of fluctuations in the internal and external factors mentioned above. For pooled commercial and investor real estate accounts, a 5 percent increase in the PD for non-defaulted accounts and a 5 percent increase in the LGD for all accounts would result in an increase to estimated inherent losses of approximately $41 million.

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Losses on residential real estate mortgages, home equity lending and other consumer-related loans can be affected by such factors as collateral value, loss severity, and other internal and external factors mentioned above. A 5 percent increase or decrease in the estimated loss rates on these loans would change estimated inherent losses by approximately $12 million.

These pro forma analyses demonstrate the sensitivity of the allowance to key assumptions; however, they do not reflect an expected outcome.

For further discussion of the allowance for credit losses, see Note 1 "Summary of Significant Accounting Policies" and Note 6 "Allowance for Credit Losses" to the consolidated financial statements.

Fair Value Measurements

A portion of the Company's assets and liabilities is carried at fair value, with changes in fair value recorded either in earnings or accumulated other comprehensive income (loss). These include trading account securities, securities available for sale, mortgage loans held for sale, residential MSRs and derivative assets and liabilities. From time to time, the estimation of fair value also affects other loans held for sale, which are recorded at the lower of cost or fair value. Fair value determination is also relevant for certain other assets such as foreclosed property and other real estate, which are recorded at the lower of the recorded investment in the loan/property or fair value, less estimated costs to sell the property. For example, the fair value of other real estate is determined based on recent appraisals by third parties and other market information, less estimated selling costs. Adjustments to the appraised value are made if management becomes aware of changes in the fair value of specific properties or property types. The determination of fair value also impacts certain other assets that are periodically evaluated for impairment using fair value estimates, including goodwill and other identifiable intangible assets.

Fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price), in an orderly transaction between market participants at the measurement date under current market conditions. While management uses judgment when determining the price at which willing market participants would transact when there has been a significant decrease in the volume or level of activity for the asset or liability in relation to "normal" market activity, management's objective is to determine the point within the range of fair value estimates that is most representative of a sale to a third-party investor under current market conditions. The value to the Company if the asset or liability were held to maturity is not included in the fair value estimates.

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. Fair value is measured based on a variety of inputs the Company utilizes. Fair value may be based on quoted market prices for identical assets or liabilities traded in active markets (Level 1 valuations). If market prices are not available, quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market are used (Level 2 valuations). Where observable market data is not available, the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specific data (Level 3 valuations). These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

See Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements for a detailed discussion of determining fair value, including pricing validation processes.

Intangible Assets

Regions' intangible assets consist primarily of the excess of cost over the fair value of net assets of acquired businesses ("goodwill") and other identifiable intangible assets (primarily core deposit intangibles and purchased credit card relationships). Goodwill totaled $4.9 billion at both December 31, 2017 and 2016, respectively, and is allocated to each of Regions' reportable segments (each a reporting unit: Corporate Bank, Consumer Bank, and Wealth Management). Goodwill is tested for impairment on an annual basis as of October 1 or more often if events and circumstances indicate impairment may exist (refer to Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements for further discussion).

A test of goodwill for impairment consists of two steps. In Step One, the fair value of the reporting unit is compared to its carrying amount, including goodwill. To the extent that the estimated fair value of the reporting unit exceeds the carrying value, impairment is not indicated and no further testing is required. Conversely, if the estimated fair value of the reporting unit is below its carrying amount, Step Two must be performed. Step Two consists of determining the implied estimated fair value of goodwill, which is the net difference between the valuation adjustments of assets and liabilities excluding goodwill and the valuation adjustment to equity (from Step One) of the reporting unit. The carrying value of equity for each reporting unit is determined from an allocation based upon risk weighted assets. Adverse changes in the economic environment, declining operations of the reporting unit, or other factors could result in a decline in the estimated implied fair value of goodwill. If the estimated implied fair value

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of goodwill is less than the carrying amount, a loss would be recognized to reduce the carrying amount to the estimated implied fair value.

The estimated fair value of the reporting unit is determined using a blend of both income and market approaches. Within the income approach, which is the primary valuation approach, Regions utilizes the CAPM in order to derive the base discount rate. The inputs to the CAPM include the 20-year risk-free rate, 5-year beta for a select peer set specific to each reporting unit, and a market risk premium, all based on published data. To determine the estimated cost of equity for each reporting unit, a size premium is added (also based on a published source) as well as a company-specific risk premium for each reporting unit, which is an estimate determined by the Company and meant to compensate for the risk inherent in the future cash flow projections and inherent differences (such as business model and market perception of risk) between Regions and the peer set. Regions evaluates the appropriateness of the inputs to the CAPM at each test date. Company specific factors considered during recent evaluation periods include positive results of operations, stable asset quality and strong capital and liquidity positions.

In estimating future cash flows, a balance sheet as of the test date and statements of income for the last twelve months of activity for each reporting unit is compiled. From that point, future balance sheets and statements of income are projected based on the inputs. Cash flows are based on expected future capitalization requirements due to balance sheet growth and anticipated changes in regulatory capital requirements. The baseline cash flows utilized in all models correspond to recent internal forecasts and/or budgets. These internal forecasts range from 1 to 3 years and are based on inputs developed in the Company's internal strategic planning processes.

Regions uses the GCM and the GTM as its market approaches. The GCM applies a value multiplier derived from each reporting unit's peer group to a financial metric and an implied control premium to the respective reporting units. The control premium is evaluated and compared to similar financial services transactions considering the absolute and relative potential revenue synergies and cost savings. The GTM applies a value multiplier to a financial metric of the reporting unit based on comparable observed purchase transactions in the financial services industry for the reporting unit.

Refer to Note 10 "Intangible Assets" to the consolidated financial statements for further discussion of these approaches and related assumptions. The fair values of assets and liabilities in Step Two, if applicable, are determined using an exit price concept. Refer to the discussion of fair value in Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements for discussions of the exit price concept and the determination of fair values of financial assets and liabilities.

The results of the calculations for the fourth quarter of 2017 indicated that the estimated fair values of the Corporate Bank, Consumer Bank and Wealth Management reporting units were \$9.8 billion, \$9.9 billion and \$2.0 billion, respectively, which were greater than their carrying amounts of \$8.6 billion, \$6.2 billion and \$1.0 billion, respectively. Therefore, the goodwill of each reporting unit was considered not impaired as of the testing date, and Step Two of the goodwill impairment test was not required. Refer to Note 10 "Intangible Assets" to the consolidated financial statements for the key assumptions used in estimating the fair value of each reporting unit as of fourth quarter 2017 and fourth quarter 2016.

The table below summarizes the discount rate used in the goodwill impairment test of each reporting unit for the fourth quarter of 2017 and fourth quarter of 2016:

Discount Rate:	Corporate Bank	Consumer Bank	Wealth Management
Fourth quarter 2017	11.25 %	11.00 %	11.25 %
Fourth quarter 2016 [1]	10.00 %	10.25 %	11.50 %

(1) The discount rates increased in the fourth quarter 2017 goodwill test as compared to the fourth quarter 2016 goodwill test due primarily to an increase in the risk-free rate.

