REGIONS FINANCIAL CORP
Form 10-Q
November 05, 2014
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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, 2014
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 (IRS 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 1,376,475,042 shares of common stock, par value $.01, outstanding as of November 3, 2014.

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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 reduction of economic growth.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations.
- The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook.
- Possible changes in market interest rates.
- 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.
- 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.
- Our ability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner.
- Changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies.
- Our ability to obtain regulatory approval (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other regulatory capital instruments.
- Our ability to comply with applicable capital and liquidity requirements (including finalized Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms.
- The costs and other 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.
- Any adverse change to our ability to collect interchange fees in a profitable manner, whether such change is the result of regulation, litigation, legislation, or other governmental action.
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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.
- 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.
- 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.
- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes and environmental damage.
- Our ability to keep pace with technological changes.

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- Our ability to identify and address cyber-security risks such as data security breaches, “denial of service” attacks, “hacking” and identity theft.
- Possible downgrades in our credit ratings or outlook.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally.
- The effects of the failure of any component of our business infrastructure which is provided by a third party.
- Our ability to receive dividends from our subsidiaries.
- Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.
- 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. 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, 2013 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

	September 30, 2014	December 31, 2013
	(In millions, except share data)	
Assets		
Cash and due from banks	$1,770	$1,661
Interest-bearing deposits in other banks	2,993	3,612
Federal funds sold and securities purchased under agreements to resell	20	—
Trading account securities	103	111
Securities held to maturity (estimated fair value of $2,224 and $2,307, respectively)	2,222	2,353
Securities available for sale	22,379	21,485
Loans held for sale (includes $456 and $429 measured at fair value, respectively)	504	1,055
Loans, net of unearned income	76,607	74,609
Allowance for loan losses	(1,178)	(1,341)
Net loans	75,429	73,268
Other interest-earning assets	91	86
Premises and equipment, net	2,192	2,216
Interest receivable	310	313
Goodwill	4,816	4,816
Residential mortgage servicing rights at fair value	277	297
Other identifiable intangible assets	287	295
Other assets	5,833	5,828
Total assets	$119,226	$117,396
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$31,388	$30,083
Interest-bearing	62,742	62,370
Total deposits	94,130	92,453
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,893	2,182
Long-term borrowings	3,813	4,830
Total borrowed funds	5,706	7,012
Other liabilities	2,230	2,163
Total liabilities	102,066	101,628
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 and 500,000 shares, respectively	900	450
Common stock, authorized 3 billion shares, par value $.01 per share:		
Issued including treasury stock—1,419,889,980 and 1,419,006,360 shares, respectively	14	14

Additional paid-in capital	19,069	19,216
Retained earnings (deficit)	(1,272)	(2,216)
Treasury stock, at cost—41,262,629 and 41,285,676 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	(174)	(319)
Total stockholders’ equity	17,160	15,768
Total liabilities and stockholders’ equity	$119,226	$117,396

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$736	$758	$2,205	$2,247
Securities - taxable	154	144	464	452
Loans held for sale	5	6	17	23
Trading account securities	—	1	2	2
Other interest-earning assets	2	2	6	5
Total interest income	897	911	2,694	2,729
Interest expense on:				
Deposits	26	31	78	106
Short-term borrowings	—	1	1	2
Long-term borrowings	50	55	156	191
Total interest expense	76	87	235	299
Net interest income	821	824	2,459	2,430
Provision for loan losses	24	18	61	59
Net interest income after provision for loan losses	797	806	2,398	2,371
Non-interest income:				
Service charges on deposit accounts	181	190	528	549
Card and ATM fees	85	82	248	239
Mortgage income	39	52	122	193
Securities gains (losses), net	7	3	15	26
Other	166	168	460	486
Total non-interest income	478	495	1,373	1,493
Non-interest expense:				
Salaries and employee benefits	456	455	1,354	1,354
Net occupancy expense	92	92	275	274
Furniture and equipment expense	73	71	213	209
Other	205	266	621	773
Total non-interest expense	826	884	2,463	2,610
Income from continuing operations before income taxes	449	417	1,308	1,254
Income tax expense	127	124	380	360
Income from continuing operations	322	293	928	894
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	5	(1)	26	1
Income tax expense (benefit)	2	(1)	10	—
Income (loss) from discontinued operations, net of tax	3	—	16	1
Net income	$325	$293	$944	$895
Net income from continuing operations available to common shareholders	$302	$285	$892	$870
Net income available to common shareholders	$305	$285	$908	$871

