

REGIONS FINANCIAL CORP

Form 10-Q

August 04, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2017

or

.. Transition report pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 001-34034

Regions

Financial

Corporation

(Exact name

of registrant

as specified

in its

charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

63-0589368

(I.R.S. Employer
Identification No.)

1900 Fifth Avenue North

Birmingham, Alabama

(Address of principal executive offices) (Zip Code)

(800) 734-4667

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the issuer’s classes of common stock was 1,195,080,193 shares of common stock, par value \$.01, outstanding as of August 2, 2017.

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Glossary of Defined Terms

Agencies - collectively, FNMA, FHLMC and GNMA.

ALCO - Asset/Liability Management Committee.

AOCI - Accumulated other comprehensive income.

ASU - Accounting Standards Update.

ATM - Automated teller machine.

Basel I - Basel Committee's 1988 Regulatory Capital Framework (First Accord).

Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord).

Basel III Rules - Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013.

Basel Committee - Basel Committee on Banking Supervision.

BHC - Bank Holding Company.

BITS - Technology arm of the Financial Services Roundtable.

Bank - Regions Bank.

Board - The Company's Board of Directors.

CAP - Customer Assistance Program.

CCAR - Comprehensive Capital Analysis and Review.

CD - Certificate of deposit.

CEO - Chief Executive Officer.

CET1 - Common Equity Tier 1.

CFPB - Consumer Financial Protection Bureau.

Company - Regions Financial Corporation and its subsidiaries.

CPR - Constant (or Conditional) Prepayment Rate.

CRA - Community Reinvestment Act of 1977.

Dodd-Frank Act - The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

DPD - Days Past Due.

DUS - Fannie Mae Delegated Underwriting & Servicing.

FASB - Financial Accounting Standards Board.

FDIC - Federal Deposit Insurance Corporation.

Federal Reserve - Board of Governors of the Federal Reserve System.

FHA - Federal Housing Administration.

FHLB - Federal Home Loan Bank.

FHLMC - Federal Home Loan Mortgage Corporation, known as Freddie Mac.

FNMA - Federal National Mortgage Association, known as Fannie Mae.

FS-ISAC - Financial Services - Information Sharing & Analysis Center.

FRB - Federal Reserve Bank.

GAAP - Generally Accepted Accounting Principles in the United States.

GCM - Guideline Public Company Method.

GDP - Gross Domestic Product.

GNMA - Government National Mortgage Association.

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GTM - Guideline Transaction Method.
HUD - U.S. Department of Housing and Urban Development.
IP - Intellectual Property.
IPO - Initial public offering.
LCR - Liquidity coverage ratio.
LIBOR - London InterBank Offered Rates.
LTIP - Long-term incentive plan.
LTV - Loan to value.
MBS - Mortgage-backed securities.
Morgan Keegan - Morgan Keegan & Company, Inc.
MSAs - Metropolitan Statistical Areas.
MSR - Mortgage servicing right.
NM - Not meaningful.
NPR - Notice of Proposed Rulemaking.
OAS - Option-Adjusted Spread.
OCC - Office of the Comptroller of the Currency.
OCI - Other comprehensive income.
OIS - Overnight indexed swap.
OTTI - Other-than-temporary impairment.
Raymond James - Raymond James Financial, Inc.
RICO - Racketeer Influenced and Corrupt Organizations Act.
SEC - U.S. Securities and Exchange Commission.
SERP - Supplemental Executive Retirement Plan.
SSFA - Simplified Supervisory Formula Approach.
TDR - Troubled debt restructuring.
U.S. - United States.
U.S. Treasury - United States Department of the Treasury.
UTB - Unrecognized tax benefits.
VIE - Variable interest entity.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when or where appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should” expressions often signify forward-looking statements. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments.

Forward-looking statements are based on management’s current expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.

Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our earnings.

The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.

Possible changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.

Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.

Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans and leases, including operating leases.

Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses where our allowance for loan losses may not be adequate to cover our eventual losses.

Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.

Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.

Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.

- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.

The effects of any developments, changes or actions relating to any litigation or regulatory proceedings brought against us or any of our subsidiaries.

Changes in laws and regulations affecting our businesses, such as the Dodd-Frank Act and other legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.

Our ability to obtain a regulatory non-objection (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us.

Our ability to comply with stress testing and capital planning requirements (as part of the CCAR process or otherwise) may continue to require a significant investment of our managerial resources due to the importance and intensity of such tests and requirements.

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Our ability to comply with applicable capital and liquidity requirements (including, among other things, the Basel III capital standards and the LCR rule), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.

The Basel III framework calls for additional risk-based capital surcharges for globally systemically important banks.

Although we are not subject to such surcharges, it is possible that in the future we may become subject to similar surcharges.

The costs, including possibly incurring fines, penalties, or other negative effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party, and which may adversely affect our results.

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

Our ability to execute on our strategic and operational plans, including our ability to fully realize the financial and non-financial benefits relating to our strategic initiatives.

The success of our marketing efforts in attracting and retaining customers.

Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits, which could adversely affect our net income.

Our ability to recruit and retain talented and experienced personnel to assist in the development, management and operation of our products and services may be affected by changes in laws and regulations in effect from time to time.

Fraud or misconduct by our customers, employees or business partners.

Any inaccurate or incomplete information provided to us by our customers or counterparties.

The risks and uncertainties related to our acquisition and integration of other companies.

Inability of our framework to manage risks associated with our business such as credit risk and operational risk, including third-party vendors and other service providers, which could, among other things, result in a breach of operating or security systems as a result of a cyber attack or similar act.

- The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.

The effects of geopolitical instability, including wars, conflicts and terrorist attacks and the potential impact, directly or indirectly, on our businesses.

The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes, and environmental damage, which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business.

Changes in commodity market prices and conditions could adversely affect the cash flows of our borrowers operating in industries that are impacted by changes in commodity prices (including businesses indirectly impacted by commodities prices such as businesses that transport commodities or manufacture equipment used in the production of commodities), which could impair their ability to service any loans outstanding to them and/or reduce demand for loans in those industries.

Our inability to keep pace with technological changes could result in losing business to competitors.

Our ability to identify and address cyber-security risks such as data security breaches, malware, “denial of service” attacks, “hacking” and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information; disruption or damage to our systems; increased costs; losses; or adverse effects to our reputation.

Our ability to realize our adjusted efficiency ratio target as part of our expense management initiatives.

Significant disruption of, or loss of public confidence in, the Internet and services and devices used to access the Internet could affect the ability of our customers to access their accounts and conduct banking transactions.

Possible downgrades in our credit ratings or outlook could increase the costs of funding from capital markets.

The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally could require us to change certain business practices, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.

The effects of the failure of any component of our business infrastructure provided by a third party could disrupt our businesses; result in the disclosure of and/or misuse of confidential information or proprietary information; increase our costs; negatively affect our reputation; and cause losses.

Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends to stockholders.

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Changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect how we report our financial results.

Other risks identified from time to time in reports that we file with the SEC.

The effects of any damage to our reputation resulting from developments related to any of the items identified above.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible to predict all of them. We assume no obligation to update or revise any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.

See also the reports filed with the Securities and Exchange Commission, including the discussion under the “Risk Factors” section of Regions’ Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2017	December 31, 2016
	(In millions, except share data)	
Assets		
Cash and due from banks	\$ 1,873	\$ 1,853
Interest-bearing deposits in other banks	2,258	3,583
Federal funds sold and securities purchased under agreements to resell	—	15
Trading account securities	178	124
Securities held to maturity (estimated fair value of \$1,770 and \$1,369, respectively)	1,754	1,362
Securities available for sale	23,608	23,781
Loans held for sale (includes \$379 and \$447 measured at fair value, respectively)	573	718
Loans, net of unearned income	80,127	80,095
Allowance for loan losses	(1,041	) (1,091
Net loans	79,086	79,004
Other earning assets	1,537	1,644
Premises and equipment, net	2,060	2,096
Interest receivable	313	319
Goodwill	4,904	4,904
Residential mortgage servicing rights at fair value	346	324
Other identifiable intangible assets	198	221
Other assets	5,955	6,020
Total assets	\$ 124,643	\$ 125,968
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	\$ 37,119	\$ 36,046
Interest-bearing	60,974	62,989
Total deposits	98,093	99,035
Borrowed funds:		
Short-term borrowings:		
Other short-term borrowings	600	—
Total short-term borrowings	600	—
Long-term borrowings	6,765	7,763
Total borrowed funds	7,365	7,763
Other liabilities	2,292	2,506
Total liabilities	107,750	109,304
Stockholders' equity:		
Preferred stock, authorized 10 million shares, par value \$1.00 per share		
Non-cumulative perpetual, liquidation preference \$1,000.00 per share, including related surplus, net of issuance costs; issued—1,000,000 shares	820	820
Common stock, authorized 3 billion shares, par value \$.01 per share:		
Issued including treasury stock—1,240,526,496 and 1,255,839,866 shares, respectively	12	13
Additional paid-in capital	16,828	17,092

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Retained earnings	1,089	666	
Treasury stock, at cost—41,259,320 and 41,259,319 shares, respectively	(1,377) (1,377)
Accumulated other comprehensive income (loss), net	(479) (550)
Total stockholders' equity	16,893	16,664	
Total liabilities and stockholders' equity	\$ 124,643	\$ 125,968	

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
	(In millions, except per share data)			
Interest income, including other financing income on:				
Loans, including fees	\$ 801	\$ 762	\$ 1,574	\$ 1,530
Securities - taxable	151	145	299	292
Loans held for sale	4	4	8	7
Trading account securities	—	1	2	4
Other earning assets	9	8	21	18
Operating lease assets	24	32	51	64
Total interest income, including other financing income	989	952	1,955	1,915
Interest expense on:				
Deposits	37	28	72	55
Short-term borrowings	2	—	2	—
Long-term borrowings	50	50	100	97
Total interest expense	89	78	174	152
Depreciation expense on operating lease assets	18	26	40	53
Total interest expense and depreciation expense on operating lease assets	107	104	214	205
Net interest income and other financing income	882	848	1,741	1,710
Provision for loan losses	48	72	118	185
Net interest income and other financing income after provision for loan losses	834	776	1,623	1,525
Non-interest income:				
Service charges on deposit accounts	169	166	337	325
Card and ATM fees	104	99	208	194
Investment management and trust	57	52	113	102

