REGIONS FINANCIAL CORP
Form 10-Q
August 05, 2015
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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 June 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 1,324,907,149 shares of common stock, par value $.01, outstanding as of August 3, 2015.

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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 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.

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- 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.

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

	June 30, 2015	December 31, 2014
	(In millions, except share data)	
Assets		
Cash and due from banks	$1,661	$1,601
Interest-bearing deposits in other banks	2,094	2,303
Federal funds sold and securities purchased under agreements to resell	—	100
Trading account securities	110	106
Securities held to maturity (estimated fair value of $2,093 and $2,209, respectively)	2,067	2,175
Securities available for sale	22,672	22,580
Loans held for sale (includes $466 and $440 measured at fair value, respectively)	511	541
Loans, net of unearned income	80,149	77,307
Allowance for loan losses	(1,115)	(1,103)
Net loans	79,034	76,204
Other interest-earning assets	70	89
Premises and equipment, net	2,147	2,193
Interest receivable	305	310
Goodwill	4,816	4,816
Residential mortgage servicing rights at fair value	268	257
Other identifiable intangible assets	268	275
Other assets	5,832	6,013
Total assets	$121,855	$119,563
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$33,810	$31,747
Interest-bearing	63,265	62,453
Total deposits	97,075	94,200
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	96	1,753
Other short-term borrowings	1,750	500
Total short-term borrowings	1,846	2,253
Long-term borrowings	3,602	3,462
Total borrowed funds	5,448	5,715
Other liabilities	2,433	2,775
Total liabilities	104,956	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	852	884
Common stock, authorized 3 billion shares, par value $.01 per share:		
	14	14

Issued including treasury stock—1,371,885,146 and 1,395,204,638 shares, respectively		
Additional paid-in capital	18,355	18,767
Retained earnings (deficit)	(658)	(1,177)
Treasury stock, at cost—41,262,678 and 41,262,645 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	(287)	(238)
Total stockholders' equity	16,899	16,873
Total liabilities and stockholders' equity	$121,855	$119,563

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$728	$737	$1,453	$1,469
Securities - taxable	149	156	302	310
Loans held for sale	4	4	7	12
Trading account securities	1	—	4	2
Other interest-earning assets	1	3	3	5
Total interest income	883	900	1,769	1,798
Interest expense on:				
Deposits	27	25	55	52
Short-term borrowings	1	1	1	1
Long-term borrowings	35	51	78	106
Total interest expense	63	77	134	159
Net interest income	820	823	1,635	1,639
Provision for loan losses	63	35	112	37
Net interest income after provision for loan losses	757	788	1,523	1,602
Non-interest income:				
Service charges on deposit accounts	168	174	329	347
Card and ATM fees	90	84	175	163
Mortgage income	46	43	86	83
Securities gains (losses), net	6	6	11	8
Other	280	168	459	331
Total non-interest income	590	475	1,060	932
Non-interest expense:				
Salaries and employee benefits	477	443	935	898
Net occupancy expense	89	90	180	183
Furniture and equipment expense	76	70	147	140
Other	292	217	577	416
Total non-interest expense	934	820	1,839	1,637
Income from continuing operations before income taxes	413	443	744	897
Income tax expense	124	148	219	299
Income from continuing operations	289	295	525	598
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(6)	2	(10)	21
Income tax expense (benefit)	(2)	1	(4)	8
Income (loss) from discontinued operations, net of tax	(4)	1	(6)	13
Net income	$285	$296	$519	$611
Net income from continuing operations available to common shareholders	$273	$287	$493	$582
Net income available to common shareholders	$269	$288	$487	$595
Weighted-average number of shares outstanding:				
Basic	1,335	1,378	1,340	1,378
Diluted	1,346	1,390	1,352	1,390

Earnings per common share from continuing operations:				
Basic	$0.20	$0.21	$0.37	$0.42
Diluted	0.20	0.21	0.36	0.42
Earnings per common share:				
Basic	$0.20	$0.21	$0.36	$0.43
Diluted	0.20	0.21	0.36	0.43
Cash dividends declared per common share	0.06	0.05	0.11	0.08

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2015	2014
	(In millions)	
Net income	$285	$296
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 ($2) 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 ($94) and $91 tax effect, respectively)	(152)	151
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $2 and $2 tax effect, respectively)	4	4
Net change in unrealized gains (losses) on securities available for sale, net of tax	(156)	147
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of ($3) and $26 tax effect, respectively)	(4)	41
Less: reclassification adjustments for gains (losses) realized in net income (net of $13 and $11 tax effect, respectively)	21	18
Net change in unrealized gains (losses) on derivative instruments, net of tax	(25)	23
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)	—	1
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, (net of ($5) and ($2) tax effect, respectively)	(7)	(4)
Net change from defined benefit pension plans and other post employment benefits, net of tax	7	5
Other comprehensive income (loss), net of tax	(172)	177
Comprehensive income	$113	$473