Specific factors as of the date of filing the financial statements that could negatively impact the assumptions used in assessing goodwill for impairment include: a protracted decline in the Company’s market capitalization; disparities in the level of fair value changes in net assets (especially loans) compared to equity; increases in book values of equity of a reporting unit in excess of the increase in fair value of equity; adverse business trends resulting from litigation and/or regulatory actions; higher loan losses; lengthened forecasts of high unemployment levels; future increased minimum regulatory capital requirements above current thresholds (refer to Note 14 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements for a discussion of current minimum regulatory requirements); and future federal rules and regulations (e.g., such as those resulting from the Dodd-Frank Act).

For sensitivity analysis, a discount rate of 12.25 percent for the Corporate Bank, 12.00 percent for the Consumer Bank reporting units and 12.25 percent for the Wealth Management reporting unit would result in estimated fair values of equity of $9.0 billion, $9.0 billion, and $1.8 billion, respectively. All three reporting units' estimated fair value would continue to exceed the book value by approximately $395 million, $2.8 billion, and $784 million, respectively, and would not require Step Two procedures. This assumes all other assumptions would remain unchanged in the fourth quarter of 2017 calculation.

If the prior year inputs for GCM and GTM had remained the same for the fourth quarter of 2017, the estimated fair value would continue to exceed book value for the Corporate Bank, Consumer Bank, and Wealth Management reporting units by approximately $795 million, $3.4 billion, and $884 million, respectively. This assumes all other assumptions would remain unchanged in the fourth quarter of 2017 calculation.

Sensitivity calculations are hypothetical and should not be considered to be predictive of future performance. Changes in implied 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 implied fair value of goodwill 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.

Other material identifiable intangible assets, primarily core deposit intangibles and purchased credit card relationships, are reviewed at least annually (usually in the fourth quarter) for events or circumstances which could impact the recoverability of the intangible asset. These events could include loss of core deposits, significant losses of credit card accounts and/or balances, increased competition or adverse changes in the economy. To the extent an other identifiable intangible asset is deemed unrecoverable, an impairment loss would be recorded to reduce the carrying amount. These events or circumstances, if they occur, could be material to Regions' operating results for any particular reporting period but the potential impact cannot be reasonably estimated.

Residential Mortgage Servicing Rights

Regions has elected to measure and report its residential MSRs using the fair value method. Although sales of residential MSRs do occur, residential MSRs do not trade in an active market with readily observable market prices and the exact terms and conditions of sales may not be readily available, and are therefore Level 3 valuations in the fair value hierarchy previously discussed in the "Fair Value Measurements" section. Specific characteristics of the underlying loans greatly impact the estimated value of the related residential MSRs. As a result, Regions stratifies its residential mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and values its residential MSRs using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted residential mortgage loan prepayment rates, discount rates, escrow balances and servicing costs. Changes in interest rates, prepayment speeds or other factors impact the fair value of residential MSRs which impacts earnings.

The carrying value of residential MSRs was $336 million at December 31, 2017. Based on a hypothetical sensitivity analysis, Regions estimates that a reduction in primary mortgage market rates of 25 basis points and 50 basis points would reduce the December 31, 2017 fair value of residential MSRs by approximately 5 percent ($16 million) and 10 percent ($34 million), respectively. Conversely, 25 basis point and 50 basis point increases in these rates would increase the December 31, 2017 fair value of residential MSRs by approximately 4 percent ($14 million) and 8 percent ($26 million), respectively. Regions also estimates that an increase in servicing costs of approximately $10 per loan, or 12 percent, would result in a decline in the value of the residential MSRs by approximately $12 million.

The pro forma fair value analysis presented above demonstrates the sensitivity of fair values to hypothetical changes in primary mortgage rates. This sensitivity analysis does not reflect an expected outcome. Refer to the "Residential Mortgage Servicing Rights" discussion in the "Balance Sheet" analysis section found later in this report.

Income Taxes

Accrued income taxes are reported as a component of either other assets or other liabilities, as appropriate, in the consolidated balance sheets and reflect management's estimate of income taxes to be paid or received.

Deferred income taxes represent the amount of future income taxes to be paid or received and are accounted for using the asset and liability method. The net balance is reported as a component of either other assets or other liabilities, as appropriate, in the consolidated balance sheets. The Company determines the realization of the deferred tax asset based upon an evaluation of the four possible sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income exclusive of reversing temporary differences and carryforwards; 3) taxable income within any applicable carryback periods (post Tax Reform, NOL's generated by Regions cannot be carried back, but can be carried forward indefinitely); and 4) tax-planning strategies. In projecting future taxable income, the Company utilizes forecasted pre-tax earnings, adjusts for the estimated book-tax differences and incorporates assumptions, including the amounts of income allocable to taxing jurisdictions. These assumptions require significant judgment and are consistent with the plans and estimates the Company uses to manage the underlying businesses. The realization of the deferred tax assets could be reduced in the future if these estimates are significantly different than forecasted. For a detailed discussion of realization of deferred tax assets, refer to the “Income Taxes” section found later in this report.

The Company is subject to income tax in the U.S. and multiple state and local jurisdictions. The tax laws and regulations in each jurisdiction may be interpreted differently in certain situations, which could result in a range of outcomes. Thus, the Company is required to exercise judgment regarding the application of these tax laws and regulations. The Company will evaluate and recognize tax liabilities related to any tax uncertainties. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is different from the current estimate of the tax liabilities.

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The Company’s estimate of accrued income taxes, deferred income taxes and income tax expense can also change in any period as a result of new legislative or judicial guidance impacting tax positions, as well as changes in income tax rates. Any changes, if they occur, can be significant to the Company’s consolidated financial position, results of operations or cash flows. On December 22, 2017, Tax Reform was enacted. Effective January 1, 2018, Tax Reform reduces the maximum corporate statutory federal income tax rate from 35 percent to 21 percent. See Note 20 "Income Taxes" to the consolidated financial statements for further details.

OPERATING RESULTS

NET INTEREST INCOME AND OTHER FINANCING INCOME AND NET INTEREST MARGIN

Net interest income and other financing income is Regions’ principal source of income and is one of the most important elements of Regions’ ability to meet its overall performance goals. Net interest income and other financing income (taxable-equivalent basis) increased approximately $148 million, or 4 percent in 2017 compared to 2016, driven primarily by higher market interest rates and prudent deposit cost management, partially offset by lower average loan balances.

The net interest margin increased to 3.32 percent in 2017 from 3.14 percent in 2016, due to an increase in yields on earning assets exceeding the slight increase in total funding costs during 2017. Comparing 2017 to 2016, average earning asset yields were 24 basis points higher. Also, interest-bearing liability rates were higher, increasing by 10 basis points. As a result, the net interest rate spread increased 14 basis points to 3.11 percent in 2017 compared to 2.97 percent in 2016.

