REGIONS FINANCIAL CORP
Form 10-Q
November 05, 2015
Table of Contents

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

Form 10-Q

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2015
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number: 001-34034

Regions Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	63-0589368 (I.R.S. Employer Identification No.)
1900 Fifth Avenue North Birmingham, Alabama (Address of principal executive offices)	35203 (Zip Code)

(800) 734-4667
(Registrant’s telephone number, including area code)
NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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. ý Yes ¨ 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). ý Yes ¨ No
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. (Check one): Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý No

The number of shares outstanding of each of the issuer's classes of common stock was 1,305,468,694 shares of common stock, par value $.01, outstanding as of November 2, 2015.

Table of Contents

REGIONS FINANCIAL CORPORATION
FORM 10-Q
INDEX

Table of Contents

Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when or where appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “shou expressions often 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, 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 declines in property values, 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, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- 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.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.
- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.
- Changes in laws and regulations affecting our businesses, such as the Dodd-Frank Act and other 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.
- Our ability to obtain no regulatory objection (as part of the comprehensive capital analysis and review ("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 applicable capital and liquidity requirements (including the Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.
- 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.
- 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.
- 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.

Table of Contents

- The inability of our internal disclosure 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.
- Our inability to keep pace with technological changes could result in losing business to competitors.
- Our ability to identify and address cyber-security risks such as data security breaches, "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; increased costs; losses; or adverse effects to our reputation.
- 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.
- 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 Financial Accounting Standards Board or other regulatory agencies could materially affect how we report our financial results.
- 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 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.

See also the reports filed with the Securities and Exchange Commission, including the discussion under the “Risk Factors” section of Regions’ Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

Table of Contents

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2015	December 31, 2014
	(In millions, except share data)	
Assets		
Cash and due from banks	$1,726	$1,601
Interest-bearing deposits in other banks	3,217	2,303
Federal funds sold and securities purchased under agreements to resell	65	100
Trading account securities	106	106
Securities held to maturity (estimated fair value of $2,048 and $2,209, respectively)	2,001	2,175
Securities available for sale	22,714	22,580
Loans held for sale (includes $421 and $440 measured at fair value, respectively)	453	541
Loans, net of unearned income	81,063	77,307
Allowance for loan losses	(1,115)	(1,103)
Net loans	79,948	76,204
Other interest-earning assets	93	89
Premises and equipment, net	2,122	2,193
Interest receivable	316	310
Goodwill	4,831	4,816
Residential mortgage servicing rights at fair value	241	257
Other identifiable intangible assets	263	275
Other assets	6,693	6,013
Total assets	$124,789	$119,563
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$34,117	$31,747
Interest-bearing	63,061	62,453
Total deposits	97,178	94,200
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	—	1,753
Other short-term borrowings	—	500
Total short-term borrowings	—	2,253
Long-term borrowings	7,364	3,462
Total borrowed funds	7,364	5,715
Other liabilities	3,295	2,775
Total liabilities	107,837	102,690
Stockholders' equity:		
Preferred stock, authorized 10 million shares, par value $1.00 per share		
Non-cumulative perpetual, liquidation preference $1,000.00 per share, including related surplus, net of issuance costs; issued—1,000,000 shares	836	884
Common stock, authorized 3 billion shares, par value $.01 per share:		
	13	14

Issued including treasury stock—1,345,648,066 and 1,395,204,638 shares, respectively		
Additional paid-in capital	18,019	18,767
Retained earnings (deficit)	(400)	(1,177)
Treasury stock, at cost—41,261,008 and 41,262,645 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	(139)	(238)
Total stockholders' equity	16,952	16,873
Total liabilities and stockholders' equity	$124,789	$119,563

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$748	$736	$2,201	$2,205
Securities - taxable	146	154	448	464
Loans held for sale	5	5	12	17
Trading account securities	—	—	4	2
Other interest-earning assets	2	2	5	7
Total interest income	901	897	2,670	2,695
Interest expense on:				
Deposits	27	26	82	78
Short-term borrowings	—	—	1	1
Long-term borrowings	38	50	116	156
Total interest expense	65	76	199	235
Net interest income	836	821	2,471	2,460
Provision for loan losses	60	24	172	61
Net interest income after provision for loan losses	776	797	2,299	2,399
Non-interest income:				
Service charges on deposit accounts	167	181	496	528
Card and ATM fees	93	85	268	248
Mortgage income	39	39	125	122
Securities gains (losses), net	7	7	18	15
Other	191	185	650	516
Total non-interest income	497	497	1,557	1,429
Non-interest expense:				
Salaries and employee benefits	470	456	1,405	1,354
Net occupancy expense	90	92	270	275
Furniture and equipment expense	77	73	224	213
Other	258	205	835	621
Total non-interest expense	895	826	2,734	2,463
Income from continuing operations before income taxes	378	468	1,122	1,365
Income tax expense	116	151	335	450
Income from continuing operations	262	317	787	915
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(6)	5	(16)	26
Income tax expense (benefit)	(2)	2	(6)	10
Income (loss) from discontinued operations, net of tax	(4)	3	(10)	16
Net income	$258	$320	$777	$931
Net income from continuing operations available to common shareholders	$246	$297	$739	$879
Net income available to common shareholders	$242	$300	$729	$895
Weighted-average number of shares outstanding:				
Basic	1,319	1,378	1,333	1,378

Diluted	1,326	1,389	1,343	1,390
Earnings per common share from continuing operations:				
Basic	$0.19	$0.22	$0.55	$0.64
Diluted	0.19	0.21	0.55	0.63
Earnings per common share:				
Basic	$0.18	$0.22	$0.55	$0.65
Diluted	0.18	0.22	0.54	0.64
Cash dividends declared per common share	0.06	0.05	0.17	0.13

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30	
	2015	2014
	(In millions)	
Net income	$258	$320
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($1) and ($1) tax effect, respectively)	(2)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	2	2
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of $28 and ($53) tax effect, respectively)	47	(87)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $2 and $2 tax effect, respectively)	5	5
Net change in unrealized gains (losses) on securities available for sale, net of tax	42	(92)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $75 and ($10) tax effect, respectively)	121	(16)
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $16 and $13 tax effect, respectively)	25	21
Net change in unrealized gains (losses) on derivative instruments, net of tax	96	(37)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	(1)	—
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, (net of ($4) and ($2) tax effect, respectively)	(9)	(5)
Net change from defined benefit pension plans and other post employment benefits, net of tax	8	5
Other comprehensive income (loss), net of tax	148	(122)
Comprehensive income	$406	$198

	Nine Months Ended September 30	
	2015	2014
	(In millions)	
Net income	$777	$931
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($4) and ($4) tax effect, respectively)	(6)	(6)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	6	6

Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of ($17) and $87 tax effect, respectively)	(25)	143
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $6 and $5 tax effect, respectively)	12	10
Net change in unrealized gains (losses) on securities available for sale, net of tax	(37)	133
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $107 and $30 tax effect, respectively)	175	48
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $41 and $35 tax effect, respectively)	67	56
Net change in unrealized gains (losses) on derivative instruments, net of tax	108	(8)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and $2 tax effect, respectively)	(2)	1
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of($13) and $(6) tax effect, respectively)	(24)	(13)
Net change from defined benefit pension plans and other post employment benefits, net of tax	22	14
Other comprehensive income (loss), net of tax	99	145
Comprehensive income	$876	$1,076

See notes to consolidated financial statements.

Table of Contents

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	Shares	Amount	Shares	Amount					
	(In millions, except per share data)								
BALANCE AT JANUARY 1, 2014	1	$ 450	1,378	$ 14	$ 19,216	$ (2,324)	$ (1,377)	$ (319)	$ 15,660
Net income	—	—	—	—	—	931	—	—	931
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	6	6
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	133	133
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(8)	(8)
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	14	14
Cash dividends declared—$0.13 per share	—	—	—	—	(180)	—	—	—	(180)
Preferred stock dividends	—	(36)	—	—	—	—	—	—	(36)
Preferred stock transactions:									
Net proceeds from issuance of 500 thousand shares of Series B, fixed to floating rate, non-cumulative perpetual preferred stock, including related surplus	—	486	—	—	—	—	—	—	486
Common stock transactions:									
Impact of share repurchase	—	—	(1)	—	(8)	—	—	—	(8)
Impact of stock transactions under compensation plans, net	—	—	2	—	41	—	—	—	41
BALANCE AT SEPTEMBER 30, 2014	1	$ 900	1,379	$ 14	$ 19,069	$ (1,393)	$ (1,377)	$ (174)	$ 17,039
BALANCE AT JANUARY 1, 2015	1	$ 884	1,354	$ 14	$ 18,767	$ (1,177)	$ (1,377)	$ (238)	$ 16,873
Net income	—	—	—	—	—	777	—	—	777
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	6	6

Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(37)	(37)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	108	108
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	22	22
Cash dividends declared—$0.17 per share	—	—	—	—	(226)	—	—	—	(226)
Preferred stock dividends	—	(48)	—	—	—	—	—	—	(48)
Common stock transactions:									
Impact of share repurchase	—	—	(55)	(1)	(544)	—	—	—	(545)
Impact of stock transactions under compensation plans, net	—	—	5	—	22	—	—	—	22
BALANCE AT SEPTEMBER 30, 2015	1	$ 836	1,304	$ 13	$ 18,019	$ (400)	$ (1,377)	$ (139)	$ 16,952

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2015	2014
	(In millions)	
Operating activities:		
Net income	$777	$931
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	172	61
Depreciation, amortization and accretion, net	384	391
Securities (gains) losses, net	(18)	(15)
Deferred income tax expense	68	176
Originations and purchases of loans held for sale	(1,931)	(1,848)
Proceeds from sales of loans held for sale	2,087	1,948
Gain on TDRs held for sale, net	—	(35)
(Gain) loss on sale of loans, net	(70)	(89)
(Gain) loss on early extinguishment of debt	43	—
Net change in operating assets and liabilities:		
Trading account securities	—	8
Other interest-earning assets	(4)	(5)
Interest receivable and other assets	116	(53)
Other liabilities	(95)	64
Other	36	(16)
Net cash from operating activities	1,565	1,518
Investing activities:		
Proceeds from maturities of securities held to maturity	174	130
Proceeds from sales of securities available for sale	1,201	1,384
Proceeds from maturities of securities available for sale	2,958	2,350
Purchases of securities available for sale	(4,382)	(4,524)
Proceeds from sales of loans	59	649
Purchases of loans	(857)	(814)
Purchases of mortgage servicing rights	(4)	(12)
Net change in loans	(3,291)	(1,662)
Net purchases of other assets	(193)	(164)
Net cash from investing activities	(4,335)	(2,663)
Financing activities:		
Net change in deposits	2,978	1,677
Net change in short-term borrowings	(2,253)	(289)
Proceeds from long-term borrowings	4,997	—
Payments on long-term borrowings	(1,142)	(1,001)
Cash dividends on common stock	(226)	(180)
Cash dividends on preferred stock	(48)	(36)
Repurchase of common stock	(544)	(8)
Net proceeds from issuance of preferred stock	—	486
Other	12	6
Net cash from financing activities	3,774	655

Net change in cash and cash equivalents	1,004	(490)
Cash and cash equivalents at beginning of year	4,004	5,273
Cash and cash equivalents at end of period	$5,008	$4,783

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and Nine Months Ended September 30, 2015 and 2014

NOTE 1. BASIS OF PRESENTATION

Regions Financial Corporation (“Regions” or the "Company”) provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located primarily in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The Company is subject to competition from other financial institutions, is subject to the regulations of certain government agencies and undergoes periodic examinations by certain of those regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States (“GAAP”) and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions’ Annual Report on Form 10-K for the year ended December 31, 2014. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. (“Morgan Keegan”) and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 15 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. This presentation is consistent with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Effective January 1, 2015, the Company adopted new guidance related to the accounting for investments in qualified affordable housing projects. For investments that met the criteria specified in the guidance, Regions elected to use the proportional amortization method. Under this method, the initial investment is amortized in proportion to the actual tax credits and other tax benefits to be received in the current period as compared to the total tax credits and other tax benefits expected to be received over the life of the investment. The amortization and tax benefits are included as a component of income tax expense. The guidance required retrospective application. All prior period amounts impacted by this guidance have been revised. The cumulative effect of the retrospective application was a $116 million decrease to retained earnings (deficit), a $22 million increase to other interest-earning assets and a $138 million decrease to other assets. The Company's total investments in qualified affordable housing projects were $918 million and $818 million at September 30, 2015 and December 31, 2014, respectively. These investments are reflected in other assets on Regions' consolidated balance sheets. The Company recognized $77 million and $67 million of amortization expense and $87 million and $78 million of tax credits related to these investments during the nine months ended September 30, 2015 and 2014, respectively. The Company also recognized $19 million and $17 million of other tax benefits related to these investments for nine months ended September 30, 2015 and 2014, respectively.

Certain other prior period amounts have been reclassified to conform to the current period presentation. These reclassifications are immaterial and have no effect on net income, comprehensive income, total assets or total stockholders’ equity as previously reported.

NOTE 2. DISCONTINUED OPERATIONS

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. (“Raymond James”). The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust were not included in the sale. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. See Note 15 for related disclosure.

Table of Contents

The following table represents the condensed results of operations for discontinued operations:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Non-interest income:				
Insurance proceeds	$—	$19	$—	$19
Total non-interest income	—	19	—	19
Non-interest expense:				
Professional and legal expenses	7	14	16	(8)
Other	(1)	—	—	1
Total non-interest expense	6	14	16	(7)
Income (loss) from discontinued operations before income taxes	(6)	5	(16)	26
Income tax expense (benefit)	(2)	2	(6)	10
Income (loss) from discontinued operations, net of tax	$(4)	$3	$(10)	$16
Earnings (loss) per common share from discontinued operations:				
Basic	$(0.00)	$0.00	$(0.01)	$0.01
Diluted	$(0.00)	$0.00	$(0.01)	$0.01

NOTE 3. SECURITIES

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

	September 30, 2015						
		Recognized in OCI [1]			Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$—	$1	$—	$—	$1
Federal agency securities	350	—	(11)	339	11	—	350
Mortgage-backed securities:							
Residential agency	1,540	—	(64)	1,476	36	—	1,512
Commercial agency	190	—	(5)	185	—	—	185
	$2,081	$—	$(80)	$2,001	$47	$—	$2,048
Securities available for sale:							
U.S. Treasury securities	$180	$2	$—	$182			$182
Federal agency securities	222	4	—	226			226
Obligations of states and political subdivisions	1	—	—	1			1
Mortgage-backed securities:							
Residential agency	15,613	238	(31)	15,820			15,820
Residential non-agency	6	—	—	6			6
Commercial agency	2,379	36	(1)	2,414			2,414
Commercial non-agency	1,404	13	(7)	1,410			1,410

Corporate and other debt securities	1,798	17	(53	)	1,762	1,762
Equity securities	887	8	(2	)	893	893
	$22,490	$318	$ (94	)	$22,714	$22,714

11

Table of Contents

	December 31, 2014						
		Recognized in OCI (1)			Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$—	$1	$—	$—	$1
Federal agency securities	350	—	(12)	338	6	—	344
Mortgage-backed securities:							
Residential agency	1,698	—	(71)	1,627	35	(1)	1,661
Commercial agency	216	—	(7)	209	—	(6)	203
	$2,265	$—	$(90)	$2,175	$41	$(7)	$2,209
Securities available for sale:							
U.S. Treasury securities	$176	$—	$—	$176			$176
Federal agency securities	233	2	—	235			235
Obligations of states and political subdivisions	2	—	—	2			2
Mortgage-backed securities:							
Residential agency	15,788	283	(33)	16,038			16,038
Residential non-agency	7	1	—	8			8
Commercial agency	1,959	14	(9)	1,964			1,964
Commercial non-agency	1,489	14	(9)	1,494			1,494
Corporate and other debt securities	1,980	36	(26)	1,990			1,990
Equity securities	662	12	(1)	673			673
	$22,296	$362	$(78)	$22,580			$22,580

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

Equity securities in the tables above included the following amortized cost related to Federal Reserve Bank stock and Federal Home Loan Bank (“FHLB”) stock. Shares in the Federal Reserve Bank and FHLB are accounted for at amortized cost, which approximates fair value.