	Six Months Ended June 30	
	2015	2014
	(In millions)	
Net income	$519	$611
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 ($3) and ($3) tax effect, respectively)	(4)	(4)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	4	4
Unrealized gains (losses) on securities available for sale:		
	(72)	230

Unrealized holding gains (losses) arising during the period (net of ($45) and $140 tax effect, respectively)		
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $4 and $3 tax effect, respectively)	7	5
Net change in unrealized gains (losses) on securities available for sale, net of tax	(79)	225
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $32 and $40 tax effect, respectively)	54	64
Less: reclassification adjustments for gains (losses) realized in net income (net of $25 and $22 tax effect, respectively)	42	35
Net change in unrealized gains (losses) on derivative instruments, net of tax	12	29
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)	(1)	1
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of($9) and $(4) tax effect, respectively)	(15)	(8)
Net change from defined benefit pension plans and other post employment benefits, net of tax	14	9
Other comprehensive income (loss), net of tax	(49)	267
Comprehensive income	$470	$878

See notes to consolidated financial statements.

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

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	(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	—	—	—	—	—	611	—	—	611
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	4	4
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	225	225
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	29	29
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	9	9
Cash dividends declared—$0.08 per share	—	—	—	—	(111)	—	—	—	(111)
Preferred stock dividends	—	(16)	—	—	—	—	—	—	(16)
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	—	—	1	—	24	—	—	—	24
BALANCE AT JUNE 30, 2014	1	$ 920	1,378	$ 14	$ 19,121	$ (1,713)	$ (1,377)	$ (52)	$ 16,913
BALANCE AT JANUARY 1, 2015	1	$ 884	1,354	$ 14	$ 18,767	$ (1,177)	$ (1,377)	$ (238)	$ 16,873
Net income	—	—	—	—	—	519	—	—	519
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	4	4

Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(79)	(79)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	12	12
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	14	14
Cash dividends declared—$0.11 per share	—	—	—	—	(147)	—	—	—	(147)
Preferred stock dividends	—	(32)	—	—	—	—	—	—	(32)
Common stock transactions:									
Impact of share repurchase	—	—	(28)	—	(274)	—	—	—	(274)
Impact of stock transactions under compensation plans, net	—	—	5	—	9	—	—	—	9
BALANCE AT JUNE 30, 2015	1	$ 852	1,331	$ 14	$ 18,355	$ (658)	$ (1,377)	$ (287)	$ 16,899

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2015	2014
	(In millions)	
Operating activities:		
Net income	$519	$611
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	112	37
Depreciation, amortization and accretion, net	252	248
Securities (gains) losses, net	(11)	(8)
Deferred income tax expense	40	167
Originations and purchases of loans held for sale	(1,224)	(1,204)
Proceeds from sales of loans held for sale	1,295	1,201
Gain on TDRs held for sale, net	—	(35)
(Gain) loss on sale of loans, net	(48)	(20)
(Gain) loss on early extinguishment of debt	43	—
Net change in operating assets and liabilities:		
Trading account securities	(4)	11
Other interest-earning assets	19	21
Interest receivable and other assets	91	(351)
Other liabilities	(347)	60
Other	30	5
Net cash from operating activities	767	743
Investing activities:		
Proceeds from maturities of securities held to maturity	109	79
Proceeds from sales of securities available for sale	828	1,004
Proceeds from maturities of securities available for sale	1,911	1,481
Purchases of securities available for sale	(2,860)	(2,452)
Proceeds from sales of loans	49	635
Purchases of loans	(547)	(518)
Net change in loans	(2,565)	(1,686)
Net purchases of premises and equipment and other assets	(74)	(95)
Net cash from investing activities	(3,149)	(1,552)
Financing activities:		
Net change in deposits	2,875	1,369
Net change in short-term borrowings	(407)	(364)
Proceeds from long-term borrowings	1,248	—
Payments on long-term borrowings	(1,142)	(1,004)
Cash dividends on common stock	(147)	(111)
Cash dividends on preferred stock	(32)	(16)
Repurchase of common stock	(274)	(8)
Net proceeds from issuance of preferred stock	—	486
Other	12	3
Net cash from financing activities	2,133	355
Net change in cash and cash equivalents	(249)	(454)
Cash and cash equivalents at beginning of year	4,004	5,273

Cash and cash equivalents at end of period	$3,755	$4,819

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and Six Months Ended June 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’ 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 was 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 were included as a component of income tax expense. The guidance required retrospective application. All prior period amounts impacted by this guidance were 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 $897 million and $818 million at June 30, 2015 and December 31, 2014, respectively. These investments are reflected in other assets on Regions' consolidated balance sheets. The Company recognized $51 million and $45 million of amortization expense and $58 million and $50 million of tax credits related to these investments during the six months ended June 30, 2015 and 2014, respectively. The Company also recognized $11 million of other tax benefits related to these investments for both six months ended June 30, 2015 and 2014.