While the Federal Reserve’s policy stance continued to be accommodative throughout 2017, gradual reductions in the amount of policy accommodation, coupled with improving global economic growth trends, resulted in increases in both short-term and long term interest rates in 2017. Long-term interest rates are generally represented by the yield on the benchmark 10-year U.S. Treasury note. While the 10-year U.S. Treasury yield remained in the low to mid 2 percent range for much of 2017, the average yield on the benchmark rate increased to 2.33 percent in 2017, as compared to 1.84 percent in 2016. The taxable investment securities portfolio, which contains significant residential fixed-rate exposure, increased in yield to 2.38 percent in 2017 from 2.28 percent in 2016, largely attributable to the higher interest rates in 2017 and their positive impact on both security reinvestment yields and reduced premium amortization. Similarly, higher long-term rates have benefited the yield on fixed rate loans through reinvestment. Fixed rate loan and security reinvestment were both accretive to yields at year-end market rate levels, as the 10-year U.S. Treasury yield ended 2017 at 2.41 percent. The Company's loan pricing is also influenced by short-term interest rates such as 30-day LIBOR. As the Federal Reserve increased short-term interest rates in December 2016, as well as in March, June and December 2017, 30-day LIBOR averaged 111 basis points in 2017, compared to 50 basis points in 2016, leading to higher loan yields.

Deposit costs increased to 16 basis points for 2017 compared to 12 basis points for 2016. The composition of Regions' deposit base and prudent management resulted in deposit costs increasing at a slower pace than earning asset yields, even with the Fed Funds rate increasing throughout 2017. Average long-term borrowing balances decreased to $7.1 billion in 2017 as compared to $8.2 billion in 2016, but the cost on these borrowings increased 60 basis points as the majority of Regions’ long-term debt is swapped to float with short-term interest rates. Shorter-term FHLB advances also repriced higher in 2017. See the "Long-Term Borrowings" section in Management's Discussion and Analysis and Note 13 "Long-Term Borrowings" to the consolidated financial statements for additional information.

See also the "Market Risk-Interest Rate Risk" section in Management's Discussion and Analysis for additional information.

Management expects adjusted net interest income and other financing income (non-GAAP and non-taxable equivalent basis) to increase in the range of 3 percent to 5 percent in 2018.

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Table 3 “Consolidated Average Daily Balances and Yield/Rate Analysis” presents a detail of net interest income and other financing income (on a taxable-equivalent basis), the net interest margin, and the net interest spread.

Table 3—Consolidated Average Daily Balances and Yield/Rate Analysis

	Year Ended December 31								
	2017			2016			2015		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in millions; yields on taxable-equivalent basis)								
Assets									
Earning assets:									
Federal funds sold and securities purchased under agreements to resell	$1	$—	— %	$4	$—	— %	$9	$—	— %
Trading account securities	163	4	2.36	121	5	3.73	117	5	4.49
Securities:									
Taxable	25,196	600	2.38	24,830	566	2.28	24,130	564	2.34
Tax-exempt	1	—	—	1	—	—	1	—	—
Loans held for sale	474	16	3.35	479	16	3.33	442	16	3.65
Loans, net of unearned income (1)(2)(3)	79,846	3,318	4.14	81,333	3,150	3.86	79,634	3,017	3.79
Investment in operating leases, net (3)	603	19	3.11	775	22	2.85	214	5	2.60
Other earning assets	2,931	46	1.55	3,469	36	1.05	3,324	43	1.28
Total earning assets	109,215	4,003	3.65	111,012	3,795	3.41	107,871	3,650	3.38
Allowance for loan losses	(1,062)			(1,139)			(1,106)		
Cash and due from banks	1,899			1,824			1,702		
Other non-earning assets	13,924			13,809			13,798		
	$123,976			$125,506			$122,265		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities:									
Savings	$8,284	12	0.15	$7,719	11	0.14	$7,119	9	0.13
Interest-bearing checking	19,294	38	0.19	20,507	20	0.10	21,324	18	0.08
Money market	26,498	45	0.17	26,909	31	0.11	26,573	28	0.10
Time deposits	7,003	61	0.87	7,415	55	0.75	8,167	54	0.66
Total interest-bearing deposits (4)	61,079	156	0.26	62,550	117	0.19	63,183	109	0.17
Federal funds purchased and securities sold under agreements to repurchase	9	—	—	—	—	—	588	—	—
Other short-term borrowings	439	5	1.06	3	—	—	338	1	0.20
Long-term borrowings	7,076	212	2.98	8,159	196	2.38	5,046	158	3.14
Total interest-bearing liabilities	68,603	373	0.54	70,712	313	0.44	69,155	268	0.39
Non-interest-bearing deposits (4)	36,262	—	—	35,371	—	—	33,707	—	—
Total funding sources	104,865	373	0.35	106,083	313	0.29	102,862	268	0.26
Net interest spread			3.11			2.97			2.99
Other liabilities	2,446			2,297			2,487		

Stockholders' equity	16,665			17,126			16,916		
	$123,976			$125,506			$122,265		
Net interest income and other financing income/margin on a taxable-equivalent basis (5)		$3,630	3.32%		$3,482	3.14%		$3,382	3.13%

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

(2) Interest income includes net loan fees of $24 million, $33 million and $58 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(3) During the fourth quarter of 2015, Regions corrected the accounting for approximately $214 million of year-to-date average balances of leases, for which Regions is the lessor. These leases had been previously classified as capital leases but were subsequently determined to be operating leases.

(4) 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 equal 0.16%, 0.12% and 0.11% for the years ended December 31, 2017, 2016 and 2015, respectively.

(5) The computation of taxable-equivalent net interest income and other financing income is based on the statutory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit.

Table 4—Volume and Yield/Rate Variances

Table 4 "Volume and Yield/Rate Variances" provides additional information with which to analyze the changes in net interest income and other financing income.

	2017 Compared to 2016			2016 Compared to 2015		
	Change Due to			Change Due to		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
	(Taxable-equivalent basis—in millions)					
Interest income including other financing income on:						
Trading account securities	$1	$(2)	$(1)	$—	$—	$—
Securities-taxable	8	26	34	16	(14)	2
Loans held for sale	—	—	—	1	(1)	—
Loans, including fees	(58)	226	168	65	68	133
Investment in operating leases, net	(5)	2	(3)	16	1	17
Other earning assets	(6)	16	10	2	(9)	(7)
Total earning assets	(60)	268	208	100	45	145
Interest expense on:						
Savings	1	—	1	1	1	2
Interest-bearing checking	(1)	19	18	(1)	3	2
Money market	(1)	15	14	—	3	3
Time deposits	(3)	9	6	(5)	6	1
Total interest-bearing deposits	(4)	43	39	(5)	13	8
Other short-term borrowings	—	5	5	—	(1)	(1)
Long-term borrowings	(28)	44	16	81	(43)	38
Total interest-bearing liabilities	(32)	92	60	76	(31)	45
Increase (decrease) in net interest income and other financing income	$(28)	$176	$148	$24	$76	$100

Notes:

- The change in interest not due solely to volume or yield/rate has been allocated to the volume column and yield/rate column in proportion to the relationship of the absolute dollar amounts of the change in each.
- The computation of taxable-equivalent net interest income and other financing income is based on the statutory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit.