	September 30, 2015	December 31, 2014
	(In millions)	
Federal Reserve Bank	$484	$488
Federal Home Loan Bank	197	39

Securities with carrying values of $13.4 billion and $12.1 billion at September 30, 2015 and December 31, 2014, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements. Included within total pledged securities is approximately $50 million and zero of encumbered U.S. Treasury securities at September 30, 2015 and December 31, 2014, respectively.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at September 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

12

Table of Contents

	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Due in one year or less	$1	$1
Due after one year through five years	350	350
Mortgage-backed securities:		
Residential agency	1,540	1,512
Commercial agency	190	185
	$2,081	$2,048
Securities available for sale:		
Due in one year or less	$95	$95
Due after one year through five years	835	842
Due after five years through ten years	968	952
Due after ten years	303	282
Mortgage-backed securities:		
Residential agency	15,613	15,820
Residential non-agency	6	6
Commercial agency	2,379	2,414
Commercial non-agency	1,404	1,410
Equity securities	887	893
	$22,490	$22,714

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at September 30, 2015 and December 31, 2014. For securities transferred to held to maturity from available for sale, the analysis in the tables below is comparing the securities' original amortized cost to its current estimated fair value. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

	September 30, 2015					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Mortgage-backed securities:						
Residential agency	$223	$(3)	$1,173	$(25)	$1,396	$(28)
Commercial agency	—	—	185	(5)	185	(5)
	$223	$(3)	$1,358	$(30)	$1,581	$(33)
Securities available for sale:						
U.S. Treasury securities	$4	$—	$9	$—	$13	$—
Federal agency securities	—	—	3	—	3	—
Mortgage-backed securities:						
Residential agency	3,658	(20)	816	(11)	4,474	(31)
Commercial agency	348	(1)	160	—	508	(1)
Commercial non-agency	432	(4)	248	(3)	680	(7)
All other securities	708	(29)	299	(26)	1,007	(55)

$5,150	$(54)	$1,535	$(40)	$6,685	$(94)

13

Table of Contents

	December 31, 2014					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	$—	$—	$344	$(6)	$344	$(6)
Mortgage-backed securities:						
Residential agency	—	—	1,659	(37)	1,659	(37)
Commercial agency	—	—	203	(13)	203	(13)
	$—	$—	$2,206	$(56)	$2,206	$(56)
Securities available for sale:						
U.S. Treasury securities	$74	$—	$3	$—	$77	$—
Federal agency securities	—	—	3	—	3	—
Mortgage-backed securities:						
Residential agency	1,178	(5)	2,587	(28)	3,765	(33)
Commercial agency	464	(4)	316	(5)	780	(9)
Commercial non-agency	242	(1)	500	(8)	742	(9)
All other securities	400	(7)	455	(20)	855	(27)
	$2,358	$(17)	$3,864	$(61)	$6,222	$(78)

The number of individual positions in an unrealized loss position in the tables above increased from 827 at December 31, 2014 to 843 at September 30, 2015. The changes in the number of positions and the total amount of unrealized losses from year-end 2014 were primarily due to changes in interest rates and spreads within various fixed income products. In instances where an unrealized loss existed, there was no indication of a material adverse change in credit on the underlying positions in the tables above. As it relates to these positions, management believes no individual unrealized loss, other than those discussed below, represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the positions before the recovery of their amortized cost basis, which may be at maturity.

As part of the Company's normal process for evaluating other-than-temporary impairments, management did identify a limited number of positions where an other-than-temporary impairment was believed to exist as of September 30, 2015. Such impairments were the result of the Company either having decided to sell or a belief that, pursuant to certain governance, it is more likely than not that the Company will be required to sell certain positions. For the quarter ending September 30, 2015, such impairments totaled $6 million, and have been reflected as a reduction of net securities gains (losses) on the consolidated statements of income.

Gross realized gains and gross realized losses on sales of securities available for sale are shown in the table below. The cost of securities sold is based on the specific identification method.

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Gross realized gains	$15	$9	$29	$25
Gross realized losses	(2)	(2)	(5)	(8)
Other-than-temporary-impairment ("OTTI")	(6)	—	(6)	(2)
Securities gains, net	$7	$7	$18	$15

14

Table of Contents

NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

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

	September 30, 2015	December 31, 2014
	(In millions, net of unearned income)	
Commercial and industrial	$35,906	$32,732
Commercial real estate mortgage—owner-occupied	7,741	8,263
Commercial real estate construction—owner-occupied	406	407
Total commercial	44,053	41,402
Commercial investor real estate mortgage	4,386	4,680
Commercial investor real estate construction	2,525	2,133
Total investor real estate	6,911	6,813
Residential first mortgage	12,730	12,315
Home equity	10,947	10,932
Indirect—vehicles	3,895	3,642
Indirect—other consumer	490	206
Consumer credit card	1,016	1,009
Other consumer	1,021	988
Total consumer	30,099	29,092
	$81,063	$77,307

During the three months ended September 30, 2015 and 2014, Regions purchased approximately $310 million and $296 million, respectively, in indirect-vehicles and indirect-other consumer loans from third parties. During the nine months ended September 30, 2015 and 2014, the comparable loan purchase amounts were approximately $857 million and $814 million, respectively.

At September 30, 2015, $14.6 billion in net eligible loans held by Regions were pledged to secure borrowings from the FHLB. At September 30, 2015, an additional $30.9 billion in net eligible loans held by Regions were pledged to the Federal Reserve Bank for potential borrowings.

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on at least a quarterly basis. Refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2014, for a description of the methodology.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2015 and 2014. The total allowance for loan losses and the related loan portfolio ending balances as of September 30, 2015 and 2014 are disaggregated to detail the amounts derived through individual evaluation and collective evaluation for impairment. The allowance for loan losses related to individually evaluated loans is attributable to reserves for non-accrual commercial and investor real estate loans and all troubled debt restructurings ("TDRs"). The allowance for loan losses and the loan portfolio ending balances related to collectively evaluated loans is attributable to the remainder of the portfolio.

Table of Contents

	Three Months Ended September 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2015	$740	$123	$252	$1,115
Provision (credit) for loan losses	32	(16)	44	60
Loan losses:				
Charge-offs	(33)	(3)	(59)	(95)
Recoveries	14	5	16	35
Net loan losses	(19)	2	(43)	(60)
Allowance for loan losses, September 30, 2015	753	109	253	1,115
Reserve for unfunded credit commitments, July 1, 2015	59	5	—	64
Provision (credit) for unfunded credit losses	—	—	—	—
Reserve for unfunded credit commitments, September 30, 2015	59	5	—	64
Allowance for credit losses, September 30, 2015	$812	$114	$253	$1,179

	Three Months Ended September 30, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2014	$705	$190	$334	$1,229
Provision (credit) for loan losses	18	(23)	29	24
Loan losses:				
Charge-offs	(49)	(5)	(66)	(120)
Recoveries	21	6	18	45
Net loan losses	(28)	1	(48)	(75)
Allowance for loan losses, September 30, 2014	695	168	315	1,178
Reserve for unfunded credit commitments, July 1, 2014	74	12	3	89
Provision (credit) for unfunded credit losses	(21)	(3)	—	(24)
Reserve for unfunded credit commitments, September 30, 2014	53	9	3	65
Allowance for credit losses, September 30, 2014	$748	$177	$318	$1,243

	Nine Months Ended September 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2015	$654	$150	$299	$1,103
Provision (credit) for loan losses	142	(44)	74	172
Loan losses:				
Charge-offs	(92)	(15)	(175)	(282)
Recoveries	49	18	55	122
Net loan losses	(43)	3	(120)	(160)
Allowance for loan losses, September 30, 2015	753	109	253	1,115
Reserve for unfunded credit commitments, January 1, 2015	57	8	—	65
Provision (credit) for unfunded credit losses	2	(3)	—	(1)

Reserve for unfunded credit commitments, September 30, 2015	59	5	—	64
Allowance for credit losses, September 30, 2015	$812	$114	$253	$1,179
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$187	$27	$70	$284
Collectively evaluated for impairment	566	82	183	831
Total allowance for loan losses	$753	$109	$253	$1,115
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$744	$192	$846	$1,782
Collectively evaluated for impairment	43,309	6,719	29,253	79,281
Total loans evaluated for impairment	$44,053	$6,911	$30,099	$81,063

Table of Contents

	Nine Months Ended September 30, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2014	$711	$236	$394	$1,341
Provision (credit) for loan losses	62	(68)	67	61
Loan losses:				
Charge-offs	(130)	(21)	(203)	(354)
Recoveries	52	21	57	130
Net loan losses	(78)	—	(146)	(224)
Allowance for loan losses, September 30, 2014	695	168	315	1,178
Reserve for unfunded credit commitments, January 1, 2014	63	12	3	78
Provision (credit) for unfunded credit losses	(10)	(3)	—	(13)
Reserve for unfunded credit commitments, September 30, 2014	53	9	3	65
Allowance for credit losses, September 30, 2014	$748	$177	$318	$1,243
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$204	$80	$79	$363
Collectively evaluated for impairment	491	88	236	815
Total allowance for loan losses	$695	$168	$315	$1,178
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$758	$466	$849	$2,073
Collectively evaluated for impairment	40,115	6,352	28,067	74,534
Total loans evaluated for impairment	$40,873	$6,818	$28,916	$76,607

PORTFOLIO SEGMENT RISK FACTORS

The following describe the risk characteristics relevant to each of the portfolio segments.

Commercial—The commercial loan portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases or other expansion projects. Commercial also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. Owner-occupied 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. Collection risk in this portfolio is driven by the creditworthiness of underlying borrowers, particularly cash flow from customers' business operations.

Investor Real Estate—Loans for real estate development are repaid through cash flow 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, these loans are made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Loans in this portfolio segment are particularly sensitive to the valuation of real estate.

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card, and other consumer loans. 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. 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 home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact the depth of potential losses. Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. Indirect-other consumer lending represents other point of sale lending through third parties. Consumer credit card includes Regions branded consumer credit card accounts. Other consumer loans include other revolving consumer accounts, direct consumer loans, and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

Table of Contents

CREDIT QUALITY INDICATORS

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of September 30, 2015 and December 31, 2014. Commercial and investor real estate loan portfolio segments are detailed by categories related to underlying credit quality and probability of default. Regions assigns these categories at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. These categories are utilized to develop the associated allowance for credit losses.

- Pass—includes obligations where the probability of default is considered low;
- Special Mention—includes obligations that have potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company’s position at some future date. Obligations in this category may also be subject to economic or market conditions which may, in the future, have an adverse effect on debt service ability;
- Substandard Accrual—includes obligations that exhibit a well-defined weakness that presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;
- Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

Substandard accrual and non-accrual loans are often collectively referred to as “classified.” Special mention, substandard accrual, and non-accrual loans are often collectively referred to as “criticized and classified.” Classes in the consumer portfolio segment are disaggregated by accrual status.

	September 30, 2015				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$33,972	$878	$706	$350	$35,906
Commercial real estate mortgage—owner-occupied	6,872	347	289	233	7,741
Commercial real estate construction—owner-occupied	369	21	13	3	406
Total commercial	$41,213	$1,246	$1,008	$586	$44,053
Commercial investor real estate mortgage	$4,020	$158	$169	$39	$4,386
Commercial investor real estate construction	2,477	12	35	1	2,525
Total investor real estate	$6,497	$170	$204	$40	$6,911

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,663	$67	$12,730
Home equity	10,851	96	10,947
Indirect—vehicles	3,895	—	3,895
Indirect—other consumer	490	—	490
Consumer credit card	1,016	—	1,016
Other consumer	1,021	—	1,021
Total consumer	$29,936	$163	$30,099
			$81,063

18

Table of Contents

	December 31, 2014				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$31,492	$626	$362	$252	$32,732
Commercial real estate mortgage—owner-occupied	7,425	315	285	238	8,263
Commercial real estate construction—owner-occupied	387	9	8	3	407
Total commercial	$39,304	$950	$655	$493	$41,402
Commercial investor real estate mortgage	$4,152	$234	$171	$123	$4,680
Commercial investor real estate construction	2,060	22	49	2	2,133
Total investor real estate	$6,212	$256	$220	$125	$6,813

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,206	$109	$12,315
Home equity	10,830	102	10,932
Indirect—vehicles	3,642	—	3,642
Indirect—other consumer	206	—	206
Consumer credit card	1,009	—	1,009
Other consumer	988	—	988
Total consumer	$28,881	$211	$29,092
			$77,307

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio segment and class as of September 30, 2015 and December 31, 2014:

	September 30, 2015						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$11	$5	$7	$23	$35,556	$350	$35,906
Commercial real estate mortgage—owner-occupied	28	13	6	47	7,508	233	7,741
Commercial real estate construction—owner-occupied	1	—	—	1	403	3	406
Total commercial	40	18	13	71	43,467	586	44,053
Commercial investor real estate mortgage	18	6	2	26	4,347	39	4,386
Commercial investor real estate construction	1	—	—	1	2,524	1	2,525
Total investor real estate	19	6	2	27	6,871	40	6,911
Residential first mortgage	91	48	231	370	12,663	67	12,730
Home equity	67	31	51	149	10,851	96	10,947
Indirect—vehicles	40	12	8	60	3,895	—	3,895

Indirect—other consumer	1	1	—	2	490	—	490
Consumer credit card	6	5	11	22	1,016	—	1,016
Other consumer	12	2	4	18	1,021	—	1,021
Total consumer	217	99	305	621	29,936	163	30,099
	$276	$123	$320	$719	$80,274	$789	$81,063

Table of Contents

	December 31, 2014						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$16	$7	$7	$30	$32,480	$252	$32,732
Commercial real estate mortgage—owner-occupied	21	13	5	39	8,025	238	8,263
Commercial real estate construction—owner-occupied	1	—	—	1	404	3	407
Total commercial	38	20	12	70	40,909	493	41,402
Commercial investor real estate mortgage	17	3	3	23	4,557	123	4,680
Commercial investor real estate construction	—	—	—	—	2,131	2	2,133
Total investor real estate	17	3	3	23	6,688	125	6,813
Residential first mortgage	99	64	247	410	12,206	109	12,315
Home equity	73	38	63	174	10,830	102	10,932
Indirect—vehicles	43	10	7	60	3,642	—	3,642
Indirect—other consumer	—	—	—	—	206	—	206
Consumer credit card	8	5	12	25	1,009	—	1,009
Other consumer	13	4	3	20	988	—	988
Total consumer	236	121	332	689	28,881	211	29,092
	$291	$144	$347	$782	$76,478	$829	$77,307

IMPAIRED LOANS

The following tables present details related to the Company's impaired loans as of September 30, 2015 and December 31, 2014. Loans deemed to be impaired include all TDRs and all non-accrual commercial and investor real estate loans, excluding leases. Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of September 30, 2015						
			Book Value[3]				
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]
	(Dollars in millions)						
Commercial and industrial	$380	$31	$349	$42	$307	$104	35.5 %
Commercial real estate mortgage—owner-occupied	252	19	233	38	195	60	31.3
Commercial real estate construction—owner-occupied	3	—	3	—	3	1	33.3
Total commercial	635	50	585	80	505	165	33.9
Commercial investor real estate mortgage	47	8	39	16	23	10	38.3
	1	—	1	—	1	—	—

Commercial investor real estate construction								
Total investor real estate	48	8	40	16	24	10	37.5	
Residential first mortgage	55	18	37	—	37	5	41.8	
Home equity	21	6	15	—	15	—	28.6	
Total consumer	76	24	52	—	52	5	38.2	
	$759	$ 82	$677	$96	$581	$180	34.5	%

20

Table of Contents

	Accruing Impaired Loans As of September 30, 2015					
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Book Value[3]	Related Allowance for Loan Losses	Coverage %[4]	
	(Dollars in millions)					
Commercial and industrial	$66	$2	$64	$ 12	21.2	%
Commercial real estate mortgage—owner-occupied	100	6	94	10	16.0	
Commercial real estate construction—owner-occupied	1	—	1	—	—	
Total commercial	167	8	159	22	18.0	
Commercial investor real estate mortgage	157	8	149	16	15.3	
Commercial investor real estate construction	4	1	3	1	50.0	
Total investor real estate	161	9	152	17	16.1	
Residential first mortgage	456	12	444	57	15.1	
Home equity	341	7	334	8	4.4	
Indirect—vehicles	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	13	—	13	—	—	
Total consumer	813	19	794	65	10.3	
	$1,141	$36	$1,105	$ 104	12.3	%