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.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Non-interest expense:				
Professional and legal expenses	$5	$(3)	$9	$(22)
Other	1	1	1	1
Total non-interest expense	6	(2)	10	(21)
Income (loss) from discontinued operations before income taxes	(6)	2	(10)	21
Income tax expense (benefit)	(2)	1	(4)	8
Income (loss) from discontinued operations, net of tax	$(4)	$1	$(6)	$13
Earnings (loss) per common share from discontinued operations:				
Basic	$(0.00)	$0.00	$(0.00)	$0.01
Diluted	$(0.00)	$0.00	$(0.00)	$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:

	June 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	8	—	347
Mortgage-backed securities:							
Residential agency	1,597	—	(67)	1,530	22	(2)	1,550
Commercial agency	202	—	(5)	197	—	(2)	195
	$2,150	$—	$(83)	$2,067	$30	$(4)	$2,093
Securities available for sale:							
U.S. Treasury securities	$180	$1	$—	$181			$181
Federal agency securities	225	3	—	228			228
Obligations of states and political subdivisions	2	—	—	2			2
Mortgage-backed securities:							
Residential agency	15,793	225	(76)	15,942			15,942
Residential non-agency	6	—	—	6			6
Commercial agency	2,167	17	(8)	2,176			2,176
Commercial non-agency	1,479	11	(9)	1,481			1,481
Corporate and other debt securities	1,823	20	(39)	1,804			1,804
Equity securities	841	11	—	852			852
	$22,516	$288	$(132)	$22,672			$22,672

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	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.

	June 30, 2015	December 31, 2014
	(In millions)	
Federal Reserve Bank	$484	$488
Federal Home Loan Bank	144	39

Securities with carrying values of $12.7 billion and $12.1 billion at June 30, 2015 and December 31, 2014, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements. Of the $12.7 billion and the $12.1 billion securities pledged, approximately $12 million and zero represents encumbered U.S. Treasury securities at June 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 June 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.

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	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Due in one year or less	$—	$—
Due after one year through five years	351	348
Due after five years through ten years	—	—
Mortgage-backed securities:		
Residential agency	1,597	1,550
Commercial agency	202	195
	$2,150	$2,093
Securities available for sale:		
Due in one year or less	$101	$102
Due after one year through five years	830	839
Due after five years through ten years	1,007	992
Due after ten years	292	282
Mortgage-backed securities:		
Residential agency	15,793	15,942
Residential non-agency	6	6
Commercial agency	2,167	2,176
Commercial non-agency	1,479	1,481
Equity securities	841	852
	$22,516	$22,672

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at June 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.

	June 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:						
Federal agency securities	$149	$(1)	$198	$(2)	$347	$(3)
Mortgage-backed securities:						
Residential agency	346	(8)	1,203	(39)	1,549	(47)
Commercial agency	—	—	195	(7)	195	(7)
	$495	$(9)	$1,596	$(48)	$2,091	$(57)
Securities available for sale:						
U.S. Treasury securities	$7	$—	$8	$—	$15	$—
Federal agency securities	—	—	4	—	4	—
Mortgage-backed securities:						
Residential agency	4,955	(57)	940	(19)	5,895	(76)
Commercial agency	528	(6)	228	(2)	756	(8)

Commercial non-agency	562	(6)	237	(3)	799	(9)
All other securities	743	(21)	273	(18)	1,016	(39)
	$6,795	$(90)	$1,690	$(42)	$8,485	$(132)

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	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 securities in an unrealized loss position in the tables above increased from 827 at December 31, 2014 to 895 at June 30, 2015. The increase in the number of securities and the total amount of unrealized losses from year-end 2014 was primarily due to changes in interest rates, and credit spreads in certain instances. 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.

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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Gross realized gains	$9	$13	$14	$16
Gross realized losses	(3)	(5)	(3)	(6)
Other-than-temporary-impairment ("OTTI")	—	(2)	—	(2)
Securities gains, net	$6	$6	$11	$8

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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:

	June 30, 2015	December 31, 2014
	(In millions, net of unearned income)	
Commercial and industrial	$35,347	$32,732
Commercial real estate mortgage—owner-occupied	7,797	8,263
Commercial real estate construction—owner-occupied	448	407
Total commercial	43,592	41,402
Commercial investor real estate mortgage	4,509	4,680
Commercial investor real estate construction	2,419	2,133
Total investor real estate	6,928	6,813
Residential first mortgage	12,589	12,315
Home equity	10,899	10,932
Indirect—vehicles	3,782	3,642
Indirect—other consumer	383	206
Consumer credit card	992	1,009
Other consumer	984	988
Total consumer	29,629	29,092
	$80,149	$77,307

During the three months ended June 30, 2015 and 2014, Regions purchased approximately $291 million and $272 million, respectively, in indirect-vehicles and indirect-other consumer loans from third parties. During the six months ended June 30, 2015 and 2014, the comparable loan purchase amounts were approximately $547 million and $518 million, respectively.

At June 30, 2015, $13.3 billion in loans held by Regions were pledged to secure borrowings from the FHLB. At June 30, 2015, an additional $31.1 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, 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 six months ended June 30, 2015 and 2014. The total allowance for loan losses and the related loan portfolio ending balances as of June 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.