Weighted-average number of shares outstanding:				
Basic	1,378	1,388	1,378	1,401
Diluted	1,389	1,405	1,390	1,415
Earnings per common share from continuing operations:				
Basic	$0.22	$0.21	$0.65	$0.62
Diluted	0.22	0.20	0.64	0.61
Earnings per common share:				
Basic	$0.22	$0.21	$0.66	$0.62
Diluted	0.22	0.20	0.65	0.62
Cash dividends declared per common share	0.05	0.03	0.13	0.07

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended September 30	
	2014	2013
	(In millions)	
Net income	$325	$293
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 ($2) 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 ($53) and $26 tax effect, respectively)	(87)	43
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $2 and $1 tax effect, respectively)	5	2
Net change in unrealized gains (losses) on securities available for sale, net of tax	(92)	41
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of ($10) and $18 tax effect, respectively)	(16)	28
Less: reclassification adjustments for gains (losses) realized in net income (net of $13 and $10 tax effect, respectively)	21	16
Net change in unrealized gains (losses) on derivative instruments, net of tax	(37)	12
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)	—	—
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, and other (net of ($2) and ($7) tax effect, respectively)	(5)	(12)
Net change from defined benefit pension plans, net of tax	5	12
Other comprehensive income (loss), net of tax	(122)	67
Comprehensive income (loss)	$203	$360

	Nine Months Ended September 30	
	2014	2013
	(In millions)	
Net income	$944	$895
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 ($43) tax effect, respectively)	—	(68)
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($4) and ($2) tax effect, respectively)	(6)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	6	(66)
Unrealized gains (losses) on securities available for sale:		

Unrealized holding gains (losses) arising during the period (net of $87 and ($232) tax effect, respectively)	143	(378)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $5 and $9 tax effect, respectively)	10	17
Net change in unrealized gains (losses) on securities available for sale, net of tax	133	(395)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $30 and ($6) tax effect, respectively)	48	(10)
Less: reclassification adjustments for gains (losses) realized in net income (net of $35 and $22 tax effect, respectively)	56	36
Net change in unrealized gains (losses) on derivative instruments, net of tax	(8)	(46)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of $2 and zero tax effect, respectively)	1	(2)
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, and other (net of ($6) and $(19) tax effect, respectively)	(13)	(33)
Net change from defined benefit pension plans, net of tax	14	31
Other comprehensive income (loss), net of tax	145	(476)
Comprehensive income (loss)	$1,089	$419

See notes to consolidated financial statements.

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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 share and per share data)								
BALANCE AT JANUARY 1, 2013	1	$ 482	1,413	$ 15	$ 19,652	$ (3,338)	$ (1,377)	$ 65	$ 15,499
Net income	—	—	—	—	—	895	—	—	895
Unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	(68)	(68)
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	2	2
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(395)	(395)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(46)	(46)
Net change from defined benefit pension plans, net of tax	—	—	—	—	—	—	—	31	31
Cash dividends declared—$0.07 per share	—	—	—	—	(97)	—	—	—	(97)
Preferred stock dividends	—	(24)	—	—	—	—	—	—	(24)
Common stock transactions:									
Impact of share repurchase	—	—	(36)	(1)	(339)	—	—	—	(340)
Impact of stock transactions under compensation plans, net	—	—	1	—	32	—	—	—	32
BALANCE AT SEPTEMBER 30, 2013	1	$ 458	1,378	$ 14	$ 19,248	$ (2,443)	$ (1,377)	$ (411)	$ 15,489
BALANCE AT JANUARY 1, 2014	1	$ 450	1,378	$ 14	$ 19,216	$ (2,216)	$ (1,377)	$ (319)	$ 15,768
Net income	—	—	—	—	—	944	—	—	944
Amortization of unrealized losses on securities transferred to held to	—	—	—	—	—	—	—	6	6

maturity, net of tax									
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 defined benefit pension 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	$(1,272)	$(1,377)	$ (174)	$ 17,160