	Total Impaired Loans As of September 30, 2015							
			Book Value[3]					
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]	
	(Dollars in millions)							
Commercial and industrial	$446	$ 33	$413	$ 42	$371	$116	33.4	%
Commercial real estate mortgage—owner-occupied	352	25	327	38	289	70	27.0	
Commercial real estate construction—owner-occupied	4	—	4	—	4	1	25.0	
Total commercial	802	58	744	80	664	187	30.5	
Commercial investor real estate mortgage	204	16	188	16	172	26	20.6	
Commercial investor real estate construction	5	1	4	—	4	1	40.0	
Total investor real estate	209	17	192	16	176	27	21.1	
Residential first mortgage	511	30	481	—	481	62	18.0	
Home equity	362	13	349	—	349	8	5.8	
Indirect—vehicles	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	13	—	13	—	13	—	—	
Total consumer	889	43	846	—	846	70	12.7	
	$1,900	$ 118	$1,782	$ 96	$1,686	$284	21.2	%

21

Table of Contents

	Non-accrual Impaired Loans As of December 31, 2014						
			Book Value[3]				
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]
	(Dollars in millions)						
Commercial and industrial	$286	$36	$250	$11	$239	$83	41.6 %
Commercial real estate mortgage—owner-occupied	267	29	238	43	195	69	36.7
Commercial real estate construction—owner-occupied	3	—	3	—	3	1	33.3
Total commercial	556	65	491	54	437	153	39.2
Commercial investor real estate mortgage	162	39	123	26	97	30	42.6
Commercial investor real estate construction	3	1	2	—	2	1	66.7
Total investor real estate	165	40	125	26	99	31	43.0
Residential first mortgage	79	26	53	—	53	7	41.8
Home equity	22	7	15	—	15	1	36.4
Total consumer	101	33	68	—	68	8	40.6
	$822	$138	$684	$80	$604	$192	40.1 %

	Accruing Impaired Loans As of December 31, 2014				
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Book Value[3]	Related Allowance for Loan Losses	Coverage %[4]
	(Dollars in millions)				
Commercial and industrial	$102	$3	$99	$17	19.6 %
Commercial real estate mortgage—owner-occupied	162	10	152	16	16.0
Total commercial	264	13	251	33	17.4
Commercial investor real estate mortgage	267	8	259	28	13.5
Commercial investor real estate construction	33	—	33	6	18.2
Total investor real estate	300	8	292	34	14.0
Residential first mortgage	426	11	415	57	16.0
Home equity	359	6	353	13	5.3
Indirect—vehicles	1	—	1	—	—
Consumer credit card	2	—	2	—	—
Other consumer	17	—	17	—	—
Total consumer	805	17	788	70	10.8
	$1,369	$38	$1,331	$137	12.8 %

22

Table of Contents

Total Impaired Loans As of December 31, 2014

	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Book Value[3] Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]	
	(Dollars in millions)							
Commercial and industrial	$388	$ 39	$349	$ 11	$338	$ 100	35.8	%
Commercial real estate mortgage—owner-occupied	429	39	390	43	347	85	28.9	
Commercial real estate construction—owner-occupied	3	—	3	—	3	1	33.3	
Total commercial	820	78	742	54	688	186	32.2	
Commercial investor real estate mortgage	429	47	382	26	356	58	24.5	
Commercial investor real estate construction	36	1	35	—	35	7	22.2	
Total investor real estate	465	48	417	26	391	65	24.3	
Residential first mortgage	505	37	468	—	468	64	20.0	
Home equity	381	13	368	—	368	14	7.1	
Indirect—vehicles	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	17	—	17	—	17	—	—	
Total consumer	906	50	856	—	856	78	14.1	
	$2,191	$ 176	$2,015	$ 80	$1,935	$ 329	23.0	%

(1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.

(2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.

(3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.

(4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.

The following table presents the average balances of total impaired loans and interest income for the three and nine months ended September 30, 2015 and 2014. Interest income recognized represents interest on accruing loans modified in a TDR. TDRs are considered impaired loans.

	Three Months Ended September 30				Nine Months Ended September 30			
	2015		2014		2015		2014	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)							
Commercial and industrial	$379	$ 1	$296	$ 2	$378	$ 4	$382	$ 7
Commercial real estate mortgage—owner-occupied	322	2	464	2	350	7	491	9
	4	—	30	1	4	—	36	1

Commercial real estate construction—owner-occupied								
Total commercial	705	3	790	5	732	11	909	17
Commercial investor real estate mortgage	210	2	446	4	266	8	532	18
Commercial investor real estate construction	14	—	44	—	26	1	68	2
Total investor real estate	224	2	490	4	292	9	600	20
Residential first mortgage	477	3	451	3	476	11	454	10
Home equity	352	5	379	5	357	14	383	15
Indirect—vehicles	1	—	1	—	1	—	1	—
Consumer credit card	2	—	2	—	2	—	2	—
Other consumer	13	1	19	—	15	1	22	1
Total consumer	845	9	852	8	851	26	862	26
Total impaired loans	$1,774	$ 14	$2,132	$ 17	$1,875	$ 46	$2,371	$ 63

Table of Contents

TROUBLED DEBT RESTRUCTURINGS

Regions regularly modifies commercial and investor real estate loans in order to facilitate a workout strategy. Typical modifications include accommodations, such as renewals and forbearances. The majority of Regions’ commercial and investor real estate TDRs are the result of renewals of classified loans at an interest rate that is not considered to be a market interest rate. For smaller dollar commercial loans, Regions may periodically grant interest rate and other term concessions, similar to those under the consumer program described below.

Regions works to meet the individual needs of consumer borrowers to stem foreclosure through the Customer Assistance Program ("CAP"). Regions designed the program to allow for customer-tailored modifications with the goal of keeping customers in their homes and avoiding foreclosure where possible. Modification may be offered to any borrower experiencing financial hardship regardless of the borrower’s payment status. Consumer TDRs primarily involve an interest rate concession; however under the CAP, Regions may also offer a short-term deferral, a term extension, a new loan product, or a combination of these options. For loans restructured under the CAP, Regions expects to collect the original contractually due principal. The gross original contractual interest may be collectible, depending on the terms modified. The length of the CAP modifications ranges from temporary payment deferrals of three months to term extensions for the life of the loan. All such modifications are considered TDRs regardless of the term because they are concessionary in nature and because the customer documents a hardship in order to participate.

As noted above, the majority of Regions’ TDRs are the result of interest rate concession and not a forgiveness of principal. Accordingly, the financial impact of the modifications is best illustrated by the impact to the allowance calculation at the loan or pool level, as a result of the loans being considered impaired due to their TDR status. Regions most often does not record a charge-off at the modification date.

None of the modified consumer loans listed in the following TDR disclosures were collateral-dependent at the time of modification. At September 30, 2015, approximately $44 million in residential first mortgage TDRs were in excess of 180 days past due and were considered collateral-dependent. At September 30, 2015, approximately $7 million in home equity first lien TDRs were in excess of 180 days past due and approximately $5 million in home equity second lien TDRs were in excess of 120 days past due, both of which were considered collateral-dependent.

Further discussion related to TDRs, including their impact on the allowance for loan losses and designation of TDRs in periods subsequent to the modification is included in Note 1 in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

The following tables present the end of period balance for loans modified in a TDR during the periods presented by portfolio segment and class, and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs. The end of period balance, for the period in which it was added, of total loans first reported as new TDRs totaled approximately $217 million and $316 million for the nine months ended September 30, 2015 and 2014, respectively.

	Three Months Ended September 30, 2015		
			Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	47	$43	$1
Commercial real estate mortgage—owner-occupied	44	26	1
Total commercial	91	69	2
Commercial investor real estate mortgage	32	68	2
Commercial investor real estate construction	1	1	—
Total investor real estate	33	69	2
Residential first mortgage	92	31	4

Home equity	139	8	—
Consumer credit card	30	—	—
Indirect—vehicles and other consumer	69	1	—
Total consumer	330	40	4
	454	$178	$8

Table of Contents

	Three Months Ended September 30, 2014		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	67	$72	$2
Commercial real estate mortgage—owner-occupied	61	49	1
Total commercial	128	121	3
Commercial investor real estate mortgage	43	66	1
Commercial investor real estate construction	8	24	1
Total investor real estate	51	90	2
Residential first mortgage	144	26	4
Home equity	142	8	—
Consumer credit card	40	1	—
Indirect—vehicles and other consumer	77	1	—
Total consumer	403	36	4
	582	$247	$9

	Nine Months Ended September 30, 2015		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	150	$145	$3
Commercial real estate mortgage—owner-occupied	147	88	3
Total commercial	297	233	6
Commercial investor real estate mortgage	92	107	3
Commercial investor real estate construction	14	8	—
Total investor real estate	106	115	3
Residential first mortgage	321	83	11
Home equity	451	23	—
Consumer credit card	103	1	—
Indirect—vehicles and other consumer	265	3	—
Total consumer	1,140	110	11
	1,543	$458	$20

Table of Contents

	Nine Months Ended September 30, 2014		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	216	$236	$4
Commercial real estate mortgage—owner-occupied	218	196	4
Commercial real estate construction—owner-occupied	3	3	—
Total commercial	437	435	8
Commercial investor real estate mortgage	193	274	5
Commercial investor real estate construction	36	39	1
Total investor real estate	229	313	6
Residential first mortgage	408	71	11
Home equity	481	28	—
Consumer credit card	104	1	—
Indirect—vehicles and other consumer	194	3	—
Total consumer	1,187	103	11
	1,853	$851	$25

Defaulted TDRs

The following table presents, by portfolio segment and class, TDRs that defaulted during the three and nine months ended September 30, 2015 and 2014, and that were modified in the previous twelve months (i.e., the twelve months prior to the default). For purposes of this disclosure, default is defined as 90 days past due and still accruing for the consumer portfolio segment, and placement on non-accrual status for the commercial and investor real estate portfolio segments. Consideration of defaults in the calculation of the allowance for loan losses is described in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	$4	$2	$8	$48
Commercial real estate mortgage—owner-occupied	3	10	6	17
Total commercial	7	12	14	65
Commercial investor real estate mortgage	—	1	1	5
Commercial investor real estate construction	—	—	—	1
Total investor real estate	—	1	1	6
Residential first mortgage	7	2	15	14
Home equity	1	—	2	2
Total consumer	8	2	17	16
	$15	$15	$32	$87

Commercial and investor real estate loans that were on non-accrual status at the time of the latest modification are not included in the default table above, as they are already considered to be in default at the time of the restructuring. At September 30, 2015, approximately $30 million of commercial and investor real estate loans modified in a TDR during the three months ended September 30, 2015 were on non-accrual status. Approximately 1.63 percent of this

amount was 90 days past due.
At September 30, 2015, Regions had restructured binding unfunded commitments totaling $71 million where a concession was granted and the borrower was in financial difficulty.

Table of Contents

NOTE 5. SERVICING OF FINANCIAL ASSETS
RESIDENTIAL MORTGAGE BANKING ACTIVITIES

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

The table below presents an analysis of residential mortgage servicing rights under the fair value measurement method:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Carrying value, beginning of period	$268	$276	$257	$297
Additions	9	9	28	24
Increase (decrease) in fair value[1]:				
Due to change in valuation inputs or assumptions	(25)	—	(14)	(20)
Economic amortization associated with borrower repayments	(11)	(8)	(30)	(24)
Carrying value, end of period	$241	$277	$241	$277

(1) "Economic amortization associated with borrower repayments" includes both total loan payoffs as well as partial paydowns. Prior to the fourth quarter of 2014, this line item reflected total loan payoffs only, while partial paydowns were included in the "Due to change in valuation inputs or assumptions" line item. The 2014 three and nine months ended amount disclosed in the table has been reclassified to reflect the revised presentation.

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

	September 30	
	2015	2014
	(Dollars in millions)	
Unpaid principal balance	$26,220	$26,943
Weighted-average prepayment speed (CPR; percentage)	12.0 %	10.9 %
Estimated impact on fair value of a 10% increase	$(13)	$(15)
Estimated impact on fair value of a 20% increase	$(25)	$(28)
Option-adjusted spread (basis points)	999	789
Estimated impact on fair value of a 10% increase	$(9)	$(8)
Estimated impact on fair value of a 20% increase	$(18)	$(17)
Weighted-average coupon interest rate	4.4 %	4.5 %
Weighted-average remaining maturity (months)	279	279
Weighted-average servicing fee (basis points)	27.9	27.8

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

The following table presents servicing related fees, which includes contractually specified servicing fees, late fees and other ancillary income resulting from the servicing of residential mortgage loans:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Servicing related fees and other ancillary income	$21	$21	$62	$64

Residential mortgage loans are sold in the secondary market with standard representations and warranties regarding certain characteristics such as the quality of the loan, the absence of fraud, the eligibility of the loan for sale and the future servicing

Table of Contents

associated with the loan. Regions may be required to repurchase these loans at par, or make-whole or indemnify the purchasers for losses incurred when representations and warranties are breached.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Beginning balance	$20	$34	$26	$39
Additions (reductions), net	(6)	(5)	(10)	(3)
Losses	—	(1)	(2)	(8)
Ending balance	$14	$28	$14	$28

COMMERCIAL MORTGAGE BANKING ACTIVITIES

On July 18, 2014, Regions was approved as a Fannie Mae Delegated Underwriting and Servicing ("DUS") lender and acquired a DUS servicing portfolio totaling approximately $1.0 billion. The Fannie Mae DUS program provides liquidity to the multi-family housing market. As part of the transaction, Regions recorded $12 million in commercial mortgage servicing rights accounted for under the amortization method and $15 million in intangible assets associated with the DUS license purchased. Regions also assumed a one-third loss share guarantee associated with the purchased portfolio and any future originations. Regions estimated the fair value of the loss share guarantee to be approximately $4 million. See Note 1 "Summary of Significant Accounting Policies" in the 2014 Annual Report on Form 10-K for additional information.

As of September 30, 2015, the DUS servicing portfolio remained at approximately $1.0 billion, the related commercial mortgage servicing rights were valued at approximately $13 million due to new loan originations, and the loss share guarantee was valued at approximately $2 million.

NOTE 6. GOODWILL

Goodwill allocated to each reportable segment (each a reporting unit) is presented as follows:

	September 30, 2015	December 31, 2014
	(In millions)	
Corporate Bank	$2,258	$2,258
Consumer Bank	2,095	2,095
Wealth Management	478	463
	$4,831	$4,816

Regions evaluates each reporting unit's goodwill for impairment on an annual basis in the fourth quarter, or more often if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A detailed description of the Company's methodology and valuation approaches used to determine the estimated fair value of each reporting unit is included in the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2014. Adverse changes in the economic environment, declining operations, or other factors could result in a decline in the implied fair value of goodwill.

Table of Contents

During the third quarter of 2015, Regions assessed events and circumstances for all three reporting units as of September 30, 2015 and through the date of the filing of this Quarterly Report on Form 10-Q that could potentially indicate goodwill impairment. The indicators assessed included:

- Recent operating performance,
- Changes in market capitalization,
- Regulatory actions and assessments,
- Changes in the business climate (including legislation, legal factors, and competition),
- Company-specific factors (including changes in key personnel, asset impairments, and business dispositions), and
- Trends in the banking industry.

Results of the 2014 annual test indicated that the estimated fair value of each reporting unit exceeded its carrying amount as of the test date. Additionally, after assessing the indicators noted above, Regions determined that it was not more likely than not that the fair value of each of its reporting units had declined below their carrying values as of September 30, 2015. Therefore, Regions determined that a test of goodwill impairment was not required for each of Regions' reporting units for the September 30, 2015 interim period.