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fee income				
Mortgage income	40	46	81	84
Securities gains (losses), net	1	6	1	1
Other	154	157	295	326
Total non-interest income	525	526	1,035	1,032
Non-interest expense:				
Salaries and employee benefits	497	480	975	955
Net occupancy expense	86	86	171	172
Furniture and equipment expense	85	79	165	157
Other	241	270	475	500
Total non-interest expense	909	915	1,786	1,784
Income from continuing operations before income taxes	450	387	872	773
Income tax expense	133	115	261	228
Income from continuing operations	317	272	611	545
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(1)	5	10	5
Income tax expense (benefit)	—	2	4	2
Income (loss) from discontinued operations, net of tax	(1)	3	6	3
Net income	\$ 316	\$ 275	\$ 617	\$ 548
Net income from continuing operations available to common shareholders	\$ 301	\$ 256	\$ 579	\$ 513
Net income available to common shareholders	\$ 300	\$ 259	\$ 585	\$ 516
Weighted-average number of shares outstanding:				
Basic	1,202	1,265	1,205	1,275
Diluted	1,212	1,268	1,218	1,279
Earnings per common share from continuing operations:				
Basic	\$ 0.25	\$ 0.20	\$ 0.48	\$ 0.40

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Diluted	0.25	0.20	0.48	0.40
Earnings per common share:				
Basic	\$ 0.25	\$ 0.20	\$ 0.49	\$ 0.40
Diluted	0.25	0.20	0.48	0.40
Cash dividends declared per common share	0.07	0.065	0.135	0.125

See notes to consolidated financial statements.

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Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and zero tax effect, respectively)	1	1
Net change in unrealized gains (losses) on securities available for sale, net of tax	51	307
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of \$20 and \$153 tax effect, respectively)	33	249
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of \$20 and \$28 tax effect, respectively)	33	46
Net change in unrealized gains (losses) on derivative instruments, net of tax	—	203
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and \$1 tax effect, respectively)	(1)	—
Less: reclassification adjustments for amortization of actuarial loss and settlements realized in net income (net of (\$10) and (\$6) tax effect, respectively)	(18)	(11)
Net change from defined benefit pension plans and other post employment benefits, net of tax	17	11
Other comprehensive income (loss), net of tax	71	528
Comprehensive income	\$688	\$1,076
See notes to consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock Shares	Common Stock Shares	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(In millions, except per share data)						
BALANCE AT JANUARY 1, 2016	1 \$ 820	1,297	\$ 13	\$ 17,883	\$(115)	\$(1,377)	\$ (380) \$ 16,844
Net income	—	—	—	—	548	—	548
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	7	7
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	307	307
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	203	203
Net change from employee benefit plans, net of tax	—	—	—	—	—	11	11
Cash dividends declared—\$0.125 per share	—	—	—	—	(159)	—	(159)
Preferred stock dividends	—	—	—	—	(32)	—	(32)
Common stock transactions:							
Impact of share repurchases	—	(42)	—	(354)	—	—	(354)
Impact of stock transactions under compensation plans, net and other	—	4	—	10	—	—	10
BALANCE AT JUNE 30, 2016	1 \$ 820	1,259	\$ 13	\$ 17,539	\$ 242	\$(1,377)	\$ 148 \$ 17,385
BALANCE AT JANUARY 1, 2017	1 \$ 820	1,214	\$ 13	\$ 17,092	\$ 666	\$(1,377)	\$ (550) \$ 16,664
Net income	—	—	—	—	617	—	617
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	3	3
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	51	51
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—
Net change from employee benefit plans, net of tax	—	—	—	—	—	17	17
Cash dividends declared—\$0.135 per share	—	—	—	—	(162)	—	(162)

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Preferred stock dividends	—	—	—	—	(32)	—	—	(32)
Common stock transactions:								
Impact of share repurchases	—	(19)	(1)	(274)	—	—	—	(275)
Impact of stock transactions under compensation plans, net and other	—	4	—	10	—	—	—	10
BALANCE AT JUNE 30, 2017	1 \$ 820	1,199	\$ 12	\$ 16,828	\$ 1,089	\$(1,377)	\$ (479)	\$ 16,893

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2017	2016
	(In millions)	
Operating activities:		
Net income	\$617	\$548
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	118	185
Depreciation, amortization and accretion, net	274	267
Securities (gains) losses, net	(1)	(1)
Deferred income tax expense	62	10
Originations and purchases of loans held for sale	(1,729)	(1,837)
Proceeds from sales of loans held for sale	1,922	1,823
(Gain) loss on sale of loans, net	(54)	(59)
Net change in operating assets and liabilities:		
Trading account securities	(54)	26
Other earning assets	67	83
Interest receivable and other assets	(21)	(126)
Other liabilities	(88)	197
Other	42	28
Net cash from operating activities	1,155	1,144
Investing activities:		
Proceeds from maturities of securities held to maturity	101	305
Proceeds from sales of securities available for sale	592	1,527
Proceeds from maturities of securities available for sale	1,755	1,983
Purchases of securities available for sale	(2,208)	(4,092)
Purchases of securities held to maturity	(494)	—
Proceeds from sales of loans	13	47
Purchases of loans	(147)	(579)
Purchases of mortgage servicing rights	(18)	(24)
Net change in loans	(110)	(202)
Net purchases of other assets	(45)	(41)
Net cash from investing activities	(561)	(1,076)
Financing activities:		
Net change in deposits	(942)	(1,185)
Net change in short-term borrowings	600	(8)
Proceeds from long-term borrowings	1,250	1,607
Payments on long-term borrowings	(2,252)	(1,000)
Cash dividends on common stock	(241)	(154)
Cash dividends on preferred stock	(32)	(32)
Repurchases of common stock	(275)	(354)
Taxes paid related to net share settlement of equity awards	(22)	(14)
Other	—	(5)
Net cash from financing activities	(1,914)	(1,145)
Net change in cash and cash equivalents	(1,320)	(1,077)

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Cash and cash equivalents at beginning of year	5,451	5,314
Cash and cash equivalents at end of period	\$4,131	\$4,237

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and Six Months Ended June 30, 2017 and 2016

NOTE 1. BASIS OF PRESENTATION

Regions Financial Corporation (“Regions” or the “Company”) provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located across the South, Midwest and Texas. The Company competes with other financial institutions located in the states in which it operates, as well as other adjoining states. Regions is subject to the regulations of certain government agencies and undergoes periodic examinations by certain regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with GAAP and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions’ Annual Report on Form 10-K for the year ended December 31, 2016. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 14 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. This presentation is consistent with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016.

NOTE 2. DISCONTINUED OPERATIONS

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James. The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust were not included in the sale. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. See Note 14 for related disclosure.

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

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2017	2016	2017	2016
	(In millions, except per share data)			
Non-interest expense:				
Professional and legal expenses/(recoveries)	\$—	\$(5)	\$(11)	\$(5)
Other	1	—	1	—
Total non-interest expense	1	(5)	(10)	(5)
Income (loss) from discontinued operations before income taxes	(1)	5	10	5
Income tax expense (benefit)	—	2	4	2
Income (loss) from discontinued operations, net of tax	\$(1)	\$3	\$6	\$3
Earnings (loss) per common share from discontinued operations:				
Basic	\$(0.00)	\$0.00	\$0.00	\$0.00
Diluted	\$(0.00)	\$0.00	\$0.00	\$0.00

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NOTE 3. SECURITIES

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

	June 30, 2017						
	Recognized in OCI ⁽¹⁾				Not Recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
Mortgage-backed securities:							
Residential agency	\$1,149	\$—	\$ (45)	) \$1,104	\$ 14	\$ (2)	) \$1,116
Commercial agency	654	—	(4)	) 650	6	(2)	) 654
	\$1,803	\$—	\$ (49)	) \$1,754	\$ 20	\$ (4)	) \$1,770
Securities available for sale:							
U.S. Treasury securities	\$313	\$1	\$ —	\$314			\$314
Federal agency securities	25	—	—	25			25
Mortgage-backed securities:							
Residential agency	17,648	87	(211)	) 17,524			17,524
Residential non-agency	3	—	—	3			3
Commercial agency	3,475	17	(18)	) 3,474			3,474
Commercial non-agency	811	6	(1)	) 816			816
Corporate and other debt securities	1,226	29	(6)) 1,249			1,249
Equity securities	194	9	—	203			203
	\$23,695	\$149	\$ (236)) \$23,608			\$23,608

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	December 31, 2016				Not Recognized		
	Recognized in				in OCI		
	OCI ⁽¹⁾						
	Amortized	Gross	Gross	Carrying	Gross	Gross	Estimated
	Cost	Unrealized	Unrealized	Value	Unrealized	Unrealized	Fair
		Gains	Losses		Gains	Losses	Value
	(In millions)						
Securities held to maturity:							
Mortgage-backed securities:							
Residential agency	\$1,249	\$—	\$ (49)	) \$1,200	\$ 12	\$ (3)	) \$ 1,209
Commercial agency	167	—	(5)	) 162	—	(2)	) 160
	\$1,416	\$—	\$ (54)	) \$1,362	\$ 12	\$ (5)	) \$ 1,369
Securities available for sale:							
U.S. Treasury securities	\$303	\$1	\$ (1)	) \$303			\$ 303
Federal agency securities	35	—	—	) 35			35
Obligations of states and political subdivisions	1	—	—	) 1			1
Mortgage-backed securities:							
Residential agency	17,531	95	(255)	) 17,371			17,371
Residential non-agency	4	—	—	) 4			4
Commercial agency	3,486	9	(32)	) 3,463			3,463
Commercial non-agency	1,124	8	(3)	) 1,129			1,129
Corporate and other debt securities	1,272	19	(17)	) 1,274			1,274
Equity securities	194	7	—	) 201			201
	\$23,950	\$139	\$ (308)	) \$23,781			\$ 23,781

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

Securities with carrying values of \$9.3 billion and \$11.6 billion at June 30, 2017 and December 31, 2016, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements. Included within total pledged securities is approximately \$50 million of encumbered U.S. Treasury securities at both June 30, 2017 and December 31, 2016.