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	Three Months Ended June 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2015	$696	$125	$277	$1,098
Provision (credit) for loan losses	51	(3)	15	63
Loan losses:				
Charge-offs	(25)	(4)	(57)	(86)
Recoveries	18	5	17	40
Net loan losses	(7)	1	(40)	(46)
Allowance for loan losses, June 30, 2015	740	123	252	1,115
Reserve for unfunded credit commitments, April 1, 2015	58	8	—	66
Provision (credit) for unfunded credit losses	1	(3)	—	(2)
Reserve for unfunded credit commitments, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	$799	$128	$252	$1,179

	Three Months Ended June 30, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2014	$692	$208	$361	$1,261
Provision (credit) for loan losses	39	(18)	14	35
Loan losses:				
Charge-offs	(40)	(7)	(63)	(110)
Recoveries	14	7	22	43
Net loan losses	(26)	—	(41)	(67)
Allowance for loan losses, June 30, 2014	705	190	334	1,229
Reserve for unfunded credit commitments, April 1, 2014	63	11	4	78
Provision (credit) for unfunded credit losses	11	1	(1)	11
Reserve for unfunded credit commitments, June 30, 2014	74	12	3	89
Allowance for credit losses, June 30, 2014	$779	$202	$337	$1,318

	Six Months Ended June 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	110	(28)	30	112
Loan losses:				
Charge-offs	(59)	(12)	(116)	(187)
Recoveries	35	13	39	87
Net loan losses	(24)	1	(77)	(100)
Allowance for loan losses, June 30, 2015	740	123	252	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, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	$799	$128	$252	$1,179
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$189	$42	$69	$300
Collectively evaluated for impairment	551	81	183	815
Total allowance for loan losses	$740	$123	$252	$1,115
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$722	$264	$845	$1,831
Collectively evaluated for impairment	42,870	6,664	28,784	78,318
Total loans evaluated for impairment	$43,592	$6,928	$29,629	$80,149

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	Six Months Ended June 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	44	(45)	38	37
Loan losses:				
Charge-offs	(81)	(16)	(137)	(234)
Recoveries	31	15	39	85
Net loan losses	(50)	(1)	(98)	(149)
Allowance for loan losses, June 30, 2014	705	190	334	1,229
Reserve for unfunded credit commitments, January 1, 2014	63	12	3	78
Provision (credit) for unfunded credit losses	11	—	—	11
Reserve for unfunded credit commitments, June 30, 2014	74	12	3	89
Allowance for credit losses, June 30, 2014	$779	$202	$337	$1,318
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$212	$92	$82	$386
Collectively evaluated for impairment	493	98	252	843
Total allowance for loan losses	$705	$190	$334	$1,229
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$846	$523	$858	$2,227
Collectively evaluated for impairment	39,898	6,450	27,938	74,286
Total loans evaluated for impairment	$40,744	$6,973	$28,796	$76,513

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 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.

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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 June 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.

	June 30, 2015				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$33,741	$608	$701	$297	$35,347
Commercial real estate mortgage—owner-occupied	6,942	331	321	203	7,797
Commercial real estate construction—owner-occupied	413	20	11	4	448
Total commercial	$41,096	$959	$1,033	$504	$43,592
Commercial investor real estate mortgage	$4,119	$173	$154	$63	$4,509
Commercial investor real estate construction	2,355	31	31	2	2,419
Total investor real estate	$6,474	$204	$185	$65	$6,928

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,503	$86	$12,589
Home equity	10,803	96	10,899
Indirect—vehicles	3,782	—	3,782
Indirect—other consumer	383	—	383
Consumer credit card	992	—	992
Other consumer	984	—	984
Total consumer	$29,447	$182	$29,629
			$80,149

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	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 June 30, 2015 and December 31, 2014:

	June 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	$9	$14	$3	$26	$35,050	$297	$35,347
Commercial real estate mortgage—owner-occupied	32	6	2	40	7,594	203	7,797
Commercial real estate construction—owner-occupied	—	—	—	—	444	4	448
Total commercial	41	20	5	66	43,088	504	43,592
Commercial investor real estate mortgage	14	4	1	19	4,446	63	4,509
Commercial investor real estate construction	—	—	—	—	2,417	2	2,419
Total investor real estate	14	4	1	19	6,863	65	6,928
Residential first mortgage	91	56	212	359	12,503	86	12,589
Home equity	54	30	61	145	10,803	96	10,899
Indirect—vehicles	36	10	6	52	3,782	—	3,782

Indirect—other consumer	1	—	—	1	383	—	383
Consumer credit card	6	4	11	21	992	—	992
Other consumer	11	3	4	18	984	—	984
Total consumer	199	103	294	596	29,447	182	29,629
	$254	$127	$300	$681	$79,398	$751	$80,149

