REGIONS FINANCIAL CORP
Form 10-K
February 21, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-34034

REGIONS FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	63-0589368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 Fifth Avenue North, Birmingham, Alabama 35203
(Address of principal executive offices)

Registrant's telephone number, including area code: (800) 734-4667

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer x Accelerated filer ¨

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.
Common Stock, $.01 par value—$12,912,878,195 as of June 30, 2013.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.
Common Stock, $.01 par value—1,419,544,237 shares issued and outstanding as of February 13, 2014.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the Annual Meeting to be held on April 24, 2014 are incorporated by reference into Part III.

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PART I
Forward-Looking Statements

This Annual Report on Form 10-K, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf 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 appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targe “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should,” “can” and similar expressions often signify forward-lookin 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 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, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, the risks identified in Item 1A. “Risk Factors” of this Annual Report on Form 10-K and those described below:

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, high unemployment rates and overall slowdowns in economic growth.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations.
- The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook.
- Possible changes in market interest rates.
- Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses.
- Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments.
- Our ability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner.
- Changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies.
- Our ability to obtain regulatory approval (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or issue or redeem preferred stock or other regulatory capital instruments.
- Our ability to comply with applicable capital and liquidity requirements (including the finalized Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms.
- The costs and other effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries is a party.
- Any decrease in the maximum permissible interchange fee that an issuer may receive for electronic debit transactions, or the expansion of options for merchants to use multiple unaffiliated payment networks for each transaction.

- Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our business.
- Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits.
- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- Inability of our framework to manage risks associated with our business, including operational risk and credit risk, to mitigate all risk or loss to us.
- The inability of our internal disclosure controls and procedures to prevent or detect all errors or fraudulent acts.
- The effects of geopolitical instability, including wars (whether declared or undeclared), conflicts and terrorist attacks.
- The effects of man-made and natural disasters, including floods, droughts, tornadoes and hurricanes.
- Our ability to keep pace with technological changes, including our ability to identify and address cyber-security risks such as data security breaches, "denial of service" attacks, "hacking" and identity theft.

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- Possible downgrades in our credit ratings or outlook.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally.
- The effects of the failure of any component of our business infrastructure which is provided by a third party.
- Our ability to receive dividends from our subsidiaries.
- Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

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Item 1. Business

Regions Financial Corporation is a financial holding company headquartered in Birmingham, Alabama, which operates in the South, Midwest and Texas. The terms "Regions," "the Company", "we", "us" and "our" mean Regions Financial Corporation, a Delaware corporation and its subsidiaries, when appropriate. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance and other specialty financing. At December 31, 2013, Regions had total consolidated assets of approximately $117.4 billion, total consolidated deposits of approximately $92.5 billion and total consolidated stockholders’ equity of approximately $15.8 billion.

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

Banking Operations

Regions conducts its banking operations through Regions Bank, an Alabama chartered commercial bank that is a member of the Federal Reserve System. At December 31, 2013, Regions operated 2,029 ATMs and 1,705 banking offices in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia.

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

	Branches
Alabama	241
Arkansas	97
Florida	372
Georgia	137
Illinois	64
Indiana	63
Iowa	13
Kentucky	16
Louisiana	114
Mississippi	143
Missouri	67
North Carolina	6
South Carolina	30
Tennessee	258
Texas	82
Virginia	2
Total	1,705

Other Financial Services Operations

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

Regions Insurance Group, Inc., a subsidiary of Regions Financial Corporation, is an insurance broker that offers insurance products through its subsidiaries Regions Insurance, Inc., headquartered in Birmingham, Alabama, and Regions Insurance Services, Inc., headquartered in Memphis, Tennessee. Through its insurance brokerage operations in Alabama, Arkansas, Georgia, Indiana, Louisiana, Mississippi, Missouri, South Carolina, Tennessee and Texas, Regions Insurance, Inc. offers insurance coverage for various lines of personal and commercial insurance, such as property, casualty, life, health and accident insurance. Regions Insurance Services, Inc. offers various insurance products, such as title, mortgage, crop, term life, accidental death and dismemberment, and environmental insurance, as well as debt cancellation products to customers of Regions. Regions Insurance Group, Inc. is one of the thirty largest insurance brokers in the United States based on annual revenues.

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Regions has several subsidiaries and affiliates that are agents or reinsurers of debt cancellation products and credit life insurance products relating to the activities of certain affiliates of Regions Bank.In addition, Regions Equipment Finance Corporation and Regions Commercial Equipment Finance, LLC, provide equipment financing products, focusing on commercial clients.

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

Acquisition Program

A substantial portion of the growth of Regions from its inception as a bank holding company in 1971 has been through the acquisition of other financial institutions, including commercial banks and thrift institutions, and the assets and deposits of those financial institutions. As part of its ongoing strategic plan, Regions periodically evaluates business combination opportunities. Any future business combination or series of business combinations that Regions might undertake may be material to Regions' financial condition, in terms of assets acquired or liabilities assumed. Historically, business combinations in the financial services industry have typically involved the payment of a premium over book and market values of assets and liabilities acquired. This practice could result in dilution of book value and net income per share for the acquirer.

Segment Information

Reference is made to Note 22 "Business Segment Information" to the consolidated financial statements included under Item 8. of this Annual Report on Form 10-K for information required by this item.

Supervision and Regulation

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

Overview

Regions is registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a bank holding company and has elected to be treated as a financial holding company under the Bank Holding Company Act of 1956, as amended ("BHC Act"). As such, Regions and its subsidiaries are subject to the supervision, examination and reporting requirements of the BHC Act and the regulations of the Federal Reserve.

Generally, the BHC Act provides for "umbrella" regulation of financial holding companies by the Federal Reserve and functional regulation of holding company subsidiaries by applicable regulatory agencies. The BHC Act, however, requires the Federal Reserve to examine any subsidiary of a bank holding company, other than a depository institution, engaged in activities permissible for a depository institution. The Federal Reserve is also granted the authority, in certain circumstances, to require reports of, examine and adopt rules applicable to any holding company subsidiary.

In general, the BHC Act limits the activities permissible for bank holding companies. Bank holding companies electing to be treated as financial holding companies, however, may engage in additional activities under the BHC Act as described below under "-Permissible Activities under the BHC Act." For a bank holding company to be eligible to elect financial holding company status, all of its subsidiary insured depository institutions must be well-capitalized and well-managed as described below under "-Regulatory Remedies Under the FDIA" and must have received at least a satisfactory rating on such institution's most recent examination under the Community Reinvestment Act of 1977 (the "CRA"). The bank holding company itself must also be well-capitalized and well-managed in order to be eligible to elect financial holding company status. If a financial holding company fails to continue to meet any of the prerequisites for financial holding company status after engaging in activities not permissible for bank holding companies that have not elected to be treated as financial holding companies, the company must enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the Federal Reserve may order the company to divest its subsidiary banks or the company may be required to discontinue or divest investments in companies engaged in activities permissible only for a bank holding company electing to be treated as a financial holding company.

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Regions is also subject to the disclosure and regulatory requirements of the Securities Exchange Act of 1934, as amended, as administered by the Securities and Exchange Commission ("SEC"). Regions' common stock and depository shares each representing a 1/40th interest in a share of its 6.375% Non-Cumulative Perpetual Preferred Stock, Series A, are each listed on the New York Stock Exchange ("NYSE"). Consequently, Regions is also subject to NYSE's rules for listed companies.

Regions Bank is a member of the FDIC, and, as such, its deposits are insured by the FDIC to the extent provided by law. Regions Bank is an Alabama state-chartered bank and a member of the Federal Reserve System. It is generally subject to supervision and examination by both the Federal Reserve and the Alabama Banking Department. The Federal Reserve and the Alabama Banking Department regularly examine the operations of Regions Bank and are given authority to approve or disapprove mergers, acquisitions, consolidations, the establishment of branches and similar corporate actions. The federal and state banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Regions Bank is subject to numerous statutes and regulations that affect its business activities and operations, including various consumer protection laws and regulations. Regions Bank and its affiliates are also subject to supervision, regulation, and examination and enforcement by the Consumer Financial Protection Bureau (the "CFPB") with respect to consumer protection laws and regulations. Some of Regions' non-bank subsidiaries are also subject to regulation by various federal and state agencies.

Permissible Activities under the BHC Act

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

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

Volcker Rule. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds. The statutory provision is commonly called the "Volcker Rule." In December 2013, federal regulators adopted final rules to implement the Volcker Rule. The final rules also require that large bank holding companies, such as Regions, design and implement compliance programs to ensure adherence to the Volcker Rule's prohibitions. Development and monitoring of the required compliance program may require the expenditure of resources and management attention. We are continuing to evaluate the effects of the final rules, but we do not currently anticipate that the Volcker Rule will have a material effect on our operations.

Enhanced Supervision and Prudential Standards

The recent financial crisis led to the adoption and revision of numerous laws and regulations applicable to financial institutions operating in the United States. In particular, the Dodd-Frank Act, enacted in July 2010, significantly restructures the financial regulatory regime in the United States and provides for enhanced supervision and prudential standards for, among other things, bank holding companies like Regions that have total consolidated assets of $50 billion or more. Among other changes, the Dodd-Frank Act created a new systemic risk oversight body, the Financial Stability Oversight Council ("FSOC") to coordinate the efforts of the primary U.S. financial regulatory agencies (including the Federal Reserve, the FDIC and the SEC) in establishing regulations to address systemic financial stability concerns. The Dodd-Frank Act also directed the FSOC to make recommendations to the Federal Reserve regarding supervisory requirements and prudential standards applicable to systemically important financial institutions (which includes all bank holding companies with over $50 billion in assets, such as Regions), including capital, leverage, liquidity and risk-management requirements. The Dodd-Frank Act mandates that the requirements applicable to systemically important financial institutions be more stringent than those applicable to other financial companies. The Federal Reserve has discretionary authority to establish additional prudential standards, on its own or at the FSOC's recommendation.

Stress Testing. As part of the enhanced prudential requirements applicable to systemically important financial institutions, the Federal Reserve conducts annual analyses of bank holding companies with at least $50 billion in assets to determine whether the companies have sufficient capital on a consolidated basis necessary to absorb losses in three economic and financial scenarios generated by the Federal Reserve: baseline, adverse and severely adverse scenarios. The Federal Reserve makes its methodologies and data for upcoming analyses available no later than November 15 of each year. Regions is also required to conduct its own semi-annual stress analysis (together with the Federal Reserve's stress analysis, the "stress tests") to assess the potential impact on Regions of the economic and financial conditions used as part of the Federal Reserve's annual stress analysis. The Federal

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Reserve may also use, and require companies to use, additional components in the adverse and severely adverse scenarios or additional or more complex scenarios designed to capture salient risks to specific business groups. Regions Bank is also required to conduct annual stress testing using the same economic and financial scenarios as Regions and report the results to the Federal Reserve. A summary of results of the Federal Reserve's analysis under the adverse and severely adverse stress scenarios will be publicly disclosed, and the bank holding companies subject to the rules, including Regions, must disclose a summary of the company-run severely adverse stress test results. Regions is required to include in its disclosure a summary of the severely adverse scenario stress test conducted by Regions Bank.

Comprehensive Capital Analysis and Review. U.S. bank holding companies with total consolidated assets of $50 billion or more, such as Regions, must submit annual capital plans for approval as part of the Federal Reserve's comprehensive capital analysis and review process ("CCAR"). Covered bank holding companies may execute capital actions, such as paying dividends and repurchasing stock, only in accordance with a capital plan that has been reviewed and approved by the Federal Reserve (or any approved amendments to such plan). The CCAR process is intended to help ensure that these bank holding companies have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress. Each of the bank holding companies participating in the CCAR process is also required to collect and report certain related data to the Federal Reserve on a quarterly basis to allow the Federal Reserve to monitor progress against the approved capital plans. Each capital plan must include a view of capital adequacy under the stress test scenarios described above. The Federal Reserve may object to a capital plan if the plan does not show that the covered bank holding company will maintain a Tier 1 common equity ratio (as defined under the Basel I framework) of at least 5% on a pro forma basis under expected and stressful conditions throughout the nine-quarter planning horizon covered by the capital plan. The CCAR rules, consistent with prior Federal Reserve guidance, also provide that capital plans contemplating dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny. In September 2013, the Federal Reserve issued an interim final rule amending its capital plan and stress test rules to clarify how bank holding companies with over $50 billion in total consolidated assets should incorporate the recently adopted Basel III Capital Rule (as defined below) for the 2014 CCAR process and the supervisory and company run stress tests. Under the Federal Reserve's interim final rule, such bank holding companies must both (i) project its regulatory capital ratios and meet the required minimums under the Basel III Capital Rules for each quarter of the nine-quarter planning horizon in accordance with the minimum capital requirements that are in effect during that quarter, and subject to appropriate phase-ins/phase-outs under the new rules and (ii) continue to meet the minimum 5% Tier 1 common equity ratio as calculated under the previously generally applicable risk-based capital rules. Regions submitted its 2014 CCAR capital plan to the Federal Reserve on January 6, 2014.

Living Will Requirement. On December 19, 2013, we filed our initial plan for the rapid and orderly resolution under the Bankruptcy Code in the event of material distress or failure. Under rules adopted by the Federal Reserve and the FDIC pursuant to the Dodd-Frank Act, we are required to update this plan annually and may be required to update it upon the occurrence of material changes in our business, structure or operations. This resolution planning requirement may, as a practical matter, present additional constraints on our structure, operations and business strategy, and on transactions and business arrangements between our bank and non-bank subsidiaries, because we must consider the impact of these matters on our ability to prepare and submit a resolution plan that demonstrates that we may be resolved under the Bankruptcy Code in a rapid and orderly manner. Additionally, if the Federal Reserve and the FDIC determine that our plan is not credible and we do not cure the deficiencies, the Federal Reserve and the FDIC may impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Company.

Orderly Liquidation Authority. The Dodd-Frank Act creates the Orderly Liquidation Authority ("OLA"), a resolution regime for systemically important non-bank financial companies, including bank holding companies, under which the FDIC may be appointed receiver to liquidate such a company if the company is in danger of default and presents a systemic risk to U.S. financial stability. This determination must come from the Secretary of the U.S. Department of the Treasury ("U.S. Treasury") after supermajority recommendations by the Federal Reserve and the FDIC and consultation between the Secretary of the U.S. Treasury and the President of the United States, and after certain other conditions are met. OLA is similar to the FDIC resolution model for depository institutions, including granting very broad powers to the FDIC as receiver. Though creditors' rights under OLA were modified from the FDIC regime to reduce disparities in treatment between OLA and the Bankruptcy Code, substantial differences exist between the two regimes, including the ability of the FDIC to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the ability of the FDIC to transfer claims to a “bridge” entity. The Dodd-Frank Act also established an Orderly Liquidation Fund that may provide liquidity to the receivership or a related “bridge” entity in an OLA liquidation proceeding. The Orderly Liquidation Fund would be funded through borrowings from the U.S. Treasury and repaid from the assets of the failed financial company and, if necessary, risk-based assessments made, first, on entities that received more in the OLA proceeding than they would have received in a Chapter 7 liquidation to the extent of such excess and, second, on bank holding companies with total consolidated assets of $50 billion or more, such as Regions, and on certain other non-bank financial companies. If an orderly liquidation is triggered, we could face assessments for the Orderly Liquidation Fund. It is not possible to determine the level of any such future assessments.

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The FDIC has developed a strategy under OLA, referred to as the “single point of entry” or “SPOE” strategy, under which the FDIC would resolve a failed financial holding company by transferring its assets (including shares of its operating subsidiaries) and, potentially, very limited liabilities to a “bridge” holding company; utilize the resources of the failed financial holding company to recapitalize the operating subsidiaries; and satisfy the claims of unsecured creditors of the failed financial holding company and other claimants in the receivership by delivering securities of one or more new financial companies that would emerge from the bridge holding company. Under this strategy, management of the failed financial holding company would be replaced and shareholders and creditors of the failed financial holding company would bear the losses resulting from the failure. The FDIC issued a notice in December 2013 describing some elements of the SPOE strategy, and seeking public comment to further develop the strategy.

U.S. Department of Treasury’s Assessment Fee Program. The U.S. Treasury issued a rule implementing Section 155 of the Dodd-Frank Act to establish an assessment schedule for bank holding companies with total consolidated assets of $50 billion or more to cover expenses associated with the Office of Financial Research, the FSOC and implementation of OLA by the FDIC. We believe the assessment will not be material to our consolidated financial position, results of operations or cash flows.

Additional Proposed SIFI Rules. In December 2011, the Federal Reserve introduced a new proposal aimed at minimizing risks associated with systemically important financial institutions. The Federal Reserve’s proposal includes, among other things, risk-based capital and leverage requirements, liquidity requirements, stress tests, single-counterparty credit limits and overall risk management requirements, early remediation requirements and resolution planning and credit exposure reporting. The proposed rules would address a wide, diverse array of regulatory areas, each of which is highly complex. In some cases they would implement financial regulatory requirements being proposed for the first time, and in others overlap with other regulatory reforms. The proposed rules also address the Dodd-Frank Act’s early remediation requirements applicable to bank holding companies that have total consolidated assets of $50 billion or more. The proposed remediation rules are modeled after the prompt corrective action regime, described under “-Safety and Soundness Standards” below, but are designed to require action beginning in the earlier stages of a company’s financial distress by mandating action on the basis of arranged triggers, including capital and leverage, stress test results, liquidity, and risk management. On February 18, 2014, the Federal Reserve approved a final rule implementing its December 2011 proposal. Both the text and the full impact of the final rule on our business are still being analyzed.

Capital Requirements

Regions and Regions Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve. The current risk-based capital standards applicable to Regions and Regions Bank (the “general risk-based capital rules”) are based on the 1988 Capital Accord, known as Basel I, of the Basel Committee on Banking Supervision (the “Basel Committee”). However, the Federal Reserve has recently adopted rules establishing a new comprehensive capital framework for banks and bank holding companies.

General Risk-Based Capital Rules. The general risk-based capital rules are intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to weighted risk categories. Capital is classified as Tier 1 (or core) capital or Tier 2 (or supplementary) capital depending on its characteristics. Under the general risk-based capital rules, Tier 1 capital includes common equity, retained earnings, qualifying noncumulative perpetual preferred stock (including related surplus), non-controlling interests in equity accounts of consolidated subsidiaries, and a limited amount of certain restricted core capital elements, less goodwill, most intangible assets and certain other assets, and Tier 2 capital includes qualifying subordinated debt, qualifying mandatorily convertible debt securities, perpetual preferred stock not included in the definition of Tier 1 capital, and a limited amount of the allowance for loan losses.

Under the general risk-based capital rules, Regions and Regions Bank are each required to maintain Tier 1 capital and Total capital (that is, the sum of Tier 1 and Tier 2 capital) equal to at least 4.0% and 8.0%, respectively, of total risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit). The general risk-based capital rules also state that voting common stockholders' equity should be the predominant element within Tier 1 capital, and that banks and bank holding companies should avoid over-reliance on non-common equity elements.

Advanced Approaches Risk-Based Capital Rules. In 2004, the Basel Committee published a new set of risk-based capital standards, known as Basel II, to revise Basel I. Basel II provides three approaches for setting capital standards for credit risk-"foundation" and "advanced" internal ratings-based approach tailored to individual institutions' circumstances, and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in Basel I or the general risk-based capital rules. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures. The federal bank regulators only adopted Basel II's advanced approaches, and only for banking organizations having $250 billion or more in total consolidated assets or consolidated on-balance sheet foreign exposures

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of $10 billion or more. Regions and Regions Bank are not currently required to comply with the federal bank regulators' rules implementing Basel II's advanced approaches framework.

Basel III and the New Capital Rules. In July 2013, the federal bank regulators approved final rules (the "New Capital Rules") implementing the Basel Committee's December 2010 final capital framework for strengthening international capital standards, known as Basel III, as well as certain provisions of the Dodd-Frank Act. The New Capital Rules also substantially revise the risk-based capital requirements applicable to bank holding companies and their depository institution subsidiaries, including Regions and Regions Bank, as compared to the general risk-based capital rules. The New Capital Rules revise the components of capital and address other issues affecting the numerator in regulatory capital ratios. The New Capital Rules also address asset risk weights and other issues affecting the denominator in regulatory capital ratios and replace the existing general risk-weighting approach based on Basel I with a more risk-sensitive approach based, in part, on the standardized approach as part of Basel II. The New Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal bank regulators' rules. The New Capital Rules are effective for Regions and Regions Bank on January 1, 2015 (subject to a phase-in period).

The New Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments to capital as compared to existing regulations.

Under the New Capital Rules, the minimum capital ratios as of January 1, 2015 will be as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets; and
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets.

The New Capital Rules also introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. In addition, the New Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. We do not expect the countercyclical capital buffer to be applicable to Regions or Regions Bank. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

When fully phased-in on January 1, 2019, the New Capital Rules will require Regions and Regions Bank to maintain such additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. In addition, Regions is also subject to the Federal Reserve's capital plan rule and supervisory CCAR program, pursuant to which our ability to make capital distributions and repurchase or redeem capital securities may be limited unless we are able to demonstrate our ability to meet applicable minimum capital ratios and currently a 5% minimum Tier 1 common equity ratio, as well as other requirements, over a nine quarter planning horizon under a “severely adverse” macroeconomic scenario generated yearly by the federal bank regulators. See “-Supervision and Regulation - Enhanced Supervision and Prudential Standards - Comprehensive Capital Analysis and Review” for more information on these topics.”

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a 4-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The New Capital Rules prescribe a new standardized approach for risk weightings that expands the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes.

In November 2011, the Basel Committee supplemented Basel III by issuing final provisions applying a new CET1 surcharge to certain global systemically important banks (“G-SIBs”). In a companion release addressing progress on a variety of financial regulatory reforms relating to global systemically important financial institutions, the Financial Stability Board released a list of 29 such institutions and indicated that it used the G-SIB surcharge methodology in creating the list. The Company was not included on either the original or revised lists of G-SIBs released in November 2012 and November 2013. Under Basel III, banks found to be G-SIBs will be subject to a progressive CET1 surcharge ranging from 1% to 3.5% over the Basel III 7% CET1 requirement. While the New Capital Rules did not address the adoption of the surcharge on G-SIBs, the federal bank regulators noted that they plan to implement this surcharge for institutions with $50 billion or more in total consolidated assets, or some subset of such institutions, consistent with the Basel Committee’s G-SIB surcharge proposal. Regions is not currently subject to this CET1 surcharge. However, it is possible that we may be subject to CET1 or other surcharges in the future.

Leverage Requirements. Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. These requirements provide for a minimum ratio of Tier 1 capital to total consolidated quarterly average assets (as defined for regulatory purposes), net of the loan loss reserve, goodwill and certain other intangible assets (the “leverage ratio”), of 4.0% for all bank holding companies, with a lower 3.0% minimum for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. The New Capital Rules remove the more permissive 3.0% leverage ratio currently available under the rules for certain highly rated banking organizations.

Liquidity Requirements. Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25 percent of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the net stable funding ratio (“NSFR”), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incentivize banking entities to increase their holdings of U.S. Treasury securities, Ginnie Mae securities, cash held at the Federal Reserve and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

In October 2013, the federal banking agencies proposed rules implementing the LCR for advanced approaches institutions and a modified version of the LCR for bank holding companies with at least $50 billion in total consolidated assets that are not advanced approach institutions. Regions is not an advanced approaches institution and would only be required to comply with the modified LCR, which as currently written, among other differences from the LCR, only uses a 21-day time horizon for calculating the level of required high-quality liquid assets under a stress scenario. The proposed rule would be phased in over a two-year period beginning January 1, 2015, with 80% compliance required on January 1, 2015, 90% compliance on January 1, 2016 and 100% compliance on January 1, 2017. Additionally, while the proposed rules do not implement the NSFR, the Federal Reserve has stated its intent to adopt a version of the NSFR as well.

The Federal Reserve’s proposed heightened prudential requirements for bank holding companies with $50 billion or more of consolidated total assets also include enhanced liquidity standards, as discussed above under “-Enhanced Supervision and Prudential Standards.”

Safety and Soundness Standards

Guidelines adopted by the federal bank regulatory agencies pursuant to the Federal Deposit Insurance Act, as amended (the “FDIA”), establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. Additionally, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the FDIA. See “-Regulatory Remedies under the FDIA” below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

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Regulatory Remedies under the FDIA

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

Currently, a depository institution generally is deemed to be well capitalized if it maintains a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a Tier 1 leverage ratio of at least 5%. As of the phase-in of the Basel III Capital Rules on January 1, 2015, a depository institution will be deemed to be well capitalized if it maintains a CET1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10%, a Tier 1 leverage ratio of at least 5% and, for an advanced approaches depository institution, a supplementary leverage ratio of at least 3%. As of December 31, 2013, both Regions and Regions Bank were well capitalized with Tier 1 capital ratios of 11.68% and 12.46%, respectively, total capital ratios of 14.73% and 14.94%, respectively, and Tier 1 leverage ratios of 10.03% and 10.67%, respectively. As of December 31, 2013, Regions also had a CET1 ratio (non-GAAP) of 10.58% calculated as if the New Capital Rules were fully phased-in as of the calculation date. See Table 2 "GAAP to Non-GAAP Reconciliation" in Management's Discussion and Analysis of Financial Condition and Results of Operations for more information. Regions Bank is not an advanced approaches institution.

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

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a bank holding company must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The bank holding company must also provide appropriate assurances of performance. The obligation of a controlling bank holding company under the FDIA to fund a capital restoration plan is limited to the lesser of 5.0% of an undercapitalized subsidiary’s assets or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions failing to submit or implement an acceptable capital restoration plan are subject to appointment of a receiver or conservator.

Payment of Dividends

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

If, in the opinion of a federal bank regulatory agency, an institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the institution, could include the payment of dividends), such agency may require, after notice and hearing, that such institution cease and desist from such practice. The federal bank regulatory agencies have indicated that paying dividends that deplete an institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the FDIA, an insured institution may not pay a dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. See "-Regulatory Remedies under the FDIA" above. Moreover, the Federal Reserve and the FDIC have issued policy statements stating that bank holding companies and insured banks should generally pay dividends only out of current operating earnings.

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

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

Payment of Dividends by Regions. Regions' payment of dividends is subject to the oversight of the Federal Reserve. In particular, the dividend policies and share repurchases of a large bank holding company, such as Regions, are reviewed by the Federal Reserve based on capital plans submitted as part of the CCAR process and stress tests as submitted by the bank holding company, and will be assessed against, among other things, the bank holding company's ability to achieve the required capital ratios under the Basel III Capital Rules as they are phased in by U.S. regulators. See "-Enhanced Supervision and Prudential Standards" and "-Capital Requirements" above.

Support of Subsidiary Banks

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

Transactions with Affiliates

There are various legal restrictions governing transactions between Regions and its non-bank subsidiaries, on the one hand, and Regions Bank and its subsidiaries, on the other hand, including the extent to which Regions and its non-bank subsidiaries may borrow or otherwise obtain funding from Regions Bank. In general, any "covered transaction" by Regions Bank (or its subsidiaries) with an affiliate that is an extension of credit must be secured by designated amounts of specified collateral and must be limited to (i) in the case of any single such affiliate, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 10% of the capital stock and surplus of Regions Bank, and (ii) in the case of all affiliates, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 20% of the capital stock and surplus of Regions Bank. Covered transactions are defined to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, derivatives transactions and securities lending transactions where the bank has credit exposure to an affiliate, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on market terms.

Deposit Insurance

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

Deposit Insurance Assessments. Regions Bank pays deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC. FDIC assessment rates for large institutions are calculated based on one of two scorecards, one for most large institutions that have more than $10 billion in assets, such as Regions Bank, and another for “highly complex” institutions that have over $50 billion in assets and are fully owned by a parent with over $500 billion in assets. Each scorecard has a performance score and a loss-severity score that are combined to produce a total score, which is translated into an initial assessment rate. In calculating these scores, the FDIC utilizes the bank’s supervisory (“CAMELS”) ratings as well as forward-looking financial measures to assess an institution’s ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. The total score is then translated to an initial base assessment rate on a non-linear, sharply-increasing scale. For large institutions, including Regions Bank, the initial base assessment rate ranges from 5 to 35 basis points on an annualized basis (basis points representing cents per $100). After the effect of potential base-rate adjustments, the total base assessment rate could range from 2.5 to 45 basis points on an annualized basis. The potential adjustments to an institution’s initial base assessment rate

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include (i) a potential decrease of up to 5 basis points for certain long-term unsecured debt ("unsecured debt adjustment") and (ii) (except for well-capitalized institutions with a CAMELS rating of 1 or 2) a potential increase of up to 10 basis points for brokered deposits in excess of 10% of domestic deposits ("brokered deposit adjustment"). As the DIF reserve ratio grows, the rate schedule will be adjusted downward. Additionally, the rule includes a new adjustment for depository institution debt whereby an institution will pay an additional premium equal to 50 basis points on every dollar (above 3% of an institution's Tier 1 capital) of long-term, unsecured debt held that was issued by another insured depository institution, excluding debt guaranteed under the FDIC's Temporary Liquidity Guarantee Program. The deposit insurance assessment base is calculated based on the average of consolidated total assets less the average tangible equity of the insured depository institution during the assessment period. During 2013, Regions Bank's FDIC insurance expense was $125 million, a $37 million decrease from fiscal year 2012.