The amortized cost and estimated fair value of securities held to maturity and securities available for sale at June 30, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Mortgage-backed securities:		
Residential agency	\$1,149	\$ 1,116
Commercial agency	654	654
	\$1,803	\$ 1,770
Securities available for sale:		
Due in one year or less	\$75	\$ 75
Due after one year through five years	722	731
Due after five years through ten years	556	566
Due after ten years	211	216
Mortgage-backed securities:		
Residential agency	17,648	17,524
Residential non-agency	3	3
Commercial agency	3,475	3,474
Commercial non-agency	811	816
Equity securities	194	203
	\$23,695	\$ 23,608

The following tables present gross unrealized losses and the related estimated fair value of securities held to maturity and available for sale at June 30, 2017 and December 31, 2016. For securities transferred to held to maturity from available for sale, the analysis in the tables below is comparing the securities' original amortized cost to its current estimated fair value. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

	June 30, 2017					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Mortgage-backed securities:						
Residential agency	\$786	\$ (21)	\$330	\$ (12)	\$1,116	\$ (33)
Commercial agency	29	(1)	155	(5)	184	(6)
	\$815	\$ (22)	\$485	\$ (17)	\$1,300	\$ (39)
Securities available for sale:						
U.S. Treasury securities	\$86	\$ —	\$18	\$ —	\$104	\$ —
Mortgage-backed securities:						
Residential agency	11,593	(202)	539	(9)	12,132	(211)
Commercial agency	1,318	(18)	44	—	1,362	(18)
Commercial non-agency	261	(1)	29	—	290	(1)
All other securities	154	(1)	132	(5)	286	(6)
	\$13,412	\$ (222)	\$762	\$ (14)	\$14,174	\$ (236)

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	December 31, 2016					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Mortgage-backed securities:						
Residential agency	\$850	\$ (26)	\$359	\$ (14)	\$1,209	\$ (40)
Commercial agency	—	—	160	(7)	160	(7)
	\$850	\$ (26)	\$519	\$ (21)	\$1,369	\$ (47)
Securities available for sale:						
U.S. Treasury securities	\$112	\$ (1)	\$18	\$ —	\$130	\$ (1)
Mortgage-backed securities:						
Residential agency	12,071	(245)	570	(10)	12,641	(255)
Commercial agency	2,199	(31)	45	(1)	2,244	(32)
Commercial non-agency	402	(2)	176	(1)	578	(3)
All other securities	382	(6)	218	(11)	600	(17)
	\$15,166	\$ (285)	\$1,027	\$ (23)	\$16,193	\$ (308)

The number of individual positions in an unrealized loss position in the tables above decreased from 1,613 at December 31, 2016 to 1,458 at June 30, 2017. The decrease in the number of securities and the total amount of unrealized losses from year-end 2016 was primarily due to changes in market interest rates. In instances where an unrealized loss existed, there was no indication of an adverse change in credit on the underlying positions in the tables above. As it relates to these positions, management believes no individual unrealized loss, other than those discussed below, represented an OTTI as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the positions before the recovery of their amortized cost basis, which may be at maturity.

As part of the Company's normal process for evaluating OTTI, management did identify a limited number of positions where an OTTI was believed to exist as of June 30, 2017. For the six months ended June 30, 2017, such impairments were immaterial.

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

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	2017	2016	2017	2016
	(In millions)			
Gross realized gains	\$3	\$13	\$4	\$29
Gross realized losses	(2)	(7)	(3)	(27)
OTTI	—	—	—	(1)
Securities gains (losses), net	\$1	\$6	\$1	\$1

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NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

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

	June 30, 2017	December 31, 2016
	(In millions, net of unearned income)	
Commercial and industrial	\$ 35,656	\$ 35,012
Commercial real estate mortgage—owner-occupied	6,445	6,867
Commercial real estate construction—owner-occupied	388	334
Total commercial	42,489	42,213
Commercial investor real estate mortgage	4,126	4,087
Commercial investor real estate construction	2,163	2,387
Total investor real estate	6,289	6,474
Residential first mortgage	13,765	13,440
Home equity	10,419	10,687
Indirect—vehicles	3,653	4,040
Indirect—other consumer	1,188	920
Consumer credit card	1,183	1,196
Other consumer	1,141	1,125
Total consumer	31,349	31,408
	\$ 80,127	\$ 80,095

During the three months ended June 30, 2017, Regions purchased approximately \$143 million in indirect-other consumer loans from third parties. During the three months ended June 30, 2016, Regions purchased approximately \$300 million in indirect-vehicles and indirect-other consumer loans from third parties. During the six months ended June 30, 2017 and 2016, the comparable loan purchase amounts were approximately \$147 million and \$579 million, respectively.

At June 30, 2017, \$18.2 billion in securities and net eligible loans held by Regions were pledged to secure current and potential borrowings from the FHLB. At June 30, 2017, an additional \$22.2 billion in net eligible loans held by Regions were pledged to the FRB for potential borrowings.

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on a quarterly basis. Refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2016, for a description of the methodology.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2017 and 2016. The total allowance for loan losses and the related loan portfolio ending balances are disaggregated to detail the amounts derived through individual evaluation and collective evaluation for impairment. The allowance for loan losses related to individually evaluated loans is attributable to reserves for non-accrual commercial and investor real estate loans and all TDRs. The allowance for loan losses and the loan portfolio ending balances related to collectively evaluated loans is attributable to the remainder of the portfolio.

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	Three Months Ended June 30, 2017			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2017	\$727	\$ 87	\$ 247	\$1,061
Provision (credit) for loan losses	7	(9	) 50	48
Loan losses:				
Charge-offs	(38	) (1	) (60	) (99
Recoveries	11	5	15	31
Net loan losses	(27	) 4	(45	) (68
Allowance for loan losses, June 30, 2017	707	82	252	1,041
Reserve for unfunded credit commitments, April 1, 2017	66	4	—	70
Provision (credit) for unfunded credit losses	(3	) —	—	(3
Reserve for unfunded credit commitments, June 30, 2017	63	4	—	67
Allowance for credit losses, June 30, 2017	\$770	\$ 86	\$ 252	\$1,108
	Three Months Ended June 30, 2016			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2016	\$821	\$ 91	\$ 239	\$1,151
Provision (credit) for loan losses	38	(4	) 38	72
Loan losses:				
Charge-offs	(42	) (1	) (55	) (98
Recoveries	8	1	17	26
Net loan losses	(34	) —	(38	) (72
Allowance for loan losses, June 30, 2016	825	87	239	1,151
Reserve for unfunded credit commitments, April 1, 2016	48	5	—	53
Provision (credit) for unfunded credit losses	11	—	—	11
Reserve for unfunded credit commitments, June 30, 2016	59	5	—	64
Allowance for credit losses, June 30, 2016	\$884	\$ 92	\$ 239	\$1,215
	Six Months Ended June 30, 2017			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2017	\$753	\$ 85	\$ 253	\$1,091
Provision (credit) for loan losses	33	(8	) 93	118
Loan losses:				
Charge-offs	(96	) (2	) (125	) (223
Recoveries	17	7	31	55
Net loan losses	(79	) 5	(94	) (168
Allowance for loan losses, June 30, 2017	707	82	252	1,041
Reserve for unfunded credit commitments, January 1, 2017	64	5	—	69
Provision (credit) for unfunded credit losses	(1	) (1	) —	(2
Reserve for unfunded credit commitments, June 30, 2017	63	4	—	67
Allowance for credit losses, June 30, 2017	\$770	\$ 86	\$ 252	\$1,108
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	\$228	\$ 17	\$ 57	\$302
Collectively evaluated for impairment	479	65	195	739

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Total allowance for loan losses	\$707	\$ 82	\$252	\$1,041
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$1,052	\$ 120	\$747	\$1,919
Collectively evaluated for impairment	41,437	6,169	30,602	78,208
Total loans evaluated for impairment	\$42,489	\$ 6,289	\$31,349	\$80,127

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	Six Months Ended June 30, 2016			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2016	\$758	\$ 97	\$ 251	\$1,106
Provision (credit) for loan losses	123	(14	) 76	185
Loan losses:				
Charge-offs	(71	) (1	) (122	) (194
Recoveries	15	5	34	54
Net loan losses	(56	) 4	(88	) (140
Allowance for loan losses, June 30, 2016	825	87	239	1,151
Reserve for unfunded credit commitments, January 1, 2016	47	5	—	52
Provision (credit) for unfunded credit losses	12	—	—	12
Reserve for unfunded credit commitments, June 30, 2016	59	5	—	64
Allowance for credit losses, June 30, 2016	\$884	\$ 92	\$ 239	\$1,215
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	\$264	\$ 20	\$ 65	\$349
Collectively evaluated for impairment	561	67	174	802
Total allowance for loan losses	\$825	\$ 87	\$ 239	\$1,151
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$1,046	\$ 156	\$ 815	\$2,017
Collectively evaluated for impairment	42,615	6,806	30,264	79,685
Total loans evaluated for impairment	\$43,661	\$ 6,962	\$ 31,079	\$81,702

PORTFOLIO SEGMENT RISK FACTORS

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

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

Investor Real Estate—Loans for real estate development are repaid through cash flow related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment consists of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, these loans are made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Loans in this portfolio segment are particularly sensitive to the valuation of real estate.

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact

the depth of potential losses. Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. Indirect-other consumer lending represents other point of sale lending through third parties. Consumer credit card includes Regions branded consumer credit card accounts. Other consumer loans include other revolving consumer accounts, direct consumer loans, and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

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Table of Contents**CREDIT QUALITY INDICATORS**

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of June 30, 2017, and December 31, 2016. Commercial and investor real estate loan portfolio segments are detailed by categories related to underlying credit quality and probability of default. Regions assigns these categories at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. These categories are utilized to develop the associated allowance for credit losses.