NOTE 7. STOCKHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

PREFERRED STOCK

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

					September 30, 2015	December 31, 2014
	Issuance Date	Earliest Redemption Date	Dividend Rate	Liquidation Amount	Carrying Amount	Carrying Amount
	(Dollars in millions)					
Series A	11/1/2012	12/15/2017	6.375 %	$ 500	$ 395	$ 419
Series B	4/29/2014	9/15/2024	6.375 %(1)	500	441	465
				$ 1,000	$ 836	$ 884

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

For each preferred stock issuance listed above, Regions issued depositary shares, each representing a 1/40th ownership interest in a share of the Company's preferred stock, with a liquidation preference of $1,000.00 per share of preferred stock (equivalent to $25.00 per depositary share). Dividends on the preferred stock, if declared, accrue and are payable quarterly in arrears. The preferred stock has no stated maturity and redemption is solely at Regions' option, subject to regulatory approval, in whole, or in part, after the earliest redemption date or in whole, but not in part, within 90 days following a regulatory capital treatment event for the Series A preferred stock or at any time following a regulatory capital treatment event for the Series B preferred stock.

The Board of Directors declared $8 million in cash dividends on Series A Preferred Stock during the first, second, and third quarters of 2015 and 2014. Series B Preferred Stock dividends were $8 million for the first, second, and third quarters of 2015 compared to $12 million in the third quarter of 2014. Due to the timing of the second quarter of 2014 Series B preferred issuance, preferred dividends in the third quarter of 2014 reflected a longer coupon period. Because the Company was in a retained deficit position, preferred dividends were recorded as a reduction of preferred stock, including related surplus.

COMMON STOCK

During the first quarter of 2015, Regions received no objection from the Federal Reserve to its 2015 capital plan that was submitted as part of the Comprehensive Capital Analysis and Review ("CCAR") process. On April 23, 2015, Regions' Board of Directors approved an increase of its quarterly common stock dividend to $0.06 per share effective with the quarterly dividend paid in July 2015, as well as the authorization of a new $875 million common stock repurchase plan, permitting repurchases from the beginning of the second quarter of 2015 through the end of the second quarter of 2016. Through September 30, 2015, Regions repurchased approximately 44 million shares of common stock at a total cost of approximately $442 million under this plan. The Company continued to repurchase shares in the fourth quarter of 2015, and as of November 3, 2015, Regions had additional repurchases of approximately 1.4 million shares of common stock at a total cost of approximately $13.6 million. All common shares repurchased under this plan were immediately retired and therefore are not included in treasury stock.

Table of Contents

As part of its 2014 CCAR submission, Regions' Board of Directors approved an increase to its quarterly common stock dividend from $0.03 per share to $0.05 per share effective with the quarterly dividend paid in July 2014, as well as a $350 million common stock repurchase plan. The Company closed out this repurchase plan in the first quarter of 2015, repurchasing an additional approximately 11 million shares of common stock at a total cost of approximately $102 million. These shares were immediately retired and therefore are not included in treasury stock.
The Board of Directors declared a $0.06 per share cash dividend on common stock for the second and third quarters of 2015, and a $0.05 per share cash dividend for the first quarter of 2015, totaling $0.17 per share cash dividend for the first nine months of 2015. The Board of Directors declared a $0.05 per share cash dividend on common stock for the second and third quarters of 2014, and a $0.03 per share cash dividend for the first quarter of 2014, totaling $0.13 per share cash dividend for the first nine months of 2014.
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables:

	Three Months Ended September 30, 2015				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(51)	$96	$45	$(377)	$(287)
Net change	2	42	96	8	148
End of period	$(49)	$138	$141	$(369)	$(139)

	Three Months Ended September 30, 2014				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(60)	$203	$44	$(239)	$(52)
Net change	2	(92)	(37)	5	(122)
End of period	$(58)	$111	$7	$(234)	$(174)

	Nine Months Ended September 30, 2015				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(55)	$175	$33	$(391)	$(238)
Net change	6	(37)	108	22	99

End of period	$(49)	$138	$141	$(369)	$ (139)

30

Table of Contents

	Nine Months Ended September 30, 2014				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(64)	$(22)	$15	$(248)	$ (319)
Net change	6	133	(8)	14	145
End of period	$(58)	$111	$7	$(234)	$ (174)

The following tables present amounts reclassified out of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2015 and 2014:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended September 30, 2015 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)(1)	Three Months Ended September 30, 2014 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)(1)	Affected Line Item in the Consolidated Statements of Income
	(In millions)		
Unrealized losses on securities transferred to held to maturity:			
	$(3)	$(3)	Net interest income
	1	1	Tax (expense) or benefit
	$(2)	$(2)	Net of tax
Unrealized gains and (losses) on available-for-sale securities:			
	$7	$7	Securities gains, net
	(2)	(2)	Tax (expense) or benefit
	$5	$5	Net of tax
Gains and (losses) on cash flow hedges:			
Interest rate contracts	$41	$34	Net interest income
	(16)	(13)	Tax (expense) or benefit
	$25	$21	Net of tax
Amortization of defined benefit pension plans and other post employment benefits:			
Prior-service cost	$(1)	$—	(2)
Actuarial gains (losses)	(12)	(7)	(2)
	(13)	(7)	Total before tax

	4	2	Tax (expense) or benefit
	$(9)	$(5)	Net of tax
Total reclassifications for the period	$19	$19	Net of tax

Table of Contents

Details about Accumulated Other Comprehensive Income (Loss) Components	Nine Months Ended September 30, 2015 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]		Nine Months Ended September 30, 2014 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]		Affected Line Item in the Consolidated Statements of Income
	(In millions)				
Unrealized losses on securities transferred to held to maturity:					
	$(10	)	$(10	)	Net interest income
	4		4		Tax (expense) or benefit
	$(6	)	$(6	)	Net of tax
Unrealized gains and (losses) on available-for-sale securities:					
	$18		$15		Securities gains, net
	(6	)	(5	)	Tax (expense) or benefit
	$12		$10		Net of tax
Gains and (losses) on cash flow hedges:					
Interest rate contracts	$108		$91		Net interest income
	(41	)	(35	)	Tax (expense) or benefit
	$67		$56		Net of tax
Amortization of defined benefit pension plans and other post employment benefits:					
Prior-service cost	$(1	)	$(1	)	[2]
Actuarial gains (losses)	(36	)	(18	)	[2]
	(37	)	(19	)	Total before tax
	13		6		Tax (expense) or benefit
	$(24	)	$(13	)	Net of tax
Total reclassifications for the period	$49		$47		Net of tax

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(1) Amounts in parentheses indicate reductions to net income.

(2) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost and are included in salaries and employee benefits on the consolidated statements of income (see Note 10 for additional details).

Table of Contents

NOTE 8. EARNINGS (LOSS) PER COMMON SHARE

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Numerator:				
Income from continuing operations	$262	$317	$787	$915
Preferred stock dividends	(16)	(20)	(48)	(36)
Income from continuing operations available to common shareholders	246	297	739	879
Income (loss) from discontinued operations, net of tax	(4)	3	(10)	16
Net income available to common shareholders	$242	$300	$729	$895
Denominator:				
Weighted-average common shares outstanding—basic	1,319	1,378	1,333	1,378
Potential common shares	7	11	10	12
Weighted-average common shares outstanding—diluted	1,326	1,389	1,343	1,390
Earnings per common share from continuing operations available to common shareholders(1):				
Basic	$0.19	$0.22	$0.55	$0.64
Diluted	0.19	0.21	0.55	0.63
Earnings (loss) per common share from discontinued operations(1):				
Basic	(0.00)	0.00	(0.01)	0.01
Diluted	(0.00)	0.00	(0.01)	0.01
Earnings per common share(1):				
Basic	0.18	0.22	0.55	0.65
Diluted	0.18	0.22	0.54	0.64

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(1) Certain per share amounts may not appear to reconcile due to rounding.

For earnings (loss) per common share from discontinued operations, basic and diluted weighted-average common shares outstanding are the same for the three and nine months ended September 30, 2015 due to a net loss.

The effect from the assumed exercise of 29 million stock options for both the three and nine months ended September 30, 2015 was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share. The effect from the assumed exercise of 23 million and 24 million stock options for the three and nine months ended September 30, 2014, respectively, was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share.

NOTE 9. SHARE-BASED PAYMENTS

Regions administers long-term incentive compensation plans that permit the granting of incentive awards in the form of stock options, restricted stock awards, performance awards and stock appreciation rights. While Regions has the ability to issue stock appreciation rights, none have been issued to date. The terms of all awards issued under these plans are determined by the Compensation Committee of the Board of Directors; however, no awards may be granted after the tenth anniversary from the date the plans were initially approved by stockholders. Incentive awards usually vest based on employee service, generally within three years from the date of the grant. The contractual lives of options granted under these plans are typically ten years from the date of the grant.

On April 23, 2015, the stockholders of the Company approved the Regions Financial Corporation 2015 Long Term Incentive Plan ("2015 LTIP"), which permits the Company to grant to employees and directors various forms of incentive compensation. These forms of incentive compensation are similar to the types of compensation approved in prior plans. The 2015 LTIP authorizes 60 million common share equivalents available for grant, where grants of options and grants of full value awards (e.g., shares of restricted stock, restricted stock units and performance stock units) count as one share equivalent. Unless otherwise determined by the Compensation Committee of the Board of Directors, grants of restricted stock, restricted stock units, and performance stock units accrue dividends, or their notional equivalent, as they are declared by the Board of Directors, and are paid upon vesting of the award. Upon adoption of the 2015 LTIP, Regions closed the prior long-term incentive plan to new grants, and, accordingly, prospective grants must be made under the 2015 LTIP or a successor plan. All existing grants under prior long-term incentive plans are unaffected by adoption of the 2015 LTIP. The number of remaining share equivalents available for future issuance under the 2015 LTIP was approximately 54 million at September 30, 2015.

STOCK OPTIONS

The following table summarizes the activity related to stock options:

	Nine Months Ended September 30			
	2015		2014	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of period	25,316,676	$ 23.07	32,127,235	$22.81
Exercised	(535,107)	6.92	(2,166,521)	4.52
Canceled/Forfeited	(5,410,769)	31.82	(4,486,405)	30.44
Outstanding at end of period	19,370,800	$ 21.07	25,474,309	$23.02
Exercisable at end of period	19,370,800	$ 21.07	25,474,309	$23.02

RESTRICTED STOCK AWARDS AND PERFORMANCE STOCK AWARDS

Regions periodically grants restricted stock awards that vest upon service conditions. Regions also periodically grants restricted stock awards and performance stock awards that vest based upon service conditions and performance conditions. Incremental shares earned above the performance target associated with previous performance stock awards are included when and if performance targets are achieved. Dividend payments during the vesting period are deferred to the end of the vesting term. The fair value of these restricted shares, restricted stock units and performance stock units was estimated based upon the fair value of the underlying shares on the date of the grant. The valuation was not adjusted for the deferral of dividends.

The following table summarizes the activity related to restricted stock awards and performance stock awards:

	Nine Months Ended September 30			
	2015		2014	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	18,427,409	$ 8.07	16,212,198	$ 6.83
Granted	6,622,682	9.90	5,368,113	11.22
Vested	(8,106,010)	6.07	(2,623,699)	6.82
Forfeited	(506,271)	8.54	(459,102)	8.06
Non-vested at end of period	16,437,810	$ 9.51	18,497,510	$ 8.07

Table of Contents

NOTE 10. PENSION AND OTHER POSTRETIREMENT BENEFITS

Regions has a defined benefit pension plan qualified under the Internal Revenue Code covering only certain employees as the pension plan is closed to new entrants. The Company also sponsors a supplemental executive retirement program (the "SERP"), which is a non-qualified pension plan that provides certain senior executive officers defined benefits in relation to their compensation.

Net periodic pension cost, which is recorded in salaries and employee benefits on the consolidated statements of income, included the following components:

	Qualified Plan		Non-qualified Plans		Total	
	Three Months Ended September 30					
	2015	2014	2015	2014	2015	2014
	(In millions)					
Service cost	$10	$9	$1	$1	$11	$10
Interest cost	21	21	2	2	23	23
Expected return on plan assets	(38)	(34)	—	—	(38)	(34)
Amortization of actuarial loss	11	6	1	1	12	7
Amortization of prior service cost	—	—	1	—	1	—
Settlement charge	—	—	—	—	—	—
Net periodic pension cost	$4	$2	$5	$4	$9	$6

	Qualified Plan		Non-qualified Plans		Total	
	Nine Months Ended September 30					
	2015	2014	2015	2014	2015	2014
	(In millions)					
Service cost	$30	$25	$4	$3	$34	$28
Interest cost	63	65	5	5	68	70
Expected return on plan assets	(112)	(103)	—	—	(112)	(103)
Amortization of actuarial loss	33	16	3	2	36	18
Amortization of prior service cost	—	—	1	1	1	1
Settlement charge	—	—	—	3	—	3
Net periodic pension cost	$14	$3	$13	$14	$27	$17

Regions' policy for funding the qualified pension plan is to contribute annually at least the amount required by Internal Revenue Service ("IRS") minimum funding standards. Regions made a contribution of $150 million for the 2014 plan year during the first quarter of 2015. Regions also made a $100 million contribution for the 2015 plan year in the fourth quarter of 2015.

Regions also provides other postretirement benefits such as defined benefit health care plans and life insurance plans that cover certain retired employees. There was no material impact from other postretirement benefits on the consolidated financial statements for the nine months ended September 30, 2015 or 2014.

NOTE 11. INCOME TAXES

During the second quarter of 2015, the Company reached an agreement with the IRS to settle audits for the tax years 2010, 2011 and 2012. The settlement reduced income tax expense by $4 million, including a reduction in unrecognized tax benefits ("UTBs") of $3 million. The Company has entered the IRS’s Compliance Assurance Process program for 2015.

State audit settlements during the nine months ended September 30, 2015 resulted in a reduction in income tax expense of $6 million. With few exceptions, the Company is no longer subject to state and local tax examinations for tax years before 2008. Currently there are disputed tax positions taken in previously filed tax returns with certain states. The Company continues to evaluate these positions and intends to defend proposed adjustments made by these tax authorities. The Company does not anticipate the ultimate resolution of these examinations will result in a material

change to its business, financial position, results of operations or cash flows.
As of September 30, 2015 and December 31, 2014, the balance in the Company’s UTBs was $37 million and $50 million, respectively. The decrease of $13 million is principally related to state audit settlements and the IRS audit previously discussed. As of September 30, 2015 and December 31, 2014, the balance of UTBs that would reduce the effective tax rate, if recognized, was $24 million and $34 million, respectively.

Table of Contents

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The following tables present the notional amount and estimated fair value of derivative instruments on a gross basis as of September 30, 2015 and December 31, 2014.

	September 30, 2015			December 31, 2014		
	Notional	Estimated Fair Value		Notional	Estimated Fair Value	
	Amount	Gain(1)	Loss(1)	Amount	Gain(1)	Loss(1)
	(In millions)					
Derivatives in fair value hedging relationships:						
Interest rate swaps	$2,650	$21	$37	$2,817	$6	$30
Derivatives in cash flow hedging relationships:						
Interest rate swaps	9,800	199	—	8,050	38	31
Total derivatives designated as hedging instruments	$12,450	$220	$37	$10,867	$44	$61
Derivatives not designated as hedging instruments:						
Interest rate swaps	$39,976	$645	$668	$45,860	$941	$972
Interest rate options	2,954	15	1	3,016	10	2
Interest rate futures and forward commitments	18,801	10	14	17,978	3	8
Other contracts	4,713	189	183	4,149	217	211
Total derivatives not designated as hedging instruments	$66,444	$859	$866	$71,003	$1,171	$1,193
Total derivatives	$78,894	$1,079	$903	$81,870	$1,215	$1,254

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(1) Derivatives in a gain position are recorded as other assets and derivatives in a loss position are recorded as other liabilities on the consolidated balance sheets.

HEDGING DERIVATIVES

Derivatives entered into to manage interest rate risk and facilitate asset/liability management strategies are designated as hedging derivatives. Derivative financial instruments that qualify in a hedging relationship are classified, based on the exposure being hedged, as either fair value hedges or cash flow hedges. See Note 1 "Summary of Significant Accounting Policies" of the Annual Report on Form 10-K for the year ended December 31, 2014 for additional information regarding accounting policies for derivatives.