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2014	2013
	(In millions)	
Operating activities:		
Net income	$944	$895
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	61	59
Depreciation, amortization and accretion, net	391	497
Provision for losses on other real estate, net	(13)	14
Securities (gains) losses, net	(15)	(26)
Deferred income tax expense	176	310
Originations and purchases of loans held for sale	(1,848)	(3,373)
Proceeds from sales of loans held for sale	1,948	4,156
Gain on TDRs held for sale, net	(35)	—
(Gain) loss on sale of loans, net	(89)	(101)
(Gain) loss on early extinguishment of debt	—	61
(Gain) loss on sale of other assets	—	(24)
Net change in operating assets and liabilities:		
Trading account securities	8	(3)
Other interest-earning assets	(5)	795
Interest receivable	3	13
Other assets	(69)	331
Other liabilities	64	(451)
Other	(3)	(7)
Net cash from operating activities	1,518	3,146
Investing activities:		
Proceeds from maturities of securities held to maturity	130	41
Proceeds from sales of securities available for sale	1,384	3,543
Proceeds from maturities of securities available for sale	2,350	4,611
Purchases of securities available for sale	(4,524)	(5,888)
Proceeds from sales of loans	649	152
Purchases of loans	(814)	(733)
Purchases of mortgage servicing rights	(12)	(28)
Net change in loans	(1,662)	(1,970)
Net purchases of premises and equipment and other assets	(164)	(122)
Net cash from investing activities	(2,663)	(394)
Financing activities:		
Net change in deposits	1,677	(3,153)
Net change in short-term borrowings	(289)	199
Proceeds from long-term borrowings	—	750
Payments on long-term borrowings	(1,001)	(1,719)
Cash dividends on common stock	(180)	(97)
Cash dividends on preferred stock	(36)	(24)
Repurchase of common stock	(8)	(340)

Net proceeds from issuance of preferred stock	486	—
Other	6	2
Net cash from financing activities	655	(4,382)
Net change in cash and cash equivalents	(490)	(1,630)
Cash and cash equivalents at beginning of year	5,273	5,489
Cash and cash equivalents at end of period	$4,783	$3,859

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and Nine Months Ended September 30, 2014 and 2013

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’ Form 10-K for the year ended December 31, 2013. 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 14 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, 2013.

Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation. For example, the "card and ATM fees" line item on the consolidated statements of income represents the combined amounts of credit card/bank card income and debit card and ATM related revenue. Debit card and ATM related revenue was previously included in the "service charges on deposit accounts" line item. Credit card/bank card income was previously included in the "other" non-interest income line item. 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 14 for related disclosure.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(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	14	3	(8)	(1)
Other	—	(2)	1	—
Total non-interest expense	14	1	(7)	(1)
Income (loss) from discontinued operations before income taxes	5	(1)	26	1
Income tax expense (benefit)	2	(1)	10	—
Income (loss) from discontinued operations, net of tax	$3	$—	$16	$1
Earnings (loss) per common share from discontinued operations:				
Basic	$0.00	$(0.00)	$0.01	$0.00
Diluted	$0.00	$(0.00)	$0.01	$0.00

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, 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	351	—	(13)	338	4	—	342
Mortgage-backed securities:							
Residential agency	1,745	—	(74)	1,671	10	(5)	1,676
Commercial agency	219	—	(7)	212	—	(7)	205
	$2,316	$—	$(94)	$2,222	$14	$(12)	$2,224
Securities available for sale:							
U.S. Treasury securities	$61	$—	$—	$61			$61
Federal agency securities	68	1	—	69			69
Obligations of states and political subdivisions	3	—	—	3			3
Mortgage-backed securities:							
Residential agency	16,362	236	(78)	16,520			16,520
Residential non-agency	8	1	—	9			9

Commercial agency	1,608	7	(12)	1,603	1,603
Commercial non-agency	1,493	11	(16)	1,488	1,488
Corporate and other debt securities	1,973	43	(22)	1,994	1,994
Equity securities	622	10	—	632	632
	$22,198	$309	$(128)	$22,379	$22,379

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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.

	December 31, 2013						
		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	351	—	(15)	336	—	(3)	333
Mortgage-backed securities:							
Residential agency	1,878	—	(81)	1,797	—	(37)	1,760
Commercial agency	227	—	(8)	219	—	(6)	213
	$2,457	$—	$(104)	$2,353	$—	$(46)	$2,307
Securities available for sale:							
U.S. Treasury securities	$56	$—	$—	$56			$56
Federal agency securities	88	1	—	89			89
Obligations of states and political subdivisions	5	—	—	5			5
Mortgage-backed securities:							
Residential agency	15,664	183	(170)	15,677			15,677
Residential non-agency	8	1	—	9			9
Commercial agency	947	4	(16)	935			935
Commercial non-agency	1,232	12	(33)	1,211			1,211
Corporate and other debt securities	2,855	44	(72)	2,827			2,827
Equity securities	664	12	—	676			676
	$21,519	$257	$(291)	$21,485			$21,485

(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.