Pass—includes obligations where the probability of default is considered low;

Special Mention—includes obligations that have potential weakness that may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. Obligations in this category may also be subject to economic or market conditions that may, in the future, have an adverse effect on debt service ability;

Substandard Accrual—includes obligations that exhibit a well-defined weakness that presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;

Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

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

	June 30, 2017				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	\$33,456	\$ 643	\$ 1,017	\$ 540	\$35,656
Commercial real estate mortgage—owner-occupied	5,893	189	215	148	6,445
Commercial real estate construction—owner-occupied	72	7	6	3	388
Total commercial	\$39,721	\$ 839	\$ 1,238	\$ 691	\$42,489
Commercial investor real estate mortgage	\$3,712	\$ 270	\$ 132	\$ 12	\$4,126
Commercial investor real estate construction	2,065	53	45	—	2,163
Total investor real estate	\$5,777	\$ 323	\$ 177	\$ 12	\$6,289
			Accrual	Non-accrual	Total
			(In millions)		
Residential first mortgage			\$13,719	\$ 46	\$13,765
Home equity			10,346	73	10,419
Indirect—vehicles			3,652	1	3,653
Indirect—other consumer			1,188	—	1,188
Consumer credit card			1,183	—	1,183
Other consumer			1,141	—	1,141
Total consumer			\$31,229	\$ 120	\$31,349
					\$80,127

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	December 31, 2016				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	\$32,619	\$ 658	\$1,112	\$ 623	\$35,012
Commercial real estate mortgage—owner-occupied	6,190	221	246	210	6,867
Commercial real estate construction—owner-occupied	308	8	15	3	334
Total commercial	\$39,117	\$ 887	\$1,373	\$ 836	\$42,213
Commercial investor real estate mortgage	\$3,766	\$ 190	\$114	\$ 17	\$4,087
Commercial investor real estate construction	2,192	129	66	—	2,387
Total investor real estate	\$5,958	\$ 319	\$180	\$ 17	\$6,474

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	\$13,390	\$ 50	\$13,440
Home equity	10,595	92	10,687
Indirect—vehicles	4,040	—	4,040
Indirect—other consumer	920	—	920
Consumer credit card	1,196	—	1,196
Other consumer	1,125	—	1,125
Total consumer	\$31,266	\$ 142	\$31,408
			\$80,095

AGING ANALYSIS

The following tables include an aging analysis of DPD for each portfolio segment and class as of June 30, 2017 and December 31, 2016:

	June 30, 2017						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	\$17	\$ 6	\$ 4	\$ 27	\$35,116	\$ 540	\$35,656
Commercial real estate mortgage—owner-occupied	23	8	2	33	6,297	148	6,445
Commercial real estate construction—owner-occupied	1	—	—	1	385	3	388
Total commercial	41	14	6	61	41,798	691	42,489
Commercial investor real estate mortgage	12	5	—	17	4,114	12	4,126
Commercial investor real estate construction	—	—	—	—	2,163	—	2,163
Total investor real estate	12	5	—	17	6,277	12	6,289
Residential first mortgage	83	55	169	307	13,719	46	13,765
Home equity	57	19	30	106	10,346	73	10,419
Indirect—vehicles	42	12	8	62	3,652	1	3,653
Indirect—other consumer	5	4	—	9	1,188	—	1,188
Consumer credit card	9	5	15	29	1,183	—	1,183
Other consumer	11	3	3	17	1,141	—	1,141
Total consumer	207	98	225	530	31,229	120	31,349
	\$260	\$ 117	\$ 231	\$ 608	\$79,304	\$ 823	\$80,127

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	December 31, 2016			Total 30+ DPD	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD				
	(In millions)						
Commercial and industrial	\$59	\$ 11	\$ 6	\$ 76	\$34,389	\$ 623	\$35,012
Commercial real estate mortgage—owner-occupied	29	7	2	38	6,657	210	6,867
Commercial real estate construction—owner-occupied	1	—	—	1	331	3	334
Total commercial	89	18	8	115	41,377	836	42,213
Commercial investor real estate mortgage	6	8	—	14	4,070	17	4,087
Commercial investor real estate construction	—	—	—	—	2,387	—	2,387
Total investor real estate	6	8	—	14	6,457	17	6,474
Residential first mortgage	99	63	212	374	13,390	50	13,440
Home equity	60	22	33	115	10,595	92	10,687
Indirect—vehicles	56	14	10	80	4,040	—	4,040
Indirect—other consumer	5	3	—	8	920	—	920
Consumer credit card	9	7	15	31	1,196	—	1,196
Other consumer	13	5	5	23	1,125	—	1,125
Total consumer	242	114	275	631	31,266	142	31,408
	\$337	\$ 140	\$ 283	\$ 760	\$79,100	\$ 995	\$80,095

IMPAIRED LOANS

The following tables present details related to the Company's impaired loans as of June 30, 2017 and December 31, 2016. Loans deemed to be impaired include all TDRs and all non-accrual commercial and investor real estate loans, excluding leases. Loans that have been fully charged-off do not appear in the tables below.

Non-accrual Impaired Loans As of June 30, 2017

	Unpaid Principal Balance	Charge-offs and Payments Applied ⁽²⁾	Book Value ⁽³⁾		Impaired Loans on Non-accrual Status with Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾
			Impaired Loans on Non-accrual Status with Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance				
	(Dollars in millions)							
Commercial and industrial	\$665	\$ 130	\$535	\$ 71	\$ 464	\$ 131	39.2	%
Commercial real estate mortgage—owner-occupied	164	16	148	21	127	43	36.0	
Commercial real estate construction—owner-occupied	3	—	3	—	3	1	33.3	
Total commercial	832	146	686	92	594	175	38.6	
Commercial investor real estate mortgage	14	2	12	4	8	4	42.9	
Total investor real estate	14	2	12	4	8	4	42.9	
Residential first mortgage	27	1	26	—	26	3	14.8	
Home equity	11	1	10	—	10	—	9.1	
Total consumer	38	2	36	—	36	3	13.2	

\$884 \$ 150 \$734 \$ 96 \$ 638 \$ 182 37.6 %

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	Accruing Impaired Loans As of June 30, 2017					
	Unpaid Charge-offs Principal and Payments Balance Applied ⁽²⁾	Book Value ⁽³⁾	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾		
	(Dollars in millions)					
Commercial and industrial	\$297	\$ 7	\$ 290	\$ 46	17.8	%
Commercial real estate mortgage—owner-occupied	80	5	75	7	15.0	
Commercial real estate construction—owner-occupied	—	—	1	—	—	
Total commercial	378	12	366	53	17.2	
Commercial investor real estate mortgage	56	2	54	5	12.5	
Commercial investor real estate construction	54	—	54	8	14.8	
Total investor real estate	110	2	108	13	13.6	
Residential first mortgage	429	1	428	50	11.9	
Home equity	272	—	272	4	1.5	
Indirect—vehicles	1	—	1	—	—	
Consumer credit card	1	—	1	—	—	
Other consumer	9	—	9	—	—	
Total consumer	712	1	711	54	7.7	
	\$1,200	\$ 15	\$ 1,185	\$ 120	11.3	%

Total Impaired Loans As of June 30, 2017

	Book Value ⁽³⁾						
	Unpaid Charge-offs Principal and Payments Balance Applied ⁽²⁾	Total Impaired Loans	Impaired Loans with Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾	
	(Dollars in millions)						
Commercial and industrial	\$962	\$ 137	\$825	\$ 71	\$ 754	\$ 177	32.6 %
Commercial real estate mortgage—owner-occupied	244	21	223	21	202	50	29.1
Commercial real estate construction—owner-occupied	4	—	4	—	4	1	25.0
Total commercial	1,210	158	1,052	92	960	228	31.9
Commercial investor real estate mortgage	70	4	66	4	62	9	18.6
Commercial investor real estate construction	54	—	54	—	54	8	14.8
Total investor real estate	124	4	120	4	116	17	16.9
Residential first mortgage	456	2	454	—	454	53	12.1
Home equity	283	1	282	—	282	4	1.8
Indirect—vehicles	1	—	1	—	1	—	—
Consumer credit card	1	—	1	—	1	—	—
Other consumer	9	—	9	—	9	—	—
Total consumer	750	3	747	—	747	57	8.0
	\$2,084	\$ 165	\$1,919	\$ 96	\$ 1,823	\$ 302	22.4 %

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	Non-accrual Impaired Loans As of December 31, 2016						
	Unpaid Principal Balance	Charge-offs and Payments Applied ⁽²⁾	Impaired Loans on Non-accrual Status	Book Value ⁽³⁾	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾
	(Dollars in millions)						
Commercial and industrial	\$685	\$ 72	\$613	\$ 126	\$ 487	\$ 138	30.7 %
Commercial real estate mortgage—owner-occupied	231	21	210	39	171	53	32.0
Commercial real estate construction—owner-occupied	4	1	3	—	3	2	75.0
Total commercial	920	94	826	165	661	193	31.2
Commercial investor real estate mortgage	18	1	17	5	12	5	33.3
Total investor real estate	18	1	17	5	12	5	33.3
Residential first mortgage	41	12	29	—	29	4	39.0
Home equity	12	1	11	—	11	—	8.3
Total consumer	53	13	40	—	40	4	32.1
	\$991	\$ 108	\$883	\$ 170	\$ 713	\$ 202	31.3 %

	Accruing Impaired Loans As of December 31, 2016				
	Unpaid Principal Balance	Charge-offs and Payments Applied ⁽²⁾	Book Value ⁽³⁾	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾
	(Dollars in millions)				
Commercial and industrial	\$187	\$ 1	\$ 186	\$ 33	18.2 %
Commercial real estate mortgage—owner-occupied	60	4	56	5	15.0
Commercial real estate construction—owner-occupied	—	—	1	—	—
Total commercial	248	5	243	38	17.3
Commercial investor real estate mortgage	82	8	74	7	18.3
Commercial investor real estate construction	16	—	16	1	6.3
Total investor real estate	98	8	90	8	16.3
Residential first mortgage	435	10	425	51	14.0
Home equity	292	—	292	5	1.7
Indirect—vehicles	1	—	1	—	—
Consumer credit card	2	—	2	—	—
Other consumer	10	—	10	—	—
Total consumer	740	10	730	56	8.9
	\$1,086	\$ 23	\$ 1,063	\$ 102	11.5 %

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	Total Impaired Loans As of December 31, 2016						
	Book Value ⁽³⁾						
	Unpaid Principal Balance ⁽¹⁾	Charge-offs and Payments Applied ⁽²⁾	Total Impaired Loans	Impaired Loans with Related Allowance	Impaired Loans with Related Allowance	Related Loan Losses	Coverage % ⁽⁴⁾
	(Dollars in millions)						
Commercial and industrial	\$872	\$ 73	\$799	\$ 126	\$ 673	\$ 171	28.0 %
Commercial real estate mortgage—owner-occupied	291	25	266	39	227	58	28.5
Commercial real estate construction—owner-occupied	5	1	4	—	4	2	60.0
Total commercial	1,168	99	1,069	165	904	231	28.3
Commercial investor real estate mortgage	100	9	91	5	86	12	21.0
Commercial investor real estate construction	16	—	16	—	16	1	6.3
Total investor real estate	116	9	107	5	102	13	19.0
Residential first mortgage	476	22	454	—	454	55	16.2
Home equity	304	1	303	—	303	5	2.0
Indirect—vehicles	1	—	1	—	1	—	—
Consumer credit card	2	—	2	—	2	—	—
Other consumer	10	—	10	—	10	—	—
Total consumer	793	23	770	—	770	60	10.5
	\$2,077	\$ 131	\$1,946	\$ 170	\$ 1,776	\$ 304	20.9 %

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

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

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

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

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The following table presents the average balances of total impaired loans and interest income for the three and six months ended June 30, 2017 and 2016. Interest income recognized represents interest on accruing loans modified in a TDR.