The FDIA establishes a minimum ratio of deposit insurance reserves to estimated insured deposits, the designated reserve ratio (the "DRR"), of 1.15% prior to September 2020 and 1.35% thereafter. On December 20, 2010, the FDIC issued a final rule setting the DRR at 2%. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary, propose rules to further increase assessment rates. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged. Comments were due February 18, 2010. As of February 2014, no rule has been adopted.

We cannot predict whether, as a result of an adverse change in economic conditions or other reasons, the FDIC will increase deposit insurance assessment levels in the future. For more information, see the "Deposit Administrative Fees" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation" of this Annual Report on Form 10-K.

FICO Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation ("FICO") to impose assessments on DIF applicable deposits in order to service the interest on FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by FICO will be in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. Regions Bank had a FICO assessment of approximately $7 million in FDIC deposit premiums in 2013, which was included in the $125 million in total FDIC insurance expense previously disclosed.

Acquisitions

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (1) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the bank holding company will directly or indirectly own or control 5% or more of the voting shares of the institution; (2) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (3) it may merge or consolidate with any other bank holding company. Bank holding companies with consolidated assets exceeding $50 billion must (i) obtain prior approval from the Federal Reserve before acquiring certain non-bank financial companies with assets exceeding $10 billion and (ii) provide prior written notice to the Federal Reserve before acquiring direct or indirect ownership or control of any voting shares of any company having consolidated assets of $10 billion or more. Bank holding companies seeking approval to complete an acquisition must be well-capitalized and well-managed.

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

Depositor Preference

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

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Incentive Compensation

Guidelines adopted by the federal banking agencies pursuant to the FDIA prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder.

In June 2010, the Federal Reserve issued comprehensive guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The Incentive Compensation Guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In April 2011, the Federal Reserve, other federal banking agencies and the Securities and Exchange Commission jointly published proposed rulemaking designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at a covered institution, which includes a bank or bank holding company with $1 billion or more of assets, such as Regions and Regions Bank. The proposed rule (i) prohibits incentive-based compensation arrangements that encourage executive officers, employees, directors or principal shareholders to expose the institution to inappropriate risks by providing excessive compensation (based on the standards for excessive compensation adopted pursuant to the FDIA) and (ii) prohibits incentive-based compensation arrangements for executive officers, employees, directors or principal shareholders that could lead to a material financial loss for the institution. The proposed rule requires covered institutions to establish policies and procedures for monitoring and evaluating their compensation practices. Institutions with consolidated assets of $50 billion or more, such as Regions, are subject to additional restrictions on compensation arrangements for their executive officers and any other persons identified by the institution's board of directors as having the ability to expose the institution to substantial losses. The comment period ended in May 2011, but final rules have not been adopted as of February 2014. These regulations may become effective before the end of 2014. If the regulations are adopted in the form initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

The scope and content of the U.S. banking regulators' policies on incentive compensation are continuing to develop. It cannot be determined at this time whether a final rule will be adopted and whether compliance with such a final rule will adversely affect the ability of Regions and its subsidiaries to hire, retain and motivate their key employees.

Consumer Protection Laws

Regions is subject to a number of federal and state consumer protection laws, including laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, and their respective state law counterparts.

The Dodd-Frank Act created a new, independent federal agency, the Consumer Financial Protection Bureau, which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the laws referenced above, fair lending laws and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as debt collectors and consumer reporting agencies. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

The CFPB has finalized a number of significant rules which impact nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. Among other things, the rules adopted by the CFPB require banks to: (i) develop and implement procedures to ensure compliance with a "reasonable ability to repay" test and identify whether a loan meets

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a new definition for a “qualified mortgage,” in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the reasonable ability to repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time. Regions is continuing to analyze the impact that such rules may have on its business.

Financial Privacy

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

Community Reinvestment Act ("CRA")

Regions Bank is subject to the provisions of the CRA. Under the terms of the CRA, Regions Bank has a continuing and affirmative obligation consistent with safe and sound operation to help meet the credit needs of its communities, including providing credit to individuals residing in low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires each appropriate federal bank regulatory agency, in connection with its examination of a depository institution, to assess such institution’s record in assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory agency’s assessment of the institution’s record is made available to the public. The assessment also is part of the Federal Reserve’s consideration of applications to acquire, merge or consolidate with another banking institution or its holding company, to establish a new branch office that will accept deposits or to relocate an office. In the case of a bank holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve will assess the records of each subsidiary depository institution of the applicant bank holding company, and such records may be the basis for denying the application. Regions Bank received a “satisfactory” CRA rating in its most recent examination.

USA PATRIOT Act

A focus of governmental policy relating to financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the “USA PATRIOT Act”) broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and strengthened the ability of the U.S. Government to help prevent, detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA PATRIOT Act require that regulated financial institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. Failure of a financial institution to comply with the USA PATRIOT Act’s requirements could have serious legal and reputational consequences for the institution. Regions’ banking and insurance subsidiaries have augmented their systems and procedures to meet the requirements of these regulations and will continue to revise and update their policies, procedures and controls to reflect changes

required by the USA PATRIOT Act and implementing regulations.
Office of Foreign Assets Control Regulation
The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or

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control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Insurers and Insurance Brokers

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

Competition

All aspects of Regions’ business are highly competitive. Regions’ subsidiaries compete with other financial institutions located in the states in which they operate and other adjoining states, as well as large banks in major financial centers and other financial intermediaries, such as savings and loan associations, credit unions, Internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, mortgage companies and financial service operations of major commercial and retail corporations. Regions expects competition to intensify among financial services companies due to the sustained low interest rate and ongoing low-growth economic environment. Also, as banks in Regions' footprint act to attain compliance with the LCR, there is a chance deposit pricing, particularly long-term time deposits could become even more competitive .

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

Employees

As of December 31, 2013, Regions and its subsidiaries had 24,255 employees.

Available Information

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

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Item 1A. Risk Factors

Risks Related to the Operation of Our Business

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

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

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

Overall, during the past several years, the general business environment has had an adverse effect on our business. Although the general business environment has shown some improvement, there can be no assurance that it will continue to improve. Since 2008, the federal government and the Federal Reserve have intervened in an unprecedented manner in an effort to provide stability and liquidity to the financial markets, including by implementing monetary policy measures designed to stabilize and stimulate the U.S. economy. There can be no assurance that the federal government and the Federal Reserve will continue to intervene or that the measures undertaken by the federal government and the Federal Reserve will result in continued improvement in the general business environment or in the business environments in the principal markets in which we do business. Additionally, the improvement of certain economic indicators, such as real estate asset values and rents and unemployment, may vary between geographic markets and in our principal markets may continue to lag behind improvement in the overall economy. These economic indicators typically affect certain industries, such as real estate and financial services, more significantly than other economic sectors. Furthermore, financial services companies with a substantial lending business, like ours, are dependent upon the ability of their borrowers to make debt service payments on loans. If economic conditions worsen or remain volatile, our business, financial condition and results of operations could be materially adversely affected.

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

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities during 2013 were checking accounts and other liquid deposits, which are payable on demand or upon several days’ notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

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

Our operations are concentrated in the Southeastern United States, particularly in the states of Alabama, Arkansas, Georgia, Florida, Louisiana, Mississippi and Tennessee. As a result, local economic conditions in the Southeastern United States significantly affect the demand for the loans and other products we offer to our customers (including real estate, commercial and construction loans), the ability of borrowers to repay these loans and the value of the collateral securing these loans. Since 2008, the national real estate market has experienced a significant decline in value, and the value of real estate in the Southeastern United States in particular declined significantly more than real estate values in the United States as a whole. This decline has had an adverse impact on some of our borrowers and on the value of the collateral securing many of our loans. Although real estate in many geographies

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have begun to show signs of improvement, this recent decline and any further declines in the future may continue to affect borrowers and collateral values, which could adversely affect our currently performing loans, leading to future delinquencies or defaults and increases in our provision for loan losses. Further or continued adverse changes in these economic conditions could materially adversely affect our business, results of operations or financial condition.

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

A significant portion of our operations are located in the areas bordering the Gulf of Mexico and the Atlantic Ocean, regions that are susceptible to hurricanes, or in areas of the Southeastern United States that are susceptible to tornadoes and other severe weather events. Many areas in the Southeastern United States have also experienced severe droughts in recent years. Any of these or any other severe weather event could cause disruption to our operations and could have a material adverse effect on our overall business, results of operations or financial condition. While we maintain insurance covering many of these weather-related events, including coverage for lost profits and extra expense, there is no insurance against the disruption that a catastrophic earthquake, hurricane, tornado or other severe weather event could produce to the markets that we serve and the resulting adverse impact on our borrowers to timely repay their loans and the value of any collateral held by us. The severity and impact of future earthquakes, hurricanes, severe tornadoes, droughts, floods and other weather-related events are difficult to predict and may be exacerbated by global climate change. Man-made disasters and other events connected with the Gulf of Mexico or Atlantic Ocean, such as the 2010 Gulf oil spill, could have similar effects.

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

As of December 31, 2013, consumer residential real estate loans represented approximately 31.4% of our total loan portfolio. This portion of our loan portfolio has been under pressure for several years as disruptions in the financial markets and the deterioration in housing markets and general economic conditions have caused a decline in home values, real estate market demand and the credit quality of borrowers. Any further declines in home values would adversely affect the value of collateral securing the residential real estate that we hold, as well as the volume of loan originations and the amount we realize on sale of real estate loans. These factors could result in higher delinquencies and greater charge-offs in future periods, which could materially adversely affect our business, financial condition or results of operations.

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

Facing continuing pressure from reduced asset values, high vacancy rates and reduced rents, the fundamentals within the commercial real estate sector remain weak. As of December 31, 2013, approximately 9.0% of our loan portfolio consisted of investor real estate loans. The properties securing income-producing investor real estate loans are typically not fully leased at the origination of the loan. The borrower’s ability to repay the loan is instead dependent upon additional leasing through the life of the loan or the borrower’s successful operation of a business. Weak economic conditions may impair a borrower’s business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space may remain at elevated levels in 2014. High vacancy rates could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our borrowers to repay the amounts due under their loans. As a result, our business, results of operations or financial condition may be materially adversely affected.

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

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

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

Although our management will establish an allowance for loan losses it believes is appropriate to absorb probable and reasonably estimable losses in our loan portfolio, this allowance may not be adequate. In particular, if a hurricane or other natural disaster were to occur in one of our principal markets or if economic conditions in those markets were to deteriorate unexpectedly,

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additional loan losses not incorporated in the existing allowance for loan losses may occur. Losses in excess of the existing allowance for loan losses will reduce our net income and could adversely affect our business, results of operations or financial condition, perhaps materially.

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

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

Home equity products, particularly those where we are in a second lien position, and particularly those in certain geographic areas, may carry a higher risk of non-collection than other loans. Home equity lending includes both home equity loans and lines of credit. Of our $11.3 billion home equity portfolio at December 31, 2013, approximately $9.2 billion were home equity lines of credit and $2.1 billion were closed-end home equity loans (primarily originated as amortizing loans). This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values at the time of origination directly affect the amount of credit extended, and, in addition, past and future changes in these values impact the depth of potential losses. Second lien position lending carries higher credit risk because any decrease in real estate pricing may result in the value of the collateral being insufficient to cover the second lien after the first lien position has been satisfied. We have realized higher levels of charge-offs on second lien positions, particularly in the state of Florida, where real estate valuations have been depressed over the past several years. As of December 31, 2013, approximately $5.3 billion of our home equity lines and loans were in a second lien position (approximately $2.1 billion in Florida).

Industry competition may have an adverse effect on our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment, and we expect competition to intensify due in part to the sustained low interest rate and ongoing low-growth economic environment. Certain of our competitors are larger and have more resources than we do, enabling them to be more aggressive than us in competing for loans and deposits. In our market areas, we face competition from other commercial banks, savings and loan associations, credit unions, Internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, mortgage companies, and other financial intermediaries that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. Our ability to compete successfully depends on a number of factors, including customer convenience, quality of service, personal contacts, pricing and range of products. If we are unable to successfully compete for new customers and to retain our current customers, our business, financial condition or results of operations may also be adversely affected, perhaps materially. In particular, if we experience an outflow of deposits as a result of our customers seeking investments with higher yields or greater financial stability, or a desire to do business with our competitors, we may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin.

Fluctuations in market interest rates may adversely affect our performance.

Our profitability depends to a large extent on our net interest income, which is the difference between the interest income received on interest-earning assets (primarily loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (primarily deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the "FOMC") and market interest rates.

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is influenced heavily by the FOMC's actions. However, the yields generated by our loans and securities are typically driven by both short-term and longer-term interest rates. Longer-term rates are affected by multiple factors including the actions of the FOMC through such actions as quantitative easing ("QE"), and the market's expectations for future inflation, growth and other economic considerations. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. If the interest rates on our interest-bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and earnings would be similarly affected if the interest rates on our interest-earning assets declined at a faster pace than the interest rates on our interest-bearing liabilities. In particular, short-term interest rates are currently very low by historical standards, with many benchmark rates, such

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as the federal funds rate and the one- and three-month LIBOR near zero. These low rates have reduced our cost of funding which has caused our net interest margin to increase.

Our current one-year interest rate sensitivity position is moderately asset sensitive. As a result, an immediate or gradual decrease in rates over a twelve-month period would likely have a negative impact on twelve-month net interest income. An increasing interest rate environment, however, would increase debt service requirements for some of our borrowers and may adversely affect those borrowers' ability to pay as contractually obligated and could result in additional delinquencies or charge-offs. Our results of operations and financial condition may be adversely affected as a result.

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

Certain of our credit ratings are below investment grade. Any future reductions in our credit ratings may increase our funding costs and place limitations on business activities related to providing credit support to customers.

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

Regions' credit ratings can have negative consequences that can impact our ability to access the debt and capital markets, as well as reduce our profitability through increased costs on future debt issuances. Specifically, when Regions was downgraded below investment grade status, we became unable to reliably access the short-term unsecured funding markets, which caused us to hold more cash and liquid investments to meet our on-going cash needs. Such actions reduced our profitability as these liquid investments earned a lower return than other assets, such as loans. Regions' liquidity policy requires that the holding company maintains cash sufficient to cover the greater of (i) 18 months of debt service and other cash needs or (ii) a minimum cash balance of $500 million. Although this policy helps protect us against the costs of unexpected adverse funding environments, we cannot guarantee that this policy will be sufficient. Future issuances of debt could cost Regions more in interest costs were such debt to be issued at our current debt rating. Any future downgrades would further increase the interest costs associated with potential future borrowings, the cost of which cannot be estimated due to the uncertainty of future issuances in terms of amount and priority and could further limit our access to the debt and capital markets.

Additionally, at the time Regions was downgraded to below investment grade, certain counterparty contracts were required to be renegotiated, resulting in additional collateral postings of approximately $200 million. Refer to Note 20, "Derivative Financial Instruments and Hedging Activities, Contingent Features" to the consolidated financial statements of this Annual Report on Form 10-K for the fair value of contracts subject to contingent credit features and the collateral postings associated with such contracts. Future downgrades could require Regions to post additional collateral. While the exact amount of additional collateral is unknown, it is reasonable to conclude that Regions may be required to post approximately an additional $200 million related to existing contracts with contingent credit features.

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

As of December 31, 2013, we had $4.8 billion of goodwill and $295 million of other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of our common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our reporting units, or if we were to experience increases in book values of a reporting unit in excess of the increase in fair value of equity, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that a future write-down of our goodwill is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.

Identifiable intangible assets other than goodwill consist of core deposit intangibles, purchased credit card relationship assets, mortgage servicing rights and customer relationship employment assets. Adverse events or circumstances could impact the recoverability of these intangible assets including loss of core deposits, significant losses of credit card accounts and/or balances,

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increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non-cash impairment charge would be recorded, which could have a material adverse effect on our results of operations.

The value of our deferred tax assets could adversely affect our operating results and regulatory capital ratios.

As of December 31, 2013, Regions had approximately $612 million in net deferred tax assets. Our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination, we consider all positive and negative evidence available including the impact of recent operating results as well as potential carryback of tax to prior years’ taxable income, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. We have determined that the deferred tax assets are more likely than not to be realized at December 31, 2013 (except for $36 million related to state deferred tax assets for which we have established a valuation allowance). If we were to conclude that a significant portion of our deferred tax assets were not more likely than not to be realized, the required valuation allowance could adversely affect our financial position, results of operations and regulatory capital ratios. In addition, the value of our deferred tax assets could be adversely affected by a change in statutory tax rates.

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

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

Potential limitations on incentive compensation contained in proposed federal agency rulemaking may adversely affect our ability to attract and retain our highest performing employees.

In April 2011, the Federal Reserve, other federal banking agencies and the Securities and Exchange Commission jointly published proposed rules designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with $1 billion or more of assets, such as Regions and Regions Bank. It cannot be determined at this time whether or when a final rule will be adopted and whether compliance with such a final rule will substantially affect the manner in which we structure compensation for our executives and other employees. Depending on the nature and application of the final rules, we may not be able to successfully compete with certain financial institutions and other companies that are not subject to some or all of the rules to retain and attract executives and other high performing employees. If this were to occur, our business, financial condition and results of operations could be adversely affected, perhaps materially.

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

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

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

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

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our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations, may be adversely affected.

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

We are exposed to many types of operational risks, including liquidity risk, credit risk, market risk, interest rate risk, legal and compliance risk, strategic risk, information security risk, and reputational risk. We are also reliant upon our employees, and our operations are subject to the risk of fraud, theft or malfeasance by our employees. We have established processes and procedures intended to identify, measure, monitor, report and analyze these risks, however, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated, monitored or identified. If our risk management framework proves ineffective, we could suffer unexpected losses, we may have to expend resources detecting and correcting the failure in our systems and we may be subject to potential claims from third parties and government agencies. We may also suffer severe reputational damage. Any of these consequences could adversely affect our business, financial condition or results of operations. In particular, the unauthorized disclosure, misappropriation, mishandling or misuse of personal, non-public, confidential or proprietary information of customers could result in significant regulatory consequences, reputational damage and financial loss.

Damage to our reputation could significantly harm our businesses.

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

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

Failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors and other service providers, including as a result of cyber attacks, could disrupt our businesses or the businesses of our customers, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses. As a large financial institution, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As customer, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be sudden increases in customer transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Regions have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies (including mobile banking) to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. Third parties with whom we or our customers do business also present operational and information security risks to us, including from breakdowns, security breaches or failures of their own systems. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. In addition, to access our products and services, our customers may use personal smartphones, tablet PCs, and other mobile devices that are beyond our control systems. Although we believe that we have robust information security procedures and controls, our technologies, systems, networks and our customers' devices may be the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Regions' or our customers' confidential, proprietary and other information. Additionally, cyber attacks, such as denial of service attacks, hacking or terrorist activities, could disrupt Regions' or our customers' or other third parties' business operations. For example, in recent months, denial of service attacks were launched against a number of large financial services institutions, including Regions. These events did not result in a breach of Regions' client data, and account information remained secure; however, the attacks did adversely affect the performance of Regions Bank's website, www.regions.com, and, in some instances, prevented customers from accessing Regions Bank's secure websites for consumer and commercial applications. In all cases, the attacks primarily resulted in inconvenience; however, future cyber attacks could be more disruptive and damaging, and Regions may not be able to anticipate or prevent all such attacks. Additionally, as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services, could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs and/or additional compliance costs, any of which could materially adversely affect our business, results of operations or financial condition. For a more detailed discussion of these risks and specific occurrences, see the "Information Security Risk" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

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

Third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in services provided by a vendor, failure of a vendor to handle current or higher volumes, failure of a vendor to provide services for any reason, poor performance of services, failure to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of our vendors, could adversely affect our ability to deliver products and services to our customers, our reputation and our ability to conduct our business. Financial or operational difficulties of a third party vendor could also hurt our operations if those difficulties interfere with the vendor’s ability to serve us. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

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

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

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

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

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

In 2013, we sold 62% of the mortgage loans we originated to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association (collectively, the “Agencies”). We rely on the Agencies to purchase loans that meet their conforming loan requirements in order to reduce our credit risk and provide funding for additional loans we desire to originate. We cannot provide assurance that the Agencies will not materially limit their purchases of conforming loans due to capital constraints, a change in the criteria for conforming loans or other factors. Additionally, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of the Agencies. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to the Agencies. If we are unable to continue to sell conforming loans to the Agencies, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which would adversely affect our results of operations.

We are subject to a variety of risks in connection with any sale of loans we may conduct.
In connection with our sale of one or more loan portfolios, we may make certain representations and warranties to the purchaser concerning the loans sold and the procedures under which those loans have been originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase part or all of the effected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If we are required to make any indemnity payments

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or repurchases and do not have a remedy available to us against a solvent counterparty, we may not be able to recover our losses resulting from these indemnity payments and repurchases. Consequently, our results of operations may be adversely affected.

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

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

In August 2011, Standard and Poor's lowered its long-term sovereign credit rating of the United States from AAA to AA+ and maintains a negative outlook on the rating. Although the other three major credit rating agencies did not downgrade their U.S. sovereign credit ratings, Fitch Ratings recently warned that it may cut its U.S. sovereign credit rating as a result of political brinksmanship over raising the U.S. debt ceiling. Future uncertainty over U.S. fiscal policy, including over tax increases and spending cuts as part of the budgetary process or over future raises of the U.S. debt ceiling, could result in a downgrade or a reduction in the outlook of the U.S. long-term sovereign credit rating by one or more credit ratings agencies. Any downgrade, or perceived future downgrade, in the U.S. sovereign credit rating or outlook could adversely affect global financial markets and economic conditions and may result in, among other things, increased volatility and illiquidity in the capital markets, declines in consumer confidence, increased unemployment levels and declines in the value of U.S. Treasury securities and securities guaranteed by the U.S. government. As a result, our business, liquidity, results of operations and financial conditions may be adversely affected. Additionally, the economic conditions resulting from any such downgrade or perceived future downgrade may significantly exacerbate the other risks we face.

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

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

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

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

From time to time, the Financial Accounting Standards Board (the "FASB") and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements. For example, on December 20, 2012, the FASB issued for public comment a Proposed Accounting Standards Update, Financial Instruments - Credit Losses (Subtopic 825-15), that would substantially change the accounting for credit losses on loans and other financial assets held by banks, financial institutions and other organizations. The proposal would remove the existing "probable" threshold in GAAP for recognizing credit losses and instead require affected reporting companies to reflect their estimate of credit losses on financial assets over the lifetime of each such asset, broadening the range of information that must be considered in measuring the allowance for expected credit losses. This proposal, if adopted as proposed, will likely have a negative impact, potentially materially, on

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Regions' reported earnings and capital and could also have an impact on Regions Bank's lending to the extent that higher reserves are required at the inception of a loan based on recent loan loss experience.

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

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

We and our subsidiaries are, and may in the future be, named as defendants in various class actions and other litigation, and may be the subject of subpoenas, reviews, requests for information, investigations, and formal and informal proceedings by government and self-regulatory agencies regarding our and their businesses and activities. For example, as discussed in Note 23 "Commitments, Contingencies and Guarantees", Regions is working to resolve certain inquiries from its banking regulators. Any such matters may result in material adverse consequences to our results of operations, financial condition or ability to conduct our business, including adverse judgments, settlements, fines, penalties (including civil money penalties under applicable banking laws), injunctions, restrictions on our business activities or other relief. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government or self-regulatory agencies may result in additional litigation, investigations or proceedings as other litigants and government or self-regulatory agencies (including the inquiries mentioned above) begin independent reviews of the same businesses or activities. Moreover, although Regions recorded a non-deductible charge of $58 million in the fourth quarter of 2013 in connection with the inquiries discussed above, there can be no assurance that a resolution will be reached or that any resolution will not exceed the recorded charge.

In addition, Regions is cooperating with an investigation by the U.S. Department of Housing and Urban Development's Office of the Inspector General and the U.S. Department of Justice regarding our origination of mortgage loans insured by the Federal Housing Administration which is in the early stages. Other financial institutions who have been subject to similar investigations have settled with regulators on terms that included large monetary penalties, including, in some cases, civil money penalties under applicable banking laws. We cannot predict the outcome of this inquiry, however it is possible that we may be required to pay a monetary penalty which may adversely affect our results of operations. Additional inquiries will arise from time to time.

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

Additional information relating to our litigation, investigations and other proceedings is discussed in Note 23 "Commitments, Contingencies and Guarantees" to the consolidated financial statements of this Annual Report on Form 10-K.

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

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. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation and certain other matters related to pre-closing activities of Morgan Keegan. Indemnifiable losses under the indemnification provision include legal and other expenses, such as costs for defense, judgments, settlements and awards associated with the resolution of litigation related to pre-closing activities. As of December 31, 2013 the carrying value of the indemnification obligation is approximately $260 million. This amount reflects an estimate of liability, and actual liabilities can potentially be higher than amounts reserved. The amount of liability that we may ultimately incur from indemnification claims may have an adverse impact, perhaps materially, on our results of operations.

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

We are subject to extensive state and federal regulation, supervision and examination governing almost all aspects of our operations, which limits the businesses in which we may permissibly engage. The laws and regulations governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our shareholders or other creditors. These laws and regulations govern a variety of matters, including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations and financial condition (including permissible types, amounts and terms of loans and investments, the amount of reserves against deposits, restrictions on dividends, establishment of branch offices, and the maximum interest rate that may be charged by law). Further, we must obtain approval from our regulators before engaging in certain activities, and our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely. There can be no assurance that any regulatory approvals we may require will be obtained, either in a timely manner or at all.

Since the recent financial crisis, financial institutions generally have been subjected to increased scrutiny from regulatory authorities. Recent changes to the legal and regulatory framework governing our operations, including the passage and continued implementation of the Dodd-Frank Act, have drastically revised the laws and regulations under which we operate. These changes may result in increased costs of doing business, decreased revenues and net income, and may reduce our ability to effectively compete to attract and retain customers. In general, bank regulators have increased their focus on consumer compliance, and we expect this focus to continue. Additional compliance requirements can be costly to implement, may require additional compliance personnel and may limit our ability to offer competitive products to our customers.

We are also subject to changes in federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles. Regulations affecting banks and other financial institutions are undergoing continuous review and frequently change, and the ultimate effect of such changes cannot be predicted. Recent areas of legislative focus include housing finance reform, flood insurance and cyber security. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us, Regions Bank and our subsidiaries. Any changes in any federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles, could affect us in substantial and unpredictable ways, including ways which may adversely affect our business, financial condition or results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. Our regulatory position is discussed in greater detail in Note 13 “Regulatory Capital Requirements and Restrictions” in the Notes to the Consolidated Financial Statements in Item 8. of this Annual Report on Form 10-K.

We may be subject to more stringent capital requirements.

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

In particular, the capital requirements applicable to Regions and Regions Bank under the recently adopted New Capital Rules will begin to be phased-in starting in 2015. Once these new rules take effect, we will be required to satisfy additional, more stringent, capital adequacy and liquidity standards than we have in the past. We estimate that, had the New Capital Rules been fully phased in during the fourth quarter of 2013, Regions and Regions Bank would have exceeded the minimum requirements. This estimate could change in the future. Additionally, stress testing requirements may have the effect of requiring us to comply with the requirements of the New Capital Rules, or potentially even greater capital requirements, sooner than expected. While we expect to meet the requirements of the New Capital Rules, inclusive of the capital conservation buffer, as phased in by the Federal Reserve, we may fail to do so. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make

acquisitions and make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower our return on equity.
We may also be required to satisfy even more stringent standards depending on the implementation of the liquidity guidelines and the additional capital surcharges being considered by the Federal Reserve. The ultimate impact on our business of any such heightened standards cannot be determined at this time and will depend on a number of factors, including implementation by the federal banking regulators.
For more information concerning our compliance with capital and liquidity requirements, see Note 13 “Regulatory Capital Requirements and Restrictions” in the Notes to the Consolidated Financial Statements which are included in Item 8. of this Annual Report on Form 10-K.

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

The Dodd-Frank Act created a new, independent federal agency, the CFPB, which was granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, their service providers and certain non-depository entities such as debt collectors and consumer reporting agencies. Since its formation, the CFPB has finalized a number of significant rules that could have a significant impact on our business and the financial services industry more generally. In particular, the CFPB has adopted rules impacting nearly every aspect of the lifecycle of a residential mortgage loan as discussed in the “Supervision and Regulation” section of Item 1. “Business” of this Annual Report on Form 10-K above. The CFPB has also issued guidance which could radically reshape the automotive financing industry by subjecting indirect auto lenders to regulation as creditors under the Equal Credit Opportunity Act, which would make indirect auto lenders monitor and control certain credit policies and procedures undertaken by auto dealers. Compliance with the rules and policies adopted by the CFPB may limit the products we may permissibly offer to some or all of our customers, or limit the terms on which those products may be issued, or may adversely affect our ability to conduct our business as previously conducted (including our residential mortgage and indirect auto lending businesses in particular). We may also be required to add additional compliance personnel or incur other significant compliance-related expenses. Our business, results of operations or competitive position may be adversely affected as a result.

