REGIONS FINANCIAL CORP
Form 10-K405
March 22, 2002

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

COMMISSION FILE NUMBER 0-6159

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

DELAWARE (State or other jurisdiction of incorporation or organization)	63-0589368 (I.R.S. Employer Identification No.)
417 NORTH 20TH STREET, BIRMINGHAM, ALABAMA (Address of principal executive offices)	35203 (Zip Code)

Registrant's telephone number, including area code: (205) 944-1300

Securities registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK -- PAR VALUE $.625

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 [X] 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. [X]

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 2002.

COMMON STOCK, $.625 PAR VALUE -- $7,199,006,551*

*Excludes as shares held by affiliates only shares held by the registrant's 401(k) plan, supplemental 401(k) plan, directors' stock investment plan and executive officers who are directors without prejudice to a determination of control.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 28, 2002.

Common Stock, $.625 Par Value--229,752,922 shares issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual proxy statement to be dated approximately April 10, 2002 are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

(a) The Registrant, Regions Financial Corporation (the "Registrant" or "Regions"), is a regional financial holding company headquartered in Birmingham, Alabama, which operated 677 full-service banking offices in Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Texas as of December 31, 2001. At that date, Regions had total consolidated assets of approximately $45.4 billion, total consolidated deposits of approximately $31.5 billion, and total consolidated stockholders' equity of approximately $4.0 billion.

Regions was organized under the laws of the state of Delaware and commenced operations in 1971 under the name First Alabama Bancshares, Inc. On May 2, 1994, the name of First Alabama Bancshares, Inc. was changed to Regions Financial Corporation. Regions' principal executive offices are located at 417 North 20th Street, Birmingham, Alabama 35203, and its telephone number at such address is (205) 944-1300.

At December 31, 2001, Regions operated three state-chartered commercial bank subsidiaries (collectively, the "Subsidiary Banks") in Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Texas. Regions also operates various financial service subsidiaries providing other financial services in the fields of investment banking, asset management, trust, mutual funds, securities brokerage, mortgage banking, insurance, leasing, commercial accounts receivable factoring, and other specialty financing.

In Alabama, Regions operates through Regions Bank, which operates 166 banking offices throughout the state. At December 31, 2001, these offices had 30% of Regions' total consolidated assets and 32% of total consolidated deposits.

In Arkansas, Regions Bank operates 111 banking offices throughout the state. At December 31, 2001, these offices had 14% of total consolidated assets and total consolidated deposits.

In Florida, Regions Bank operates through 64 banking offices in the northwest and central regions of the state. At December 31, 2001, these offices had 7% of Regions' total consolidated assets and 8% of total consolidated deposits.

In Georgia, Regions Bank operates 137 banking offices throughout the state. At December 31, 2001, these offices had 24% of total consolidated assets and 20% of Regions' total consolidated deposits.

In Louisiana, Regions Bank operates 87 banking offices throughout the state. At December 31, 2001, these offices had 10% of total consolidated assets and 12% of Regions' total consolidated deposits.

In North Carolina, Park Meridian Bank operates three banking offices in the Charlotte area. At December 31, 2001, these offices had 1% of Regions' total consolidated assets and total consolidated deposits.

In South Carolina, Regions Bank operates 33 banking offices throughout the state. At December 31, 2001, these offices had 4% of Regions' total consolidated assets and 3% of total consolidated deposits.

In Tennessee, Regions Bank operates 38 banking offices. At December 31, 2001, these offices had 5% of Regions' total consolidated assets and total consolidated deposits.

In Texas, (i) Regions Bank and (ii) First Bank of Texas operate 38 banking offices in the state. At December 31, 2001, these offices had 5% of Regions' total consolidated assets and total consolidated deposits.

In addition to the Subsidiary Banks, Regions provides additional financial services through various banking-related subsidiaries, the most significant of which provide brokerage and investment services, mortgage banking, insurance brokerage, credit life insurance, commercial accounts receivable factoring, and specialty financing.

Morgan Keegan & Company, Inc., acquired in 2001 and a subsidiary of Regions, is a regional full-service brokerage and investment banking firm. Morgan Keegan offers products and services including securities

brokerage, asset management, financial planning, mutual funds, securities underwriting, sales and trading, and investment banking. Morgan Keegan, one of the largest investment firms in the South, employs approximately 900 financial advisors offering products and services from 142 offices located in Alabama, Arkansas, Florida, Georgia, Kentucky, Massachusetts, Mississippi, New York, Louisiana, North Carolina, South Carolina, Tennessee, Texas, and Virginia.

Regions Mortgage, Inc. (RMI), a subsidiary of Regions Bank, is engaged in mortgage banking. Its primary business and source of income is the origination and servicing of mortgage loans for long-term investors. RMI serviced approximately $19.1 billion in real estate mortgages at December 31, 2001, and it operates loan production offices in Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Texas.

Rebsamen Insurance Inc., acquired in 2001 and a subsidiary of Regions, acts as a general insurance broker for a full-line of insurance products, primarily focusing on commercial property and casualty insurance customers.

Regions Agency, Inc., a subsidiary of Regions, acts as an insurance agent or broker with respect to credit life and accident and health insurance and other types of insurance relating to extensions of credit by the Subsidiary Banks or banking-related subsidiaries.

Regions Life Insurance Company, a subsidiary of Regions, acts as a re-insurer of credit life and accident and health insurance in connection with the activities of certain affiliates of Regions.

Regions Interstate Billing Service, Inc. (RIBS), a subsidiary of Regions, factors commercial accounts receivable and performs billing and collection services. RIBS primarily serves clients related to the automotive service industry.

EquiFirst Corporation, a subsidiary of EFC Holdings Corporation which is a wholly-owned subsidiary of Regions Bank, provides specialty real estate financing to consumers.

A substantial portion of the growth of Regions since commencing operations in 1971 has been through the acquisition of other financial institutions, including commercial banks and thrift institutions, and the assets and deposits thereof. Since it began operations as a bank holding company, Regions has completed 99 acquisitions of financial institutions and financial service providers representing in aggregate (at the time the acquisitions were completed) approximately $27.9 billion in assets. As part of its ongoing strategic plan, Regions continually evaluates business combination opportunities. As a result, business combination discussions and, in some cases, negotiations take place, and future business combinations involving cash, debt, or equity securities can be expected. Any future business combination or series of business combinations that Regions might undertake may be material, in terms of assets acquired or liabilities assumed, to Regions' financial condition. Recent business combinations in the financial services industry have typically involved the payment of a premium over book and market values. This practice could result in dilution of book value and net income per share for the acquirer.

Reference is made to Items 6 and 7 of this Annual Report on Form 10-K for certain statistical (Guide 3) and other information.

This Annual Report on Form 10-K, other periodic reports filed by Regions under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward looking statements which reflect Regions' current views with respect to future events and financial performance. Such forward looking 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 following: Some factors are specific to Regions, including:

- The cost and other effects of material contingencies, including litigation contingencies.

- Regions' ability to expand into new markets and to maintain profit margins in the face of pricing pressures.

- Regions' ability to keep pace with technological changes.

- Regions' ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by Regions' customers and potential customers.

- Regions' ability to effectively manage interest rate risk, credit risk and operational risk.

- Regions' ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so to as maintain sufficient capital and liquidity to support Regions business.

- Regions' ability to achieve the earnings expectations related to the businesses that were recently acquired or that may be acquired in the future, which in turn depends on a variety of factors, including:

- Regions' ability to achieve the anticipated cost savings and revenue enhancements with respect to the acquired operations.

- the assimilation of the acquired operations to Regions' corporate culture, including the ability to instill Regions' credit practices and efficient approach to the acquired operations.

- the continued growth of the markets that the acquired entities serve, consistent with recent historical experience.

Other factors which may affect Regions apply to the financial services industry more generally, including:

- Further easing of restrictions on participants in the financial services industry, such as banks, securities brokers and dealers, investment companies and finance companies, may increase competitive pressures.

- Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins.

- Possible changes in general economic and business conditions in the United States and the South in general and in the communities Regions serves in particular may lead to a deterioration in credit quality, thereby increasing provisioning costs, or a reduced demand for credit, thereby reducing earning assets.

- Possible changes in trade, monetary and fiscal policies, laws, and regulations, and other activities of governments, agencies, and similar organizations, including changes in accounting standards, may have an adverse effect on business.

- Possible changes in consumer and business spending and saving habits could affect Regions' ability to increase assets and to attract deposits.

The words "believe", "expect", "anticipate", "project", and similar expressions signify forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statements made by or on behalf of Regions. Any such statement speaks only as of the date the statement was made. Regions undertakes no obligation to update or revise any forward looking statements.

(b) The primary business conducted by Registrant's banking affiliates, in each geographic region, is banking, which includes provision of commercial and retail banking services and, in some cases, trust services. Registrant's bank-related subsidiaries perform services incidental to the business of banking.

Reference is made to Note V. "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.

(c)(1) General. The Registrant is a financial holding company, registered with the Board of Governors of the Federal Reserve System ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended ("BHC Act"). As such, the Registrant and its subsidiaries are subject to the supervision, examination, and reporting requirements of the BHC Act and the regulations of the Federal Reserve.

The Gramm-Leach-Bliley Act, adopted in 1999, significantly relaxed previously existing restrictions on the activities of banks and bank holding companies. Under such Act, an eligible bank holding company may elect to be a "financial holding company" and thereafter may engage in a range of activities that are financial

in nature and that were not previously permissible for banks and bank holding companies. For a bank holding company to be eligible for financial holding company status, all of its subsidiary financial institutions must be well-capitalized and well-managed. A bank holding company may become a financial holding company by filing a declaration with the Federal Reserve Board that it elects to become a financial holding company. A financial holding company may engage directly or through a subsidiary in the statutorily authorized activities of securities dealing, underwriting, and market making, insurance underwriting and agency activities, merchant banking, and insurance company portfolio investments, and in any activity that the Federal Reserve Board determines by rule or order to be financial in nature or incidental to such financial activity. The Federal Reserve Board must deny expanded authority to any bank holding company that received less than a satisfactory rating on its most recent Community Reinvestment Act review as of the time it submits its declaration.

The Gramm-Leach-Bliley Act also permits securities brokerage firms and insurance companies to own banks and bank holding companies. The Act also seeks to streamline and coordinate regulation of integrated financial holding companies, providing generally for "umbrella" regulation of financial holding companies by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators.

In December 2000, Regions filed a declaration to become a financial holding company, which was approved by the Federal Reserve in January 2001.

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5.0% of the voting shares of the bank; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or (iii) it may merge or consolidate with any other bank holding company.

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 Community Reinvestment Act of 1977 (the "CRA"), both of which are discussed below.

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act") repealed the prior statutory restrictions on interstate acquisitions of banks by bank holding companies, such that the Registrant, and any other bank holding company located in Alabama may now acquire a bank located in any other state, and any bank holding company located outside Alabama may lawfully acquire any Alabama-based bank, regardless of state law to the contrary, in either case subject to certain deposit-percentage, aging requirements, and other restrictions. The Interstate Banking Act also generally provided that, after June 1, 1997, national and state-chartered banks may branch interstate through acquisitions of banks in other states.

The BHC Act limits the activities of a bank holding company to banking or managing banks, engaging in activities that are so closely related to banking and managing banks as to be a proper incident thereto, and, in the case of bank holding companies that are also qualified as financial holding companies, engaging in the financial activities described above. Activities that the Federal Reserve has determined to be permissible for a bank holding company include factoring accounts receivable, acquiring and servicing loans, leasing personal property, performing certain data processing services, acting as agent or broker in selling credit life insurance and certain other type of insurance in connection with credit transactions, and conducting certain insurance underwriting activities. The BHC act does not place territorial limitations on permissible nonbanking activities

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of bank holding companies. Despite prior approval, 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.

The Subsidiary Banks of the Registrant are members of the Federal Deposit Insurance Corporation ("FDIC"), and as such, their deposits are insured by the FDIC to the extent provided by law. The Subsidiary Banks are also subject to numerous state and federal statutes and regulations that affect its business activities and operations, and are supervised and examined by one or more state or federal bank regulatory agencies.

The Subsidiary Banks are state-chartered banks. Regions Bank is a member of the Federal Reserve System and is subject to supervision and examination by the Federal Reserve and the state banking authorities of Alabama, the state in which it is headquartered. The other Subsidiary Banks are not members of the Federal Reserve System, and consequently they are subject to supervision and regulation by the FDIC, as well as the applicable state banking authorities. The federal banking regulator of the Subsidiary Banks, as well as the appropriate state banking authority for the Subsidiary Banks, regularly examines the operations of the Subsidiary Banks and is given authority to approve or disapprove mergers, 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.

The Subsidiary Banks are subject to the provisions of the CRA. Under the terms of the CRA, the Subsidiary Banks have a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire communities, including 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 subsidiary 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. Further, such assessment is required of any institution which has applied to: (i) charter a national bank; (ii) obtain deposit insurance coverage for a newly chartered institution; (iii) establish a new branch office that will accept deposits; (iv) relocate an office; or (v) merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. 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. The Subsidiary Banks received a "satisfactory" CRA rating in their most recent examination.

Payment of Dividends. The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. The principal source of cash flow of the Registrant, including cash flow to pay dividends to its stockholders, is dividends from the Subsidiary Banks. There are statutory and regulatory limitations on the payment of dividends by the Subsidiary Banks to the Registrant as well as the Registrant to its stockholders.

As to the payment of dividends, the Subsidiary Banks are subject to the laws and regulations of the state in which they are headquartered and to the regulations of the Federal Reserve or FDIC, as the case may be.

If, in the opinion of a federal 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 banking 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 Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), an insured institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. See "Prompt Corrective Action." Moreover, the Federal Reserve and the FDIC

have issued policy statements which provide that bank holding companies and insured banks should generally pay dividends only out of current operating earnings.

At December 31, 2001, under dividend restrictions imposed under federal and state laws, the Subsidiary Banks, without obtaining governmental approvals, could declare aggregate dividends to the Registrant of approximately $265 million.

The payment of dividends by the Registrant and the Subsidiary Banks may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

Capital Adequacy. The Registrant and the Subsidiary Banks are required to comply with the capital adequacy standards established by the Federal Reserve in the case of the Registrant and Regions Bank and the FDIC in the case of the other Subsidiary Banks. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile 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 broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum guideline for the ratio of total capital ("Total Capital") to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8.0%. At least half of the Total Capital must be composed of common equity, undivided profits, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less goodwill and certain other intangible assets ("Tier 1 Capital"). The remainder may consist of subordinated debt, other preferred stock, and a limited amount of loan loss reserves. The minimum guideline for Tier 1 Capital ratio is 4.0%. At December 31, 2001, the Registrant's consolidated Tier 1 Capital and Total Capital ratios were 9.66% and 13.23%, respectively.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets (the "Leverage Ratio"), of 3.0% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 3.0%, plus an additional cushion of 100 to 200 basis points. The Registrant's Leverage Ratio at December 31, 2001, was 7.41%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

The Registrant's Subsidiary Banks are subject to risk-based and leverage capital requirements adopted by the applicable federal regulator. The capital adequacy requirements adopted by the FDIC are substantially similar to those adopted by the Federal Reserve. The Registrant's Subsidiary Banks were in compliance with applicable minimum capital requirements as of December 31, 2001. Neither the Registrant nor its Subsidiary Banks have been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to them.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See "Prompt Corrective Action."

Support of Subsidiary Banks. Under Federal Reserve policy, the Registrant is expected to act as a source of financial strength to, and to commit resources to support, the Subsidiary Banks. This support may be required at times when, absent such Federal Reserve policy, the Registrant may not be inclined to provide it. In addition, any capital loans by a bank holding company to the Subsidiary Banks are subordinate in right of payment to deposits and to certain other indebtedness of such Subsidiary Banks. 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 Banks will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Prompt Corrective Action. FDICIA establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, which became effective in December 1992, the federal banking regulators are required to establish five capital categories ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized") and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, FDICIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

Under the agency rule implementing the prompt corrective action provisions, an institution that (i) has a Total Capital ratio of 10.0% or greater, a Tier 1 Capital ratio of 6.0% or greater, and a Leverage Ratio of 5.0% or greater and (ii) is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the appropriate federal banking agency is deemed to be "well capitalized." An institution with a Total Capital ratio of 8.0% or greater, a Tier 1 Capital ratio of 4.0% or greater, and a Leverage Ratio of 4.0% or greater is considered to be "adequately capitalized." A depository institution that has a Total Capital ratio of less than 8.0%, a Tier 1 Capital ratio of less than 4.0%, or a Leverage Ratio of less than 4.0% is considered to be "undercapitalized." A depository institution that has a Total Capital ratio of less than 6.0%, a Tier 1 Capital ratio of less than 3.0%, or a Leverage Ratio of less than 3.0% is considered to be "significantly undercapitalized," and an institution that has a tangible equity capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized." For purposes of the regulation, the term "tangible equity" includes core capital elements counted as Tier 1 Capital for purposes of the risk-based capital standards plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

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 agency. Under FDICIA, a bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to certain limitations. The obligation of a controlling bank holding company under FDICIA to fund a capital restoration plan is limited to the lesser of 5.0% of an undercapitalized subsidiary's assets and 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. In addition, the appropriate federal banking agency is given authority with respect to any undercapitalized depository institution to take any of the actions it is required to or may take with respect to a significantly undercapitalized institution as described below if it determines "that those actions are necessary to carry out the purpose" of FDICIA.

For those 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, the appropriate federal banking agency must require the institution to take one or more of the following actions: (i) sell enough shares, including voting shares, to become adequately capitalized; (ii) merge with (or be sold to) another institution (or holding company), but only if grounds exist for appointing a conservator or receiver; (iii) restrict certain transactions with banking affiliates as if the "sister bank" exception to the requirements of

Section 23A of the Federal Reserve Act did not exist; (iv) otherwise restrict transactions with bank or nonbank affiliates; (v) restrict interest rates that the institution pays on deposits to "prevailing rates" in the institution's "region"; (vi) restrict asset growth or reduce total assets; (vii) alter, reduce, or terminate activities; (viii) hold a new election of directors; (ix) dismiss any director or senior executive officer who held office for more than 180 days immediately before the institution became undercapitalized, provided that in requiring dismissal of a director or senior officer, the agency must comply with certain procedural requirements, including the opportunity for an appeal in which the director or officer will have the burden of proving his or her value to the institution; (x) employ "qualified" senior executive officers; (xi) cease accepting deposits from correspondent depository institutions; (xii) divest certain nondepository affiliates which pose a danger to the institution; or (xiii) be divested by a parent holding company. In addition, without the prior approval of the appropriate federal banking agency, a significantly undercapitalized institution may not pay any bonus to any senior executive officer or increase the rate of compensation for such an officer without regulatory approval.

At December 31, 2001, the Registrant's Subsidiary Banks had the requisite capital levels to qualify as well capitalized.

FDIC Insurance Assessments. Pursuant to FDICIA, the FDIC adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The risk-based system, which went into effect on January 1, 1994, assigns an institution to one of three capital categories: (i) well capitalized; (ii) adequately capitalized; and (iii) undercapitalized. These three categories are substantially similar to the prompt corrective action categories described above, with the "undercapitalized" category including institutions that are undercapitalized, significantly undercapitalized, and critically undercapitalized for prompt corrective action purposes. An institution is also assigned by the FDIC to one of three supervisory subgroups within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information which the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds (which may include, if applicable, information provided by the institution's state supervisor). An institution's insurance assessment rate is then determined based on the capital category and supervisory category to which it is assigned. Under the final risk-based assessment system, there are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied.

Regions' Subsidiary Banks are assessed at the well-capitalized level where the premium rate is currently zero. Like all insured banks, Regions' Subsidiary Banks also must pay a quarterly assessment of approximately $.02 per $100 of assessable deposits to pay off bonds that were issued in the late 1980's by a government corporation, the financing corporation, to raise funds to cover costs of the resolution of the savings and loan crisis.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the 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 the FDIC.

Safety and Soundness Standards. The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994, requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. In 1995, the federal bank regulatory agencies adopted guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines 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, the guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines 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 addition, 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 "prompt corrective action" provisions of FDICIA. See "Prompt Corrective Action." 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. The federal bank regulatory agencies also proposed guidelines for asset quality and earnings standards.

Depositor Preference. The Omnibus Budget Reconciliation Act of 1993 provides that deposits 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.

Other. The United States Congress continues to consider a number of wide-ranging proposals for altering the structure, regulation, and competitive relationships of the nation's financial institutions. It cannot be predicted whether or in what form further legislation may be adopted or the extent to which the business of the Registrant may be affected thereby.

Registrant's broker/dealer subsidiary, Morgan Keegan & Company, Inc., is subject to regulation by the Securities and Exchange Commission, the National Association of Securities Dealers, and certain state securities commissions.

(i) The following chart shows for the last three years the percentage of total revenues contributed by each of the major categories of income.

	2001	2000	1999

Interest and fees on loans	60.9%	67.5%	64.9%
Interest on securities	12.1	15.7	16.6
Interest on mortgage loans held for sale	1.0	0.9	2.4
Interest on margin receivables	0.5	0.0	0.0
Interest on federal funds sold	0.4	0.1	0.1
Other interest income	0.8	0.1	0.1
Brokerage and investment income	8.9	1.1	1.1
Trust department income	1.4	1.5	1.6
Service charges on deposit accounts	6.6	6.0	5.8
Mortgage servicing and origination fees	2.4	2.2	3.0
Other non-interest income	5.0	4.9	4.4
Total Revenues	100.0%	100.0%	100.0%

(ii) There has been no public announcement, and no information otherwise has become public, about a material new product or line of business.

(iii) The monetary policies of the Federal Reserve affect the operations of Registrant's Subsidiary Banks. Through changes in the reserve requirements against bank and thrift deposits, open market operations in U.S. Government securities and changes in the discount rate on borrowings, the Federal Reserve influences the cost and availability of funds obtained for lending and investing.

The monetary policies of the Federal Reserve have had a significant effect on the operating results of financial institutions in the past and are expected to do so in the future. The impact of such policies on the future business and earnings of the Registrant cannot be predicted.

(iv) The Registrant does not have any material patents, trademarks, licenses, franchises, or concessions.

(v) No material portion of the Registrant's business is of a seasonal nature.

(vi) The primary sources of funds for the Subsidiary Banks are deposits and borrowed funds. The Registrant's primary sources of operating funds are service fees, dividends, and interest, which it receives from bank and bank-related subsidiaries.

(vii) No material part of the business of the Registrant is dependent upon a single customer or a few customers. No single customer or affiliated group of customers accounts for 10% or more of Registrant's consolidated revenues.

(viii) Information concerning backlog orders is not relevant to an understanding of the business of the Registrant.

(ix) No material portion of the business of the Registrant is subject to renegotiation of profits or termination of contracts or subcontracts by governmental authorities.

(x) All aspects of the Registrant's business are highly competitive. The Registrant's subsidiaries compete with other financial institutions located in Alabama, Arkansas, northwest and central Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee, Texas 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, consumer finance companies, brokerage firms, insurance companies, investment companies, mutual funds, other mortgage companies and financial service operations of major commercial and retail corporations.

As of December 31, 2001, the Registrant was the second largest bank holding company headquartered in Alabama based on assets. For information with respect to the Registrant's markets and the size of the Subsidiary Banks operating in such markets, see the information provided under subsection (a) of this Item 1.

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 the ranking of Registrant's position varies in different markets, Registrant believes that its affiliates effectively compete with other financial service companies in their relevant market areas.

Under present banking laws, the Registrant and any other bank holding company located in Alabama are now able to acquire a bank located in any other state, and a bank holding company located outside Alabama could acquire any Alabama-based bank, in either case subject to certain deposit percentage and other restrictions. Federal banking laws also generally permit national and state-chartered banks to branch interstate through acquisitions of banks in other states. To the extent that large bank holding companies make acquisitions in the markets in which Regions operates, competition in the Registrant's markets could further intensify.

(xi) There were no material expenditures during the last three fiscal years on research and development activities by the Registrant.

(xii) Regulations of any governmental authority concerning the discharge of materials into the environment are expected to have no material effect on the Registrant or any of its subsidiaries.

(xiii) As of December 31, 2001, Registrant, its affiliate bank and other subsidiaries had a total of 15,921 full-time-equivalent employees.

(d) Registrant neither engages in foreign operations nor derives a significant portion of its business from customers in foreign countries.

ITEM 2. PROPERTIES

The corporate headquarters of the Registrant occupy several floors of the main Birmingham banking facility of Regions Bank, located at 417 North 20th Street, Birmingham, Alabama 35203.

The Registrant and its subsidiaries, including the Subsidiary Banks, operate through 909 office facilities, of which 664 are owned by the Registrant or one of its subsidiaries and 245 are subject to building or ground leases. Of the 677 branch office facilities operated by the Subsidiary Banks at December 31, 2001, 476 are wholly owned by the Subsidiary Banks and 201 are subject to building or ground leases.

For offices in premises leased by the Registrant and its subsidiaries, annual rentals totaled approximately $31,201,000 as of December 31, 2001. During 2001, the Registrant and its subsidiaries received approximately $9,936,000 in rentals for space leased to others. At December 31, 2001, there were no encumbrances on the offices, equipment and other operational facilities owned by the Registrant and its subsidiaries.

ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note L "Commitments and Contingencies", to the consolidated financial statements included under Item 8 of this Annual Report on Form 10-K.

The Registrant continues to be concerned about the general trend in litigation in state and other courts involving large damage awards against financial service company defendants. Registrant directly or through its subsidiaries is party to approximately 189 cases in the ordinary course of business, some of which seek class action treatment or punitive damages.