FAIR VALUE HEDGES

Fair value hedge relationships mitigate exposure to the change in fair value of an asset, liability or firm commitment. Regions enters into interest rate swap agreements to manage interest rate exposure on the Company’s fixed-rate borrowings, which includes long-term debt and certificates of deposit. These agreements involve the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreements. Regions enters into interest rate swap agreements to manage interest rate exposure on certain of the Company's fixed-rate available for sale debt securities. These agreements involve the payment of fixed-rate amounts in exchange for floating-rate interest receipts.

CASH FLOW HEDGES

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

Regions enters into interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure on LIBOR-based loans. The agreements effectively modify the Company’s exposure to interest rate risk by utilizing receive fixed/pay LIBOR interest rate swaps.

Regions issues long-term fixed-rate debt for various funding needs. Regions may enter into receive LIBOR/pay fixed forward starting swaps to hedge risks of changes in the projected quarterly interest payments attributable to changes in the benchmark interest rate ("LIBOR") during the time leading up to the probable issuance date of the new long-term fixed-rate debt.

Regions recognized an unrealized after-tax gain of $24 million and $40 million in accumulated other comprehensive income (loss) at September 30, 2015 and 2014, respectively, related to terminated cash flow hedges of loan and debt instruments, which

Table of Contents

will be amortized into earnings in conjunction with the recognition of interest payments through 2021. Regions recognized pre-tax income of $11 million and $14 million during the three months ended September 30, 2015 and 2014, respectively, and pre-tax income of $33 million and $37 million during the nine months ended September 30, 2015 and 2014, respectively, related to the amortization of cash flow hedges of loan and debt instruments.

Regions expects to reclassify out of accumulated other comprehensive income (loss) and into earnings approximately $146 million in pre-tax income due to the receipt of interest payments on all cash flow hedges within the next twelve months. Included in this amount is $26 million in pre-tax net gains related to the amortization of discontinued cash flow hedges. The maximum length of time over which Regions is hedging its exposure to the variability in future cash flows for forecasted transactions is approximately ten years as of September 30, 2015.

The following tables present the effect of hedging derivative instruments on the consolidated statements of income:

	Gain or (Loss) Recognized in Income on Derivatives		Location of Amounts Recognized in Income on Derivatives and Related Hedged Item	Gain or (Loss) Recognized in Income on Related Hedged Item	
	Three Months Ended September 30			Three Months Ended September 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Fair Value Hedges:					
Interest rate swaps on:					
Debt/CDs	$5	$4	Interest expense	$(1)	$7
Debt/CDs	10	(11)	Other non-interest expense	(11)	10
Securities available for sale	(3)	(4)	Interest income	—	—
Securities available for sale	(23)	—	Other non-interest expense	21	(2)
Total	$(11)	$(11)		$9	$15

	Effective Portion(3)				
	Gain or (Loss) Recognized in AOCI(1)		Location of Amounts Reclassified from AOCI into Income	Gain or (Loss) Reclassified from AOCI into Income(2)	
	Three Months Ended September 30			Three Months Ended September 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Cash Flow Hedges:					
Interest rate swaps	$96	$(37)	Interest income on loans	$41	$34
Forward starting swaps	—	—	Interest expense on debt	—	—
Total	$96	$(37)		$41	$34

	Gain or (Loss) Recognized in Income on Derivatives		Location of Amounts Recognized in Income on Derivatives and Related Hedged Item	Gain or (Loss) Recognized in Income on Related Hedged Item	
	Nine Months Ended September 30			Nine Months Ended September 30	
	2015	2014		2015	2014

	(In millions)			(In millions)	
Fair Value Hedges:					
Interest rate swaps on:					
Debt/CDs	$13	$19	Interest expense	$5	$15
Debt/CDs	14	(25)	Other non-interest expense	(15)	27
Securities available for sale	(11)	(12)	Interest income	—	—
Securities available for sale	(18)	(32)	Other non-interest expense	15	25
Total	$(2)	$(50)		$5	$67

37

Table of Contents

	Effective Portion[3]				
	Gain or (Loss) Recognized in AOCI[1]		Location of Amounts Reclassified from AOCI into Income	Gain or (Loss) Reclassified from AOCI into Income[2]	
	Nine Months Ended September 30			Nine Months Ended September 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Cash Flow Hedges:					
Interest rate swaps	$108	$(11)	Interest income on loans	$108	$96
Forward starting swaps	—	3	Interest expense on debt	—	(5)
Total	$108	$(8)		$108	$91

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(1) After-tax

(2) Pre-tax

(3) All cash flow hedges were highly effective for all periods presented, and the change in fair value attributed to hedge ineffectiveness was not material.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Company maintains a derivatives portfolio of interest rate swaps, option contracts, and futures and forward commitments used to meet the needs of its customers. The portfolio is primarily used to help clients manage market risk. The Company is subject to the credit risk that a counterparty will fail to perform. The Company is also subject to market risk, which is evaluated by the Company and monitored by the asset/liability management process. Separate derivative contracts are entered into to reduce overall market exposure to pre-defined limits. The contracts in this portfolio do not qualify for hedge accounting and are marked-to-market through earnings and included in other assets and other liabilities.

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. At September 30, 2015 and December 31, 2014, Regions had $353 million and $233 million, respectively, in total notional amount of interest rate lock commitments. Regions manages market risk on interest rate lock commitments and mortgage loans held for sale with corresponding forward sale commitments. Residential mortgage loans held for sale are recorded at fair value with changes in fair value recorded in mortgage income. Commercial mortgage loans held for sale are recorded at the lower of cost or market with changes to the value of the related forward sale commitments recorded in capital markets fee income and other. At September 30, 2015 and December 31, 2014, Regions had $708 million and $621 million, respectively, in total notional amount related to these forward sale commitments.

Regions has elected to account for residential mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments, in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the consolidated statement of income effect of changes in the fair value of its residential mortgage servicing rights. As of September 30, 2015 and December 31, 2014, the total notional amount related to these contracts was $3.5 billion and $3.7 billion, respectively.

The following table presents the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the consolidated statements of income for the three and nine months ended September 30, 2015 and 2014:

Table of Contents

Derivatives Not Designated as Hedging Instruments	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Capital markets fee income and other[1]:				
Interest rate swaps	$3	$5	$11	$10
Interest rate options	5	—	9	—
Interest rate futures and forward commitments	1	1	—	—
Other contracts	8	2	1	8
Total capital markets fee income and other	17	8	21	18
Mortgage income:				
Interest rate swaps	22	1	19	19
Interest rate options	—	(3)	4	3
Interest rate futures and forward commitments	(8)	9	(1)	1
Total mortgage income	14	7	22	23
	$31	$15	$43	$41

(1) Capital markets fee income and other is included in Other income on the consolidated statements of income.

Credit risk, defined as all positive exposures not collateralized with cash or other assets or reserved for, at September 30, 2015 and December 31, 2014, totaled approximately $585 million and $392 million, respectively. This amount represents the net credit risk on all trading and other derivative positions held by Regions.

CREDIT DERIVATIVES

Regions has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty when the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction and have maturities between 2016 and 2020. Credit derivatives whereby Regions has sold credit protection have maturities between 2016 and 2025. For contracts where Regions sold credit protection, Regions would be required to make payment to the counterparty when the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction. Regions bases the current status of the prepayment/performance risk on bought and sold credit derivatives on recently issued internal risk ratings consistent with the risk management practices of unfunded commitments.

Regions' maximum potential amount of future payments under these contracts as of September 30, 2015 was approximately $114 million. This scenario would only occur if variable interest rates were at zero percent and all counterparties defaulted with zero recovery. The fair value of sold protection at September 30, 2015 and 2014 was immaterial. In transactions where Regions has sold credit protection, recourse to collateral associated with the original swap transaction is available to offset some or all of Regions' obligation.

CONTINGENT FEATURES

Certain of Regions' derivative instrument contracts with broker-dealers contain credit-related termination provisions and/or credit-related provisions regarding the posting of collateral, allowing those broker-dealers to terminate the contracts in the event that Regions' and/or Regions Bank's credit ratings falls below specified ratings from certain major credit rating agencies. The aggregate fair value of all derivative instruments with any credit-risk-related contingent features that were in a liability position on September 30, 2015 and December 31, 2014, was $221 million and $272 million, respectively, for which Regions had posted collateral of $219 million and $272 million, respectively, in the normal course of business.

OFFSETTING

Regions engages in derivatives transactions with dealers and customers. These derivatives transactions are subject to enforceable master netting agreements, which include a right of setoff by the non-defaulting or non-affected party upon early termination of the derivatives transaction. The following table presents the Company's gross derivative positions, including collateral posted or received, as of September 30, 2015 and December 31, 2014.

Table of Contents

	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
	(In millions)			
Gross amounts subject to offsetting	$905	$1,157	$778	$1,195
Gross amounts not subject to offsetting	174	58	125	59
Gross amounts recognized	1,079	1,215	903	1,254
Gross amounts offset in the consolidated balance sheets(1)	489	815	637	1,054
Net amounts presented in the consolidated balance sheets	590	400	266	200
Gross amounts not offset in the consolidated balance sheets:				
Financial instruments	5	8	50	—
Cash collateral received/posted	—	—	42	29
Net amounts	$585	$392	$174	$171

(1) At September 30, 2015, gross amounts of derivative assets and liabilities offset in the consolidated balance sheets presented above include cash collateral received of $127 million and cash collateral posted of $278 million. At December 31, 2014, gross amounts of derivative assets and liabilities offset in the consolidated balance sheets presented above include cash collateral received of $111 million and cash collateral posted of $354 million.

Gross amounts of derivatives not subject to offsetting primarily consist of derivatives cleared through a Central Counterparty Clearing House and interest rate lock commitments to originate mortgage loans.

NOTE 13. FAIR VALUE MEASUREMENTS

See Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2014 for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. Assets and liabilities measured at fair value rarely transfer between Level 1 and Level 2 measurements. There were no such transfers during the nine month periods ended September 30, 2015 and 2014. Trading account securities and securities available for sale may be periodically transferred to or from Level 3 valuation based on management’s conclusion regarding the observability of inputs used in valuing the security. Such transfers are accounted for as if they occur at the beginning of a reporting period.

Table of Contents

The following table presents assets and liabilities measured at estimated fair value on a recurring basis and non-recurring basis as of September 30, 2015 and December 31, 2014:

	September 30, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total Estimated Fair Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)							
Recurring fair value measurements								
Trading account securities	$106	$—	$—	$ 106	$106	$—	$—	$ 106
Securities available for sale:								
U.S. Treasury securities	$182	$—	$—	$ 182	$176	$—	$—	$ 176
Federal agency securities	—	226	—	226	—	235	—	235
Obligations of states and political subdivisions	—	1	—	1	—	2	—	2
Mortgage-backed securities (MBS):								
Residential agency	—	15,820	—	15,820	—	16,038	—	16,038
Residential non-agency	—	—	6	6	—	—	8	8
Commercial agency	—	2,414	—	2,414	—	1,964	—	1,964
Commercial non-agency	—	1,410	—	1,410	—	1,494	—	1,494
Corporate and other debt securities	—	1,759	3	1,762	—	1,987	3	1,990
Equity securities[(1)]	212	—	—	212	146	—	—	146
Total securities available for sale	$394	$21,630	$9	$ 22,033	$322	$21,720	$11	$ 22,053
Mortgage loans held for sale	$—	$421	$—	$ 421	$—	$440	$—	$ 440
Residential mortgage servicing rights	$—	$—	$241	$ 241	$—	$—	$257	$ 257
Derivative assets:								
Interest rate swaps	$—	$865	$—	$ 865	$—	$985	$—	$ 985
Interest rate options	—	2	13	15	—	2	8	10
Interest rate futures and forward commitments	—	10	—	10	—	3	—	3
Other contracts	—	189	—	189	—	217	—	217
Total derivative assets	$—	$1,066	$13	$ 1,079	$—	$1,207	$8	$ 1,215
Derivative liabilities:								
Interest rate swaps	$—	$705	$—	$ 705	$—	$1,033	$—	$ 1,033
Interest rate options	—	1	—	1	—	2	—	2
Interest rate futures and forward commitments	—	14	—	14	—	8	—	8
Other contracts	—	183	—	183	—	211	—	211
Total derivative liabilities	$—	$903	$—	$ 903	$—	$1,254	$—	$ 1,254
Nonrecurring fair value measurements								
Loans held for sale	$—	$—	$15	$ 15	$—	$—	$33	$ 33
Foreclosed property and other real estate	—	36	14	50	—	41	8	49

(1) Excludes Federal Reserve Bank and Federal Home Loan Bank Stock totaling $484 million and $197 million, respectively, at September 30, 2015 and $488 million and $39 million, respectively, at December 31, 2014.

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

Table of Contents

The following tables illustrate a rollforward for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2015 and 2014. The tables do not reflect the change in fair value attributable to any related economic hedges the Company used to mitigate the interest rate risk associated with these assets and liabilities. The net changes in realized gains (losses) included in earnings related to Level 3 assets and liabilities held at September 30, 2015 and 2014 are not material.

Three Months Ended September 30, 2015

		Total Realized / Unrealized Gains or Losses								
	Opening Balance July 1, 2015	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance September 30, 2015
	(In millions)									
Level 3 Instruments Only										
Securities available for sale:										
Residential non-agency MBS	$6	—	—	—	—	—	—	—	—	$ 6
Corporate and other debt securities	3	—	—	—	—	—	—	—	—	3
Total securities available for sale	$9	—	—	—	—	—	—	—	—	$ 9
Residential mortgage servicing rights	$268	(36)[(1)]	—	9	—	—	—	—	—	$ 241
Total derivatives, net	$13	32 [(2)]	—	—	—	—	(32)	—	—	$ 13

Three Months Ended September 30, 2014

		Total Realized / Unrealized Gains or Losses								
	Opening Balance July 1, 2014	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance September 30, 2014
	(In millions)									
Level 3 Instruments Only										

Securities available for sale:										
Residential non-agency MBS	$9	—	—	—	—	—	—	—	—	$ 9
Corporate and other debt securities	2	—	—	1	—	—	—	—	—	3
Total securities available for sale	$11	—	—	1	—	—	—	—	—	$ 12
Residential mortgage servicing rights	$276	(8) (1)	—	9	—	—	—	—	—	$ 277
Total derivatives, net	$12	20 (1)	—	—	—	—	(23)	—	—	$ 9

42

Table of Contents

	Nine Months Ended September 30, 2015									
		Total Realized / Unrealized Gains or Losses								
	Opening Balance January 1, 2015	Included in Earnings	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance September 30, 2015
	(In millions)									
Level 3 Instruments Only										
Securities available for sale:										
Residential non-agency MBS	$8	—	—	—	—	—	(2)	—	—	$ 6
Corporate and other debt securities	3	—	—	—	—	—	—	—	—	3
Total securities available for sale	$11	—	—	—	—	—	(2)	—	—	$ 9
Residential mortgage servicing rights	$257	(44) (1)	—	28	—	—	—	—	—	$ 241
Total derivatives, net	$8	85 (3)	—	—	—	—	(80)	—	—	$ 13

	Nine Months Ended September 30, 2014									
		Total Realized / Unrealized Gains or Losses								
	Opening Balance January 1, 2014	Included in Earnings	Included in Other Comprehensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance September 30, 2014
	(In millions)									
Level 3 Instruments Only										
Securities available for sale:										
	$9	—	—	—	—	—	—	—	—	$ 9

Residential non-agency MBS										
Corporate and other debt securities	2	—	—	4	—	—	(3)	—	—	3
Total securities available for sale	$11	—	—	4	—	—	(3)	—	—	$ 12
Residential mortgage servicing rights	$297	(44) (1)	—	24	—	—	—	—	—	$ 277
Total derivatives, net	$5	70 (1)	—	—	—	—	(66)	—	—	$ 9

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(1) Included in mortgage income.
(2) Approximately $1 million was included in capital markets fee income and other and $31 million was included in mortgage income.
(3) Approximately $5 million was included in capital markets fee income and other and $80 million was included in mortgage income.

The following table presents the fair value adjustments related to non-recurring fair value measurements:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Loans held for sale	$(5)	$(11)	$(16)	$(34)
Foreclosed property and other real estate	(9)	(4)	(56)	(18)

The following tables present detailed information regarding assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of September 30, 2015 and December 31, 2014. The tables include the valuation techniques and the significant unobservable inputs utilized. The range of each significant unobservable input as well as the weighted-average within the range utilized at September 30, 2015 and December 31, 2014 are included. Following the tables are a description of the valuation technique and the sensitivity of the technique to changes in the significant unobservable input.