	Three Months Ended June 30				Six Months Ended June 30			
	2017		2016		2017		2016	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)							
Commercial and industrial	\$846	\$ 4	\$719	\$ 2	\$833	\$ 6	\$597	\$ 3
Commercial real estate mortgage—owner-occupied	229	1	314	1	246	2	321	2
Commercial real estate construction—owner-occupied	4	—	3	—	5	—	3	—
Total commercial	1,079	5	1,036	3	1,084	8	921	5
Commercial investor real estate mortgage	76	1	126	1	84	2	134	3
Commercial investor real estate construction	53	1	28	—	43	1	28	—
Total investor real estate	129	2	154	1	127	3	162	3
Residential first mortgage	460	4	479	4	457	8	478	8
Home equity	286	3	328	4	290	7	332	9
Indirect—vehicles	—	—	—	—	—	—	1	—
Consumer credit card	2	—	2	—	2	—	2	—
Other consumer	9	—	12	—	10	—	12	—
Total consumer	757	7	821	8	759	15	825	17
Total impaired loans	\$1,965	\$ 14	\$2,011	\$ 12	\$1,970	\$ 26	\$1,908	\$ 25

TROUBLED DEBT RESTRUCTURINGS

Regions regularly modifies commercial and investor real estate loans in order to facilitate a workout strategy. Similarly, Regions works to meet the individual needs of consumer borrowers to stem foreclosure through its CAP. Refer to Note 6 "Allowance For Credit Losses" in the 2016 Annual Report on Form 10-K for additional information regarding the Company's TDRs.

None of the modified consumer loans listed in the following TDR disclosures were collateral-dependent at the time of modification. At June 30, 2017, approximately \$18 million in residential first mortgage TDRs were in excess of 180 days past due and were considered collateral-dependent. At June 30, 2017, approximately \$5 million in home equity first lien TDRs were in excess of 180 days past due and approximately \$2 million in home equity second lien TDRs were in excess of 120 days past due, both of which were considered collateral-dependent.

Further discussion related to TDRs, including their impact on the allowance for loan losses and designation of TDRs in periods subsequent to the modification is included in Note 1 "Summary of Significant Accounting Policies" in the 2016 Annual Report on Form 10-K.

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The following tables present the end of period balance for loans modified in a TDR during the periods presented by portfolio segment and class, and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs. Loans first reported as TDRs during the six months ended June 30, 2017 and 2016 totaled approximately \$328 million and \$211 million, respectively.

Three Months Ended June 30,
2017

	Number of Obligations	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
(Dollars in millions)			
Commercial and industrial	38	\$ 193	\$ 4
Commercial real estate mortgage—owner-occupied	30	37	1
Commercial real estate construction—owner-occupied	1	1	—
Total commercial	69	231	5
Commercial investor real estate mortgage	13	29	1
Commercial investor real estate construction	2	44	1
Total investor real estate	15	73	2
Residential first mortgage	52	17	2
Home equity	33	2	—
Consumer credit card	24	—	—
Indirect—vehicles and other consumer	40	—	—
Total consumer	149	19	2
	233	\$ 323	\$ 9

Three Months Ended June 30,
2016

	Number of Obligations	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
(Dollars in millions)			
Commercial and industrial	57	\$ 122	\$ 4
Commercial real estate mortgage—owner-occupied	46	21	1
Total commercial	103	143	5
Commercial investor real estate mortgage	24	17	—
Commercial investor real estate construction	3	10	—
Total investor real estate	27	27	—
Residential first mortgage	75	15	2
Home equity	89	5	—
Consumer credit card	27	—	—
Indirect—vehicles and other consumer	47	—	—
Total consumer	238	20	2
	368	\$ 190	\$ 7

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	Six Months Ended June 30, 2017		
	Number of Obligations	Recorded Investment	Financial Impact of Modifications Considered TDRs
Increase in Allowance at Modification			
	(Dollars in millions)		
Commercial and industrial	69	\$ 292	\$ 7
Commercial real estate mortgage—owner-occupied	61	65	2
Commercial real estate construction—owner-occupied	7	2	—
Total commercial	133	359	9
Commercial investor real estate mortgage	25	48	1
Commercial investor real estate construction	5	70	2
Total investor real estate	30	118	3
Residential first mortgage	101	25	3
Home equity	91	7	—
Consumer credit card	43	—	—
Indirect—vehicles and other consumer	87	1	—
Total consumer	322	33	3
	485	\$ 510	\$ 15
	Six Months Ended June 30, 2016		
	Number of Obligations	Recorded Investment	Financial Impact of Modifications Considered TDRs
			Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	95	\$ 181	\$ 6
Commercial real estate mortgage—owner-occupied	76	34	1
Total commercial	171	215	7
Commercial investor real estate mortgage	49	60	1
Commercial investor real estate construction	5	11	—
Total investor real estate	54	71	1
Residential first mortgage	138	29	4
Home equity	206	11	—
Consumer credit card	51	—	—
Indirect—vehicles and other consumer	101	1	—
Total consumer	496	41	4
	721	\$ 327	\$ 12

Defaulted TDRs

The following table presents, by portfolio segment and class, TDRs that defaulted during the three and six months ended June 30, 2017 and 2016, and that were modified in the previous twelve months (i.e., the twelve months prior to the default). For purposes of this disclosure, default is defined as placement on non-accrual status for the commercial and investor real estate portfolio segments, and 90 days past due and still accruing for the consumer portfolio segment. Consideration of defaults in the calculation of the allowance for loan losses is described in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016.

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	Three Months Ended June 30 2017		Six Months Ended June 30 2016	
	2017	2016	2017	2016
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	\$6	\$6	\$8	\$12
Commercial real estate mortgage—owner-occupied	—	—	—	1
Total commercial	6	6	8	13
Commercial investor real estate mortgage	—	—	—	1
Total investor real estate	—	—	—	1
Residential first mortgage	2	8	5	11
Home equity	1	1	1	1
Total consumer	3	9	6	12
	\$9	\$15	\$14	\$26

Commercial and investor real estate loans that were on non-accrual status at the time of the latest modification are not included in the default table above, as they are already considered to be in default at the time of the restructuring. At June 30, 2017, approximately \$57 million of commercial and investor real estate loans modified in a TDR during the three months ended June 30, 2017 were on non-accrual status. Approximately 0.9 percent of this amount was 90 days past due.

At June 30, 2017, Regions had restructured binding unfunded commitments totaling \$18 million where a concession was granted and the borrower was in financial difficulty.

NOTE 5. SERVICING OF FINANCIAL ASSETS**RESIDENTIAL MORTGAGE BANKING ACTIVITIES**

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

The table below presents an analysis of residential MSR under the fair value measurement method:

	Three Months Ended June 30 2017		Six Months Ended June 30 2016	
	2017	2016	2017	2016
(In millions)				
Carrying value, beginning of period	\$326	\$239	\$324	\$252
Additions	39	8	47	39
Increase (decrease) in fair value ⁽¹⁾ :				
Due to change in valuation inputs or assumptions	(8)	(22)	(3)	(58)
Economic amortization associated with borrower repayments	(11)	(9)	(22)	(17)
Carrying value, end of period	\$346	\$216	\$346	\$216

(1) "Economic amortization associated with borrower repayments" includes both total loan payoffs as well as partial paydowns.

On February 29, 2016, the Company purchased the rights to service approximately \$2.6 billion in residential mortgage loans for approximately \$24 million.

On April 28, 2017, the Company purchased the rights to service approximately \$2.7 billion in residential mortgage loans for approximately \$30 million.

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

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	June 30			
	2017	2016		
	(Dollars in millions)			
Unpaid principal balance	\$33,055	\$27,360		
Weighted-average prepayment speed (CPR; percentage)	7.9	% 16.5	%	
Estimated impact on fair value of a 10% increase	\$(19)	\$(12)		
Estimated impact on fair value of a 20% increase	\$(35)	\$(24)		
Option-adjusted spread (basis points)	1,052	999		
Estimated impact on fair value of a 10% increase	\$(14)	\$(8)		
Estimated impact on fair value of a 20% increase	\$(28)	\$(15)		
Weighted-average coupon interest rate	4.2	% 4.3	%	
Weighted-average remaining maturity (months)	281	279		
Weighted-average servicing fee (basis points)	27.4	27.8		

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

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

	Three	Six		
	Months	Months		
	Ended	Ended		
	June 30	June 30		
	2017	2016	2017	2016
	(In millions)			

Servicing related fees and other ancillary income	\$24	\$22	\$47	\$42
---	------	------	------	------

Residential mortgage loans are sold in the secondary market with standard representations and warranties regarding certain characteristics such as the quality of the loan, the absence of fraud, the eligibility of the loan for sale and the future servicing associated with the loan. Regions may be required to repurchase these loans at par, or make-whole or indemnify the purchasers for losses incurred when representations and warranties are breached.

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

COMMERCIAL MORTGAGE BANKING ACTIVITIES

On July 18, 2014, Regions was approved as a Fannie Mae DUS lender and acquired a DUS servicing portfolio totaling approximately \$1.0 billion. The Fannie Mae DUS program provides liquidity to the multi-family housing market. As part of the transaction, Regions recorded \$12 million in commercial MSRs and \$15 million in intangible assets associated with the DUS license purchased. Regions also assumed a loss share guarantee associated with the purchased portfolio and any future originations. Regions estimated the fair value of the loss share guarantee to be approximately \$4 million. See Note 1 "Summary of Significant Accounting Policies" in the 2016 Annual Report on Form 10-K for additional information. Also see Note 14 herein for additional information related to the guarantee. As of June 30, 2017 and December 31, 2016, the DUS servicing portfolio was approximately \$2.0 billion and \$1.8 billion, respectively. The related commercial MSRs were valued at approximately \$35 million and \$30 million at

June 30, 2017 and December 31, 2016, respectively. The estimated fair value of the loss share guarantee was valued at approximately \$4 million at both June 30, 2017 and December 31, 2016.