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

A substantial part of our historical growth has been a result of acquisitions of other financial institutions, and we may, from time to time, evaluate and engage in the acquisition or divestiture of businesses (including their assets or liabilities, such as loans or deposits). We must generally satisfy a number of meaningful conditions prior to completing any such transaction, including in certain cases federal and state bank regulatory approvals. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the ratings and compliance history of all institutions involved, the anti-money laundering and Bank Secrecy Act compliance history of all institutions involved, CRA examination results and the effect of the transaction on financial stability.

The process for obtaining required regulatory approvals has become substantially more difficult, time-consuming and unpredictable as a result of the financial crisis. We may fail to pursue, evaluate or complete strategic and competitively significant business opportunities as a result of our inability, or our perceived inability, to obtain required regulatory approvals in a timely manner or at all.

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

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. High levels of bank failures over the past several years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the Deposit Insurance Fund (“DIF”). In order to maintain a strong funding position and restore the reserve ratios of the DIF, the FDIC increased assessment rates on insured institutions, charged a special assessment to all insured institutions as of June 30, 2009, and required banks to prepay three years' worth of premiums on December 30, 2009. If there are additional financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels, or the FDIC may charge additional special assessments or require future prepayments. Further, the FDIC increased the DIF's target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act's elimination of the 1.5% cap on the DIF's reserve ratio. Additional increases in our assessment rate may be required in the future to achieve this targeted reserve ratio. These increases in deposit assessments and any future increases, required prepayments or special assessments of FDIC insurance premiums may adversely affect our business, financial condition or results of operations.

Unfavorable results from ongoing stress analyses may adversely affect our ability to retain customers or compete for new business opportunities.

The Federal Reserve conducts an annual stress analysis of Regions to evaluate our ability to absorb losses in three economic and financial scenarios generated by the Federal Reserve, including adverse and severely adverse economic and financial scenarios. The rules also require us to conduct our own semi-annual stress analysis to assess the potential impact on Regions of the scenarios used as part of the Federal Reserve's annual stress analysis. A summary of the results of certain aspects of the Federal Reserve's annual stress analysis is released publicly and contains bank holding company specific information and results. The rules also require us to disclose publicly a summary of the results of our semi-annual stress analyses, and Regions Banks' annual stress analyses, under the severely adverse scenario. Although the stress tests are not meant to assess our current condition, our customers may misinterpret and adversely react to, the results of these stress tests despite the strength of our financial condition. Any potential misinterpretations and adverse reactions could limit our ability to attract and retain customers or to effectively compete for new business opportunities. The inability to attract and retain customers or effectively compete for new business may have a material and adverse effect on our business, financial condition or results of operations.

Additionally, our regulators may require us to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests, including rejecting, or requiring revisions to, our annual capital plan submitted in connection with the Comprehensive Capital Analysis and Review. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms which we believe are advantageous to Regions or its current shareholders. Any such capital raises, if required, may also be dilutive to our existing shareholders.

If an orderly liquidation of a systemically important bank holding company or non-bank financial company were triggered, we could face assessments for the Orderly Liquidation Fund.

The Dodd-Frank Act creates a new mechanism, the OLA, for liquidation of systemically important bank holding companies and non-bank financial companies. The OLA is administered by the FDIC and is based on the FDIC's bank resolution model. The Secretary of the U.S. Treasury may trigger a liquidation under this authority only after consultation with the President of the United States and after receiving a recommendation from the boards of the FDIC and the Federal Reserve upon a two-thirds vote. Liquidation proceedings will be funded by the Orderly Liquidation Fund, which will borrow from the U.S. Treasury and impose risk-based assessments on covered financial companies. Risk-based assessments would be made, first, on entities that received more in the resolution than they would have received in the liquidation to the extent of such excess, and second, if necessary, on, among others, bank holding companies with total consolidated assets of $50 billion or more, such as Regions. Any such assessments may adversely affect our business, financial condition or results of operations.

Risks Related to Our Capital Stock

The market price of shares of our capital stock will fluctuate.

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

- Our operating performance, financial condition and prospects, or the operating performance, financial condition and prospects of our competitors;
- Operating results that vary from the expectations of management, securities analysts and investors;
- Our creditworthiness;
- Developments in our business or in the financial sector generally;
- Regulatory changes affecting our industry generally or our business and operations;
- The operating and securities price performance of companies that investors consider to be comparable to us;
- Announcements of strategic developments, acquisitions and other material events by us or our competitors;
- Expectations of or actual equity dilution;
- Whether we declare or fail to declare dividends on our capital stock from time to time;
- The ratings given to our securities by credit-rating agencies;

- Changes in the credit, mortgage and real estate markets, including the markets for mortgage-related securities; and
- Changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Stock markets in general (and our common stock in particular) have shown considerable volatility in the recent past. The market price of our capital stock, including our common stock and depositary shares representing fractional interests in our preferred stock, may continue to be subject to similar fluctuations unrelated to our operating performance or prospects. Increased volatility could result in a decline in the market price of our capital stock.

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

Our capital stock, including our common stock and depositary shares representing fractional interests in our preferred stock, ranks junior to all of Regions' existing and future indebtedness and Regions' other non-equity claims with respect to assets available to satisfy claims against us, including claims in the event of our liquidation. As of December 31, 2013, Regions' total liabilities were approximately $101.6 billion, and we may incur additional indebtedness in the future to increase our capital resources. Additionally, if our capital ratios or the capital ratios of Regions Bank fall below the required minimums, we or Regions Bank could be forced to raise additional capital by making additional offerings of debt securities, including medium-term notes, senior or subordinated notes or other applicable securities.

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

We are a legal entity separate and distinct from our banking and other subsidiaries. Our principal source of cash flow, including cash flow to pay dividends to our stockholders and principal and interest on our outstanding debt, is dividends from Regions Bank. There are statutory and regulatory limitations on the payment of dividends by Regions Bank to us, as well as by us to our stockholders. Regulations of both the Federal Reserve and the State of Alabama affect the ability of Regions Bank to pay dividends and other distributions to us and to make loans to us. If Regions Bank is unable to make dividend payments to us and sufficient cash or liquidity is not otherwise available, we may not be able to make dividend payments to our common and preferred stockholders or principal and interest payments on our outstanding debt. See the "Stockholders' Equity" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation" of this Annual Report on Form 10-K. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, shares of our capital stock are effectively subordinated to all existing and future liabilities and obligations of our subsidiaries. At December 31, 2013, our subsidiaries' total deposits and borrowings were approximately $97.3 billion.

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

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

We are also subject to statutory and regulatory limitations on our ability to pay dividends on our capital stock. For example, it is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratios exceeding 30% of after-tax net income. Additionally, we are required to submit annual capital plans to the Federal Reserve for review and approval before we can take certain capital actions, including declaring and paying dividends and repurchasing or redeeming capital securities. If our capital plan or any amendment to our capital plan is not approved for any reason, our ability to declare and pay dividends on our capital stock may be limited. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may be limited in our ability to declare and pay dividends on our capital stock.

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

Certain provisions of state and federal law and our certificate of incorporation may make it more difficult for someone to acquire control of us without our Board of Directors' approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a bank holding company. Acquisition of 10% or more of any class of voting stock of a bank holding company or state member bank, including shares of our common stock, creates a rebuttable presumption that the acquirer "controls" the bank holding company or state member bank. Also, as noted under the "Supervision and Regulation" section of Item 1. of this Annual Report on Form 10-K, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including Regions Bank. There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt. For example, holders of our Series A Preferred Stock have certain voting rights that could adversely affect share value. If and when dividends on the preferred stock have not been declared and paid for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our Board of Directors will automatically be increased by two, and the preferred stockholders will be entitled to elect the two additional directors. Also, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of the preferred stock is required to consummate a binding share-exchange or reclassification involving the preferred stock, or a merger or consolidation of Regions with or into another entity, unless certain requirements are met. These statutory provisions and

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provisions in our certificate of incorporation, including the rights of the holders of our Series A Preferred Stock, could result in Regions being less attractive to a potential acquirer.

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

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

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

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

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Regions' corporate headquarters occupy the main banking facility of Regions Bank, located at 1900 Fifth Avenue North, Birmingham, Alabama 35203.
At December 31, 2013, Regions Bank, Regions' banking subsidiary, operated 1,705 banking offices. At December 31, 2013, there were no significant encumbrances on the offices, equipment and other operational facilities owned by Regions and its subsidiaries.
See Item 1. "Business" of this Annual Report on Form 10-K for a list of the states in which Regions Bank's branches are located.

Item 3. Legal Proceedings

Information required by this item is set forth in Note 23 "Commitments, Contingencies and Guarantees" in the Notes to the Consolidated Financial Statements which are included in Item 8. of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

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

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PART II

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

Regions’ common stock, par value $.01 per share, is listed for trading on the New York Stock Exchange under the symbol RF. Quarterly high and low sales prices of and cash dividends declared on Regions’ common stock are set forth in Table 28 “Quarterly Results of Operations” of “Management’s Discussion and Analysis”, which is included in Item 7. of this Annual Report on Form 10-K. As of February 13, 2014, there were 63,471 holders of record of Regions’ common stock (including participants in the Computershare Investment Plan for Regions Financial Corporation). Restrictions on the ability of Regions Bank to transfer funds to Regions at December 31, 2013, are set forth in Note 13 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements, which are included in Item 8. of this Annual Report on Form 10-K. A discussion of certain limitations on the ability of Regions Bank to pay dividends to Regions and the ability of Regions to pay dividends on its common stock is set forth in Item 1. “Business” under the heading “Supervision and Regulation—Payment of Dividends” of this Annual Report on Form 10-K.
The following table presents information regarding issuer purchases of equity securities during the fourth quarter of 2013.
Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1—31, 2013	—	$—	—	$10,927,606
November 1—30, 2013	—	$—	—	$10,927,606
December 1—31, 2013	—	$—	—	$10,927,606
Total	—	$—	—	$10,927,606

On March 19, 2013, Regions' Board of Directors authorized, and Regions announced, a new $350 million common stock purchase plan, permitting repurchases from the beginning of the second quarter of 2013 through the end of the first quarter of 2014. As of December 31, 2013, Regions had repurchased approximately 36 million shares of common stock at a total cost of approximately $340 million.
Restrictions on Dividends and Repurchase of Stock
Holders of Regions common stock are only entitled to receive such dividends as Regions’ Board of Directors may declare out of funds legally available for such payments. Furthermore, holders of Regions common stock are subject to the prior dividend rights of any holders of Regions preferred stock then outstanding.
Regions understands the importance of returning capital to shareholders. Management will continue to execute the capital planning process, including evaluation of the amount of the common dividend, with the Board of Directors and in conjunction with the regulatory supervisors, subject to the Company’s results of operations. Also, Regions is a bank holding company, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends.
On November 1, 2012, Regions completed the sale of 20 million depositary shares each representing a 1/40th ownership interest in a share of its 6.375% Non-Cumulative Perpetual Preferred Stock, Series A, par value $1.00 per

share ("Series A Preferred Stock"), with a liquidation preference of $1,000 per share of Series A Preferred Stock (equivalent to $25 per depositary share). The terms of the Series A Preferred Stock prohibit Regions from declaring or paying any dividends on any junior series of its capital stock, including its common stock, or from repurchasing, redeeming or acquiring such junior stock, unless Regions has declared and paid full dividends on the Series A Preferred Stock for the most recently completed dividend period. The Series A Preferred Stock is redeemable at Regions' option in whole or in part, from time to time, on any dividend payment date on or after December 15, 2017 or in whole, but not in part, at any time within 90 days following a regulatory capital treatment event (as defined in the certificate of designations establishing the Series A Preferred Stock).

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PERFORMANCE GRAPH

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

	Cumulative Total Return					
	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Regions	$100.00	$68.58	$91.26	$56.52	$94.29	$132.21
S&P 500 Index	100.00	126.47	145.52	148.59	172.37	228.17
S&P Banks Index	100.00	93.27	112.95	101.67	126.57	179.78

Item 6. Selected Financial Data

The information required by Item 6. is set forth in Table 1 "Financial Highlights" of "Management's Discussion and Analysis of Financial Condition and Results of Operations", which is included in Item 7. of this Annual Report on Form 10-K.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

EXECUTIVE SUMMARY

Management believes the following sections summarize several of the most relevant matters necessary for an understanding of the financial aspects of Regions Financial Corporation’s (“Regions” or “the Company”) business, particularly regarding its 2013 results. Cross references to more detailed information regarding each topic within Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) and the consolidated financial statements are included. This summary is intended to assist in understanding the information provided, but should be read in conjunction with the entire MD&A and consolidated financial statements, as well as the other sections of this Annual Report on Form 10-K.

2013 Results

Regions reported net income available to common shareholders of $1.1 billion, or $0.77 per diluted share, in 2013 compared to net income available to common shareholders of $991 million, or $0.71 per diluted share, in 2012.

For 2013, net interest income (taxable-equivalent basis) from continuing operations totaled $3.3 billion compared to $3.4 billion in 2012. The net interest margin (taxable-equivalent basis) was 3.20 percent in 2013 and 3.11 percent in 2012. The decrease in net interest income (taxable-equivalent basis) was driven primarily by a decline in yields earned on earning assets that was only partially offset by a decline in rates paid on interest-bearing liabilities. The increase in net interest margin was primarily due to a reduction in earning assets and a 20 basis point decline in total funding costs.

The provision for loan losses totaled $138 million in 2013 compared to $213 million in 2012. Credit metrics, including net charge-offs and non-accrual, criticized and classified loan balances showed continued improving trends in 2013 compared to 2012. Net charge-offs totaled $716 million, or 0.96 percent of average loans, in 2013, compared to $1.0 billion, or 1.37 percent in 2012. Net charge-offs were lower across most major loan categories when comparing 2013 to the prior year, except for residential first mortgage loans which included $151 million in net charge-offs related to the transfer to held for sale of primarily accruing restructured mortgages near the end of 2013. Net charge-offs exceeded provision for loan losses for 2013 primarily due to the continued improving credit metrics, including lower levels of non-accrual loans and criticized and classified loans, as well as, problem loan resolutions, and a continuing mix shift in loans out of higher risk investor real estate and into lower risk commercial and industrial loans. The allowance for loan losses at December 31, 2013 was 1.80 percent of total loans, net of unearned income, compared to 2.59 percent at December 31, 2012. Total non-performing assets were $1.3 billion at December 31, 2013, compared to $1.9 billion at December 31, 2012.

Non-interest income from continuing operations for 2013 was $2.0 billion, compared to $2.1 billion for 2012. The decline from the prior year was driven primarily by a $127 million decrease in mortgage income. Mortgage loan production fell 18 percent from 2012 as consumer demand for mortgage loans slowed due to rising interest rates. See Table 5 "Non-Interest Income from Continuing Operations" for further details.

Total non-interest expense from continuing operations was $3.6 billion in 2013 and $3.5 billion in 2012. The 2013 period included a $58 million regulatory charge, $5 million in branch consolidation charges, and $61 million in loss on early extinguishment of debt. The 2012 period included $42 million in REIT investment early termination costs and $11 million in loss on early extinguishment of debt. See Table 6 "Non-Interest Expense from Continuing Operations" for further details.

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

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

- "Operating Results" section of MD&A

Capital

Capital Actions

As part of its 2013 Comprehensive Capital Analysis and Review ("CCAR") submission, Regions' proposed capital plans included increasing its quarterly common stock dividend from $0.01 per share to $0.03 per share; executing up to $350 million in common share repurchases; and the execution of various liability management transactions including a tender offer for a portion of outstanding parent company senior notes, the issuance of new parent company senior notes, the redemption of certain preferred securities issued by Union Planters Preferred Funding Corporation ("Union Planters"), a subsidiary of Regions Bank, and the redemption of all of the Company's remaining trust preferred securities. The Federal Reserve did not object to these plans.

Regions' Board of Directors declared the higher common stock dividend each quarter in 2013 beginning with the second quarter. Management expects to continue to execute the capital planning process, including evaluation of the amount of the common stock dividend, with the Board of Directors and in conjunction with regulatory supervisors, subject to the Company's results of operations.

Regions' Board of Directors also approved the share repurchase plan in March 2013. The share repurchase authority granted by the Board of Directors was available at the beginning of the second quarter of 2013 and will continue through the first quarter of 2014, but has been substantially executed. As of December 31, 2013, Regions had repurchased approximately 36 million shares of common stock at a total cost of approximately $340 million. These shares were immediately retired upon repurchase and therefore are not included in treasury stock.

In April 2013, Regions launched a tender offer for a portion of its outstanding 7.75% Senior Notes due 2014. Pursuant to the terms and conditions of the tender offer, Regions purchased $350 million aggregate principal amount of these notes. In April 2013, Regions also issued $750 million of 2.00% parent company senior notes due in 2018.

In June 2013, Regions redeemed $100 million in long-term debt consisting of preferred stock issued by Union Planters.

During the fourth quarter of 2012, Regions redeemed approximately $345 million in junior subordinated notes to affiliated trusts, which had contemporaneously issued trust preferred securities that Regions guaranteed ("trust preferred securities"). In the second and third quarters of 2013, Regions redeemed approximately $498 million and $3 million, respectively, representing all of its remaining outstanding trust preferred securities.

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

- "Long-Term Borrowings" discussion in MD&A
- "Stockholders' Equity" discussion in MD&A
- "Off-Balance Sheet Arrangements" discussion in MD&A
- Note 2 "Variable Interest Entities" to the consolidated financial statements
- Note 12 "Long-Term Borrowings" to the consolidated financial statements
- Note 14 "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)" to the consolidated financial statements

Regulatory Capital

Regions and Regions Bank are required to comply with applicable capital adequacy standards established by the Federal Reserve. Currently, under Basel I, the minimum guidelines to be considered well-capitalized for Tier I capital and Total capital are 6.0 percent and 10.0 percent, respectively. At December 31, 2013, Regions' Tier 1 capital and Total capital ratios were 11.68 percent and 14.73 percent respectively. In addition, the Federal Reserve and banking regulators routinely supplement their assessment of capital adequacy based on a variation of Tier 1 capital, know as Tier 1 common equity. Although Federal banking regulators did not establish minimum guidelines to be considered well-capitalized under Basel I, the Tier 1 common equity ratio has been a key component in assessing capital adequacy under the CCAR process. At December 31, 2013, Regions' Tier 1 common equity ratio (non-GAAP) was 11.21 percent.

In July 2013, Regions' and Regions Bank's primary federal regulator, the Federal Reserve, published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including Regions and Regions Bank, compared to the current U.S. risk-based capital rules (Basel I). The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules are expected to be effective for Regions and Regions Bank on January 1, 2015 (subject to a phase-in period).

The Basel III Capital Rules officially define the Tier 1 common equity ratio (referred to in the rule as “Common Equity Tier 1” (“CET1”). When fully phased in on January 1, 2019, the minimum ratio of CET1 to risk-weighted assets will be at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0% upon full implementation). Regions' understanding of the framework is evolving and will likely change as analysis and discussions with regulators continue. Based on its current understanding, Regions estimates its CET1 ratio (non-GAAP) under Basel III at December 31, 2013 to be 10.58 percent . Similarly, Regions will be subject to the "modified" liquidity coverage ratio ("LCR") updated by the Federal Reserve via their NPR (notice of proposed rule making) released in October 2013. Based on Regions' current understanding and interpretation of the rules, full implementation is expected to be on a phased-in approach beginning in 2015 with full compliance to be reached in 2017. The Company anticipates being fully compliant with the LCR requirements upon finalization and implementation. However, should Regions' cash position or investment mix change in the future, Regions' ability to meet the liquidity coverage ratio may be impacted. The comment period on these proposed rules ended on January 31, 2014.

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

- "Supervision and Regulation" discussion within Item 1. Business
- Table 2 - "GAAP to Non-GAAP reconciliation"
- Bank Regulatory Capital Requirements section of MD&A
- Note 13 "Regulatory Capital Requirements and Restrictions" to the consolidated financial statements

Loan Portfolio and Credit

The Company grew total loans at December 31, 2013 by $614 million compared to year-end 2012. Loan growth was led by the commercial and industrial portfolio which increased $2.7 billion in 2013 and the indirect portfolio which grew $739 million in 2013. The combined growth of these two portfolios more than offset declines in commercial real estate, investor real estate, residential first mortgage and home equity loans. This was the first year the Company reported net loan growth since 2008. The economy has been and will be the primary factor which influences Regions' loan portfolio. Beginning in 2012 and continuing in 2013, the economy began to modestly improve. The rate of economic growth improved in 2012, but over the first half of 2013 growth was impaired by increases in payroll tax rates, higher tax rates on investment income, and the implementation of the sequestration spending cuts by the federal government. Over the second half of 2013, however, the U.S. economy grew at a rate in excess of 3.0 percent and began 2014 with positive momentum. The commercial and consumer deleveraging that impacted the industry, particularly Regions, in recent years appears to be abating. The Company's investor real estate portfolio, although down year-over-year, appears to be reaching an inflection point. The December 31, 2013 investor real estate portfolio compared to the year-end 2012 balances were down approximately $972 million, compared to a decline of $3.0 billion in 2012. The Company has experienced success and growth in its commercial and industrial loan portfolio as described above. Specialized lending areas, such as real estate corporate banking, asset based lending, healthcare and technology, have been the main contributors. This growth has helped to improve the Company's loan mix away from its historical real estate focus. Total commercial real estate, investor real estate, residential first mortgage and home equity loans (all real estate based lending) comprised approximately 54 percent of total loans at December 31, 2013 compared to approximately 58 percent at December 31, 2012 and approximately 71 percent at December 31, 2008. Home equity and residential first mortgage loans declined $1.3 billion on an ending basis in 2013. This decrease was partially offset by growth in indirect lending and consumer credit cards. Indirect lending grew $739 million or 32 percent in 2013. Growth in indirect lending was primarily due to an increase in the number of dealer relationships. Growth in consumer credit cards was primarily due to an increase in the number of active credit card holders. Management's expectation for 2014 loan growth is in the 3 percent to 5 percent range.

Credit quality metrics continued to improve in 2013. Total non-performing assets declined 32 percent to $1.3 billion in 2013 compared to 2012. Including troubled debt restructurings ("TDRs") held for sale, total TDRs declined 23 percent to approximately $2.8 billion in 2013 compared to 2012. Total commercial and investor real estate criticized and classified loans declined approximately $1.5 billion or 33 percent in 2013 compared to 2012. These favorable trends contributed to a 31 percent decline in net charge-offs and a 35 percent decline in provision expense in 2013 compared to 2012. The allowance for loan losses to total loans decreased to 1.80 percent at December 31, 2013

compared to 2.59 percent at December 31, 2012. The coverage ratio of allowance for loan losses to non-performing loans was 1.24x at December 31, 2013 compared to 1.14x at December 31, 2012.
For more information, refer to the following additional sections within this Form 10-K:

- “Allowance for Credit Losses” discussion within “Critical Accounting Policies and Estimates” in MD&A
- “Provision for Loan Losses” discussion within the “Operating Results” section of MD&A
- “Loans,” “Allowance for Credit Losses,” “Troubled Debt Restructurings” and “Non-performing Assets” discussions within the “Balance Sheet Analysis” section of MD&A
- “Credit Risk” discussion within the “Risk Management” section of MD&A
- Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements
- Note 5 "Loans" to the consolidated financial statements

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- Note 6 “Allowance for Credit Losses” to the consolidated financial statements

Net Interest Income, Margin and Interest Rate Risk

In 2013, the net interest margin expanded to 3.20 percent from 3.11 percent in 2012, largely due to a mix shift from time deposits to lower cost deposit products, resulting in deposit costs decreasing to 15 basis points in 2013 from 30 basis points in 2012. Also, contributing to the margin expansion were the liability management actions described in the Capital Actions discussion above. Taxable-equivalent net interest income decreased $34 million to $3.3 billion in 2013, due primarily to a decline in yields earned on earning assets that was only partially offset by a decline in rates paid on interest-bearing liabilities. Despite the continued improvements in deposit costs and mix, the margin and net interest income continue to be pressured by a sustained low interest rate, low growth environment. Reductions in average securities and loans were the main contributors to the decline in average earning assets and net interest income. The Company’s securities yield declined 17 basis points driven primarily by management’s strategic decision to reduce the size of the portfolio along with reinvestment of proceeds into lower yielding securities. Loan yields declined 16 basis points primarily due to new loan originations at lower rates, partially offset by a reduction in non-accrual loans. The Company did experience modest loan growth in 2013 on an ending basis, and management is optimistic for continued modest growth in 2014. If economic conditions and interest rates prevalent at year-end 2013 remain unchanged in 2014, and the Company achieves the 3 percent to 5 percent forecasted loan growth, management believes the net interest margin will remain relatively stable. Regions’ balance sheet is in a moderately asset sensitive position and should benefit from a rise in either long-term or short-term rates. If economic conditions were to improve more rapidly, thereby resulting in a rise in interest rates, both net interest income and the resulting net interest margin would respond favorably.

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

- “Net Interest Income and Margin” discussion within the “Operating Results” section of MD&A
- “Interest Rate Risk” discussion within “Risk Management” section of MD&A

Liquidity

At the end of 2013, Regions Bank had over $3.6 billion in cash on deposit with the Federal Reserve, the loan-to-deposit ratio was 81 percent and cash and cash equivalents at the parent company totaled $1.2 billion. Regions revised its liquidity policy related to minimum holding company cash requirements during the fourth quarter of 2013. The new policy requires the holding company to maintain cash sufficient to cover the greater of (1) 18 months of debt service and other cash needs or (2) a minimum cash balance of $500 million. At December 31, 2013, the Company’s borrowing capacity with the Federal Reserve Discount Window was $22.2 billion based on available collateral. Borrowing capacity with the Federal Home Loan Bank (“FHLB”) was $9.6 billion based on available collateral at the same date. Additionally, the Company has approximately $10.5 billion of unencumbered liquid securities available for pledging or repurchase agreements. The Board of Directors has also approved a bank note program which would allow Regions Bank to issue up to $5 billion in aggregate principal amount of bank notes outstanding at any one time. As of December 31, 2013, no issues have been made under this program.

See the "Regulatory Capital" section above for a full discussion of the LCR.

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

- “Supervision and Regulation” discussion within Item 1. Business
- “Short-Term Borrowings” discussion within the “Balance Sheet Analysis” section of MD&A
- “Long-Term Borrowings” discussion within the “Balance Sheet Analysis” section of MD&A
- “Regulatory Capital Requirements” discussion in MD&A
- “Liquidity” discussion within the “Risk Management” section of MD&A
- Note 11 “Short-Term Borrowings” to the consolidated financial statements
- Note 12 “Long-Term Borrowings” to the consolidated financial statements

GENERAL

The following discussion and financial information is presented to aid in understanding Regions' financial position and results of operations. The emphasis of this discussion will be on continuing operations for the years 2013, 2012 and 2011; in addition, financial information for prior years will also be presented when appropriate. Certain amounts in prior year presentations have been reclassified to conform to the current year presentation, except as otherwise noted.

Regions’ profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income and non-interest income sources. Net interest income is the difference between the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions’ net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, mortgage servicing and secondary marketing, investment management and trust activities, insurance activities, capital markets and other customer services which Regions provides. Results of operations are also affected by the provision for loan losses and non-interest expenses such as salaries and employee benefits, occupancy, professional fees, deposit administrative fees, other real estate owned and other operating expenses, as well as income taxes.

Economic conditions, competition, new legislation and related rules impacting regulation of the financial services industry and the monetary and fiscal policies of the Federal government significantly affect most, if not all, financial institutions, including Regions. Lending and deposit activities and fee income generation are influenced by levels of business spending and investment, consumer income, consumer spending and savings, capital market activities, and competition among financial institutions, as well as customer preferences, interest rate conditions and prevailing market rates on competing products in Regions’ market areas.

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

Dispositions

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

Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of operations. Other expenses related to the transaction are also included in discontinued operations. Refer to Note 3 “Discontinued Operations” and Note 23 “Commitments, Contingencies, and Guarantees” for further details.

Business Segments

Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, trust, insurance and other specialty financing. Regions carries out its strategies and derives its profitability from the three reportable business segments: Business Services, Consumer Services, and Wealth Management, with the remainder split between Discontinued Operations and Other. During the third quarter of 2012, Regions reorganized its internal management structure and, accordingly, its segment reporting structure. Historically, Regions’ primary business segment was Banking/Treasury, representing the Company’s banking network (including the Consumer & Commercial Banking function along with the Treasury function). Other segments included Investment Banking/Brokerage/Trust and Insurance. During the second quarter of 2012, Regions consummated the sale of Morgan Keegan (the primary component of Investment Banking/Brokerage/Trust). Shortly thereafter, Regions announced organizational changes to better integrate and execute the Company’s strategic priorities across all business groups and geographies. As a result, Regions revised its reportable segments.

Business Services

The Business Services segment represents the Company’s commercial banking functions including commercial and industrial, commercial real estate and investor real estate lending. This segment also includes equipment lease financing. Business Services customers include corporate, middle market, small business and commercial real estate developers and investors. Corresponding deposit products related to these types of customers are included in this segment. In 2013, the Business Services reportable segment contributed $705 million of net income.

Consumer Services

The Consumer Services segment represents the Company’s branch network, including consumer banking products and services related to residential first mortgages, home equity lines and loans, indirect loans, consumer credit cards and other consumer loans, as well as the corresponding deposit relationships. These services are also provided through alternative channels such as the internet and telephone banking. In 2013, the Consumer Services reportable segment contributed $346 million of net income.