Table of Contents

	September 30, 2015 Level 3 Estimated Fair Value at September 30, 2015 (Dollars in millions)	Valuation Technique	Unobservable Input(s)	Quantitative Range of Unobservable Inputs and (Weighted-Average)
Recurring fair value measurements:				
Securities available for sale:				
Residential non-agency MBS	$6	Discounted cash flow	Spread to LIBOR	5.5% - 50.0% (14.7%)
			Weighted-average prepayment speed (CPR; percentage)	6.5% - 34.9% (13.4%)
			Probability of default	1.5%
			Loss severity	40.5%
Corporate and other debt securities	$3	Market comparable	Evaluated quote on same issuer/comparable bond	100.0%
Residential mortgage servicing rights[(1)]	$241	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	11.4% - 12.5% (12.0%)
			Option-adjusted spread (percentage)	8.7% - 17.3% (10.0%)
Derivative assets:				
Interest rate options	$12	Interest rate lock commitments on the residential mortgage loans are valued using discounted cash flows	Weighted-average prepayment speed (CPR; percentage)	11.4% - 12.5% (12.0%)
			Option-adjusted spread (percentage)	8.7% - 17.3% (10.0%)
			Pull-through	3.5% - 99.1% (86.8%)
	$1	Interest rate lock commitments on the commercial mortgage loans are valued using discounted cash flows	Internal rate of return	12.0%
Nonrecurring fair value measurements:				
Loans held for sale	$15	Commercial loans held for sale are valued based on multiple data points, including discount to	Appraisal comparability adjustment (discount)	12.8% - 96.2% (52.1%)

		appraised value of collateral based on recent market activity for sales of similar loans		
Foreclosed property and other real estate	$11	Property in foreclosure is valued by discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	25.0% - 65.5% (44.4%)
	$3	Bank owned property valuations are based on comparable sales and local broker network estimates provided by a third-party real estate services provider	Estimated third-party valuations utilizing available sales data for similar transactions (discount)	2.7% - 11.0% (8.7%)

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(1) See Note 5 for additional disclosures related to assumptions used in the fair value calculation for residential mortgage servicing rights.

Table of Contents

	December 31, 2014 Level 3 Estimated Fair Value at December 31, 2014 (Dollars in millions)	Valuation Technique	Unobservable Input(s)	Quantitative Range of Unobservable Inputs and (Weighted-Average)
Recurring fair value measurements:				
Securities available for sale:				
Residential non-agency MBS	$8	Discounted cash flow	Spread to LIBOR	5.4% - 49.9% (12.3%)
			Weighted-average prepayment speed (CPR; percentage)	6.3% - 15.0% (9.5%)
			Probability of default	1.4%
			Loss severity	37.4%
Corporate and other debt securities	$3	Market comparable	Evaluated quote on same issuer/comparable bond	99.9%
Residential mortgage servicing rights(1)	$257	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	9.9% - 22.4% (12.0%)
			Option-adjusted spread (percentage)	7.7% - 11.3% (9.0%)
Derivative assets:				
Interest rate options	$8	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	9.9% - 22.4% (12.0%)
			Option-adjusted spread (percentage)	7.7% - 11.3% (9.0%)
			Pull-through	7.3% - 99.1% (87.8%)
Nonrecurring fair value measurements:				
Loans held for sale	$33	Commercial loans held for sale are valued based on multiple data points, including discount to appraised value of collateral based on recent market activity for sales of similar loans	Appraisal comparability adjustment (discount)	8.3% - 90.9% (53.3%)
Foreclosed property and other real estate	$8	Property in foreclosure is valued by discount to appraised value of	Appraisal comparability adjustment (discount)	3.7% - 73.0% (29.6%)

property based on
recent market activity
for sales of similar
properties

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(1) See Note 7 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2014 for additional disclosures related to assumptions used in the fair value calculation for residential mortgage servicing rights.

RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Securities available for sale

Mortgage-backed securities: residential non-agency—The fair value reported in this category relates to retained interests in legacy securitizations. Significant unobservable inputs include the spread to LIBOR, constant prepayment rate, probability of default, and loss severity in the event of default. Significant increases in any of these inputs in isolation would result in significantly lower fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates.

Corporate and other debt securities—Significant unobservable inputs include evaluated quotes on comparable bonds for the same issuer and management-determined comparability adjustments. Changes in the evaluated quote on comparable bonds would result in a directionally similar change in the fair value of the other debt securities.

Table of Contents

Residential mortgage servicing rights

The significant unobservable inputs used in the fair value measurement of residential mortgage servicing rights ("MSR") are option-adjusted spreads (“OAS”) and prepayment speed. This method requires generating cash flow projections over multiple interest rate scenarios and discounting those cash flows at a risk adjusted rate. Additionally, the impact of prepayments and changes in the OAS are based on a variety of underlying inputs such as servicing costs. Increases or decreases to the underlying cash flow inputs will have a corresponding impact on the value of the MSR asset. The net change in unrealized gains (losses) included in earnings related to MSRs held at period end are disclosed as the changes in valuation inputs or assumptions included in the MSR rollforward table in Note 5. See Note 5 for these amounts and additional disclosures related to assumptions used in the fair value calculation for MSRs.

Derivative assets

Residential mortgage interest rate options—These instruments are interest rate lock agreements made in the normal course of originating residential mortgage loans. Significant unobservable inputs in the fair value measurement are OAS, prepayment speeds, and pull-through. The impact of OAS and prepayment speed inputs in the valuation of these derivative instruments are consistent with the MSR discussion above. Pull-through is an estimate of the number of interest rate lock commitments that will ultimately become funded loans. Increases or decreases in the pull-through assumption will have a corresponding impact on the value of these derivative assets.

Commercial mortgage interest rate options—These instruments are interest rate lock agreements made in the normal course of originating commercial mortgage loans. The significant unobservable input in the fair value measurement using discounted cash flows is the internal rates of return. The Company's internal rates of return are compared against those of market competitors, and should those rates change the Company's rates would also change in a similar direction.

NON-RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Loans held for sale

Commercial loans held for sale are valued based on multiple data points indicating the fair value for each loan. The primary data point for loans held for sale is a discount to the appraised value of the underlying collateral, which considers the return required by potential buyers of the loans. Management establishes this discount or comparability adjustment based on recent sales of loans secured by similar property types. As liquidity in the market increases or decreases, the comparability adjustment and the resulting asset valuation are impacted. These non-recurring fair value measurements are typically recorded on the date an updated appraisal is received.

Foreclosed property and other real estate

Property in foreclosure is valued based on offered quotes as available. If no sales contract is pending for a specific property, management establishes a comparability adjustment to the appraised value based on historical activity considering proceeds for properties sold versus the corresponding appraised value. Increases or decreases in realization for properties sold impact the comparability adjustment for similar assets remaining on the balance sheet. These non-recurring fair value measurements are typically recorded on the date an updated offered quote or appraisal is received.

Bank owned property available for sale is valued based on estimated third-party valuations utilizing recent sales data from similar transactions. A broker's opinion of value is obtained to further support the asset valuations. Updated valuations along with actual sales results of similar properties can further impact these values. These non-recurring fair value measurements are typically recorded on the date an updated third-party valuation is received.

FAIR VALUE OPTION

Regions has elected the fair value option for all FNMA and FHLMC eligible residential mortgage loans originated with the intent to sell. These elections allow for a more effective offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. Regions has not elected the fair value option for other loans held for sale primarily because they are not economically hedged using derivative instruments. Fair values of mortgage loans held for sale are based on traded market prices of similar assets where available and/or discounted cash flows at market interest rates, adjusted for securitization activities that include servicing values and market conditions, and are recorded in loans held for sale in the consolidated balance sheets.

Table of Contents

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for mortgage loans held for sale measured at fair value:

	September 30, 2015			December 31, 2014		
	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
	(In millions)					
Mortgage loans held for sale, at fair value	$421	$401	$ 20	$440	$421	$ 19

Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on loans held for sale in the consolidated statements of income. The following table details net gains resulting from changes in fair value of these loans, which were recorded in mortgage income in the consolidated statements of income during the three and nine months ended September 30, 2015 and 2014. These changes in fair value are mostly offset by economic hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

	Mortgage loans held for sale, at fair value			
	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(In millions)			
Net gains (losses) resulting from changes in fair value	$8	$(6)	$—	$11

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of September 30, 2015 are as follows:

	September 30, 2015				
	Carrying Amount	Estimated Fair Value(1)	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	$5,008	$5,008	$5,008	$—	$—
Trading account securities	106	106	106	—	—
Securities held to maturity	2,001	2,048	1	2,047	—
Securities available for sale	22,714	22,714	394	22,311	9
Loans held for sale	453	453	—	421	32
Loans (excluding leases), net of unearned income and allowance for loan losses(2)(3)	78,111	74,659	—	—	74,659
Other interest-earning assets	93	93	—	93	—
Derivative assets	1,079	1,079	—	1,066	13
Financial liabilities:					
Derivative liabilities	903	903	—	903	—
Deposits	97,178	97,219	—	97,219	—
Long-term borrowings	7,364	7,642	—	4,801	2,841
Loan commitments and letters of credit	103	478	—	—	478
Indemnification obligation	201	197	—	—	197

(1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for interest rates, market liquidity and credit spreads as appropriate.

(2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at September 30, 2015 was $3.5 billion or 4.4 percent.

(3) Excluded from this table is the lease carrying amount of $1.8 billion at September 30, 2015.

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of December 31, 2014 are as follows:

	December 31, 2014				
	Carrying Amount	Estimated Fair Value(1)	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	$4,004	$4,004	$4,004	$—	$—
Trading account securities	106	106	106	—	—
Securities held to maturity	2,175	2,209	1	2,208	—
Securities available for sale	22,580	22,580	322	22,247	11
Loans held for sale	541	541	—	440	101
Loans (excluding leases), net of unearned income and allowance for loan losses(2)(3)	74,482	70,114	—	—	70,114
Other interest-earning assets	89	89	—	89	—
Derivative assets	1,215	1,215	—	1,207	8
Financial liabilities:					
Derivative liabilities	1,254	1,254	—	1,254	—
Deposits	94,200	94,186	—	94,186	—
Short-term borrowings	2,253	2,253	—	2,253	—
Long-term borrowings	3,462	3,871	—	3,504	367
Loan commitments and letters of credit	106	539	—	—	539
Indemnification obligation	206	198	—	—	198

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(1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for interest rates, market liquidity and credit spreads as appropriate.

(2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at December 31, 2014 was $4.4 billion or 5.9 percent.

(3) Excluded from this table is the lease carrying amount of $1.7 billion at December 31, 2014.

NOTE 14. BUSINESS SEGMENT INFORMATION

Each of Regions' reportable segments is a strategic business unit that serves specific needs of Regions' customers based on the products and services provided. The segments are based on the manner in which management views the financial performance of the business. The Company has three reportable segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder split between Discontinued Operations and Other. During the fourth quarter of 2014, Regions reorganized its internal management structure and, accordingly, its segment reporting structure. Previously, Regions' three operating segments were Business Services, Consumer Services, and Wealth Management. Under the organizational realignment, Regions has created a Consumer Bank, which consists principally of the previous Consumer Services segment with businesses that serve retail and small business banking customers, and a Corporate Bank, which consists principally of the previous Business Services segment with businesses that serve middle-market and large commercial clients. Previously, small business banking was included within Business Services, but is now included in the Consumer Bank as its product set is more consistent with those offered in that segment. The Wealth Management segment remained unchanged during the reorganization. Segment

results for all periods presented have been recast to reflect this organizational realignment. Additional information about the Company's reportable segments is included in Regions' Annual Report on Form 10-K for the year ended December 31, 2014.
The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. As these enhancements are made, financial results presented by each reportable segment may be periodically revised.

Table of Contents

The following tables present financial information for each reportable segment for the period indicated.

	Three Months Ended September 30, 2015						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income (loss)	$287	$613	$41	$(105)	$836	$—	$836
Provision (credit) for loan losses	8	50	2	—	60	—	60
Non-interest income	103	279	104	11	497	—	497
Non-interest expense	151	600	108	36	895	6	901
Income (loss) before income taxes	231	242	35	(130)	378	(6)	372
Income tax expense (benefit)	88	92	13	(77)	116	(2)	114
Net income (loss)	$143	$150	$22	$(53)	$262	$(4)	$258
Average assets	$46,671	$38,548	$2,917	$34,784	$122,920	$—	$122,920

	Three Months Ended September 30, 2014						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income (loss)	$283	$615	$44	$(121)	$821	$—	$821
Provision (credit) for loan losses	3	72	—	(51)	24	—	24
Non-interest income	95	287	90	25	497	19	516
Non-interest expense	133	575	100	18	826	14	840
Income (loss) before income taxes	242	255	34	(63)	468	5	473
Income tax expense (benefit)	92	97	13	(51)	151	2	153
Net income (loss)	$150	$158	$21	$(12)	$317	$3	$320
Average assets	$43,573	$38,357	$2,933	$33,806	$118,669	$—	$118,669

	Nine Months Ended September 30, 2015						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income (loss)	$850	$1,820	$125	$(324)	$2,471	$—	$2,471
Provision (credit) for loan losses	2	151	7	12	172	—	172
	291	830	301	135	1,557	—	1,557

Non-interest income							
Non-interest expense	458	1,804	318	154	2,734	16	2,750
Income (loss) before income taxes	681	695	101	(355)	1,122	(16)	1,106
Income tax expense (benefit)	259	264	38	(226)	335	(6)	329
Net income (loss)	$422	$431	$63	$(129)	$787	$(10)	$777
Average assets	$45,908	$38,240	$2,906	$34,408	$121,462	$—	$121,462

Table of Contents

	Nine Months Ended September 30, 2014						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income (loss)	$853	$1,841	$133	$(367)	$2,460	$—	$2,460
Provision (credit) for loan losses	4	219	1	(163)	61	—	61
Non-interest income	243	848	273	65	1,429	19	1,448
Non-interest expense	400	1,721	300	42	2,463	(7)	2,456
Income (loss) before income taxes	692	749	105	(181)	1,365	26	1,391
Income tax expense (benefit)	264	284	40	(138)	450	10	460
Net income	$428	$465	$65	$(43)	$915	$16	$931
Average assets	$43,282	$38,449	$2,954	$33,407	$118,092	$—	$118,092

NOTE 15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

COMMERCIAL COMMITMENTS

Regions issues off-balance sheet financial instruments in connection with lending activities. The credit risk associated with these instruments is essentially the same as that involved in extending loans to customers and is subject to Regions' normal credit approval policies and procedures. Regions measures inherent risk associated with these instruments by recording a reserve for unfunded commitments based on an assessment of the likelihood that the guarantee will be funded and the creditworthiness of the customer or counterparty. Collateral is obtained based on management's assessment of the creditworthiness of the customer.

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

	September 30, 2015	December 31, 2014
	(In millions)	
Unused commitments to extend credit	$45,595	$43,724
Standby letters of credit	1,467	1,697
Commercial letters of credit	40	71
Liabilities associated with standby letters of credit	38	40
Assets associated with standby letters of credit	39	40
Reserve for unfunded credit commitments	64	65

Unused commitments to extend credit—To accommodate the financial needs of its customers, Regions makes commitments under various terms to lend funds to consumers, businesses and other entities. These commitments include (among others) credit card and other revolving credit agreements, term loan commitments and short-term borrowing agreements. Many of these loan commitments have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of these commitments are expected to expire without being funded, the total commitment amounts do not necessarily represent future liquidity requirements.