During the second quarter of 2013, Regions transferred securities with a fair value of $2.4 billion from available for sale to held to maturity. Management determined it has both the positive intent and ability to hold these securities to maturity. The securities were reclassified at fair value at the time of transfer and represented a non-cash transaction. Accumulated other comprehensive income included net pre-tax unrealized losses of $111 million on the securities at the date of transfer. These unrealized losses and the offsetting OCI components are being amortized into net interest income over the remaining life of the related securities as a yield adjustment, resulting in no impact on future net income.

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, 2014	December 31, 2013
	(In millions)	
Federal Reserve Bank	$477	$472

Federal Home Loan Bank	16	67

Securities with carrying values of $12.5 billion at both September 30, 2014 and December 31, 2013 were pledged to secure public funds, trust deposits and certain borrowing arrangements.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at September 30, 2014, 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.

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	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	1	1
Due after five years through ten years	350	341
Mortgage-backed securities:		
Residential agency	1,745	1,676
Commercial agency	219	205
	$2,316	$2,224
Securities available for sale:		
Due in one year or less	$69	$69
Due after one year through five years	749	764
Due after five years through ten years	968	968
Due after ten years	319	326
Mortgage-backed securities:		
Residential agency	16,362	16,520
Residential non-agency	8	9
Commercial agency	1,608	1,603
Commercial non-agency	1,493	1,488
Equity securities	622	632
	$22,198	$22,379

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, 2014 and December 31, 2013. 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, 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	$—	$—	$341	$(9)	$341	$(9)
Mortgage-backed securities:						
Residential agency	—	—	1,674	(69)	1,674	(69)
Commercial agency	—	—	205	(14)	205	(14)
	$—	$—	$2,220	$(92)	$2,220	$(92)
Securities available for sale:						
U.S. Treasury securities	$14	$—	$5	$—	$19	$—
Federal agency securities	—	—	8	—	8	—
Mortgage-backed securities:						
Residential agency	3,288	(14)	2,944	(64)	6,232	(78)
Residential non-agency	1	—	—	—	1	—

Commercial agency	556	(4)	343	(8)	899	(12)
Commercial non-agency	320	(2)	565	(14)	885	(16)
All other securities	275	(2)	492	(20)	767	(22)
	$4,454	$(22)	$4,357	$(106)	$8,811	$(128)

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	December 31, 2013					
	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	$190	$(9)	$142	$(8)	$332	$(17)
Mortgage-backed securities:						
Residential agency	1,236	(77)	521	(41)	1,757	(118)
Commercial agency	212	(15)	—	—	212	(15)
	$1,638	$(101)	$663	$(49)	$2,301	$(150)
Securities available for sale:						
U.S. Treasury securities	$15	$—	$1	$—	$16	$—
Federal agency securities	3	—	9	—	12	—
Mortgage-backed securities:						
Residential agency	6,153	(161)	270	(9)	6,423	(170)
Commercial agency	610	(17)	—	—	610	(17)
Commercial non-agency	711	(30)	62	(3)	773	(33)
All other securities	1,422	(58)	209	(13)	1,631	(71)
	$8,914	$(266)	$551	$(25)	$9,465	$(291)

The number of individual securities in an unrealized loss position in the tables above decreased from 1,052 at December 31, 2013 to 834 at September 30, 2014. The decrease in the number of securities and the total amount of unrealized losses from year-end 2013 was primarily due to changes in interest rates. In instances where an unrealized loss did occur, there was no indication of an adverse change in credit on any of the underlying securities in the tables above. Management believes no individual unrealized loss 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 securities before the recovery of their amortized cost basis, which may be at maturity.

At June 30, 2014, the Company made the decision to sell approximately $328 million of certain other securities available for sale that remained on the Company's balance sheet. As the Company intended to sell these securities, each security reflecting an unrealized loss was considered to have an other-than-temporary impairment. The table below reflects total other-than-temporary impairment losses recorded during the second quarter of 2014. All of these securities were subsequently sold during the third quarter of 2014.