The mix of earning assets can also affect the interest rate spread. Regions' primary types of earning assets are loans and investment securities. Certain types of earning assets have historically generated larger spreads; for example, loans typically generate larger spreads than other assets, such as securities, Federal funds sold or securities purchased under agreements to resell. The spread on loans increased in 2017 as compared to 2016, due primarily to the increase in short-term interest rates. Average earning assets in 2017 totaled $109.2 billion, a decrease of $1.8 billion as compared to the prior year.

Average loans as a percentage of average earning assets was 73 percent in both 2017 and 2016. The remaining categories of earning assets are shown in Table 3 "Consolidated Average Daily Balances and Yield/Rate Analysis". The proportion of average earning assets to average total assets, which was 88 percent in both 2017 and 2016, measures the effectiveness of management's efforts to invest available funds into the most profitable earning vehicles. Funding for Regions' earning assets comes from interest-

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bearing and non-interest-bearing sources. Another significant factor affecting the net interest margin is the percentage of earning assets funded by interest-bearing liabilities. The percentage of average earning assets funded by average interest-bearing liabilities was 63 percent in 2017 and 64 percent in 2016.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to maintain the allowance for loan losses at a level that in management's judgment is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. During 2017, the provision for loan losses totaled $150 million and net charge-offs were $307 million. This compares to a provision for loan losses of $262 million and net charge-offs of $277 million in 2016. The decrease in the provision for loan losses in 2017 compared to 2016 was the result of improving economic conditions driving broad-based improvements in credit metrics, particularly in the latter half of 2017. Additionally, payoffs and paydowns of criticized loans and improved risk ratings of commercial loans resulted in a decrease in the 2017 provision level. Estimated hurricane related loan losses of $40 million are included in the 2017 provision amounts.

For further discussion and analysis of the total allowance for credit losses, see the "Allowance for Credit Losses" and "Risk Management" sections found later in this report. See also Note 6 "Allowance for Credit Losses" to the consolidated financial statements.

NON-INTEREST INCOME

Table 5—Non-Interest Income from Continuing Operations

	Year Ended December 31			Change 2017 vs. 2016	
	2017	2016	2015	Amount	Percent
	(Dollars in millions)				
Service charges on deposit accounts	$683	$664	$662	$19	2.9 %
Card and ATM fees	417	402	364	15	3.7 %
Investment management and trust fee income	230	213	202	17	8.0 %
Capital markets fee income and other	161	152	104	9	5.9 %
Mortgage income	149	173	162	(24)	(13.9)%
Insurance commissions and fees	145	148	140	(3)	(2.0)%
Bank-owned life insurance	81	95	74	(14)	(14.7)%
Commercial credit fee income	71	73	76	(2)	(2.7)%
Investment services fee income	60	58	55	2	3.4 %
Insurance proceeds	—	50	91	(50)	(100.0)%
Securities gains, net	22	6	29	16	266.7 %
Market value adjustments on employee benefit assets	16	3	(3)	13	433.3 %
Other miscellaneous income	70	116	115	(46)	(39.7)%
	$2,105	$2,153	$2,071	$(48)	(2.2)%

Service Charges on Deposit Accounts

Service charges on deposit accounts include non-sufficient fund fees and other service charges. The increase during 2017 compared to 2016 was primarily due to overall account growth resulting in increases in non-sufficient fund fees.

Card and ATM Fees

Card and ATM fees include the combined amounts of credit card/bank card income and debit card and ATM related revenue. The increase in 2017 compared to 2016 was primarily the result of checking account and active credit card growth resulting in higher interchange income.

Investment Management and Trust Fee Income

Investment management and trust fee income represents income from asset management services provided to individuals, businesses and institutions. The increase in investment management and trust fees during 2017 compared to 2016 was driven primarily from the increase in assets under administration and growth in the equity markets.

Capital Markets Fee Income and Other

Capital markets fee income and other primarily relates to capital raising activities that includes securities underwriting and placement, loan syndication and placement, as well as foreign exchange, derivatives, merger and acquisition and other advisory services. The increase in 2017 compared to 2016 was driven primarily by higher loan syndication income, fees generated from

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the placement of permanent financing for real estate customers, and fees obtained from debt underwriting activities. These increases were partially offset by reduced income from merger and acquisition advisory services.

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 during 2017 compared to 2016 was due to lower production, spread compression and a reduction in the valuation of mortgage servicing rights and related hedges. The decreases were partially offset by increases in mortgage servicing income as a result of purchasing the rights to service a total of approximately $2.7 billion in residential mortgage loans during 2017. See Note 7 "Servicing of Financial Assets" to the consolidated financial statements for more information.

Bank-owned Life Insurance

Bank-owned life insurance decreased in 2017 compared to 2016 primarily due to a gain on exchange of policies that was recognized in the first quarter of 2016 and reduced claim benefits in 2017.

Insurance Proceeds

Insurance proceeds recognized in 2016 were related to the settlement of the previously disclosed and accrued 2010 class-action lawsuit.

Securities Gains, Net

Net securities gains primarily result from the Company's asset/liability management process and the sale of certain securities held for employee benefit purposes. See Note 4 "Securities" to the consolidated financial statements for more information.

Market Value Adjustments on Employee Benefit Assets

Market value adjustments on employee benefit assets increased in 2017 compared to 2016 reflecting market value variations related to assets held for certain employee benefits. These adjustments are offset in salaries and employee benefits expense.

Other Miscellaneous Income

Other miscellaneous income includes net revenue from affordable housing, fees from safe deposit boxes, check fees, operating lease impairment charges 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 2017 compared to 2016 primarily due to operating lease impairment charges of $22 million recorded in 2017, declines in net revenue from affordable housing, and a recovery of approximately $10 million related to the 2010 Gulf of Mexico oil spill recorded in 2016.

NON-INTEREST EXPENSE

Table 6—Non-Interest Expense from Continuing Operations

	Year Ended December 31			Change 2017 vs. 2016	
	2017	2016	2015	Amount	Percent
	(Dollars in millions)				
Salaries and employee benefits	$1,954	$1,913	$1,883	$41	2.1 %
Net occupancy expense	345	348	361	(3)	(0.9)%
Furniture and equipment expense	330	317	303	13	4.1 %
Outside services	172	154	149	18	11.7 %
FDIC insurance assessments	108	99	105	9	9.1 %
Professional, legal and regulatory expenses	95	89	137	6	6.7 %
Marketing	93	101	98	(8)	(7.9)%
Credit/checkcard expenses	50	55	54	(5)	(9.1)%
Branch consolidation, property and equipment charges	22	58	56	(36)	(62.1)%

Visa class B shares expense	19	15	9	4	26.7 %
Provision (credit) for unfunded credit losses	(16)	17	(13)	(33)	(194.1)%
Loss on early extinguishment of debt	—	14	43	(14)	(100.0)%
Other miscellaneous expenses	452	437	422	15	3.4 %
	$3,624	$3,617	$3,607	$7	0.2 %

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 during 2017 compared to 2016 primarily due to merit increases, increased expenses from liabilities held for employee benefit purposes and $12 million in pension settlement charges in 2017. The expenses from liabilities held for employee benefit purposes are offset in non-interest income. Full-time equivalent headcount decreased to 21,714 at December 31, 2017 from 22,166 at December 31, 2016, reflecting the Company's efficiency initiatives implemented as part of its three-year strategic plan and serving to partially offset the aforementioned increases.