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	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 June 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 June 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	$335	$39	$296	$64	$232	$94	39.7	%
Commercial real estate mortgage—owner-occupied	221	18	203	37	166	60	35.3	
Commercial real estate construction—owner-occupied	4	—	4	—	4	2	50.0	
Total commercial	560	57	503	101	402	156	38.0	
Commercial investor real estate mortgage	97	34	63	20	43	15	50.5	
Commercial investor real estate construction	11	9	2	—	2	1	90.9	

Total investor real estate	108	43	65	20	45	16	54.6	
Residential first mortgage	65	21	44	—	44	6	41.5	
Home equity	21	6	15	—	15	—	28.6	
Total consumer	86	27	59	—	59	6	38.4	
	$754	$ 127	$627	$121	$506	$178	40.5	%

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	Accruing Impaired Loans As of June 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	$86	$2	$84	$ 15	19.8	%
Commercial real estate mortgage—owner-occupied	144	10	134	18	19.4	
Commercial real estate construction—owner-occupied	1	—	1	—	—	
Total commercial	231	12	219	33	19.5	
Commercial investor real estate mortgage	176	7	169	21	15.9	
Commercial investor real estate construction	30	—	30	5	16.7	
Total investor real estate	206	7	199	26	16.0	
Residential first mortgage	439	12	427	55	15.3	
Home equity	349	7	342	8	4.3	
Indirect—vehicles	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	14	—	14	—	—	
Total consumer	805	19	786	63	10.2	
	$1,242	$38	$1,204	$ 122	12.9	%

	Total Impaired Loans As of June 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	$421	$41	$380	$ 64	$316	$109	35.6	%
Commercial real estate mortgage—owner-occupied	365	28	337	37	300	78	29.0	
Commercial real estate construction—owner-occupied	5	—	5	—	5	2	40.0	
Total commercial	791	69	722	101	621	189	32.6	
Commercial investor real estate mortgage	273	41	232	20	212	36	28.2	
Commercial investor real estate construction	41	9	32	—	32	6	36.6	
Total investor real estate	314	50	264	20	244	42	29.3	
Residential first mortgage	504	33	471	—	471	61	18.7	
Home equity	370	13	357	—	357	8	5.7	
Indirect—vehicles	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	14	—	14	—	14	—	—	
Total consumer	891	46	845	—	845	69	12.9	
	$1,996	$ 165	$1,831	$ 121	$1,710	$300	23.3	%

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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.

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	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 %

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	Total Impaired Loans As of December 31, 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	$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	%

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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 six months ended June 30, 2015 and 2014. Interest income recognized represents interest on accruing loans modified in a TDR. TDRs are considered impaired loans.

	Three Months Ended June 30				Six Months Ended June 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	$398	$ 2	$382	$ 2	$378	$ 3	$424	$ 5
Commercial real estate mortgage—owner-occupied	348	2	499	3	364	5	505	7
	4	—	38	—	4	—	40	—

Commercial real estate construction—owner-occupied								
Total commercial	750	4	919	5	746	8	969	12
Commercial investor real estate mortgage	257	3	529	6	294	6	575	14
Commercial investor real estate construction	32	—	74	1	32	1	80	2
Total investor real estate	289	3	603	7	326	7	655	16
Residential first mortgage	474	4	454	3	475	8	456	7
Home equity	358	4	383	5	360	9	385	10
Indirect—vehicles	1	—	1	—	1	—	1	—
Consumer credit card	2	—	2	—	2	—	2	—
Other consumer	15	—	22	1	15	—	23	1
Total consumer	850	8	862	9	853	17	867	18
Total impaired loans	$1,889	$ 15	$2,384	$ 21	$1,925	$ 32	$2,491	$ 46

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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 June 30, 2015, approximately $49 million in residential first mortgage TDRs were in excess of 180 days past due and were considered collateral-dependent. At June 30, 2015, approximately $8 million in home equity first lien TDRs were in excess of 180 days past due and approximately $4 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 $154 million and $209 million for the six months ended June 30, 2015 and 2014, respectively.

	Three Months Ended June 30, 2015		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	62	$45	$1
Commercial real estate mortgage—owner-occupied	61	37	1
Total commercial	123	82	2
Commercial investor real estate mortgage	31	15	—
Commercial investor real estate construction	12	6	—
Total investor real estate	43	21	—
Residential first mortgage	96	20	3

Home equity	187	9	—
Consumer credit card	41	1	—
Indirect—vehicles and other consumer	109	1	—
Total consumer	433	31	3
	599	$134	$5

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	Three Months Ended June 30, 2014		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	58	$70	$2
Commercial real estate mortgage—owner-occupied	72	77	2
Commercial real estate construction—owner-occupied	2	2	—
Total commercial	132	149	4
Commercial investor real estate mortgage	52	101	4
Commercial investor real estate construction	13	8	—
Total investor real estate	65	109	4
Residential first mortgage	139	21	3
Home equity	185	10	—
Consumer credit card	32	—	—
Indirect—vehicles and other consumer	66	1	—
Total consumer	422	32	3
	619	$290	$11