Notwithstanding these concerns, Registrant believes, based on consultation with legal counsel, that the outcome of pending litigation will not have a material effect on Registrant's consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to security holders for a vote during the fourth quarter of 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Common Stock Market Prices and Dividend information for the year ended December 31, 2001, is included under Item 8 of this Annual Report filed on Form 10-K in Note X to the Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

HISTORICAL FINANCIAL SUMMARY

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

	2001	2000	1999	1998	1997	
	(IN THOUSANDS, EXCEPT RATIOS, YIELDS, AND PER SH					
SUMMARY OF OPERATING RESULTS						
Interest income:						
Interest and fees on loans....................	$2,458,503	$2,588,143	$2,201,786	$2,072,204	$1,837,392	$1
Income on federal funds sold.....................	17,890	5,537	4,256	17,610	16,882	
Taxable interest on securities...............	445,919	561,974	524,935	417,121	355,591	
Tax-free interest on securities...............	40,434	41,726	39,484	39,981	42,836	

Other interest income......	92,891	36,863	84,225	50,870	23,883
Total interest income...............	3,055,637	3,234,243	2,854,686	2,597,786	2,276,584
Interest expense:					
Interest on deposits.......	1,135,695	1,372,260	1,056,799	1,065,054	954,782
Interest on short-term borrowings...............	188,108	276,243	329,518	174,906	108,617
Interest on long-term borrowings..............	306,341	196,943	42,514	33,008	33,977
Total interest expense..............	1,630,144	1,845,446	1,428,831	1,272,968	1,097,376
Net interest income...............	1,425,493	1,388,797	1,425,855	1,324,818	1,179,208
Provision for loan losses...	165,402	127,099	113,658	60,505	89,663
Net interest income after provision for loan losses..........	1,260,091	1,261,698	1,312,197	1,264,313	1,089,545
Non-interest income:					
Brokerage and investment banking income...........	358,974	41,303	36,983	27,987	24,727
Trust department income....	56,681	57,675	53,434	55,218	44,227
Service charges on deposit accounts.................	267,263	231,670	194,984	171,344	151,618
Mortgage servicing and origination fees.........	97,082	82,732	103,118	111,555	93,327
Securities gains (losses).................	32,106	(39,928)	160	7,002	498
Other......................	169,779	227,758	148,462	101,591	92,585
Total non-interest income...............	981,885	601,210	537,141	474,697	406,982
Non-interest expense:					
Salaries and employee benefits.................	879,688	588,857	551,569	528,409	480,842
Net occupancy expense......	86,901	70,675	61,635	62,887	61,933
Furniture and equipment expense..................	87,727	74,213	72,013	68,595	56,304
Merger and consolidation expense and SAIF assessment...............	0	0	0	121,438	0
Other......................	469,709	387,437	379,095	322,379	302,697
Total non-interest expense..............	1,524,025	1,121,182	1,064,312	1,103,708	901,776
Income before income taxes................	717,951	741,726	785,026	635,302	594,751
Applicable income taxes.....	209,017	214,203	259,640	213,590	197,222
Net income...........	$ 508,934	$ 527,523	$ 525,386	$ 421,712	$ 397,529
Average number of shares outstanding................	224,733	220,762	221,617	220,114	209,781
Average number of shares outstanding -- diluted.....	227,063	221,989	223,967	223,781	213,750
Per share:					
Net income...........	$ 2.26	$ 2.39	$ 2.37	$ 1.92	$ 1.89
Net income,					

diluted..............	2.24	2.38	2.35	1.88	1.86
Cash dividends declared.............	1.12	1.08	1.00	0.92	0.80

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

HISTORICAL FINANCIAL SUMMARY -- (CONTINUED)

	2001	2000	1999
YIELDS AND COSTS (TAXABLE EQUIVALENT BASIS)			
Earning assets:			
Taxable securities....................................	6.17%	6.51%	6.35%
Tax-free securities...................................	7.95	7.64	7.91
Federal funds sold....................................	3.21	6.27	4.49
Loans (net of unearned income)........................	8.13	8.63	8.33
Other earning assets..................................	5.58	8.95	7.06
Total earning assets..........................	7.61	8.15	7.83
Interest-bearing liabilities			
Interest-bearing deposits.............................	4.30	5.03	4.32
Short-term borrowings.................................	4.55	6.26	5.07
Long-term borrowings..................................	6.39	6.42	6.33
Total interest-bearing liabilities............	4.61	5.31	4.52
Net yield on interest earning assets...........	3.66	3.55	3.94
RATIOS			
Net income to:			
Average stockholders' equity..........................	13.49%(a)	16.31%(b)	17.13%
Average total assets..................................	1.14(a)	1.23(b)	1.33
Efficiency..	61.86(a)	54.35(b)	53.60
Dividend payout...	49.56	45.19	42.19
Average loans to average deposits.......................	99.71	94.63	91.35
Average stockholders' equity to average total assets.....	8.45	7.54	7.74
Average interest-bearing deposits to average total deposits..	85.07	85.67	84.40

(a) Ratios for 2001 excluding $17.8 million in after-tax merger and other non-recurring charges are as follows: Return on average stockholders' equity 13.96%, Return on average total assets 1.18%, and Efficiency 60.91%.

(b) Ratios for 2000 excluding $44.0 million in after-tax gain from sale of credit card portfolio and $26.2 million in after-tax loss from sale of securities are as follows: Return on average stockholders' equity 15.76%, Return on average total assets 1.19%, and Efficiency 56.19%.

(c) Ratios for 1998 excluding $80.7 million in after-tax charges for merger and consolidation charges are as follows: Return on average stockholders' equity 17.42%, Return on average total assets 1.48%, and Efficiency 54.13%.

(d) Ratios for 1996 excluding $20.2 million in after-tax charges for SAIF assessment and merger expenses are as follows: Return on average stockholders' equity 15.64%, Return on average total assets 1.33%, and Efficiency 60.93%.

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

HISTORICAL FINANCIAL SUMMARY -- (CONTINUED)

	2001	2000	1999	1998	1
			(AVERAGE DAILY BALANCES IN THOUSANDS)		
ASSETS					
Earning assets:					
Taxable securities	$ 7,357,832	$ 8,651,052	$ 8,244,603	$ 6,473,392	$ 5,
Tax-exempt securities	787,219	801,330	745,064	728,511	
Federal funds sold	556,843	88,361	94,875	323,293	
Loans, net of unearned income	30,946,736	30,130,808	26,478,349	23,379,317	20,
Other earning assets	1,685,237	413,548	1,195,729	773,077	
Total earning assets	41,333,867	40,085,099	36,758,620	31,677,590	27,
Allowance for loan losses	(384,645)	(360,353)	(328,188)	(313,521)	(
Cash and due from banks	932,787	1,094,874	1,237,318	981,930	1,
Other non-earning assets	2,773,123	2,069,717	1,940,182	1,711,042	1,
Total assets	$44,655,132	$42,889,337	$39,607,932	$34,057,041	$29,
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non-interest-bearing	$ 4,634,198	$ 4,561,900	$ 4,520,405	$ 3,812,177	$ 3,
Interest-bearing	26,401,047	27,279,092	24,465,254	23,081,727	20,
Total deposits	31,035,245	31,840,992	28,985,659	26,893,904	24,
Borrowed funds:					
Short-term	4,132,264	4,408,689	6,502,860	3,386,392	1,
Long-term	4,793,657	3,069,465	671,665	450,808	
Total borrowed funds	8,925,921	7,478,154	7,174,525	3,837,200	2,
Other liabilities	921,937	335,931	380,798	441,188	
Total liabilities	40,883,103	39,655,077	36,540,982	31,172,292	26,
Stockholders' equity	3,772,029	3,234,260	3,066,950	2,884,749	2,
Total liabilities and stockholders' equity	$44,655,132	$42,889,337	$39,607,932	$34,057,041	$29,

	COMPOUND GROWTH RATE 1996-2001
ASSETS	
Earning assets:	
Taxable securities	7.39%
Tax-exempt securities	3.41
Federal funds sold	21.16

Loans, net of unearned income....	12.30
Other earning assets............	43.57
Total earning assets.......	11.83
Allowance for loan losses........	9.53
Cash and due from banks..........	2.82
Other non-earning assets.........	17.79
Total assets..............	11.92%
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits:	
Non-interest-bearing............	9.30%
Interest-bearing................	7.89
Total deposits............	8.10
Borrowed funds:	
Short-term......................	24.35
Long-term.......................	51.68
Total borrowed funds.......	35.05
Other liabilities...............	29.69
Total liabilities..........	11.94
Stockholders' equity............	11.78
Total liabilities and stockholders' equity.....	11.92%

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

HISTORICAL FINANCIAL SUMMARY -- (CONTINUED)

	2001	2000	1999	1998	1
YEAR-END BALANCES					
Assets..........................	$45,382,712	$43,688,293	$42,714,395	$36,831,940	$31,
Securities......................	7,847,159	8,994,171	10,913,044	7,969,137	6,
Loans, net of unearned income....	30,885,348	31,376,463	28,144,675	24,365,587	21,
Non-interest-bearing deposits....	5,085,337	4,512,883	4,419,693	4,577,125	3,
Interest-bearing deposits........	26,462,986	27,509,608	25,569,401	23,772,941	21,
Total deposits............	31,548,323	32,022,491	29,989,094	28,350,066	25,
Long-term debt..................	4,747,674	4,478,027	1,750,861	571,040	
Stockholders' equity............	4,035,765	3,457,944	3,065,112	3,000,401	2,
Stockholders' equity per share...	$ 17.54	$ 15.73	$ 13.89	$ 13.61	$
Market price per share of common stock at year end.............	$ 29.94	$ 27.31	$ 25.13	$ 40.31	$

	COMPOUND GROWTH RATE 1996-2001
YEAR-END BALANCES	
Assets..........................	10.95%
Securities......................	6.44

Loans, net of unearned income....	10.92
Non-interest-bearing deposits....	10.10
Interest-bearing deposits........	6.99
Total deposits............	7.46
Long-term debt..................	52.77
Stockholders' equity............	12.15
Stockholders' equity per share...	8.21%
Market price per share of common stock at year end.............	2.98%

Notes to Historical Financial Summary:

(1) Amounts in all periods have been restated to reflect significant business transactions accounted for as poolings of interests, including significant combinations through the year ended December 31, 2001.
(2) All per share amounts give retroactive recognition to the effect of stock dividends and stock splits.
(3) Non-accruing loans, of an immaterial amount, are included in earning assets. No adjustment has been made for these loans in the calculation of yields.
(4) Yields are computed on a taxable equivalent basis, net of interest disallowance, using marginal federal income tax rates of 35% for 2001-1996.
(5) This summary should be read in conjunction with the related consolidated financial statements and notes thereto under Item 8 on pages 50 to 84 of this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion and financial information is presented to aid in understanding Regions Financial Corporation's (Regions or the Company) financial position and results of operations. The emphasis of this discussion will be on the years 1999, 2000 and 2001; however, financial information for prior years will also be presented when appropriate.

In preparing financial information, management is required to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and revenues 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 United States and general banking practices. Estimates and assumptions, most significant to Regions, are related primarily to allowance for loan losses, intangibles, and income taxes, and are summarized in the following discussion and notes to the consolidated financial statements.

Regions' primary business is providing traditional commercial and retail banking services to customers throughout the South. In 2001, Regions' banking affiliates contributed approximately $486 million to consolidated net income. Regions' primary banking affiliate, Regions Bank, operates as a state-chartered (Alabama) bank with operations in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee and Texas. In the fourth quarter of 2001, Regions acquired two additional state-chartered banks, one in Texas and one in North Carolina. As of December 31, 2001, these banks had not yet been merged into Regions Bank and continued to operate as separate affiliates of Regions. Selected information as of December 31, 2001, on Regions' commercial and retail banking operations, by state, is shown below:

	ASSETS	LOANS	DEPOSITS	FULL-SERVICE OFFICES
Alabama	30%	30%	32%	166
Arkansas	14	14	14	111
Georgia	24	24	20	137
Louisiana	10	10	12	87
Florida	7	7	8	64
Texas	5	5	5	38
South Carolina	4	4	3	33
Tennessee	5	5	5	38
North Carolina	1	1	1	3
Totals	100%	100%	100%	677

In addition to providing traditional commercial and retail banking services, Regions provides other financial services in the fields of investment banking, asset management, trust, mutual funds, securities brokerage, mortgage banking, insurance, leasing and other specialty financing. Regions has no foreign operations, although it maintains an international department to assist customers with their foreign transactions. Regions provides investment banking and brokerage services from 142 offices of Morgan Keegan & Company, Inc. (Morgan Keegan), one of the largest investment firms in the South. Morgan Keegan was acquired in March 2001 and contributed approximately $37.0 million to net income in 2001. Regions mortgage banking subsidiary, Regions Mortgage, Inc., provides residential mortgage loan origination and servicing activities for customers. Regions Mortgage services approximately $19.1 billion in mortgage loans and in 2001 contributed approximately $20.4 million to net income. Regions provides full-line insurance brokerage services through Rebsamen Insurance, Inc., one of the 50 largest insurance brokers in the country. Rebsamen was acquired in February 2001 and contributed approximately $3.1 million to net income in 2001. Credit life insurance services for customers are provided through other Regions' affiliates.

The Company's principal market areas are located in the states of Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Texas. Morgan Keegan also operates offices in Kentucky, Mississippi, Virginia, New York and Massachusetts.

The acquisitions of community banks and of other financial service companies have contributed significantly to Regions' growth during the last three years. The community bank acquisitions have enabled Regions to expand into new markets and strengthen its presence in existing markets. The acquisitions of other financial service companies have allowed Regions to better diversify its revenue stream and to offer additional products and services to its customers.

Acquisition activity in 1999 focused on strengthening several of Regions' existing markets. In early 1999, Regions acquired two Georgia-based institutions, VB&T Bancshares Corporation located in Valdosta and Bullsboro BancShares, Inc. located in Newnan, which combined added approximately $176 million in assets. The VB&T transaction increased Regions' presence in Southwest Georgia while the Bullsboro transaction increased Regions' suburban-Atlanta franchise.

Also in early 1999, Regions increased its presence in Tennessee through the acquisition of Meigs County Bancshares, Inc., a $114 million institution located in Decatur, a part of Regions' middle Tennessee market.

Regions' 1999 expansion activity in Arkansas was in the northeast portion of the state. In March, Regions acquired Arkansas Banking Company located in Jonesboro. This transaction, which added $355 million in assets, significantly increased Regions' presence in the Jonesboro market.

At the end of 1999, Regions acquired Minden Bancshares, Inc., which is located in Minden, Louisiana. This transaction added $319 million in assets to Regions' existing market in the northwest corner of the state.

Regions' acquisition activity in 2000 strengthened its community banking franchise in Arkansas, Florida, Tennessee and Louisiana, while expanding into the rapidly growing Austin, Texas market. These five acquisitions combined, added $885 million in assets, $494 million in loans and $753 million in deposits.

In Arkansas, Regions acquired from Amsouth Bank, five branches located in Fort Smith, Arkansas. This branch purchase added $186 million in assets.

In Florida, Regions expanded into Ormond Beach through the acquisition of East Coast Bank Corporation with assets of $108 million.

Regions expanded its Tennessee presence through the acquisition of LCB Corporation in Fayetteville with $173 million in assets.

In Louisiana, Regions continued to strengthen its market presence through the acquisition of First National Bancshares of Louisiana, Inc. of Alexandria with assets of $304 million.

Regions expanded its Texas franchise by acquiring an institution in the Austin market area. The acquisition of Heritage Bancorp, Inc., of Hutto, added $114 million in assets.

In 2001, Regions significantly diversified its revenue stream and product offerings through the acquisition of two other financial service companies. The Morgan Keegan acquisition in March greatly expanded Regions abilities to provide securities brokerage, investment banking, asset management and mutual fund services. Morgan Keegan, headquartered in Memphis, Tennessee, added approximately $368 million to non-interest income in 2001. The February acquisition of Rebsamen Insurance enabled Regions to offer insurance services to customers. Rebsamen, headquartered in Little Rock, Arkansas, is a full-line general insurance broker that provides primarily commercial property and casualty insurance brokerage services. Rebsamen added approximately $30.7 million to other non-interest income in 2001.

Also in 2001, Regions expanded its community banking franchise into the Charlotte, North Carolina, market with the acquisition of Park Meridian Financial Corporation. Park Meridian operates through three banking offices and added approximately $310 million in assets. Regions also expanded into the Houston, Texas market with the acquisition of First Bancshares of Texas, Inc. First Bancshares added approximately $189 million in assets and six banking offices.

Regions' business combinations over the last three years are summarized in the following chart.

DATE	COMPANY	HEADQUARTERS LOCATION	TOTAL ASSETS (IN THOUSANDS)	ACCOUN TREATM
2001				
February	Rebsamen Insurance, Inc.	Little Rock, Arkansas	$ 32,082	Purch
March	Morgan Keegan, Inc.	Memphis, Tennessee	2,008,179	Purch
November	Park Meridian Financial Corporation	Charlotte, North Carolina	309,844	Purch
December	First Bancshares of Texas, Inc.	Houston, Texas	188,953	Purch
2000				
January	LCB Corporation	Fayetteville, Tennessee	173,157	Purch
May	Five Branches of Amsouth Bank	Fort Smith, Arkansas	186,361	Purch
August	Heritage Bancorp, Inc.	Hutto, Texas	114,370	Purch
August	First National Bancshares of Louisiana, Inc.	Alexandria, Louisiana	303,793	Purch
September	East Coast Bank Corporation	Ormond Beach, Florida	107,779	Purch
1999				
January	VB&T Bancshares Corporation	Valdosta, Georgia	75,733	Pooli
January	Bullsboro BancShares, Inc.	Newnan, Georgia	100,682	Pooli
January	Meigs County Bancshares, Inc.	Decatur, Tennessee	114,407	Pooli
March	Arkansas Banking Company	Jonesboro, Arkansas	354,981	Purch
December	Minden Bancshares, Inc.	Minden, Louisiana	318,955	Purch

As of December 31, 2001, Regions had two pending community bank acquisitions. Independence Bank National Association, which operates three offices in the Houston, Texas area, has approximately $107 million in assets. Brookhollow Bancshares, Inc., which operates four offices in the Dallas, Texas area, has approximately $141 million in assets. These transactions are expected to close in the first half of 2002.

See Note Q to the consolidated financial statements for additional information regarding the pending acquisitions.

FINANCIAL CONDITION

Regions' financial condition depends primarily on the quality and nature of its assets, liabilities and capital structure, the market and economic conditions, and the quality of its personnel.

LOANS AND ALLOWANCE FOR LOAN LOSSES

As a financial institution, Regions' primary investment is loans. At December 31, 2001, loans represented 74% of Regions' earning assets.

Over the last four years loans increased a total of $9.0 billion, a compound growth rate of 9%. Regions experienced significant loan growth in 1999 and 2000, with loans increasing $3.8 billion and $3.2 billion, respectively. In 2001, however, loans balances declined $491 million due primarily to increased prepayments of residential mortgage loans. Loans acquired in connection with acquisitions over the last four years contributed $2.7 billion of growth. In 1999 and 2000, respectively, acquisitions added $567 million and $494 million in loans. The acquisitions in 2001 added approximately $325 million in loans.

During 1999, Regions securitized $1.3 billion in single-family residential mortgage loans. These assets were transferred from the loan portfolio to the available for sale securities portfolio. The securitization of these loans gave Regions additional flexibility for funding purposes and results in a lower risk-weighted capital

allocation for these assets. In 2000, Regions sold its credit card portfolio, which totaled $278 million. Adjusting for the effect of the securitization and sale, loans would have increased $5.1 billion or 21% in 1999 and $3.5 billion or 12% in 2000.

All major categories of loans have shared in the growth in the loan portfolio over the last four years, with the strongest growth occurring in commercial and real estate construction loans. Over the last four years, commercial, financial and agricultural loans increased $4.7 billion or 92%. Real estate construction loans increased $2.1 billion or 132% over the same period. Real estate mortgage loans increased $1.2 billion or 12%, and consumer loans increased $1.0 billion or 20% over the last four years. The increase in real estate mortgage loans and consumer loans, respectively, is net of the $1.3 billion single-family residential mortgage loan securitization and the $278 million credit card portfolio sale previously discussed.

Regions' real estate mortgage portfolio includes $5.0 billion of mortgage loans that were originated by Regions' mortgage subsidiary and are secured by single-family residences primarily located within Regions' geographic footprint. These loans increased approximately $1.9 billion in 1999 and $1.2 billion in 2000 but declined $1.7 billion in 2001. The decline in 2001 reflects management initiatives to reduce capital allocated to lower margin products and to manage sensitivity to changing interest rate environments. In 1999 and 2000 increases in the real estate mortgage portfolio accounted for approximately 49%, and 38% respectively, of the growth in total loans in 1999 and 2000. The increase in 1999 is net of the securitization of the $1.3 billion in single-family residential mortgages. Eighty-three percent (based on outstanding balances) of these mortgage loans consists of adjustable-rate mortgages (ARM's) that have rates approximately 275 basis points above one of several money market indices when fully priced.

Regions' real estate portfolio also includes $1.1 billion of single-family mortgage loans obtained in various acquisitions, which are being serviced by Regions' mortgage subsidiary. Fixed-rate single-family mortgages with a weighted average interest rate of 7.82% and a weighted average remaining term of 12.9 years comprise 41% of this portfolio. Single-family ARM's, which have rates approximately 200 to 300 basis points above one of several money market indices when fully priced, comprise the remaining 59% of the overall balance of these loans.

Lending at Regions is generally organized along three functional lines: commercial loans (including financial and agricultural), real estate loans and consumer loans. The composition of the portfolio by these major categories is presented below (with real estate loans further broken down between construction and mortgage loans):

	DECEMBER 31,				
	2001	2000	1999	1998	1997
	(IN THOUSANDS, NET OF UNEARNED INCOME)				

Commercial	$ 9,727,204	$ 9,039,818	$ 8,183,633	$ 7,119,093	$ 5,073
Real estate -- construction	3,664,677	3,271,692	2,439,104	1,865,972	1,582
Real estate -- mortgage	11,309,126	13,114,655	11,728,601	9,608,147	10,072
Consumer	6,184,341	5,950,298	5,793,337	5,772,375	5,152
Total	$30,885,348	$31,376,463	$28,144,675	$24,365,587	$21,881

The amounts of total gross loans (excluding residential mortgages on 1-4 family residences and consumer loans) outstanding at December 31, 2001, based on remaining scheduled repayments of principal, due in (1) one year or less, (2) more than one year but less than five years and (3) more than five years, are shown in the following table. The amounts due after one year are classified according to sensitivity to changes in interest rates.

	LOANS MATURING			
	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOT
	(IN THOUSANDS)			
Commercial, financial and agricultural	$4,179,593	$3,984,677	$1,747,757	$ 9,91
Real estate -- construction	2,203,254	1,280,470	189,466	3,67
Real estate -- mortgage	559,584	1,769,588	1,136,336	3,46
Total	$6,942,431	$7,034,735	$3,073,559	$17,05

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	SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES	
	PREDETERMINED RATE	VARIABLE RATE
	(IN THOUSANDS)	
Due after one year but within five years	$3,390,586	$3,644,149
Due after five years	1,270,196	1,803,363
Total	$4,660,782	$5,447,512

A sound credit policy and careful, consistent credit review are vital to a successful lending program. All affiliates of Regions operate under written loan policies which attempt to maintain a consistent lending philosophy, provide sound traditional credit decisions, provide an adequate risk-adjusted return and render service to the communities in which the banks are located. Regions' lending policy generally confines loans to local customers or to national firms doing business locally. Credit reviews and loan examinations help confirm that affiliates are adhering to these loan policies.

Every loan carries some degree of credit risk. This risk is reflected in the consolidated financial statements by the allowance for loan losses, the amount of loans charged off and the provision for loan losses charged to operating expense. It is Regions' policy that when a loss is identified, it is charged against the allowance for loan losses in the current period. The policy regarding recognition of losses requires immediate recognition of a loss if significant doubt exists as to principal repayment.

Regions' provision for loan losses is a reflection of actual losses experienced during the year and management's judgment as to the adequacy of the allowance for loan losses. Some of the factors considered by management in determining the amount of the provision and resulting allowance include: (1) detailed reviews of individual loans; (2) gross and net loan charge-offs in the current year; (3) the current level of the allowance in relation to total loans and to historical loss levels; (4) past due and non-accruing loans; (5) collateral values of properties securing loans; (6) the composition of the loan portfolio (types of loans) and risk profiles; and (7) management's analysis of economic conditions and the resulting impact on Regions' loan portfolio.

A coordinated effort is undertaken to identify credit losses in the loan portfolio for management purposes and to establish the loan loss provision and resulting allowance for accounting purposes. A regular, formal and ongoing loan review is conducted to identify loans with unusual risks or possible losses. The primary responsibility for this review rests with the management of the individual banking offices. Their work is supplemented with reviews by Regions' internal audit staff and corporate loan examiners. This process provides information which helps in assessing the quality of the portfolio, assists in the prompt identification of problems and potential problems and aids in deciding if a loan represents a probable loss which should be recognized or a risk for which an allowance should be maintained.

If, as a result of Regions' loan review and evaluation procedures, it is determined that payment of interest on a loan is questionable, it is Regions' policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a "cash basis" and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

Although it is Regions' policy to immediately charge off as a loss all loan amounts judged to be uncollectible, historical experience indicates that certain losses exist in the loan portfolio which have not been specifically identified. To anticipate and provide for these unidentifiable losses, the allowance for loan losses is established by charging the provision for loan losses expense against current earnings. No portion of the resulting allowance is in any way allocated or restricted to any individual loan or group of loans. The entire allowance is available to absorb losses from any and all loans.

Over the last five years, the year-end allowance for loan losses as a percentage of loans ranged from a low of 1.20% in 2000 to a high of 1.39% in 1997. At December 31, 2001, the allowance for loan losses as a percentage of loans was 1.36%. Management considers the current level of the allowance for loan losses adequate to absorb possible losses from loans in the portfolio. Management's determination of the adequacy of the allowance for loan losses, which is based on the factors and risk identification procedures previously

discussed, requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the adequacy of the reserve or the availability of new information, could cause the allowance for loan losses to be increased or decreased in future periods. In addition, bank regulatory agencies, as part of their examination process, may require that additions be made to the allowance for loan losses based on their judgments and estimates.

The ratio of non-performing assets (including loans past due 90 days or more and other real estate) to loans and other real estate increased from 0.91% at December 31, 1997 to 1.15% at December 31, 1998. The favorable effect on non-performing asset levels from generally improving economic conditions during this period in Regions' markets, were offset by the effect of non-performing assets added by certain acquisitions, resulting in the unfavorable trend in this ratio. The ratio of non-performing assets (including loans past due 90 days or more and other real estate) to loans and other real estate declined to 0.93% at December 31, 1999, and to 0.87% at December 31, 2000 due primarily to decreases in commercial and consumer loan delinquencies. This ratio increased to 1.29% at the end of 2001, as commercial and real estate non-performing loans increased due to weaker economic conditions.

The allowance for loan losses as a percentage of non-performing loans (including loans past due 90 days or more) was 117% at December 31, 2001, compared to 153% at December 31, 2000, and to 135% at December 31, 1999.

The analysis of loan loss experience (see chart following) shows that net loan losses, over the last five years, ranged from a high of $126.8 million in 2001 to a low of $56.1 million in 1997. Net loan losses were $94.1 million in 2000, $99.2 million in 1999, and $66.4 million in 1998. Over the last five years, net loan losses averaged 0.34% of average loans and were 0.41% of average loans in 2001. Regions' higher level of net loan losses in 2001 resulted primarily from higher charge-off of commercial credits, partially offset by lower levels of losses in the real estate and consumer categories. Weaker economic conditions, particularly post September 11, contributed to higher commercial loan losses.

In order to assess the risk characteristics of the loan portfolio, it is appropriate to consider the three major categories of loans -- commercial, real estate and consumer.

Regions' commercial loan portfolio is highly diversified within the markets served by the Company. Geographically, the largest concentration is the 25% of the portfolio in the state of Alabama. Loans in Georgia and Arkansas account for 23% and 20% respectively, of the commercial loan portfolio, followed by Louisiana with 10%, Tennessee with 7%, Florida and Texas with 5% each, South Carolina with 4% and North Carolina with 1%. A small portion of these loans is secured by properties outside Regions' banking market areas.

The Alabama economy has experienced relatively stable growth over the last several years. Industries important in the Alabama economy include vehicle and vehicle parts manufacturing and assembly, lumber and wood products, health care services, and steel production. High technology and defense related industries are important in the northern part of the state. Agriculture, particularly poultry, beef cattle and cotton, are also important to the state's economy.