Wealth Management

The Wealth Management segment offers individuals, businesses, governmental institutions and non-profit entities a wide range of solutions to help protect, grow and transfer wealth. Offerings include credit related products, trust and investment

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management, asset management, retirement and savings solutions, estate planning and commercial insurance products. Wealth Management activities contributed $55 million of net income in 2013.

See Note 22 “Business Segment Information” to the consolidated financial statements for further information on Regions’ business segments.

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Table 1—Financial Highlights

	2013	2012	2011	2010	2009
	(In millions, except per share data)				
EARNINGS SUMMARY					
Interest income	$3,646	$3,903	$4,252	$4,637	$5,277
Interest expense	384	603	842	1,248	1,984
Net interest income	3,262	3,300	3,410	3,389	3,293
Provision for loan losses	138	213	1,530	2,863	3,541
Net interest income (loss) after provision for loan losses	3,124	3,087	1,880	526	(248)
Non-interest income	2,019	2,100	2,143	2,489	2,765
Non-interest expense	3,556	3,526	3,862	3,859	3,785
Income (loss) from continuing operations before income taxes	1,587	1,661	161	(844)	(1,268)
Income tax expense (benefit)	452	482	(28)	(376)	(194)
Income (loss) from continuing operations	1,135	1,179	189	(468)	(1,074)
Income (loss) from discontinued operations before income taxes	(24)	(99)	(408)	(41)	66
Income tax expense (benefit)	(11)	(40)	(4)	30	23
Income (loss) from discontinued operations, net of tax	(13)	(59)	(404)	(71)	43
Net income (loss)	$1,122	$1,120	$(215)	$(539)	$(1,031)
Income (loss) from continuing operations available to common shareholders	$1,103	$1,050	$(25)	$(692)	$(1,304)
Net income (loss) available to common shareholders	$1,090	$991	$(429)	$(763)	$(1,261)
Earnings (loss) per common share from continuing operations – basic	$0.79	$0.76	$(0.02)	$(0.56)	$(1.32)
Earnings (loss) per common share from continuing operations – diluted	0.78	0.76	(0.02)	(0.56)	(1.32)
Earnings (loss) per common share – basic	0.78	0.72	(0.34)	(0.62)	(1.27)
Earnings (loss) per common share – diluted	0.77	0.71	(0.34)	(0.62)	(1.27)
Return on average tangible common stockholders' equity (non-GAAP)[1]	10.80%	10.69%	(5.51)%	(9.29)%	(14.92)%
Return on average assets from continuing operations (GAAP)	0.94	0.86	(0.02)	(0.52)	(0.93)
BALANCE SHEET SUMMARY					
At year-end—Consolidated					
Loans, net of unearned income	$74,609	$73,995	$77,594	$82,864	$90,674
Allowance for loan losses	(1,341)	(1,919)	(2,745)	(3,185)	(3,114)
Assets	117,396	121,347	127,050	132,351	142,318
Deposits	92,453	95,474	95,627	94,614	98,680
Long-term debt	4,830	5,861	8,110	13,190	18,464
Stockholders' equity	15,768	15,499	16,499	16,734	17,881
Average balances—Continuing Operations					
Loans, net of unearned income	$74,924	$76,035	$80,673	$86,660	$94,523
Assets	117,805	122,182	126,719	132,720	139,468
Deposits	92,646	95,330	95,671	96,489	94,612

Long-term debt	5,206		6,694		11,240		15,489		18,501	
Stockholders’ equity	15,502		15,035		15,350		15,916		16,224	
SELECTED RATIOS										
Allowance for loan losses as a percentage of loans, net of unearned income	1.80	%	2.59	%	3.54	%	3.84	%	3.43	%
Tier 1 capital	11.68		12.00		13.28		12.40		11.54	
Tier 1 common risk-based ratio (non-GAAP) (1)	11.21		10.84		8.51		7.85		7.15	
Total risk-based capital	14.73		15.38		16.99		16.35		15.78	
Leverage	10.03		9.65		9.91		9.30		8.90	
Tangible common stockholders’ equity to tangible assets (non-GAAP) (1)	9.24		8.63		6.58		6.04		6.22	
Adjusted efficiency ratio (non-GAAP) (1)	65.42		64.42		64.56		67.74		67.88	

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	2013	2012	2011	2010	2009
	(In millions, except per share data)				
COMMON STOCK DATA					
Cash dividends declared per common share	$0.10	$0.04	$0.04	$0.04	$0.13
Stockholders' common equity per share	11.12	10.63	10.39	10.63	11.97
Tangible common book value per share (non-GAAP)(1)	7.54	7.11	6.37	6.09	7.11
Market value at year-end	9.89	7.13	4.30	7.00	5.29
Market price range: (2)					
High	10.52	7.73	8.09	9.33	9.07
Low	7.13	4.21	2.82	5.12	2.35
Total trading volume	3,962	5,282	5,204	6,381	8,747
Dividend payout ratio	12.99	5.63	NM	NM	NM
Shareholders of record at year-end (actual)	63,815	67,574	73,659	76,996	81,166
Weighted-average number of common shares outstanding					
Basic	1,395	1,381	1,258	1,227	989
Diluted	1,410	1,387	1,258	1,227	989

NM—Not meaningful
(1) See Table 2 for GAAP to non-GAAP reconciliations.
(2) High and low market prices are based on intraday sales prices.

NON-GAAP MEASURES

The table below presents computations of certain financial measures, which exclude certain significant items that are included in the financial results presented in accordance with GAAP. These non-GAAP financial measures include "fee income ratio", "efficiency ratio", "return on average tangible common stockholders' equity", average and end of period "tangible common stockholders' equity", "Tier 1 common equity", and "Basel III Tier 1 common equity" and related ratios. Regions believes that expressing certain financial measures excluding these significant items provides a meaningful base for period-to-period comparisons, which management believes should assist investors in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business because management does not consider the activities related to the adjustments to be indications of ongoing operations. Regions believes that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management. Management and the Board of Directors utilize these non-GAAP financial measures as follows:

- Preparation of Regions' operating budgets
- Monthly financial performance reporting
- Monthly close-out reporting of consolidated results (management only)
- Presentations to investors of Company performance

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

Tangible common stockholders' equity ratios have become a focus of some investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Traditionally, the Federal Reserve and other banking regulatory bodies have assessed a bank's capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. In connection with the Federal Reserve's CCAR process, these regulators are supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. Analysts and banking regulators have assessed Regions' capital adequacy using the tangible common stockholders' equity and/or the Tier 1 common equity measure. Because tangible common stockholders' equity and Tier 1 common equity are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently than Regions' disclosed calculations. Since analysts and banking regulators may assess Regions' capital adequacy using tangible common stockholders' equity and Tier

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1 common equity, Regions believes that it is useful to provide investors the ability to assess Regions’ capital adequacy on these same bases.

Tier 1 common equity is often expressed as a percentage of risk-weighted assets. Under the current risk-based capital framework, a bank’s balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad risk categories. The aggregated dollar amount in each category is then multiplied by the risk weighting assigned to that category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at Tier 1 common equity (non-GAAP). Tier 1 common equity is also divided by the risk-weighted assets to determine the Tier 1 common equity ratio (non-GAAP). The amounts disclosed as risk-weighted assets are calculated consistent with banking regulatory requirements.

Regions currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve based on the 1988 Capital Accord (“Basel I”) of the Basel Committee on Banking Supervision (the “Basel Committee”). In December 2010, the Basel Committee released its final framework for Basel III, which will strengthen international capital and liquidity regulations. When fully phased-in, Basel III will increase capital requirements through higher minimum capital levels as well as through increases in risk-weights for certain exposures. Additionally, the final Basel III rules place greater emphasis on common equity. In July 2013, the Federal Reserve released final rules detailing the U.S. implementation of Basel III. Regions, as a non-advanced approaches bank, will begin transitioning to the Basel III framework in January 2015 subject to a phase-in period extending through January 2019. Regions is currently evaluating the impact of the final Basel III rules. Accordingly, the calculations provided below are estimates. Because the Basel III implementation regulations will not be fully phased-in until 2019, are not formally defined by GAAP, and because the calculations currently include the Company's interpretations of the requirements including informal feedback received through the regulatory process and are therefore likely to change as clarifying guidance becomes available, these measures are considered to be non-GAAP financial measures, and other entities may calculate them differently from Regions’ disclosed calculations. Since analysts and banking regulators may assess Regions’ capital adequacy using the Basel III framework, Regions believes that it is useful to provide investors information enabling them to assess Regions’ capital adequacy on the same basis.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes selected items does not represent the amount that effectively accrues directly to stockholders.

The following tables provide: 1) a reconciliation of non-interest expense from continuing operations (GAAP) to adjusted non-interest expense (non-GAAP), 2) a reconciliation of non-interest income from continuing operations (GAAP) to adjusted non-interest income (non-GAAP), 3) a computation of adjusted total revenue (non-GAAP), 4) a computation of the adjusted efficiency ratio (non-GAAP), 5) a computation of the adjusted fee income ratio (non-GAAP), 6) a reconciliation of average and ending stockholders’ equity (GAAP) to average and ending tangible common stockholders’ equity (non-GAAP) and calculations of related ratios (non-GAAP), 7) a reconciliation of stockholders’ equity (GAAP) to Tier 1 capital (regulatory) and to Tier 1 common equity (non-GAAP) and calculations of related ratios, and 8) a reconciliation of stockholders’ equity (GAAP) to Basel III Tier 1 common equity (non-GAAP) and calculation of the related ratio based on Regions’ current understanding of the Basel III requirements. The estimate at December 31, 2013 is based on the final rule released in July 2013 and the estimate at December 31, 2012 is based on the U.S. Notices of Proposed Rulemaking released in June 2012.

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Table 2—GAAP to Non-GAAP Reconciliation

		Year Ended December 31				
		2013	2012	2011	2010	2009
		(In millions, except per share data)				
INCOME (LOSS)						
Net income (loss) (GAAP)		$1,122	$1,120	$(215)	$(539)	$(1,031)
Preferred dividends and accretion (GAAP)		(32)	(129)	(214)	(224)	(230)
Net income (loss) available to common shareholders (GAAP)	A	$1,090	$991	$(429)	$(763)	$(1,261)
FEE INCOME AND EFFICIENCY RATIOS						
Non-interest expense from continuing operations (GAAP)		$3,556	$3,526	$3,862	$3,859	$3,785
Significant items:						
Loss on early extinguishment of debt		(61)	(11)	—	(108)	—
Goodwill impairment		—	—	(253)	—	—
FDIC special assessment		—	—	—	—	(64)
Regulatory charge[1]		(58)	—	—	(75)	—
Securities impairment, net		—	(2)	(2)	(2)	(75)
Branch consolidation and property and equipment charges		(5)	—	(75)	(8)	(53)
REIT investment early termination costs[2]		—	(42)	—	—	—
Adjusted non-interest expense (non-GAAP)	B	$3,432	$3,471	$3,532	$3,666	$3,593
Net interest income from continuing operations (GAAP)		$3,262	$3,300	$3,410	$3,389	$3,293
Taxable-equivalent adjustment		54	50	35	32	32
Net interest income from continuing operations, taxable-equivalent basis		3,316	3,350	3,445	3,421	3,325
Non-interest income from continuing operations (GAAP)		2,019	2,100	2,143	2,489	2,765
Significant items:						
Securities gains, net		(26)	(48)	(112)	(394)	(69)
Visa-related gains		—	—	—	—	(80)
Leveraged lease termination gains, net		(39)	(14)	(8)	(78)	(587)
Gain on early extinguishment of debt		—	—	—	—	(61)
Loss (gain) on sale of mortgage loans		—	—	3	(26)	—
Gain on sale of other assets[3]		(24)	—	—	—	—
Adjusted non-interest income (non-GAAP)	C	1,930	2,038	2,026	1,991	1,968
Adjusted total revenue (non-GAAP)	D	$5,246	$5,388	$5,471	$5,412	$5,293
Adjusted efficiency ratio (non-GAAP)	B/D	65.42 %	64.42 %	64.56 %	67.74 %	67.88 %
Adjusted fee income ratio (non-GAAP)	C/D	36.79 %	37.82 %	37.03 %	36.79 %	37.18 %
RETURN ON AVERAGE TANGIBLE COMMON STOCKHOLDERS' EQUITY						
Average stockholders' equity (GAAP)		$15,504	$15,246	$16,927	$17,444	$17,773
Less: Average intangible assets (GAAP)		5,136	5,210	5,965	6,003	6,122
Average deferred tax liability related to intangibles (GAAP)		(188)	(195)	(220)	(255)	(286)
Average preferred equity (GAAP)		464	960	3,398	3,479	3,487

Average tangible common stockholders' equity (non-GAAP)	E	$10,092		$9,271		$7,784		$8,217		$8,450	
Return on average tangible common stockholders' equity (non-GAAP)	A/E	10.80	%	10.69	%	(5.51	)%	(9.29	)%	(14.92	)%

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		Year Ended December 31				
		2013	2012	2011	2010	2009
		(In millions, except share data)				
TANGIBLE COMMON RATIOS						
Ending stockholders' equity (GAAP)		$15,768	$15,499	$16,499	$16,734	$17,881
Less: Ending intangible assets (GAAP)		5,111	5,161	5,265	5,946	6,060
Ending deferred tax liability related to intangibles (GAAP)		(188)	(191)	(200)	(240)	(269)
Ending preferred equity (GAAP)		450	482	3,419	3,380	3,602
Ending tangible common stockholders' equity (non-GAAP)	F	$10,395	$10,047	$8,015	$7,648	$8,488
Ending total assets (GAAP)		$117,396	$121,347	$127,050	$132,351	$142,318
Less: Ending intangible assets (GAAP)		5,111	5,161	5,265	5,946	6,060
Ending deferred tax liability related to intangibles (GAAP)		(188)	(191)	(200)	(240)	(269)
Ending tangible assets (non-GAAP)	G	$112,473	$116,377	$121,985	$126,645	$136,527
End of period shares outstanding	H	1,378	1,413	1,259	1,256	1,193
Tangible common stockholders' equity to tangible assets (non-GAAP)	F/G	9.24%	8.63%	6.58%	6.04%	6.22%
Tangible common book value per share (non-GAAP)	F/H	$7.54	$7.11	$6.37	$6.09	$7.11
TIER 1 COMMON RISK-BASED RATIO						
Stockholders' equity (GAAP)		$15,768	$15,499	$16,499	$16,734	$17,881
Accumulated other comprehensive (income) loss		319	(65)	69	260	(130)
Non-qualifying goodwill and intangibles		(4,798)	(4,826)	(4,900)	(5,706)	(5,792)
Disallowed deferred tax assets[4]		—	(35)	(432)	(424)	(947)
Disallowed servicing assets		(31)	(33)	(35)	(27)	(25)
Qualifying non-controlling interests		—	93	92	92	91
Qualifying trust preferred securities		—	501	846	846	846
Tier 1 capital (regulatory)		11,258	11,134	12,139	11,775	11,924
Qualifying non-controlling interests		—	(93)	(92)	(92)	(91)
Qualifying trust preferred securities		—	(501)	(846)	(846)	(846)
Preferred stock		(450)	(482)	(3,419)	(3,380)	(3,602)
Tier 1 common equity (non-GAAP)	I	$10,808	$10,058	$7,782	$7,457	$7,385
Risk-weighted assets (regulatory)	J	$96,416	$92,811	$91,449	$94,966	$103,330
Tier 1 common risk-based ratio (non-GAAP)	I/J	11.21%	10.84%	8.51%	7.85%	7.15%
BASEL III TIER 1 COMMON RATIO[5]						
Stockholders' equity (GAAP)		$15,768	$15,499			
Non-qualifying goodwill and intangibles[6]		(4,922)	(4,968)			
Proposed Adjustments						
Adjustments, including other comprehensive income related to cash flow hedges, disallowed deferred tax assets, threshold deductions and other adjustments		—	(298)			
Final Rules Adjustments						
Adjustments, including all components of accumulated other comprehensive income,		130	—			

disallowed deferred tax assets, threshold deductions and other adjustments			
Preferred stock		(450)	(482)
Basel III Tier 1 common equity (non-GAAP)	K	$10,526	$9,751
Basel III risk-weighted assets (non-GAAP)(7)	L	$99,483	$109,941
Basel III Tier 1 common ratio (non-GAAP)	K/L	10.58 %	8.87 %

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(1) In the fourth quarter of 2013, Regions recorded a non-tax deductible charge of $58 million related to previously disclosed inquires from government authorities concerning matters from 2009. Regions is in discussions with banking supervisors to resolve their inquiries on these matters. In the second quarter of 2010, Regions recorded a $200 million charge to account for a probable, reasonably estimable loss related to a pending settlement of regulatory matters. $75 million of the regulatory charge related to continuing operations.

(2) In the fourth quarter of 2012, Regions entered into an agreement with a third party investor in Regions Asset Management Company, Inc., pursuant to which the investment was fully redeemed. This resulted in extinguishing a $203 million liability, including accrued, unpaid interest, as well as incurring early termination costs of approximately $42 million on a pre-tax basis ($38 million after tax).

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

(4) Taxable income from the two previous tax years and one year of projected future taxable income may be applied in calculating deferred tax assets for regulatory capital purposes.

(5) The 2013 estimate is based on the final rule released in July 2013. The 2012 estimate is based on the June 2012 U.S. Notices of Proposed Rulemaking.

(6) Under Basel III, regulatory capital must be reduced by purchased credit card relationship intangible assets. These assets are partially allowed in Basel I capital.

(7) Regions continues to develop systems and internal controls to precisely calculate risk-weighted assets as required by Basel III. The amount included above is a reasonable approximation, based on our understanding of the requirements.

CRITICAL ACCOUNTING ESTIMATES AND RELATED POLICIES

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

Allowance for Credit Losses

The allowance for credit losses (“allowance”) consists of two components: the allowance for loan and lease losses and the reserve for unfunded credit commitments. The allowance represents management’s estimate of probable credit losses inherent in the loan and credit commitment portfolios as of period end.

The allowance is sensitive to a variety of internal factors, such as modifications in the mix and level of loan balances outstanding, portfolio performance and assigned risk ratings, as well as external factors, such as the general health of the economy, as evidenced by changes in real estate demand and values, interest rates, unemployment rates, bankruptcy filings, fluctuations in the gross domestic product ("GDP"), and the effects of weather and natural disasters such as droughts and hurricanes. Management considers these variables and all available information when establishing the final level of the allowance. These variables and others have the ability to result in actual loan losses that differ from the originally estimated amounts.

Management’s estimate of the allowance for the commercial and investor real estate portfolio segments could be affected by estimates of losses inherent in various product types as a result of fluctuations in the general economy, developments within a particular industry, or changes in an individual’s credit due to factors particular to that credit, such as competition, management or business performance. For non-accrual commercial and investor real estate loans equal to or greater than $2.5 million, the allowance for loan losses is based on note-level evaluation considering the facts and circumstances specific to each borrower. For all other commercial and investor real estate loans, the allowance for loan losses is based on statistical models using a probability of default (“PD”) and a loss given default (“LGD”). Historical default information for similar loans is used as an input for the statistical model. A 5 percent increase in the PD for non-defaulted accounts and a 5 percent increase in the LGD for all accounts would result in an increase to estimated losses of approximately $69 million.

For residential real estate mortgages, home equity lending and other consumer-related loans, individual products are reviewed on a group basis or in loan pools (e.g., residential real estate mortgage pools). Losses can be affected by such factors as collateral value, loss severity, the economy and other uncontrollable factors. A 5 percent increase or decrease in the estimated loss rates on these loans would change estimated inherent losses by approximately $18 million.

The pro forma inherent loss analysis presented above demonstrates the sensitivity of the allowance to key assumptions. This sensitivity analysis does not reflect an expected outcome. A full discussion of these assumptions and other factors is included in

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the “Allowance for Credit Losses” section within the discussion of “Credit Risk”, found in a later section of this report, Note 1 “Summary of Significant Accounting Policies”, and Note 6 “Allowance for Credit Losses” to the consolidated financial statements.

Fair Value Measurements

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

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

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

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

Intangible Assets

Regions’ intangible assets consist primarily of the excess of cost over the fair value of net assets of acquired businesses (“goodwill”) and other identifiable intangible assets (primarily core deposit intangibles and purchased credit card relationships). Goodwill totaled $4.8 billion at both December 31, 2013 and 2012 and is allocated to each of Regions’ reportable segments (each a reporting unit: Business Services, Consumer Services, and Wealth Management). Refer to Note 22 “Business Segment Information” for discussion on Regions reorganization of its management reporting structure during the third quarter of 2012 and, accordingly, its segment reporting structure and goodwill reporting units. In connection with the reorganization, management reallocated goodwill to the new reporting units using a relative fair value approach. Goodwill is tested for impairment on an annual basis as of October 1 or more often if events and circumstances indicate impairment may exist (refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements for further discussion).

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

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

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

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

Refer to Note 9 "Intangible Assets" for further discussion of these approaches and related assumptions. The fair values of assets and liabilities in Step Two, if applicable, are determined using an exit price concept. Refer to the discussion of fair value in Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements for discussions of the exit price concept and the determination of fair values of financial assets and liabilities.

The results of the calculations for the fourth quarter of 2013 indicated that the estimated fair values of the Business Services, Consumer Services and Wealth Management reporting units were $8.7 billion, $5.4 billion and $1.5 billion, respectively, which were greater than their carrying amounts of $8.6 billion, $5.2 billion and $1.3 billion, respectively. Therefore, the goodwill of each reporting unit was considered not impaired as of the testing date, and Step Two of the goodwill impairment test was not required.

The table below summarizes the discount rate used in the goodwill impairment test of each reporting unit for the fourth, third, second, and first quarters of 2013 and the fourth quarter of 2012:

Discount Rates

	Business Services		Consumer Services		Wealth Management	
Discount Rate:						
Fourth quarter 2013	12	%	12	%	12	%
Third quarter 2013	12	%	12	%	12	%
Second quarter 2013	13	%	12	%	12	%
First quarter 2013	14	%	13	%	13	%
Fourth quarter 2012	14	%	13	%	13	%

Specific factors as of the date of filing the financial statements that could negatively impact the assumptions used in assessing goodwill for impairment include: a protracted decline in the Company's market capitalization; disparities in the level of fair value changes in net assets (especially loans) compared to equity; increases in book values of equity of a reporting unit in excess of the increase in fair value of equity; adverse business trends resulting from litigation and/or regulatory actions; higher loan losses; lengthened forecasts of high unemployment levels; future increased minimum regulatory capital requirements above current thresholds (refer to Note 13 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements for a discussion of current minimum regulatory requirements); future federal rules and regulations (e.g., such as those resulting from the Dodd-Frank Act); and/or a protraction in the current low level of interest rates significantly beyond 2014.

For sensitivity analysis, a discount rate of 13 percent (an increase of one percentage point) for the Business Services, Consumer Services, and Wealth Management reporting units would result in estimated fair values of equity of $8.0 billion, $4.9 billion, and

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$1.3 billion, respectively. Wealth Management's estimated fair value of equity would exceed its carrying value and would not require Step Two procedures. Business Services' resulting fair value of equity would be $600 million less than its carrying value and likewise, Consumer Services' resulting fair value of equity would be $300 million less than its carrying value, which would require Step Two procedures for both reporting units. As part of the sensitivity analysis, Regions performed hypothetical Step Two procedures. In Step Two, the fair value of the reporting unit's assets, both tangible and intangible, and liabilities are determined using estimates of the amounts at which the assets (or liabilities) can be bought (or incurred) or sold (settled) in a taxable transaction between willing participants. The effects of the Step Two adjustments for Business Services and Consumer Services, which would have been primarily write-downs of assets to fair value, would have exceeded any reductions in the value of equity determined in Step One; accordingly the resulting implied goodwill would have exceeded the carrying amount of goodwill by approximately 72 percent for Business Services and by approximately 104 percent for Consumer Services, with no resulting impairment to either reporting unit.

Sensitivity calculations are hypothetical and should not be considered to be predictive of future performance. Changes in implied fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on the implied fair value of goodwill is calculated without changing any other assumption, while in reality changes in one factor may result in changes in another which may either magnify or counteract the effect of the change.

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

Mortgage Servicing Rights

Regions estimates the fair value of its mortgage servicing rights in order to record them at fair value on the balance sheet. Although sales of mortgage servicing rights do occur, mortgage servicing rights do not trade in an active market with readily observable market prices and the exact terms and conditions of sales may not be readily available, and are therefore Level 3 valuations in the fair value hierarchy previously discussed in the “Fair Value Measurements” section. Specific characteristics of the underlying loans greatly impact the estimated value of the related mortgage servicing rights. As a result, Regions stratifies its mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and values its mortgage servicing rights using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted mortgage loan prepayment rates, discount rates, escrow balances and servicing costs. Changes in interest rates, prepayment speeds or other factors impact the fair value of mortgage servicing rights which impacts earnings. The carrying value of mortgage servicing rights was $297 million at December 31, 2013. Based on a hypothetical sensitivity analysis, Regions estimates that a reduction in primary mortgage market rates of 25 basis points and 50 basis points would reduce the December 31, 2013 fair value of mortgage servicing rights by approximately 4 percent ($12 million) and 9 percent ($26 million), respectively. Conversely, 25 basis point and 50 basis point increases in these rates would increase the December 31, 2013 fair value of mortgage servicing rights by approximately 4 percent ($11 million) and 7 percent ($20 million), respectively. Regions also estimates that an increase in servicing costs of approximately $10 per loan, or 18 percent, would result in a decline in the value of the mortgage servicing rights by approximately $10 million or 4 basis points.

The pro forma fair value analysis presented above demonstrates the sensitivity of fair values to hypothetical changes in primary mortgage rates. This sensitivity analysis does not reflect an expected outcome. Refer to the “Mortgage

Servicing Rights” discussion in the “Balance Sheet” analysis section found later in this report.

Income Taxes

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

Deferred income taxes represent the amount of future income taxes to be paid or received and are accounted for using the asset and liability method. The net balance is reported in other assets in the consolidated balance sheets. The Company determines the realization of the deferred tax asset based upon an evaluation of the four possible sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income exclusive of reversing temporary differences and carryforwards; 3) taxable income in prior carryback years; and 4) tax-planning strategies. In projecting future taxable income, the Company utilizes forecasted pre-tax earnings, adjusts for the estimated book-tax differences and incorporates assumptions, including the

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amounts of income allocable to taxing jurisdictions. These assumptions require significant judgment and are consistent with the plans and estimates the Company uses to manage the underlying businesses. The realization of the deferred tax assets could be reduced in the future if these estimates are significantly different than forecasted. For a detailed discussion of realization of deferred tax assets, refer to the “Income Taxes” section found later in this report.

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

The Company’s estimate of accrued income taxes, deferred income taxes and income tax expense can also change in any period as a result of new legislative or judicial guidance impacting tax positions, as well as changes in income tax rates. Any changes, if they occur, can be significant to the Company’s consolidated financial position, results of operations or cash flows.

OPERATING RESULTS

GENERAL

For 2013, Regions reported net income available to common shareholders of $1.1 billion, or $0.77 per diluted common share. In January 2012, Regions entered into an agreement to sell Morgan Keegan to Raymond James Financial, Inc. The results of the entities sold are presented as discontinued operations. Refer to Note 3 “Discontinued Operations” of the consolidated financial statements for additional information. Regions reported net income from continuing operations available to common shareholders of $1.1 billion, or $0.78 per diluted common share in 2013. Regions’ net loss from discontinued operations in 2013 was $13 million, or $(0.01) per diluted common share.

Regions’ 2013 results from continuing operations reflected a decline in its provision for loan losses resulting from continued improving credit metrics. Regions also experienced lower net interest income as a result of a decline in interest-earning asset levels combined with lower earning asset yields, as well as, lower non-interest income and slightly higher non-interest expenses.

NET INTEREST INCOME AND MARGIN

Net interest income (interest income less interest expense) is Regions’ principal source of income and is one of the most important elements of Regions’ ability to meet its overall performance goals. Net interest income on a taxable-equivalent basis decreased approximately $34 million, or 1 percent in 2013 from 2012, driven primarily by a decline in yields earned on earning assets that was only partially offset by a decline in rates paid on interest-bearing liabilities. The net interest margin increased to 3.20 percent in 2013 from 3.11 percent in 2012, reflecting a favorable mix shift in deposits out of higher-cost time deposits into lower-cost checking, savings and money market accounts, as well as improvements in the cost of non-deposit borrowings resulting primarily from the execution of liability management actions.

Comparing 2013 to 2012, average interest-earning asset yields were lower, decreasing 10 basis points. However, interest-bearing liability rates were also lower, declining by 27 basis points, more than offsetting the drop in interest-earning asset yields. As a result, the net interest rate spread increased 17 basis points to 3.03 percent in 2013 compared to 2.86 percent in 2012.