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NOTE 6. GOODWILL

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

	June 30, 2017	December 31, 2016
	(In millions)	
Corporate Bank	\$2,474	\$ 2,474
Consumer Bank	1,978	1,978
Wealth Management	452	452
	\$4,904	\$ 4,904

Regions evaluates each reporting unit's goodwill for impairment on an annual basis in the fourth quarter, or more often if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A detailed description of the Company's methodology and valuation approaches used to determine the estimated fair value of each reporting unit is included in the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016. Adverse changes in the economic environment, declining operations, or other factors could result in a decline in the implied fair value of goodwill.

During the second quarter of 2017, Regions assessed events and circumstances for all three reporting units as of June 30, 2017, and through the date of the filing of this Quarterly Report on Form 10-Q that could potentially indicate goodwill impairment. The indicators assessed included:

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

After assessing the indicators noted above, Regions determined that it was not more likely than not that the fair value of each of its reporting units had declined below their carrying value as of June 30, 2017. Therefore, Regions determined that a test of goodwill impairment was not required for each of Regions' reporting units for the June 30, 2017 interim period.

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

Issuance Date	Earliest Redemption Date	Dividend Rate	Liquidation Amount	June 30, December 31,	
				2017	2016
			Carrying Amount	Carrying Amount	
(Dollars in millions)					
Series A 11/1/2012	12/15/2017	6.375%	\$ 500	\$ 387	\$ 387
Series B 4/29/2014	9/15/2024	6.375% ⁽¹⁾	500	433	433
			\$ 1,000	\$ 820	\$ 820

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

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

The Board of Directors declared \$16 million in cash dividends on Series A Preferred Stock during the first six months of 2017 and 2016. Series B Preferred Stock dividends were also \$16 million for the first six months of 2017 and 2016. In the event Series A and Series B preferred shares are redeemed at the liquidation amounts, \$113 million and \$67 million excess of the redemption amount over the carrying amount will be recognized, respectively. Approximately \$100 million of Series A preferred dividends that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to retained earnings, and approximately \$13 million of related issuance costs that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to net income available to common shareholders. Approximately \$52 million of Series B preferred dividends that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to retained earnings, and approximately \$15 million of related issuance costs that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to net income available to common shareholders.

COMMON STOCK

On June 28, 2017, Regions received no objection from the Federal Reserve to its 2017 capital plan that was submitted as part of the CCAR process, which included the repurchase of common shares and a common stock dividend increase. As part of the Company's capital plan, the Board authorized a new \$1.47 billion common stock repurchase plan, permitting repurchases from the beginning of the third quarter of 2017 through the second quarter of 2018. The capital plan also included a proposed increase of the quarterly common stock dividend to \$0.09 per common share beginning in the third quarter of 2017, subject to quarterly Board approval. The Company began to repurchase shares under this plan in the third quarter of 2017, and as of August 3, 2017, Regions had additional repurchases of approximately 9.9 million shares of common stock at a total cost of approximately \$144.9 million. All of these shares were immediately retired upon repurchase and, therefore, will not be included in treasury stock.

Prior to the new common stock repurchase plan, Regions had authorization to repurchase \$760 million in common shares. As of June 30, 2017, Regions had repurchased approximately 65.8 million shares of common stock at a total cost of approximately \$760 million under this plan and concluded the plan during the second quarter of 2017. Regions' Board declared a cash dividend for the second quarter of 2017 of \$0.07 per common share compared to \$0.065 per common share for the first quarter of 2017, totaling \$0.135 per common share for the first six months of

2017. The Board declared a \$0.065 per share cash dividend on common stock for the second quarter of 2016 as compared to \$0.06 per common share for the first quarter of 2016, totaling \$0.125 per common share for the first six months of 2016.

On July 27, 2017, Regions' Board approved an increase of the quarterly common stock dividend to \$0.09 per share.

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ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Activity within the balances in accumulated other comprehensive income (loss), net is shown in the following tables:

Three Months Ended June 30, 2017

	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	\$ (31)	\$ (105)	\$ (12)	\$ (417)	\$ (565)
Net change	1	50	23	12	86
End of period	\$ (30)	\$ (55)	\$ 11	\$ (405)	\$ (479)

Three Months Ended June 30, 2016

	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	\$ (45)	\$ 198	\$ 216	\$ (392)	\$ (23)
Net change	5	99	62	5	171
End of period	\$ (40)	\$ 297	\$ 278	\$ (387)	\$ 148

Six Months Ended June 30, 2017

	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	\$ (33)	\$ (106)	\$ 11	\$ (422)	\$ (550)
Net change	3	51	—	17	71
End of period	\$ (30)	\$ (55)	\$ 11	\$ (405)	\$ (479)

Six Months Ended June 30, 2016

Unrealized losses on	Unrealized gains (losses) on	Unrealized gains (losses) on	Defined benefit pension	Accumulated other comprehensive

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	securities transferred to held to maturity (In millions)	securities available for sale	derivative instruments designated as cash flow hedges	plans and other post employment benefits	income (loss), net of tax
Beginning of period	\$ (47)	\$ (10)	\$ 75	\$ (398)	\$ (380)
Net change	7	307	203	11	528
End of period	\$ (40)	\$ 297	\$ 278	\$ (387)	\$ 148

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The following table presents amounts reclassified out of accumulated other comprehensive income (loss) for the three and six months ended June 30, 2017 and 2016:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended June 30, 2017 Amount Reclassified from Accumulated Other Comprehensive Income (Loss) ⁽¹⁾ (In millions)	Three Months Ended June 30, 2016 Amount Reclassified from Accumulated Other Comprehensive Income (Loss) ⁽¹⁾ (In millions)	Affected Line Item in the Consolidated Statements of Income
Unrealized losses on securities transferred to held to maturity:	\$ (2)	\$ (8)	Net interest income and other financing income
	1	3	Tax (expense) or benefit
	\$ (1)	\$ (5)	Net of tax
Unrealized gains and (losses) on available for sale securities:	\$ 1	\$ 6	Securities gains (losses), net
	—	(2)	Tax (expense) or benefit
	\$ 1	\$ 4	Net of tax
Gains and (losses) on cash flow hedges:			
Interest rate contracts	\$ 22	\$ 35	Net interest income and other financing income
	(8)	(13)	Tax (expense) or benefit
	\$ 14	\$ 22	Net of tax
Amortization of defined benefit pension plans and other post employment benefits:			
Actuarial gains (losses) and settlements	\$ (19)	\$ (8)	(2)
	(19)	(8)	Total before tax
	7	3	Tax (expense) or benefit
	\$ (12)	\$ (5)	Net of tax
Total reclassifications for the period	\$ 2	\$ 16	Net of tax

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	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	
Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) ⁽¹⁾ (In millions)	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) ⁽¹⁾	Affected Line Item in the Consolidated Statements of Income
Unrealized losses on securities transferred to held to maturity:			
	\$ (5)	\$ (11)	Net interest income and other financing income
	2	4	Tax (expense) or benefit
	\$ (3)	\$ (7)	Net of tax
Unrealized gains and (losses) on available for sale securities:			
	\$ 1	\$ 1	Securities gains (losses), net
	—	—	Tax (expense) or benefit
	\$ 1	\$ 1	Net of tax
Gains and (losses) on cash flow hedges:			
Interest rate contracts	\$ 53	\$ 74	Net interest income and other financing income
	(20)	(28)	Tax (expense) or benefit
	\$ 33	\$ 46	Net of tax
Amortization of defined benefit pension plans and other post employment benefits:			
Actuarial gains (losses) and settlements	\$ (28)	\$ (17)	(2)
	(28)	(17)	Total before tax
	10	6	Tax (expense) or benefit
	\$ (18)	\$ (11)	Net of tax
Total reclassifications for the period	\$ 13	\$ 29	Net of tax

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

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

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NOTE 8. EARNINGS (LOSS) PER COMMON SHARE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
	(In millions, except per share amounts)			
Numerator:				
Income from continuing operations	\$317	\$272	\$611	\$545
Preferred stock dividends	(16)	(16)	(32)	(32)
Income from continuing operations available to common shareholders	301	256	579	513
Income (loss) from discontinued operations, net of tax	(1)	3	6	3
Net income available to common shareholders	\$300	\$259	\$585	\$516
Denominator:				
Weighted-average common shares outstanding—basic	1,202	1,265	1,205	1,275
Potential common shares	10	3	13	4
Weighted-average common shares outstanding—diluted	1,212	1,268	1,218	1,279
Earnings per common share from continuing operations available to common shareholders ⁽¹⁾ :				
Basic	\$0.25	\$0.20	\$0.48	\$0.40
Diluted	0.25	0.20	0.48	0.40
Earnings (loss) per common share from discontinued operations ⁽¹⁾ :				
Basic	\$(0.00)	\$0.00	\$0.00	\$0.00
Diluted	(0.00)	0.00	0.00	0.00
Earnings per common share ⁽¹⁾ :				
Basic	\$0.25	\$0.20	\$0.49	\$0.40
Diluted	0.25	0.20	0.48	0.40

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

The effect from the assumed exercise of 15 million stock options, restricted stock units and awards and performance stock units for both the three months and six months ended June 30, 2017 was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share. The effect from the assumed exercise of 30 million for both the three and six months ended June 30, 2016 was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share.

NOTE 9. SHARE-BASED PAYMENTS

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

On April 23, 2015, the stockholders of the Company approved the Regions Financial Corporation 2015 LTIP, which permits the Company to grant to employees and directors various forms of incentive compensation. These forms of incentive compensation are similar to the types of compensation approved in prior plans. The 2015 LTIP authorizes 60 million common share equivalents available for grant, where grants of options and grants of full value awards

(e.g., shares of restricted stock, restricted stock units and performance stock units) count as one share equivalent. Unless otherwise determined by the Compensation Committee of the Board, grants of restricted stock, restricted stock units, and performance stock units accrue dividends, or their notional equivalent, as they are declared by the Board, and are paid upon vesting of the award. Upon adoption of the 2015 LTIP, Regions closed the prior long-term incentive plan to new grants, and, accordingly, prospective grants must be made under the 2015 LTIP or a successor plan. All existing grants under prior long-term incentive plans are unaffected by adoption of the 2015 LTIP. The number of remaining share equivalents available for future issuance under the 2015 LTIP was approximately 45 million at June 30, 2017.