The economy of northern Georgia, where the majority of Regions' Georgia franchise is located, is diversified with a strong presence in poultry production, carpet manufacturing, automotive manufacturing related industries, tourism, and various service sector industries. Atlanta recently ranked second nationally in the growth of jobs in the software industry. A well developed transportation system has contributed to the growth in north Georgia. This area has experienced rapid population growth and has very favorable household income characteristics, relative to many of Regions' other markets. In recent years, Georgia's population has grown at twice the national rate.

In the southern region of Georgia, while agriculture is important, other industries play an important role in the economy. Georgia ranks as the nation's top producer of paper and paper board products. Albany and Valdosta, Regions' primary market areas, are hubs for retail trade and health care for the entire South Georgia market. These markets are also home to numerous Fortune 500 Company manufacturing and production facilities.

The Arkansas economy is supported in part by the forest products industry due to the abundance of corporate owned forests and public lands. In recent years, retail trade, transportation and steel production have become increasingly important to the state's economy.

Natural resources are very important to the Louisiana economy. Energy and petrochemical industries play a significant role in the economy. Shipping, shipbuilding, and other transportation equipment industries are strong in the state's durable goods industries. Tourism, amusement and recreation, service, and health care industries are also important to the Louisiana economy. Cotton, rice and sugarcane are among Louisiana's most important agricultural commodities while Louisiana's fishing industry is the second largest in the nation.

The North Carolina economy is diversified with manufacturing, agriculture, financial services and textiles as its primary industries. North Carolina has experienced population growth well in excess of the national average in recent years. The economy is further supported by three state universities, which provide stable employment and serve as research centers in the area.

The economy along the I-85 corridor in South Carolina is home to numerous multinational manufacturers, resulting in one of the highest per capita foreign investment areas in the nation. South Carolina has experienced population growth in excess of the national average and auto manufacturing has become increasingly important in recent years.

Tennessee's economy is heavily influenced by automobile manufacturing, tourism, entertainment and recreation, health care and other service industries. With one out of four Tennesseeans employed in service industries, the state's economy is very dependent on this sector.

The economy in the state of Texas has been among the strongest in the nation in recent years as evidenced by its top rank among the states for the creation of new jobs. In addition to oil and gas and agriculture, the Texas economy is supported by telecommunications, computer and technology research and the health care industry.

The northwestern part of Florida and the central Florida area have also experienced excellent economic growth during the last several years. Tourism and space research are very important to the Florida economy, and military payrolls are significant in the panhandle area. Florida has experienced strong in-migration, contributing to strong construction activity and a growing retirement-age population. Population growth rates in Florida have been 50% higher than the national average. Citrus fruit production is also important in the state.

The economy, in the markets served by Regions, continues to be among the best in the nation, however, general economic conditions deteriorated throughout the nation in 2001. Slower economic growth combined with the unprecedented events of September 11, resulted in a weaker economy than in recent years. This weakening resulted in higher loan losses in 2001.

From 1997 to 2001, net losses on commercial loans ranged from a low of 0.03% in 1997 to a high of 0.88% in 2001. The higher level of commercial loan losses in 2001 resulted primarily from losses in agricultural ($17.3 million) and the steel industry ($14.6 million). Future losses are a function of many variables, of which general economic conditions are the most important. Assuming moderate economic growth during 2002 in Regions' market areas, net commercial loan losses in 2002 are expected to be slightly below the 2001 level.

Regions' real estate loan portfolio consists of construction and land development loans, loans to businesses for long-term financing of land and buildings, loans on one-to-four family residential properties, loans to mortgage banking companies (which are secured primarily by loans on one-to-four family residential properties and are known as warehoused mortgage loans) and various other loans secured by real estate.

Real estate construction loans increased $393 million in 2001 to $3.7 billion. At December 31, 2001, these loans represented 11.9% of Regions' total loan portfolio, compared to 7.2% at the end of 1997. Strong economic growth and new development in Regions' market areas have enabled Regions to steadily increase construction loans. Most of the construction loans relate to shopping centers, apartment complexes, commercial buildings and residential property development. These loans are normally secured by land and buildings and are generally backed by commitments for long-term financing from other financial institutions.

Real estate construction loans are closely monitored by management, since these loans are generally considered riskier than other types of loans and are particularly vulnerable in economic downturns and in periods of high interest rates. Regions generally requires higher levels of borrower equity investment in addition to other underwriting requirements for this type of lending as compared to other real estate lending. Regions has not been an active lender to real estate developers outside its market areas.

The loans to businesses for long-term financing of land and buildings are primarily to commercial customers within Regions' markets. Total loans secured by non-farm, non-residential properties totaled $5.7 billion at December 31, 2001. Although some risk is inherent in this type of lending, the Company attempts to minimize this risk by generally making the majority of these type loans only on owner-occupied properties, and by requiring collateral values which exceed the loan amount, adequate cash flow to service the debt, and in most cases, the personal guaranties of principals of the borrowers.

Regions also attempts to mitigate the risks of real estate lending by adhering to standard loan underwriting policies and by diversifying the portfolio both geographically within its market area and within industry groups.

Loans on one-to-four family residential properties, which total approximately 70% of Regions' real estate mortgage portfolio, are principally on single-family residences. These loans are geographically dispersed throughout the southeastern states and some are guaranteed by government agencies or private mortgage insurers. Historically, this category of loans has not produced sizable loan losses; however, it is subject to some of the same risks as other real estate lending. Warehoused mortgage loans, since they are secured primarily by loans on one-to-four family residential properties, are similar to these loans in terms of risk.

From 1997 to 2000, net losses on real estate loans ranged from a high of 0.11% of real estate loans in 1998 and 1999, to a low of 0.03% of real estate loans in 1997. In 2001 real estate loan losses were 0.04% of average real estate loans, primarily as a result of lower commercial real estate loan charge-offs. These losses depend, to a large degree, on the level of interest rates, economic conditions and collateral values, and thus, are very difficult to predict. Management expects 2002 net real estate loan losses to be slightly above the

2001 level.

Regions' consumer loan portfolio consists of $5.2 billion in consumer loans and $1.0 billion in personal lines of credit (including home equity loans). Consumer loans are primarily borrowings of individuals for home improvements, automobiles and other personal and household purposes. Regions' consumer loan portfolio includes $943 million in indirect installment loans at December 31, 2001 and $1.2 billion at December 31, 2000. During the past five years, the ratio of net consumer loan losses to consumer loans ranged from a low of 0.62% in 2001 to a high of 1.09% in 1999. The lower level of net consumer loan losses in 2001 was primarily due to improvements in the collection and recovery process, standardizing and improvement of underwriting procedures, and reduced credit card charge-offs because the credit card portfolio was sold in 2000. Consumer loan losses are difficult to predict, but historically have tended to increase during periods of economic weakness. Management expects net consumer loan losses in 2002 to be near the 2001 level assuming moderate economic growth in 2002.

The following table presents information on non-performing loans and real estate acquired in settlement of loans:

	DECEMBER 31,				
NON-PERFORMING ASSETS	2001	2000	1999	1998	1997
		(DOLLAR AMOUNTS IN THOUSANDS)			
Non-performing loans:					
Loans accounted for on a non-accrual basis	$269,764	$197,974	$169,904	$124,718	$138,14
Loans contractually past due 90 days or more as to principal or interest payments (exclusive of non-accrual loans)	46,845	35,903	71,952	134,411	29,02
Loans whose terms have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower (exclusive of non-accrual loans and loans past due 90 days or more)	42,807	12,372	8,390	4,550	12,61
Real estate acquired in settlement of loans ("other real estate")	40,872	28,443	12,662	17,273	20,51
Total	$400,288	$274,692	$262,908	$280,952	$200,29
Non-performing assets as a percentage of loans and other real estate	1.29%	.87%	.93%	1.15%	0.9

The following analysis presents a five year history of the allowance for loan losses and loan loss data:

	2001	2000	1999	1998	1997

(DOLLAR AMOUNTS IN THOUSANDS)

Allowance for loan losses:					
Balance at beginning of year....	$ 376,508	$ 338,375	$ 315,412	$ 304,223	$ 253
Loans charged off:					
Commercial....................	95,584	51,617	35,589	24,214	15
Real estate...................	11,705	13,673	15,781	13,366	7
Installment...................	61,760	66,456	77,867	56,159	65
Total.................	169,049	131,746	129,237	93,739	88
Recoveries:					
Commercial....................	11,138	15,639	12,934	10,473	14
Real estate...................	5,027	2,750	1,109	1,655	3
Installment...................	26,043	19,249	16,006	15,201	14
Total.................	42,208	37,638	30,049	27,329	32
Net loans charged off:					
Commercial....................	84,446	35,978	22,655	13,741	1
Real estate...................	6,678	10,923	14,672	11,711	3
Installment...................	35,717	47,207	61,861	40,958	51
Total.................	126,841	94,108	99,188	66,410	56
Allowance of acquired banks.....	4,098	5,142	8,493	17,094	17
Provision charged to expense....	165,402	127,099	113,658	60,505	89
Balance at end of year.........	$ 419,167	$ 376,508	$ 338,375	$ 315,412	$ 304

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	2001	2000	1999	1998	1997
	(DOLLAR AMOUNTS IN THOUSANDS)				
Average loans outstanding:					
Commercial....................	$ 9,567,538	$ 8,811,864	$ 7,661,595	$ 7,060,917	$ 4,536
Real estate...................	15,598,488	15,595,695	13,144,153	10,479,084	10,768
Installment...................	5,780,710	5,723,249	5,672,601	5,839,316	5,231
Total.................	$30,946,736	$30,130,808	$26,478,349	$23,379,317	$20,535
Net charge-offs as percent of average loans outstanding:					
Commercial....................	.88%	.41%	.30%	.19%	
Real estate...................	.04	.07	.11	.11	
Installment...................	.62	.82	1.09	.70	
Total.................	.41%	.31%	.37%	.28%	
Net charge-offs as percent of:					
Provision for loan losses.....	76.7%	74.0%	87.3%	109.8%	
Allowance for loan losses.....	30.3	25.0	29.3	21.1	
Allowance as percentage of loans, net of unearned income.......................	1.36%	1.20%	1.20%	1.29%	
Provision for loan losses (net of tax effect) as percentage of net income................	20.3%	15.1%	13.5%	9.0%	

At December 31, 2001, non-accrual loans totaled $269.8 million or 0.87% of loans, compared to $198.0 million or 0.63% of loans at December 31, 2000. The increase in non-accrual loans at December 31, 2001, was primarily due to increased levels of commercial and real estate loans being placed on non-accrual status. Commercial loans comprised $126.1 million of the 2001 total, with real estate loans accounting for $140.1 million and consumer loans $3.5 million. Regions' non-performing loan portfolio is composed primarily of a number of small to medium sized loans that are diversified geographically throughout its franchise. The 25 largest non-accrual loans range from $13.4 million to $1.2 million, with only one non-accrual loan in excess of $10 million. The majority of these loans are to borrowers in manufacturing related industries and real estate development. Of the $269.8 million in non-accrual loans at December 31, 2001, approximately $80.6 million (30% of total non-accrual loans) are secured by single-family residences, which historically have had very low loss ratios.

Loans contractually past due 90 days or more were 0.15% of total loans at December 31, 2001, compared to 0.11% of total loans at December 31, 2000. Since December 31, 2000, loan delinquencies in the consumer area have increased primarily due to weaker economic conditions. Loans past due 90 days or more at December 31, 2001, consisted of $20.5 million in commercial and real estate loans and $26.3 million in consumer loans.

Renegotiated loans were 0.14% and 0.04% of loans at December 31, 2001 and 2000, respectively. Renegotiated loans increased during the last year primarily due to a single credit to a manufacturing company being added to renegotiated status in 2001.

Other real estate declined from 1997 to 1999, but increased to $28.4 million at December 31, 2000 and $40.9 million at December 31, 2001. Other real estate, added through the normal course of business, with no geographic concentration, and by acquisitions in 2001, was partially offset by sales of other real estate. Other real estate is recorded at the lower of (1) the recorded investment in the loan or (2) the estimated net realizable value of the collateral. Although Regions does not anticipate material loss upon disposition of other real estate, sustained periods of adverse economic conditions, substantial declines in real estate values in Regions' markets, actions by bank regulatory agencies, or other factors, could result in additional loss from other real estate.

The amount of interest income recognized in 2001 on the $269.8 million of non-accruing loans outstanding at year end was approximately $10.0 million. If these loans had been current in accordance with their original terms, approximately $25.7 million would have been recognized on these loans in 2001. Approximately $1.8 million in interest income would have been recognized in 2001 under the original terms of the $42.8 million in renegotiated loans outstanding at December 31, 2001. Approximately $1.7 million in interest income was actually recognized in 2001 on these loans.

In the normal course of business, Regions makes commitments under various terms to lend funds to its customers. These commitments include (among others) revolving credit agreements, term loan agreements and short-term borrowing arrangements, which are usually for working capital needs. Letters of credit are also issued, which under certain conditions could result in loans. See Note L to the consolidated financial statements for additional information on commitments.

The commercial, real estate and consumer loan portfolios are highly diversified in terms of industry concentrations. The following table shows the largest concentrations in terms of the customer's Standard Industrial Classification Code at December 31, 2001 and 2000:

STANDARD INDUSTRIAL CLASSIFICATION	2001 AMOUNT	2001 % OF TOTAL	2001 % NON-ACCRUAL	2000 AMOUNT	2000 % OF TOTAL	2000 NO ACC
	(DOLLAR AMOUNTS IN MILLIONS)					
Individuals	$15,293.9	49.1%	0.7%	$17,560.1	55.8%	0
Services:						
Physicians	265.5	0.9	0.3	288.3	0.9	0
Business services	138.2	0.4	0.3	209.8	0.7	0
Religious organizations	388.9	1.2	0.4	343.6	1.1	0
Legal services	108.0	0.3	0.9	98.9	0.3	0
All other services	3,243.1	10.4	1.4	2,728.3	8.7	0
Total services	4,143.7	13.2	1.2	3,668.9	11.7	0
Manufacturing:						
Electrical equipment	56.6	0.2	0.0	93.6	0.3	0
Food and kindred products	77.2	0.2	0.1	38.5	0.1	1
Rubber and plastic products	40.5	0.1	2.6	31.6	0.1	3
Lumber and wood products	192.6	0.6	0.3	188.4	0.6	0
Fabricated metal products	157.0	0.5	1.9	169.6	0.5	0
All other manufacturing	737.6	2.4	2.6	669.4	2.1	1
Total manufacturing	1,261.5	4.0	1.9	1,191.1	3.7	1
Wholesale trade	765.0	2.5	0.5	689.9	2.2	0
Finance, insurance and real estate:						
Real estate	4,048.9	13.0	0.8	1,349.4	4.3	0
Banks and credit agencies	161.7	0.5	0.5	149.6	0.5	0
All other finance, insurance and real estate	791.7	2.5	0.4	2,402.4	7.6	0
Total finance, insurance and real estate	5,002.3	16.0	0.7	3,901.4	12.4	0
Construction:						
Residential building construction	1,013.6	3.3	0.8	576.6	1.8	0
General contractors and builders	424.3	1.4	0.9	764.7	2.4	1
All other construction	439.5	1.4	2.1	348.5	1.1	1
Total construction	1,877.4	6.1	1.1	1,689.8	5.3	1

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STANDARD INDUSTRIAL CLASSIFICATION	2001 AMOUNT	2001 % OF TOTAL	2001 % NON-ACCRUAL	2000 AMOUNT	2000 % OF TOTAL	2000 NO ACC
	(DOLLAR AMOUNTS IN MILLIONS)					
Retail trade:						
Automobile dealers	$ 391.6	1.3%	0.5%	$ 514.8	1.6%	0
All other retail trade	826.1	2.7	1.1	706.8	2.3	0

Total retail trade	1,217.7	4.0	0.9	1,221.6	3.9	0
Agriculture, forestry and fishing	610.9	2.0	1.8	527.9	1.7	1
Transportation, communication, electrical, gas and sanitary	538.9	1.7	0.8	448.5	1.4	0
Mining (including oil and gas extraction)	78.4	0.3	0.4	50.2	0.2	1
Public administration	91.2	0.3	0.0	0.0	0.0	0
Other	256.1	0.8	1.2	523.3	1.7	1
Total	$31,137.0	100.0%	0.9%	$31,472.7	100.0%	0

INTEREST-BEARING DEPOSITS IN OTHER BANKS

Interest-bearing deposits in other banks are used primarily as temporary investments and generally have short-term maturities. This category of earning assets decreased from $9.7 million at December 31, 1999, to $3.2 million at December 31, 2000. During 2000, maturities from these assets were reinvested in alternative investments. In 2001, interest-bearing deposits in other banks increased $663.9 million due to balances added in connection with acquisitions, principally Morgan Keegan, which maintains interest-bearing deposits in other banks in the normal course of its business.

SECURITIES

The following table shows the carrying values of securities as follows:

	DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Securities held to maturity:			
U.S. Treasury and Federal agency securities	$ 30,541	$2,573,461	$2,639,21
Obligations of states and political subdivisions	3,131	670,252	635,03
Mortgage-backed securities	-0-	295,477	380,67
Other securities	378	12	399,35
Total	$ 34,050	$3,539,202	$4,054,27
Securities available for sale:			
U.S. Treasury and Federal agency securities	$ 741,458	$ 785,537	$ 568,56
Obligations of states and political subdivisions	711,547	142,073	158,26
Mortgage-backed securities	6,065,222	4,255,433	5,973,99
Other securities	9,205	1,294	3,33
Equity securities	285,677	270,632	154,61
Total	$7,813,109	$5,454,969	$6,858,76

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In 2001, total securities decreased $1.1 billion or 13%. U.S. Treasury and Federal agency securities decreased $2.6 billion due primarily to calls and sales. A portion of the proceeds from the calls and sales of U.S. Treasury and

Federal agency securities were not reinvested in this category of securities as a part of management's initiative to allocate less capital to lower margin assets and to reduce sensitivity to changing interest rates. Mortgage-backed securities increased $1.5 billion due to purchases in 2001. Obligations of states and political subdivisions decreased $97.6 million or 12% in 2001 due to calls, sales and maturities. Other securities increased in 2001 due to acquisition activity.

Total securities decreased $1.9 billion or 18% in 2000. This decline resulted from the sale of $1.4 billion of available for sale securities in addition to maturities of securities not being reinvested in this category of earning assets. U.S. Treasury and Federal agency securities increased $151 million. Obligations of states and political subdivisions increased $19 million. Mortgage-backed securities decreased $1.8 billion in 2000 due to the sale of securities and other maturities.

In 2001, upon the adoption of Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), Regions elected to reclassify a significant portion of securities from the held to maturity category to the available for sale category to provide additional flexibility in managing the securities portfolio.

Regions' investment portfolio policy stresses quality and liquidity. At December 31, 2001, the average contractual maturity of U.S. Treasury and Federal agency securities was 3.1 years and that of obligations of states and political subdivisions was 7.4 years. The average contractual and expected maturity of mortgage-backed securities was 20.9 years and 3.1 years, respectively. Other securities had an average contractual maturity of 6.1 years. Overall, the average maturity of the portfolio was 17.8 years using contractual maturities and 3.5 years using expected maturities. Expected maturities differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

The estimated fair market value of Regions' securities held to maturity portfolio at December 31, 2001, was approximately the amount carried on Regions' books. Regions' securities available for sale portfolio at December 31, 2001, included net unrealized gains of $104.6 million. Regions' securities held to maturity and securities available for sale portfolios included gross unrealized gains of $105.1 million and gross unrealized losses of $460,000 at December 31, 2001. Market values of these portfolios vary significantly as interest rates change; however, management expects normal maturities from the securities portfolios to meet liquidity needs.

Of Regions' tax-free securities rated by Moody's Investors Service, Inc., 99% are rated "A" or better. The portfolio is carefully monitored to assure no unreasonable concentration of securities in the obligations of a single debtor, and current credit reviews are conducted on each security holding.

The following table shows the maturities of securities (excluding equity securities) at December 31, 2001, the weighted average yields and the taxable equivalent adjustment used in calculating the yields:

	SECURITIES MATURING				
	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE BUT WITHIN TEN YEARS	AFTER TEN YEARS	TOTAL

			(IN THOUSANDS)		
Securities held to maturity:					
U.S. Treasury and Federal agency securities	$ 10,088	$ 17,552	$ 2,279	$ 622	$ 30,54
Obligations of states and political subdivisions	-0-	2,878	253	-0-	3,13
Mortgage-backed securities	-0-	-0-	-0-	-0-	-
Other securities	375	3	-0-	-0-	37
Total	$ 10,463	$ 20,433	$ 2,532	$ 622	$ 34,05
Weighted average yield	4.92%	5.53%	6.06%	5.88%	5.3
Securities available for sale:					
U.S. Treasury and Federal agency securities	$ 32,520	$ 610,080	$ 97,338	$ 1,520	$ 741,45
Obligations of states and political subdivisions	42,361	176,065	294,561	198,560	711,54
Mortgage-backed securities	151,743	5,488,799	378,486	46,194	6,065,22
Other securities	7,631	203	371	1,000	9,20
Total	$234,255	$6,275,147	$770,756	$247,274	$7,527,43
Weighted average yield	5.99%	5.78%	6.41%	7.10%	5.9
Taxable equivalent adjustment for calculation of yield	$ 1,311	$ 5,537	$ 9,122	$ 6,144	$ 22,11

Note: 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 fully taxable equivalent basis using a tax rate of 35%. 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.

TRADING ACCOUNT ASSETS

Trading account assets increased significantly in 2001, due to the acquisition of Morgan Keegan. Trading account assets are held for the purpose of selling at a profit and are carried at market value.

The following table shows the carrying value of trading account assets by type of security.

	DECEMBER 31, 2001
	(IN THOUSANDS)
Trading account assets:	
U.S. Treasury and Federal agency securities	$355,346
Obligations of states and political subdivisions	329,313
Other securities	57,237
Total	$741,896

MARGIN RECEIVABLES

Margin receivables, which totaled $523.9 million at December 31, 2001, were added to Regions' consolidated statement of condition as a result of the acquisition of Morgan Keegan. Margin receivables represent funds advanced to brokerage customers for the purchase of securities that are secured by certain marketable securities held in the customer's brokerage account. The risk of loss from these receivables is minimized by requiring that customers maintain marketable securities in the brokerage account which have a fair market value substantially in excess of the funds advanced to the customer.

LIQUIDITY

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. Assets, consisting principally of loans and securities, are funded by customer deposits, purchased funds, borrowed funds and stockholders' equity.

The securities portfolio is one of Regions' primary sources of liquidity. Maturities of securities provide a constant flow of funds which are available for cash needs (see previous table on Securities Maturing). Maturities in the loan portfolio also provide a steady flow of funds (see previous table on Loans Maturing). At December 31, 2001, commercial loans, real estate construction loans and commercial mortgage loans with an aggregate balance of $6.9 billion, as well as securities of $245 million, were due to mature in one year or less. Additional funds are provided from payments on consumer loans and one-to-four family residential mortgage loans. Historically, the Company's high levels of earnings have also contributed to cash flow. In addition, liquidity needs can be met by the purchase of funds in state and national money markets. Regions' liquidity also continues to be enhanced by a relatively stable deposit base.

The loan to deposit ratio increased from 93.85% at December 31, 1999, to 97.98% at December 31, 2000, but declined slightly to 97.90% at December 31, 2001, as loans and deposits grew at only modest rates in 2001.

As shown in the Consolidated Statement of Cash Flows, operating activities provided significant levels of funds in 1999 and 2000, due primarily to high levels of net income. Operating activities were a net user of funds in 2001 as mortgage loans held for sale and other assets increased and other liabilities decreased. Investing activities, primarily in loans and securities, were a net user of funds in 1999 and 2000 but was a net provider of funds in 2001 as loan and security balances declined. Strong loan growth in prior years required a significant amount of funds for investing activities. Funds needed for investing activities were provided primarily by deposits, purchased funds, and borrowings. Financing activities provided more funds in 1999 due to more reliance on short and long-term borrowings. In 2000, a significant portion of the short-term borrowings were repaid using proceeds from the sale of securities available for sale and from deposit growth. Financing activities were a net user of funds in 2001, as deposits balances declined and Regions (excluding borrowings added in connection with acquisitions) was less dependent on borrowed funds as a funding source. Cash dividends and the open-market purchase of the Company's common stock also required funds in 1999, 2000 and 2001. Funds needed for the two pending community bank acquisitions as of December 31, 2001, are expected to be provided by short-term and long-term borrowings.

Standard & Poor's Corporation has assigned high quality ratings to Regions Bank's certificates of deposit. Regions Bank's short-term certificates of deposit are rated "A-1" by Standard & Poor's Corporation and long-term certificates of deposit are rated "A+".

Moody's Investors Service has also given similar quality ratings to Regions Bank's short- and long-term debt and certificates of deposit. Short-term debt and certificates of deposit are rated "P-1" and long-term debt and certificates of deposit are rated "Aa3".

Fitch IBCA has rated Regions Bank's short-term debt and certificates of deposits "F1+" and Regions Bank's long-term debt and certificates of deposits "AA-".

The $675 million in subordinated debt issued by Regions and outstanding at December 31, 2001, is rated "A-" by Standard & Poor's Corporation, "A2" by Moody's Investors Service, and "A" by Fitch IBCA. Regions' trust preferred securities are rated "BBB+" by Standard & Poor's Corporation, "a1" by Moody's Investors Service, and "A" by Fitch IBCA.

Regions' and its banking subsidiaries' high quality ratings from nationally recognized rating agencies enhance the Company's ability to raise funds in national money markets. The high ratings also help to attract both loan and deposit customers in local markets.

Historically, Regions has found short- and intermediate-term credit readily available on reasonable terms from money center or regional banks. Regions' management places constant emphasis on the maintenance of adequate liquidity to meet conditions which might reasonably be expected to occur.

DEPOSITS

Deposits are Regions' primary source of funds, providing funding for 75% and 79% of average earning assets in 2001 and 2000, respectively. During the last four years, average total deposits grew at a compound annual rate of 6%. Average deposits grew $2.1 billion or 8% in 1999 and $2.9 billion or 10% in 2000. In 2001, average deposits declined $805 million or 3%. Acquisitions contributed average deposit growth of $495 million in 1999, $427 million in 2000 and $43 million in 2001.

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 how effectively the company meets customers' needs. Regions employs both traditional and non-traditional means to meet customers' needs and enhance competitiveness. The traditional means include providing well-designed products, providing a high level of customer service, providing attractive pricing and expanding the traditional branch network to provide convenient branch locations for customers throughout the Southern United States. Regions also employs non-traditional approaches to enhance its competitiveness. These include providing centralized, high quality telephone banking services and alternative product delivery channels like internet banking. Regions' success at competing for deposits is discussed below.

Average non-interest bearing deposits have grown at a compound growth rate of 7% since 1998. This category of deposits grew 19% in 1999 but only 1% in 2000 and 2% in 2001. Despite modest growth in 2000 and 2001, non-interest-bearing deposits continue to be a significant funding source for Regions, accounting for 16%, 14% and 15% of average total deposits in 1999, 2000 and 2001 respectively.