Gross realized gains and gross realized losses on sales of securities available for sale, as well as other-than-temporary impairment losses 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	
	2014	2013	2014	2013
	(In millions)			
Gross realized gains	$9	$7	$25	$52
Gross realized losses	(2)	(4)	(8)	(26)
Other-than-temporary-impairment ("OTTI")	—	—	(2)	—
Securities gains, net	$7	$3	$15	$26

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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, 2014	December 31, 2013
	(In millions, net of unearned income)	
Commercial and industrial	$31,857	$29,413
Commercial real estate mortgage—owner-occupied	8,666	9,495
Commercial real estate construction—owner-occupied	350	310
Total commercial	40,873	39,218
Commercial investor real estate mortgage	4,940	5,318
Commercial investor real estate construction	1,878	1,432
Total investor real estate	6,818	6,750
Residential first mortgage	12,264	12,163
Home equity	10,968	11,294
Indirect	3,543	3,075
Consumer credit card	964	948
Other consumer	1,177	1,161
Total consumer	28,916	28,641
	$76,607	$74,609

During the three months ended September 30, 2014 and 2013, Regions purchased approximately $296 million and $277 million, respectively, in indirect loans from a third party. During the nine months ended September 30, 2014 and 2013, the comparable loan purchase amounts were approximately $814 million and $733 million, respectively.

At September 30, 2014, $13.2 billion in loans held by Regions were pledged to secure borrowings from the FHLB. At September 30, 2014, an additional $29.4 billion of loans held by Regions were pledged to the Federal Reserve Bank.

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, 2013, 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, 2014 and 2013. The total allowance for loan losses and the related loan portfolio ending balances as of September 30, 2014 and 2013 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 loans and leases greater than or equal to $2.5 million 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.

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	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
	Three Months Ended September 30, 2013			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2013	$764	$342	$530	$1,636
Provision (credit) for loan losses	29	(37)	26	18
Loan losses:				
Charge-offs	(54)	(13)	(89)	(156)
Recoveries	17	8	17	42
Net loan losses	(37)	(5)	(72)	(114)
Allowance for loan losses, September 30, 2013	756	300	484	1,540
Reserve for unfunded credit commitments, July 1, 2013	$60	$9	$4	$73
Provision (credit) for unfunded credit losses	3	(1)	(1)	1
Reserve for unfunded credit commitments, September 30, 2013	63	8	3	74
Allowance for credit losses, September 30, 2013	$819	$308	$487	$1,614
	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

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	Nine Months Ended September 30, 2013			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2013	$847	$469	$603	$1,919
Provision (credit) for loan losses	86	(136)	109	59
Loan losses:				
Charge-offs	(230)	(59)	(281)	(570)
Recoveries	53	26	53	132
Net loan losses	(177)	(33)	(228)	(438)
Allowance for loan losses, September 30, 2013	756	300	484	1,540
Reserve for unfunded credit commitments, January 1, 2013	69	10	4	83
Provision (credit) for unfunded credit losses	(6)	(2)	(1)	(9)
Reserve for unfunded credit commitments, September 30, 2013	63	8	3	74
Allowance for credit losses, September 30, 2013	$819	$308	$487	$1,614
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$261	$159	$162	$582
Collectively evaluated for impairment	495	141	322	958
Total allowance for loan losses	$756	$300	$484	$1,540
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$1,184	$1,006	$1,589	$3,779
Collectively evaluated for impairment	38,622	5,924	27,567	72,113
Total loans evaluated for impairment	$39,806	$6,930	$29,156	$75,892

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 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 valuation of real estate.

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect, 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 lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. Consumer credit card includes Regions branded consumer credit card accounts. Other consumer loans include direct consumer installment loans and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

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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, 2014 and December 31, 2013. 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 which 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, 2014				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$30,449	$742	$467	$199	$31,857
Commercial real estate mortgage—owner-occupied	7,750	292	346	278	8,666
Commercial real estate construction—owner-occupied	339	6	3	2	350
Total commercial	$38,538	$1,040	$816	$479	$40,873
Commercial investor real estate mortgage	$4,369	$229	$209	$133	$4,940
Commercial investor real estate construction	1,799	28	49	2	1,878
Total investor real estate	$6,168	$257	$258	$135	$6,818

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,147	$117	$12,264
Home equity	10,862	106	10,968
Indirect	3,543	—	3,543
Consumer credit card	964	—	964
Other consumer	1,177	—	1,177
Total consumer	$28,693	$223	$28,916
			$76,607

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	December 31, 2013				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$28,282	$395	$479	$257	$29,413
Commercial real estate mortgage—owner-occupied	8,593	191	408	303	9,495
Commercial real estate construction—owner-occupied	264	25	4	17	310
Total commercial	$37,139	$611	$891	$577	$39,218
Commercial investor real estate mortgage	$4,479	$269	$332	$238	$5,318
Commercial investor real estate construction	1,335	47	40	10	1,432
Total investor real estate	$5,814	$316	$372	$248	$6,750