	Six Months Ended June 30, 2015		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	103	$102	$2
Commercial real estate mortgage—owner-occupied	103	62	2
Total commercial	206	164	4
Commercial investor real estate mortgage	60	39	1
Commercial investor real estate construction	13	7	—
Total investor real estate	73	46	1
Residential first mortgage	229	52	7
Home equity	312	15	—
Consumer credit card	73	1	—
Indirect—vehicles and other consumer	196	2	—
Total consumer	810	70	7
	1,089	$280	$12

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	Six Months Ended June 30, 2014		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	149	$164	$2
Commercial real estate mortgage—owner-occupied	157	147	3
Commercial real estate construction—owner-occupied	3	3	—
Total commercial	309	314	5
Commercial investor real estate mortgage	150	208	4
Commercial investor real estate construction	28	15	—
Total investor real estate	178	223	4
Residential first mortgage	264	45	7
Home equity	339	20	—
Consumer credit card	64	—	—
Indirect—vehicles and other consumer	117	2	—
Total consumer	784	67	7
	1,271	$604	$16

Defaulted TDRs

The following table presents by portfolio segment and class TDRs that defaulted during the three and six months ended June 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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	$3	$4	$4	$46
Commercial real estate mortgage—owner-occupied	2	4	3	7
Total commercial	5	8	7	53
Commercial investor real estate mortgage	—	2	1	4
Commercial investor real estate construction	—	—	—	1
Total investor real estate	—	2	1	5
Residential first mortgage	5	3	8	12
Home equity	1	1	1	2
Total consumer	6	4	9	14
	$11	$14	$17	$72

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 June 30, 2015, approximately $36 million of commercial and investor real estate loans modified in a TDR during the three months ended June 30, 2015 were on non-accrual status. Less than $1 million of this amount was 90 days past due.

At June 30, 2015, Regions had restructured binding unfunded commitments totaling $84 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 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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Carrying value, beginning of period	$239	$288	$257	$297
Additions	12	7	19	15
Increase (decrease) in fair value[1]:				
Due to change in valuation inputs or assumptions	28	(10)	11	(20)
Economic amortization associated with borrower repayments	(11)	(9)	(19)	(16)
Carrying value, end of period	$268	$276	$268	$276

(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 six 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:

	June 30	
	2015	2014
	(Dollars in millions)	
Unpaid principal balance	$26,637	$27,261
Weighted-average prepayment speed (CPR; percentage)	10.0%	10.4%
Estimated impact on fair value of a 10% increase	$(15)	$(14)
Estimated impact on fair value of a 20% increase	$(27)	$(27)
Option-adjusted spread (basis points)	998	888
Estimated impact on fair value of a 10% increase	$(11)	$(9)
Estimated impact on fair value of a 20% increase	$(21)	$(18)
Weighted-average coupon interest rate	4.4%	4.5%
Weighted-average remaining maturity (months)	279	278
Weighted-average servicing fee (basis points)	27.8	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.

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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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Servicing related fees and other ancillary income	$20	$22	$41	$43

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 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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Beginning balance	$26	$39	$26	$39
Additions (reductions), net	(5)	(2)	(4)	1
Losses	(1)	(3)	(2)	(6)
Ending balance	$20	$34	$20	$34

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 June 30, 2015, the DUS servicing portfolio remained at approximately $1.0 billion, the related commercial mortgage servicing rights were valued at approximately $12 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:

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

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During the second quarter of 2015, Regions assessed events and circumstances for all three reporting units as of June 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 June 30, 2015. Therefore, Regions determined that a test of goodwill impairment was not required for each of Regions' reporting units for the June 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:

					June 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	$ 403	$ 419
Series B	4/29/2014	9/15/2024	6.375 %[(1)]	500	449	465
				$ 1,000	$ 852	$ 884

(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 and second quarters of 2015 and 2014. Series B Preferred Stock dividends were $8 million for the first and second quarters of 2015. 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. During the second quarter of 2015, Regions repurchased approximately 17 million shares of

common stock at a total cost of approximately $172 million. The Company continued to repurchase shares under this plan in the third quarter of 2015, and as of August 4, 2015, Regions had additional repurchases of approximately 10 million shares of common stock at a total cost of approximately $101 million. All common shares repurchased under this plan were immediately retired and therefore will not be included in treasury stock.
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

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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 quarter of 2015, and a $0.05 per share cash dividend for the first quarter of 2015, totaling $0.11 per share cash dividend for the first six months of 2015. The Board of Directors declared a $0.05 per share cash dividend on common stock for the second quarter of 2014, and a $0.03 per share cash dividend for the first quarter of 2014, totaling $0.08 per share cash dividend for the first six 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 June 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	$(53)	$252	$70	$(384)	$(115)
Net change	2	(156)	(25)	7	(172)
End of period	$(51)	$96	$45	$(377)	$(287)

	Three Months Ended June 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	$(62)	$56	$21	$(244)	$(229)
Net change	2	147	23	5	177
End of period	$(60)	$203	$44	$(239)	$(52)