During 1999, 2000 and 2001, the rate paid on savings accounts was less attractive to customers, relative to other investment alternatives. As a result, savings accounts have decreased at a 7% compound growth rate since 1998. Savings accounts declined 4% in 1999, 10% in 2000 and 5% in 2001. Management expects savings accounts to continue to be a stable-funding source, but does not expect any significant growth given the current interest rate environment. In 2001, savings accounts accounted for 4% of average total deposits.

During 1999 and 2000, interest-bearing transaction accounts decreased 49% and 12%, respectively due to less attractive rates relative to other investment alternatives. In 2001, interest-bearing transaction accounts increased 37%, as investors migrated toward more liquid assets given recent market condition. During 2000 and 2001, interest-bearing transaction accounts accounted for 1% and 2%, respectively, of average total deposits.

Money market savings products continue to be Regions' fastest growing deposits, increasing at a compound annual rate of 17% since 1998. Customers have responded to Regions' competitive money market savings products by continuing to invest in these accounts. The results are increases in average balances of 20% in 1999, 12% in 2000 and 19% in 2001. Money market savings products are one of Regions' most significant funding sources, accounting for 31% of average total deposits in 1999, 32% of average total deposits in 2000 and 39% of average total deposits in 2001.

Certificates of deposit of $100,000 or more increased 20% in 1999 and 6% in 2000 due to their increased use as a funding source. In 2001, certificates of deposit of $100,000 or more declined 9% as these products were priced less aggressively than in prior years. Since 1998, certificates of deposit of $100,000 or more have increased at a compound annual rate of 5%, and in 2001 accounted for 13% of average total deposits.

Other interest-bearing deposits (certificates of deposit of less than $100,000 and time open accounts) declined 3% in 1999 but increased 18% in 2000. In 2000, new deposit products and higher rates resulted in higher balances in this category. Other interest-bearing deposits declined 23% in 2001 as rates on these accounts were less attractive to investors and Regions' reduced utilization of certain wholesale deposits as a funding source. This category of deposits continues to be one of Regions' primary funding sources; it accounted for 27% of average total deposits in 2001, down from 34% of average total deposits in 2000.

The sensitivity of Regions' deposit rates to changes in market interest rates is reflected in the Company's average interest rate paid on interest-bearing deposits (see table following on Average Rates Paid). During early 1999, market interest rates generally declined but increased in the last half of 1999 and throughout 2000. In 2001, market interest rates declined dramatically. The Fed reduced rates 11 times (475 basis points) in 2001. While Regions' average interest rate paid on interest-bearing deposits follows these trends, a lag period exists between the change in market rates and the repricing of the deposits. The rate paid on interest-bearing deposits decreased from 4.61% in 1998 to 4.32% in 1999 but increased to 5.03% in 2000. In 2001, the rate paid on interest-bearing deposits declined to 4.30%.

A detail of interest-bearing deposit balances at December 31, 2001 and 2000, and the interest expense on these deposits for the three years ended December 31, 2001, is presented in Note H to the consolidated financial statements.

The following table presents the detail of interest-bearing deposits and maturities of the larger time deposits:

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Interest-bearing deposits of less than $100,000	$22,843,437	$22,848,236
Time deposits of $100,000 or more, maturing in:		
3 months or less	1,161,763	1,116,456
Over 3 through 6 months	455,340	704,118
Over 6 through 12 months	669,104	1,700,906
Over 12 months	1,333,342	1,139,892
Total	3,619,549	4,661,372
Total	$26,462,986	$27,509,608

The following table presents the average amounts of deposits outstanding by category for the three years ended December 31, 2001:

	AVERAGE AMOUNTS OUTSTANDING 2001	2000	1999
	(IN THOUSANDS)		
Non-interest-bearing demand deposits	$ 4,634,198	$ 4,561,900	$ 4,520,405
Interest-bearing transaction accounts	556,724	405,404	458,094
Savings accounts	1,261,294	1,329,580	1,477,688
Money market savings accounts	12,132,612	10,160,829	9,095,569
Certificates of deposit of $100,000 or more	4,062,631	4,464,330	4,218,828
Other interest-bearing deposits	8,387,786	10,918,949	9,215,075
Total interest-bearing deposits	26,401,047	27,279,092	24,465,254
Total deposits	$31,035,245	$31,840,992	$28,985,659

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The following table presents the average rates paid on deposits by category for the three years ended December 31, 2001:

	AVERAGE RATES PAID 2001	2000	1999
Interest-bearing transaction accounts	1.95%	4.04%	4.22%
Savings accounts	1.12	1.51	1.61
Money market savings accounts	3.03	4.20	3.27
Certificates of deposit of $100,000 or more	5.81	6.08	5.36

Other interest-bearing deposits...........................	6.05	5.84	5.32
Total interest-bearing deposits..................	4.30%	5.03%	4.32%

BORROWED FUNDS

Regions' short-term borrowings consist of federal funds purchased and security repurchase agreements, commercial paper, Federal Home Loan Bank structured notes, due to brokerage customers, and other short-term borrowings.

Federal funds purchased and security repurchase agreements are used to satisfy daily funding needs and, when advantageous, for rate arbitrage. Federal funds purchased and security repurchase agreements totaled $1.8 billion and $2.0 billion at December 31, 2001 and 2000, respectively. Balances in these accounts can fluctuate significantly on a day-to-day basis. The average daily balance of federal funds purchased and security repurchase agreements, net of federal funds sold and security reverse repurchase agreements, decreased $456 million in 2000 and $1.5 billion in 2001. The declines in 2000 and 2001 resulted from paydowns of purchased fund positions funded by the sale of the credit card portfolio, the calls, sales and maturities of available for sale securities and increased utilization of alternative longer term funding.

Throughout 2000 and 2001, Federal Home Loan Bank structured notes were used as a short-term funding source, primarily due to their favorable interest rate. These structured notes have original stated maturities in excess of one year, but are callable, at the option of the Federal Home Loan Bank, at various times less than one year. Because of the call feature, the structured notes are considered short term. As of December 31, 2001 and 2000, $1.1 billion of structured notes were outstanding.

Regions' brokerage subsidiary maintains certain lines of credit with unaffiliated banks. As of December 31, 2001, $151.3 million was outstanding under these agreements with an average interest rate of 1.9%.

At December 31, 2001 and 2000, $27.8 million in commercial paper was outstanding, compared to $56.8 million at December 31, 1999. The Company issues commercial paper through its private placement commercial paper program. Company policy limits total commercial paper outstanding, at any time, to $75 million. The level of commercial paper outstanding depends on the funding requirements of the Company and the cost of commercial paper compared to alternative borrowing sources.

Through its brokerage subsidiary, Regions maintains a due to brokerage customer position. This represents uninvested funds in the customers' brokerage account. The due to brokerage customers totaled $932.8 million at December 31, 2001, with an interest rate of 2.3%.

The other short-term borrowings increased $82.6 million from December 31, 2000 to December 31, 2001, primarily due to an increase in the short sale liability, which is frequently used by Regions' brokerage subsidiary to offset other market risks, which are undertaken in the normal course of business. The increase is due to higher levels of business activity, associated with the addition of Morgan Keegan.

Regions' long-term borrowings consist primarily of subordinated notes, Federal Home Loan Bank borrowings, trust preferred securities and other long-term notes payable.

In 2001, subordinated notes increased $475 million. This increase is due to the $500 million issuance, in February 2001, of ten year 7.00% subordinated notes. Partially offsetting this issuance was the $25 million maturity, in August 2001, of Regions' 7.65% subordinated notes.

Federal Home Loan Bank long-term advances decreased $506 million in 2001. Regions utilized other sources of funding with more favorable interest rates during 2001. Membership in the Federal Home Loan Bank system provides access to an additional source of lower-cost funds.

During 2000 and 2001, Regions utilized Federal Home Loan Bank structured notes with original call periods in excess of one year. These structured notes have a stated ten year maturity but are callable, at the option of the Federal Home Loan Bank, between one and two years. As of December 31, 2001 and 2000, $3.6 billion of long-term Federal Home Loan Bank advances were outstanding.

Regions issued $288 million of trust preferred securities in February 2001. These securities, which qualify as Tier 1 capital, have an interest rate of 8.00% and a 30-year term, but are callable after five years. In addition, Regions assumed $4 million of trust preferred securities in connection with an acquisition.

Other long-term notes payable consist of redeemable trust preferred securities, notes issued to former stockholders of acquired banks, notes for equipment financing, and miscellaneous notes payable. Other long-term borrowings increased $8.7 million in 2001 due to certain notes payable assumed in connection with acquired companies.

STOCKHOLDERS' EQUITY

Over the past three years, stockholders' equity has increased at a compound annual growth rate of 10.4%. Stockholders' equity has grown from $3.0 billion at the beginning of 1999 to $4.0 billion at year-end 2001. Internally generated retained earnings contributed $851 million of this growth and $37 million was attributable to the exercise of stock options and to the issuance of stock for employee incentive plans. In addition, equity issued in connection with acquisitions, net of treasury share repurchases, added $113 million to equity with increases in other components of equity adding $33 million. The internal capital generation rate (net income less dividends as a percentage of average stockholders' equity) was 6.9% in 2001, compared to 8.9% in 2000 and 9.9% in 1999.

Regions' ratio of stockholders' equity to total assets was 8.89% at December 31, 2001, compared to 7.92% at December 31, 2000, and 7.18% at December 31, 1999.

Regions and its bank subsidiary are required to comply with capital adequacy standards established by banking regulatory agencies. Currently, there are two basic measures of capital adequacy: a risk-based measure and a leverage measure.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and interest rate risk, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with specified risk-weighting factors. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. Banking organizations that are considered to have excessive interest rate risk exposure are required to hold additional capital.

The minimum standard for the ratio of total capital to risk-weighted assets is 8%. At least 50% of that capital level must consist of common equity, undivided profits and non-cumulative perpetual preferred stock, less goodwill and certain other intangibles ("Tier 1 capital"). The remainder ("Tier 2 capital") may consist of a limited amount of other preferred stock, mandatory convertible securities, subordinated debt and a limited amount of the allowance for loan losses. The sum of Tier 1 capital and Tier 2 capital is "total risk-based capital."

The banking regulatory agencies also have adopted regulations that supplement the risk-based guidelines to include a minimum ratio of 3% of Tier 1 capital to average assets less goodwill (the "leverage ratio"). Depending upon the risk profile of the institution and other factors, the regulatory agencies may require a leverage ratio of 1% to 2% above the minimum 3% level.

The following chart summarizes the applicable bank regulatory capital requirements. Regions' capital ratios at December 31, 2001, substantially exceeded all regulatory requirements.

BANK REGULATORY CAPITAL REQUIREMENTS

	MINIMUM REGULATORY REQUIREMENT	REGIONS AT DECEMBER 31, 2001
Tier 1 capital to risk-adjusted assets......................	4.00%	9.66%
Total risk-based capital to risk-adjusted assets............	8.00	13.23
Tier 1 leverage ratio.......................................	3.00	7.41

At December 31, 2001, Tier 1 capital totaled $3.2 billion, total risk-based capital totaled $4.4 billion, and risk-adjusted assets totaled $32.2 billion.

Total capital at the bank affiliate also has an important effect on the amount of FDIC insurance premiums paid. Institutions not considered well capitalized can be subject to higher rates for FDIC insurance. As of December 31, 2001, Regions' banking affiliate had the requisite capital levels to qualify as well capitalized.

Regions attempts to balance the return to stockholders through the payment of dividends, with the need to maintain strong capital levels for future growth opportunities. In 2001, Regions returned 50% of earnings to its stockholders in the form of dividends. Total dividends declared by Regions in 2001 were $250.3 million or $1.12 per share, an increase of 4% from the $1.08 per share in 2000.

In January 2002, the Board of Directors declared a 4% increase in the quarterly cash dividend from $.28 to $.29 per share. This is the 31st consecutive year that Regions has increased cash dividends.

The following table shows the percentage distribution of Regions' consolidated average balances of assets, liabilities and stockholders' equity for the five years ended December 31, 2001:

	2001	2000	1999	1998	1997
ASSETS					
Earning assets:					
Taxable securities	16.5%	20.1%	20.8%	19.0%	18.4%
Non-taxable securities	1.8	1.9	1.9	2.1	2.6
Federal funds sold	1.2	0.2	0.2	0.9	1.0
Loans (net of unearned income):					
Commercial	21.5	20.5	19.3	20.7	15.4
Real estate	34.9	36.4	33.2	30.8	36.5
Installment	12.9	13.3	14.4	17.1	17.7
Total loans	69.3	70.2	66.9	68.6	69.6
Allowance for loan losses	(0.9)	(0.8)	(0.8)	(0.9)	(1.0)
Net loans	68.4	69.4	66.1	67.7	68.6
Other earning assets	3.8	1.0	3.0	2.3	1.1
Total earning assets	91.7	92.6	92.0	92.0	91.7
Cash and due from banks	2.1	2.6	3.1	3.0	3.4
Other non-earning assets	6.2	4.8	4.9	5.0	4.9
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Non-interest-bearing	10.4%	10.6%	11.4%	11.2%	12.1%
Interest-bearing	59.1	63.6	61.8	67.8	69.8
Total deposits	69.5	74.2	73.2	79.0	81.9
Borrowed funds:					
Short-term	9.3	10.3	16.4	9.9	6.5
Long-term	10.7	7.2	1.7	1.3	1.7
Total borrowed funds	20.0	17.5	18.1	11.2	8.2
Other liabilities	2.1	0.8	1.0	1.3	1.2
Total liabilities	91.6	92.5	92.3	91.5	91.3
Stockholders' equity	8.4	7.5	7.7	8.5	8.7
Total liabilities and stockholders' equity	100.0%	100.0%	100.0%	100.0%	100.0%

OPERATING RESULTS

Net income decreased 4% in 2001, increased less than 1% in 2000, but increased 25% in 1999. Operating income, net income excluding costs associated with the Morgan Keegan transaction and other non-recurring charges totaled $526.7 million in 2001, a 3% increase compared to 2000. The accompanying table presents the dollar amount and percentage change in the important components of income that occurred in 2000 and 2001.

SUMMARY OF CHANGES IN OPERATING RESULTS

	INCREASE (DECREASE)			
	2001 COMPARED TO 2000		2000 COMPARED TO 1999	
	AMOUNT	%	AMOUNT	%
	(DOLLAR AMOUNTS IN THOUSANDS)			
Net interest income	$ 36,696	3%	$(37,058)	(3)%
Provision for loan losses	38,303	30	13,441	12
Net interest income after provision for loan losses	(1,607)	0	(50,499)	(4)
Non-interest income:				
Brokerage and investment income	317,671	NM	4,320	12
Trust department income	(994)	(2)	4,241	8
Service charges on deposit accounts	35,593	15	36,686	19
Mortgage servicing and origination fees	14,350	17	(20,386)	(20)
Securities transactions	72,034	NM	(40,088)	NM
Other	(57,979)	(25)	79,296	53
Total non-interest income	380,675	63	64,069	12
Non-interest expense:				
Salaries and employee benefits	290,831	49	37,288	7
Net occupancy expense	16,226	23	9,040	15
Furniture and equipment expense	13,514	18	2,200	3
Other	82,272	21	8,342	2
Total non-interest expense	402,843	36	56,870	5
Income before income taxes	(23,775)	(3)	(43,300)	(6)
Applicable income taxes	(5,186)	(2)	(45,437)	(18)
Net income	$(18,589)	(4)%	$ 2,137	0%
Operating income	$ 17,025	3%	$(15,665)	(3)%

NET INTEREST INCOME

Net interest income (interest income less interest expense) is Regions' principal source of income. Net interest income increased 3% in 2001 but declined 3% in 2000. On a taxable equivalent basis, net interest income increased 7% in 2001 but declined 2% in 2000. The table on page 41 provides additional information to analyze the changes in net interest income.

In 2000, modest growth in interest-earning assets combined with unfavorable changes in interest rates resulted in lower net interest income. During 2000, average interest-earning assets grew 2%, but unfavorable changes in interest-bearing liability rates resulted in lower net interest income. In 2001, growth in interest-earning assets (average) continued at modest rates (3%), combined with higher spreads on those earning assets, resulted in increased net interest income.

Regions measures its ability to produce net interest income with a ratio called the interest margin. The interest margin is net interest income (on a taxable equivalent basis) as a percentage of average earning assets. The interest margin decreased from 3.94% in 1999 to 3.55% in 2000 but increased to 3.66% in 2001. Changes in the interest margin occur primarily due to two factors: (1) the interest rate spread (the difference between the taxable equivalent yield on earning assets and the rate on interest-bearing liabilities) and (2) the percentage of earning assets funded by interest-bearing liabilities.

The first factor affecting Regions' interest margin is the interest rate spread. Regions' average interest rate spread was 3.31% in 1999, 2.84% in 2000, and 3.00% in 2001. Market interest rates, both the level of rates and the slope of the yield curve (the spread between short-term rates and longer-term rates), affect the interest rate spread by influencing the pricing on most categories of Regions' interest-earning assets and interest-bearing liabilities.

In the last half of 1999, the Fed instituted three 25 basis point rate increases, resulting in a 5.50% Federal funds rate at the end of 1999. Throughout the first six months of 2000, the Fed raised the Federal Funds rate three times totaling 100 basis points resulting in a rate of 6.50%. The Fed began reducing the Federal Funds rate in early 2001. Throughout 2001, the Fed lowered the rate eleven times totaling 475 basis points. These reductions resulted in a near record low Federal Funds rate of 1.75%.

Regions' interest-earning asset yields and interest-bearing liability rates were both lower in 2001 compared to 2000 reflecting the declining market interest rates experienced in 2001. As market interest rates declined in 2001, Regions' interest-bearing liability rates decreased faster than did interest-earning asset yields. The interest rate spread expanded in 2001 because interest-earning asset yields decreased 16 basis points less than did interest-bearing liability rates.

The mix of earning assets can also affect the interest rate spread. During 2001, loans, which are typically Regions' highest yielding earning asset, decreased slightly as a percentage of earning assets partially mitigating the effects of changing earning asset yields and interest-bearing liability rates. Average loans as a percentage of earning assets were 75.2% in 2000 and 74.9% in 2001.

The second factor affecting the interest margin is the percentage of earning assets funded by interest-bearing liabilities. Funding for Regions' earning assets comes from interest-bearing liabilities, non-interest-bearing liabilities and stockholders' equity. The net spread on earning assets funded by non-interest-bearing liabilities and stockholders' equity is higher than the net spread on earning assets funded by interest-bearing liabilities. The percentage of earning assets funded by interest-bearing liabilities was 86% in 1999, 87% in 2000 and 85% in 2001. The change in the percentage of earning assets funded by interest-bearing liabilities had a positive effect on net interest income in 2001. In 2001, equity, issued in connection with acquisitions, funded a larger percentage of earning assets than in 2000 or 1999. In prior years, the trend had been for a greater percentage of new funding for earning assets to come from interest-bearing sources. In the future, management expects that an increasing percentage of funding will be provided from interest-bearing liabilities.

MARKET RISK -- INTEREST RATE SENSITIVITY

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to a change in interest rates, exchange rates and equity prices. Regions' primary market risk is interest rate risk.

The primary objective of Asset/Liability Management at Regions is to manage interest rate risk and achieve reasonable stability in net interest income throughout interest rate cycles. This is achieved by maintaining the proper balance of rate sensitive earning assets, rate sensitive liabilities and off-balance sheet interest rate hedges. The relationship of rate sensitive earning assets to rate sensitive liabilities, adjusted for the effect of off-balance sheet hedges (interest rate sensitivity), is the principal factor in projecting the effect that fluctuating interest rates will have on future net interest income. Rate sensitive earning assets and interest-bearing liabilities are those that can be repriced to current market rates within a relatively short time period. Management monitors the rate sensitivity of earning assets and interest-bearing liabilities over the entire life of these instruments, but places particular emphasis on the first year. At December 31, 2001, approximately 63% of earning assets and 52% of the funding for these earning assets are scheduled to be repriced to current market rates at least once during 2002.

The accompanying table shows Regions' rate sensitive position at December 31, 2001, as measured by gap analysis (the difference between the earning asset and interest-bearing liability amounts scheduled to be repriced to current market rates in subsequent periods). Over the next 12 months approximately $4.8 billion more earning assets than interest-bearing liabilities can be repriced to current market rates at least once. As a result, the one-year cumulative gap (the ratio of rate sensitive assets to rate sensitive liabilities) at

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December 31, 2001, was 1.23, indicating a asset sensitive position. However, this ratio is only one of the tools that management uses to measure rate sensitivity.

Historically, Regions has not experienced the level of net interest income volatility indicated by gap analysis. The primary reason for the lack of volatility is that Regions has a relatively large base of core deposits that do not reprice on a contractual basis. These deposit products include regular savings, interest-bearing transaction accounts and a portion of money market savings accounts. Balances for these accounts are reported in the less than one year categories. However, the rates paid are typically not directly related to market interest rates, since management exercises some discretion in adjusting these rates as market rates change.

Another reason for the lack of volatility in net interest income is that Regions' loan and security portfolios contain fixed-rate mortgage-related products, including whole loans, mortgage-backed securities and collateralized mortgage obligations having amortization and cash flow characteristics that vary with the level of market interest rates. These earning assets are generally reported in the non-sensitive category. In fact, a portion of these earning assets may pay-off within one year or less because their cash flow characteristics are materially impacted by mortgage refinancing activity. If assets that are not sensitive to market interest rate changes were redistributed based on expected cash flows and probable repricing intervals, Regions' one-year cumulative gap indicates a slightly less asset sensitive position.

Regions uses additional tools to monitor and manage interest rate sensitivity. One of the primary tools used is simulation analysis. Simulation analysis is the primary method of estimating earnings at risk and capital at risk under varying interest rate conditions. Simulation analysis is used to test the sensitivity of Regions' net interest income and stockholders' equity to both the level of interest rates and the slope of the yield curve. Simulation analysis uses a more detailed version of the information shown in the accompanying table and adds adjustments for the expected timing and magnitude of asset and liability cash flows, as well as the expected timing and magnitude of repricings of deposits that do not reprice on a contractual basis. In addition, simulation analysis includes adjustments for the lag between movements in market interest rates and the movement of administered rates on prime rate loans, interest-bearing transaction accounts, regular savings and money market savings accounts. These adjustments are made to reflect more accurately possible future cash flows, repricing behavior and ultimately net interest income. Simulation analysis indicates that Regions is slightly asset sensitive, given modest movements in interest rates.

FORWARD-LOOKING STATEMENTS

The section that follows, "Exposure to Interest Rate Shifts", contains certain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). These forward-looking statements may involve significant risk and uncertainties. Although Regions believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements.

Exposure to Interest Rate Shifts. Based on the aforementioned discussion, management can estimate the effect shifts in interest rates may have upon the Company's net interest income, Regions' principal source of income.

The following table demonstrates the expected effect a given, gradual (over twelve months beginning at December 31, 2001) parallel interest rate shift would have on Regions net interest income.

CHANGE IN INTEREST RATES (IN BASIS POINTS)	$ CHANGE IN NET INTEREST INCOME	% CHANGE IN NET INTEREST INCOME
	(DOLLAR AMOUNTS IN THOUSANDS)	
+200	$53,000	3.5%
+100	30,000	2.0
-100	(28,000)	(1.9)
-200	(66,000)	(4.4)

In the event of a shift in interest rates, management would attempt to take certain actions to mitigate the negative impact to net interest income. These actions include but are not limited to, restructuring of interest-earning assets, seeking alternative funding sources and entering into interest rate swap agreements.

INTEREST RATE SENSITIVITY ANALYSIS

	DECEMBER 31, 2001 RATE SENSITIVE PERIOD					
	1-3 MONTHS	4-6 MONTHS	7-12 MONTHS	TOTAL	OVER 1 YEAR OR NON-SENSITIVE	TOTAL
	(DOLLAR AMOUNTS IN MILLIONS)					
Earning Assets:						
Loans, net of unearned income	$15,619.9	$2,277.8	$ 2,353.6	$20,251.3	$10,634.0	$30,885.
Securities held to maturity	2.5	2.2	1.1	5.8	28.3	34.
Securities available for						

sale	911.2	1,026.6	1,191.3	3,129.1	4,684.0	7,813.
Interest bearing deposits in other banks	667.2	--	--	667.2	--	667.
Federal funds sold and securities purchased under agreements to resell	92.6	--	--	92.6	--	92.
Mortgage loans held for sale	890.2	--	--	890.2	--	890.
Trading account assets	741.9	--	--	741.9	--	741.
Margin receivables	523.9	--	--	523.9	--	523.
Total earning assets	$19,449.4	$3,306.6	$ 3,546.0	$26,302.0	$15,346.3	$41,648.
Percent of total earning assets	46.7%	8.0%	8.5%	63.2%	36.8%	100.
Funding Sources:						
Non-interest-bearing deposits	--	--	--	--	$ 5,085.3	$ 5,085.
Savings deposits	$ 1,317.4	--	--	$ 1,317.4	--	1,317.
Other time deposits	8,594.7	$2,926.2	$ 4,031.0	15,551.9	9,593.7	25,145.
Short-term borrowings	2,877.2	100.0	1,121.2	4,098.4	--	4,098.
Long-term borrowings	405.5	0.1	83.4	489.0	4,258.7	4,747.
Total interest-bearing liabilities	13,194.8	3,026.3	5,235.6	21,456.7	13,852.4	35,309.
Stockholders' equity	--	--	--	--	1,253.9	1,253.
Total funding sources	$13,194.8	$3,026.3	$ 5,235.6	$21,456.7	$20,191.6	$41,648.
Percent of total funding sources	31.7%	7.2%	12.6%	51.5%	48.5%	100.
Interest sensitive gap	$ 6,254.6	$ 280.3	$(1,689.6)	$ 4,845.3	$(4,845.3)	-
Cumulative interest sensitive gap	$ 6,254.6	$6,534.9	$ 4,845.3	$ 4,845.3	--	-
As percent of total earning assets	15.0%	15.7%	11.6%	11.6%	--	-
Ratio of earning assets to funding sources	1.47	1.09	0.68	1.23	0.76	1.0
Cumulative ratio	1.47	1.40	1.23	1.23	1.00	1.0

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ANALYSIS OF CHANGES IN NET INTEREST INCOME

YEAR ENDED DECEMBER 31,					
2001 OVER 2000			2000 OVER 1999		
VOLUME	YIELD/RATE	TOTAL	VOLUME	YIELD/RATE	TO
(IN THOUSANDS)					

Increase (decrease) in:						
Interest income on:						
Loans......................	$ 68,691	$(198,331)	$(129,640)	$311,802	$ 74,555	$38
Federal funds sold.........	16,255	(3,902)	12,353	(309)	1,590	
Taxable securities.........	(80,119)	(35,936)	(116,055)	26,250	10,789	3
Non-taxable securities.....	(729)	(563)	(1,292)	2,940	(698)	
Other earning assets.......	74,872	(18,844)	56,028	(65,500)	18,138	(4
Total.................	78,970	(257,576)	(178,606)	275,183	104,374	37
Interest expense on:						
Savings deposits...........	(985)	(4,960)	(5,945)	(2,289)	(1,403)	(
Other interest-bearing deposits.................	(41,114)	(189,506)	(230,620)	142,597	176,556	31
Borrowed funds.............	84,665	(63,402)	21,263	16,303	84,851	10
Total.................	42,566	(257,868)	(215,302)	156,611	260,004	41
Increase (decrease) in net interest income...............	$ 36,404	$ 292	$ 36,696	$118,572	$(155,630)	$(3

Note: The change in interest due to both rate and volume has been allocated to change due to volume and change due to rate in proportion to the absolute dollar amounts of the change in each.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to fund the allowance for loan losses. Actual loan losses, net of recoveries, are charged directly to the allowance. The expense recorded each year is a reflection of management's judgment as to the adequacy of the allowance. For an analysis and discussion of the allowance for loan losses, refer to the section entitled "Loans and Allowance for Loan Losses." The 1999 provision for loan losses increased to $113.7 million due to higher charge-offs, primarily consumer and commercial, and strong internal loan growth. During 2000, the provision for loan losses increased to $127.1 million (.42% of average loans) due to inherent losses associated with the loan portfolio and management's evaluation of current economic factors. The provision for loan loses totaled $165.4 million (.53% of average loans), in 2001, a $38.3 million increase compared to the prior year. The higher provision was the result of increased loan losses in 2001, weaker economic conditions and management's assessment of current economic trends. The resulting year-end allowance for loan losses increased $42.7 million to $419.2 million. Unfavorable changes in the previously discussed factors considered by management in determining the adequacy of the provision for loan losses and the resulting allowance could require higher provisions for loan losses in the future.