Monetary policy action pursued by the Federal Reserve, as well as a modest pace of economic recovery resulted in continued low levels of both long and short-term interest rates in 2013, both of which have influence on net interest margin and net interest income. Long-term rates are generally represented by the yield on the benchmark 10-year U.S. Treasury note, which slowly increased in 2013 from 1.78 percent at the beginning of the year, dropped to a low of 1.66 percent in May 2013 and then increased to a high of 3.04 percent at year-end. The average yield on the benchmark 10-year U.S. Treasury note was 2.35 percent in 2013. While being somewhat volatile during the year, long-term rates remained at historically low levels, which affected interest-earning asset yields through their impact on the behavior and pricing of both variable-rate and fixed-rate loans and securities. One way in which long-term interest rates affect asset yields is through their influence on prepayment activity. Low levels of long-term interest rates precipitate higher levels of prepayments, particularly within fixed-rate loan and securities portfolios, which has resulted in the replacement of these assets at lower rates of interest. Additionally, government programs such as the Home Affordable Refinance Program ("HARP") have influenced levels of prepayments among loans and securities in a similar fashion. The taxable investment securities portfolio, which contains significant residential fixed-rate exposure, decreased in yield from 2.55 percent in 2012 to 2.38 percent in 2013. The Company's loan pricing is also influenced by short-term rates such as the 30-day London Interbank Offering Rate ("LIBOR"), which on average was 19 basis points in 2013, compared to 24 basis points in 2012, and therefore had minimal impact on changes in the net interest margin as compared to 2012.

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The negative impact of low, long-term interest rates on the net interest margin was more than offset by improvements in liability costs. While the rates that most directly influence deposits costs (such as the Federal Reserve’s Rate of Interest on Excess Reserves and the Prime rate) both remained low and unchanged from the previous year-end level (at 0.25 percent and 3.25 percent, respectively), deposit costs were able to improve considerably, from 30 basis points in 2012 to 15 basis points in 2013. The improvement was due both to absolute improvements in cost of most deposit categories, but also to improvements in the mix of deposits from higher-cost time deposits to lower-cost checking and savings categories. For example, average time deposits declined from $16.5 billion, or 17.3 percent of total average deposits, in 2012 to $11.1 billion, or 12.0 percent of total average deposits in 2013. Meanwhile, average non-interest bearing customer deposits increased from $29.4 billion in 2012 to $29.6 billion in 2013. Net interest margin was also supported by a favorable shift of funding to customer deposits from more costly long-term borrowings. Average long-term borrowings declined to $5.2 billion in 2013 as compared to $6.7 billion in 2012, primarily due to the successful execution of liability management actions. See the "Long-Term Borrowings" section in Management's Discussion and Analysis and Note 12 to these consolidated financial statements for additional information related to these actions.

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

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

	Year Ended December 31								
	2013			2012			2011		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in millions; yields on taxable-equivalent basis)								
Assets									
Interest-earning assets:									
Federal funds sold and securities purchased under agreements to resell	$—	$—	— %	$—	$—	— %	$4	$—	— %
Trading account securities	114	3	2.24	134	3	2.24	166	4	2.41
Securities:									
Taxable	25,349	603	2.38	26,667	681	2.55	24,586	758	3.08
Tax-exempt	6	—	—	17	—	—	31	—	—
Loans held for sale	864	29	3.41	1,150	33	2.87	1,131	35	3.09
Loans, net of unearned income(1)(2)	74,924	3,059	4.08	76,035	3,227	4.24	80,673	3,477	4.31
Other interest-earning assets	2,428	6	0.25	3,792	9	0.24	5,623	13	0.23
Total interest-earning assets	103,685	3,700	3.57	107,795	3,953	3.67	112,214	4,287	3.82
Allowance for loan losses	(1,680)			(2,376)			(3,114)		
Cash and due from banks	1,775			1,836			1,988		
Other non-earning assets	14,025			14,927			15,631		
	$117,805			$122,182			$126,719		
Liabilities and Stockholders’ Equity									
Interest-bearing liabilities:									
Savings accounts	$6,051	6	0.09	$5,589	4	0.07	$5,062	5	0.10
Interest-bearing transaction accounts	19,873	19	0.10	19,419	23	0.12	15,613	27	0.17
Money market accounts	25,943	35	0.13	24,471	43	0.18	25,661	73	0.28
Time deposits	11,148	75	0.67	16,487	214	1.30	21,646	367	1.70
Total interest-bearing deposits(3)	63,015	135	0.21	65,966	284	0.43	67,982	472	0.69

Federal funds purchased and securities sold under agreements to repurchase	2,020	2	0.08	1,852	2	0.11	1,801	(1)	(0.06)
Other short-term borrowings	219	—	0.19	251	—	—	186	—	—
Long-term borrowings	5,206	247	4.75	6,694	317	4.74	11,240	371	3.30
Total interest-bearing liabilities	70,460	384	0.54	74,763	603	0.81	81,209	842	1.04
Non-interest-bearing deposits(3)	29,631	—	—	29,364	—	—	27,689	—	—
Total funding sources	100,091	384	0.38	104,127	603	0.58	108,898	842	0.77
Net interest spread			3.03			2.86			2.78
Other liabilities	2,212			3,020			2,471		
Stockholders' equity	15,502			15,035			15,350		
	$117,805			$122,182			$126,719		
Net interest income/margin on a taxable-equivalent basis from continuing operations(4)(5)		$3,316	3.20 %		$3,350	3.11 %		$3,445	3.07 %

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(1) Loans, net of unearned income include non-accrual loans for all periods presented.
(2) Interest income includes net loan fees of $75 million, $65 million and $50 million for the years ended December 31, 2013, 2012 and 2011, respectively.
(3) Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing deposits and non-interest-bearing deposits. The rates for total deposit costs equal 0.15%, 0.30% and 0.49% for the years ended December 31, 2013, 2012 and 2011 respectively.
(4) The computation of taxable-equivalent net interest income is based on the statutory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit.
(5) The table above does not include average interest-earning assets, average interest-bearing liabilities, interest income, or interest expense for discontinued operations (see Note 3 to the consolidated financial statements). If these assets, liabilities, and net interest income were included in the calculation, the consolidated net interest income and margin on a taxable equivalent basis would have been $3,356 million and 3.10% and $3,476 million and 3.05% for the years ended December 31, 2012 and 2011, respectively.

Table 4—Volume and Yield/Rate Variances from Continuing Operations

	2013 Compared to 2012 Change Due to			2012 Compared to 2011 Change Due to		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
	(Taxable-equivalent basis—in millions)					
Interest income on:						
Trading account securities	$—	$—	$—	$(1)	$—	$(1)
Securities-taxable	(33)	(45)	(78)	61	(138)	(77)
Loans held for sale	(9)	5	(4)	1	(3)	(2)
Loans, including fees	(47)	(121)	(168)	(198)	(52)	(250)
Other interest-earning assets	(3)	—	(3)	(4)	—	(4)
Total interest-earning assets	(92)	(161)	(253)	(141)	(193)	(334)
Interest expense on:						
Savings	—	2	2	—	(1)	(1)
Interest-bearing transaction	1	(5)	(4)	6	(10)	(4)
Money market	2	(10)	(8)	(3)	(27)	(30)
Time deposits	(56)	(83)	(139)	(77)	(76)	(153)
Total interest-bearing deposits	(53)	(96)	(149)	(74)	(114)	(188)
Federal funds purchased and securities sold under agreements to repurchase	—	—	—	—	3	3
Long-term borrowings	(70)	—	(70)	(181)	127	(54)
Total interest-bearing liabilities	(123)	(96)	(219)	(255)	16	(239)
Increase (decrease) in net interest income	$31	$(65)	$(34)	$114	$(209)	$(95)

Notes:

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

The table above does not include average assets, average liabilities, interest income or interest expense for discontinued operations (see Note 3 to the consolidated financial statements).

The mix of interest-earning assets can also affect the interest rate spread. Regions' primary types of interest-earning assets are loans and investment securities. Certain types of interest-earning assets have historically generated larger spreads; for example, loans typically generate larger spreads than other assets, such as securities, Federal funds sold or securities purchased under agreements to resell. The spread on loans remained depressed in 2013 due to the low interest rate environment and an elevated level of loans on non-accrual status. Average interest-earning assets at December 31, 2013 totaled $103.7 billion, a decrease of $4.1 billion as compared to the prior year.

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Average loans as a percentage of average interest-earning assets were 72 percent in 2013 and 71 percent in 2012. The remaining categories of interest-earning assets are shown in Table 3 “Consolidated Average Daily Balances and Yield/Rate Analysis for Continuing Operations”. The proportion of average interest-earning assets to average total assets, which was 88 percent in both 2013 and 2012, measures the effectiveness of management’s efforts to invest available funds into the most profitable interest-earning vehicles. This measure was consistent with the prior year as the overwhelming majority of the decline in total assets in 2013 was in interest-earning assets. Funding for Regions’ interest-earning assets comes from interest-bearing and non-interest-bearing sources. Another significant factor affecting the net interest margin is the percentage of interest-earning assets funded by interest-bearing liabilities. The percentage of average interest-earning assets funded by average interest-bearing liabilities was 68 percent in 2013 and 69 percent in 2012.

Table 4 “Volume and Yield/Rate Variances from Continuing Operations” provides additional information with which to analyze the changes in net interest income.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to maintain the allowance for loan losses at a level that in management’s judgment is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. During 2013, the provision for loan losses totaled $138 million and net charge-offs were $716 million. This compares to a provision for loan losses of $213 million and net charge-offs of $1.0 billion in 2012. Net charge-offs were lower across most major loan categories when comparing 2013 to the prior year, except for residential first mortgage loans which included $151 million of charge-offs related to the transfer of primarily accruing restructured residential mortgages to held for sale status near the end of 2013. Approximately $76 million of these mortgage related charge-offs were previously provided for in the allowance for loan and lease losses. See the "Loans Held For Sale" section for more information. Net charge-offs exceeded provision for loan losses for 2013 primarily due to the continued improving credit metrics, including lower levels of non-accrual loans and criticized and classified loans, as well as problem loan resolutions, and a continuing mix shift in loans out of higher risk investor real estate and into less risky commercial and industrial loans.

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

NON-INTEREST INCOME

Non-interest income from continuing operations represents fees and income derived from sources other than interest-earning assets. Table 5 “Non-Interest Income from Continuing Operations” provides a detail of the components of non-interest income from continuing operations. Non-interest income decreased $81 million to $2.0 billion in 2013 compared to 2012. The decrease is primarily due to a decrease in mortgage income, offset by gain on sale of other assets and leveraged lease termination gains.

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Table 5—Non-Interest Income from Continuing Operations

	Year Ended December 31		
	2013	2012	2011
	(In millions)		
Service charges on deposit accounts	$978	$985	$1,168
Mortgage income	236	363	220
Investment management and trust fee income	196	195	199
Insurance commissions and fees	114	109	106
Capital markets fee income and other	87	83	36
Bank-owned life insurance	82	81	83
Credit card/bank card income	75	85	65
Commercial credit fee income	65	68	80
Leveraged lease termination gains, net	39	14	8
Investment services fee income	34	27	28
Securities gains, net	26	48	112
Gain on sale of other assets	24	—	—
Net loss from affordable housing	(49)	(49)	(69)
Other miscellaneous income	112	91	107
	$2,019	$2,100	$2,143

Service Charges on Deposit Accounts

Service charges on deposit accounts include non-sufficient fund fees, debit and interchange income, ATM fees and other service charges. Income from service charges on deposit accounts decreased $7 million or 1 percent in 2013 and totaled $978 million and $985 million in 2013 and 2012, respectively. The overall decline in 2013 compared to 2012 was primarily driven by policy changes negatively impacting non-sufficient fund fees as well as customer behavior changes and sensitivities to paying fees. These factors were partially offset by income from higher debit transactions resulting from account growth and continued migration from paper to electronic transactions.

Mortgage Income

Mortgage income is generated through the origination and servicing of mortgage loans for long-term investors and sales of mortgage loans in the secondary market. Mortgage income decreased $127 million or 35 percent to $236 million in 2013. The decrease was driven by lower mortgage production and the Company's decision to begin retaining 10 and 15-year residential first mortgage originations on its balance sheet beginning in the fourth quarter of 2012 as opposed to selling these originations in the secondary market. Mortgage loan production of $6.6 billion fell 18 percent from 2012 levels as consumer demand for mortgage loans slowed due to rising interest rates. An increase in the cost of hedging mortgage servicing rights also contributed to the decline in mortgage income.

At December 31, 2013, $28.5 billion of the mortgage servicing portfolio was serviced for third parties. At December 31, 2012, $26.2 billion of Regions’ servicing portfolio was serviced for third parties.

Credit Card/Bank Card Income

Credit card/bank card income decreased $10 million or 12 percent in 2013 as compared to 2012. Credit card income is derived from activity related to the Regions-branded credit card portfolio purchased from FIA Card Services in the second quarter of 2011 and subsequent originations. Bank card income relates to commercial purchasing cards. In the third quarter of 2012, the Company began recording credit card relationship reward costs as a reduction of credit card revenue, which resulted in the decrease period over period.

Leveraged Lease Termination Gains, Net

Regions terminated certain leveraged leases in 2013 and 2012 resulting in net gains of $39 million and $14 million, respectively. These termination gains were largely offset by increases in income tax expense.

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Securities Gains, Net

Regions reported net gains of $26 million from the sale of securities available for sale in 2013, as compared to net gains of $48 million in 2012. Lower security gains during 2013 were due to lower volumes of securities sales resulting from the Company’s asset/liability management process. Refer to the “Securities” section in the “Balance Sheet Analysis” for further discussion.

Gain on Sale of Other Assets

During the third quarter of 2013, the Company divested a non-core portion of a Wealth Management business which resulted in a pre-tax gain of $24 million.

Other Miscellaneous Income

Other miscellaneous income increased $21 million for 2013 as compared to 2012. This item includes fees from safe deposit boxes, check fees and income from assets held for employee benefit purposes.

NON-INTEREST EXPENSE

The following section contains a discussion of non-interest expense from continuing operations. The largest components of non-interest expense are salaries and employee benefits, net occupancy expense and furniture and equipment expense. Non-interest expense in 2013 increased $30 million from 2012. Non-interest expense in 2013 included a $58 million regulatory charge and $5 million of branch consolidation and property and equipment charges. Non-interest expense in 2012 included $42 million in REIT investment early termination costs. The increase in non-interest expense in 2013 included increases of $55 million in salaries and benefits, $50 million in loss on early extinguishment of debt and $24 million in outside services. These increases were offset by decreases of $55 million in amortization of core deposit intangible, $37 million in deposit administrative fees, and $36 million in other real estate owned expense. Table 6 “Non-Interest Expense from Continuing Operations” presents total non-interest expense for the years ended December 31:

Table 6—Non-Interest Expense from Continuing Operations

	2013	2012	2011
	(In millions)		
Salaries and employee benefits	$1,818	$1,763	$1,604
Net occupancy expense	365	382	388
Furniture and equipment expense	280	261	275
Professional and legal expenses	132	114	175
Deposit administrative fee	125	162	217
Outside services	106	82	62
Marketing	98	87	62
Loss on early extinguishment of debt	61	11	—
Regulatory charge	58	—	—
Credit/checkcard expenses	41	64	50
Amortization of core deposit intangible	28	83	95
Other real estate owned expense	16	52	162
Branch consolidation and property and equipment charges	5	—	75
REIT investment early termination costs	—	42	—
Goodwill impairment expense	—	—	253
Provision (credit) for unfunded credit losses	(5)	5	7
(Gain)/loss on loans held for sale, net	(30)	(61)	1
Other miscellaneous expenses	458	479	436

	$3,556	$3,526	$3,862

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Salaries and Employee Benefits

Salaries and employee benefits increased $55 million or 3 percent during 2013 as compared to 2012. The increase is primarily due to additional staffing in income producing areas, compliance and risk management during 2013 as well as incentive increases and annual merit increases, partially offset by decreased pension costs. Headcount increased from 23,427 at December 31, 2012 to 24,255 at December 31, 2013.

Net Occupancy Expense

Net occupancy expense includes rent, depreciation and amortization, utilities, maintenance, insurance, taxes, and other expenses of premises occupied by Regions and its affiliates. Net occupancy expense decreased $17 million or 4 percent in 2013, primarily due to lease downsizing efforts and favorable negotiation of vendor service contracts.

Furniture and Equipment Expense

Furniture and equipment expense increased by $19 million or 7 percent in 2013 primarily driven by higher depreciation due to system upgrades implemented during 2013.

Professional and Legal Expenses

Professional and legal expenses increased $18 million or 16 percent during 2013 as compared to 2012. The increase was primarily due to increased legal matters and related fees, as well as increased consulting charges attributable to regulatory and compliance projects.

Deposit Administrative Fee

Deposit administrative fees decreased $37 million or 23 percent during 2013 when compared to 2012. The decrease is related to lower asset balances, improved performance metrics and a reduction in higher risk loans, all of which impact the fee calculation.

Outside Services

Outside services increased $24 million or 29 percent during 2013 when compared to 2012. The increase was primarily due to expenses incurred related to assuming the servicing of the credit card portfolio during the third quarter of 2012, as well as fees related to an increase in the routine purchases of indirect loans from a third party.

Loss on Early Extinguishment of Debt

During 2013, the Company incurred $61 million in losses related to the early extinguishment of certain other long-term debt, the tender or redemption of certain senior debt securities and preferred stock, as well as the redemption of selected trust preferred securities. Approximately $29 million of the $61 million in losses are non-deductible for income tax purposes. The Company recognized an $11 million loss in 2012 related to the early redemption of trust preferred securities.

Regulatory Charge

Regions recorded a non-tax deductible charge of $58 million during the fourth quarter of 2013 related to previously disclosed inquiries from government authorities concerning matters from 2009. The Company is in discussions with banking supervisors to resolve their inquiries on these matters.

Credit/Checkcard Expenses

Credit/checkcard expenses decreased $23 million or 36 percent in 2013 when compared to 2012. In the third quarter of 2012, the Company began recording credit card relationship reward costs as a reduction of credit card revenue.

Amortization of Core Deposit Intangible

Amortization of core deposit intangible decreased $55 million or 66 percent for 2013 when compared to 2012. Regions' annual 2012 impairment test reflected an increase in the estimated life of Regions' core deposit intangibles, which resulted in a decrease in amortization beginning in 2013.

Other Real Estate Owned Expense

Other real estate owned ("OREO") expense includes the cost of adjusting foreclosed properties to estimated fair value after these assets have been classified as OREO, net gains and losses on sales of properties, and other costs to maintain the property such as property taxes, security, and grounds maintenance. OREO expense decreased $36 million or 69 percent during 2013 as compared to 2012. The decline in expense was due to lower OREO balances and stabilizing real estate values. See the "Foreclosed Properties" section for additional information.

Branch Consolidation and Property and Equipment Charges

Non-interest expense in 2013 included $5 million of branch consolidation charges related to lower of cost or market adjustments on owned branch property. The charges were driven by Regions' decision to consolidate 30 branches.

REIT Investment Early Termination Costs

On November 30, 2012, Regions entered into an agreement with a third party investor in Regions Asset Management Company, Inc., a real estate investment trust, pursuant to which the investment was fully redeemed. As a result, Regions incurred early termination costs of approximately $42 million.

(Gain)/Loss on Loans Held for Sale, Net

The Company recorded $31 million less in gains on loans held for sale for 2013 when compared to 2012. The decreased gains were due to lower balances of non-performing loans held for sale. See Table 20 "Non-Performing Loans Held For Sale" for an analysis.

Other Miscellaneous Expenses

Other miscellaneous expenses decreased $21 million for 2013 as compared to 2012. This item includes expenses for communications, postage, supplies and business development services.

INCOME TAXES

The Company’s income tax expense from continuing operations for 2013 was $452 million compared to an income tax expense of $482 million for the same period in 2012, resulting in effective tax rates of 28.5 percent and 29.0 percent, respectively.

The Company’s effective tax rate is affected by recurring items such as affordable housing tax credits, bank-owned life insurance and tax-exempt income, which are expected to be generally consistent in the near term. The effective tax rate is also affected by items that may occur in any given period but are not consistent from period to period, such as the termination of certain leveraged leases. Accordingly, future period effective tax rates may not be comparable to the current period.

At December 31, 2013, the Company reported a net deferred tax asset of $612 million, compared to $763 million at December 31, 2012. The decrease in the net deferred tax asset was primarily due to the continued reduction in the allowance for loan losses, the utilization of tax credit carryforwards and an increase in the deferred tax liability associated with lease financing, which were partially offset by an increase in the deferred tax asset for the unrealized losses on securities available for sale.

The Company continually assesses the realizability of its deferred tax assets based on an evaluative process that considers all available positive and negative evidence. As part of this evaluative process, the Company considers the following sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income exclusive of reversing temporary differences and carryforwards; 3) taxable income in prior carryback years; and 4) tax-planning strategies. In making a conclusion, the Company has evaluated all available positive and negative evidence impacting these sources of taxable income. The primary sources of evidence impacting the Company's judgment regarding the realization of its deferred tax assets are summarized below.

- History of earnings—In 2013, the Company has continued its positive earnings trend with positive earnings in 2013, 2012 and 2011 (excluding the impact of goodwill impairment in 2011), and is no longer in a three year cumulative loss position. The Company has utilized all federal net operating losses and in 2013, continued utilization of federal tax credit carryforwards. There is no history of significant tax carryforwards expiring unused.
- Reversals of taxable temporary differences—The Company anticipates that future reversals of taxable temporary differences, including the accretion of taxable temporary differences related to leveraged leases acquired in a prior business combination, can absorb up to approximately $752 million of deferred tax assets.

- Creation of future taxable income—The Company has projected future taxable income that will be sufficient to absorb the remaining deferred tax assets after the reversal of future taxable temporary differences.
- Ability to implement tax-planning strategies—The Company has the ability to implement tax planning strategies such as asset sales to maximize the realization of deferred tax assets.

Based on this evaluative process, the Company has established a valuation allowance in the amount of $36 million at December 31, 2013 and $70 million at December 31, 2012 because the Company believes that a portion of the state net operating loss carryforwards and state tax credit carryforwards will not be utilized. The decrease of $34 million is principally due to the Company's determination that certain state net operating loss carryforwards are more likely than not to be realized.

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The Company has determined there will not be a material impact on consolidated results of operations, cash flows or financial position resulting from the final regulations issued by the Internal Revenue Service regarding the deduction and capitalization of expenditures related to tangible property, which generally become effective in 2014.
See Note 1 “Summary of Significant Accounting Policies” and Note 19 “Income Taxes” to the consolidated financial statements for additional information about income taxes.

DISCONTINUED OPERATIONS

Morgan Keegan was sold on April 2, 2012. Regions' results from discontinued operations in 2013 was a loss of $13 million, compared to a loss of $59 million in 2012. For the year ended December 31, 2013, Regions reported a loss from discontinued operations of $(0.01) per diluted common share, compared to a loss from discontinued operations of $(0.04) per diluted common share for the year ended December 31, 2012. During 2013 and 2012, the loss from discontinued operations was primarily due to higher professional and legal expenses.

BALANCE SHEET ANALYSIS

At December 31, 2013, Regions reported total assets of $117.4 billion compared to $121.3 billion at the end of 2012, a decrease of approximately $4.0 billion or 3 percent. The decrease in total assets from year-end 2012 resulted primarily from a decrease in investment securities, as well as a decrease in other assets. Total investment securities declined approximately $3.4 billion, primarily related to management's strategic decision to reduce the size of the investment portfolio in the second quarter of 2013. Other assets declined between years primarily due to decreases in derivative assets, deferred income tax assets and prepaid expense balances.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks (including the Federal Reserve Bank), and Federal funds sold and securities purchased under agreements to resell (which have a life of 90 days or less). At December 31, 2013, these assets totaled $5.3 billion as compared to $5.5 billion at December 31, 2012. The year-over-year decrease was driven by a decrease in cash and due from banks.

Trading Account Securities

Trading account securities decreased approximately $5 million to $111 million at December 31, 2013. The trading account securities are primarily securities held in rabbi trusts related to deferred compensation plans. Trading account securities are carried at fair value with changes in fair value reflected in the consolidated statements of operations.

Securities

Regions utilizes the securities portfolio to manage liquidity, interest rate risk, and regulatory capital, as well as to take advantage of market conditions to generate a favorable return on investments without undue risk.
The “Market Risk-Interest Rate Risk” section, found later in this report, further explains Regions’ interest rate risk management practices. The weighted-average yield earned on securities, less equities, was 2.65 percent in 2013 and 2.57 percent in 2012. Table 7 “Securities” details the carrying values of securities, including both available for sale and held to maturity.

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Table 7—Securities

	2013	2012	2011
	(In millions)		
U.S. Treasury securities	$57	$54	$102
Federal agency securities	425	555	150
Obligations of states and political subdivisions	5	9	36
Mortgage-backed securities:			
Residential agency	17,474	21,283	22,184
Residential non-agency	9	13	16
Commercial agency	1,154	725	326
Commercial non-agency	1,211	1,098	321
Corporate and other debt securities	2,827	2,835	537
Equity securities	676	682	815
	$23,838	$27,254	$24,487

Securities totaled $23.8 billion at December 31, 2013, a decrease of $3.4 billion from year-end 2012 levels. Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities. Throughout the recent economic cycle, financial institutions, including Regions, increased the size of their securities portfolio to offset the lack of loan growth in order to maintain an appropriate level of earning assets. However, Regions experienced $614 million in loan growth during 2013. This loan growth, combined with an outlook for continued moderate improvement in the economy and an eventual reduction in securities purchases by the Federal Reserve, led management to reduce the size of the investment portfolio during the second quarter of 2013. Total securities comprised approximately 23 percent and 25 percent of earning assets as of December 31, 2013 and 2012, respectively. Additionally, approximately $2.4 billion in available for sale securities were transferred to held to maturity during the second quarter of 2013. These combined actions should allow Regions to continue to optimize its asset/liability profile while reducing future volatility related to other comprehensive income and the related impacts to tangible common equity.

Net unrealized gains and losses in the securities available for sale portfolio are included in stockholders' equity as accumulated other comprehensive income or loss, net of tax. At December 31, 2013, securities available for sale included a net unrealized loss of $34 million, which represented the difference between the estimated fair value of these securities as of year-end and their amortized cost. The net unrealized loss represents $257 million in gross unrealized gains and $291 million in gross unrealized losses. Additionally, accumulated other comprehensive income included net pre-tax unrealized losses of $111 million related to the securities transferred to held to maturity at the date of the transfer. As of December 31, 2013, approximately $104 million of this pre-tax unrealized loss remains. At December 31, 2012, securities available for sale included a net unrealized gain of $701 million, comprised of $729 million in gross unrealized gains and $28 million in gross unrealized losses.

The Company reviews its securities portfolio on a regular basis to determine if there are any conditions indicating that a security has other-than-temporary impairment. Factors considered in this determination include the length of time and the extent to which the market value has been below cost, the credit standing of the issuer, Regions' intent to sell and whether it is more likely than not that the Company will be required to sell the security.

Maturity Analysis—The average life of the securities portfolio (excluding equities) at December 31, 2013 was estimated to be 4.9 years, with a duration of approximately 3.9 years. These metrics compare with an estimated average life of 3.9 years, with a duration of approximately 2.7 years for the portfolio at December 31, 2012. Table 8 "Relative Contractual Maturities and Weighted-Average Yields for Securities" provides additional details.

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

	Securities Maturing as of December 31, 2013				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
	(Dollars in millions)				
Securities[1]:					
U.S. Treasury securities	$10	$41	$5	$1	$57
Federal agency securities	3	20	402	—	425
Obligations of states and political subdivisions	1	2	—	2	5
Mortgage-backed securities:					
Residential agency	2	202	1,240	16,030	17,474
Residential non-agency	—	—	—	9	9
Commercial agency	—	321	580	253	1,154
Commercial non-agency	—	180	276	755	1,211
Corporate and other debt securities	37	1,032	1,398	360	2,827
	$53	$1,798	$3,901	$17,410	$23,162
Weighted-average yield[2]	3.03 %	2.22 %	2.55 %	2.71 %	2.65 %

(1) Federal Reserve Bank stock, Federal Home Loan Bank stock, and equity stock of other corporations held by Regions are not included in the table.

(2) The weighted-average yields are calculated on the basis of the yield to maturity based on the book value of each security. Weighted-average yields on tax-exempt obligations have been computed on a taxable-equivalent basis using a tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit. Average tax-exempt securities were maintained at such a small balance in 2013 that the taxable-equivalent adjustments for the calculation of yields amounted to zero for the year ended December 31, 2013. Yields on tax-exempt obligations have not been adjusted for the non-deductible portion of interest expense used to finance the purchase of tax-exempt obligations.

Portfolio Quality—Regions' investment policy emphasizes credit quality and liquidity. Securities rated in the highest category by nationally recognized rating agencies and securities backed by the U.S. Government and government sponsored agencies, both on a direct and indirect basis, represented approximately 87 percent of the investment portfolio at December 31, 2013. All other securities rated below AAA, not backed by the U.S. Government or government sponsored agencies, or which are not rated represented approximately 13 percent of total securities at year-end 2013.

Loans Held For Sale

During the fourth quarter of 2013, Regions transferred certain primarily accruing residential first mortgage loans classified as troubled debt restructurings ("TDRs") to loans held for sale. The book value of these loans was approximately $686 million and they were transferred into loans held for sale at the estimated fair value of $535 million with the $151 million difference reflected as a charge-off. Approximately $76 million of the charge-off was previously recorded in the allowance for loan and lease losses. The estimate of fair value includes the perspective of a market participant, considering among other things, required investor returns which include liquidity discounts that are precluded from inclusion in the allowance for loan and lease losses.