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STOCK OPTIONS

The following table summarizes the activity related to stock options:

	Six Months Ended June 30			
	2017		2016	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of period	13,455,047	\$ 19.37	19,350,157	\$ 21.06
Exercised	(964,494)	6.61	(227,492)	6.91
Forfeited or expired	(2,656,188)	34.71	(3,819,783)	34.72
Outstanding at end of period	9,834,365	\$ 16.48	15,302,882	\$ 17.86
Exercisable at end of period	9,834,365	\$ 16.48	15,302,882	\$ 17.86

RESTRICTED STOCK AWARDS AND PERFORMANCE STOCK AWARDS

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

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

	Six Months Ended June 30			
	2017		2016	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	16,558,942	\$ 9.31	16,374,242	\$ 9.51
Granted	3,891,181	14.56	6,820,768	7.92
Vested	(4,515,854)	11.12	(5,600,419)	8.21
Forfeited	(370,270)	9.96	(690,623)	9.19
Non-vested at end of period	15,563,999	\$ 10.09	16,903,968	\$ 9.31

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NOTE 10. PENSION AND OTHER POSTRETIREMENT BENEFITS

Effective January 1, 2016, Regions separated its defined benefit pension plan qualified under the Internal Revenue Code into two plans. The new plan was created primarily for participants who were actively employed on January 1, 2016 and all other participants were retained in the existing plan. Regions' defined benefit pension plans cover only certain employees as the pension plans are closed to new entrants. The Company also sponsors a SERP, which is a non-qualified pension plan that provides certain senior executive officers defined benefits in relation to their compensation.

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

	Qualified Plans		Non-qualified Plans		Total	
	2017	2016	2017	2016	2017	2016
Three Months Ended June 30						
(In millions)						
Service cost	\$ 9	\$ 8	\$ 1	\$ 1	\$ 10	\$ 9
Interest cost	18	18	1	2	19	20
Expected return on plan assets	(36)	(36)	—	—	(36)	(36)
Amortization of actuarial loss	8	8	1	—	9	8
Settlement charge	—	—	10	—	10	—
Net periodic pension cost (credit)	\$(2)	\$ 13	\$ 3	\$ 3	\$ 12	\$ 1

	Qualified Plans		Non-qualified Plans		Total	
	2017	2016	2017	2016	2017	2016
Six Months Ended June 30						
(In millions)						
Service cost	\$ 17	\$ 17	\$ 2	\$ 2	\$ 19	\$ 19
Interest cost	36	36	2	3	38	39
Expected return on plan assets	(71)	(72)	—	—	(71)	(72)

Amortization					
of					
16	16	2	1	18	17
actuarial					
loss					
Settlement					
charge	10		—	10	—
Net					
periodic					
contribution	(3)	\$ 16	\$ 6	\$ 14	\$ 3
cost					
(credit)					

The settlement charge relates to the settlement of liabilities under the SERP for certain plan participants during the second quarter of 2017.

Regions' funding policy is to contribute annually at least the amount required by IRS minimum funding standards.

Regions made no contribution to the plan during the first six months of 2017.

Regions also provides other postretirement benefits such as defined benefit health care plans and life insurance plans that cover certain retired employees. There was no material impact from other postretirement benefits on the consolidated financial statements for the six months ended June 30, 2017 or 2016.

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The following tables present the notional amount and estimated fair value of derivative instruments on a gross basis as of June 30, 2017 and December 31, 2016. The variation margin payments made during 2017 for derivatives cleared through the Chicago Mercantile Exchange are legally characterized as settlements of the derivatives. As a result, these variation margin payments are netted against the fair value of the respective derivative contracts in the balance sheet and related disclosures.

	June 30, 2017			December 31, 2016		
	Notional Amount	Estimated Fair Value Gain ⁽¹⁾ Loss ⁽¹⁾		Notional Amount	Estimated Fair Value Gain ⁽¹⁾ Loss ⁽¹⁾	
	(In millions)					
Derivatives in fair value hedging relationships:						
Interest rate swaps	\$2,168	\$1	\$ 30	\$2,257	\$7	\$ 40
Derivatives in cash flow hedging relationships:						
Interest rate swaps	7,400	20	158	9,000	19	269
Total derivatives designated as hedging instruments	\$9,568	\$21	\$ 188	\$11,257	\$26	\$ 309
Derivatives not designated as hedging instruments:						
Interest rate swaps	\$40,578	\$337	\$ 382	\$41,851	\$412	\$ 467
Interest rate options	3,873	24	10	3,877	24	12
Interest rate futures and forward commitments	21,062	6	9	18,605	11	6
Other contracts	6,402	72	73	5,813	106	93
Total derivatives not designated as hedging instruments	\$71,915	\$439	\$ 474	\$70,146	\$553	\$ 578
Total derivatives	\$81,483	\$460	\$ 662	\$81,403	\$579	\$ 887

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

HEDGING DERIVATIVES

Derivatives entered into to manage interest rate risk and facilitate asset/liability management strategies are designated as hedging derivatives. Derivative financial instruments that qualify in a hedging relationship are classified, based on the exposure being hedged, as either fair value hedges or cash flow hedges. See Note 1 "Summary of Significant Accounting Policies" of the Annual Report on Form 10-K for the year ended December 31, 2016, for additional information regarding accounting policies for derivatives.

FAIR VALUE HEDGES

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

CASH FLOW HEDGES

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

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

Regions issues long-term fixed-rate debt for various funding needs. Regions may enter into receive LIBOR/pay fixed forward starting swaps to hedge risks of changes in the projected quarterly interest payments attributable to changes in

the benchmark interest rate (LIBOR) during the time leading up to the probable issuance date of the new long-term fixed-rate debt.

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Regions recognized an unrealized after-tax gain of \$140 million and \$77 million in accumulated other comprehensive income (loss) at June 30, 2017 and 2016, respectively, related to terminated cash flow hedges of loan instruments, which will be amortized into earnings in conjunction with the recognition of interest payments through 2025. Regions recognized pre-tax income of \$18 million and \$12 million during the three months ended June 30, 2017 and 2016, respectively, and pre-tax income of \$37 million and \$24 million during the six months ended June 30, 2017 and 2016, respectively, related to the amortization of discontinued cash flow hedges of loan instruments.

Regions expects to reclassify out of accumulated other comprehensive income (loss) and into earnings approximately \$60 million in pre-tax income due to the receipt or payment of interest payments on all cash flow hedges within the next twelve months. Included in this amount is \$60 million in pre-tax net gains related to the amortization of discontinued cash flow hedges. The maximum length of time over which Regions is hedging its exposure to the variability in future cash flows for forecasted transactions is approximately eight years as of June 30, 2017.

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

	Gain or (Loss) Recognized in Income on Derivatives Three Months Ended June 30 2017 2016 (In millions)	Location of Amounts Recognized in Income on Derivatives and Related Hedged Item	Gain or (Loss) Recognized in Income on Related Hedged Item Three Months Ended June 30 2017 2016 (In millions)
Fair Value Hedges:			
Interest rate swaps on:			
Debt/CDs	\$ — \$ 4	Interest expense	\$ — \$ (1)
Debt/CDs	7 12	Other non-interest expense	(6) (12)
Securities available for sale	(1) (2)	Interest income	— —
Securities available for sale	(4) (12)	Other non-interest expense	4 12
Total	\$ 2 \$ 2		\$ (2) \$ (1)

Effective Portion⁽³⁾

Gain or (Loss) Recognized in AOCI ⁽¹⁾ Three Months Ended June 30 20172016	Location of Amounts Reclassified from AOCI into Income	Gain or (Loss) Reclassified from AOCI into Income ⁽²⁾ Three Months Ended June 30 2017 2016
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	(In millions)			(In millions)	
Cash Flow Hedges:					
Interest rate swaps	\$23	\$62	Interest income on loans	\$22	\$35
Total	\$23	\$62		\$22	\$35
	Gain or (Loss)	Recognized in Income on Derivatives	Location of Amounts Recognized in Income on Derivatives and Related Hedged Item	Gain or (Loss)	Recognized in Income on Related Hedged Item
	Six Months Ended June 30	2017	2016	Six Months Ended June 30	2017
	(In millions)			(In millions)	2016
Fair Value Hedges:					
Interest rate swaps on:					
Debt/CDs	\$1	\$8	Interest expense	\$—	\$(2)
Debt/CDs	5	27	Other non-interest expense	(4)	(27)
Securities available for sale	(2)	(5)	Interest income	—	—
Securities available for sale	(2)	(38)	Other non-interest expense	1	37
Total	\$2	\$(8)		\$(3)	\$8

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Effective Portion ⁽³⁾		Gain or (Loss)
Gain or (Loss)	Recognition of Amounts Reclassified from AOCI into Income in AOCI ⁽¹⁾	Reclassified from AOCI into Income ⁽²⁾
Six Months Ended June 30 2017	2016	Six Months Ended June 30 2017 2016
(In millions)		(In millions)
Cash Flow Hedges:		
Interest rate swaps	\$-\$203 Interest income on loans	\$ 53 \$ 74
Total	\$-\$203	\$ 53 \$ 74

(1) After-tax

(2) Pre-tax

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

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Company holds a portfolio of interest rate swaps, option contracts, and futures and forward commitments that result from transactions with its commercial customers in which they manage their risks by entering into a derivative with Regions. The Company monitors and manages the net risk in this customer portfolio and enters into separate derivative contracts in order to reduce the overall exposure to pre-defined limits. For both derivatives with its end customers and derivatives Regions enters into to mitigate the risk in this portfolio, the Company is subject to market risk and the risk that the counterparty will default. The contracts in this portfolio are not designated as accounting hedges and are marked-to market through earnings (in capital markets fee income and other) and included in other assets and other liabilities, as appropriate.