NON-INTEREST INCOME

BROKERAGE AND INVESTMENT BANKING

Income from brokerage and investment banking increased significantly in 2001 as compared to 2000 or 1999. Brokerage and investment income totaled $359.0 million in 2001 compared to $41.3 million and $37.0 million in 2000 and 1999, respectively. Comparisons with prior years are affected by the acquisition of Morgan Keegan, Inc., which was acquired on March 30, 2001. This transaction was accounted for as a purchase and therefore only includes income of Morgan Keegan from the date of acquisition. (see Note Q to the consolidated financial statements). Brokerage and investment income is significantly affected by numerous economic and market conditions. As of December 31, 2001, Morgan Keegan employed approximately 900 financial advisors. Customer assets totaled approximately $31.6 billion at year end.

Morgan Keegan Performance

The addition of Morgan Keegan significantly diversified Regions' revenue stream. Non-interest income as a percent of total revenue equaled 39% in 2001, compared to 31% in 2000. Morgan Keegan contributed $36.7 million to net income in 2001. Revenues from the fixed income capital markets division totaled $159.1 million, or 37.8% of Morgan Keegan's total revenue in 2001, and was the top revenue producing line of business. This line of business has benefited from significant fixed income issuance and refinance activity resulting from the historically low levels of interest rates in 2001, while other divisions have been negatively impacted by weaker market conditions. Private client and equity capital markets revenue totaled $131 million and $32 million, respectively.

The following table shows the components of the contribution by Morgan Keegan for the nine months ended December 31, 2001. The Morgan Keegan transaction was completed on March 30, 2001, therefore only income generated from that date forward is included in Regions' consolidated financial statements. For presentation purposes, information for the nine months ended December 31, 2000 has been included in the following table, but is not included in Regions consolidated financial statements.

MORGAN KEEGAN SUMMARY INCOME STATEMENT

	NINE MONTHS ENDED DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Revenues:		
Commissions	$ 98,035	$101,233
Principal transactions	172,019	114,454
Investment banking	48,575	40,223
Interest	52,363	85,096
Investment advisory	34,148	32,448
Other	15,108	15,401
Total revenues	420,248	388,855
Expense:		
Interest	32,459	62,977
Non-interest expense	330,006*	276,720
Total expenses	362,465	339,697
Income before taxes	57,783	49,158
Income taxes	21,070	18,300
Net income	$ 36,713	$ 30,858

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* Excludes $19.7 million in amortization of excess purchase price.

The following table shows the breakout of revenue by division contributed by Morgan Keegan.

MORGAN KEEGAN BREAKOUT OF REVENUE BY DIVISION
NINE MONTHS ENDED DECEMBER 31, 2001

	PRIVATE CLIENT	FIXED INCOME CAPITAL MARKETS	EQUITY CAPITAL MARKETS	INVESTMENT ADVISORY	INTEREST AND OTHER
	(AMOUNTS IN THOUSANDS)				
Gross revenue	$131,190	$159,054	$32,366	$34,631	$63,007
% of gross revenue	31.2%	37.8%	7.7%	8.2%	15.1%

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TRUST INCOME

Trust income declined 2% in 2001 and 3% in 1999, but increased 8% in 2000. Trust sales efforts are promoted throughout the company by strong sales goals and cash incentives. In addition to continued sales efforts, trust income is also affected by the securities markets, because most trust fees are calculated as a percentage of trust asset values. In 1999, trust fees decreased due to customer attrition in certain newly entered markets, partially offset by sales initiatives. Stronger market conditions and sales initiatives resulted in higher trust income in 2000. In 2001, weaker securities markets, combined with the extraordinary events of September 11 and their impact on the economy, had an adverse impact on trust income.

SERVICE CHARGES ON DEPOSIT ACCOUNTS

Service charge income increased 14% in 1999, 19% in 2000 and 15% in 2001 due to increases in the number of deposit accounts, improved management initiatives and standardization in the pricing of certain deposit accounts and related services. The collection rate of fees charged for deposit services continues to improve but remains a focus of management.

MORTGAGE SERVICING AND ORIGINATION FEES

The primary source of this category of income is Regions' mortgage banking affiliate -- Regions Mortgage, Inc. (RMI). RMI's primary business and source of income is the origination and servicing of mortgage loans for long-term investors.

In 2001, mortgage servicing and origination fees increased 17%, from $82.7 million in 2000 to $97.1 million in 2001. Origination fees increased in 2001 due to an increase in the number of loans closed as the result of lower mortgage interest rates. Servicing fees were lower in 2001 as compared to 2000 due to lower numbers of loans serviced in 2001. At December 31, 2001, Regions' servicing portfolio totaled $19.1 billion and included approximately 244,000 loans. At December 31, 2000 and 1999, the servicing portfolio totaled $21.6 billion and $24.1 billion, respectively. The decline in the servicing portfolio during 2001 resulted from high levels of prepayments due to the low interest rate environment, partially offset by higher levels of production in 2001.

In 2000, mortgage servicing and origination fees decreased 20%, from $103.1 million in 1999 to $82.7 million in 2000. Origination fees were lower due to a decrease in the number of loans closed as a result of an increase in interest rates in 2000. Servicing fees were also lower in 2000 as compared to 1999 due to lower numbers of loans serviced as a result of sales of blocks of mortgage servicing assets.

In 1999, mortgage servicing and origination fees decreased 8%, from $111.6 million in 1998 to $103.1 million in 1999. Origination fees were lower due to a decrease in the number of loans closed as a result of an increase in mortgage interest rates. Servicing fees were also lower due to narrowing servicing margins on 1999 loan production.

RMI, through its retail and correspondent lending operations, produced mortgage loans totaling $4.1 billion, $2.4 billion, and $5.6 billion in 2001, 2000 and 1999, respectively. RMI produces loans from 76 offices in Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee, and Texas, and from other correspondent offices located throughout the United States.

A summary of mortgage servicing rights, which are included in other assets in the consolidated statement of condition, is presented as follows. The balances shown represent the original amounts capitalized, less accumulated amortization and valuation adjustments, for the right to service mortgage loans that are owned by other investors. The carrying values of mortgage servicing rights are affected by various factors, including prepayments of the underlying mortgages. A significant change in prepayments of mortgages in the servicing portfolio could result in significant changes in the valuation adjustments.

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	MORTGAGE SERVICING RIGHTS		
	2001	2000	1999
	(IN THOUSANDS)		
Balance at beginning of year	$129,568	$144,276	$141,926
Net additions	48,384	18,912	37,545
Amortization	(41,358)	(33,620)	(35,195)
Balance at end of year	$136,594	$129,568	$144,276

SECURITIES GAINS (LOSSES)

In 1999, net gains of $160,000 were reported from sale of available for sale securities. These gains were primarily related to the sale of government and agency securities.

Regions recognized net losses, in 2000, of $39.9 million related to the disposition of securities available for sale. This loss primarily related to the sale of $1.2 billion in lower-yielding mortgage related securities as part of a first quarter balance sheet repositioning.

In 2001, Regions reported net security gains of $32.1 million. These gains resulted from the sale of approximately $554 million of various available for sale agency, mortgage-related and municipal securities.

OTHER INCOME

Refer to Note O to the consolidated financial statements for an analysis of the significant components of other income. Fee and commission income declined in 2001 primarily due to lower revenue from credit card referral fees. In 2000 fee and commission income increased from revisions in charges for certain services, an increased emphasis on charging customers for services performed and an increased customer base due to internal growth and acquisitions. During 1999, fee and commission income was lower than the prior year due to lower safe deposit fees and credit card fees. These decreases were partially offset by higher international department income, brokerage fees and automated teller machine fees.

Insurance premium and commission income increased significantly in 2001, due to the acquisition of Rebsamen Insurance, Inc. (see Note Q to the consolidated financial statements). This income results primarily from the sale of casualty, liability and workers compensation insurance to commercial customers as well as credit life and accident and health insurance to consumer loan customers.

In 2001, Regions began operations of a capital markets division. This division primarily assists existing commercial customer with capital market products including interest rate swaps, caps and floors. Typically, Regions enters into offsetting hedge agreements limiting the company's exposure related to capital market products. Capital market income totaled $8.6 million in 2001.

During 2000, Regions recognized a pre-tax gain of $67.2 million in connection with the sale of its $278 million credit card portfolio.

In 2001, 2000 and 1999, Regions sold blocks of mortgage servicing assets that did not fit into Regions' long-term strategy for mortgage servicing operations. These sales resulted in pre-tax gains of $2.9 million, $19.9 million and $7.5 million, respectively.

A $1.9 million gain was recognized in 2001, which was associated with the sale of certain interests in an ATM network.

During 1999, Regions sold its joint venture banking interests, which was acquired in connection with an acquisition.

NON-INTEREST EXPENSE

In the second quarter of 2001, Regions incurred $23.3 million in non-recurring charges associated with the Morgan Keegan acquisition and with Regions branch rationalization initiatives. Included in these costs were severance payments, contract buyouts, lease buyouts, write-off of fixed and other assets, and certain other conversion costs.

Morgan Keegan and the other acquisitions in 2001 added a significant amount of non-interest expense to Regions consolidated non-interest expense for 2001. The following table demonstrates the impact of the non-recurring charges discussed above and the impact of the expenses added by the 2001 acquisitions on each of the components of non-interest expense.

NON-INTEREST EXPENSE
YEAR ENDED DECEMBER 31, 2001

	AS REPORTED	LESS: NON-RECURRING CHARGES	LESS: EXPENSES ADDED BY ACQUISITIONS	ADJ
	(IN THOUSANDS)			
Salaries and employee benefits	$ 879,688	$ 8,607	$262,858	$ 6
Net occupancy expense	86,901	242	22,780	
Furniture and equipment expense	87,727	12	1,056	
Other expenses	469,709	14,431	65,350	3
Total	$1,524,025	$23,292	$352,044	$1,1

Total non-interest expense increased $402.8 million or 36% in 2001 on an as reported basis. On an as adjusted basis, which excludes the non-recurring charges and the non-interest expenses added by the 2001 acquisitions, total non-interest expense increased $27.5 million or 2.5%.

SALARIES AND EMPLOYEE BENEFITS

Total salaries and benefits increased 49% in 2001, 7% in 2000 and 4% in 1999. The significant increase in 2001 was primarily the result of the acquisition of Morgan Keegan, Inc., which added 2,307 employees to Regions' payroll. Included in the 2001 increase is $8.6 million of non-recurring costs discussed above. The increases in 2000 and 1999, resulted from normal merit and promotional adjustments, increased incentive payments tied to performance, the effects of inflation and higher benefit costs.

At December 31, 2001, Regions had 15,921 full-time equivalent employees, compared to 14,390 at December 31, 2000 and 14,606 at December 31, 1999. The increase in employees in 2001 resulted primarily from personnel added in connection with acquisitions.

Salaries, excluding benefits, totaled $533.9 million in 2001, compared to $433.0 million in 2000 and $410.1 million in 1999. Higher employment levels in 2001, due to acquisitions and increased business activity, resulted in higher salaries. Increased salaries in 2000 were primarily the result of normal merit and promotional adjustments.

Regions provides employees who meet established employment requirements with a benefits package which includes pension, profit sharing, and medical, life and disability insurance plans. The total cost to Regions for fringe benefits, including payroll taxes, equals approximately 27% of salaries.

Beginning in 2001, employees could elect to have profit sharing paid in cash or contributed to their 401(k) plan. The combination of the cash payments and contributions to employee 401(k) plans was equal to approximately 3% of after-tax income in 2001 and 5% in 2000 and 1999.

Commissions and incentives expense increased to $204.0 million in 2001, compared to $46.3 million in 2000 and $53.2 million in 1999. The increase in commissions and incentives were primarily the result of commissions paid at Morgan Keegan ($141.8 million). At Morgan Keegan, commissions and incentives are the primary method of compensation, which is typical in the brokerage and investment banking industry. In general, incentives continue to be used to reward employees for selling products and services, for productivity improvements and for achievement of other corporate goals. Regions' long-term incentive plan provides for the granting of stock options, restricted stock and performance shares (see Note R to the consolidated financial statements). The long-term incentive plan is intended to assist the Company in attracting, retaining, motivating and rewarding employees who make a significant contribution to the Company's long-term success, and to encourage employees to acquire and maintain an equity interest in the Company. Regions also uses cash incentive plans to reward employees for achievement of various goals.

Payroll taxes increased 30% in 2001, 4% in 2000 and 5% in 1999. Increases in the Social Security tax base, combined with increased salary levels were the primary reasons for increased payroll taxes.

Group insurance expense increased 47% and 54% in 2001 and 2000, respectively. These increases were the result of increased levels of covered employees and higher claims cost. In 1999, as a result of reduced claims costs, group insurance expense declined 13%.

NET OCCUPANCY EXPENSE

Net occupancy expense includes rents, depreciation and amortization, utilities, maintenance, insurance, taxes and other expenses of premises occupied by Regions and its affiliates. Regions' affiliates operate offices throughout Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee, and Texas.

Net occupancy expense increased 23% in 2001 and 15% in 2000 due to acquisitions, new and acquired branch offices, rising price levels, and increased business activity. In 1999, occupancy expense declined as costs savings were realized from certain 1998 acquisitions.

FURNITURE AND EQUIPMENT EXPENSE

Furniture and equipment expense increased 18% in 2001, 3% in 2000, and 5% in 1999. These increases resulted from acquisitions, rising price levels, expenses related to equipment for new branch offices, and increased depreciation and service contract expenses associated with other new back office and branch equipment.

OTHER EXPENSES

Refer to Note O to the consolidated financial statements for an analysis of the significant components of other expense. Increases in this category of expense generally resulted from acquisitions, expanded programs, increased business activity and rising price levels.

Other non-credit losses increased in 2001 as well as in 2000, but declined in 1999. Other non-credit losses primarily include charges for items unrelated to the extension of credit such as fraud losses, litigation losses, write-downs of other real estate, insurance claims and miscellaneous losses. In 2001, other expenses included $14.4 million of non-recurring costs previously discussed.

Amortization of excess purchase price increased significantly in 2001. This increase is due to higher levels of excess purchase price, which was recorded in connection with the 2001 acquisitions.

Amortization of mortgage servicing rights increased in 2001 and 1999, but declined in 2000. Accelerated amortization rates due to the low interest rate environment and increased prepayments of the underlying mortgages combined with the retention of servicing rights on much of Regions mortgage subsidiary's production resulted in additional amortization expense in 2001 and 1999. Mortgage servicing rights amortization expense declined in 2000 due to slower prepayment activity on the underlying mortgages than in other years.

Included in the other expenses for 2001 is a $2.5 million write-down of mortgage servicing rights, recognized as a result of impairment of mortgage serving assets due to increased prepayments of mortgage loans.

Gains or losses on sales of mortgages result from changes in the fair market value of mortgages held in inventory while awaiting sale to long-term investors. Purchased commitments covering the sale of mortgages held in inventory are used to mitigate market losses. (See Note M to the consolidated financial statements for additional information.)

The increase in other miscellaneous expenses in 2001 resulted primarily from increases in travel, insurance costs, safe keeping fees, and equity asset line origination costs paid to third parties.

APPLICABLE INCOME TAX

Regions' provision for income taxes decreased 2.4% in 2001. This decrease was caused primarily by a 3.2% decline in income before taxes. The Company's effective income tax rates for 2001, 2000, and 1999 were 29.1%, 28.9% and 33.1%, respectively. The effective tax rate increased slightly in 2001, primarily due to certain non-deductible expenses associated with the acquisition of Morgan Keegan.

During the fourth quarter of 2000, Regions recapitalized a mortgage-related subsidiary by raising Tier 2 capital, which resulted in a reduction in taxable income of that subsidiary attributable to Regions. The reduction in the taxable income of this subsidiary attributable to Regions is expected to result in a lower effective tax rate applicable to the consolidated taxable income before taxes of Regions for future periods. The impact, on Regions' effective tax rate applicable to consolidated income before taxes, of the reduction in the subsidiary's taxable income attributable to Regions will, however, depend on a number of factors, including, but not limited to, the amount of assets in the subsidiary, the yield of the assets in the subsidiary, the cost of funding the subsidiary, possible loan losses in the subsidiary, the level of expenses of the subsidiary, the level of income attributable to obligations of states and political subdivisions, and various other factors. Note P to the consolidated financial statements provides additional information about the provision for income taxes.

Regions' 1998, 1999, 2000 and 2001 consolidated federal income tax returns are open for examination. From time to time Regions engages in business strategies that may also have an effect on its tax liabilities. While the Company has obtained the opinion of advisors that the tax aspects of these strategies should prevail, examination of Regions' income tax returns or changes in tax law may impact the tax benefits of these strategies. Regions believes adequate provisions for income tax have been recorded for all years open for review.

Management's determination of the realization of the deferred tax asset is based upon management's judgment of various future events and uncertainties, including the timing and amount of future income earned by certain subsidiaries and the implementation of various tax planning strategies to maximize realization of the deferred tax asset. Management believes that the subsidiaries will generate sufficient operating earnings to realize the deferred tax benefits.

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. 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 which tend to rise during periods of general inflation.

Management believes the most significant impact of inflation on financial results is the Company's ability to react to changes in interest rates. As discussed previously, management is attempting to maintain an essentially balanced position between rate sensitive assets and liabilities in order to protect net interest income from being affected by wide interest rate fluctuations.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to page 38 through 39 "Market Risk -- Interest Rate Sensitivity" and to pages 39 through 40 "Forward Looking Statements" included in Management's Discussion and Analysis under Item 7 of this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and report of independent auditors of Regions Financial Corporation and subsidiaries are set forth in the pages listed below.

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors

Regions Financial Corporation

We have audited the accompanying consolidated statements of condition of Regions Financial Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regions Financial Corporation and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Birmingham, Alabama
February 22, 2002

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Cash and due from banks	$ 1,239,598	$ 1,210,872
Interest-bearing deposits in other banks	667,186	3,246
Securities held to maturity (aggregate estimated market value of $34,054 in 2001 and $3,536,283 in 2000)	34,050	3,539,202
Securities available for sale	7,813,109	5,454,969
Trading account assets	741,896	13,437
Mortgage loans held for sale	890,193	222,902
Federal funds sold and securities purchased under agreements to resell	92,543	95,550
Margin receivables	523,941	-0-
Loans	31,136,977	31,472,656
Unearned income	(251,629)	(96,193)

Loans, net of unearned income	30,885,348	31,376,463
Allowance for loan losses	(419,167)	(376,508)
Net loans	30,466,181	30,999,955
Premises and equipment	647,176	598,632
Interest receivable	249,630	349,637
Due from customers on acceptances	63,854	107,912
Other assets	1,953,355	1,091,979
	$45,382,712	$43,688,293

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:		
Non-interest-bearing	$ 5,085,337	$ 4,512,883
Interest-bearing	26,462,986	27,509,608
Total deposits	31,548,323	32,022,491
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,803,177	1,996,812
Commercial paper	27,750	27,750
Other short-term borrowings	2,267,473	1,108,580
Total short-term borrowings	4,098,400	3,133,142
Long-term borrowings	4,747,674	4,478,027
Total borrowed funds	8,846,074	7,611,169
Bank acceptances outstanding	63,854	107,912
Other liabilities	888,696	488,777
Total liabilities	41,346,947	40,230,349
Stockholders' equity:		
Preferred stock, par value $1.00 a share:		
Authorized 5,000,000 shares	-0-	-0-
Common stock, par value $.625 a share:		
Authorized 500,000,000 shares, Issued 230,081,087 shares in 2001 and 222,567,831 shares in 2000	143,801	139,105
Surplus	1,252,809	1,058,733
Undivided profits	2,591,962	2,333,285
Treasury stock, at cost -- 0 shares in 2001 and 2,798,813 shares in 2000	-0-	(67,135)
Unearned restricted stock	(11,234)	(6,952)
Accumulated other comprehensive income	58,427	908
Total stockholders' equity	4,035,765	3,457,944
	$45,382,712	$43,688,293

( ) Indicates deduction.

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Interest income:			
Interest and fees on loans	$2,458,503	$2,588,143	$2,201,786
Interest on securities:			
Taxable interest income	445,919	561,974	524,935
Tax-exempt interest income	40,434	41,726	39,484
Total interest on securities	486,353	603,700	564,419
Interest on mortgage loans held for sale	41,740	34,511	81,002
Interest on margin receivables	20,731	-0-	-0
Income on federal funds sold and securities purchased under agreements to resell	17,890	5,537	4,256
Interest on time deposits in other banks	11,083	1,096	1,741
Interest on trading account assets	19,337	1,256	1,482
Total interest income	3,055,637	3,234,243	2,854,686
Interest expense:			
Interest on deposits	1,135,695	1,372,260	1,056,799
Interest on short-term borrowings	188,108	276,243	329,518
Interest on long-term borrowings	306,341	196,943	42,514
Total interest expense	1,630,144	1,845,446	1,428,831
Net interest income	1,425,493	1,388,797	1,425,855
Provision for loan losses	165,402	127,099	113,658
Net interest income after provision for loan losses	1,260,091	1,261,698	1,312,197
Non-interest income:			
Brokerage and investment banking	358,974	41,303	36,983
Trust department income	56,681	57,675	53,434
Service charges on deposit accounts	267,263	231,670	194,984
Mortgage servicing and origination fees	97,082	82,732	103,118
Securities gains (losses)	32,106	(39,928)	160
Other	169,779	227,758	148,462
Total non-interest income	981,885	601,210	537,141
Non-interest expense:			
Salaries and employee benefits	879,688	588,857	551,569
Net occupancy expense	86,901	70,675	61,635
Furniture and equipment expense	87,727	74,213	72,013
Other	469,709	387,437	379,095
Total non-interest expense	1,524,025	1,121,182	1,064,312
Income before income taxes	717,951	741,726	785,026
Applicable income taxes	209,017	214,203	259,640
Net income	$ 508,934	$ 527,523	$ 525,386

Average number of shares outstanding......................	224,733	220,762	221,617
Average number of shares outstanding, diluted.............	227,063	221,989	223,967
Per share:			
Net income..	$ 2.26	$ 2.39	$ 2.37
Net income, diluted...................................	2.24	2.38	2.35
Cash dividends declared...............................	1.12	1.08	1.00

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(AMOUNTS IN THOUSANDS)		
Operating activities:			
Net income...	$ 508,934	$ 527,523	$ 525
Adjustments to reconcile net cash provided by operating activities:			
Gain from divestiture of banking interests.............	-0-	-0-	(18
Gain on sale of credit card portfolio..................	-0-	(67,220)	
Gain on sale of specialty finance division.............	-0-	(4,113)	
Depreciation and amortization of premises and equipment..	69,260	63,838	60
Provision for loan losses..............................	165,402	127,099	113
Net (accretion) of securities..........................	(2,224)	(3,729)	
Amortization of loans and other assets.................	109,486	78,218	71
Accretion of deposits and borrowings...................	941	714	
Provision for losses on other real estate..............	1,134	1,184	
Deferred income taxes..................................	23,690	95,094	10
Loss (gain) on sale of premises and equipment..........	2,126	(1,165)	(1
Realized security (gains) losses.......................	(32,106)	39,928	
(Increase) decrease in trading account assets..........	(138,461)	1,106	34
(Increase) decrease in mortgages held for sale.........	(663,797)	344,229	360
(Increase) decrease in margin receivable...............	(823)	-0-	
Decrease (increase) in interest receivable.............	102,477	(34,804)	(5
(Increase) in other assets.............................	(282,164)	(160,253)	(72
Increase (decrease) in other liabilities...............	99,140	(59,715)	(86
Stock issued to employees under incentive plan.........	-0-	3,088	4
Other..	4,872	3,026	2
Net cash (used) provided by operating activities...	(32,113)	954,048	999
Investing activities:			
Net decrease (increase) in loans.......................	692,109	(3,112,075)	(3,302
Proceeds from sale of credit card portfolio............	-0-	344,785	
Proceeds from sale of specialty finance division.......	-0-	8,063	
Proceeds from sale of securities available for sale.......	553,523	1,332,916	6
Proceeds from maturity of securities held to maturity.....	153,581	588,846	454
Proceeds from maturity of securities available for sale...	4,577,170	883,401	1,924
Purchase of securities held to maturity................	(21,746)	(42,467)	(1,529
Purchase of securities available for sale..............	(3,828,818)	(484,469)	(3,828
Net (increase) decrease in interest-bearing deposits in			

other banks..	(120,433)	13,056	158
Proceeds from sale of premises and equipment.............	10,227	86,093	25
Purchase of premises and equipment.......................	(83,390)	(150,044)	(111
Net decrease (increase) in customers' acceptance liability...	44,058	(35,814)	(15
Acquisitions net of cash acquired........................	(19,437)	218,764	195
Net cash provided (used) by investing activities...	1,956,844	(348,945)	(6,021
Financing activities:			
Net (decrease) increase in deposits......................	(865,960)	1,279,720	794
Net (decrease) increase in short-term borrowings..........	(567,108)	(4,565,755)	3,111
Proceeds from long-term borrowings.......................	1,154,785	3,644,077	3,154
Payments on long-term borrowings.........................	(928,961)	(917,074)	(1,983
Proceeds from recapitalization of subsidiary.............	-0-	150,000	
Net (decrease) increase in bank acceptance liability......	(44,058)	35,814	15
Cash dividends...	(250,257)	(238,447)	(221
Purchase of treasury stock...............................	(406,733)	(149,119)	(255
Proceeds from exercise of stock options..................	9,280	2,607	13
Net cash (used) provided by financing activities...	(1,899,012)	(758,177)	4,628
Increase (decrease) in cash and cash equivalents...	25,719	(153,074)	(393
Cash and cash equivalents at beginning of year.............	1,306,422	1,459,496	1,852
Cash and cash equivalents at end of year...................	$ 1,332,141	$ 1,306,422	$ 1,459