Furniture and Equipment Expense

Furniture and equipment expense includes depreciation, maintenance and repairs, rent, taxes and other expenses of equipment utilized by Regions and its affiliates. Furniture and equipment expense increased during 2017 compared to 2016 primarily driven by increased depreciation related to the completion of certain capital investment projects.

Outside Services

Outside services consists of expenses related to routine services provided by third parties, such as contract labor, servicing costs, data processing, loan pricing and research, data license purchases, data subscriptions, and check printing. Outside services increased during 2017 compared to 2016 primarily due to increased servicing costs related to point-of-sale lending through third parties and additional expenses recorded related to a new Wealth Management platform.

FDIC Insurance Assessments

FDIC insurance assessments increased during 2017 compared to 2016 primarily due to the implementation of the FDIC assessment surcharge that went into effect during the third quarter of 2016, and was in place throughout 2017, as well as the impact of a $6 million refund recognized in the second quarter of 2016.

Professional, Legal and Regulatory Expenses

Professional, legal and regulatory expenses consist of amounts related to legal, consulting, other professional fees and regulatory charges. Professional, legal and regulatory expenses increased during 2017 compared to 2016 due primarily to a legal recovery of $7 million that was recognized in 2016.

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.

Provision (Credit) for Unfunded Credit Losses

Provision (credit) for unfunded credit losses is the adjustment to the reserve for unfunded credit commitments. The (credit) for unfunded credit losses in 2017 was primarily due to a reduction in the level of risk estimated for the unfunded credit commitments in the commercial and industrial portfolio. The provision for unfunded credit losses during 2016 was attributable to increases in the commercial and industrial reserve rates for unfunded commitments and letters of credit and a large specific reserve on an unfunded energy credit.

Loss on Early Extinguishment of Debt

In 2016, the Company purchased approximately $649 million of its 2.00% senior notes due May 2018. The pre-tax loss on the early extinguishment related to this tender offer was approximately $14 million.

Other Miscellaneous Expenses

Other miscellaneous expenses include expenses related to communications, postage, supplies, certain credit-related costs, foreclosed property expenses and mortgage repurchase costs. Other miscellaneous expenses increased during 2017 compared to 2016 primarily due to a $40 million contribution that was made to Regions' charitable foundation as a result of anticipated savings related to Tax Reform. Hurricane-related charges recorded in 2017 also contributed to the increase. These increases were partially offset by decreased valuation charges associated with other real estate and loans held for sale.

INCOME TAXES

The Company’s income tax expense from continuing operations for the year ended 2017 was $614 million compared to income tax expense of $514 million for the same period in 2016, resulting in effective tax rates of 32.8 percent and 30.7 percent, respectively.

On December 22, 2017, Tax Reform was enacted. Effective January 1, 2018, Tax Reform reduces the maximum corporate statutory federal income tax rate from 35 percent to 21 percent. As a result of enactment, the Company recognized additional income tax expense of approximately $52 million in the fourth quarter of 2017, which included $25 million related to revaluation of its net deferred tax assets, $23 million related to the revision of its proportional amortization calculation associated with low-income housing investments, and $4 million related to revaluation of the reserve for unrecognized tax benefits.

Excluding the $52 million impact of Tax Reform, the effective tax rate for the year ended December 31, 2017 would have been 30.1%, which is lower than the prior comparable period due to the termination of certain leveraged leases in 2016 and adjustments to valuation allowances and reserves for unrecognized tax benefits in 2017.

In addition to the reduction of the corporate statutory income tax rate, Tax Reform also implemented many law changes that broaden the tax base of corporations beginning on January 1, 2018. Notable items that will impact the Company are the non-deductibility of FDIC insurance premiums and the elimination of the exception for performance-based compensation in meeting the $1 million threshold related to certain executive compensation limitations. Based on this new legislation, the Company expects the effective tax rate for 2018 to range from 20% to 22%.

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, net tax benefits related to affordable housing investments, income from bank-owned life insurance, 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 December 31, 2017, the Company reported a net deferred tax asset of $163 million compared to a net deferred asset of $308 million at December 31, 2016.

The decrease in the net deferred tax asset, including the revaluation adjustment related to Tax Reform, was driven principally by decreases in the deferred tax assets related to the allowance for loan losses, unrealized gains and losses included in stockholders’ equity as well as employee benefits and deferred compensation. These decreases were offset by decreases in deferred tax liabilities related principally to lease financing and goodwill and intangibles.

The Company continually assesses the realizability of its deferred tax assets based on an evaluative process that considers all available positive and negative evidence. As part of this evaluative process, the Company considers the following sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income exclusive of reversing temporary differences and carryforwards; 3) taxable income within any applicable carryback periods (post Tax Reform, NOL's generated by Regions cannot be carried back, but can be carried forward indefinitely); and 4) tax-planning strategies. In making a conclusion, the Company has evaluated all available positive and negative evidence impacting these sources of taxable income. The primary sources of evidence impacting the Company's judgment regarding the realization of its deferred tax assets are summarized below.

- History of earnings - In 2017, the Company has continued its positive earnings trend with positive earnings from 2012 through 2017. All federal net operating losses and federal tax credit carryforwards with expiration dates have been utilized. There is no history of significant tax carryforwards expiring unused.
- Reversals of taxable temporary differences - The Company anticipates that future reversals of taxable temporary differences, including the accretion of taxable temporary differences related to leveraged leases acquired in a prior business combination, can absorb up to approximately $430 million of deferred tax assets.
- Creation of future taxable income - The Company has projected future taxable income that will be sufficient to absorb the remaining deferred tax assets after the reversal of future taxable temporary differences.
- Ability to implement tax planning strategies - The Company has the ability to implement tax planning strategies such as asset sales to maximize the realization of deferred tax assets.

Based on this evaluative process, the Company has established a valuation allowance in the amount of $34 million at December 31, 2017 and $30 million at December 31, 2016 because the Company believes that a portion of the state net operating loss carryforwards will not be utilized. The valuation allowance increased approximately $6 million (included in the $52 million increase in income tax expense discussed above) due to the reduction in the corporate statutory federal income tax rate. The increase was partially offset by a reduction in the valuation allowance related to certain state tax credits and net operating losses.

See Note 1 “Summary of Significant Accounting Policies” and Note 20 “Income Taxes” to the consolidated financial statements for additional information about income taxes.

DISCONTINUED OPERATIONS

Morgan Keegan was sold on April 2, 2012. Regions' results from discontinued operations are presented in Note 3 "Discontinued Operations" to the consolidated financial statements. During both 2017 and 2016, income from discontinued operations was primarily the result of recoveries of legal expenses.

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BALANCE SHEET ANALYSIS

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

Cash and Cash Equivalents

At December 31, 2017, cash and cash equivalents totaled $4.0 billion as compared to $5.5 billion at December 31, 2016. The decrease year-over-year was primarily driven by a decrease in interest-bearing deposits in other banks as a result of normal day-to-day operating activities.