Standby letters of credit—Standby letters of credit are also issued to customers, which commit Regions to make payments on behalf of customers if certain specified future events occur. Regions has recourse against the customer for any amount required to be paid to a third party under a standby letter of credit. Historically, a large percentage of standby letters of credit expire without being funded. The contractual amount of standby letters of credit represents the maximum potential amount of future payments Regions could be required to make and represents Regions' maximum

credit risk.
Commercial letters of credit—Commercial letters of credit are issued to facilitate foreign or domestic trade transactions for customers. As a general rule, drafts will be drawn when the goods underlying the transaction are in transit.
LEGAL CONTINGENCIES
Regions, its affiliates and subsidiaries, and current and former officers, directors and employees, are sometimes collectively referred to as Regions and certain Related Persons. Regions and its subsidiaries are subject to loss contingencies related to litigation, claims, investigations and legal and administrative cases and proceedings arising in the ordinary course of business. Regions evaluates these contingencies based on information currently available, including advice of counsel. Regions establishes accruals for those matters when a loss contingency is considered probable and the related amount is reasonably estimable. Any accruals are periodically reviewed and may be adjusted as circumstances change. Some of Regions' exposure with respect to loss contingencies may be offset by applicable insurance coverage. In determining the amounts of any accruals or estimates of possible

Table of Contents

loss contingencies however, Regions does not take into account the availability of insurance coverage. To the extent that Regions has an insurance recovery, the proceeds are recorded in the period the recovery is received.

In addition, as previously discussed, Regions has agreed to indemnify Raymond James for all legal matters resulting from pre-closing activities in conjunction with the sale of Morgan Keegan and recorded an indemnification obligation at fair value in the second quarter of 2012. The indemnification obligation had a carrying amount of approximately $201 million and an estimated fair value of approximately $197 million as of September 30, 2015 (see Note 13).

When it is practicable, Regions estimates possible loss contingencies, whether or not there is an accrued probable loss. When Regions is able to estimate such possible losses, and when it is reasonably possible Regions could incur losses in excess of amounts accrued, Regions discloses the aggregate estimation of such possible losses. Regions currently estimates that it is reasonably possible that it may experience losses in excess of what Regions has accrued in an aggregate amount up to approximately $40 million as of September 30, 2015, with it also being reasonably possible that Regions could incur no losses in excess of amounts accrued. However, as available information changes, the matters for which Regions is able to estimate, as well as the estimates themselves will be adjusted accordingly. The reasonably possible estimate includes legal contingencies that are subject to the indemnification agreement with Raymond James.

Assessments of litigation and claims exposure are difficult because they involve inherently unpredictable factors including, but not limited to, the following: whether the proceeding is in the early stages; whether damages are unspecified, unsupported, or uncertain; whether there is a potential for punitive or other pecuniary damages; whether the matter involves legal uncertainties, including novel issues of law; whether the matter involves multiple parties and/or jurisdictions; whether discovery has begun or is not complete; whether meaningful settlement discussions have commenced; and whether the lawsuit involves class allegations. Assessments of class action litigation, which is generally more complex than other types of litigation, are particularly difficult, especially in the early stages of the proceeding when it is not known if a class will be certified or how a potential class, if certified, will be defined. As a result, Regions may be unable to estimate reasonably possible losses with respect to some of the matters disclosed below, and the aggregated estimated amount provided above may not include an estimate for every matter disclosed below.

Beginning in December 2007, Regions and certain of its affiliates were named in class-action lawsuits filed in federal and state courts on behalf of investors who purchased shares of certain Regions Morgan Keegan Select Funds (the “Funds”) and stockholders of Regions. These class-action lawsuits have all been resolved among the parties. Court approvals for settlements in the open-end Funds class action and for the investors represented by the Trustee Ad Litem are being sought. Certain of the shareholders in these Funds and other interested parties have entered into arbitration proceedings and individual civil claims, in lieu of participating in the class actions. These lawsuits and proceedings are subject to the indemnification agreement with Raymond James discussed above.

In July 2006, Morgan Keegan and a former Morgan Keegan analyst were named as defendants in a lawsuit filed by a Canadian insurance and financial services company and its American subsidiary in the Circuit Court of Morris County, New Jersey. Plaintiffs alleged claims under a civil Racketeer Influenced and Corrupt Organizations (“RICO”) statute and claims for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs allege that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs to improperly drive down plaintiffs’ stock price, so that others could profit from short positions. Plaintiffs allege that defendants’ actions damaged their reputations and harmed their business relationships. Plaintiffs seek monetary damages for a number of categories of alleged damages, including lost insurance business, lost financings and increased financing costs, increased audit fees and directors and officers insurance premiums and lost acquisitions. In September 2012, the trial court dismissed the case with prejudice. Plaintiffs have filed an appeal. This matter is subject to the indemnification agreement with Raymond James.

The Securities and Exchange Commission ("SEC") and states of Missouri and Texas are investigating alleged securities law violations by Morgan Keegan in the underwriting and sale of $39 million in municipal bonds. An enforcement action brought by the Missouri Secretary of State in April 2013, seeking monetary penalties and other relief, was dismissed and refiled in November 2013. Additionally a class action was brought on behalf of retail purchasers of the bonds in September 2012, seeking unspecified compensatory and punitive damages. The parties agreed to settlement terms in January 2015, and the United States District Court for the Western District of Missouri approved the settlement on October 2, 2015. An agreement in principle has been reached with all remaining investors who opted out of the class action. These matters are all subject to the indemnification agreement with Raymond James.

In October 2010, a class-action lawsuit was filed by Regions' stockholders in the U.S. District Court for the Northern District of Alabama (the "District Court") against Regions and certain former officers of Regions (the "2010 Claim"). In May 2015, Regions entered into a settlement agreement to settle the 2010 Claim for $90 million, all of which had been previously reserved. Regions was subsequently reimbursed in full by its insurance providers. As a result, a $90 million recovery was recognized during the second quarter of 2015. The District Court granted final approval of the settlement in September 2015.

Table of Contents

A previously dismissed shareholder derivative action was refiled in June 2015. The original action alleged mismanagement, waste of corporate assets, breach of fiduciary duty and unjust enrichment relating to bonuses and other benefits received by executive management. The named defendants have filed an opposition to the action.
Regions is involved in formal and informal information-gathering requests, investigations, reviews, examinations and proceedings by various governmental regulatory agencies, law enforcement authorities and self-regulatory bodies regarding Regions’ business, Regions' business practices and policies and the conduct of persons with whom Regions does business. Additional inquiries will arise from time to time. In connection with those inquiries, Regions receives document requests, subpoenas and other requests for information. The inquiries, including those described below, could develop into administrative, civil or criminal proceedings or enforcement actions that could result in consequences that have a material effect on Regions' consolidated financial position, results of operations or cash flows as a whole. Such consequences could include adverse judgments, findings, settlements, penalties, fines, orders, injunctions, restitution, or alterations in our business practices, and could result in additional expenses and collateral costs, including reputational damage.
In 2013, Regions received investigative requests from the Office of Inspector General of the Department of Housing and Urban Development ("HUD") regarding its residential mortgage loan origination, underwriting and quality control practices for Federal Housing Administration ("FHA") insured loans made by Regions. Regions continues to fully cooperate in this investigation and is in discussions to resolve this inquiry. In September 2014, Regions received an investigative request from the Office of Inspector General of the Federal Housing Finance Agency ("FHFA") regarding its residential mortgage loan origination, underwriting and quality control practices for loans Regions sold to Fannie Mae and Freddie Mac; this matter is still in the early stages of investigation, and Regions is fully cooperating with the inquiry. Both of these inquiries are part of industry-wide investigations. Many institutions have settled these matters on terms that included large monetary penalties, including, in some cases, civil money penalties under applicable banking laws.
While the final outcome of litigation and claims exposures or of any inquiries is inherently unpredictable, management is currently of the opinion that the outcome of pending and threatened litigation and inquiries will not have a material effect on Regions’ business, consolidated financial position, results of operations or cash flows as a whole. However, in the event of unexpected future developments, it is reasonably possible that an adverse outcome in any of the matters discussed above could be material to Regions’ business, consolidated financial position, results of operations or cash flows for any particular reporting period of occurrence.
GUARANTEES
INDEMNIFICATION OBLIGATION
As discussed in Note 2, on April 2, 2012 (“Closing Date”), 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 legal matters related to pre-closing activities, including matters filed subsequent to the Closing Date that relate to actions that occurred prior to closing. Losses under the indemnification include legal and other expenses, such as costs for judgments, settlements and awards associated with the defense and resolution of the indemnified matters. The maximum potential amount of future payments that Regions could be required to make under the indemnification is indeterminable due to the indefinite term of some of the obligations. However, Regions expects the majority of ongoing legal matters related to the indemnification to be resolved within approximately one to two years.
As of the Closing Date, the fair value of the indemnification obligation, which includes defense costs and unasserted claims, was approximately $385 million, of which approximately $256 million was recognized as a reduction to the gain on sale of Morgan Keegan. The fair value was determined through the use of a present value calculation that takes into account the future cash flows that a market participant would expect to receive from holding the indemnification liability as an asset. Regions performed a probability-weighted cash flow analysis and discounted the result at a credit-adjusted risk free rate. The fair value of the indemnification liability includes amounts that Regions had previously determined meet the definition of probable and reasonably estimable. Adjustments to the indemnification obligation are recorded within professional and legal expenses within discontinued operations (see Note 2). As of September 30, 2015, the carrying value of the indemnification obligation was approximately $201

million.
VISA INDEMNIFICATION
As a member of the Visa USA network, Regions, along with other members, indemnified Visa USA against litigation. On October 3, 2007, Visa USA was restructured and acquired several Visa affiliates. In conjunction with this restructuring, Regions' indemnification of Visa USA was modified to cover specific litigation (“covered litigation”). A portion of Visa's proceeds from its initial public offering ("IPO") was put into escrow to fund the covered litigation. To the extent that the amount available under the escrow arrangement, or subsequent fundings of the escrow account resulting from reductions in the class B share conversion ratio, is insufficient to fully resolve the covered litigation, Visa will enforce the

Table of Contents

indemnification obligations of Visa USA's members for any excess amount. At this time, Regions has concluded that it is not probable that covered litigation exposure will exceed the class B share value.

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued new accounting guidance related to the accounting for investments in qualified affordable housing projects. The guidance allows the holder of these investments to apply a proportional amortization method, which recognizes the amortized cost of the investment as a component of income tax expense, provided that the investment meets certain criteria. The guidance is silent regarding balance sheet classification. Regions believes it would not be appropriate to classify the investment as a deferred tax asset. The decision to apply the proportional amortization method is an accounting policy election. Entities may also elect to continue to account for these investments using the equity method. The guidance became effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and was adopted by Regions for financial reporting beginning with the first quarter of 2015. The adoption is required to be applied retrospectively to all prior periods presented. The cumulative effect to retained earnings (deficit) as of January 1, 2015 of adopting this guidance was reduction of $116 million. Refer to Note 1 for additional information.

In January 2014, the FASB issued new accounting guidance regarding the reclassification of residential real estate collateralized consumer mortgage loans upon foreclosures. The guidance requires reclassification of a consumer mortgage loan to other real estate owned upon obtaining legal title to the residential property, which could occur either through foreclosure or through a deed in lieu of foreclosure or similar legal agreement. The existence of a borrower redemption right will not prevent the lender from reclassifying a loan to other real estate once the lender obtains legal title to the property. In addition, entities are required to disclose the amount of foreclosed residential real estate properties and the recorded investment in residential real estate mortgage loans in the process of foreclosure on both an interim and annual basis. This guidance became effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014 and was adopted by Regions on a prospective basis with the first quarter of 2015 reporting. This guidance did not have a material impact upon adoption.

In June 2014, the FASB issued new accounting guidance that requires two accounting changes related to the transfer and servicing of repurchase agreements and similar transactions. First, the new guidance changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Second, for repurchase financing arrangements, the new guidance requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting treatment for the repurchase agreement. The new guidance also requires certain disclosures for transfers of financial assets and repurchase agreements. The disclosure of certain transactions accounted for as a sale is required to be presented for fiscal years and interim periods within those years beginning after December 15, 2014 and the disclosure for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowing is required to be presented for fiscal years beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The accounting changes were effective for fiscal years and interim periods within those years beginning after December 15, 2014 and were adopted by Regions with the first quarter 2015 reporting. This guidance did not have a material impact upon adoption.

In August 2014, the FASB issued new accounting guidance regarding the classification and measurement of foreclosed mortgage loans that are guaranteed by the government (including loans guaranteed by the FHA and the VA). The guidance addresses diversity in practice by requiring creditors to derecognize the mortgage loan upon foreclosure and to recognize a separate other receivable if the following conditions are met: (a) the government guarantee of the loan is not separable from the loan before foreclosure; (b) upon foreclosure, the creditor has the intent to convey the real estate to the guarantor and to make a claim on the guarantee, and also has the ability to make a recovery under the claim; and (c) claim amounts based on the fair value of the property are fixed upon foreclosure. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This guidance became effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014 and was adopted by Regions on a prospective basis with the first quarter of 2015 reporting. This guidance did not have a material impact upon adoption.

In August 2014, the FASB issued new accounting guidance to offer a measurement alternative for reporting entities that consolidate a collateralized financing entity ("CFE") in which the financial assets and financial liabilities are measured at fair value, with changes in fair values reflected in earnings. Under the measurement alternative, the reporting entity could elect to measure both the CFE’s financial assets and financial liabilities using the fair value of either the CFE’s financial assets or financial liabilities, whichever is more observable. This guidance became effective for the first quarter of 2015 financial reporting period. This guidance did not have a material impact upon adoption.

In February 2015, the FASB issued new accounting guidance that eliminates the consolidation model created specifically for limited partnerships and creates a single model for evaluating consolidation of legal entities. The new guidance does the following: (a) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (b) eliminates the presumption that a general partner should consolidate a limited partnership; (c) modifies the consolidation analysis for all reporting entities associated with VIEs, particularly those that have fee arrangements and related party relationships; and (d) provides a scope exception from the consolidation guidance for reporting entities with interests in legal entities that are similar to investment companies as defined in the Investment Company Act of 1940. The guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.

In April 2015, the FASB issued new accounting guidance that requires entities to present debt issuance costs related to a recognized liability as a direct deduction from the carrying amount of the debt liability. The new guidance is similar to existing presentation requirements for debt discounts and does not affect entities' recognition and measurement of debt issuance costs. Previously, entities were required to present debt issuance costs as deferred charges in the asset section of the statement of financial position. The guidance is effective for annual and interim periods beginning after December 15, 2015. All entities must apply the guidance on a retrospective basis and provide the required disclosures for a change in accounting principle in the period of adoption. Early adoption is permitted. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.

In April 2015, the FASB issued new accounting guidance on the accounting for fees paid in a cloud computing arrangement. The standard provides guidance on how customers should evaluate whether such arrangements contain a software license that should be accounted for separately. A customer that determines a cloud computing arrangement contains a software license must account for the license consistently with the acquisition of other software licenses. If an arrangement does not contain a software license, the customer is required to account for it as a service contract. As a result, all software licenses within the scope of this guidance will be accounted for consistently with other licenses of intangible assets. The guidance is effective for annual and interim periods beginning after December 15, 2015. Entities can elect to apply the guidance either retrospectively or prospectively to all cloud computing arrangements entered into or materially modified after the effective date. Early adoption is permitted. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.

In May 2015, the FASB issued new accounting guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient pursuant to previous guidance. The guidance is effective for annual and interim periods beginning after December 15, 2015. All entities must apply the guidance on a retrospective basis. Early adoption is permitted. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.

In July 2015, the FASB issued new accounting guidance to reduce the complexity in employee benefit plan accounting. The standard provides three parts to simplify the process. Part I notes that fully benefit-responsive investment contracts will be measured, presented and disclosed only at contract value, and plans are no longer required to reconcile contract value to fair value. Part II simplifies the disclosure of plan investments by allowing the following: (a) plan assets will be grouped and disclosed by general type either on the face of the financial statements or in the notes, and will no longer be disaggregated in multiple ways; (b) plans are no longer required to disclose individual plan assets that constitute 5 percent or more of net assets available for benefits; (c) the net appreciation or depreciation in investments for the period will be presented in aggregate and is no longer required to be disaggregated and disclosed by general type; and (d) plans with investment funds measured using the net asset value per share practical expedient will no longer be required to disclose the investment's strategy. Part III allows a measurement date practical expedient and permits plans to measure investments and investment-related accounts as of a month-end that is closest to the plan's fiscal year-end when the fiscal year-end does not coincide with a month-end. The guidance is effective for fiscal years beginning after December 15, 2015. Entities should apply the amendments in Parts I and II retrospectively for all financial statements presented and should apply the amendments in Part III prospectively. Early adoption is permitted for any of the three parts individually. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.