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK	SURPLUS	UNDIVIDED PROFITS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TR S AT
			(AMOUNTS IN THOUSANDS, EXCEPT PER		
BALANCE AT JANUARY 1, 1999.............	$138,316	$1,147,357	$1,729,334	$ 24,952	$(
Comprehensive income:					
Net income...........................			525,386		
Unrealized losses on available for sale securities, net of reclassification adjustment.........				(160,052)	
Comprehensive income.................			525,386	(160,052)	
Equity from immaterial poolings of interests...........................	1,085	12,410	11,417		
Cash dividends declared:					
Regions-$1.00 per share...............			(221,928)		
Purchase of treasury stock.............					(2
Treasury stock retired relating to acquisitions accounted for as purchases............................	(2,786)	(156,685)			1

Stock issued for acquisitions..........	2,786	128,735			
Retirement of treasury stock...........	(2,331)	(126,072)			1
Stock issued to employees under incentive plan, net..................	68	4,163			
Stock options exercised................	759	12,917			
Amortization of unearned restricted stock...............................					
BALANCE AT DECEMBER 31, 1999...........	$137,897	$1,022,825	$2,044,209	$(135,100)	$
Comprehensive income:					
Net income...........................			527,523		
Unrealized gains on available for sale securities, net of reclassification adjustment.........................				136,008	
Comprehensive income.................			527,523	136,008	
Cash dividends declared:					
Regions-$1.08 per share..............			(238,447)		
Purchase of treasury stock.............					(1
Treasury stock retired relating to acquisitions accounted for as purchases............................	(2,342)	(79,642)			
Stock issued for acquisitions..........	3,112	108,545			
Stock issued to employees under incentive plan, net..................	198	4,638			
Stock options exercised................	240	2,367			
Amortization of unearned restricted stock...............................					
BALANCE AT DECEMBER 31, 2000...........	$139,105	$1,058,733	$2,333,285	$ 908	$(
Comprehensive income:					
Net income...........................			508,934		
Unrealized gains on available for sale securities, net of reclassification adjustment.........................				64,422	
Other comprehensive loss from derivatives........................				(6,903)	
Comprehensive income.................			508,934	57,519	
Cash dividends declared:					
Regions-$1.12 per share..............			(250,257)		
Purchase of treasury stock.............					(4
Treasury stock retired relating to acquisitions accounted for as purchases............................	(10,317)	(463,551)			4
Stock issued for acquisitions..........	14,392	641,929			
Stock issued to employees under incentive plan, net..................	158	6,881			

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY -- (CONTINUED)

	COMMON STOCK	SURPLUS	UNDIVIDED PROFITS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TR S AT

	(AMOUNTS IN THOUSANDS, EXCEPT PER				
Stock options exercised................	463	8,817			
Amortization of unearned restricted stock...............................					
BALANCE AT DECEMBER 31, 2001...........	$143,801	$1,252,809	$2,591,962	$ 58,427	$
DISCLOSURE OF 2001 RECLASSIFICATION AMOUNT:					
Unrealized holding gains on available for sale securities arising during the period..				$ 85,291	
Less:					
Reclassification adjustment, net of tax, for net gains realized in net income...				20,869	
Other comprehensive loss from derivatives..				6,903	
Comprehensive income, net of taxes of $37,931...				$ 57,519	

( ) Indicates deduction.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Regions Financial Corporation (Regions or the Company), conform with accounting principles generally accepted in the United States and with general financial service industry practices. Regions provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located primarily in Alabama, Arkansas, Florida, Georgia, Louisiana, North Carolina, South Carolina, Tennessee and Texas. The Company is subject to intense competition from other financial institutions and is also subject to the regulations of certain government agencies and undergoes periodic examinations by those regulatory authorities.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Regions and its subsidiaries. Significant intercompany balances and transactions have been eliminated. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the statement of condition dates and revenues and expenses for the periods shown. Actual results could differ from the estimates and assumptions used in the consolidated financial statements.

Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation.

SECURITIES

The Company's policies for investments in debt and equity securities are as follows. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designations as of the date of each statement of condition.

Debt securities are classified as securities held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held to maturity are stated at amortized cost.

Debt securities not classified as securities held to maturity or trading account assets, and marketable equity securities not classified as trading account assets, are classified as securities available for sale. Securities available for sale are stated at estimated fair value, with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income.

The amortized cost of debt securities classified as securities held to maturity or securities available for sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security, using the effective yield method. Such amortization or accretion is included in interest on securities. Realized gains and losses are included in securities gains (losses). The cost of the securities sold is based on the specific identification method.

In January 2001, upon adoption of FAS 133, Regions elected to reclassify $3.4 billion of securities from the held to maturity category to the available for sale category. At the time of transfer, the unrealized loss associated with the securities reclassified totaled $2.1 million.

TRADING ACCOUNT ASSETS

Trading account assets, which are held for the purpose of selling at a profit, consist of debt and marketable equity securities and are carried at estimated market value. Gains and losses, both realized and unrealized, are included in brokerage income. Trading account gains totaled $21.6 million, $534,000 and $1.2 million in 2001, 2000 and 1999, respectively.

MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale have been designated as one of the hedged items in a fair value hedging relationship under FAS 133. Therefore, to the extent changes in fair value are attributable to the interest rate

risk being hedged, the change in fair value is recognized in income as an adjustment to the carrying amount of mortgage loans held for sale. Otherwise, mortgage loans held for sale are accounted for under the lower of cost or market method. The fair values are based on quoted market prices of similar instruments, adjusted for differences in loan characteristics. Gains and losses on mortgages held for sale are included in other expense.

SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities purchased under agreements to resell and securities sold under agreements to repurchase are generally treated as collateralized financing transactions and are recorded at market value plus accrued interest. It is Regions' policy to take possession of securities purchased under resell agreements.

LOANS

Interest on loans is generally accrued based upon the principal amount outstanding.

Through provisions charged directly to operating expense, Regions has established an allowance for loan losses. This allowance is reduced by actual loan losses and increased by subsequent recoveries, if any.

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, historical loan loss experience, current economic conditions, collateral values of properties securing loans, volume, growth, quality and composition of the loan portfolio and other relevant factors. Unfavorable changes in any of these, or other factors, or the availability of new information, could require that the allowance for loan losses be increased in future periods. The method used to determine the amount of loss inherent in the loan portfolio and thereby assess the adequacy of the recorded balance of the allowance for loan losses involves identifying portfolios of loans with similar characteristics for which estimates of inherent probable losses can be made. The estimates are based on historical loss factors as adjusted for current business and economic conditions. The loss factors are applied to the respective portfolios in order to determine the overall allowance adequacy.

No portion of the resulting allowance is in any way allocated or restricted to any individual loan or group of loans. The entire allowance is available to absorb losses from any and all loans.

On loans which are considered impaired, it is Regions' policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a "cash basis" and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

MARGIN RECEIVABLES

Margin receivables, which represent funds advanced to broker/dealer customers for the purchase of securities, are carried at cost and secured by certain marketable securities in the customer's brokerage account.

PREMISES AND EQUIPMENT

Premises and equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. The provision for depreciation is computed using the straight-line and declining-balance methods over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements (or the terms of the leases if shorter).

Estimated useful lives generally are as follows:

Premises and leasehold improvements.........................	10-40 years
Furniture and equipment.....................................	3-12 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INTANGIBLE ASSETS

Intangible assets, consisting of (1) the excess of cost over the fair value of net assets of acquired businesses (excess purchase price) and (2) amounts capitalized for the right to service mortgage loans, are included in other assets. The excess of cost over the fair value of net assets of acquired businesses, which totaled $1,030,441,000 (net of accumulated amortization of $197.8 million) at December 31, 2001, and $473,807,000 (net of accumulated amortization of $145.7 million) at December 31, 2000, is being amortized over periods of 12 to 25 years, principally using the straight-line method of amortization.

Amounts capitalized for the right to service mortgage loans, which totaled $136,594,000 at December 31, 2001 and $129,568,000 at December 31, 2000, are being amortized over the estimated remaining servicing life of the loans, considering appropriate prepayment assumptions. The estimated fair values of capitalized mortgage servicing rights were $202 million and $266 million at December 31, 2001 and 2000, respectively. The fair value of mortgage servicing rights is calculated by discounting estimated future cash flows from the servicing assets, using market discount rates, and using expected future prepayment rates. In 2001, 2000 and 1999, Regions capitalized $48.8 million, $26.9 million and $37.5 million in mortgage servicing rights, respectively. In 2001, 2000 and 1999, Regions' amortization of mortgage servicing rights was $41.4 million, $33.6 million and $35.2 million, respectively. Intangible assets are evaluated periodically for impairment. For purposes of evaluating impairment, the Company stratifies its mortgage servicing portfolio on the basis of certain risk characteristics including loan type and note rate. Changes in interest rates, prepayment speeds, or other factors, could result in impairment of the servicing asset and a charge against earnings.

The Company's excess purchase price is reviewed periodically to ensure that there have been no events or circumstances resulting in an impairment of the recorded amount of excess purchase price. Adverse changes in the economic environment, operations of the business unit, or other factors could result in a decline in the projected fair value. If the projected fair value is less than the carrying amount, a loss would be recognized to reduce the carrying amount to fair value.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company enters into derivative financial instruments to manage interest rate risk, facilitate asset/liability management strategies, and manage other exposures. All derivative financial instruments are recognized on the statement of condition as assets or liabilities at fair value as required by FAS 133.

Derivative financial instruments that qualify under FAS 133 in a hedging relationship are designated, based on the exposure being hedged, as either fair value or cash flow hedges. Fair value hedge relationships mitigate exposure to the change in fair value of an asset, liability or firm commitment. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative instrument, as well as the gains and losses attributable to the change in fair value of the hedged item, are recognized in earnings in the period in which the change in fair value occurs.

Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. Under the cash flow hedging model, the effective portion of the gain or loss related to the derivative instrument is recognized as a component of other comprehensive income. The ineffective portion of the gain or loss related to the derivative instrument, if any, is recognized in earnings during the period of change. Amounts recorded in other comprehensive income are amortized to earnings in the period or periods during which the hedged item impacts earnings. For derivative financial instruments not designated as a fair value or cash flow hedges, gains and losses related to the change in fair value are recognized in earnings during the period of change in fair value.

The Company formally documents all hedging relationships between hedging instruments and the hedged item, as well as its risk management objective and strategy for entering various hedge transactions. The Company performs an assessment, at inception and on an ongoing basis, whether the hedging relationship has

been highly effective in offsetting changes in fair values or cash flows of hedged items and whether they are expected to continue to be highly effective in the future.

PENSION, PROFIT-SHARING AND 401(K) PLANS

Regions has pension, profit-sharing and 401(k) plans covering substantially all employees. Annual contributions to the profit-sharing plans are determined at the discretion of the Board of Directors. Regions' contributions to the 401(k) plan are determined using a multiple of the employee's contribution to the plan, based on the employee's length of service. The 401(k) match is invested in Regions' common stock. Pension expense is computed using the projected unit credit (service prorate) actuarial cost method and the pension plan is funded using the aggregate actuarial cost method. Annual contributions to all the plans do not exceed the maximum amounts allowable for federal income tax purposes.

INCOME TAXES

Regions and its subsidiaries file a consolidated federal income tax return. Regions accounts for income taxes using the liability method pursuant to Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes." Under this method, the Company's deferred tax assets and liabilities were determined by applying federal and state tax rates currently in effect to its cumulative temporary book/tax differences. Temporary differences are differences between financial statement carrying amounts and the corresponding tax bases of assets and liabilities. Deferred taxes are provided as a result of such temporary differences.

From time to time the company engages in business strategies that may also have an effect on its tax liabilities. If the tax effects of a strategy are significant, the company's practice is to obtain the opinion of advisors that the tax effects of such strategies should prevail if challenged.

PER SHARE AMOUNTS

Earnings per share computations are based upon the weighted average number of shares outstanding during the periods. Diluted earnings per share computations are based upon the weighted average number of shares outstanding during the period plus the dilutive effect of outstanding stock options and stock performance awards.

TREASURY STOCK

The purchase of the Company's common stock is recorded at cost. At the date of retirement or subsequent reissue, the treasury stock account is reduced by the cost of such stock.

STATEMENT OF CASH FLOWS

Cash equivalents include cash and due from banks and federal funds sold and securities purchased under agreements to resell. Regions paid $1.7 billion in 2001, $1.8 billion in 2000, and $1.4 billion in 1999 for interest on deposits and borrowings. Income tax payments totaled $152 million for 2001, $278 million for 2000, and $216 million for 1999. Loans transferred to other real estate totaled $74 million in 2001, $58 million in 2000, and $30 million in 1999. The securitization of loans during 1999 resulted in the transfer of $1.3 billion from loans to securities available for sale. In December 2001, Regions retired 1.8 million shares of treasury stock, with a cost of $52.5 million. Additionally, in December 1999, Regions retired 6.2 million shares of treasury stock, with a cost of $212.5 million.

NOTE B. RESTRICTIONS ON CASH AND DUE FROM BANKS

Regions' subsidiary banks are required to maintain reserve balances with the Federal Reserve Bank. The average amount of the reserve balances maintained for the year ended December 31, 2001 and 2000 was approximately $9.4 million and $7.6 million, respectively.

NOTE C. SECURITIES

The amortized cost and estimated fair value of securities held to maturity and securities available for sale at December 31, 2001, are as follows:

	DECEMBER 31, 2001			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATE FAIR VALUE
		(IN THOUSANDS)		
SECURITIES HELD TO MATURITY:				
U.S. Treasury & Federal agency securities.......	$ 30,541	$ -0-	$ (79)	$ 30,4
Obligations of states and political subdivisions................................	3,131	83	-0-	3,2
Other securities..............................	378	-0-	-0-	3
Total...............................	$ 34,050	$ 83	$ (79)	$ 34,0
SECURITIES AVAILABLE FOR SALE:				
U.S. Treasury & Federal agency securities.......	$ 735,736	$ 5,722	$ -0-	$ 741,4
Obligations of states and political subdivisions................................	694,459	17,107	(19)	711,5
Mortgage backed securities.....................	5,983,300	82,079	(157)	6,065,2
Other securities..............................	9,181	24	-0-	9,2
Equity securities.............................	285,817	65	(205)	285,6
Total...............................	$7,708,493	$104,997	$(381)	$7,813,1

The cost and estimated fair value of securities held to maturity and securities available for sale at December 31, 2001 by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	DECEMBER 31, 2001	
	COST	ESTIMATED FAIR VALUE
	(IN THOUSANDS)	
SECURITIES HELD TO MATURITY:		
Due in one year or less	$ 10,463	$ 10,398
Due after one year through five years	20,433	20,482
Due after five years through ten years	2,532	2,564
Due after ten years	622	610
Total	$ 34,050	$ 34,054
SECURITIES AVAILABLE FOR SALE:		
Due in one year or less	$ 81,535	$ 82,512
Due after one year through five years	774,806	786,348
Due after five years through ten years	386,025	392,270
Due after ten years	197,010	201,080
Mortgage backed securities	5,983,300	6,065,222
Equity securities	285,817	285,677
Total	$7,708,493	$7,813,109

Proceeds from sales of securities available for sale in 2001, were $554 million. Gross realized gains and losses were $36.7 million and $4.6 million, respectively. Proceeds from sales of securities available for sale in 2000 were $1.3 billion, with gross realized gains and losses of $768,000 and $40.7 million, respectively.

Proceeds from sales of securities available for sale in 1999 were $6.7 million with gross realized gains and losses of $167,000 and $7,000, respectively.

In 2001, upon adoption of FAS 133, Regions elected to reclassify a significant portion of securities from held to maturity category to available for sale category.

The amortized cost and estimated fair value of securities held to maturity and securities available for sale at December 31, 2000, are as follows:

DECEMBER 31, 2000		
GROSS	GROSS	ESTIM

	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FA VAL
		(IN THOUSANDS)		
SECURITIES HELD TO MATURITY:				
U.S. Treasury & Federal agency securities..........	$2,573,461	$ 507	$(12,733)	$2,56
Obligations of states and political subdivisions...	670,252	11,220	-0-	68
Mortgage backed securities........................	295,477	656	(2,569)	29
Other securities..................................	12	-0-	-0-	
Total..................................	$3,539,202	$12,383	$(15,302)	$3,53
SECURITIES AVAILABLE FOR SALE:				
U.S. Treasury & Federal agency securities..........	$ 766,079	$19,466	$ (8)	$ 78
Obligations of states and political subdivisions...	139,814	2,374	(115)	14
Mortgage backed securities........................	4,276,363	1,651	(22,581)	4,25
Other securities..................................	1,262	34	(2)	
Equity securities.................................	270,018	614	-0-	27
Total..................................	$5,453,536	$24,139	$(22,706)	$5,45

Securities with carrying values of $5,466,650,000 and $6,108,564,000 at December 31, 2001, and 2000, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

NOTE D. LOANS

The loan portfolio at December 31, 2001 and 2000, consisted of the following:

	DECEMBER 31 2001	DECEMBER 31 2000
	(IN THOUSANDS)	
Commercial..	$ 9,912,027	$ 9,070,249
Real estate-construction..................................	3,673,189	3,279,037
Real estate-mortgage......................................	11,315,761	13,129,200
Consumer..	6,236,000	5,994,170
	31,136,977	31,472,656
Unearned income...	(251,629)	(96,193)
Total..	$30,885,348	$31,376,463

Directors and executive officers of Regions and its principal subsidiaries, including the directors' and officers' families and affiliated companies, are loan and deposit customers and have other transactions with Regions in the ordinary course of business. Total loans to these persons (excluding loans which in the aggregate do not exceed $60,000 to any such person) at December 31, 2001, and 2000, were approximately $102 million and $220 million respectively. During 2001, $19 million of new loans were made and repayments totaled $137 million. These loans were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and involve no unusual risk of collectibility.

Loans sold with recourse totaled $1.1 billion and $1.5 billion at December 31, 2001, and 2000, respectively.

The loan portfolio is diversified geographically, primarily within Alabama, Arkansas, Louisiana, Georgia, North Carolina, South Carolina, northwest and central Florida, Texas, and Tennessee.

The recorded investment in impaired loans was $180 million at December 31, 2001, and $129 million at December 31, 2000. The average amount of impaired loans during 2001 was $171 million.

In March 2000, Regions completed the sale of its $278 million credit card portfolio. As a result of the transaction, Regions recognized a $67.2 million pre-tax gain ($44.0 million after tax), which is included in other non-interest income on the consolidated statement of income. For a summary of non-interest income, refer to Note O of the consolidated financial statements.

NOTE E. ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	2001	2000	1999
	(IN THOUSANDS)		
Balance at beginning of year	$ 376,508	$ 338,375	$ 315,412
Allowance of purchased institutions at acquisition date	4,098	5,142	8,493
Provision charged to operating expense	165,402	127,099	113,658
Loan losses:			
Charge-offs	(169,049)	(131,746)	(129,237)
Recoveries	42,208	37,638	30,049
Net loan losses	(126,841)	(94,108)	(99,188)
Balance at end of year	$ 419,167	$ 376,508	$ 338,375

NOTE F. PREMISES AND EQUIPMENT

A summary of premises and equipment follows:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Land	$ 129,011	$ 122,862

Premises	602,798	556,355
Furniture and equipment	473,500	393,716
Leasehold improvements	55,342	55,668
	1,260,651	1,128,601
Allowances for depreciation and amortization	(613,475)	(529,969)
Total	$ 647,176	$ 598,632

Net occupancy expense is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Gross occupancy expense	$96,837	$79,245	$69,853
Less rental income	9,936	8,570	8,218
Net occupancy expense	$86,901	$70,675	$61,635

NOTE G. OTHER REAL ESTATE

Other real estate acquired in satisfaction of indebtedness ("foreclosure") is carried in other assets at the lower of the recorded investment in the loan or the estimated net realizable value of the collateral. Other real estate totaled $40,872,000 at December 31, 2001, and $28,443,000 at December 31, 2000. Gain or loss on the sale of other real estate is included in other expense.

NOTE H. DEPOSITS

The following schedule presents the detail of interest-bearing deposits:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Interest-bearing transaction accounts	$ 843,749	$ 438,644
Interest-bearing accounts in foreign office	3,252,853	3,627,365
Savings accounts	1,317,435	1,239,748
Money market savings accounts	9,558,502	7,469,967
Certificates of deposit ($100,000 or more)	3,252,239	4,153,204
Time deposits ($100,000 or more)	367,310	508,168
Other interest-bearing deposits	7,870,898	10,072,512
Total	$26,462,986	$27,509,608

The following schedule details interest expense on deposits:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Interest-bearing transaction accounts	$ 10,831	$ 16,388	$ 19,343
Interest-bearing accounts in foreign office	180,375	207,822	71,920
Savings accounts	14,106	20,051	23,743
Money market savings accounts	187,299	219,133	225,327
Certificates of deposit ($100,000 or more)	235,959	271,605	226,146
Other interest-bearing deposits	507,125	637,261	490,320
Total	$1,135,695	$1,372,260	$1,056,799

The aggregate amount of maturities of all time deposits in each of the next five years is as follows: 2002-$4.9 billion; 2003-$3.5 billion; 2004-$589.1 million; 2005-$656.7 million; and 2006-$210.6 million.

NOTE I. BORROWED FUNDS

Following is a summary of short-term borrowings:

	DECEMBER 31		
	2001	2000	1999
	(IN THOUSANDS)		
Federal funds purchased	$1,523,666	$1,906,781	$4,596,540
Securities sold under agreements to repurchase	279,511	90,031	1,018,073
Federal Home Loan Bank structured notes	1,100,000	1,100,000	950,000
Federal Home Loan Bank advances	-0-	-0-	600,000
Notes payable to unaffiliated banks	151,300	7,800	400,000
Commercial paper	27,750	27,750	56,750
Treasury tax and loan note	-0-	-0-	2,229
Due to brokerage customers	932,781	-0-	-0
Short sale liability	83,392	780	1,393
Total	$4,098,400	$3,133,142	$7,624,985

	DECEMBER 31,		
	2001	2000	1999

		(IN THOUSANDS)	
Maximum amount outstanding at any month-end:			
Federal funds purchased and securities sold under agreements to repurchase	$2,817,611	$4,460,134	$5,614,613
Aggregate short-term borrowings	5,160,424	5,722,597	8,475,717
Average amount outstanding (based on average of daily balances)	4,132,264	4,408,689	6,502,860
Weighted average interest rate at year end	3.2%	6.5%	5.6
Weighted average interest rate on amounts outstanding during the year (based on average of daily balances)	4.6%	6.3%	5.1

Federal funds purchased and securities sold under agreements to repurchase had weighted average maturities of two, two, and ten days at December 31, 2001, 2000 and 1999, respectively. Weighted average rates on these dates were 1.7%, 6.5%, and 5.4%, respectively.

Federal Home Loan Bank structured notes have an original stated maturity ranging from two to five years but are callable within one year. The structured notes had weighted average rates of 6.4%, 6.4% and 5.0% at December 31, 2001, 2000 and 1999, respectively.

The Federal Home Loan Bank advances represent borrowings with original stated maturities of less than one year. These notes had a weighted average interest rate on December 31, 1999, of 6.1%. No Federal Home Loan Bank advances, with an original maturity of less than one year, were outstanding as of December 31, 2001 or 2000.

Regions brokerage subsidiary maintains certain lines of credit with unaffiliated banks that provides for maximum borrowings of $505 million. As of December 31, 2001, $151.3 million was outstanding under these agreements with a weighted average interest rate of 1.9%.

Commercial paper maturities ranged from 4 to 714 days at December 31, 2001, from 218 to 718 days at December 31, 2000 and from 4 to 689 days at December 31, 1999. Weighted average maturities were 392, 422 and 481 days at December 31, 2001, 2000 and 1999, respectively. The weighted average interest rates on these dates were 5.5%, 6.5% and 5.8%, respectively.

Through its brokerage subsidiary, Regions maintains a due to brokerage customer position, which represents uninvested funds in the customers' brokerage account. At December 31, 2001, these funds had an interest rate of 2.3%.

The short-sale liability represents Regions' trading obligation to deliver certain securities at a predetermined date and price. These securities had weighted average interest rates of 4.1%, 5.4% and 4.4% at December 31, 2001, 2000 and 1999, respectively.

Long-term borrowings consist of the following:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	

7.80% subordinated notes	$ 75,000	$ 75,000
7.65% subordinated notes	-0-	25,000
7.75% subordinated notes	100,000	100,000
7.00% subordinated notes	500,000	-0-
Federal Home Loan Bank structured notes	3,555,000	3,555,000
Federal Home Loan Bank advances	150,520	656,382
Trust preferred securities	291,838	-0-
Industrial development revenue bonds	2,400	2,600
Other notes payable	72,916	64,045
Total	$4,747,674	$4,478,027

In March 2001, Regions issued $500 million of 7.00% subordinated notes, due March 1, 2011. The $25 million of 7.65% subordinated notes originally issued in July 1994, matured in August 2001. In September 1994, Regions issued $100 million of 7.75% subordinated notes, due September 15, 2024. The $100 million of 7.75% subordinated notes may be redeemed in whole or in part at the option of the holders thereof on September 15, 2004, at 100% of the principal amount to be redeemed, together with accrued interest. In December 1992, Regions issued $75 million of 7.80% subordinated notes, due December 1, 2002. All issues of these notes are subordinated and subject in right of payment of principal and interest to the prior payment in full of all senior indebtedness of the Company, generally defined as all indebtedness and other obligations of the Company to its creditors, except subordinated indebtedness. Payment of the principal of the notes may be accelerated only in the case of certain events involving bankruptcy, insolvency proceedings or reorganization of the Company. The subordinated notes described above, qualify as "Tier 2 capital" under Federal Reserve guidelines.

Federal Home Loan Bank structured notes have a stated original ten year maturity but are callable between one to two years. The structured notes had a weighted average interest rate of 6.0% at December 31, 2001.

Federal Home Loan Bank advances represent borrowings with fixed interest rates ranging from 4.8% to 8.1% and with maturities of one to nineteen years. These borrowings, as well as the short-term borrowings from the Federal Home Loan Bank, are secured by Federal Home Loan Bank stock (carried at cost of $244.0 million) and by first mortgage loans on one-to-four family dwellings held by the bank subsidiary (approximately $3.8 billion at December 31, 2001). The maximum amount that could be borrowed from Federal Home Loan Banks under the current borrowing agreements and without further investment in Federal Home Loan Bank stock is approximately $7 billion.

In February 2001, Regions issued $288 million of 8.00% trust preferred securities. These securities have a 30-year term, are callable in five years and qualify as Tier 1 Capital. In addition, Regions assumed $4 million of trust preferred securities in connection with an acquisition.

