# Chairman's Message

## To our shareholders, associates, customers and communities:

At Regions we have a clear, actionable plan to grow value for all our stakeholders — to enhance our ability to serve the financial needs of our customers; to create a high-performing and engaged team of associates; to be actively involved in supporting our communities; and, to deliver sustainable performance to shareholders.

We spend a lot of time thinking about what customers need from us today and what they will expect from us in the future. After all, our continued success rests on properly aligning our capabilities, solutions, processes and teams with the financial needs of our customers. No matter how they choose to bank with us — web, smart phone app, at an ATM, by phone or in our branches — we know they want convenience. They want responsive service and faster answers while receiving trusted advice to help meet their financial objectives. Perhaps most importantly, we know our customers' expectations constantly change. They evolve rapidly — and so must we.

By embracing change and innovation, our associates execute a disciplined strategy that enhances our customers' experience and delivers long-term, sustainable growth for Regions. It was this disciplined approach and a commitment to continuous improvement that contributed to a year of strong performance. In fact, 2017 was one of the most successful in our bank's 160-plus year history. We increased overall profitability and continued to deliver robust shareholder returns while providing some of the best customer service in the industry. We enhanced our efficiencies and delivered prudent growth even as we strengthened the foundation of trust and integrity that is essential to building enduring customer relationships.

### EXECUTING OUR STRATEGY, DRIVING RESULTS

A consistent focus on strategic business execution, coupled with an improved economic outlook in the markets we serve, produced positive results in 2017. Total shareholder return, which represents the increase in share price and the value of dividends, was 23 percent for the year, outpacing both the average for our regional bank peers and the S&P 500. Our goal is to increase long-term shareholder value, and we are on track to deliver against that objective. Our five-year total return of 167 percent places us near the top among our regional banking peer group.

For the year, net income available to common shareholders from continuing operations totaled $1.2 billion, an increase of 9 percent from the prior year. Earnings per diluted share grew to $1.00, 15 percent higher than 2016. We achieved sequential improvement in net interest income and net interest margin in every quarter in 2017; for the year, adjusted net interest income* increased $154 million or 4 percent, while adjusted net interest margin* expanded 19 basis points to 3.33 percent. In 2017, we continued to demonstrate broad-based improvements in most of our credit metrics. Importantly, as we complete the second year of our three-year plan, we remain on target to reach or exceed our long-term financial goals in 2018: an adjusted earnings per share compound annual growth rate of 12 to 15 percent, an adjusted efficiency ratio below 60 percent, and an adjusted return on average tangible common equity of 14 to 16 percent. We increased the goal for the latter from 12 to 14 percent to reflect the impact of corporate income tax reform.

### EXPANDING AND DEEPENING RELATIONSHIPS

Strong results begin with superior customer focused service, and independent measures of our performance place Regions in the top tier. The Temkin Group ranked Regions the top-rated bank and the fourth-highest rated company overall for customer experience, J.D. Power's rankings placed us second in retail banking and primary mortgage servicing, while Greenwich Associates recognized our Commercial and Corporate Banking groups' commitment to quality service. That successful execution underpins our ability to earn new customer relationships and deepen existing ones.

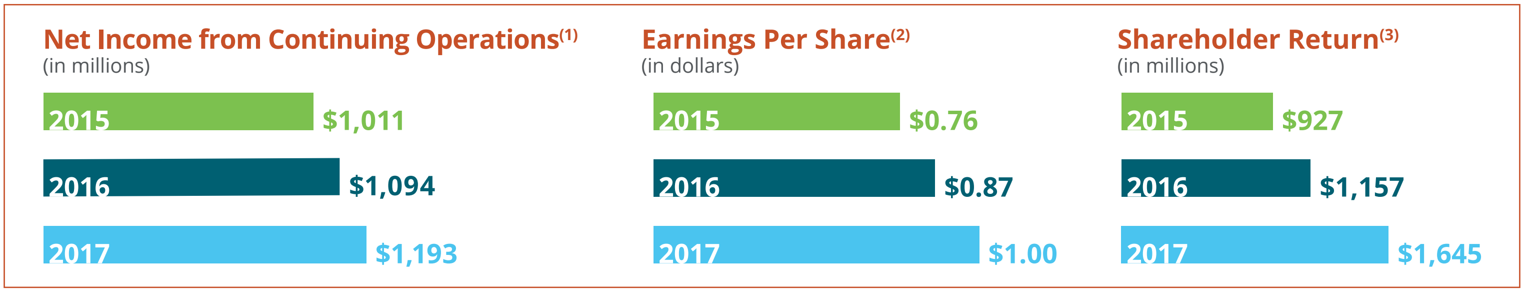
Our focus on outstanding customer service led to year-over-year growth in checking accounts, households, credit cards, wealth management relationships, total assets under management and consumer loans — all of which are fundamental to growth and future income generation. As it relates to the balance sheet, year-over-year average loan balances fell modestly, as we continue to execute our deliberate and disciplined diversification strategy focused on achieving appropriate risk-adjusted returns. We employ a thoughtful, responsible approach to loan growth that emphasizes profitability, prudent corporate client selectivity and diversification — which we view as an especially powerful risk management tool. Going forward, we remain committed to prudently growing loans in a manner that improves risk-adjusted returns. As 2017 drew to a close, commercial lending activity accelerated, momentum that we expect to continue in 2018 as clarity around tax reform supports increased business confidence.

### THE REGIONS DEPOSIT ADVANTAGE

Another contributor to our performance is our stable and granular deposit base, which is one of the most attractive in the industry and creates a significant competitive advantage. Our deliberate strategy to optimize our deposit base has created a more favorable deposit mix: more than two-thirds of deposits are derived from retail sources. The Regions customer base is attractive in another way — it is very loyal. More than 40 percent of our consumer low-cost deposits are held by customers who have banked with us for 10 years or longer. During the current rising interest rate cycle, those advantages help keep deposit costs low while offering a competitive rate to our customers.