In August 2015, the FASB issued a standard that defers the effective date of the new revenue recognition standard, issued in May 2014, by one year. The new revenue recognition standard is discussed in the Annual Report on Form 10-K for the year ended December 31, 2014. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of the

date of the original effective date, for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Regions is in the process of reviewing the potential impact the adoption of this guidance will have to its consolidated financial statements.
In September 2015, the FASB issued new accounting guidance that eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. The following key changes were made: (a) acquirers will recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date; (b) acquirers will disclose the amounts and reasons for adjustments to the provisional amounts; and (c) acquirers will disclose, by line item, the amount of the adjustment reflected in the current-period income statement that would have been recognized in previous periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. Regions believes the adoption of this guidance will not have a material impact to its consolidated financial statements.
Further information related to recent accounting pronouncements and accounting changes adopted by Regions prior to the third quarter of 2015 is included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

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

INTRODUCTION

The following discussion and analysis is part of Regions Financial Corporation's ("Regions" or the "Company") Quarterly Report on Form 10-Q to the Securities and Exchange Commission ("SEC") and updates Regions' Annual Report on Form 10-K for the year ended December 31, 2014, which was previously filed with the SEC. This financial information is presented to aid in understanding Regions' financial position and results of operations and should be read together with the financial information contained in the Form 10-K. Effective January 1, 2015, the Company adopted new guidance related to the accounting for investments in qualified affordable housing projects. The guidance required retrospective application. All prior period amounts impacted by this guidance have been revised. Certain other prior period amounts presented in this discussion and analysis have been reclassified to conform to current period classifications, except as otherwise noted. The emphasis of this discussion will be on the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 for the consolidated statements of income. For the consolidated balance sheet, the emphasis of this discussion will be the balances as of September 30, 2015 compared to December 31, 2014.

This discussion and analysis contains statements that may be considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. See pages 3 and 4 for additional information regarding forward-looking statements.

CORPORATE PROFILE

Regions is a financial holding company headquartered in Birmingham, Alabama, which operates in the South, Midwest and Texas. 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, trust services and other specialty financing.

Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At September 30, 2015, Regions operated 1,630 total branch outlets in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. Regions operates under three reportable business segments: Corporate Bank, Consumer Bank, and Wealth Management with the remainder split between Discontinued Operations and Other. See Note 14 "Business Segment Information" to the consolidated financial statements for more information regarding Regions' segment reporting structure. Regions also provides full-line insurance brokerage services primarily through Regions Insurance, Inc., which is included in the Wealth Management segment.

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan & Company, Inc. ("Morgan Keegan") and related affiliates to Raymond James Financial, Inc. ("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. See Note 2 "Discontinued Operations" to the consolidated financial statements for further discussion.

Regions' profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income and non-interest income sources. Net interest income is the difference between the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions' net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, card and ATM fees, mortgage servicing and secondary marketing, investment management and trust activities, 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, deposit administrative fees, 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.

Recent Acquisitions

On August 3, 2015, Regions announced the acquisition of The A.I. Group, Inc. The A.I. Group, Inc. has offices in greater Atlanta and Athens, Georgia and provides employee benefits consulting and insurance brokerage services focusing on mid-sized and large employers throughout the United States.

On October 23, 2015, Regions announced the acquisition of BlackArch Partners, a private, middle-market mergers and acquisitions advisory firm headquartered in Charlotte, North Carolina. BlackArch Partners will maintain its name, leadership and headquarters in Charlotte and will operate as a Regions' subsidiary within the Corporate Bank.

THIRD QUARTER OVERVIEW

Regions reported net income available to common shareholders of $242 million, or $0.18 per diluted share, in the third quarter of 2015 compared to $300 million, or $0.22 per diluted share, in the third quarter of 2014. Net income available to common shareholders from continuing operations was $246 million, or $0.19 per diluted share, in the third quarter of 2015 compared to $297 million, or $0.21 per diluted share, in the third quarter of 2014. The primary drivers in the decline in results from the prior year period were increased provision for loan losses and non-interest expenses, partially offset by increases in net interest income.

For the third quarter of 2015, net interest income (taxable-equivalent basis) from continuing operations totaled $855 million, up $18 million compared to the third quarter of 2014. The net interest margin (taxable-equivalent basis) was 3.13 percent for the third quarter of 2015 and 3.18 percent in the third quarter of 2014. Although the average balances of loans and securities increased in the third quarter of 2015 compared to the third quarter of 2014, their yields declined. While rates paid on interest-bearing liabilities also declined during this period, spread compression, loan mix shifts and an 11 basis point reduction in asset yields outweighed this benefit and ultimately contributed to the 5 basis point compression in net interest margin. Total deposit costs were 11 basis points for both of the third quarters of 2015 and 2014. Total funding costs, which include deposits, short-term borrowings and long-term debt, were 25 basis points for the third quarter of 2015, as compared to 30 basis points for the third quarter of 2014, reflecting continued liability management efforts implemented by the Company.

The provision for loan losses totaled $60 million in the third quarter of 2015 compared to $24 million during the third quarter of 2014. The increase in provision expense during the third quarter of 2015 compared to the 2014 period was primarily attributable to increased reserves for energy related loans and loan growth. Given the current phase of the credit cycle, volatility in certain credit metrics is to be expected, especially related to large dollar commercial credits and fluctuating commodity prices.

Net charge-offs totaled $60 million, or an annualized 0.30 percent of average loans, in the third quarter of 2015, compared to $75 million, or an annualized 0.39 percent for the third quarter of 2014. Net charge-offs were lower across most major loan categories when comparing the third quarter of 2015 period to the prior year period.

The allowance for loan losses at September 30, 2015 was 1.38 percent of total loans, net of unearned income, compared to 1.43 percent at December 31, 2014. Total non-performing assets were $926 million at September 30, 2015, compared to $991 million at December 31, 2014.

Non-interest income from continuing operations was $497 million for both of the third quarters of 2015 and 2014. Most non-interest income categories experienced modest growth; however, this was offset by reductions in service charges on deposit accounts and other miscellaneous income. See Table 16 "GAAP to Non-GAAP Reconciliation" for a reconciliation of this non-GAAP measure.

Total non-interest expense from continuing operations was $895 million in the third quarter of 2015, a $69 million increase from the third quarter of 2014, driven primarily by a $26 million increase in deposit administrative fees, a $24 million increase in provision (credit) for unfunded credit losses, and a $14 million increase in salaries and employee benefits. The increase in deposit administrative fees in the third quarter of 2015 included an expense of $23 million related to prior assessments. These increases were partially offset by an $11 million decrease in professional, legal and regulatory expenses.

Income tax expense from continuing operations for the three months ended September 30, 2015 was $116 million compared to income tax expense of $151 million for the same period in 2014. Income tax expense was lower in the current period as compared to the prior year period primarily due to lower pre-tax income.

A discussion of activity within discontinued operations is included at the end of the Management’s Discussion and Analysis section of this report.

BALANCE SHEET ANALYSIS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents increased approximately $1.0 billion from year-end 2014 to September 30, 2015, due primarily to an increase in interest-bearing deposits in other banks as a result of normal day-to-day operating variations.

Table of Contents

SECURITIES

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

Table 1—Securities

	September 30, 2015	December 31, 2014
	(In millions)	
U.S. Treasury securities	$183	$177
Federal agency securities	565	573
Obligations of states and political subdivisions	1	2
Mortgage-backed securities:		
Residential agency	17,296	17,665
Residential non-agency	6	8
Commercial agency	2,599	2,173
Commercial non-agency	1,410	1,494
Corporate and other debt securities	1,762	1,990
Equity securities	893	673
	$24,715	$24,755

Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities. Total securities at September 30, 2015 were relatively unchanged from year-end 2014. See Note 3 "Securities" to the consolidated financial statements for additional information.

Securities available for sale, which constitute the majority of the securities portfolio, are an important tool used to manage interest rate sensitivity and provide a primary source of liquidity for the Company. See the "Market Risk-Interest Rate Risk" and "Liquidity Risk" sections for more information.

LOANS HELD FOR SALE

Loans held for sale totaled $453 million at September 30, 2015, consisting primarily of $422 million of residential real estate mortgage loans, $4 million of commercial mortgage loans, and $26 million of non-performing loans. At December 31, 2014, loans held for sale totaled $541 million, consisting of $442 million of residential real estate mortgage loans, $61 million of commercial mortgage loans, and $38 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 origination and sale to third parties.

Table of Contents

LOANS

Loans, net of unearned income, represented approximately 74 percent of Regions' interest-earning assets at September 30, 2015. The following table presents the distribution of Regions' loan portfolio by portfolio segment and class, net of unearned income:

Table 2—Loan Portfolio

	September 30, 2015	December 31, 2014
	(In millions, net of unearned income)	
Commercial and industrial	$35,906	$32,732
Commercial real estate mortgage—owner-occupied	7,741	8,263
Commercial real estate construction—owner-occupied	406	407
Total commercial	44,053	41,402
Commercial investor real estate mortgage	4,386	4,680
Commercial investor real estate construction	2,525	2,133
Total investor real estate	6,911	6,813
Residential first mortgage	12,730	12,315
Home equity	10,947	10,932
Indirect—vehicles	3,895	3,642
Indirect—other consumer	490	206
Consumer credit card	1,016	1,009
Other consumer	1,021	988
Total consumer	30,099	29,092
	$81,063	$77,307

PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes disclosed in Table 2, explain changes in balances from 2014 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 4 "Loans and the Allowance for Credit Losses" to the consolidated financial statements for additional discussion.

Commercial

The commercial portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases and other expansion projects. Commercial and industrial loans increased $3.2 billion or 10 percent since year-end driven primarily by Regions' market based corporate and commercial bankers serving middle market clients and the Company's asset based lending and corporate real estate groups. Commercial also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. These loans declined $522 million or 6 percent from year-end 2014 as a result of continued customer deleveraging. Owner-occupied 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.

The commercial portfolio segment generated the majority of the Company's loan growth in the first nine months of 2015, particularly commercial and industrial loans. Over half of the Company's total loans are included in the commercial portfolio segment. These balances are spread across numerous industries, as disclosed in "Table 11—Selected Industry Balances" in the Annual Report on Form 10-K for the year ended December 31, 2014. The Company manages the related risks to this portfolio by setting certain lending limits for each significant industry. At September 30, 2015 and December 31, 2014, no single industry exceeded 15 percent of the total commercial portfolio balance.

Beginning late in 2014, oil prices began declining, and Regions has been monitoring the prices for both direct and indirect impacts on its energy lending portfolio. Regions' energy industry loan balances at September 30, 2015 amounted to approximately $2.7 billion, consisting of loans directly related to energy, such as 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 exposures were approximately $554 million at September 30, 2015. The entire energy-related portfolio, combining direct and indirect exposures, was approximately $3.3 billion at September 30, 2015.

Table of Contents

Regions' energy-related portfolio is geographically concentrated primarily in Texas and, to a lesser extent, in South 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. If the current low level of oil prices continues, 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. A relatively small number of customers comprises Regions' energy-related portfolio, 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 loan loss allowance and make adjustments as appropriate.

Investor Real Estate

Loans for real estate development are repaid through cash flow related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment consists of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Total investor real estate loans increased $98 million from 2014 year-end balances.

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 $415 million increase from year-end 2014, as prepayments have slowed. Approximately $2.3 billion in new loan originations were retained on the balance sheet through the first nine months of 2015.

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 $10.9 billion at both September 30, 2015 and December 31, 2014. 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 September 30, 2015. 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 3—Home Equity Lines of Credit - Future Principal Payment Resets

	First Lien	% of Total		Second Lien	% of Total		Total
	(Dollars in millions)						
2015	$7	0.09	%	$46	0.58	%	$53
2016	26	0.33		33	0.41		59
2017	5	0.06		10	0.13		15
2018	14	0.18		22	0.28		36
2019	98	1.23		87	1.09		185
2020-2024	1,343	16.86		1,228	15.42		2,571
2025-2029	2,460	30.88		2,584	32.44		5,044
Thereafter	1	—		2	0.02		3
Total	$3,954	49.63	%	$4,012	50.37	%	$7,966

Of the $10.9 billion home equity portfolio at September 30, 2015, approximately $8.0 billion were home equity lines of credit and $2.9 billion were closed-end home equity loans (primarily originated as amortizing loans). Beginning in May 2009, new home equity lines of credit have a 10-year draw period and a 10-year repayment period. Previously, the 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 September 30, 2015, none of Regions' home equity lines of credit have converted to mandatory amortization under the contractual terms. As presented in the table above, the majority of home equity lines of credit will either mature with a balloon payment or convert to amortizing status after fiscal year 2019.

Of the $8.0 billion of home equity lines of credit as of September 30, 2015, approximately 90 percent require monthly interest-only payments while the remaining approximately 10 percent require a payment equal to 1.5 percent of the outstanding balance, which would include some principal repayment. As of September 30, 2015, approximately 29 percent of borrowers were only paying the minimum amount due on the home equity line. In addition, approximately 61 percent of the home equity lines of credit balances have the option to amortize either all or a portion of their balance. As of September 30, 2015, approximately $262 million of the home equity line of credit balances have elected this option.

Regions is unable to track payment status on first liens held by another institution, including payment status related to loan modifications. When Regions' second lien position becomes delinquent, an attempt is made to contact the first lien holder and inquire as to the payment status of the first lien. However, Regions does not continuously monitor the payment status of the first lien position. Short sale offers and settlement agreements are often received by the home equity junior lien holders well before the loan balance reaches the delinquency threshold for charge-off consideration, potentially resulting in a full balance payoff/charge-off. Regions is presently monitoring the status of all first lien position loans that the Company owns or services and has a second lien, and is taking appropriate action when delinquent. Regions services the first lien on approximately 25 percent of the entire second lien home equity portfolio as of September 30, 2015.

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 Metropolitan Statistical Areas ("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 declined to 2 percent in the residential first mortgage portfolio and to 5 percent in the home equity portfolio at September 30, 2015.

Table 4—Estimated Current Loan to Value Ranges

	September 30, 2015			December 31, 2014		
	Residential	Home Equity		Residential	Home Equity	
	First Mortgage	1st Lien	2nd Lien	First Mortgage	1st Lien	2nd Lien
	(In millions)					
Estimated current loan to value:						
Above 100%	$273	$131	$431	$435	$198	$633
80% - 100%	1,686	482	919	1,743	536	1,078
Below 80%	10,245	5,854	2,808	9,626	5,282	2,696
Data not available	526	110	212	511	179	330
	$12,730	$6,577	$4,370	$12,315	$6,195	$4,737

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 increased $253 million from year-end 2014, reflecting continued growing demand for automobile loans.

Indirect—Other Consumer

Indirect-other consumer lending represents other point of sale lending through third parties. This portfolio class increased $284 million from year-end 2014 primarily due to new point of sale initiatives.

Table of Contents

Consumer Credit Card

Consumer credit card lending represents primarily open-ended variable interest rate consumer credit card loans. These balances increased $7 million from year-end 2014.

Other Consumer

Other consumer loans primarily include direct consumer loans, overdrafts and other revolving loans. Other consumer loans increased $33 million from year-end 2014.

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 revolving accounts and home equity lines of credit and semi-annually for all other consumer 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 6 percent of the combined portfolios for both September 30, 2015 and December 31, 2014.

Table 5—Estimated Current FICO Score Ranges

	September 30, 2015					
	Residential First Mortgage	Home Equity 1st Lien	Home Equity 2nd Lien	Indirect[(1)]	Consumer Credit Card	Other Consumer
	(In millions)					
Below 620	$790	$303	$255	$355	$51	$79
620-680	1,013	544	443	519	151	149
681-720	1,453	806	557	573	239	194
Above 720	8,502	4,749	3,018	2,255	574	516
Data not available	972	175	97	683	1	83
	$12,730	$6,577	$4,370	$4,385	$1,016	$1,021

	December 31, 2014					
	Residential First Mortgage	Home Equity 1st Lien	Home Equity 2nd Lien	Indirect[(1)]	Consumer Credit Card	Other Consumer
	(In millions)					
Below 620	$827	$345	$318	$377	$52	$82
620-680	1,031	544	491	500	150	140
681-720	1,355	740	617	550	231	