	Six Months Ended June 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	4	(79)	12	14	(49)
End of period	$(51)	$96	$45	$(377)	$(287)

Six Months Ended June 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	4	225	29	9	267
End of period	$(60)	$203	$44	$(239)	$ (52)

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

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended June 30, 2015 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1] (In millions)	Three Months Ended June 30, 2014 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]	Affected Line Item in the Consolidated Statements of Income
Unrealized losses on securities transferred to held to maturity:			
	$(4)	$(4)	Net interest income
	2	2	Tax (expense) or benefit
	$(2)	$(2)	Net of tax
Unrealized gains and (losses) on available-for-sale securities:			
	$6	$6	Securities gains, net
	(2)	(2)	Tax (expense) or benefit
	$4	$4	Net of tax
Gains and (losses) on cash flow hedges:			
Interest rate contracts	$34	$29	Net interest income
	(13)	(11)	Tax (expense) or benefit
	$21	$18	Net of tax
Amortization of defined benefit pension plans and other post employment benefits:			
Prior-service cost	$—	$(1)	[2]
Actuarial gains (losses)	(12)	(5)	[2]
	(12)	(6)	Total before tax
	5	2	Tax (expense) or benefit
	$(7)	$(4)	Net of tax
Total reclassifications for the period	$16	$16	Net of tax

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Details about Accumulated Other Comprehensive Income (Loss) Components	Six Months Ended June 30, 2015 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]	Six Months Ended June 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:			
	$(7)	$(7)	Net interest income
	3	3	Tax (expense) or benefit
	$(4)	$(4)	Net of tax
Unrealized gains and (losses) on available-for-sale securities:			
	$11	$8	Securities gains, net
	(4)	(3)	Tax (expense) or benefit
	$7	$5	Net of tax
Gains and (losses) on cash flow hedges:			
Interest rate contracts	$67	$57	Net interest income
	(25)	(22)	Tax (expense) or benefit
	$42	$35	Net of tax
Amortization of defined benefit pension items:			
Prior-service cost	$—	$(1)	[2]
Actuarial gains/(losses)	(24)	(11)	[2]
	(24)	(12)	Total before tax
	9	4	Tax (expense) or benefit
	$(15)	$(8)	Net of tax
Total reclassifications for the period	$30	$28	Net of tax

(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).

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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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Numerator:				
Income from continuing operations	$289	$295	$525	$598
Preferred stock dividends	(16)	(8)	(32)	(16)
Income from continuing operations available to common shareholders	273	287	493	582
Income (loss) from discontinued operations, net of tax	(4)	1	(6)	13
Net income available to common shareholders	$269	$288	$487	$595
Denominator:				
Weighted-average common shares outstanding—basic	1,335	1,378	1,340	1,378
Potential common shares	11	12	12	12
Weighted-average common shares outstanding—diluted	1,346	1,390	1,352	1,390
Earnings per common share from continuing operations available to common shareholders(1):				
Basic	$0.20	$0.21	$0.37	$0.42
Diluted	0.20	0.21	0.36	0.42
Earnings (loss) per common share from discontinued operations(1):				
Basic	(0.00)	0.00	(0.00)	0.01
Diluted	(0.00)	0.00	(0.00)	0.01
Earnings per common share(1):				
Basic	0.20	0.21	0.36	0.43
Diluted	0.20	0.21	0.36	0.43

(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 six months ended June 30, 2015 due to a net loss.

The effect from the assumed exercise of 30 million and 29 million stock options for the three and six months ended June 30, 2015, 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. The effect from the assumed exercise of 23 million and 24 million stock options for the three and six months ended June 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 shareholders. 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 shareholders 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

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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 June 30, 2015.

STOCK OPTIONS

The following table summarizes the activity related to stock options:

	Six Months Ended June 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	(291,460)	6.96	(1,852,880)	4.11
Canceled/Forfeited	(5,301,942)	31.95	(4,386,408)	30.48
Outstanding at end of period	19,723,274	$ 20.92	25,887,947	$22.85
Exercisable at end of period	19,723,274	$ 20.92	25,843,106	$22.87

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:

	Six Months Ended June 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	6,603,342	9.90	5,345,093	11.22
Vested	(7,968,049)	6.01	(2,471,617)	6.83
Forfeited	(371,998)	8.18	(178,505)	7.42
Non-vested at end of period	16,690,704	$ 9.50	18,907,169	$ 8.06

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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 June 30					
	2015	2014	2015	2014	2015	2014
	(In millions)					
Service cost	$10	$8	$2	$1	$12	$9
Interest cost	21	22	2	2	23	24
Expected return on plan assets	(38)	(35)	—	—	(38)	(35)
Amortization of actuarial loss	11	5	1	—	12	5
Amortization of prior service cost	—	—	—	1	—	1
Settlement charge	—	—	—	3	—	3
Net periodic pension cost	$4	$—	$5	$7	$9	$7