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,017	$146	$12,163
Home equity	11,183	111	11,294
Indirect	3,075	—	3,075
Consumer credit card	948	—	948
Other consumer	1,161	—	1,161
Total consumer	$28,384	$257	$28,641
			$74,609

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio segment and class as of September 30, 2014 and December 31, 2013:

	September 30, 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	$41	$5	$62	$31,658	$199	$31,857
Commercial real estate mortgage—owner-occupied	26	12	6	44	8,388	278	8,666
Commercial real estate construction—owner-occupied	2	—	—	2	348	2	350
Total commercial	44	53	11	108	40,394	479	40,873
Commercial investor real estate mortgage	16	22	5	43	4,807	133	4,940
Commercial investor real estate construction	10	2	—	12	1,876	2	1,878
Total investor real estate	26	24	5	55	6,683	135	6,818
Residential first mortgage	101	62	252	415	12,147	117	12,264
Home equity	73	42	66	181	10,862	106	10,968
Indirect	38	9	6	53	3,543	—	3,543
Consumer credit card	8	5	11	24	964	—	964

Other consumer	15	3	3	21	1,177	—	1,177
Total consumer	235	121	338	694	28,693	223	28,916
	$305	$198	$354	$857	$75,770	$837	$76,607

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	December 31, 2013						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$29	$14	$6	$49	$29,156	$257	$29,413
Commercial real estate mortgage—owner-occupied	30	26	6	62	9,192	303	9,495
Commercial real estate construction—owner-occupied	—	—	—	—	293	17	310
Total commercial	59	40	12	111	38,641	577	39,218
Commercial investor real estate mortgage	29	6	6	41	5,080	238	5,318
Commercial investor real estate construction	4	1	—	5	1,422	10	1,432
Total investor real estate	33	7	6	46	6,502	248	6,750
Residential first mortgage	130	74	248	452	12,017	146	12,163
Home equity	95	51	75	221	11,183	111	11,294
Indirect	39	11	5	55	3,075	—	3,075
Consumer credit card	8	5	12	25	948	—	948
Other consumer	14	5	4	23	1,161	—	1,161
Total consumer	286	146	344	776	28,384	257	28,641
	$378	$193	$362	$933	$73,527	$1,082	$74,609

IMPAIRED LOANS

The following tables present details related to the Company's impaired loans as of September 30, 2014 and December 31, 2013. Loans deemed to be impaired include all TDRs and all non-accrual commercial and investor real estate loans (including those less than $2.5 million), excluding leases. Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of September 30, 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	$238	$51	$187	$18	$169	$72	51.7	%
Commercial real estate mortgage—owner-occupied	310	32	278	42	236	87	38.4	
Commercial real estate construction—owner-occupied	2	—	2	—	2	1	50.0	
Total commercial	550	83	467	60	407	160	44.2	
Commercial investor real estate mortgage	177	44	133	13	120	36	45.2	
	10	8	2	—	2	1	90.0	

Commercial investor real estate construction								
Total investor real estate	187	52	135	13	122	37	47.6	
Residential first mortgage	88	27	61	—	61	8	39.8	
Home equity	24	7	17	—	17	1	33.3	
Total consumer	112	34	78	—	78	9	38.4	
	$849	$ 169	$680	$73	$607	$206	44.2	%

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	Accruing Impaired Loans As of September 30, 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	$ 21	23.5	%
Commercial real estate mortgage—owner-occupied	177	8	169	22	16.9	
Commercial real estate construction—owner-occupied	23	—	23	1	4.3	
Total commercial	302	11	291	44	18.2	
Commercial investor real estate mortgage	298	10	288	35	15.1	
Commercial investor real estate construction	43	—	43	8	18.6	
Total investor real estate	341	10	331	43	15.5	
Residential first mortgage	399	8	391	55	15.8	
Home equity	365	6	359	15	5.8	
Indirect	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	18	—	18	—	—	
Total consumer	785	14	771	70	10.7	
	$1,428	$35	$1,393	$ 157	13.4	%

	Total Impaired Loans As of September 30, 2014							
			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	$340	$ 54	$286	$ 18	$268	$93	43.2	%
Commercial real estate mortgage—owner-occupied	487	40	447	42	405	109	30.6	
Commercial real estate construction—owner-occupied	25	—	25	—	25	2	8.0	
Total commercial	852	94	758	60	698	204	35.0	
Commercial investor real estate mortgage	475	54	421	13	408	71	26.3	
Commercial investor real estate construction	53	8	45	—	45	9	32.1	
Total investor real estate	528	62	466	13	453	80	26.9	
Residential first mortgage	487	35	452	—	452	63	20.1	
Home equity	389	13	376	—	376	16	7.5	
Indirect	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	18	—	18	—	18	—	—	
Total consumer	897	48	849	—	849	79	14.2	
	$2,277	$ 204	$2,073	$ 73	$2,000	$363	24.9	%

(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.