Securities

Regions utilizes the securities portfolio to manage liquidity, interest rate risk, and regulatory capital, as well as to take advantage of market conditions to generate a favorable return on investments without undue risk.

The “Market Risk-Interest Rate Risk” and "Liquidity Risk" sections, found later in this report, further explain Regions’ interest rate and liquidity risk management practices. The weighted-average yield earned on securities, less equities, was 2.45 percent in 2017 and 2.41 percent in 2016 (see Table 8 “Relative Contractual Maturities and Weighted-Average Yields for Securities”). Table 7 “Securities” details the carrying values of securities, including both available for sale and held to maturity.

Table 7—Securities

	2017	2016	2015
	(In millions)		
U.S. Treasury securities	$331	$303	$229
Federal agency securities	28	35	558
Obligations of states and political subdivisions	—	1	1
Mortgage-backed securities:			
Residential agency	18,442	18,571	17,491
Residential non-agency	3	4	5
Commercial agency	4,361	3,625	3,194
Commercial non-agency	788	1,129	1,231
Corporate and other debt securities	1,108	1,274	1,667
Equity securities	225	201	280
	$25,286	$25,143	$24,656

Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities. Securities increased $143 million from December 31, 2016 to December 31, 2017 primarily due to additional portfolio purchases, which were partially offset by decreases in the fair value of certain securities based on changes in market interest rates.

Maturity Analysis—The average life of the securities portfolio (excluding equities) at December 31, 2017 was estimated to be 5.9 years, with a duration of approximately 4.3 years. These metrics compare with an estimated average life of 5.8 years, with a duration of approximately 4.3 years for the portfolio at December 31, 2016. Table 8 “Relative Contractual Maturities and Weighted-Average Yields for Securities” provides additional details.

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Table 8—Relative Contractual Maturities and Weighted-Average Yields for Securities

	Securities Maturing as of December 31, 2017				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
	(Dollars in millions)				
Securities [1]:					
U.S. Treasury securities	$13	$ 302	$ 13	$3	$331
Federal agency securities	—	19	—	9	28
Mortgage-backed securities:					
Residential agency	10	141	1,932	16,359	18,442
Residential non-agency	—	—	—	3	3
Commercial agency	—	1,156	2,988	217	4,361
Commercial non-agency	—	—	33	755	788
Corporate and other debt securities	20	557	458	73	1,108
	$43	$ 2,175	$ 5,424	$17,419	$25,061
Weighted-average yield [2]	2.09%	2.29 %	2.50 %	2.46 %	2.45 %

(1) Equity securities of other corporations held by Regions are not included in the table.

(2) The weighted-average yields are calculated on the basis of the yield to maturity based on the book value of each security. Weighted-average yields on tax-exempt obligations have been computed on a taxable-equivalent basis using a tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit. Average tax-exempt securities were maintained at such a small balance in 2017 that the taxable-equivalent adjustments for the calculation of yields amounted to zero for the year ended December 31, 2017. Yields on tax-exempt obligations have not been adjusted for the non-deductible portion of interest expense used to finance the purchase of tax-exempt obligations.

Portfolio Quality—Regions' investment policy emphasizes credit quality and liquidity. Securities rated in the highest category by nationally recognized rating agencies and securities backed by the U.S. Government and government sponsored agencies, both on a direct and indirect basis, represented approximately 95 percent of the investment portfolio at December 31, 2017. All other securities rated below AAA, not backed by the U.S. Government or government sponsored agencies, or which are not rated represented approximately 5 percent of total securities at December 31, 2017.

Loans Held For Sale

At December 31, 2017, loans held for sale totaled $348 million, consisting of $325 million of residential real estate mortgage loans, $17 million of non-performing loans, and $6 million of commercial mortgage and other loans. At December 31, 2016, loans held for sale totaled $718 million, consisting of $505 million of residential real estate mortgage loans, $200 million of commercial mortgage loans, and $13 million of non-performing loans. The level of residential real estate mortgage loans held for sale that are part of the Company's mortgage originations to be sold in the secondary market fluctuates depending on the timing of the origination and sale to third parties. The level of commercial mortgage loans held for sale also fluctuates depending on timing.

Loans

GENERAL

Average loans, net of unearned income, represented 73 percent of average interest-earning assets for both of the years ended December 31, 2017 and December 31, 2016. Lending at Regions is generally organized along three portfolio segments: commercial loans (including commercial and industrial, and owner-occupied commercial real estate mortgage and construction loans), investor real estate loans (commercial real estate mortgage and construction loans) and consumer loans (residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card and other consumer loans).

Table 9 illustrates a year-over-year comparison of loans, net of unearned income, by portfolio segment and class and Table 10 provides information on selected loan maturities.

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Table 9—Loan Portfolio

	2017	2016	2015	2014	2013
	(In millions, net of unearned income)				
Commercial and industrial	$36,115	$35,012	$35,821	$32,732	$29,413
Commercial real estate mortgage—owner-occupied	6,193	6,867	7,538	8,263	9,495
Commercial real estate construction—owner-occupied	332	334	423	407	310
Total commercial	42,640	42,213	43,782	41,402	39,218
Commercial investor real estate mortgage	4,062	4,087	4,255	4,680	5,318
Commercial investor real estate construction	1,772	2,387	2,692	2,133	1,432
Total investor real estate	5,834	6,474	6,947	6,813	6,750
Residential first mortgage	14,061	13,440	12,811	12,315	12,163
Home equity	10,164	10,687	10,978	10,932	11,294
Indirect—vehicles	3,326	4,040	3,984	3,642	3,075
Indirect—other consumer	1,467	920	545	206	198
Consumer credit card	1,290	1,196	1,075	1,009	948
Other consumer	1,165	1,125	1,040	988	963
Total consumer	31,473	31,408	30,433	29,092	28,641
	$79,947	$80,095	$81,162	$77,307	$74,609

Table 10—Selected Loan Maturities

	Loans Maturing as of December 31, 2017 [1]			
	Within One Year	After One But Within Five Years	After Five Years	Total
	(In millions)			
Commercial and industrial [2]	$4,766	$ 23,060	$8,104	$35,930
Commercial real estate mortgage—owner-occupied	758	2,715	2,720	6,193
Commercial real estate construction—owner-occupied	18	74	240	332
Total commercial	5,542	25,849	11,064	42,455
Commercial investor real estate mortgage	1,638	2,147	277	4,062
Commercial investor real estate construction	521	1,224	27	1,772
Total investor real estate	2,159	3,371	304	5,834
	$7,701	$ 29,220	$11,368	$48,289

	Predetermined Rate	Variable Rate
	(In millions)	
Due after one year but within five years	$4,734	$24,486
Due after five years	8,014	3,354
	$12,748	$27,840

(1) Excludes residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card and other consumer loans.
(2) Excludes $185 million of small business credit card accounts.

Loans, net of unearned income, totaled $79.9 billion at December 31, 2017, a decrease of $148 million from year-end 2016 levels. Regions manages loan growth with a focus on risk management and risk-adjusted return on capital. Loan balances decreased year over year in the investor real estate and commercial real estate portfolio classes, while the commercial and industrial portfolio class increased. Within the consumer portfolio classes, only the home equity and indirect-vehicles classes declined year over year.