At December 31, 2013, loans held for sale totaled $1.1 billion, consisting primarily of $963 million of residential real estate mortgage loans, including the recently transferred restructured loans, and $82 million of non-performing investor real estate loans. At December 31, 2012, loans held for sale totaled $1.4 billion, consisting primarily of $1.3 billion of residential real estate mortgage loans and $89 million of non-performing investor real estate loans. The level of residential real estate mortgage loans held for sale fluctuates depending on the timing of origination and sale to third parties.

Loans

GENERAL

Average loans, net of unearned income, represented 72 percent of average interest-earning assets for the year ended December 31, 2013, compared to 71 percent for the year ended December 31, 2012. Lending at Regions is generally organized along three portfolio segments: commercial loans (including commercial and industrial, and owner-occupied commercial real estate mortgage

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and construction loans), investor real estate loans (commercial real estate mortgage and construction loans) and consumer loans (residential first mortgage, home equity, indirect, consumer credit card and other consumer loans). Regions manages loan growth with a focus on risk management and risk-adjusted return on capital. Strategic decisions to grow the commercial and industrial portfolios through the company's specialized lending groups and the indirect automobile lending portfolios were the primary contributors to the increase in loans in 2013. The increase was partially offset by continued decreases in commercial investor real estate mortgage, the transfer of residential mortgage TDRs to held for sale, and the lower demand for home equity products.

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

Table 9—Loan Portfolio

	2013	2012	2011	2010	2009
	(In millions, net of unearned income)				
Commercial and industrial	$29,413	$26,674	$24,522	$22,540	$21,547
Commercial real estate mortgage—owner-occupied	9,495	10,095	11,166	12,046	12,054
Commercial real estate construction—owner-occupied	310	302	337	470	751
Total commercial	39,218	37,071	36,025	35,056	34,352
Commercial investor real estate mortgage	5,318	6,808	9,702	13,621	16,109
Commercial investor real estate construction	1,432	914	1,025	2,287	5,591
Total investor real estate	6,750	7,722	10,727	15,908	21,700
Residential first mortgage	12,163	12,963	13,784	14,898	15,632
Home equity	11,294	11,800	13,021	14,226	15,381
Indirect	3,075	2,336	1,848	1,592	2,452
Consumer credit card	948	906	987	—	—
Other consumer	1,161	1,197	1,202	1,184	1,157
Total consumer	28,641	29,202	30,842	31,900	34,622
	$74,609	$73,995	$77,594	$82,864	$90,674

Table 10—Selected Loan Maturities

	Loans Maturing as of December 31, 2013 [(2)]			
	Within One Year	After One But Within Five Years	After Five Years	Total
	(In millions)			
Commercial and industrial [(1)]	$4,424	$18,670	$6,193	$29,287
Commercial real estate mortgage—owner-occupied	1,198	4,799	3,498	9,495
Commercial real estate construction—owner occupied	26	127	157	310
Total commercial	5,648	23,596	9,848	39,092
Commercial investor real estate mortgage	2,036	2,776	506	5,318
Commercial investor real estate construction	493	906	33	1,432
Total investor real estate	2,529	3,682	539	6,750
	$8,177	$27,278	$10,387	$45,842

	Predetermined Rate	Variable Rate
	(In millions)	
Due after one year but within five years	$5,364	$21,915
Due after five years	6,204	4,182
	$11,568	$26,097

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(1) Excludes $126 million of small business credit card accounts.
(2) Excludes residential first mortgage, home equity, indirect, consumer credit card and other consumer loans.

PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes in Table 9 and explain variations in balances from the 2012 year-end. See Note 5 “Loans” and Note 6 “Allowance for Credit Losses” to the consolidated financial statements for additional discussion.

Regions has a diversified loan portfolio, in terms of product type, collateral and geography. At December 31, 2013, commercial loans represented 53 percent of total loans, net of unearned income, investor real estate loans represented 9 percent, residential first mortgage loans totaled 16 percent, home equity lending totaled 15 percent, and other consumer loans comprised the remaining 7 percent. Following is a discussion of risk characteristics of each loan type.

Loans, net of unearned income, totaled $74.6 billion at December 31, 2013, an increase of $614 million from year-end 2012 levels. Continued growth in commercial and industrial, and indirect auto loan portfolios, along with increased commercial investor real estate construction loans, more than offset declines in investor real estate mortgage, commercial real estate mortgage, residential first mortgage and home equity lending during 2013.

Commercial—The commercial portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases and other expansion projects. Commercial and industrial loans increased $2.7 billion or 10% since year-end 2012 due to Regions’ integrated approach to specialized lending. Commercial also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. These loans declined $600 million or 6% from year-end 2012 as a result of continued customer deleveraging. Owner-occupied construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower. During 2013, total commercial loan balances increased approximately $2.1 billion, or 6%.

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 is comprised of loans secured by residential product types (land, single-family and condominium loans) within Regions’ markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. The investor real estate loan segment declined $972 million from 2012 year-end balances primarily due to continued payoffs and pay downs.

Residential First Mortgage—Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. These loans experienced an $800 million or 6% decline from year-end 2012, primarily due to customers continuing to pay down real estate debt and the transfer of $686 million of primarily accruing residential first mortgages classified as TDRs to loans held for sale late in 2013. At the end of 2012, Regions began retaining 10 and 15 year fixed-rate mortgage production on the balance sheet which has slowed the pace of decline. Approximately $664 million of these 10 and 15-year fixed rate loans were retained on the balance sheet during 2013.

Home Equity—Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower’s residence, allows customers to borrow against the equity in their home. Substantially all of this portfolio was originated through Regions’ branch network. During 2013, home equity balances decreased $506 million to $11.3 billion, driven by continued consumer deleveraging and refinancing.

Indirect—Indirect lending, which is lending initiated through third-party business partners, is largely comprised of loans made through automotive dealerships. This portfolio class increased $739 million from year-end 2012, reflecting

continued growth from increased penetration of existing dealers and the expansion of the dealer network. Regions currently has 2,140 dealers in its network compared to just over 1,900 as of December 31, 2012.
Consumer Credit Card—During the second quarter of 2011, Regions completed the purchase of approximately $1.0 billion of existing Regions-branded consumer credit card accounts from FIA Card Services. The products are primarily open-ended variable interest rate consumer credit card loans. In the third quarter of 2012, Regions assumed the servicing of these loans from FIA Card Services. Consumer credit card balances increased $42 million to $948 million during 2013.

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Other Consumer—Other consumer loans include direct consumer installment loans, overdrafts and other revolving loans. Other consumer loans totaled $1.2 billion at December 31, 2013, relatively unchanged from prior year end.

CREDIT QUALITY

Regions believes that its loan portfolio is well diversified by product, client, and geography throughout its footprint. However, the loan portfolio may be exposed to certain concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country.

Commercial

The commercial portfolio segment has generated the majority of the Company's loan growth in 2013, particularly commercial and industrial loans. The commercial portfolio segment made up approximately 53 percent of total loans at December 31, 2013, compared to 50 percent at December 31, 2012. The following table provides detail of Regions' commercial lending balances in selected industries as of December 31:

Table 11—Selected Industry Balances

	2013 Loans	% of Total		2012 Loans	% of Total	
	(Dollars in millions)					
Real estate	$4,992	12.7	%	$4,388	11.8	%
Healthcare	4,805	12.3		4,545	12.3	
Manufacturing	3,831	9.8		3,838	10.4	
Financial services	3,265	8.3		3,061	8.2	
Wholesale goods	3,026	7.7		2,998	8.1	
Energy and utilities	2,891	7.4		2,659	7.2	
Religious, leisure, personal and non-profit services	2,352	6.0		2,417	6.5	
Retail trade	2,286	5.8		2,048	5.5	
Transportation and warehousing	2,220	5.7		2,225	6.0	
Restaurant, accommodation and lodging	1,959	5.0		1,857	5.0	
Educational services	1,579	4.0		1,503	4.0	
Professional, scientific and technical services	1,449	3.7		1,398	3.8	
Government and public sector	1,437	3.7		1,147	3.1	
Administrative, support, waste and repair	1,192	3.0		1,401	3.8	
Agriculture	859	2.2		778	2.1	
Information	747	1.9		523	1.4	
Other	328	0.8		285	0.8	
	$39,218	100.0	%	$37,071	100.0	%

Investor Real Estate

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

The Company has made considerable efforts to de-risk its balance sheet. A primary focus has been reducing the Company's exposure in the investor real estate portfolio. Total investor real estate loans represented approximately 24 percent of total loans at December 31, 2008, and has been actively managed down to approximately 9 percent of total loans at December 31, 2013.

Home Equity

Total home equity lending represented approximately 15 percent or $11.3 billion of total loans at December 31, 2013 and 16 percent or $11.8 billion at December 31, 2012. Losses in this portfolio generally track overall economic conditions. The main source of economic stress has been in Florida, where residential property values have declined significantly while unemployment

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rates remain high. Losses in Florida where Regions is in a second lien position are higher than first lien losses. Substantially all of this portfolio was originated through Regions' branch network.
The following tables provide details related to the home equity portfolio as of and for the years ended December 31:
Table 12—Selected Home Equity Portfolio Information

	2013								
	Florida			All Other States			Total		
	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total
	(Dollars in millions)								
Balance	$1,849	$2,133	$3,982	$4,149	$3,163	$7,312	$5,998	$5,296	$11,294
Net charge-offs	18	57	75	17	32	49	35	89	124
Net charge-off %(1)	0.95 %	2.51 %	1.81 %	0.43 %	0.95 %	0.67 %	0.60 %	1.57 %	1.08 %

	2012								
	Florida			All Other States			Total		
	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total
	(Dollars in millions)								
Balance	$1,870	$2,433	$4,303	$3,752	$3,745	$7,497	$5,622	$6,178	$11,800
Net charge-offs	33	113	146	29	59	88	62	172	234
Net charge-off %(1)	1.71 %	4.38 %	3.25 %	0.77 %	1.45 %	1.12 %	1.08 %	2.60 %	1.90 %

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(1) Net charge-off percentages are calculated as a percent of average balances.

Net charge-offs were 1.08 percent of home equity loans in 2013 compared to 1.90 percent in 2012. Losses in Florida-based credits remained at elevated levels, but the related net charge-off percentage decreased significantly to 1.81 percent in 2013 from 3.25 percent in 2012. Improving underwriting standards and stabilizing home values in Florida are contributing to this improvement.

Of the $11.3 billion home equity portfolio at December 31, 2013, approximately $9.2 billion were home equity lines of credit and $2.1 billion were closed-end home equity loans (primarily originated as amortizing loans). Beginning in May 2009, new home equity lines of credit have a 10-year draw period and a 10-year repayment period. Previously, home equity lines of credit had a 20-year term with a balloon payment upon maturity or a 5-year draw period with a balloon payment upon maturity. The term "balloon payment" means there are no principal payments required until the balloon payment is due for interest-only lines of credit. As of December 31, 2013, none of Regions' home equity lines of credit have converted to mandatory amortization under the contractual terms. The majority of home equity lines of credit will either mature with a balloon payment or convert to amortizing status after fiscal year 2020.

Of the $9.2 billion of home equity lines of credit at December 31, 2013, approximately 91 percent require monthly interest-only payments while the remaining approximately 9 percent require a payment equal to 1.5 percent of the outstanding balance, which would include some principal repayment. At December 31, 2013, approximately 30 percent of borrowers were only paying the minimum amount due on their home equity line. In addition, approximately 57 percent of home equity lines of credit balances have the option to amortize either all or a portion of their balance. At December 31, 2013, approximately $295 million of home equity line of credit balances have elected this option.

Regions is unable to track payment status on first liens held by another institution, including payment status related to loan modifications. When Regions' second lien position becomes delinquent, an attempt is made to contact the first lien holder and inquire as to the payment status of the first lien. However, Regions does not continuously monitor the payment status of the first lien position. Short sale offers and settlement agreements are often received by the home equity junior lien holders well before the loan balance reaches the delinquency threshold for charge-off consideration, potentially resulting in a full balance payoff/charge-off. Regions is presently monitoring the status of all first lien position loans that the Company owns or services and has a second lien, and is taking appropriate action when delinquent. Regions services the first lien on approximately 23 percent of the entire second lien home equity portfolio as of December 31, 2013. During 2012, Regions evaluated a means to monitor non-Regions-serviced first liens using a third-party service provider. While the data was not conclusive, there was no reason to believe that the results related to the non-Regions-serviced first liens would be significantly different than that of the portfolio which Regions services.

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Other Consumer Credit Quality Data

The Company calculates an estimate of the current value of property secured as collateral for both home equity and residential first mortgage lending products (“current LTV”). The estimate is based on home price indices compiled by a third party. The third party data indicates trends for Metropolitan Statistical Areas (“MSAs”). Regions uses the third party valuation trends from the MSAs in the Company's footprint in its estimate. The trend data is applied to the loan portfolios taking into account the age of the most recent valuation and geographic area.

The following table presents current LTV data for components of the residential first mortgage and home equity classes of the consumer portfolio segment. Current LTV data for the remaining loans in the portfolio is not available, primarily because some of the loans are serviced by others. Data may also not be available due to mergers and systems integrations. The amounts in the table represent the entire loan balance. For purposes of the table below, if the loan balance exceeds the current estimated collateral, the entire balance is included in the “Above 100%” category, regardless of the amount of collateral available to partially offset the shortfall. The balances in the "Above 100%" category as a percentage of the portfolio balances decreased in the residential first mortgage portfolio from 13 percent to 6 percent, while home equity declined from 17 percent to 13 percent, as of December 31, 2013.

Table 13—Estimated Current Loan to Value Ranges

	December 31, 2013			December 31, 2012		
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien	Residential First Mortgage	Home Equity 1st Lien	2nd Lien
	(In millions)					
Estimated current loan to value:						
Above 100%	$733	$416	$1,034	$1,662	$538	$1,450
80% - 100%	2,050	737	1,294	2,610	766	1,468
Below 80%	8,899	4,646	2,501	8,248	4,082	2,595
Data not available	481	199	467	443	236	665
	$12,163	$5,998	$5,296	$12,963	$5,622	$6,178

Regions qualitatively considers factors such as periodic updates of FICO scores, unemployment, home prices, and geography as credit quality indicators for consumer loans. FICO scores are obtained at origination as part of Regions' formal underwriting process. Refreshed FICO scores are obtained by the Company quarterly for all revolving accounts and home equity lines of credit and semi-annually for all other consumer loans. Regions considers FICO scores less than 620 to be indicative of higher credit risk and obtains additional collateral in most of these instances.

The following table presents estimated current FICO score data for components of classes of the consumer portfolio segment. Current FICO data is not available for the remaining loans in the portfolio for various reasons; for example, if customers do not use sufficient credit, an updated score may not be available. Residential first mortgage and home equity balances with FICO scores below 620 declined to 7 percent of the combined portfolios for December 31, 2013, down 1 percent from December 31, 2012.

Table 14—Estimated Current FICO Score Ranges

	December 31, 2013					
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien	Indirect	Consumer Credit Card	Other Consumer
	(In millions)					
Below 620	$886	$324	$322	$312	$38	$87
620 - 680	1,022	533	527	470	130	142
681 - 720	1,341	725	672	511	216	177

Above 720	8,091	4,052	3,491	1,599	563	425
Data not available	823	364	284	183	1	330
	$12,163	$5,998	$5,296	$3,075	$948	$1,161

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	December 31, 2012					
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien	Indirect	Consumer Credit Card	Other Consumer
	(In millions)					
Below 620	$1,212	$370	$419	$218	$57	$97
620 - 680	1,259	536	589	352	135	134
681 - 720	1,435	675	772	354	211	160
Above 720	8,214	3,508	4,053	1,085	494	383
Data not available	843	533	345	327	9	423
	$12,963	$5,622	$6,178	$2,336	$906	$1,197

Allowance for Credit Losses

The allowance for credit losses ("allowance") consists of two components: the allowance for loan and lease losses and the reserve for unfunded credit commitments. The allowance represents management’s estimate of probable credit losses inherent in the loan and credit commitment portfolios as of period end. Regions determines its allowance in accordance with applicable accounting literature as well as regulatory guidance related to receivables and contingencies. Binding unfunded credit commitments include items such as letters of credit, financial guarantees and binding unfunded loan commitments. Additional discussion of the methodology used to calculate the allowance is included in Note 6 “Allowance for Credit Losses” to the consolidated financial statements, as well as related discussion in Management’s Discussion and Analysis.

The allowance for loan losses totaled $1.3 billion at December 31, 2013 and $1.9 billion at December 31, 2012. The allowance for loan losses as a percentage of net loans was 1.80 percent at December 31, 2013 and 2.59 percent at December 31, 2012. The reserve for unfunded credit commitments was $78 million at December 31, 2013 compared to $83 million at December 31, 2012. Net charge-offs as a percentage of average loans were 0.96 percent and 1.37 percent in 2013 and 2012, respectively. Net charge-offs were lower across most categories, particularly in the case of commercial investor real estate mortgage as a result of the ongoing portfolio de-risking and fundamental improvement in credit performance. Net charge-offs for residential first mortgage included $151 million related to the transfer of primarily accruing loans classified as troubled debt restructurings to held for sale late in 2013. The provision for loan losses totaled $138 million for the year ended December 31, 2013 compared to $213 million for the year ended December 31, 2012. Net charge-offs exceeded the provision for loan losses for 2013, primarily resulting from continued improving credit metrics such as lower levels of non-accrual and criticized and classified loans, as well as, problem loan resolutions and a continuing mix shift in loans out of higher risk investor real estate and into less risky commercial and industrial loans.

Management considers the current level of the allowance appropriate to absorb losses inherent in the loan and credit commitment portfolios. Management’s determination of the appropriateness of the allowance requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance to be increased or decreased in future periods. Management expects the allowance for credit losses to total loans ratio to vary over time due to changes in portfolio balances, economic conditions, loan mix and collateral values, or variations in other factors that may affect inherent losses. In addition, bank regulatory agencies, as part of their examination process, may require changes in the level of the allowance based on their judgments and estimates.

Management expects that net loan charge-offs in 2014 will continue to improve compared to 2013. Economic trends such as real estate valuations, interest rates and unemployment will impact the future levels of net charge-offs and provision and may result in volatility during 2014. Additionally, changes in circumstances related to individually large credits or certain portfolios may result in volatility. Details regarding the allowance and net charge-offs, including an analysis of activity from the previous year’s totals, are included in Table 15 “Allowance for Credit Losses.”

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

Table 15—Allowance for Credit Losses

	2013	2012	2011	2010	2009
	(Dollars in millions)				
Allowance for loan losses at January 1	$1,919	$2,745	$3,185	$3,114	$1,826
Loans charged-off:					
Commercial and industrial	186	203	294	429	384
Commercial real estate mortgage—owner-occupied	125	193	248	225	89
Commercial real estate construction—owner-occupied	1	8	8	25	19
Commercial investor real estate mortgage	69	226	685	879	590
Commercial investor real estate construction	1	46	195	565	488
Residential first mortgage	223	147	220	240	206
Home equity	159	266	353	432	442
Indirect	31	23	23	34	68
Consumer credit card	38	45	13	—	—
Other consumer	65	66	68	83	83
	898	1,223	2,107	2,912	2,369
Recoveries of loans previously charged-off:					
Commercial and industrial	45	61	36	33	28
Commercial real estate mortgage—owner-occupied	25	16	14	11	6
Commercial real estate construction—owner-occupied	3	—	—	1	1
Commercial investor real estate mortgage	35	36	27	14	8
Commercial investor real estate construction	5	9	6	10	4
Residential first mortgage	6	5	3	2	4
Home equity	35	32	25	18	27
Indirect	10	8	10	15	21
Consumer credit card	4	2	—	—	—
Other consumer	14	15	16	16	17
	182	184	137	120	116
Net charge-offs:					
Commercial and industrial	141	142	258	396	356
Commercial real estate mortgage—owner-occupied	100	177	234	214	83
Commercial real estate construction—owner-occupied	(2)	8	8	24	18
Commercial investor real estate mortgage	34	190	658	865	582
Commercial investor real estate construction	(4)	37	189	555	484
Residential first mortgage	217	142	217	238	202
Home equity	124	234	328	414	415
Indirect	21	15	13	19	47
Consumer credit card	34	43	13	—	—
Other consumer	51	51	52	67	66
	716	1,039	1,970	2,792	2,253
Provision for loan losses	138	213	1,530	2,863	3,541
Allowance for loan losses at December 31	$1,341	$1,919	$2,745	$3,185	$3,114
Reserve for unfunded credit commitments at January 1	$83	$78	$71	$74	$74
Provision (credit) for unfunded credit losses	(5)	5	7	(3)	—
Reserve for unfunded credit commitments at December 31	$78	$83	$78	$71	$74
Allowance for credit losses at December 31	$1,419	$2,002	$2,823	$3,256	$3,188
	$74,609	$73,995	$77,594	$82,864	$90,674

Loans, net of unearned income, outstanding at end of period										
Average loans, net of unearned income, outstanding for the period	$74,924		$76,035		$80,673		$86,660		$94,523	
Ratios:										
Allowance for loan losses to loans, net of unearned income	1.80	%	2.59	%	3.54	%	3.84	%	3.43	%
Allowance for loan losses to non-performing loans, excluding loans held for sale	1.24x		1.14x		1.16x		1.01x		0.89x	
Net charge-offs as percentage of:										
Average loans, net of unearned income	0.96	%	1.37	%	2.44	%	3.22	%	2.38	%
Provision for loan losses	518.8	%	487.8	%	128.8	%	97.5	%	63.6	%

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Allocation of the allowance for loan losses by portfolio segment and class is summarized as follows:
Table 16—Allocation of the Allowance for Loan Losses

	2013		2012		2011		2010		2009	
	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category
	(Dollars in millions)									
Commercial and industrial	$427	39.4 %	$497	36.1 %	$586	31.6 %	$641	27.2 %	$638	23.8 %
Commercial real estate mortgage—owner-occupied	271	12.8	342	13.6	427	14.4	395	14.5	328	13.3
Commercial real estate construction—owner-occupied	13	0.4	8	0.4	17	0.4	19	0.6	37	0.8
Total commercial	711	52.6	847	50.1	1,030	46.4	1,055	42.3	1,003	37.9
Commercial investor real estate mortgage	210	7.1	424	9.2	784	12.5	1,030	16.4	929	17.8
Commercial investor real estate construction	26	1.9	45	1.2	207	1.3	340	2.8	536	6.2
Total investor real estate	236	9.0	469	10.4	991	13.8	1,370	19.2	1,465	24.0
Residential first mortgage	119	16.3	254	17.5	282	17.8	295	18.0	213	17.2
Home equity	160	15.1	252	16.0	356	16.8	414	17.2	374	17.0
Indirect	39	4.1	20	3.2	17	2.4	17	1.9	26	2.7
Consumer credit card	43	1.3	45	1.2	37	1.3	—	—	—	—
Other consumer	33	1.6	32	1.6	32	1.5	34	1.4	33	1.2
Total consumer	394	38.4	603	39.5	724	39.8	760	38.5	646	38.1
	$1,341	100.0 %	$1,919	100.0 %	$2,745	100.0 %	$3,185	100.0 %	$3,114	100.0 %

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Residential first mortgage, home equity, consumer credit card, indirect and other consumer TDRs are consumer loans modified under the Customer Assistance Program. Commercial and investor real estate loan modifications are not the result of a formal program, but represent situations where modification was offered as a workout alternative. Renewals of classified commercial and investor real estate loans are considered to be TDRs, even if no reduction in interest rate is offered, because the existing terms are considered to be below market. More detailed information is included in Note 6 "Allowance for Credit Losses" to the consolidated financial statements. The following table summarizes TDRs for the periods ending December 31:

Table 17—Troubled Debt Restructurings

	2013 Loan Balance (In millions)	Allowance for Loan Losses	2012 Loan Balance	Allowance for Loan Losses
Accruing:				
Commercial	$468	$58	$500	$67
Investor real estate	511	46	873	112
Residential first mortgage	307	48	984	131
Home equity	361	23	391	35
Indirect	1	—	—	—
Consumer credit card	2	—	—	—
Other consumer	26	—	41	1
	1,676	175	2,789	346
Non-accrual status or 90 days past due and still accruing:				
Commercial	156	48	291	83
Investor real estate	157	41	251	73
Residential first mortgage	156	24	201	27
Home equity	30	2	37	3
	499	115	780	186
Total TDRs - Loans	$2,175	$290	$3,569	$532
TDRs- Held For Sale	579	—	25	—
Total TDRs	$2,754	$290	$3,594	$532

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Note: All loans listed in the table above are considered impaired under applicable accounting literature. The majority of TDRs held for sale at December 31, 2013 were comprised of residential first mortgage loans transfered during the fourth quarter.

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NON-PERFORMING ASSETS

The following table presents non-performing assets as of December 31:
Table 18—Non-Performing Assets

	2013	2012	2011	2010	2009
	(Dollars in millions)				
Non-performing loans:					
Commercial and industrial	$257	$409	$457	$467	$427
Commercial real estate mortgage—owner-occupied	303	439	590	606	560
Commercial real estate construction—owner-occupied	17	14	25	29	50
Total commercial	577	862	1,072	1,102	1,037
Commercial investor real estate mortgage	238	457	734	1,265	1,203
Commercial investor real estate construction	10	20	180	452	1,067
Total investor real estate	248	477	914	1,717	2,270
Residential first mortgage	146	214	250	285	180
Home equity	111	128	136	56	1
Total consumer	257	342	386	341	181
Total non-performing loans, excluding loans held for sale	1,082	1,681	2,372	3,160	3,488
Non-performing loans held for sale	82	89	328	304	317
Total non-performing loans(1)	1,164	1,770	2,700	3,464	3,805
Foreclosed properties	136	149	296	454	607
Total non-performing assets(1)	$1,300	$1,919	$2,996	$3,918	$4,412
Accruing loans 90 days past due:					
Commercial and industrial	$6	$19	$28	$9	$24
Commercial real estate mortgage—owner-occupied	6	6	9	6	16
Commercial real estate construction—owner-occupied	—	—	—	1	2
Total commercial	12	25	37	16	42
Commercial investor real estate mortgage	6	11	13	5	22
Commercial investor real estate construction	—	—	—	1	8
Total investor real estate	6	11	13	6	30
Residential first mortgage(2)	142	220	270	351	349
Home equity	75	87	93	198	241
Indirect	5	3	2	2	6
Consumer credit card	12	14	14	—	—
Other consumer	4	3	4	4	8
Total consumer	238	327	383	555	604
	$256	$363	$433	$577	$676
Restructured loans not included in the categories above	$1,676	$2,789	$2,850	$1,483	$1,608
Restructured loans held for sale not included in the categories above	$545	$—	$21	$—	$—
Non-performing loans(1) to loans and non-performing loans held for sale	1.56 %	2.39 %	3.47 %	4.17 %	4.18 %
Non-performing assets(1) to loans, foreclosed properties and non-performing loans held for sale	1.74 %	2.59 %	3.83 %	4.69 %	4.82 %

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(1) Excludes accruing loans 90 days past due.

(2) Excludes residential first mortgage loans that are 100% guaranteed by the Federal Housing Administration (FHA) and also those 100% guaranteed by the Government National Mortgage Association (GNMA) where Regions has the right but not the obligation to repurchase. Total 90 days or more past due guaranteed loans excluded were $106 million at December 31, 2013, $87 million at December 31, 2012, $14 million at December 31, 2011, $8 million at December 31, 2010 and $12 million at December 31, 2009.

Non-performing assets totaled $1.3 billion at December 31, 2013, compared to $1.9 billion at December 31, 2012. Foreclosed properties, a subset of non-performing assets, totaled $136 million and $149 million at December 31, 2013 and December 31,

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2012, respectively. The decrease in non-performing assets and foreclosed properties during 2013 reflects the Company's continuing efforts to work through problem assets and reduce the riskiest exposures.

Based on current expectations for the economy, management anticipates non-performing assets to continue to improve in 2014 as compared to 2013. Economic trends such as real estate valuations, interest rates and unemployment, as well as the level of disposition activity, will impact the future level of non-performing assets. Circumstances related to individually large credits could also result in volatility throughout 2014.

Loans past due 90 days or more and still accruing were $256 million at December 31, 2013, a decrease from $363 million at December 31, 2012.

At December 31, 2013, Regions had approximately $150-$250 million of potential problem commercial and investor real estate loans that were not included in non-accrual loans, but for which management had concerns as to the ability of such borrowers to comply with their present loan repayment terms. This is a likely estimate of the amount of commercial and investor real estate loans that may migrate to non-accrual status in the next quarter.

In order to arrive at the estimate of potential problem loans, personnel from geographic regions forecast certain larger dollar loans that may potentially be downgraded to non-accrual at a future time, depending on the occurrence of future events. These personnel consider a variety of factors, including the borrower's capacity and willingness to meet the contractual repayment terms, make principal curtailments or provide additional collateral when necessary, and provide current and complete financial information including global cash flows, contingent liabilities and sources of liquidity. A probability weighting is assigned to the listing of loans due to the inherent level of uncertainty related to potential actions that a borrower or guarantor may take to prevent the loan from reaching problem status. Regions assigns the probability weighting based on an assessment of the likelihood that the necessary actions required to prevent problem loan status will occur. Additionally, for other loans (for example, smaller dollar loans), a factor based on trends and experience is applied to determine the estimate of potential future downgrades. Because of the inherent uncertainty in forecasting future events, the estimate of potential problem loans ultimately represents the estimated aggregate dollar amounts of loans as opposed to an individual listing of loans.