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Non-accrual Impaired Loans As of December 31, 2013

			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	$280	$48	$232	$45	$187	$72	42.9%
Commercial real estate mortgage—owner-occupied	343	40	303	54	249	92	38.5
Commercial real estate construction—owner-occupied	17	—	17	—	17	8	47.1
Total commercial	640	88	552	99	453	172	40.6
Commercial investor real estate mortgage	306	68	238	17	221	68	44.4
Commercial investor real estate construction	15	5	10	—	10	3	53.3
Total investor real estate	321	73	248	17	231	71	44.9
Residential first mortgage	112	37	75	—	75	12	43.8
Home equity	17	—	17	—	17	1	5.9
Total consumer	129	37	92	—	92	13	38.8
	$1,090	$198	$892	$116	$776	$256	41.7%

Accruing Impaired Loans As of December 31, 2013

	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	$245	$2	$243	$34	14.7%
Commercial real estate mortgage—owner-occupied	209	7	202	23	14.4
Commercial real estate construction—owner-occupied	25	—	25	1	4.0
Total commercial	479	9	470	58	14.0
Commercial investor real estate mortgage	435	11	424	39	11.5
Commercial investor real estate construction	89	—	89	8	9.0
Total investor real estate	524	11	513	47	11.1
Residential first mortgage	397	8	389	60	17.1
Home equity	373	—	373	24	6.4
Indirect	1	—	1	—	—
Consumer credit card	2	—	2	—	—
Other consumer	26	—	26	1	3.8
Total consumer	799	8	791	85	11.6

$1,802	$28	$1,774	$190	12.1	%

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	Total Impaired Loans As of December 31, 2013							
			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	$525	$ 50	$475	$ 45	$430	$ 106	29.7	%
Commercial real estate mortgage—owner-occupied	552	47	505	54	451	115	29.3	
Commercial real estate construction—owner-occupied	42	—	42	—	42	9	21.4	
Total commercial	1,119	97	1,022	99	923	230	29.2	
Commercial investor real estate mortgage	741	79	662	17	645	107	25.1	
Commercial investor real estate construction	104	5	99	—	99	11	15.4	
Total investor real estate	845	84	761	17	744	118	23.9	
Residential first mortgage	509	45	464	—	464	72	23.0	
Home equity	390	—	390	—	390	25	6.4	
Indirect	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	26	—	26	—	26	1	3.8	
Total consumer	928	45	883	—	883	98	15.4	
	$2,892	$ 226	$2,666	$ 116	$2,550	$ 446	23.2	%

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(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, 2014 and 2013. 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			
	2014		2013		2014		2013	
	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	$296	$ 2	$636	$ 4	$382	$ 7	$649	$ 10
Commercial real estate mortgage—owner-occupied	464	2	551	2	491	9	598	8
	30	1	40	—	36	1	38	1

Commercial real estate construction—owner-occupied								
Total commercial	790	5	1,227	6	909	17	1,285	19
Commercial investor real estate mortgage	446	4	940	7	532	18	1,071	24
Commercial investor real estate construction	44	—	108	1	68	2	121	5
Total investor real estate	490	4	1,048	8	600	20	1,192	29
Residential first mortgage	451	3	1,163	9	454	10	1,176	28
Home equity	379	5	401	5	383	15	411	16
Indirect	1	—	1	—	1	—	1	—
Consumer credit card	2	—	2	—	2	—	1	—
Other consumer	19	—	30	1	22	1	34	2
Total consumer	852	8	1,597	15	862	26	1,623	46
Total impaired loans	$2,132	$ 17	$3,872	$ 29	$2,371	$ 63	$4,100	$ 94