Our capital planning process is grounded in three priorities: organic growth, strategic investments and returning capital to shareholders. Last year, we continued to invest in technology enhancements that provide customers with better mobile and web experiences. We also introduced new platforms for wealth management and treasury management that are aligned with today's customer needs and help us work more efficiently. Returning an appropriate level of capital to shareholders remains an important priority, and last year we returned more than $1.6 billion in the form of quarterly dividends and common share repurchases.

Even as we deliver superior customer service, it is crucial that we continue to find ways to serve customers more efficiently and effectively. Last year we accelerated our initiative to eliminate $400 million from our expense base by the end of 2019, an objective we now expect to substantially reach a year early. By the fourth quarter our adjusted efficiency ratio* had fallen to 61.1 percent, on track to reach our long-term objectives.




*(1) Available to common shareholders (2) Diluted earnings per share from continuing operations (3) Includes dividends to common shareholders and share repurchases*

## LEVERAGING A PROMISING OPPORTUNITY

Where does our continuous improvement approach, one that is guided by evolving customer needs, take us next? Toward simplifying our organization and making it easier to do business with us. With the evolution of companies that can deliver products quickly, customers' expectations are pushing every industry to progress rapidly. When customers apply for a loan or begin a banking relationship, they want faster answers and a smoother, easier process. When they visit a branch, they expect prompt service from knowledgeable bankers equipped to handle any need and to provide superior advice, guidance and education. When they call our contact center, it's critical that our associates have the tools and training to answer questions quickly, accurately and resolve problems.

To address those needs we have launched a customer-centric initiative called Simplify and Grow. The goal of Simplify and Grow is to make banking easier for both our customers and the associates who serve them, and to build a sustainable franchise focused for the long-term. It's an opportunity to build a more effective organization, make better decisions and make them promptly while establishing clear responsibility and accountability.

While we are still in the initial phases of our Simplify and Grow initiative, our team is fully engaged and optimistic about the progress we are making together. Branch associate roles have been restructured so that every associate in the branch is now a banker empowered to meet customer needs in a more dynamic way than ever before. These associates are trained to provide excellent financial advice, guidance and education to help customers reach their financial goals. This change also expands professional opportunities for our associates in our branches. Regions branches attract as many as 3 million customer visits per month. That makes them a vital and highly relevant delivery channel, so we approach optimization of our branch network in a measured and thoughtful way.

## DEPLOYING NEW DIGITAL SOLUTIONS

Augmented intelligence (AI) and robotic technology hold great promise to provide better, faster and more accurate service at lower cost while enhancing our risk management practices. These technologies are designed to enhance human expertise rather than replace it, and empower our associates to work smarter, more effectively, and more efficiently. We are taking steps to introduce these systems in our contact centers, where they can identify answers and deliver them in real time, and in other operational settings as well. Simpler, easier banking starts with making the loan process less complicated for both consumer and commercial customers. That's why we will soon offer a fully digital option for every consumer loan category — providing customers choice and convenience.

Our journey toward a simpler way of serving customers is just beginning. We are committed to moving forward in a way that strengthens our culture and the customer experience. Even as we accelerate answers and streamline procedures, our mandate is clear: risk management processes and controls can never be compromised. While we embrace change, we will also ensure that the changes we make contribute to a sustainable business model built for the long term. We will also never compromise on this: a culture that puts our customers and communities at the center of every decision and serves them with integrity built on a foundation of trust and respect. It is fundamental to our commitment to create shared value for all our stakeholders.

## FULFILLING A HIGHER PURPOSE

Regions' emphasis on creating shared value is not ancillary to our strategic objectives — it is the heart of who we are and what we believe as a company. Our stakeholders have high expectations, and they go well beyond delivering strong financial performance and increased shareholder value. They want to know that Regions is fulfilling a higher purpose and making a positive contribution to people and communities. We are also committed to our shareholders and regularly engage with their corporate governance teams, who help make certain that the companies whose stock they hold are appropriately addressing environmental, social, and governance issues to ensure that the business is sustainable in every sense of the word.

Regions' commitment to this purpose is ongoing and there is always work to be done as we keep these priorities front and center, working to elevate our performance alongside creating shared value. For our associates, in 2017 we devoted nearly one million hours to associate training, supporting employees' professional growth and advancement, and in 2018 will increase the entry level wages of our workforce. In our communities, last year Regions partnered in nearly $300 million of affordable housing projects across our service area and our associates provided over 70,700 volunteer hours to non-profit causes of their choice. In addition, in January 2018, we announced an additional $40 million contribution to the company's charitable foundation to support financial education, job training, economic development, and affordable housing. These types of projects will always remain an important component of our business.

## POSITIONED FOR SUSTAINABLE GROWTH

Thinking about the many opportunities before us, I'm excited about what lies ahead for Regions. Externally we see a more favorable business climate, strong employment, an improving interest rate cycle and the benefits from tax reform coming together to create an environment conducive to growth. Inside the bank, we've just begun to realize the benefits that come from a simpler, better way of doing business. As we embrace change, the agents of that change are thousands of Regions associates who are committed to their customers, to one another, and to their communities.

I am proud of their contributions to our success in 2017 and am confident of what they can achieve going forward. My thanks to each of them, and to our customers, shareholders and Board of Directors for their continued support.

Sincerely,

Grayson Hall
Chairman and Chief Executive Officer

**See Table 2 in 2017 Form 10-K for GAAP to non-GAAP reconciliations*