The majority of the loans on which the potential problem loan estimate is based are considered criticized and classified. Detailed disclosures for substandard accrual loans (as well as other credit quality metrics) are included in Note 6 "Allowance for Credit Losses" to the consolidated financial statements.

The following table provides an analysis of non-accrual loans (excluding loans held for sale) by portfolio segment for the years ended December 31:

Table 19—Analysis of Non-Accrual Loans

	Non-Accrual Loans, Excluding Loans Held for Sale 2013			
	Commercial	Investor Real Estate	Consumer[1]	Total
	(In millions)			
Balance at beginning of year	$862	$477	$342	$1,681
Additions	755	295	(71)	979
Net payments/other activity	(387)	(263)	—	(650)
Return to accrual	(195)	(129)	—	(324)
Charge-offs on non-accrual loans[2]	(303)	(66)	(1)	(370)
Transfers to held for sale[3]	(108)	(43)	(13)	(164)
Transfers to foreclosed properties	(26)	(17)	—	(43)
Sales	(21)	(6)	—	(27)
Balance at end of year	$577	$248	$257	$1,082

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	Non-Accrual Loans, Excluding Loans Held for Sale 2012			
	Commercial	Investor Real Estate	Consumer[1]	Total
	(In millions)			
Balance at beginning of year	$1,072	$914	$386	$2,372
Additions	841	698	(30)	1,509
Net payments/other activity	(348)	(427)	—	(775)
Return to accrual	(101)	(213)	—	(314)
Charge-offs on non-accrual loans[2]	(390)	(261)	(6)	(657)
Transfers to held for sale[3]	(120)	(178)	(4)	(302)
Transfers to foreclosed properties	(67)	(28)	—	(95)
Sales	(25)	(28)	(4)	(57)
Balance at end of year	$862	$477	$342	$1,681

(1) All net activity within the consumer portfolio segment other than sales and transfers to held for sale (including related charge-offs) is included as a single net number within the additions line, due to the relative immateriality of consumer non-accrual loans.

(2) Includes charge-offs on loans on non-accrual status and charge-offs taken upon sale and transfer of non-accrual loans to held for sale.

(3) Transfers to held for sale are shown net of charge-offs of $93 million and $163 million recorded upon transfer for the years ended December 31, 2013 and 2012, respectively.

The following table provides an analysis of non-performing loans held for sale for the years ended December 31:
Table 20—Non-Performing Loans Held For Sale

	2013	2012
	(In millions)	
Balance at beginning of year	$89	$328
Transfers in	164	302
Sales	(117)	(470)
Writedowns	(2)	(9)
Loans moved from held for sale/other activity	(40)	(29)
Transfers to foreclosed properties	(12)	(33)
Balance at end of year	$82	$89

For additional discussion, see Note 6 “Allowance for Credit Losses” to the consolidated financial statements.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization, as applicable. Premises and equipment at December 31, 2013 decreased $63 million to $2.2 billion compared to year-end 2012. This decrease primarily resulted from depreciation expense on existing assets.

Goodwill

Goodwill totaled $4.8 billion at both December 31, 2013 and 2012 and was reallocated to the new reporting units during 2012. Refer to the “Critical Accounting Policies” section earlier in this report for detailed discussions of the Company’s methodology for testing goodwill for impairment. Refer to Note 1 “Summary of Significant Accounting Policies” and Note 9 “Intangible Assets” to the consolidated financial statements for the methodologies and assumptions used in Step One of the goodwill impairment test and further details on the reallocation. Additionally, Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements includes information related to the fair value measurements of certain assets and liabilities and the valuation methodology of such measurements, which is also used for testing goodwill for impairment.

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Mortgage Servicing Rights

Mortgage servicing rights at December 31, 2013 totaled $297 million compared to $191 million at December 31, 2012. The year-over-year increase of $106 million reflects organic growth, the increase in mortgage interest rates in 2013, and was due in part to the addition of $28 million related to a purchase of rights to service residential mortgage loans that was made during the first quarter of 2013. An analysis of mortgage servicing rights is presented in Note 7 “Servicing of Financial Assets” to the consolidated financial statements. The balances shown represent the right to service mortgage loans that are owned by other investors and are presented at fair value. Data and assumptions used in the fair value calculation, as well as certain sensitivity estimates, are also presented in Note 7.

Other Identifiable Intangible Assets

Other identifiable intangible assets totaled $295 million at December 31, 2013 compared to $345 million at December 31, 2012. The year-over-year decrease was due to amortization of core deposit intangibles and the purchased credit card intangibles. See Note 9 “Intangible Assets” to the consolidated financial statements for further information.

Foreclosed Properties

Other real estate and certain other assets acquired in foreclosure are reported at the lower of the investment in the loan or fair value of the property less estimated costs to sell. The following table summarizes foreclosed property activity for the years ended December 31:

Table 21—Foreclosed Properties

	2013	2012
	(In millions)	
Balance at beginning of year	$149	$296
Transfer from loans	229	294
Valuation adjustments	(35)	(66)
Foreclosed property sold	(199)	(370)
Payments and other	(8)	(5)
	(13)	(147)
Balance at end of year	$136	$149

Note: Approximately 76 percent and 96 percent of the ending balances at December 31, 2013 and 2012, respectively, relate to properties transferred into foreclosed properties during the corresponding calendar year.

Valuation adjustments are primarily recorded in other non-interest expense; adjustments are also recorded as a charge to the allowance for loan losses if incurred within 60 days after the date of transfer from loans. Valuation adjustments are primarily the cost of adjusting foreclosed properties to estimated fair value after these assets have been classified as foreclosed properties. Foreclosed property sold represents the net book value of the properties sold.

Other Assets

Other assets decreased $326 million to $5.8 billion as of December 31, 2013. Lower derivative assets, prepaid expense balances and deferred income taxes primarily drove the decrease. These declines were partially offset by additional investments in bank-owned life insurance and affordable housing.

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Deposits

Regions competes with other banking and financial services companies for a share of the deposit market. Regions' ability to compete in the deposit market depends heavily on the pricing of its deposits and how effectively the Company meets customers' needs. Regions employs various means to meet those needs and enhance competitiveness, such as providing a high level of customer service, competitive pricing and providing convenient branch locations for its customers. Regions also serves customers through providing centralized, high-quality banking services and alternative product delivery channels such as internet banking.

Deposits are Regions' primary source of funds, providing funding for 89 percent of average interest-earning assets in 2013 and 88 percent of average interest-earning assets in 2012. Table 22 "Deposits" details year-over-year deposits on a period-ending basis. Total deposits at December 31, 2013 decreased approximately $3.0 billion compared to year-end 2012 levels. The decrease in deposits was primarily driven by the continued runoff of time deposits in the low interest rate environment as customers sought higher yields, as well as customers diversifying their deposits in response to the expiration of the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee (TAG) Program. The TAG Program fully insured non-interest-bearing transaction accounts beyond the $250 thousand deposit insurance limit, and expired on January 1, 2013.

Due to liquidity in the market, Regions has been able to steadily grow its low-cost customer deposits and reduce its total deposit costs from 49 basis points in 2011 to 30 basis points in 2012 and to 15 basis points in 2013. The following table summarizes deposits by category as of December 31:

Table 22—Deposits

	2013	2012	2011
	(In millions)		
Non-interest-bearing demand	$30,083	$29,963	$28,209
Savings	6,050	5,760	5,159
Interest-bearing transaction	20,789	21,096	19,388
Money market—domestic	25,635	24,901	23,028
Money market—foreign	220	311	460
Low-cost deposits	82,777	82,031	76,244
Time deposits	9,608	13,443	19,378
Customer deposits	92,385	95,474	95,622
Corporate treasury time deposits	68	—	5
	$92,453	$95,474	$95,627

Within customer deposits, non-interest-bearing demand deposits increased $120 million to $30.1 billion. Non-interest-bearing deposits accounted for approximately 33 percent of total deposits at year-end 2013 compared to 31 percent at year-end 2012. Savings balances increased $290 million to $6.1 billion, generally reflecting continued consumer savings trends, spurred by economic uncertainty. Interest-bearing transaction accounts declined $307 million to $20.8 billion. Interest-bearing transaction deposits accounted for approximately 23 percent of total deposits at year-end 2013 compared to 22 percent at year-end 2012.

Domestic money market products, which exclude foreign money market accounts, are one of Regions' most significant funding sources. These balances increased 3 percent in 2013 to $25.6 billion or 28 percent of total deposits, compared to 26 percent of total deposits in 2012 reflecting a shift in the mix of deposits.

Included in customer time deposits are certificates of deposit and individual retirement accounts. The balance of customer time deposits decreased 29 percent in 2013 to $9.6 billion compared to $13.4 billion in 2012. The decrease was primarily due to maturities with minimal reinvestment by customers as a result of the continued decline in rates offered on these products. Customer time deposits accounted for 10 percent of total deposits in 2013 compared to 14 percent in 2012. Table 23 "Maturity of Time Deposits of $100,000 or More" presents maturities of time deposits of $100,000 or more at December 31, 2013 and 2012.

Consistent with 2012, corporate treasury deposits, which are used mainly for overnight funding purposes, remained at low levels in 2013 as the Company continued to utilize customer-based funding and other sources. The Company's choice of overnight funding sources is dependent on the Company's particular funding needs and the relative attractiveness of each source.

The sensitivity of Regions' deposit rates to changes in market interest rates is reflected in Regions' average interest rate paid on interest-bearing deposits. The rate paid on interest-bearing deposits decreased to 0.21 percent in 2013 from 0.43 percent in 2012, driven by the expiration of time deposits, the positive mix shift to lower cost customer products, and continuation of the low interest rate environment throughout much of 2013.

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Table 23—Maturity of Time Deposits of $100,000 or More

	2013	2012
	(In millions)	
Time deposits of $100,000 or more, maturing in:		
3 months or less	$455	$1,002
Over 3 through 6 months	306	1,168
Over 6 through 12 months	567	900
Over 12 months	2,052	1,949
	$3,380	$5,019

Short-Term Borrowings

See Note 11 “Short-Term Borrowings” to the consolidated financial statements for a summary of these borrowings at December 31, 2013 and 2012. Short-term borrowings totaled $2.2 billion at December 31, 2013, compared to $1.6 billion at December 31, 2012. The levels of these borrowings can fluctuate depending on the Company’s funding needs and the sources utilized, as well as a result of customers’ activity.

COMPANY FUNDING SOURCES

Federal funds purchased used for funding purposes totaled $11 million at December 31, 2013 compared to $21 million at December 31, 2012. In the near term, Regions expects the use of wholesale unsecured borrowings, such as Federal funds purchased, to remain low. Short-term secured borrowings, such as securities sold under agreements to repurchase and Federal Home Loan Bank ("FHLB") advances, are a core portion of Regions funding strategy and can fluctuate significantly on a day-to-day basis, depending on funding needs and which sources of funds are used to satisfy those needs. All such arrangements are considered typical of the banking industry and are accounted for as borrowings.

Due to the uncertainty and inconsistency of the short-term funding markets during the recession, Regions had taken an approach to maintain higher levels of cash at the Federal Reserve Bank. These higher levels of cash negated the need to occasionally borrow short-term funds to cover normal monthly cash flow needs. As the economy continues to improve, Regions has reduced the amount of excess cash held at the Federal Reserve Bank and will utilize short-term secured funding markets as needed to augment its cash position. The securities financing market and short-term FHLB advances continue to provide reliable funding at attractive rates. There were no short-term FHLB advances outstanding at December 31, 2013 or December 31, 2012. See the "Liquidity" section for further detail of Regions' borrowing capacity with the FHLB.

Table 24 provides selected information for certain short-term borrowings used for funding purposes as of and for the year ended December 31:

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Table 24—Selected Short-Term Borrowings Data

	2013	2012	2011
	(Dollars in millions)		
Federal funds purchased:			
Balance at year-end	$11	$21	$18
Average outstanding (based on average daily balances)	19	21	19
Maximum amount outstanding at any month-end	29	28	22
Weighted average interest rate at year-end	0.2 %	0.1 %	0.1 %
Weighted average interest rate on amounts outstanding during the year (based on average daily balances)	0.1 %	0.1 %	0.1 %
Securities sold under agreements to repurchase			
Balance at year-end	$—	$—	$969
Average outstanding (based on average daily balances)	234	633	419
Maximum amount outstanding at any month-end	1,425	1,940	969
Weighted average interest rate at year-end	— %	— %	(0.2)%
Weighted average interest rate on amounts outstanding during the year (based on average daily balances)	0.1 %	0.1 %	(0.6)%

CUSTOMER-RELATED BORROWINGS

Short-term borrowings that are the result of customer activity related to investment opportunities totaled $2.2 billion and $1.6 billion at December 31, 2013 and December 31, 2012, respectively.

Repurchase agreements are also offered as short-term investment opportunities for commercial banking customers. At the end of each business day, customer balances are swept into the agreement account. In exchange for cash, Regions sells the customer securities with a commitment to repurchase them on the following business day. The repurchase agreements are collateralized to allow for market fluctuations. Securities from Regions Bank’s investment portfolio are used as collateral. From the customer’s perspective, the investment earns more than a traditional money market instrument. From Regions’ standpoint, the repurchase agreements are similar to deposit accounts, although they are not insured by the FDIC or guaranteed either directly by the United States or one of its agencies. Regions Bank does not manage the level of these investments on a daily basis as the transactions are initiated by the customers. The level of these borrowings can fluctuate significantly on a day-to-day basis.

Customer collateral reported as short-term borrowings was zero at December 31, 2013 and $125 million at December 31, 2012. These balances represent cash collateral posted by customers related to derivative transactions. Regions began netting cash collateral, subject to enforceable master netting agreements, against the net derivative asset or liability beginning in 2013.

Long-term borrowings

Regions’ long-term borrowings consist primarily of FHLB borrowings, senior notes, subordinated notes and other long-term notes payable. Total long-term borrowings decreased $1.0 billion to $4.8 billion at December 31, 2013. The decrease between years was the result of approximately $750 million in maturities of senior and subordinated notes, a tender offer for $350 million in senior notes and the redemption or extinguishment of $498 million of junior subordinated notes and $118 million of other long-term debt. Pre-tax losses on these extinguishments totaled $61 million, $29 million of which was not deductible for income tax purposes. These decreases were partially offset by a $750 million issuance of senior notes. The weighted-average interest rate on total long-term debt, including the effect of derivative instruments, was 4.8 percent, 4.7 percent and 3.3 percent for the years ended December 31, 2013, 2012 and 2011, respectively. See Note 12 “Long-Term Borrowings” to the consolidated financial statements for further discussion and detailed listing of outstandings and rates.

Other Liabilities

Other liabilities decreased $776 million to $2.2 billion as of December 31, 2013. The decrease was primarily driven by lower derivative liabilities and accrued employee benefit costs. The decrease in derivative liabilities was primarily due to Regions beginning to net cash collateral, subject to enforceable master netting agreements, against the net derivative asset or liability beginning in 2013. See Note 20 "Derivative Financial Instruments and Hedging Activities" for additional information.

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Ratings

Table 25 “Credit Ratings” reflects the debt ratings information of Regions Financial Corporation and Regions Bank by Standard and Poor's ("S&P"), Moody’s, Fitch and Dominion Bond Rating Service ("DBRS") as of December 31, 2013 and 2012.

Table 25—Credit Ratings

	As of December 31, 2013			
	Standard & Poor's	Moody’s	Fitch	DBRS
Regions Financial Corporation				
Senior notes	BBB-	Ba1	BBB-	BBB
Subordinated notes	BB+	Ba2	BB+	BBBL
Regions Bank				
Short-term debt	A-2	P-3	F3	R-2H
Long-term bank deposits	BBB	Baa3	BBB	BBBH
Long-term debt	BBB	Baa3	BBB-	BBBH
Subordinated debt	BBB-	Ba1	BB+	BBB
Outlook	Positive	Stable	Positive	Stable
	As of December 31, 2012			
	Standard & Poor's	Moody’s	Fitch	DBRS
Regions Financial Corporation				
Senior notes	BBB-	Ba1	BBB-	BBB
Subordinated notes	BB+	Ba2	BB+	BBBL
Junior subordinated notes	BB	Ba3	B+	BBBL
Regions Bank				
Short-term debt	A-2	P-3	F3	R-2H
Long-term bank deposits	BBB	Baa3	BBB	BBBH
Long-term debt	BBB	Baa3	BBB-	BBBH
Subordinated debt	BBB-	Ba1	BB+	BBB
Outlook	Stable	Stable	Positive	Stable

In general, ratings agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, probability of government support, and level and quality of earnings. Any downgrade in credit ratings by one or more ratings agencies may impact Regions in several ways, including, but not limited to, Regions’ access to the capital markets or short-term funding, borrowing cost and capacity, collateral requirements, acceptability of its letters of credit, and funding of variable rate demand notes ("VRDNs"), thereby potentially adversely impacting Regions’ financial condition and liquidity. See the “Risk Factors” section of this Annual Report on Form 10-K for more information.

On June 20, 2013, S&P revised Regions' outlook from stable to positive while affirming its current ratings for both the holding company and bank. The outlook revision and affirmation reflects improvement in earnings performance, core capital position, and maintenance of a strong liquidity profile. In announcing their change in outlook, S&P also cited benefits of a strengthening economy and a more stable business position for Regions. This is another important step in returning Regions' credit ratings to more competitive levels.

With this revision, both S&P and Fitch now have positive outlooks on Regions. Regions continues to proactively work with the agencies to ensure they have a full and complete understanding of the progress the Company is making in restoring its financial performance.
During 2013, Regions redeemed all of its junior subordinated notes; therefore, the ratings table above has been adjusted accordingly.

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A security rating is not a recommendation to buy, sell or hold securities, and the ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

Stockholders' Equity

Stockholders' equity was $15.8 billion at December 31, 2013 compared to $15.5 billion at December 31, 2012. During 2013, net income increased stockholders' equity by $1.1 billion, while shares repurchased reduced equity by $340 million and cash dividends on common stock reduced equity by $138 million. Changes in accumulated other comprehensive income decreased equity by $384 million, primarily due to unrealized losses on securities available for sale.

On March 19, 2012, Regions issued 153 million shares of common stock at $5.90 per share. The proceeds from the sale, net of issuance costs, increased equity by approximately $875 million.

On April 4, 2012, Regions repurchased all 3.5 million shares of Series A preferred stock issued to the U.S. Treasury and in early May of 2012, Regions repurchased the related warrant from the U.S. Treasury. Therefore, there was $125 million in preferred dividends and discount accretion in 2012.

On November 1, 2012, Regions issued $500 million in depositary shares each representing a fractional ownership interest in a share of the Company's 6.375% Non-Cumulative Perpetual Preferred Stock, Series A, par value $1.00 per share. The net proceeds from the issuance increased equity by approximately $486 million. Cash dividends on preferred stock reduced equity by $32 million in 2013 and $4 million in 2012.

Regions increased its annual dividend to $0.10 per common share for 2013, compared to $0.04 per common share for both 2012 and 2011. Regions understands the importance of returning capital to shareholders. Management will continue to execute the capital planning process, including evaluation of the amount of the common stock dividend, with the Board of Directors and in conjunction with regulatory supervisors, subject to the Company's results of operations.

As part of its 2013 Comprehensive Capital Analysis and Review ("CCAR") submission, Regions' proposed capital plans included up to $350 million in common share repurchases. The Federal Reserve did not object to these plans, and Regions' Board of Directors approved the share repurchase plan. The share repurchase authority granted by the Board of Directors was available from the beginning of the second quarter of 2013 and will continue through the first quarter of 2014. As of December 31, 2013, Regions had repurchased approximately 36 million shares of common stock at a total cost of approximately $340 million. These shares were immediately retired upon repurchase and therefore are not included in treasury stock.

Regions' ratio of stockholders' equity to total assets was 13.43 percent at December 31, 2013 and 12.77 percent at December 31, 2012. Regions' ratio of tangible common stockholders' equity (stockholder's equity less preferred stock, goodwill and other identifiable intangibles and the related deferred tax liability) to total tangible assets was 9.24 percent at December 31, 2013, compared to 8.63 percent at December 31, 2012 (see Table 2 "GAAP to Non-GAAP Reconciliation" for further discussion).

See Note 14 "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)" for further information.

REGULATORY CAPITAL REQUIREMENTS

CURRENT CAPITAL RULES

Regions and Regions Bank are required to comply with regulatory capital requirements established by Federal and State banking agencies. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, and also qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject the Company to a series of increasingly restrictive regulatory actions. Currently, there are two basic measures of capital adequacy: a risk-based measure and a leverage measure. See Note 13 "Regulatory Capital Requirements and Restrictions" for further discussions of these measures and tabular presentation of the applicable holding company and bank regulatory capital requirements.

In recent years, the Federal Reserve and banking regulators began supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. This measure has been a key component of assessments of capital adequacy under the CCAR process. While not currently prescribed in amount by federal banking regulations (under Basel I), analysts and banking regulators have assessed Regions' capital adequacy using the tangible common stockholders' equity and/or the Tier 1 common equity measure. Because tangible common stockholders' equity and Tier 1 common equity are not formally defined by GAAP or prescribed in amount by federal banking regulations (under Basel I), these measures are currently considered to be non-GAAP financial measures and other entities may calculate them differently than Regions' disclosed

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calculations (see Table 2 “GAAP to Non-GAAP Reconciliation” for further details). The Board of Governors of the Federal Reserve System assesses banks' capital levels in periods of stress against a minimum Tier 1 common (non-GAAP) capital level of 5 percent.

BASEL III AND THE NEW CAPITAL RULES

In July 2013, Regions' and Regions Bank's primary federal regulator, the Federal Reserve, published final rules (the “New Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations. The New Capital Rules implement the Basel Committee's December 2010 framework known as “Basel III” for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company and the Bank, compared to the current U.S. risk-based capital rules. The New Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 “Basel II” capital accords. The New Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules. The New Capital Rules are effective for Regions and Regions Bank on January 1, 2015 (subject to a phase-in period).

The New Capital Rules, among other things, (i) introduce a new capital measure called “Common Equity Tier 1” (“CET1”), (ii) specify that Tier 1 capital consist of CET1 and “Additional Tier 1 capital” instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments to capital as compared to existing regulations.

Under the New Capital Rules, the initial minimum capital ratios as of January 1, 2015 will be as follows:

- 4.5% CET1 to risk-weighted assets.

- 6.0% Tier 1 capital to risk-weighted assets.

- 8.0% Total capital to risk-weighted assets.

The New Capital Rules also introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. In addition, the New Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. It is not expected that the countercyclical capital buffer will be applicable to Regions or Regions Bank. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

When fully phased-in on January 1, 2019, the New Capital Rules will require Regions and Regions Bank to maintain such additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the New Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, non-advanced approaches banking organizations, including Regions and Regions Bank, may make a one-time permanent election to continue to exclude these items. Regions and Regions Bank expect to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of its securities portfolio. As previously mentioned, the New Capital Rules also preclude certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies, subject to phase-out. As of December 31, 2013, Regions did not have any remaining hybrid securities subject to disallowance.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2015 and will be phased-in over a 4-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter). The implementation of the capital

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conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a 4-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

With respect to Regions Bank, the New Capital Rules also revise the “prompt corrective action” regulations pursuant to Section 38 of the Federal Deposit Insurance Act, by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The New Capital Rules do not change the total risk-based capital requirement for any “prompt corrective action” category.

The New Capital Rules prescribe a standardized approach for risk weightings that expands the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Specific changes to current rules impacting Regions' determination of risk-weighted assets include, among other things:

- Applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.
- Assigning a 150% risk weight to exposures (other than secured exposures including residential mortgage exposures) that are 90 days or more past due (currently set at 100%).
- Providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%).
- Providing for a risk weight, generally not less than 20% with certain exceptions, for securities lending transactions based on the risk weight category of the underlying collateral securing the transaction (currently set at between 20% and 100% for on balance sheet transactions).
- Providing for a 100% risk weight for claims on securities firms (currently set at 20%).
- Eliminating the current 50% cap on the risk weight for over-the-counter derivative exposures.
- Replacing the existing Ratings Based Approach for certain asset-backed securities with a Simplified Supervisory Framework Approach ("SSFA") which results in risk weights ranging from 20% to 1,250%.
- Applying a 250% risk weight to the portion of mortgage servicing rights and deferred tax assets that are includible in capital (currently set at 100%).

In addition, the New Capital Rules also provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation. As of December 31, 2013, the increase in Regions' Basel III risk-weighted assets versus risk-weighted assets as calculated under Basel I was due primarily to:

- Applying a 20% conversion factor to the unused portion of commitments of less than one year.

- Applying a 250% risk weight to the portion of mortgage servicing rights and deferred tax assets that are includible in capital.

- Applying a 150% risk weight to high volatility commercial real estate exposures.

The New Capital Rules do not address the proposed Liquidity Coverage Ratio Test and Net Stable Funding Ratio Test called for by the proposed Basel III framework. See the "Supervision and Regulation -- Capital Requirements -- Leverage Requirements" subsection of the "Business" section for more information on these proposed requirements. Regions is currently evaluating the impact of the final U.S. rules implementing Basel III as well as any potential future SIFI surcharges for regional banks. The Company’s estimated CET1 ratio as of December 31, 2013, based on Regions’ current interpretation of the final Basel III requirements was approximately 10.58 percent and therefore exceeded the Basel III minimum

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of 7 percent for CET1. Because the Basel III capital calculations will not be fully phased-in until 2019, are not formally defined by GAAP, and because the calculations currently include the Company's interpretations of the requirements including informal feedback received through the regulatory process and are therefore likely to change as clarifying guidance becomes available, these measures are considered to be non-GAAP financial measures, and other entities may calculate them differently than Regions' disclosed calculations (see Table 2 "GAAP to Non-GAAP Reconciliation" for further details).

LIQUIDITY COVERAGE RATIO

In January 2013, the Basel Committee published an update that included revisions to the LCR calculation. Also included in this update were provisions concerning, among other things, lower deposit run-off assumptions and full implementation on a phased-in schedule. On October 24, 2013, the Federal Reserve released an NPR (notice of proposed rulemaking) and introduced a "modified" LCR that will apply to banks including Regions, who are not internationally active and are between $50 billion and $250 billion in assets. Based on Regions' current understanding and interpretation of the rules for the calculation of the LCR, full implementation will still be based on a phased-in schedule but in a more condensed timeframe that is 2 years shorter than the Basel committee version. Starting in 2015, institutions will be required to be at a minimum compliance ratio of 80 percent, in 2016 the minimum would increase to 90 percent, and full compliance with the 100 percent minimum requirement must be reached in 2017. Regions continues to review these proposals and their impact on the calculation of the LCR. The Company anticipates being fully compliant with the LCR requirements upon finalization and implementation. However, should Regions' cash position or investment mix change in the future, Regions' ability to meet the liquidity coverage ratio may be impacted. The comment period on these proposed rules ended on January 31, 2014.

See the "Supervision and Regulation—Capital Requirements" subsection of the "Business" section and the "Risk Factors" section for more information.

OFF-BALANCE SHEET ARRANGEMENTS

Regions has certain interests in unconsolidated variable interest entities (i.e., Regions is not the primary beneficiary). Regions owned the common stock of subsidiary business trusts, which had issued mandatorily redeemable preferred capital securities ("trust preferred securities"). During the fourth quarter of 2012 and the first nine months of 2013, Regions redeemed all of its issued and outstanding trust preferred securities. These trusts met the definition of a variable interest entity of which Regions was not the primary beneficiary; the trusts' only assets were junior subordinated debentures issued by Regions, which were acquired by the trusts using the proceeds from the issuance of the trust preferred securities and common stock. These junior subordinated debentures were also fully redeemed during 2013. Prior to the redemption, these junior subordinated debentures were included in long-term borrowings and Regions' equity interests in the business trusts were included in other assets.

Also, Regions periodically invests in various limited partnerships that sponsor affordable housing projects, which are funded through a combination of debt and equity. Regions' maximum exposure to loss as of December 31, 2013 was $863 million, which included $267 million in unfunded commitments to the partnerships. Additionally, Regions has short-term construction loans or letters of credit commitments with the partnerships totaling $227 million as of December 31, 2013. The funded portion of these loans and letters of credit was $110 million at December 31, 2013. The funded portion is included with loans on the consolidated balance sheets. See Note 2 "Variable Interest Entities" to the consolidated financial statements for further discussion.

EFFECTS OF INFLATION

The majority of assets and liabilities of a financial institution are monetary in nature; therefore, a financial institution differs greatly from most commercial and industrial companies, which have significant investments in fixed assets or inventories that are greatly impacted by inflation. However, inflation does have an important impact on the growth of total assets in the banking industry and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity-to-assets ratio. Inflation also affects other expenses that tend to rise during periods of general inflation.

Management believes the most significant potential impact of inflation on financial results is a direct result of Regions' ability to manage the impact of changes in interest rates. Management attempts to maintain an essentially balanced position between rate-sensitive assets and liabilities in order to minimize the impact of interest rate fluctuations on net interest income. However, this goal can be difficult to completely achieve in times of rapidly changing rate structure and is one of many factors considered in determining the Company's interest rate positioning. The Company is moderately asset sensitive as of December 31, 2013. Refer to Table 26 "Interest Rate Sensitivity" for additional details on Regions' interest rate sensitivity.