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In addition to the impaired loans detailed in the tables above, there were approximately $38 million in non-performing loans classified as held for sale at September 30, 2014, compared to $82 million at December 31, 2013. The loans are carried at an amount approximating a price which is expected to be recoverable through the loan sale market. During the three months ended September 30, 2014 and 2013, approximately $36 million and $27 million, respectively, in non-performing loans were transferred to held for sale; these amounts are net of charge-offs of $11 million and $14 million, respectively, recorded upon transfer. During the nine months ended September 30, 2014 and 2013, approximately $69 million and $96 million, respectively, in non-performing loans were transferred to held for sale; these amounts are net of charge-offs of $26 million and $55 million, respectively, recorded upon transfer. At September 30, 2014 and December 31, 2013, non-accrual loans including loans held for sale totaled $875 million and $1.2 billion, respectively.

TROUBLED DEBT RESTRUCTURINGS

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 rate. Consumer TDRs primarily involve an 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 status as TDRs. 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, 2014, approximately $73 million in residential first mortgage TDRs were in excess of 180 days past due and were considered collateral-dependent. At September 30, 2014, approximately $8 million in home equity first lien TDRs were in excess of 180 days past due and approximately $6 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, 2013.

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 $316 million and $607 million for the nine months ended September 30, 2014 and 2013, respectively.

	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
Commercial real estate construction—owner-occupied	—	—	—
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 and other consumer	77	1	—
Total consumer	403	36	4
	582	$247	$9

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	Three Months Ended September 30, 2013		
			Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	109	$135	$1
Commercial real estate mortgage—owner-occupied	93	78	1
Commercial real estate construction—owner-occupied	2	3	—
Total commercial	204	216	2
Commercial investor real estate mortgage	98	173	1
Commercial investor real estate construction	21	25	—
Total investor real estate	119	198	1
Residential first mortgage	293	47	5
Home equity	172	10	1
Consumer credit card	57	1	—
Indirect and other consumer	76	1	—
Total consumer	598	59	6
	921	$473	$9

	Nine Months Ended September 30, 2014		
			Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	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 and other consumer	194	3	—
Total consumer	1,187	103	11
	1,853	$851	$25

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	Nine Months Ended September 30, 2013		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	335	$445	$2
Commercial real estate mortgage—owner-occupied	272	251	3
Commercial real estate construction—owner-occupied	5	30	—
Total commercial	612	726	5
Commercial investor real estate mortgage	321	569	3
Commercial investor real estate construction	64	77	—
Total investor real estate	385	646	3
Residential first mortgage	965	169	19
Home equity	451	29	3
Consumer credit card	202	3	—
Indirect and other consumer	234	3	—
Total consumer	1,852	204	22
	2,849	$1,576	$30

Defaulted TDRs

The following table presents TDRs by portfolio segment and class which defaulted during the three and nine months ended September 30, 2014 and 2013, and which 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, 2013.

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(In millions)			
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	$2	$1	$48	$29
Commercial real estate mortgage—owner-occupied	10	5	17	28
Total commercial	12	6	65	57
Commercial investor real estate mortgage	1	5	5	60
Commercial investor real estate construction	—	19	1	24
Total investor real estate	1	24	6	84
Residential first mortgage	2	11	14	40
Home equity	—	1	2	4
Total consumer	2	12	16	44
	$15	$42	$87	$185

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, 2014, approximately $73 million of commercial and investor real estate loans modified in a TDR during the three months ended September 30, 2014 were on non-accrual status. Approximately 13.1 percent of this amount was 90 days past due.

At September 30, 2014, Regions had restructured binding unfunded commitments totaling $151 million where a concession was granted and the borrower was in financial difficulty.

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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 where 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	
	2014	2013	2014	2013
	(In millions)			
Carrying value, beginning of period	$276	$276	$297	$191
Additions	9	13	24	73
Increase (decrease) in fair value:				
Due to change in valuation inputs or assumptions	(3)	—	(28)	45
Economic amortization associated with borrower repayments	(5)	(8)	(16)	(28)
Carrying value, end of period	$277	$281	$277	$281

On March 29, 2013, the Company completed a transaction to purchase the rights to service approximately $3 billion in residential mortgage loans. The residential mortgage servicing rights asset was increased by the purchase price of approximately $28 million in the first quarter of 2013.

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	
	2014	2013
	(Dollars in millions)	
Unpaid principal balance	$26,943	$28,234
Weighted-average prepayment speed (CPR; percentage)	10.9%	9.4%
Estimated impact on fair value of a 10% increase	$(15)	$(12)
Estimated impact on fair value of a 20% increase	$(28)	