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PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes disclosed in Table 9, explain changes in balances from the 2016 year-end, 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 5 “Loans” and Note 6 “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 or 3 percent since year-end 2016 driven primarily by new relationships and expansion of existing relationships in government and institutional banking, technology and defense, financial services, and real estate investment trust portfolios, which more than offset declines in energy balances as well as the impact of large corporate customers utilizing the fixed income market to pay down and pay off bank debt. Commercial also includes owner-occupied commercial real estate mortgage loans and owner-occupied commercial real estate construction loans to operating businesses. Owner-occupied commercial real estate mortgage loans are for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. These loans declined $674 million or 10 percent from year-end 2016 as a result of continued softness in demand and increasing competition for middle market and small business loans. 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 table provides detail of Regions' commercial lending balances in selected industries as of December 31:

Table 11—Selected Industry Exposure

	December 31, 2017		
	Loans	Unfunded Commitments	Total Exposure
	(In millions)		
Administrative, support, waste and repair	$976	$ 620	$ 1,596
Agriculture	525	247	772
Educational services	2,353	378	2,731
Energy	1,767	1,877	3,644
Financial services [(1)]	3,615	3,336	6,951
Government and public sector	2,785	394	3,179
Healthcare	4,216	1,586	5,802
Information	1,294	813	2,107
Manufacturing [(1)]	4,181	3,785	7,966
Professional, scientific and technical services [(1)]	1,764	1,266	3,030
Real estate [(1)]	6,315	5,772	12,087
Religious, leisure, personal and non-profit services	1,841	726	2,567
Restaurant, accommodation and lodging	2,224	642	2,866
Retail trade	2,336	2,294	4,630
Transportation and warehousing [(1)]	1,815	863	2,678

Utilities	1,557	2,114	3,671
Wholesale goods [1]	3,148	2,267	5,415
Other [2]	(72)	1,604	1,532
Total commercial	$42,640	$ 30,584	$ 73,224

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	December 31, 2016 (3)		
	Loans	Unfunded Commitments	Total Exposure
	(In millions)		
Administrative, support, waste and repair	$899	$ 481	$ 1,380
Agriculture	612	241	853
Educational services	1,929	307	2,236
Energy	2,097	1,968	4,065
Financial services (4)	3,473	3,228	6,701
Government and public sector	2,485	246	2,731
Healthcare	4,178	1,483	5,661
Information	1,111	817	1,928
Manufacturing (4)	4,101	4,024	8,125
Professional, scientific and technical services (4)	1,701	1,052	2,753
Real estate (4)	6,513	5,445	11,958
Religious, leisure, personal and non-profit services	1,934	495	2,429
Restaurant, accommodation and lodging	2,436	650	3,086
Retail trade	2,570	2,339	4,909
Transportation and warehousing (4)	2,196	1,005	3,201
Utilities	1,147	2,008	3,155
Wholesale goods (4)	2,795	2,396	5,191
Other (2)	36	1,162	1,198
Total commercial	$42,213	$ 29,347	$ 71,560

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(1) Regions' definition of indirect energy-related lending includes certain balances within each of these selected industry categories. As of December 31, 2017, total indirect energy-related loans were approximately $578 million, with approximately $551 million included in commercial loans and $27 million in investor real estate loans. Total unfunded commitments for indirect energy-related lending were $408 million as of December 31, 2017.

(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.

(4) Regions' definition of indirect energy-related lending includes certain balances within each of these selected industry categories. As of December 31, 2016, total indirect energy-related loans were approximately $536 million, with approximately $506 million included in commercial loans and $30 million in investor real estate loans. Total unfunded commitments for indirect energy-related lending were $446 million as of December 31, 2016.

Regions continues to monitor the impacts of oil prices on both its direct and indirect energy lending portfolios. Regions’ direct energy loan balances at December 31, 2017 amounted to approximately $1.8 billion, consisting of loans for oilfield services, exploration and production, and pipeline transportation of gas and crude oil. Other types of lending are tangentially impacted by the energy portfolio, such as petroleum wholesalers, oil and gas equipment manufacturing, air transportation, and petroleum bulk stations and terminals. These indirect energy loan balances were approximately $578 million at December 31, 2017. The entire energy-related portfolio, combining direct and indirect loans, was approximately $2.3 billion or 3 percent of total loans at December 31, 2017. Regions also has $10 million of energy-related loans held for sale and $55 million of energy-related operating leases. Regions evaluates the current value of these operating lease assets and tests for impairment when indicators of impairment are present. Economic trends such as volatility in commodity prices and collateral valuations, as well as circumstances related to individually large operating lease assets could result in impairment. If an impairment loss is deemed necessary on operating lease assets, the impairment is recorded through other non-interest income.

Regions' energy-related portfolio is geographically concentrated primarily in Texas and, to a lesser extent, in southern Louisiana. Regions employs a variety of risk management strategies, including the use of concentration limits and continuous monitoring, as well as utilizing underwriting with borrowing base structures tied to energy commodity reserve bases or other tangible assets. Additionally, heightened credit requirements have been adopted for select segments of the portfolio. Regions also employs experienced lending and underwriting teams including petroleum engineers, all with extensive energy sector experience through multiple economic cycles. Given the recent volatility in oil prices, this energy-related portfolio may be subject to additional pressure on credit quality metrics including past due, criticized, and non-performing loans, as well as net charge-offs. Regions'

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energy-related portfolio consists of a relatively small number of customers, which provides the Company granular insight into the financial health of those borrowers. Through its on-going portfolio credit quality assessment, Regions will continue to assess the impact to the allowance and make adjustments as appropriate.

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 decreased $640 million from 2016 year-end balances. A number of investor real estate loans paid off in the third quarter of 2017 prior to maturity reflecting the impact of low capitalization rates.

Due to the nature of the cash flows typically used to repay investor real estate loans, these loans are particularly vulnerable to weak economic conditions. As a result, this loan type has a higher risk of non-collection than other loans.

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 experienced a $621 million or 4.6 percent increase from year-end 2016. Approximately $2.8 billion in new loan originations were retained on the balance sheet during 2017.

Home Equity

Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their homes. The home equity portfolio totaled $10.2 billion at December 31, 2017 as compared to $10.7 billion at December 31, 2016. Substantially all of this portfolio was originated through Regions' branch network.

The following table presents information regarding the future principal payment reset dates for the Company's home equity lines of credit as of December 31, 2017. 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 12—Home Equity Lines of Credit - Future Principal Payment Resets

	First Lien	% of Total	Second Lien	% of Total	Total
	(Dollars in millions)				
2018	$11	0.16 %	$18	0.27 %	$29
2019	63	0.96	55	0.84	118
2020	132	2.01	102	1.55	234
2021	154	2.35	136	2.07	290
2022	170	2.58	155	2.37	325
2023-2027	2,140	32.56	2,180	33.18	4,320
2028-2032	720	10.96	534	8.12	1,254
Thereafter	—	0.01	1	0.01	1
Total	$3,390	51.59%	$3,181	48.41%	$6,571

Of the $10.2 billion home equity portfolio at December 31, 2017, approximately $6.6 billion were home equity lines of credit and $3.6 billion were closed-end home equity loans (primarily originated as amortizing loans). 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 period.