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EFFECTS OF DEFLATION

A period of deflation would affect all industries, including financial institutions. Potentially, deflation could lead to lower profits, higher unemployment, lower production and deterioration in overall economic conditions. In addition, deflation could depress economic activity and impair bank earnings through increasing the value of debt while decreasing the value of collateral for loans. If the economy experienced a severe period of deflation, then it could depress loan demand, impair the ability of borrowers to repay loans and sharply reduce bank earnings.

Management believes the most significant potential impact of deflation on financial results relates to Regions' ability to maintain a sufficient amount of capital to cushion against future losses. However, the Company can utilize certain risk management tools to help it maintain its balance sheet strength even if a deflationary scenario were to develop.

RISK MANAGEMENT

Regions is exposed to various risks as part of the normal course of operations. The exposure to risk requires sound risk management practices that comprise an integrated and comprehensive set of programs and processes that apply to the entire Company. Accordingly, Regions has established a risk management framework to manage risks and provide reasonable assurance of the achievement of the Company's strategic objectives.

The primary risk exposures identified and managed through the Company's risk management framework are market risk (including related interest rate risk and prepayment risk), liquidity risk, credit risk, operational risk (including information security risk), legal risk, compliance risk, reputational risk, and strategic risk. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions, such as interest rate movements (interest rate risk) and the associated impact on prepayments (prepayment risk). Interest rate risk is the risk to net interest income due to the impact of movements in interest rates. Prepayment risk is the risk that borrowers may repay their loans or other debt earlier than at their stated maturities. Liquidity risk is the risk that the Company will be unable to meet obligations as they come due in the normal course of business without undue hardship or incurring unacceptable losses. Credit risk is the risk of loss arising from a borrower or counterparty failing to meet a contractual obligation. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Legal risk reflects the inherent legal risk arising out of the daily banking and other operations of the Company that could result in disputes, threatened and/or actual litigation, civil monetary penalties, criminal penalties, enforcement actions, or reputational damage. Compliance risk is the risk of failure or perceived failure to comply with the laws, regulations and standards that govern the activities of the Company. Reputational risk is the risk that negative publicity regarding the Company's conduct or business practices will adversely affect its profitability, operations or customer base, or result in litigation. Strategic risk is the risk to the Company due to uncertainty and actions (or inaction) related to strategic risk factors, including negative effects from business planning or decisions, environmental changes, competitive dynamics, or management of our resources and activities. Several of these primary risk exposures are expanded upon further within the remaining sections of Management's Discussion and Analysis.

Regions' risk management framework is founded on three pillars, each of which is critical to ensuring that risks are properly identified, assessed, and managed:

Three Lines of Defense - All associates are risk owners and serve as the first line of defense in the identification and mitigation of risks. The Risk Management Group independently assesses Company and industry risks in support of the business groups and serves as the second line of defense. Assurance functions (Credit Review, Internal Audit, and Model Validation) serve as the third line of defense and play a key role in ensuring risk identification and mitigation.

Enterprise Risk Management Governance - Regions has established a corporate governance framework consisting of committees, working groups, processes and procedures that are collectively charged with identifying, measuring, mitigating, monitoring and reporting risks.

Continuous Improvement Cycle - Regions has established the continuous improvement cycle to drive its associates to targeted risk management levels by ensuring risks are identified, measured, mitigated, monitored and reported.

The Board of Directors provides the highest level of risk management governance. The principal risk management functions of the Board are to oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with laws and regulations. The Board has designated an Audit Committee of outside directors to focus on oversight of management's establishment and maintenance of appropriate disclosure controls and procedures over financial reporting. See the "Financial Disclosures and Internal Controls" section of Management's Discussion and Analysis for additional information. The Board has also designated a Risk Committee of outside directors to focus on Regions’ overall risk profile. The committee

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annually approves a Risk Appetite Statement that reflects core business principles and strategic vision and provides the foundations of corporate risk appetite, which is the aggregate amount of risk the Company is willing to accept in pursuit of its mission. By establishing boundaries around risk taking and business decisions, and by incorporating the needs and goals of its shareholders, regulators, customers and other stakeholders, the Company's risk appetite is aligned with its priorities and goals.

The Risk Management Group, led by the Company's Chief Risk Officer, ensures the consistent application of Regions' risk management approach within the structure of the Company's operating, capital and strategic plans. The primary activities of the Risk Management Group include:

- Deciphering internal and external signals that point to possible risk issues for the Company;
- Identifying risks and determining which Company areas and/or products will be affected;
- Ensuring there are mechanisms in place to specifically determine how risks will affect the Company as a whole and the individual area and or product;
- Assisting Business Groups in analyzing trends and ensuring Company areas have appropriate risk identification and mitigation processes in place; and
- Reviewing the limits, policies, and procedures in place to ensure the continued appropriateness of risk controls.

As part of its ongoing assessment process, the Risk Management Group makes recommendations to management and the Risk Committee of the Board regarding adjustments to these controls as conditions or risk tolerances change. In addition, the Internal Audit division provides an independent assessment of the Company's internal control structure and related systems and processes.

Management, with the assistance of the Risk Management Group, follows a formal process for identifying and documenting key risks facing each business group and determining how those risks can be controlled or mitigated, as well as how the controls can be monitored to ensure they are effective. The Risk Committee receives reports from management to ensure operations are within the parameters established by the Committee's Risk Appetite Statement. Some of the more significant processes used by management to manage and control risks are described in the remainder of this report. External factors beyond management's control may result in losses despite the Risk Management Group's efforts.

MARKET RISK—INTEREST RATE RISK

Regions' primary market risk is interest rate risk, including uncertainty with respect to absolute interest rate levels as well as uncertainty with respect to relative interest rate levels, which is impacted by both the shape and the slope of the various yield curves that affect the financial products and services that the Company offers. To quantify this risk, Regions measures the change in its net interest income in various interest rate scenarios compared to a base case scenario. Net interest income sensitivity is a useful short-term indicator of Regions' interest rate risk.

Sensitivity Measurement—Financial simulation models are Regions' primary tools used to measure interest rate exposure. Using a wide range of sophisticated simulation techniques provides management with extensive information on the potential impact to net interest income caused by changes in interest rates. Models are structured to simulate cash flows and accrual characteristics of Regions' balance sheet. Assumptions are made about the direction and volatility of interest rates, the slope of the yield curve, and the changing composition of the balance sheet that result from both strategic plans and from customer behavior. Among the assumptions are expectations of balance sheet growth and composition, the pricing and maturity characteristics of existing business and the characteristics of future business. Interest rate-related risks are expressly considered, such as pricing spreads, the lag time in pricing deposit accounts, prepayments and other option risks. Regions considers these factors, as well as the degree of certainty or uncertainty surrounding their future behavior.

The primary objective of asset/liability management at Regions is to coordinate balance sheet composition with interest rate risk management to sustain a reasonable and stable net interest income throughout various interest rate cycles. In computing interest rate sensitivity for measurement, Regions compares a set of alternative interest rate scenarios to the results of a base case scenario based on "market forward rates." The standard set of interest rate scenarios includes the traditional instantaneous parallel rate shifts of plus 100 and 200 basis points. Regions also prepares a minus 50 basis points scenario, as minus 100 and 200 basis scenarios are of limited use in the current rate environment. Up-rate scenarios of greater magnitude are also analyzed, and are of increased importance as the current and historic low levels of interest rates increase the relative likelihood of a rapid and substantial increase in interest rates. Regions also includes simulations of gradual interest rate movements that may more realistically mimic potential interest rate movements. These gradual scenarios include curve steepening, flattening, and parallel movements of various magnitudes phased in over a six-month period, and include rate shifts of minus 50 basis points and plus 100 and 200 basis points.

Exposure to Interest Rate Movements—As of December 31, 2013, Regions was moderately asset sensitive to both gradual and instantaneous parallel yield curve shifts as compared to the base case for the measurement horizon ending December 2014.

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The estimated exposure associated with the parallel yield curve shift of minus 50 basis points in the table below reflects the combined impacts of movements in short-term and long-term rates. Long-term interest rate reductions will drive yields lower on certain fixed rate loans newly originated or renewed, and on prospective yields of certain investment portfolio purchases, as well as drive higher amortization of premium on existing securities in the investment portfolio. The decline in short-term interest rates (such as the Fed Funds rate and the rate of Interest on Excess Reserves) will lead to a reduction of yield on assets and liabilities contractually tied to such rates, but since rates have been at low levels for such an extended period, it is expected that declines in deposit costs will only partially offset the decline in asset yields.

Long-term interest rates have exhibited volatility over the second half of 2013 after rising significantly in the first half, but short-term rates have remained stable. As described above, with respect to sensitivity to long-term rates, the balance sheet is estimated to be asset sensitive. The primary factors are that higher long-term rates will drive higher rates on loans and securities newly originated or renewed, as well as induce a slower pace of premium amortization on certain securities within the investment portfolio. Current simulation models estimate that, as compared to the base case, net interest income over a 12 month horizon would respond favorably by approximately $102 million if long-term rates were to immediately and on a sustained basis exceed the base scenario by 100 basis points. Similarly, if long-term rates were to immediately and on a sustained basis underperform the base case by 50 basis points, then net interest income, as compared to the base case, would decline by approximately $99 million.

The table below summarizes Regions' positioning in various parallel yield curve shifts. The scenarios are inclusive of all interest rate risk hedging activities.

Table 26—Interest Rate Sensitivity

	Estimated Annual Change in Net Interest Income December 31, 2013 (In millions)
Gradual Change in Interest Rates	
+ 200 basis points	$ 256
+ 100 basis points	136
- 50 basis points	(100)
Instantaneous Change in Interest Rates	
+ 200 basis points	$ 311
+ 100 basis points	180
- 50 basis points	(136)

Interest rate movements may also have an impact on the value of Regions’ securities portfolio, which can directly impact the carrying value of stockholders’ equity. Regions from time to time may hedge these price movements with derivatives (as discussed below).

Derivatives—Regions uses financial derivative instruments for management of interest rate sensitivity. The Asset and Liability Committee (“ALCO”), which consists of members of Regions’ senior management team, in its oversight role for the management of interest rate sensitivity, approves the use of derivatives in balance sheet hedging strategies. The most common derivatives Regions employs are forward rate contracts, Eurodollar futures contracts, interest rate swaps, options on interest rate swaps, interest rate caps and floors, and forward sale commitments. Derivatives are also used to offset the risks associated with customer derivatives, which include interest rate, credit and foreign exchange risks.

Forward rate contracts are commitments to buy or sell financial instruments at a future date at a specified price or yield. A Eurodollar futures contract is a future on a Eurodollar deposit. Eurodollar futures contracts subject Regions to market risk associated with changes in interest rates. Because futures contracts are cash settled daily, there is minimal credit risk associated with Eurodollar futures. Interest rate swaps are contractual agreements typically entered into to exchange fixed for variable (or vice versa) streams of interest payments. The notional principal is not exchanged but is used as a reference for the size of interest settlements. Interest rate options are contracts that allow the buyer to purchase or sell a financial instrument at a predetermined price and time. Forward sale commitments are contractual obligations to sell market instruments at a future date for an already agreed-upon price. Foreign currency contracts involve the exchange of one currency for another on a specified date and at a specified rate. These contracts are executed on behalf of the Company's customers and are used to manage fluctuations in foreign exchange rates. The Company is subject to the credit risk that another party will fail to perform.

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Regions has made use of interest rate swaps to effectively convert a portion of its fixed-rate funding position to a variable-rate position and, in some cases, to effectively convert a portion of its variable-rate loan portfolio to fixed-rate. Regions also uses derivatives to manage interest rate and pricing risk associated with its mortgage origination business. In the period of time that elapses between the origination and sale of mortgage loans, changes in interest rates have the potential to cause a decline in the value of the loans in this held-for-sale portfolio. Futures contracts and forward sale commitments are used to protect the value of the loan pipeline and loans held for sale from changes in interest rates and pricing.

Regions manages the credit risk of these instruments in much the same way as it manages credit risk of the loan portfolios by establishing credit limits for each counterparty and through collateral agreements for dealer transactions. For non-dealer transactions, the need for collateral is evaluated on an individual transaction basis and is primarily dependent on the financial strength of the counterparty. Credit risk is also reduced significantly by entering into legally enforceable master netting agreements. When there is more than one transaction with a counterparty and there is a legally enforceable master netting agreement in place, the exposure represents the net of the gain and loss positions with and collateral received from and/or posted to that counterparty. The “Credit Risk” section in this report contains more information on the management of credit risk.

Regions also uses derivatives to meet the needs of its customers. Interest rate swaps, interest rate options and foreign exchange forwards are the most common derivatives sold to customers. Other derivatives instruments with similar characteristics are used to hedge market risk and minimize volatility associated with this portfolio. Instruments used to service customers are held in the trading account, with changes in value recorded in the consolidated statements of operations.

The primary objective of Regions’ hedging strategies is to mitigate the impact of interest rate changes, from an economic perspective, on net interest income and the net present value of its balance sheet. The overall effectiveness of these hedging strategies is subject to market conditions, the quality of Regions’ execution, the accuracy of its valuation assumptions, counterparty credit risk and changes in interest rates. See Note 20 “Derivative Financial Instruments and Hedging Activities” to the consolidated financial statements for a tabular summary of Regions’ year-end derivatives positions and further discussion.

Regions accounts for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Regions enters into derivative and balance sheet transactions to mitigate the impact of market value fluctuations related to mortgage servicing rights. Derivative instruments entered into in the future could be materially different from the current risk profile of Regions’ current portfolio.

MARKET RISK—PREPAYMENT RISK

Regions, like most financial institutions, is subject to changing prepayment speeds on mortgage-related assets under different interest rate environments. Prepayment risk is a significant risk to earnings and specifically to net interest income. For example, mortgage loans and other financial assets may be prepaid by a debtor, so that the debtor may refinance its obligations at lower rates. As loans and other financial assets prepay in a falling rate environment, Regions must reinvest these funds in lower-yielding assets. Prepayments of assets carrying higher rates reduce Regions’ interest income and overall asset yields. Conversely, in a rising rate environment, these assets will prepay at a slower rate, resulting in opportunity cost by not having the cash flow to reinvest at higher rates. Prepayment risk can also impact the value of securities and the carrying value of equity. Regions’ greatest exposures to prepayment risks primarily rest in its mortgage-backed securities portfolio, the mortgage fixed-rate loan portfolio and the mortgage servicing asset, all of which tend to be sensitive to interest rate movements. Each of these assets is also exposed to prepayment risk due to factors which are not necessarily the result of interest rates, but rather due to changes in policies or programs related, either directly or indirectly, to the U.S. Government's governance over certain lending and financing within the mortgage market. Such policies can work to either encourage or discourage financing dynamics and represent a risk that is extremely difficult to forecast and may be the result of non-economic factors. The Company attempts to monitor and manage such exposures within reasonable expectations while acknowledging all such risks cannot be foreseen or avoided. Further, Regions has prepayment risk that would be reflected in non-interest income in the form of servicing income on loans sold. Regions actively monitors prepayment exposure as part of its overall net interest income forecasting and interest rate risk management. In particular, because current interest rates are relatively low, Regions is actively managing exposure to declining prepayments that are expected to coincide with increasing interest rates in both the loan and securities portfolio.

LIQUIDITY RISK

Liquidity is an important factor in the financial condition of Regions and affects Regions' ability to meet the borrowing needs and deposit withdrawal requirements of its customers. Regions intends to fund obligations primarily through cash generated from normal operations. In addition to these obligations, Regions has obligations related to potential litigation contingencies. See Note 23 "Commitments, Contingencies and Guarantees" to the consolidated financial statements for additional discussion of the Company's funding requirements.

Assets, consisting principally of loans and securities, are funded by customer deposits, purchased funds, borrowed funds and stockholders' equity. Regions' goal in liquidity management is to satisfy the cash flow requirements of depositors and borrowers, while at the same time meeting the Company's cash flow needs. The challenges of the recent recession and the recovery in the current market environment demonstrate the importance of having and using various sources of liquidity to satisfy the Company's funding requirements.

In order to ensure an appropriate level of liquidity is maintained, Regions performs specific procedures including scenario analyses and stress testing at the bank, holding company, and affiliate levels. Regions updated its liquidity policy related to minimum holding company cash requirements during the fourth quarter of 2013. The new policy requires the holding company to maintain cash sufficient to cover the greater of (1) 18 months of debt service and other cash needs or (2) a minimum cash balance of $500 million. Compliance with the holding company cash requirements will be reported to the Risk Committee of the Board of Directors on a quarterly basis. Regions has similar minimum liquidity requirements for the Bank and subsidiaries. The Bank's funding and contingency planning does not currently include any reliance on unsecured sources. Risk limits are established within the Company's ALCO, which regularly reviews compliance with the established limits.

The securities portfolio is one of Regions' primary sources of liquidity. Proceeds from maturities and principal and interest payments of securities provide a constant flow of funds available for cash needs (see Note 4 "Securities" to the consolidated financial statements). The agency guaranteed mortgage portfolio is another source of liquidity in various secured borrowing capacities.

Maturities in the loan portfolio also provide a steady flow of funds. Additional funds are provided from payments on consumer loans and one-to-four family residential first mortgage loans. In addition, liquidity needs can also be met by borrowing funds in state and national money markets, although Regions does not currently rely on unsecured wholesale market funding. Regions' liquidity has been further enhanced by its relatively stable customer deposit base.

Regions elected to exit the FDIC's TAG program on July 1, 2010. The TAG program was a component of the Temporary Liquidity Guarantee Program, whereby the FDIC guaranteed all funds held at participating institutions beyond the $250,000 deposit insurance limit in qualifying transaction accounts. The decision to exit the program did not have a significant impact on liquidity. The Dodd-Frank Act permanently increased the FDIC coverage limit to $250,000. As a result of the Dodd-Frank Act, effective December 31, 2010, unlimited coverage for non-interest-bearing demand transaction accounts was provided until January 1, 2013. The expiration of unlimited coverage for non-interest-bearing demand transaction accounts did not have a significant impact on liquidity.

Regulation Q prohibited banks from paying interest on business checking accounts in accordance with the Glass-Steagall Act of 1933. However, the Dodd-Frank Act repealed Regulation Q. In July 2011, financial institutions, such as Regions, were allowed to offer interest on corporate checking accounts. Regions responded to these changes by enhancing its existing core interest-bearing products. However, due to the low interest rate environment and unlimited FDIC insurance available on non-interest-bearing balances until January 1, 2013, the Company did not experience, nor does it anticipate experiencing, significant migration of business customer balances from non-interest-bearing accounts to interest-bearing accounts.

As the economy continues to improve, Regions has been able to decrease the higher levels of excess cash held with the Federal Reserve Bank due to the uncertainty and inconsistency in the funding markets during the recession. The balance with the Federal Reserve Bank is the primary component of the balance sheet line item, "interest-bearing deposits in other banks." Regions held approximately $2.3 billion in average excess cash on deposit with the Federal Reserve during 2013, down approximately 22 percent from average 2012 balances. Regions' borrowing availability with the Federal Reserve Bank as of December 31, 2013, based on assets pledged as collateral on that date, was $22.2 billion.

Regions periodically accesses funding markets through sales of securities with agreements to repurchase. Repurchase agreements are also offered through a commercial banking sweep product as a short-term investment opportunity for customers. All such arrangements are considered typical of the banking industry and are accounted for as borrowings.

Regions’ financing arrangement with the FHLB adds additional flexibility in managing the Company's liquidity position. As of December 31, 2013, Regions’ borrowing availability from the FHLB totaled $9.6 billion. FHLB borrowing capacity is contingent on the amount of collateral pledged to the FHLB. Regions Bank and its subsidiaries have pledged certain residential first mortgage loans on one-to-four family dwellings and home equity lines of credit as collateral for the FHLB advances outstanding. Additionally, investment in FHLB stock is required in relation to the level of outstanding borrowings. Regions held $67 million in FHLB stock at December 31, 2013. The FHLB has been and is expected to continue to be a reliable and economical source of funding.

In February 2013, Regions filed a shelf registration statement with the U.S. Securities and Exchange Commission. This shelf registration does not have a capacity limit and can be utilized by Regions to issue various debt and/or equity securities. The registration statement will expire in February 2016.

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Regions' Bank Note program allows Regions Bank to issue up to $5 billion aggregate principal amount of bank notes outstanding at any one time. No issuances have been made under this program as of December 31, 2013. Notes issued under the program may be senior notes with maturities from 30 days to 15 years and subordinated notes with maturities from 5 years to 30 years. These notes are not deposits and they are not insured or guaranteed by the FDIC. Regions may, from time to time, consider opportunistically retiring outstanding issued securities, including subordinated debt in privately negotiated or open market transactions for cash or common shares. Regulatory approval would be required for retirement of some instruments.

Table 27—Contractual Obligations

	Payments Due By Period [1]					
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Indeterminable Maturity	Total
	(In millions)					
Deposits [2]	$4,577	$3,353	$1,724	$22	$ 82,777	$92,453
Short-term borrowings	2,182	—	—	—	—	2,182
Long-term borrowings	1,359	875	1,485	1,111	—	4,830
Lease obligations	140	241	165	364	—	910
Purchase obligations	50	59	16	—	—	125
Benefit obligations [3]	21	25	47	70	—	163
Commitments to fund low income housing partnerships [4]	604	—	—	—	—	604
Unrecognized tax benefits [5]	—	—	—	—	55	55
Indemnification obligation [6]	—	260	—	—	—	260
	$8,933	$4,813	$3,437	$1,567	$ 82,832	$101,582

(1) See Note 23 "Commitments, Contingencies and Guarantees" to the consolidated financial statements for the Company's commercial commitments at December 31, 2013.

(2) Deposits with indeterminable maturity include non-interest bearing demand, savings, interest-bearing transaction accounts and money market accounts.

(3) Amounts only include obligations related to the unfunded non-qualified pension plan and postretirement health care plan.

(4) Commitments to fund low income housing partnerships do not have defined maturity dates. Therefore, they have been considered due on demand, maturing one year or less.

(5) Includes liabilities for unrecognized tax benefits of $51 million and tax-related interest and penalties of $4 million. See Note 19 "Income Taxes" to the consolidated financial statements.

(6) See Note 23 "Commitments, Contingencies and Guarantees" to the consolidated financial statements for a description of the indemnification obligation to Raymond James, and the rationale for the expected payment timeframe.

CREDIT RISK

Regions' objective regarding credit risk is to maintain a high-quality credit portfolio that provides for stable credit costs with acceptable volatility through an economic cycle. Regions has a diversified loan portfolio in terms of product type, collateral and geography. See the "Credit Quality" section found earlier in this report for further information.

Management Process

Regions employs a credit risk management process with defined policies, accountability and regular reporting to manage credit risk in the loan portfolio. Credit risk management is guided by credit policies that provide for a consistent and prudent approach to underwriting and approvals of credits. Within the Credit Policy department, procedures exist that elevate the approval requirements as credits become larger and more complex. Generally, consumer credits and smaller commercial credits are centrally underwritten based on custom credit matrices and policies that are modified as appropriate. Larger commercial and investor real estate transactions are individually underwritten, risk-rated, approved and monitored.

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Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies in the individual business groups. For consumer and small business portfolios, the risk management process focuses on managing customers who become delinquent in their payments and managing performance of the credit scorecards, which are periodically adjusted based on actual credit performance. The credit risk management division works with commercial relationship teams to analyze and underwrite new business opportunities, manage the overall loan portfolio, and perform ongoing credit servicing activities utilizing a risk-based approach which incorporates quantitative and qualitative factors.

To ensure problem commercial credits are identified on a timely basis, several specific portfolio reviews occur each quarter to assess the larger adversely rated credits for accrual status and, if necessary, to ensure such individual credits are transferred to Regions' Problem Asset Management Division, which specializes in managing distressed credit exposures.

There are also separate and independent commercial credit and consumer credit risk management organizational groups. These organizational units partner with the business line to assist in the processes described above, including the review and approval of new business and ongoing assessments of existing loans in the portfolio. Independent commercial and consumer credit risk management provides for more accurate risk ratings and the timely identification of problem credits, as well as oversight for the Chief Credit Officer on conditions and trends in the credit portfolios.

Credit quality and trends in the loan portfolio are measured and monitored regularly and detailed reports, by product, business unit and geography, are reviewed by business group personnel and the Chief Credit Officer. The Chief Credit Officer reviews summaries of these credit reports with executive management and the Board of Directors. Finally, the Credit Review department provides ongoing independent oversight of the credit portfolios to ensure policies are followed, credits are properly risk-rated and that key credit control processes are functioning as intended.

Risk Characteristics of the Loan Portfolio

In order to assess the risk characteristics of the loan portfolio, Regions considers the current U.S. economic environment and that of its primary banking markets, as well as risk factors within the major categories of loans. See Table 9 "Loan Portfolio" and the related discussion found earlier in this report for further information on the major categories of loans.

Economic Environment in Regions' Banking Markets

One of the primary factors influencing the credit performance of Regions' loan portfolio is the overall economic environment in the U.S. and the primary markets in which it operates. The "Great Recession" that began in December 2007 and ended in June 2009 took a severe toll on the U.S. economy, but by year-end 2013 many of the economic headwinds that had restrained the economy had diminished. Household balance sheets improved further due in part to continued low interest rates, continued housing market recovery and inventories of distressed properties having been greatly diminished in many markets, corporate balance sheets remained healthy, and by year-end 2013 consumer and business confidence had begun to improve. The economy overcame a significant fiscal drag - the cumulative effects of higher personal tax rates and cutbacks in federal government spending - that weighed down growth over the first half of the year. Additionally, the pace of economic growth accelerated meaningfully over the second half of the year, with annualized real GDP growth of 4.1 percent in the third quarter and 3.2 percent in the fourth quarter.

As such, the economy entered 2014 on firmer footing and the momentum established over the second half of 2013 is expected to be sustained. After deducting roughly 1.5 percent from top-line real GDP growth in 2013, fiscal drag is expected to be reduced in 2014 and deduct roughly 0.4 percent from top-line growth. At the same time, faster growth in private sector demand than seen in 2013 is expected to also contribute to improved growth. After growth of 1.9 percent in 2013, real GDP growth of approximately 3.0 percent is expected in 2014.

Still, it is important to note the economy is not yet fully healed from the Great Recession. As of December 2013, the level of non-farm payroll employment remained over one million jobs below the pre-recession peak. Moreover, while the unemployment rate stood at 6.7 percent as of December 2013, down from a cyclical peak of 10.0 percent in October 2009, a considerable portion of this decline has been due to a declining labor force participation rate as discouraged job seekers, many having been unemployed six months or more, exited the labor force. Further declines in the unemployment rate are expected due to the expiration of extended Unemployment Insurance benefits in the coming months, which could cause significant numbers of unemployed individuals to exit the labor market. Additionally, just under eight million adults are working part-time for economic reasons (for example, they would prefer a full-time job but can only find part-time employment) - such individuals are not unemployed but are underemployed. As such, the falling unemployment rate currently overstates the extent of improvement in the labor market. Should the rate of overall economic growth pick up as anticipated, it should lead to more genuine improvement in labor market conditions.

While the downside risks from fiscal policy seem diminished in 2014 relative to 2013, there is some degree of uncertainty pertaining to monetary policy, specifically the effects of the Federal Reserve reducing, and ultimately ending, its large-scale asset

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purchases. While monetary policy is expected to remain accommodative, market expectations of the timing of an initial hike in the Fed funds rate could be pulled forward, particularly in the context of an accelerating pace of economic growth and a rapidly falling unemployment rate. In such an environment, long-term interest rates would be expected to trend higher, but there could be an above-normal degree of volatility in interest rates, along the entire yield curve, as a result of uncertainty over the future course of the Fed funds rate. Moreover, the paring down and ultimate ending of the Fed’s large-scale asset purchases can be expected to contribute to volatility in international flows of capital, which in turn could contribute to economic stress in emerging market nations.

Within the Regions footprint, the pace of economic growth is proceeding roughly on par with that of the U.S. as a whole. Payroll employment is rising but still below its pre-recession peak. Those markets with exposure to energy exploration and production, durable goods manufacturing, and technology are faring the best, and across the footprint health care remains a key driver of job growth while the drag from job reductions in the state and local government sectors appears to have abated to a certain extent. Housing market activity appears to be picking up at a steady pace; while many Florida markets continue to see elevated inventories of distressed properties, those inventories are nonetheless being worked down which should ultimately pave the way for a faster pace of new single family construction.

In summation, we expect the pace of real GDP growth to accelerate to approximately 3.0 percent for 2014 as a whole, with firmer growth in private sector demand and a significantly smaller degree of fiscal drag, and we look for growth in 2015 to be slightly faster than in 2014.

Allowance for Credit Losses

The allowance for credit losses ("allowance") consists of two components: the allowance for loan and lease losses and the reserve for unfunded credit commitments. The allowance represents management’s estimate of probable credit losses inherent in the loan and credit commitment portfolios as of period end.

Allowance Process—Factors considered by management in determining the adequacy of the allowance include, but are not limited to: 1) detailed reviews of individual loans; 2) historical and current trends in gross and net loan charge-offs for the various classes of loans evaluated; 3) the Company’s policies relating to delinquent loans and charge-offs; 4) the level of the allowance in relat