The industrial development revenue bonds mature on July 1, 2008, with principal of $200,000 payable annually and interest at a tax effected prime rate payable monthly.

Other notes payable at December 31, 2001, had a weighted average interest rate of 7.5% and a weighted average maturity of 10.0 years.

The aggregate amount of maturities of all long-term debt in each of the next five years is as follows: 2002-$188,455,571; 2003-$2,801,846; 2004-$101,619,721; 2005-$1,396,407; 2006-$1,281,215.

Substantially all consolidated net assets are owned by the subsidiaries and the primary source of operating cash available to Regions is provided by dividends from the subsidiaries. Statutory limits are placed on the amount of dividends the subsidiary bank can pay without prior regulatory approval. In addition, regulatory authorities require the maintenance of minimum capital to asset ratios at banking subsidiaries. At December 31, 2001, the banking subsidiary could pay approximately $265 million in dividends without prior approval.

Management believes that none of these dividend restrictions will materially affect Regions' dividend policy. In addition to dividend restrictions, federal statutes also prohibit unsecured loans from banking subsidiaries to the parent company. Because of these limitations, substantially all of the net assets of Regions' subsidiaries are restricted, except for the amount which can be paid to the parent in the form of dividends.

NOTE J. EMPLOYEE BENEFIT PLANS

Regions has a defined benefit pension plan covering substantially all employees employed at or before December 31, 2000. After January 1, 2001, the plan is closed to new entrants. Benefits under the plan are based on years of service and the employee's highest five years of compensation during the last ten years of employment. Regions' funding policy is to contribute annually at least the amount required by IRS minimum funding standards. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The Company also sponsors a supplemental executive retirement program, which is a non-qualified plan that provides certain senior executive officers defined pension benefits in relation to their compensation.

The following table sets forth the plans' funded status, using a September 30 measurement date, and amounts recognized in the consolidated statement of condition:

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
CHANGE IN BENEFIT OBLIGATION		
Projected benefit obligation, beginning of year	$214,180	$199,116
Service cost	9,924	8,861
Interest cost	17,236	15,557
Actuarial losses	19,654	1,166
Benefit payments	(11,595)	(10,520)
Projected benefit obligation, end of year	$249,399	$214,180
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year	$277,076	$257,180
Actual return on plan assets	(23,857)	30,017
Company contributions	551	399
Benefit payments	(11,595)	(10,520)

Fair value of plan assets, end of year	$242,175	$277,076
Funded status of plan	$ (7,224)	$ 62,896
Unrecognized net actuarial loss (gain)	44,358	(25,168)
Unamortized prior service cost	(3,268)	(3,875)
Prepaid pension cost	$ 33,866	$ 33,853

Net pension cost included the following components:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Service cost-benefits earned during the period	$ 9,924	$ 8,861	$ 10,572
Interest cost on projected benefit obligation	17,236	15,557	14,791
Expected (return) on plan assets	(25,845)	(24,003)	(22,026)
Net (deferral)	(777)	(1,083)	(1,146)
Net periodic pension expense (benefit)	$ 538	$ (668)	$ 2,191

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.75% and 4.50%, respectively, at December 31, 2001; 8.25% and 4.50%, respectively, at December 31, 2000; and 8.00% and 4.50%, respectively, at December 31, 1999. The expected long-term rate of return on plan assets was 9.5% at December 31, 2001, 2000, and 1999.

Contributions to employee profit sharing plans totaled $28,125,000 and $24,300,000 for 2000 and 1999, respectively. Beginning with the 2001 plan year, Regions' employees could elect to receive their profit sharing contribution as a cash payment or defer it into their 401(k) account. Contributions in 2001 totaled $16,422,0000, with $9,357,000 paid in cash and $7,065,000 deferred into the 401(k) plan.

Beginning in 2001, Regions modified the existing 401(k) plan to incorporate a company match of employee contributions. This match, ranging from 150% to 200% of the employee contribution (up to 3% of annual salary), is based on time of service and is invested in Regions common stock. In 2001, Regions contribution to the 401(k) plan on behalf of employees totaled $14.3 million.

The 2000 contribution to the employee stock ownership plan totaled $3,125,000 compared to $2,700,000 in 1999. Contributions were used to purchase Regions common stock for the benefit of participating employees. The employee stock ownership plan was discontinued effective January 1, 2001.

Contributions to the employee stock purchase plan in 2000 and 1999 were $2,197,000 and $2,171,000, respectively. The employee stock purchase plan was discontinued effective January 1, 2001.

Regions sponsors a defined benefit postretirement health care plan that covers certain retired employees. Currently the Company pays a portion of the costs of certain health care benefits for all eligible employees that retired before January 1, 1989. No health care benefits are provided for employees retiring at normal retirement age after December 31, 1988. For employees retiring before normal retirement age, the Company currently pays a portion (based upon length of active service at the time of retirement) of the costs of certain health care benefits until the retired employee becomes eligible for Medicare. The plan is contributory and contains other cost-sharing features such as deductibles and co-payments. Retiree health care benefits, as well as similar benefits for active employees, are provided through a group insurance program in which premiums are based on the amount of benefits paid. The Company's policy is to fund the Company's share of the cost of health care benefits in amounts determined at the discretion of management.

The following table sets forth the plan's funded status, using a September 30 measurement date, and amounts recognized in the consolidated statement of condition:

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
CHANGE IN BENEFIT OBLIGATION		
Projected benefit obligation, beginning of year	$ 18,265	$ 15,494
Service cost	1,367	1,106
Interest cost	1,466	1,208
Actuarial losses	3,105	1,446
Benefit payments	(1,207)	(989)
Projected benefit obligation, end of year	$ 22,996	$ 18,265
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year	$ 247	$ 182
Actual return on plan assets	-0-	-0-
Company contributions	1,285	1,054
Benefit payments	(1,207)	(989)
Fair value of plan assets, end of year	$ 325	$ 247
Funded status of plan	$(22,671)	$(18,018)
Recognized net actuarial loss	8,211	5,774
Accrued postretirement benefit cost	$(14,460)	$(12,244)

Net periodic postretirement benefit cost included the following components:

YEAR ENDED DECEMBER 31,		
2001	2000	1999

	(IN THOUSANDS)		
Service cost-benefits earned during the period	$1,367	$1,106	$1,234
Interest cost on benefit obligation	1,466	1,208	1,219
Net amortization	590	590	591
Recognized (gain)	-0-	(126)	-0-
Net periodic postretirement benefit cost	$3,423	$2,778	$3,044

The assumed health care cost trend rate was 7.6% for 2002 and is assumed to decrease gradually to 5.1% by 2007 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2001, by $2,236,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2001 by $345,000. Decreasing the assumed health care cost trend rates by one percentage in each year would decrease the accumulated postretirement benefit obligation at December 31, 2001, by $1,972,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2001 by $321,000. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.75% at December 31, 2001, and 8.25% at December 31, 2000.

NOTE K. LEASES

Rental expense for all leases amounted to approximately $36,492,000, $19,241,000 and $16,523,000 for 2001, 2000 and 1999, respectively. The approximate future minimum rental commitments as of December 31, 2001, for all noncancelable leases with initial or remaining terms of one year or more are shown in the following table. Included in these amounts are all renewal options reasonably assured of being exercised.

	EQUIPMENT	PREMISES	TOTAL
	(IN THOUSANDS)		
2002	$1,064	$ 27,265	$ 28,329
2003	1,039	23,852	24,891
2004	632	19,914	20,546
2005	429	16,444	16,873
2006	377	11,952	12,329
2007-2011	367	23,034	23,401
2012-2016	436	11,515	11,951
2017-2021	448	2,987	3,435
2022-End	1,877	676	2,553
Total	$6,669	$137,639	$144,308

NOTE L. COMMITMENTS AND CONTINGENCIES

To accommodate the financial needs of its customers, Regions makes commitments under various terms to lend funds to consumers, businesses and other entities. These commitments include (among others) revolving credit agreements, term loan commitments and short-term borrowing agreements. Many of these loan commitments have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of these commitments are expected to expire without being funded, the total commitment amounts do not necessarily represent future liquidity requirements. Standby letters of credit are also issued, which commit Regions to make payments on behalf of customers if certain specified future events occur. Historically, a large percentage of standby letters of credit also expire without being funded.

Both loan commitments and standby letters of credit have credit risk essentially the same as that involved in extending loans to customers and are subject to normal credit approval procedures and policies. Collateral is obtained based on management's assessment of the customer's credit.

Loan commitments totaled $6.5 billion at December 31, 2001, and $6.3 billion at December 31, 2000. Standby letters of credit were $926.6 million at December 31, 2001, and $762.7 million at December 31, 2000. Commitments under commercial letters of credit used to facilitate customers' trade transactions were $39.8 million at December 31, 2001, and $48.1 million at December 31, 2000.

The Company and its affiliates are defendants in litigation and claims arising from the normal course of business. Based on consultation with legal counsel, management is of the opinion that the outcome of pending and threatened litigation will not have a material effect on Regions' consolidated financial statements.

NOTE M. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Regions maintains positions in derivative financial instruments to manage interest rate risk, facilitate asset/liability management strategies, and to manage other risk exposures. The most common derivative instruments are forward rate agreements, interest rate swaps, and put and call options. For those derivative contracts that qualify for hedge accounting, according to Statement of Financial Accounting Standards No. 133, Regions designates the hedging instrument as either a cash flow or fair value hedge. The accounting policies associated with derivative financial instruments are discussed further in Note A to the consolidated financial statements.

Regions utilizes certain derivative instruments to hedge the variability of cash flows related to interest payments under debt instruments. To the extent that the hedge of future cash flows is effective, changes in the fair value of the derivative are recognized as a component of other comprehensive income in stockholders' equity. During 2001, Regions booked $7.5 million to other comprehensive income as a result of cash flow hedges, of which approximately $600,000 was amortized to interest expense. For the year ended December 31, 2001, Regions recognized a $6.9 million loss in other comprehensive income related to cash flow hedges. The company will amortize this loss into earnings in conjunction with the recognition of interest payments through 2011. The amount expected to be reclassified during the next twelve months is $1.4 million. Other non-interest expense for the year ended December 31, 2001 included a gain of $835,000 attributable to cash flow hedge ineffectiveness. No gains or losses were recognized during 2001 related to components of derivative instruments that were excluded from the assessment of hedge effectiveness.

Regions hedges the changes in fair value of assets or firm commitments using forward contracts, which represent commitments to sell money market instruments at a future date at a specified price or yield. The contracts are utilized by the Company to hedge interest rate risk positions associated with the origination of mortgage loans held for sale. The Company is subject to the market risk associated with changes in the value of the underlying financial instrument as well as the risk that the other party will fail to perform. For the year ended December 31, 2001, Regions recognized a net hedging loss of $16,000 in other non-interest expense attributable to ineffectiveness in fair value hedges of forward contracts. The gross contract amount of forward contracts, which totaled $551 million and $157 million at December 31, 2001, and 2000, respectively, represents the extent of Regions' involvement.

Regions has also entered into interest rate swap agreements converting a portion of its fixed rate long-term debt to floating rate. These derivative instruments are included in other assets or other liabilities on the statement of financial condition. For the year ended December 31, 2001, there was no ineffectiveness recorded to earnings related to these fair value hedges. No gains or losses were recognized during 2001 related to components of derivative instruments that were excluded from the assessment of hedge effectiveness.

The Company also maintains a trading portfolio of interest rate swap and option contracts with customers and market counterparties. The portfolio is used to generate trading profit and help clients manage interest rate risk. Transactions within the portfolio generally involve the exchange of fixed and floating rate payments without the exchange of the underlying principal amounts. The fair value of the trading portfolio at December 31, 2001, was $7.8 million.

The Company utilizes put and call option contracts to hedge mortgage loan originations in process. Option contracts represent rights to purchase or sell securities or other money market instruments at a specified price and within a specified period of time at the option of the holder. There were no option contracts outstanding as of December 31, 2001 or December 31, 2000. The commitment fees paid for option contracts reflect the maximum exposure to the Company.

Foreign currency exchange contracts involve the trading 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 facilitate the management of fluctuations in foreign exchange rates. The notional amount of forward foreign exchange contracts totaled $19 million and $44 million at December 31, 2001 and 2000, respectively. The Company is subject to the risk that another party will fail to perform and the gross amount of the contracts represents the Company's maximum exposure to credit risk.

In the normal course of business, Regions' brokerage subsidiary enters into underwriting and forward and future commitments. At December 31, 2001, the contract amount of future contracts to purchase and sell U.S. Government and municipal securities was approximately $27 million and $22 million, respectively. The brokerage subsidiary typically settles its position by entering into equal but opposite contracts and, as such, the contract amounts do not necessarily represent future cash requirements. Settlement of the transactions relating to such commitments is not expected to have a material effect on the subsidiary's financial position. Transactions involving future settlement give rise to market risk, which represents the potential loss that can

be caused by a change in the market value of a particular financial instrument. The exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

NOTE N. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents: The carrying amount reported in the consolidated statements of condition and cash flows approximates the estimated fair value.

Interest-bearing deposits in other banks: The carrying amount reported in the consolidated statement of condition approximates the estimated fair value.

Securities held to maturity: Estimated fair values are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

Securities available for sale: Estimated fair values, which are the amounts recognized in the consolidated statements of condition, are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

Trading account assets: Estimated fair values, which are the amounts recognized in the consolidated statements of condition, are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

Mortgage loans held for sale: Mortgage loans held for sale have been designated as one of the hedged items in a fair value hedging relationship under FAS 133. Therefore, to the extent changes in fair value are attributable to the interest rate risk being hedged, the change in fair value is recognized in income as an adjustment to the carrying amount of mortgage loans held for sale. Otherwise, mortgage loans held for sale are accounted for under the lower of cost or market method. The fair values are based on quoted market prices of similar instruments, adjusted for differences in loan characteristics.

Margin receivables: The carrying amount reported in the consolidated statement of condition approximates the estimated fair value.

Loans: Estimated fair values for variable rate loans, which reprice frequently and have no significant credit risk, are based on carrying value. Estimated fair values for all other loans are estimated using discounted cash flow analyses, based on interest rates currently offered on loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest reported in the consolidated statements of condition approximates the fair value.

Deposit liabilities: The fair value of non-interest bearing demand accounts, interest-bearing transaction accounts, savings accounts, money market accounts and certain other time open accounts is the amount payable on demand at the reporting date (i.e., the carrying amount). Fair values for certificates of deposit are estimated by using discounted cash flow analyses, using the interest rates currently offered for deposits of similar maturities.

Short-term borrowings: The carrying amount reported in the consolidated statements of condition approximates the estimated fair value.

Long-term borrowings: Fair values are estimated using discounted cash flow analyses, based on the current rates offered for similar borrowing arrangements.

Loan commitments, standby and commercial letters of credit: Estimated fair values for these off-balance-sheet instruments are based on standard fees currently charged to enter into similar agreements.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(IN THOUSANDS)			
Financial assets:				
Cash and cash equivalents.........	$ 1,332,141	$ 1,332,141	$ 1,306,422	$ 1,306,422
Interest-bearing deposits in other banks.........................	667,186	667,186	3,246	3,246
Securities held to maturity.......	34,050	34,054	3,539,202	3,536,283
Securities available for sale.....	7,813,109	7,813,109	5,454,969	5,454,969
Trading account assets............	741,896	741,896	13,437	13,437
Mortgage loans held for sale......	890,193	890,193	222,902	222,902
Margin receivables................	523,941	523,941	-0-	-0-
Loans, net (excluding leases).....	29,758,086	30,659,756	30,496,577	31,036,366
Financial liabilities:				
Deposits..........................	31,548,323	31,829,103	32,022,491	32,134,570
Short-term borrowings.............	4,098,400	4,098,400	3,133,142	3,133,142
Long-term borrowings..............	4,747,674	4,932,359	4,478,027	4,707,750
Off-balance-sheet instruments:				
Loan commitments..................	-0-	(61,529)	-0-	(59,358)
Standby letters of credit.........	-0-	(13,899)	-0-	(11,440)
Commercial letters of credit......	-0-	(100)	-0-	(120)

NOTE O. OTHER INCOME AND EXPENSE

Other income consists of the following:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Fees and commissions......................................	$ 49,040	$ 50,916	$ 42,351
Insurance premiums and commissions........................	43,872	14,505	13,432
Capital market income.....................................	8,641	-0-	-0-
Gain on sale of credit card portfolio.....................	-0-	67,220	-0-
Gain on sale of mortgage servicing rights.................	2,851	19,888	7,526
Divestiture of banking interest...........................	-0-	-0-	18,399
Gain on sale of interest in ATM network...................	1,932	-0-	-0-
Other miscellaneous income................................	63,443	75,229	66,754

Total	$169,779	$227,758	$148,462

Other expense consists of the following:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Stationery, printing and supplies	$ 16,658	$ 14,415	$ 20,533
Advertising and business development	23,139	20,762	22,052
Postage and freight	20,365	17,846	20,503
FDIC insurance	5,412	5,059	6,546
Telephone	33,752	34,243	26,951
Legal and other professional fees	37,344	29,741	32,374
Other non-credit losses	60,702	43,520	30,872
Outside computer services	21,431	19,942	24,078
Amortization of mortgage servicing rights	41,359	33,619	35,195
Amortization of excess purchase price	52,109	29,164	23,995
(Gain) loss on sale of mortgages by subsidiaries	(22,896)	3,991	9,521
Other miscellaneous expenses	180,334	135,135	126,475
Total	$469,709	$387,437	$379,095

NOTE P. INCOME TAXES

At December 31, 2001, Regions has net operating loss carryforwards for federal tax purposes of $2.6 million that expire in years 2003 through 2013. These carryforwards resulted from various acquired financial institutions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Regions' deferred tax assets and liabilities as of December 31, 2001 and 2000 are listed below.

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Deferred tax assets:		
Loan loss allowance	$157,291	$136,316
Net operating loss carryforwards	992	2,498
Other	68,193	56,925
Total deferred tax assets	226,476	195,739

Deferred tax liabilities:		
Tax over book depreciation	5,806	8,503
Accretion of bond discount	2,287	12,704
Direct lease financing	83,807	63,663
Pension	14,510	13,692
Mark to market securities available for sale	36,910	525
Originated mortgage servicing rights	23,686	17,391
Other	46,858	18,468
Total deferred tax liabilities	213,864	134,946
Net deferred tax asset	$ 12,612	$ 60,793

Applicable income taxes for financial reporting purposes differs from the amount computed by applying the statutory federal income tax rate of 35% for the reasons below:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Tax on income computed at statutory federal income tax rate	$251,283	$ 259,604	$ 274,759
Increases (decreases) in taxes resulting from:			
Tax exempt income from obligations of states and political subdivisions	(17,490)	(17,082)	(15,634)
State income tax, net of federal tax benefit	3,770	2,291	2,605
Effect of recapitalization of subsidiary	(40,000)	(24,000)	-0-
Non-deductible goodwill	17,634	10,711	7,919
Tax credits	(17,671)	-0-	-0-
Other, net	11,491	(17,321)	(10,009)
Total	$209,017	$ 214,203	$ 259,640
Effective tax rate	29.1%	28.9%	33.1%

During the fourth quarter of 2000, Regions recapitalized one of its subsidiaries by raising Tier 2 capital through issuance of a new class of participating preferred stock of this subsidiary. Regions is not subject to tax on the portion of the subsidiary's income allocated to the holders of the preferred stock for federal income tax purposes.

The provisions for income taxes (benefit) in the consolidated statements of income are summarized below. Included in these amounts are income taxes of $11,237,000, ($13,975,000) and $56,000 in 2001, 2000 and 1999, respectively, related to securities transactions.

	CURRENT	DEFERRED	TOTAL

	(IN THOUSANDS)		
2001			
Federal	$180,184	$23,033	$203,217
State	5,143	657	5,800
Total	$185,327	$23,690	$209,017
2000			
Federal	$199,974	$10,705	$210,679
State	3,345	179	3,524
Total	$203,319	$10,884	$214,203
1999			
Federal	$259,422	$(3,790)	$255,632
State	4,067	(59)	4,008
Total	$263,489	$(3,849)	$259,640

NOTE Q. BUSINESS COMBINATIONS

During 2001 Regions completed the following business combinations:

DATE	COMPANY	HEADQUARTERS LOCATION	TOTAL ASSETS	ACCO TREA
			(IN THOUSANDS)	
February	Rebsamen Insurance, Inc.	Little Rock, Arkansas	$ 32,082	Pur
March	Morgan Keegan, Inc.	Memphis, Tennessee	2,008,179	Pur
November	Park Meridian Financial Corporation	Charlotte, North Carolina	309,844	Pur
December	First Bancshares of Texas, Inc.	Houston, Texas	188,953	Pur

The total consideration paid for these business combinations was approximately 23.0 million shares of Regions' common stock (including treasury stock reissued) valued at $656 million and $236 million in cash. Total intangible assets recorded in connection with the purchase transactions totaled approximately $587 million.

During 2000 Regions completed the following additional business combinations:

DATE	COMPANY	HEADQUARTERS LOCATION	TOTAL ASSETS
			(IN THOUSANDS)
January	LCB Corporation	Fayetteville, Tennessee	$173,157
May	Branches of Amsouth Bank	Fort Smith, Arkansas	186,361

August	Heritage Bancorp, Inc.	Hutto, Texas	114,370
August	First National Bancshares of Louisiana, Inc.	Alexandria, Louisiana	303,793
September	East Coast Bank Corporation	Ormond Beach, Florida	107,779

Because the 2001 and 2000 business combinations were accounted for as purchases, Regions' consolidated financial statements include the results of operations of those companies only from their respective dates of acquisition. The following unaudited summary information presents the consolidated results of operations of Regions on a pro forma basis, as if all the above companies had been acquired on January 1, 2000. The pro forma summary information does not necessarily reflect the results of operations that would have occurred, if the acquisitions had occurred at the beginning of the periods presented, or of results which may occur in the future.

	YEAR ENDED DECEMBER 31,	
	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	
Interest income	$3,156,122	$3,353,170
Interest expense	1,705,718	1,955,386
Net interest income	1,450,404	1,397,784
Provision for loan losses	166,362	128,267
Non-interest income	1,273,091	1,070,132
Non-interest expense	1,823,485	1,588,517
Income before income taxes	733,648	751,132
Applicable income taxes	217,915	228,145
Net income	$ 515,733	$ 522,987
Net income per share	$2.26	$2.30
Net income per share, diluted	2.24	2.29

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following chart summarizes the assets acquired and liabilities assumed in connection with business combinations in 2001 and 2000.

	2001	2000
	(IN THOUSANDS)	
Cash and due from banks	$190,871	$156,263
Interest-bearing deposits in other banks	543,507	6,649
Securities held to maturity	12,050	31,084
Securities available for sale	138,997	150,086
Trading account assets	589,998	-0-
Margin receivables	523,118	-0-
Loans, net	324,497	490,403

Other assets	689,072	26,203
Deposits	390,851	752,963
Borrowings	1,576,189	74,074
Other liabilities	231,172	9,269

As of December 31, 2001, Regions' had the following pending business combinations:

INSTITUTION	APPROXIMATE ASSET SIZE	APPROXIMATE VALUE(1)	CONSIDERATION	ACCO TREA
	(IN MILLIONS)			
Brookhollow Bancshares, Inc., headquartered in Dallas, Texas	$141	$27	Cash	Pur
Independence Bank, National Association, headquartered in Houston, Texas	$107	$20	Cash	Pur

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(1) Computed as of the date of announcement of the transaction.

NOTE R. STOCK OPTION AND LONG-TERM INCENTIVE PLANS

Regions has stock option plans for certain key employees that provide for the granting of options to purchase up to 5,720,000 (excluding options assumed in connection with acquisitions) shares of Regions' common stock. The terms of options granted are determined by the personnel committee of the Board of Directors; however, no options may be granted after ten years from the plans' adoption and no options may be exercised beyond ten years from the date granted. The option price per share of incentive stock options can not be less than the fair market value of the common stock on the date of the grant; however, the option price of non-qualified options may be less than the fair market value of the common stock on the date of the grant. The plans also permit the granting of stock appreciation rights to holders of stock options. Stock appreciation rights were attached to 24,694 and 81,755 of the options outstanding at December 31, 2000 and 1999, respectively. No stock appreciation rights were attached to options outstanding at December 31, 2001.

Regions' long-term incentive plans provide for the granting of up to 35,000,000 shares of common stock in the form of stock options, stock appreciation rights, performance awards or restricted stock awards. The terms of stock options granted under the long-term incentive plans are generally subject to the same terms as options granted under Regions' stock option plans. A maximum of 5,500,000 shares of restricted stock and 30,000,000 shares of performance awards may be granted. During 2001 and 2000, Regions granted 329,750 and 256,042 shares, respectively, as restricted stock. No restricted stock was granted in 1999. Grantees of restricted stock must remain employed with Regions for certain periods from the date of the grant at the same or a higher level in order for the shares to be released. However, during this period the grantee is eligible to receive dividends and exercise voting privileges on such restricted shares. In 2001, 2000, and 1999, 134,227; 59,216 and 150,384 restricted shares, respectively, were released. Issuance of performance award shares is dependent upon achievement of certain performance criteria and is, therefore, deferred until the end of the performance period. In 1999, 411,372 performance awards were granted, and in 2000 199,091 performance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

award shares were issued. No performance awards were granted or issued in 2001. Total expense for restricted stock was $4,310,000 in 2001, $2,753,000 in 2000, and $2,117,000 in 1999. Total expense for performance shares was $3,274,000 in 1999. In 2000, a decline in Regions' common stock price resulted in a benefit of $1,212,000. In 2001, the failure to achieve certain performance criteria resulted in a benefit of $5,452,084.

In connection with the business combinations with other companies in 2001 and in prior years, Regions assumed stock options, which were previously granted by those companies and converted those options, based on the appropriate exchange ratio, into options to acquire Regions' common stock. The common stock for such options has been registered under the Securities Act of 1933 by Regions and is not included in the maximum number of shares that may be granted by Regions under its existing stock option plans.