Prior to May 2009, home equity lines of credit had a 20-year term with a balloon payment upon maturity or a 5-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. As of December 31, 2017, none of Regions' home equity lines of credit have converted to mandatory amortization under the contractual terms.

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Other 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 and home equity classes of the consumer portfolio segment. Current LTV data for the remaining loans in the portfolio is not available, primarily because some of the loans are serviced by others. Data may also not be 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. The balances in the "Above 100%" category as a percentage of the portfolio balances were less than one percent in the residential first mortgage portfolio and two percent in the home equity portfolio at December 31, 2017.

During 2017, enhancements were made to the methodology used to estimate the current value of property secured as collateral. As such, certain prior period residential first mortgage amounts in the table below have been reclassified between categories to conform with current period presentation.

Table 13—Estimated Current Loan to Value Ranges

	December 31, 2017			December 31, 2016		
	Residential First Mortgage	Home Equity		Residential First Mortgage	Home Equity	
		1st Lien	2nd Lien		1st Lien	2nd Lien
	(In millions)					
Estimated current loan to value:						
Above 100%	$123	$49	$117	$158	$82	$235
80% - 100%	1,711	275	485	1,753	371	677
Below 80%	11,639	6,257	2,766	11,000	6,248	2,814
Data not available	588	85	130	529	99	161
	$14,061	$6,666	$3,498	$13,440	$6,800	$3,887

Indirect—Vehicles

Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. This portfolio class decreased $714 million from year-end 2016. The decrease was primarily due to the termination of a third-party arrangement during the fourth quarter of 2016. The balance is expected to continue to decrease during 2018.

Indirect—Other Consumer

Indirect-other consumer lending represents other point-of-sale lending through third parties. This portfolio class increased $547 million from year-end 2016 primarily due to continued growth in new point-of-sale initiatives, and the bulk purchase of $138 million in loans during the second quarter of 2017.

Consumer Credit Card

Consumer credit card lending represents primarily open-ended variable interest rate consumer credit card loans. These balances increased $94 million from year-end 2016.

Other Consumer

Other consumer loans primarily include direct consumer loans, overdrafts and other revolving loans. Other consumer loans increased $40 million from year-end 2016.

Regions qualitatively 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 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. The following tables present estimated current FICO score data for components of classes of the consumer portfolio segment. Current FICO data is not available for the remaining loans in the portfolio for various reasons; for example, if customers do not use sufficient credit, an updated score may not be available. Residential first mortgage and home equity balances with FICO scores below 620 were 5 percent of the combined portfolios for both December 31, 2017 and December 31, 2016.

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Table 14—Estimated Current FICO Score Ranges

	December 31, 2017						
	Residential First Mortgage	Home Equity 1st Lien	Home Equity 2nd Lien	Indirect-Vehicles	Indirect-Other Consumer	Consumer Credit Card	Other Consumer
	(In millions)						
Below 620	$741	$261	$161	$ 328	$ 43	$ 85	$ 72
620 - 680	829	492	300	396	153	220	146
681 - 720	1,353	775	435	419	246	288	227
Above 720	10,344	5,000	2,546	2,088	765	689	656
Data not available	794	138	56	95	260	8	64
	$14,061	$6,666	$3,498	$ 3,326	$ 1,467	$ 1,290	$ 1,165

	December 31, 2016						
	Residential First Mortgage	Home Equity 1st Lien	Home Equity 2nd Lien	Indirect - Vehicles	Indirect-Other Consumer	Consumer Credit Card	Other Consumer
	(In millions)						
Below 620	$807	$301	$204	$ 427	$ 19	$ 71	$ 82
620 - 680	920	529	355	527	94	206	162
681 - 720	1,400	834	489	559	141	271	222
Above 720	9,578	4,988	2,775	2,402	382	647	597
Data not available	735	148	64	125	284	1	62
	$13,440	$6,800	$3,887	$ 4,040	$ 920	$ 1,196	$ 1,125

Allowance for Credit Losses

The allowance for credit losses ("allowance") consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. The allowance for loan losses totaled $934 million at December 31, 2017 as compared to $1.1 billion in December 31, 2016. The allowance for loan losses as a percentage of net loans decreased from 1.36 percent at December 31, 2016 to 1.17 percent as of December 31, 2017. The decrease in percentage is primarily attributable to a reduction in non-performing, criticized and troubled debt restructured loans, as well as payoffs, paydowns and improved risk ratings of commercial loans.

During the third quarter of 2017, several hurricanes impacted 100 counties in six states of Regions’ footprint. These hurricanes caused significant flood and wind damage, resulting in loss of life, property, power and income. The hurricanes primarily impacted Regions' footprint in Houston, Texas and the state of Florida. In the Houston metropolitan area, Regions had loans of approximately $3.2 billion as of September 30, 2017. In Florida, Regions had loans of approximately $16.2 billion as of September 30, 2017. Due to the timing of the hurricanes, loan balances as of September 30, 2017 are the most relevant gauge of potential impact.

The provision for loan losses decreased from $262 million in 2016 to $150 million in 2017. The provision for loan losses was less than net charge-offs for 2017 by approximately $157 million, reflecting improving economic conditions resulting in broad-based improvements in credit metrics, with a corresponding impact from the items resulting in a decline in the allowance discussed above. Net charge-offs for 2017 were approximately $30 million higher as compared to 2016, reflecting large-dollar commercial loan charge-offs within the energy, healthcare and education sectors. A hurricane-related loan loss provision of $40 million was recorded during 2017. Regions continues to assess the customers directly impacted by the hurricanes and the related level of estimated loss, including economic disruption in the affected areas that could potentially have an adverse impact on some borrowers. The estimate of potential loss includes a significant amount of uncertainty and remains unchanged at $40 million as of December 31,

2017. The availability of additional or different information affecting customers in the hurricane-impacted areas could cause the allowance for loan losses to be changed in future periods. However, based on current information an increase in hurricane reserves is not anticipated.

Management expects that net loan charge-offs will be in the 0.35 percent to 0.50 percent range for the 2018 year; based on recent trends and current market conditions, Regions currently expects to be at the lower end of that range. Economic trends such as interest rates, unemployment, volatility in commodity prices, collateral valuations, and further analysis of hurricane exposures will impact the future levels of net charge-offs and may result in volatility in certain credit metrics. Additionally, changes in circumstances related to individually large credits or certain portfolios may result in volatility.

Details regarding the allowance and net charge-offs, including an analysis of activity from previous years' totals, are included in Table 15 “Allowance for Credit Losses.”

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The table below summarizes activity in the allowance for credit losses for the years ended December 31:

Table 15—Allowance for Credit Losses

	2017	2016	2015	2014	2013
	(Dollars in millions)				
Allowance for loan losses at January 1	$1,091	$1,106	$1,103	$1,341	$1,919
Loans charged-off:					