	Qualified Plan		Non-qualified Plans		Total	
	Six Months Ended June 30					
	2015	2014	2015	2014	2015	2014
	(In millions)					
Service cost	$20	$16	$3	$2	$23	$18
Interest cost	42	44	3	3	45	47
Expected return on plan assets	(74)	(69)	—	—	(74)	(69)
Amortization of actuarial loss	22	10	2	1	24	11
Amortization of prior service cost	—	—	—	1	—	1
Settlement charge	—	—	—	3	—	3
Net periodic pension cost	$10	$1	$8	$10	$18	$11

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 three months 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 six months ended June 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 in the second quarter of 2015, including a reduction in unrecognized tax benefits ("UTBs") of $3 million. The Company has entered the IRS’s Compliance Assurance Process program for 2015.

A state audit settlement during the second quarter of 2015 resulted in a reduction in income tax expense of $3 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 June 30, 2015 and December 31, 2014, the balance in the Company's UTBs was $44 million and $50 million, respectively. The decrease of $6 million is principally related to the settlement of the state audit and the IRS audit previously discussed. As of June 30, 2015 and December 31, 2014, the balance of UTBs that would reduce the effective tax rate, if recognized, was $29 million and $34 million, respectively.

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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 June 30, 2015 and December 31, 2014.

	June 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	$2,217	$8	$15	$2,817	$6	$30
Derivatives in cash flow hedging relationships:						
Interest rate swaps	8,950	60	12	8,050	38	31
Total derivatives designated as hedging instruments	$11,167	$68	$27	$10,867	$44	$61
Derivatives not designated as hedging instruments:						
Interest rate swaps	$40,012	$528	$575	$45,860	$941	$972
Interest rate options	2,991	17	1	3,016	10	2
Interest rate futures and forward commitments	17,530	11	5	17,978	3	8
Other contracts	4,441	134	134	4,149	217	211
Total derivatives not designated as hedging instruments	$64,974	$690	$715	$71,003	$1,171	$1,193
Total derivatives	$76,141	$758	$742	$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 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 $18 million and $48 million in accumulated other comprehensive income (loss) at June 30, 2015 and 2014, respectively, related to terminated cash flow hedges of loan and debt instruments, which will be

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amortized into earnings in conjunction with the recognition of interest payments through 2018. Regions recognized pre-tax income of $11 million and $13 million during the three months ended June 30, 2015 and 2014, respectively, and pre-tax income of $22 million and $24 million during the six months ended June 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 $100 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 $27 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 six years as of June 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 June 30			Three Months Ended June 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Fair Value Hedges:					
Interest rate swaps on:					
Debt/CDs	$4	$6	Interest expense	$2	$6
Debt/CDs	(3)	(6)	Other non-interest expense	3	8
Securities available for sale	(4)	(4)	Interest income	—	—
Securities available for sale	25	(14)	Other non-interest expense	(25)	13
Total	$22	$(18)		$(20)	$27

	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 June 30			Three Months Ended June 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Cash Flow Hedges:					
Interest rate swaps	$(25)	$22	Interest income on loans	$34	$31
Forward starting swaps	—	1	Interest expense on debt	—	(2)
Total	$(25)	$23		$34	$29

	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	
	Six Months Ended June 30			Six Months Ended June 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Fair Value Hedges:					
Interest rate swaps on:					

Debt/CDs	$8	$15	Interest expense	$6	$8
Debt/CDs	4	(14)	Other non-interest expense	(4)	17
Securities available for sale	(8)	(8)	Interest income	—	—
Securities available for sale	5	(32)	Other non-interest expense	(6)	27
Total	$9	$(39)		$(4)	$52

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	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]	
	Six Months Ended June 30			Six Months Ended June 30	
	2015	2014		2015	2014
	(In millions)			(In millions)	
Cash Flow Hedges:					
Interest rate swaps	$12	$26	Interest income on loans	$67	$62
Forward starting swaps	—	3	Interest expense on debt	—	(5)
Total	$12	$29		$67	$57

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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 June 30, 2015 and December 31, 2014, Regions had $443 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 June 30, 2015 and December 31, 2014, Regions had $859 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 June 30, 2015 and December 31, 2014, the total notional amount related to these contracts was $3.4 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 six months ended June 30, 2015 and 2014:

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Derivatives Not Designated as Hedging Instruments	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
	(In millions)			
Capital markets fee income and other[(1)]:				
Interest rate swaps	$4	$3	$8	$5
Interest rate options	4	—	4	—
Interest rate futures and forward commitments	—	(1)	(1)	(1)
Other contracts	(11)	4	(7)	6
Total capital markets fee income and other	(3)	6	4	10
Mortgage income:				
Interest rate swaps	(16)	10	(3)	18
Interest rate options	(3)	3	4	6
Interest rate futures and forward commitments	3	(4)	7	(8)
Total mortgage income	(16)	9	8	16
	$(19)	$15	$12	$26

(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 both June 30, 2015 and December 31, 2014, totaled approximately $392 million. 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