Stock option activity (including assumed options) over the last three years is summarized as follows:

	SHARES UNDER OPTION	OPTION PRICE PER SHARE	WEIGHTE AVERAGE EXERCIS PRICES
Balance at January 1, 1999	6,783,452	$ 3.39 -- $41.38	$ 22.0
Options assumed through acquisitions	498,625	6.06 -- 17.81	9.8
Granted	1,242,172	34.66 -- 37.47	35.6
Exercised	(1,292,088)	3.39 -- 37.85	12.6
Canceled	(94,632)	8.01 -- 41.34	29.4
Outstanding at December 31, 1999	7,137,529	$ 4.35 -- $41.38	$ 25.1
Options assumed through acquisitions	21,133	10.00	10.0
Granted	2,283,354	20.09 -- 24.26	20.1
Exercised	(450,865)	4.35 -- 20.88	10.2
Canceled	(200,718)	4.81 -- 41.38	33.2
Outstanding at December 31, 2000	8,790,433	$ 4.35 -- $41.38	$ 24.4
Options assumed through acquisitions	575,993	7.30 -- 27.41	20.1
Granted	9,555,042	27.91 -- 32.30	28.5
Exercised	(914,782)	4.35 -- 26.06	15.7
Canceled	(724,774)	14.19 -- 41.34	28.4
Outstanding at December 31, 2001	17,281,912	$ 5.01 -- $41.38	$ 26.8
Exercisable at December 31, 2001	8,250,609	$ 5.01 -- $41.38	$ 25.0

During 2001, Regions granted approximately 5.9 million options (included in the table above) as a part of retention packages for Morgan Keegan's employees. These options were granted to retain certain key employees important to the success of the business combination.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting and Disclosure of Stock-Based Compensation" (Statement 123). Statement 123 is effective for fiscal years beginning after

December 15, 1995, and allows for the option of continuing to follow Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees", and the related Interpretations, or selecting the fair value method of expense recognition as described in Statement 123. The Company has elected to follow APB 25 in accounting for its employee stock options. Pro forma net income and net income per share data as if the fair-value method had been applied in measuring compensation costs is presented below for the years ended December 31:

	2001	2000	1999
Pro forma net income (in thousands)	$475,081	$517,931	$520,625
Pro forma net income per share	$2.11	$2.35	$2.35
Pro forma net income per share, diluted	2.09	2.33	2.32

Regions' options outstanding have a weighted average remaining contractual life of 7.9 years. The weighted average fair value of options granted was $4.83 in 2001, $3.52 in 2000 and $6.63 in 1999. The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2001: expected dividend yield of 3.7%; expected option life of 5 years; expected volatility of 22.2%; and a risk free interest rate of 4.3%. The 2000 assumptions used in the model included: expected dividend yield of 3.9%; expected option life of 5 years; expected volatility of 22.2%; and a risk free interest rate of 5.0%. The 1999 assumptions were: expected dividend yield of 4.0%; expected option life of 5 years; expected volatility of 20.7%; and a risk free interest rate of 6.3%.

Since the exercise price of the Company's employee stock options equals the market price of underlying stock on the date of grant, no compensation expense is recognized.

The effects of applying Statement 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income for future years.

NOTE S. PARENT COMPANY ONLY FINANCIAL STATEMENTS

Presented below are condensed financial statements of Regions Financial Corporation:

STATEMENTS OF CONDITION

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
ASSETS		
Cash and due from banks	$ 271,676	$ 314,911
Loans to subsidiaries	302,950	-0-
Securities held to maturity	3,131	3,121
Securities available for sale	179	179

Premises and equipment	11,648	12,095
Investment in subsidiaries:		
Banks	3,645,417	3,419,775
Non-banks	884,844	15,749
	4,530,261	3,435,524
Other assets	60,270	47,121
	$5,180,115	$3,812,951
LIABILITIES AND STOCKHOLDERS' EQUITY		
Commercial paper	$ 27,750	$ 27,750
Long-term borrowings	996,025	219,839
Other liabilities	120,575	107,418
Total liabilities	1,144,350	355,007
Stockholders' equity:		
Common stock	143,801	139,105
Surplus	1,252,809	1,058,733
Undivided profits	2,650,389	2,334,193
Treasury stock	-0-	(67,135)
Unearned restricted stock	(11,234)	(6,952)
Total stockholders' equity	4,035,765	3,457,944
	$5,180,115	$3,812,951

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Income:			
Dividends received from subsidiaries:			
Banks	$450,000	$568,533	$392,749
Non-banks	-0-	-0-	3,000
	450,000	568,533	395,749
Service fees from subsidiaries	54,309	47,049	32,826
Interest from subsidiaries	17,124	4,144	3,694
Other	2,253	6,213	19,345
	523,686	625,939	451,614
Expenses:			
Salaries and employee benefits	23,242	16,936	14,216
Interest	67,130	19,557	21,556
Net occupancy expense	1,609	1,322	1,167
Furniture and equipment expense	896	784	1,339
Legal and other professional fees	9,408	11,976	7,326
Amortization of excess purchase price	20,878	18,683	15,098
Other expenses	11,640	8,502	8,757

	134,803	77,760	69,459
Income before income taxes and equity in undistributed earnings of subsidiaries	388,883	548,179	382,155
Applicable income taxes (credit)	(15,585)	(7,022)	(694)
Income before equity in undistributed earnings of subsidiaries	404,468	555,201	382,849
Equity in undistributed earnings of subsidiaries:			
Banks	93,327	(32,230)	138,787
Non-banks	11,139	4,552	3,750
	104,466	(27,678)	142,537
Net Income	$508,934	$527,523	$525,386

Aggregate maturities of long-term borrowings in each of the next five years for the parent company only are as follows: $75,690,000 in 2002; $710,000 in 2003; $100,850,000 in 2004; $870,000 in 2005; and $910,000 in 2006. Standby letters of credit issued by the parent company totaled $6.1 million at December 31, 2001. This amount is included in total standby letters of credit disclosed in Note L.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Operating activities:			
Net income	$ 508,934	$ 527,523	$ 525,386
Adjustments to reconcile net cash provided by Operating activities:			
Equity in undistributed earnings of subsidiaries	(104,465)	27,678	(142,537)
Provision for depreciation and amortization	26,828	22,661	18,636
(Decrease) increase in other liabilities	(32,760)	(58,569)	104,491
(Gain) loss on sale of premises and equipment	(19)	2	93
(Increase) in other assets	(34,027)	(29,547)	(3,417)
Stock issued to employees under incentive plan	-0-	3,088	4,959
Net cash provided by Operating activities	364,491	492,836	507,611
Investing activities:			
Investment in subsidiaries	(232,630)	100,181	18,525
Principal payments (advances) on loans to subsidiaries	(302,950)	6,200	54,900
Sale and purchases of premises and equipment	(622)	134	(3,778)
Maturity of securities held to maturity	-0-	793	15
Purchase of available for sale securities	-0-	(123)	(56)
Net cash (used) provided by investing activities	(536,202)	107,185	69,606
Financing activities:			
(Decrease) increase in commercial paper borrowings	-0-	(29,000)	-0-

Cash dividends	(250,257)	(238,447)	(221,928)
Purchase of treasury stock	(406,733)	(149,119)	(255,271)
Proceeds from long-term borrowings	802,846	8,122	6,701
Principal payments on long-term borrowings	(26,660)	(1,730)	(13,428)
Exercise of stock options	9,280	2,607	13,676
Net cash provided (used) by financing activities	128,476	(407,567)	(470,250)
(Decrease) increase in cash and cash equivalents	(43,235)	192,454	106,967
Cash and cash equivalents at beginning of year	314,911	122,457	15,490
Cash and cash equivalents at end of year	$ 271,676	$ 314,911	$ 122,457

NOTE T. REGULATORY CAPITAL REQUIREMENTS

Regions and its banking subsidiaries are subject to regulatory capital requirements administered by federal 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. As of December 31, 2001, the most recent notification from federal banking agencies categorized Regions and its significant subsidiaries as "well capitalized" under the regulatory framework.

Minimum capital requirements for all banks are Tier 1 Capital of at least 4% of risk-weighted assets, Total Capital of at least 8% of risk-weighted assets and a Leverage Ratio of 3%, plus an additional 100 to 200 basis point cushion in certain circumstances, of adjusted quarterly average assets. Tier 1 Capital consists principally of stockholders' equity, excluding unrealized gains and losses on securities available for sale, less excess purchase price and certain other intangibles. Total Capital consists of Tier 1 Capital plus certain debt instruments and the allowance for loan losses, subject to limitation.

Regions' and its most significant subsidiary's capital levels at December 31, 2001 and 2000, exceeded the "well capitalized" levels, as shown below:

	DECEMBER 31, 2001		TO BE WELL
	AMOUNT (IN THOUSANDS)	RATIO	CAPITALIZED
Tier 1 Capital:			
Regions Financial Corporation	$ 3,234,909	9.66%	6.00%
Regions Bank	3,036,633	9.58	6.00
Total Capital:			
Regions Financial Corporation	$ 4,428,174	13.23%	10.00%
Regions Bank	3,629,944	11.45	10.00
Leverage:			
Regions Financial Corporation	$ 3,234,909	7.41%	5.00%
Regions Bank	3,036,633	7.42	5.00

	DECEMBER 31, 2000 AMOUNT (IN THOUSANDS)	RATIO	TO BE WELL CAPITALIZED
Tier 1 Capital:			
Regions Financial Corporation	$ 2,982,652	9.14%	6.00%
Regions Bank	2,951,565	9.27	6.00
Total Capital:			
Regions Financial Corporation	$ 3,730,852	11.44%	10.00%
Regions Bank	3,524,765	11.07	10.00
Leverage:			
Regions Financial Corporation	$ 2,982,652	6.90%	5.00%
Regions Bank	2,951,565	6.96	5.00

NOTE U. EARNINGS PER SHARE

The following table sets forth the computation of basic net income per share and diluted net income per share.

	2001	2000	1999
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Numerator:			
For basic net income per share and diluted net income per share, net income	$508,934	$527,523	$525,386
Denominator:			
For basic net income per share -- Weighted average shares outstanding	224,733	220,762	221,617
Effect of dilutive securities:			
Stock options	2,330	1,015	2,138
Performance shares	-0-	212	212
	2,330	1,227	2,350
For diluted net income per share	227,063	221,989	223,967
Basic net income per share	$ 2.26	$ 2.39	$ 2.37
Diluted net income per share	$ 2.24	$ 2.38	$ 2.35

NOTE V. BUSINESS SEGMENT INFORMATION

Regions' segment information is presented based on Regions' primary segments of business. Each segment is a strategic business unit that serves specific needs of Regions' customers. The Company's primary segment is Community

Banking. Community Banking represent the Company's branch banking functions and has separate management that is responsible for the operation of that business unit. In addition, Regions has designated as distinct reportable segments the activity of its treasury, mortgage banking, investment banking/brokerage/trust, and insurance divisions. The treasury division includes the Company's bond portfolio, indirect mortgage lending division, and other wholesale activities. Mortgage banking consists of Regions mortgage subsidiary. Investment banking includes trust activities and all brokerage and investment activities associated with Morgan Keegan and, for periods prior to the acquisition of Morgan Keegan, the activities of Regions' securities brokerage subsidiary. Insurance includes all business associated with commercial insurance, in addition to credit life products sold to consumer customers. The reportable segment designated "Other" includes activity of Regions indirect consumer lending division and the parent company.

At the end of 2000, Regions implemented a new funds transfer pricing system affecting the method by which unit banks are reported within each region. This methodology is based on duration matched transfer pricing. The new system was in place for the full year of 2001 and influences comparability with the prior year. Additionally in 2001, Regions modified the allocation of the provision for loan losses. As such, prior periods have been reclassified to conform to present year presentation.

The accounting policies used by each reportable segment are the same as those discussed in Note A (summary of significant accounting policies). The following table presents financial information for each reportable segment.

	TOTAL BANKING			
	COMMUNITY BANKING	TREASURY	COMBINED	MORTGAG BANKING
	(IN THOUSANDS)			
2001				
Net interest income..........................	$ 1,168,997	$ 198,963	$ 1,367,960	$ 22,81
Provision for loan losses....................	157,298	2,528	159,826	42
Non-interest income..........................	366,327	35,057	401,384	143,18
Non-interest expense.........................	728,438	45,289	773,727	115,01
Income taxes (benefit).......................	243,911	69,826	313,737	18,94
Net income (loss)...........................	$ 405,677	$ 116,377	$ 522,054	$ 31,61
Average assets...............................	$24,254,887	$15,270,888	$39,525,775	$902,01

	INVESTMENT BANKING/ BROKERAGE/ TRUST	INSURANCE	OTHER	TOTAL COMPANY
	(IN THOUSANDS)			
Net interest income..........................	$ 22,878	$ 3,139	$ 8,701	$ 1,425,493
Provision for loan losses....................	-0-	-0-	5,155	165,402
Non-interest income..........................	428,977	45,056	(36,717)	981,885
Non-interest expense.........................	374,260	33,686	227,337	1,524,025
Income taxes (benefit).......................	28,493	4,477	(156,635)	209,017

Net income (loss)...........................	$ 49,102	$10,032	$(103,873)	$ 508,934
Average assets................................	$3,339,654	$87,263	$ 800,429	$44,655,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	TOTAL BANKING			
	COMMUNITY BANKING	TREASURY	COMBINED	MORTGAG BANKING
	(IN THOUSANDS)			
2000				
Net interest income..........................	$ 1,229,868	$ (63,888)	$ 1,165,980	$ 12,55
Provision for loan losses....................	116,243	3,348	119,591	10
Non-interest income..........................	314,527	108	314,635	141,34
Non-interest expense.........................	673,909	22,903	696,812	103,68
Income taxes (benefit).......................	280,483	(33,762)	246,721	19,08
Net income (loss)........................	$ 473,760	$ (56,269)	$ 417,491	$ 31,02
Average assets...............................	$23,061,148	$17,970,601	$41,031,749	$784,14

	INVESTMENT BANKING/ BROKERAGE/ TRUST	INSURANCE	OTHER	C
	(IN THOUSANDS)			
Net interest income....................................	$ 1,904	$ 2,475	$205,885	$ 1
Provision for loan losses..............................	-0-	-0-	7,406	
Non-interest income....................................	98,311	14,817	32,101	
Non-interest expense...................................	73,208	5,902	241,575	1
Income taxes (benefit).................................	10,123	3,224	(64,950)	
Net income (loss)...................................	$ 16,884	$ 8,166	$ 53,955	$
Average assets...	$592,466	$44,997	$435,977	$42

	TOTAL BANKING		
	COMMUNITY BANKING	TREASURY	COMBINED
	(IN THOUSANDS)		
1999			
Net interest income....................................	$ 1,173,424	$ 107,190	$ 1,280,614

Provision for loan losses	101,862	2,671	104,533
Non-interest income	282,764	6,999	289,763
Non-interest expense	633,278	16,283	649,561
Income taxes (benefit)	268,702	35,801	304,503
Net income	$ 452,346	$ 59,434	$ 511,780
Average assets	$20,530,531	$14,352,431	$34,882,962

	INVESTMENT BANKING/ BROKERAGE/ TRUST	INSURANCE	OTHER	
	(IN THOUSANDS)			
Net interest income	$ 4,862	$ 2,036	$ 117,874	$
Provision for loan losses	-0-	-0-	9,019	
Non-interest income	92,119	11,894	(4,404)	
Non-interest expense	65,092	5,704	218,768	
Income taxes (benefit)	11,889	1,708	(74,581)	
Net income	$ 20,000	$ 6,518	$ (39,736)	$
Average assets	$680,284	$38,305	$2,453,081	$

NOTE W. RECENT ACCOUNTING PRONOUNCEMENTS

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (Statement 144). Statement 144 supersedes Statement of Financial Accounting Standards No. 121 and provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of Statement 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. Statement 144 also supersedes the provisions of APB Opinion 30 with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the loses are incurred (rather than as of the measurement date as presently required by APB 30). Statement 144 is effective for fiscal years beginning after December 15, 2001. Regions does not anticipate that this statement will have a material impact on its financial position or results of operations.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement 142). Statement 141 prohibits the use of the pooling-of-interests method to account for business combinations initiated after June 30, 2001. Statement 142 provides guidance for the amortization of goodwill arising from the use of the purchase method to account for business combinations. Goodwill arising from purchase business combinations completed after June 30, 2001, will not be amortized. Amortization of goodwill from purchase business combinations completed prior to July 1, 2001, will not cease until adoption of Statement 142.

The accounting for goodwill and other intangible assets required under Statement 142 is effective for fiscal years beginning after December 15, 2001. Upon adoption of Statement 142, the amortization of excess purchase price will be discontinued, resulting in an expected increase in annual net income of approximately $.23 per diluted share, based on the excess purchase price balance at December 31, 2001. The FASB continues to address implementation issues related to Statement 142. In the event the FASB issues additional guidance, Statement 142's impact on net income could be effected.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE X. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS, COMMON STOCK MARKET PRICES AND DIVIDENDS (UNAUDITED)

	THREE MONTHS ENDED			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
2001				
Total interest income	$807,268	$794,420	$756,095	$697,854
Total interest expense	460,134	443,268	400,283	326,459
Net interest income	347,134	351,152	355,812	371,395
Provision for loan losses	28,500	28,990	30,000	77,912
Net interest income after provision for loan losses	318,634	322,162	325,812	293,483
Total non-interest income, excluding securities gains	148,296	269,033	253,400	279,050
Securities gains (losses)	474	(7)	4,534	27,105
Total non-interest expense	294,721	429,366	392,370	407,568
Income taxes	49,931	49,023	56,177	53,886
Net income	$122,752	$112,799	$135,199	$138,184
Per share:				
Net income	$ .57	$ .50	$ .59	$ .60
Net income, diluted	.57	.49	.59	.60
Cash dividends declared	.28	.28	.28	.28
Market price:				
Low	26.00	27.63	25.73	26.25
High	32.06	32.99	32.50	30.29
2000				
Total interest income	$780,229	$792,587	$824,694	$836,733
Total interest expense	426,113	443,896	482,575	492,862
Net interest income	354,116	348,691	342,119	343,871
Provision for loan losses	29,177	27,804	32,746	37,372
Net interest income after provision for loan losses	324,939	320,887	309,373	306,499
Total non-interest income, excluding securities gains	206,810	137,583	146,719	150,026
Securities (losses) gains	(40,018)	67	28	(5)
Total non-interest expense	271,135	272,787	273,339	303,921

Income taxes	74,591	60,457	54,922	24,233
Net income	$146,005	$125,293	$127,859	$128,366
Per share:				
Net income	$ .66	$ .57	$ .58	$ .58
Net income, diluted	.66	.57	.58	.58
Cash dividends declared	.27	.27	.27	.27
Market price:				
Low	18.31	19.13	19.88	20.06
High	25.25	25.50	25.25	28.00

Regions Common Stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol RGBK. Market prices shown represent sales prices as reported by Nasdaq. At December 31, 2001, there were 54,512 shareholders of record of Regions Financial Corporation Common Stock.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements on accounting and financial disclosure between Registrant and Ernst & Young LLP.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

All information presented under the captions "Information On Directors" and "Section 16 Transaction" of the Registrant's proxy statement to be dated approximately April 10, 2002, are incorporated by reference.

Executive officers of the Registrant as of December 31, 2001, are as follows:

EXECUTIVE OFFICER	AGE	POSITION AND OFFICES HELD WITH REGISTRANT AND SUBSIDIARIES	OFFICER SINCE
Carl E. Jones, Jr.	61	Chairman, Director, President and Chief Executive Officer, Registrant and Regions Bank; Director Regions Mortgage, Inc., Regions Interstate Billing Service, Inc., and EFC Holdings Corporation.	1983*
Richard D. Horsley	59	Vice Chairman, Director and Executive Financial Officer, Registrant and Regions Bank; Director and Vice President, Regions Agency, Inc.; Director, Regions Life Insurance Company, Regions Mortgage, Inc., and EFC Holdings Corporation.	1972
Allen B. Morgan, Jr.	59	Director, Registrant and Regions Bank; Chairman and Director Morgan Keegan & Company, Inc.	2001*
John I. Fleischauer, Jr.	53	President/West Region; Director,	1999*

		Regions Bank.	
Wilbur B. Hufham	64	President/Central Region; Director, Regions Bank; Director Regions Mortgage, Inc.	1983*
Peter D. Miller	55	President/East Region; Director, Regions Bank.	1996*
William E. Askew	52	Executive Vice President -- Retail Banking Division, Registrant and Regions Bank.	1987
D. Bryan Jordan	40	Executive Vice President and Comptroller, Registrant and Regions Bank; Director, Regions Asset Management Company, Inc. and Rebsamen Insurance, Inc.	2000
E. Cris Stone	59	Executive Vice President -- Corporate Banking, Registrant and Regions Bank; Director and Vice President, Regions Financial Leasing, Inc.; Director Regions Interstate Billing Service, Inc.	1988

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EXECUTIVE OFFICER	AGE	POSITION AND OFFICES HELD WITH REGISTRANT AND SUBSIDIARIES	OFFICER SINCE
Samuel E. Upchurch, Jr.	50	Executive Vice President, General Counsel and Corporate Secretary, Registrant and Regions Bank; Director Regions Interstate Billing Service, Inc., EFC Holdings Corporation, Rebsamen Insurance, Inc. and Regions Asset Management Company, Inc.	1994

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* The years indicated are those in which the individual was first deemed to be an executive officer of Registrant, although in every case the individual had been an executive officer of a subsidiary of Registrant for a number of years.

ITEM 11. EXECUTIVE COMPENSATION

All information presented under the caption "Executive Compensation and Other Transaction", excluding the information under the subheading "Compensation Committee Executive Compensation Report" of the Registrant's proxy statement to be dated approximately April 10, 2002, are incorporated herein by reference. All information presented under the caption "Executive Compensation Report" of the Registrant's proxy statement to be dated approximately April 10, 2002, are specifically not incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All information presented under the captions "Voting Securities and Principal Holders Thereof" and "Information on Directors" of the Registrant's proxy statement to be dated approximately April 10, 2002, are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All information presented under the caption "Other Transactions", of the Registrant's proxy statement to be dated approximately April 10, 2002, are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

14(a)(1) and (2) Financial Statement Schedules.

The following consolidated financial statements and report of independent auditors of Regions Financial Corporation and subsidiaries are included in Item 8 of this Annual Report on Form 10-K:

Report of Independent Auditors

Consolidated Statements of Condition -- December 31, 2001 and 2000

Consolidated Statements of Income -- Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows -- Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Changes in Stockholders' Equity -- Years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements -- December 31, 2001

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.

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14(a)(3) Listing of Exhibits:

SEC ASSIGNED EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
3.	--	Bylaws as last amended on March 17, 1999, incorporated herein by reference from the exhibits to the registration statement filed with the Commission and assigned file number 333-86975.
	--	Certificate of Incorporation as last amended on June 18, 1999, incorporated herein by reference from the exhibits to the registration statement filed with the Commission and assigned file number 333-86975.
4.1	--	Subordinated Notes Trust Indenture dated as of December 1, 1992, between Registrant and Bankers Trust Company incorporated by reference from the exhibits to the registration statement filed with the Commission and assigned file number 33-45714.

4.2	--	Trust Indenture dated as of February 26, 2001, between Registrant and Bankers Trust Company incorporated by reference from the exhibits to the registration statement filed with the Commission and assigned file number 333-54552.
4.3	--	First Supplemental Indenture dated as of February 26, 2001, between Registrant and Bankers Trust Company incorporated by reference from Registrant's current report on Form 8-K dated as of February 26, 2001 and filed as of March 5, 2001.
4.4	--	Amended Declaration Trust of Regions Financing Trust I dated as of February 26, 2001, incorporated by reference from the exhibits to the registration statement filed with the Commission and assigned file number 333-54552.
4.5	--	Preferred Securities Guaranty Agreement of Registrant dated as of February 26, 2001, incorporated by reference from the exhibits to the registration statement filed with the Commission and assigned file number 333-54552.
4.6	--	Second Supplemental Indenture dated as of February 26, 2001, between Registrant and Bankers Trust Company incorporated by reference from Registrant's current report on Form 8-K dated as of March 5, 2001 and filed as of March 13, 2001.
10.1*	--	Regions Amended and Restated 1991 Long-Term Incentive Plan incorporated by reference from Exhibit B to the Registrant's proxy statement filed with the Commission and dated March 16, 1995.
10.2*	--	Regions Management Incentive Plan Amended and Restated as of January 1, 1999, incorporated by reference from Appendix B to the Registrant's proxy statement filed with the Commission and dated April 7, 1999.
10.3*	--	Regions 1999 Long-Term Incentive Plan incorporated by reference from Appendix C to the Registrant's proxy statement filed with the Commission and dated April 7, 1999.
10.4	--	Employment Agreement dated as of September 1, 2001, between the Registrant and Carl E. Jones, Jr., President and Chief Executive Officer.
10.5	--	Employment Agreement dated as of September 1, 2001, between the Registrant and Richard D. Horsley, Executive Financial Officer.
10.6	--	Employment Agreement dated as of September 1, 2001, between the Registrant and Allen B. Morgan, Jr., Chief Executive Officer of Morgan Keegan & Company, Inc.
10.7	--	Employment Agreement dated as of September 1, 2001, between the Registrant and John I. Fleischauer, Jr., Regional President.
10.8	--	Employment Agreement dated as of September 1, 2001, between the Registrant and Wilbur B. Hufham, Regional President.
10.9	--	Employment Agreement dated as of September 1, 2001, between the Registrant and Peter D. Miller, Regional President.

SEC ASSIGNED EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
10.10	--	Employment Agreement dated as of September 1, 2001, between the Registrant and William E. Askew, Executive Vice President.

10.11	--	Employment Agreement dated as of September 1, 2001, between the Registrant and E. Cris Stone, Executive Vice President.
21.	--	List of Subsidiaries of the Registrant.
23.	--	Consent of Independent Auditors.
24.	--	Power of Attorney

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* Represents a compensatory plan agreement that is required to be filed under this item.

14(b) Reports on Form 8-K filed in the fourth quarter of 2001:

Report on Form 8-K, dated October 18, 2001, was filed under items 5 and 7 and related to the Registrant's results of operations for the quarter and nine months ended September 30, 2001.

14(c) The Exhibits not incorporated herein by reference are submitted as a separate part of this report.

Note: Copies of the aforementioned exhibits are available to stockholders upon request to:

Stockholder Assistance
417 North 20th Street
P. O. Box 10247
Birmingham, Alabama 35202-10247

14(d) Financial statement schedules:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGIONS FINANCIAL CORPORATION

/s/ Samuel E. Upchurch, Jr.

Samuel E. Upchurch, Jr.
Executive Vice President, General Counsel
and Corporate Secretary

Date: 3/19/02

/s/ D. Bryan Jordan

D. Bryan Jordan
Executive Vice President and Comptroller

Date: 3/16/02

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	D
* Carl E. Jones, Jr. Carl E. Jones, Jr.	Chairman, Chief Executive Officer, President and Director	3/
* Richard D. Horsley Richard D. Horsley	Vice Chairman, Executive Financial Officer and Director	3/
* Allen B. Morgan, Jr. Allen B. Morgan, Jr.	Director and Chief Executive Officer Morgan Keegan & Company, Inc.	3/
* Sheila S. Blair Sheila S. Blair	Director	3/
* James B. Boone, Jr. James B. Boone, Jr.	Director	3/
* James S. M. French James S. M. French	Director	3/
* Olin B. King Olin B. King	Director	3/
* Michael W. Murphy Michael W. Murphy	Director	3/
* Henry E. Simpson Henry E. Simpson	Director	3/
* W. Woodrow Stewart W. Woodrow Stewart	Director	3/

SIGNATURE	TITLE	D
* Lee J. Styslinger, Jr. Lee J. Styslinger, Jr.	Director	3/

* John H. Watson John H. Watson	Director	3/
* C. Kemmons Wilson, Jr. C. Kemmons Wilson, Jr.	Director	3/
*By: /s/ Samuel E. Upchurch, Jr. Samuel E. Upchurch, Jr.		3/

as attorney-in-fact pursuant to a power of attorney

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ANNUAL REPORT ON FORM 10-K

ITEM 14(C)

EXHIBITS

EXHIBITS INDEX

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