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. At June 30, 2017 and December 31, 2016, Regions had \$319 million and \$274 million, respectively, in total notional amount of interest rate lock commitments. Regions manages market risk on interest rate lock commitments and mortgage loans held for sale with corresponding forward sale commitments. Residential mortgage loans held for sale are recorded at fair value with changes in fair value recorded in mortgage income. Commercial mortgage loans held for sale are recorded at either the lower of cost or market or at fair value based on management's election. At June 30, 2017 and December 31, 2016, Regions had \$802 million and \$786 million, respectively, in total notional amounts related to these forward sale commitments. Changes in mark-to-market from both interest rate lock commitments and corresponding forward sale commitments related to residential mortgage loans are included in mortgage income. Changes in mark-to-market from both interest rate lock commitments and corresponding forward sale commitments related to commercial mortgage loans are included in capital markets fee income and other.

Regions has elected to account for residential MSRs at fair value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments, in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the effect of changes in the fair value of its residential MSRs in its consolidated statements of income. As of

June 30, 2017 and December 31, 2016, the total notional amount related to these contracts was \$7.5 billion and \$7.2 billion, respectively.

The following table presents the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the consolidated statements of income for the three and six months ended June 30, 2017 and 2016:

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	Three Months Ended June 30 2017		Six Months Ended June 30 2016	
Derivatives Not Designated as Hedging Instruments	(In millions)			
Capital markets fee income and other ⁽¹⁾ :				
Interest rate swaps	\$4	\$(1)	\$6	\$3
Interest rate options	8	4	10	14
Interest rate futures and forward commitments	3	2	5	3
Other contracts	(7)	14	(15)	2
Total capital markets fee income and other	8	19	6	22
Mortgage income:				
Interest rate swaps	8	19	6	48
Interest rate options	(3)	3	(1)	8
Interest rate futures and forward commitments	1	(1)	(7)	1
Total mortgage income	6	21	(2)	57
	\$14	\$40	\$4	\$79

(1) Capital markets fee income and other is included in Other income on the consolidated statements of income. Credit risk, defined as all positive exposures not collateralized with cash or other assets or reserved for, at June 30, 2017 and December 31, 2016, totaled approximately \$272 million and \$334 million, respectively. These amounts represent the net credit risk on all trading and other derivative positions held by Regions.

CREDIT DERIVATIVES

Regions has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty if the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction and have maturities between 2017 and 2024. Credit derivatives whereby Regions has sold credit protection have maturities between 2017 and 2025. For contracts where Regions sold credit protection, Regions would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction. Regions bases the current status of the prepayment/performance risk on bought and sold credit derivatives on recently issued internal risk ratings consistent with the risk management practices of unfunded commitments. Regions' maximum potential amount of future payments under these contracts as of June 30, 2017 was approximately \$275 million. This scenario would only occur if variable interest rates were at zero percent and all counterparties defaulted with zero recovery. The fair value of sold protection at June 30, 2017 and 2016 was immaterial. In transactions where Regions has sold credit protection, recourse to collateral associated with the original swap transaction is available to offset some or all of Regions' obligation.

Regions has bought credit protection in the form of credit default indices. These indices, which meet the definition of credit derivatives, were entered into in the ordinary course of business to economically hedge credit spread risk in commercial mortgage loans held for sale whereby the fair value option has been elected. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty if losses on the underlying index exceed a certain threshold, dependent upon the tranche rating of the capital structure.

CONTINGENT FEATURES

Certain of Regions' derivative instrument contracts with broker-dealers contain credit-related termination provisions and/or credit-related provisions regarding the posting of collateral, allowing those broker-dealers to terminate the contracts in the event that Regions' and/or Regions Bank's credit ratings falls below specified ratings from certain

major credit rating agencies. The aggregate fair values of all derivative instruments with any credit-risk-related contingent features that were in a liability position on June 30, 2017 and December 31, 2016, were \$114 million and \$141 million, respectively, for which Regions had posted collateral of \$114 million and \$141 million, respectively, in the normal course of business.

OFFSETTING

Regions engages in derivatives transactions with dealers and customers. These derivatives transactions are subject to enforceable master netting agreements, which include a right of setoff by the non-defaulting or non-affected party upon early termination of the derivatives transaction. The following table presents the Company's gross derivative positions, including collateral posted or received, as of June 30, 2017 and December 31, 2016.

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	Offsetting Derivative Assets		Offsetting Derivative Liabilities	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
	(In millions)			
Gross amounts subject to offsetting	\$298	\$ 414	\$396	\$ 583
Gross amounts not subject to offsetting	162	165	266	304
Gross amounts recognized	460	579	662	887
Gross amounts offset in the consolidated balance sheets ⁽¹⁾	184	241	288	541
Net amounts presented in the consolidated balance sheets	276	338	374	346
Gross amounts not offset in the consolidated balance sheets:				
Financial instruments	4	4	50	50
Cash collateral received/posted	—	—	232	227
Net amounts	\$272	\$ 334	\$92	\$ 69

At June 30, 2017, gross amounts of derivative assets and liabilities offset in the consolidated balance sheets presented above include cash collateral received of \$55 million and cash collateral posted of \$159 million. At (1) December 31, 2016, gross amounts of derivative assets and liabilities offset in the consolidated balance sheets presented above include cash collateral received of \$48 million and cash collateral posted of \$349 million. Gross amounts of derivatives not subject to offsetting primarily consist of derivatives cleared through a Central Counterparty Clearing House and interest rate lock commitments to originate mortgage loans.

NOTE 12. FAIR VALUE MEASUREMENTS

See Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. Assets and liabilities measured at fair value rarely transfer between Level 1 and Level 2 measurements. There were no such transfers during the six month periods ended June 30, 2017 and 2016. Trading account securities and securities available for sale may be periodically transferred to or from Level 3 valuation based on management’s conclusion regarding the observability of inputs used in valuing the securities. Such transfers are accounted for as if they occur at the beginning of a reporting period.

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The following table presents assets and liabilities measured at estimated fair value on a recurring basis and non-recurring basis as of June 30, 2017 and December 31, 2016:

	June 30, 2017			December 31, 2016				
	Level 1	Level 2	Level 3	Total Estimated Fair Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
(In millions)								
Recurring fair value measurements								
Trading account securities	\$ 178	\$ —	\$ —	\$ 178	\$ 124	\$ —	\$ —	\$ 124
Securities available for sale:								
U.S. Treasury securities	\$ 314	\$ —	\$ —	\$ 314	\$ 303	\$ —	\$ —	\$ 303
Federal agency securities	—	25	—	25	—	35	—	35
Obligations of states and political subdivisions	—	—	—	—	—	1	—	1
Mortgage-backed securities (MBS):								
Residential agency	—	17,524	—	17,524	—	17,371	—	17,371
Residential non-agency	—	—	3	3	—	—	4	4
Commercial agency	—	3,474	—	3,474	—	3,463	—	3,463
Commercial non-agency	—	816	—	816	—	1,129	—	1,129
Corporate and other debt securities	—	1,245	4	1,249	—	1,271	3	1,274
Equity securities	203	—	—	203	201	—	—	201
Total securities available for sale	\$ 517	\$ 23,084	\$ 7	\$ 23,608	\$ 504	\$ 23,270	\$ 7	\$ 23,781
Loans held for sale	\$ —	\$ 379	\$ —	\$ 379	\$ —	\$ 414	\$ 33	\$ 447
Residential mortgage servicing rights	\$ —	\$ —	\$ 346	\$ 346	\$ —	\$ —	\$ 324	\$ 324
Derivative assets:								
Interest rate swaps	\$ —	\$ 358	\$ —	\$ 358	\$ —	\$ 438	\$ —	\$ 438
Interest rate options	—	11	13	24	—	13	11	24
Interest rate futures and forward commitments	—	6	—	6	—	11	—	11
Other contracts	2	70	—	72	2	104	—	106
Total derivative assets	\$ 2	\$ 445	\$ 13	\$ 460	\$ 2	\$ 566	\$ 11	\$ 579
Derivative liabilities:								
Interest rate swaps	\$ —	\$ 570	\$ —	\$ 570	\$ —	\$ 776	\$ —	\$ 776
Interest rate options	—	10	—	10	—	12	—	12
Interest rate futures and forward commitments	—	9	—	9	—	6	—	6
Other contracts	2	71	—	73	1	92	—	93
Total derivative liabilities	\$ 2	\$ 660	\$ —	\$ 662	\$ 1	\$ 886	\$ —	\$ 887
Non-recurring fair value measurements								
Loans held for sale	\$ —	\$ —	\$ 7	\$ 7	\$ —	\$ —	\$ 7	\$ 7
Foreclosed property and other real estate	—	31	10	41	—	29	6	35

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

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The following tables illustrate rollforwards for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2017 and 2016. The tables do not reflect the change in fair value attributable to any related economic hedges the Company used to mitigate the interest rate risk associated with these assets and liabilities. The net changes in realized gains (losses) included in earnings related to Level 3 assets and liabilities held at June 30, 2017 and 2016 are not material.

Three Months Ended June 30, 2017

	Opening Balance April 1, 2017	Total Realized / Unrealized Gains or Losses						Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2017
		Included in Earnings	Included Other Compre- hensive Income (Loss)	Purchase	Sales	Issuance	Settlements			
(In millions)										
Level 3 Instruments Only										
Securities available for sale:										
Residential non-agency MBS	\$4	—	—	—	—	—	(1)	—	—	\$ 3
Corporate and other debt securities	3	—	—	—	—	—	—	1	—	4
Total securities available for sale	\$7	—	—	—	—	—	(1)	1	—	\$ 7
Commercial mortgage loans held for sale	\$33	—	—	7	(40)	—	—	—	—	\$ —
Residential mortgage servicing rights	\$326	(19)	(1)	—	39	—	—	—	—	\$ 346
Total derivatives, net	\$12	33	(2)	—	—	—	(32)	—	—	\$ 13

Three Months Ended June 30, 2016

	Opening Balance April 1, 2016	Total Realized / Unrealized Gains or Losses						Transfer into Level 3	Transfer out of Level 3	Closing Balance June 30, 2016
		Included in Earnings	Included Other Compre- hensive Income (Loss)	Purchase	Sales	Issuance	Settlements			
(In millions)										
Level 3 Instruments Only										
Securities available for sale:										
Residential non-agency MBS	\$5	—	—	—	—	—	—	—	—	\$ 5
Corporate and other debt securities	3	—	—	—	—	—	—	—	—	3
Total securities available for sale	\$8	—	—	—	—	—	—	—	—	\$ 8
Commercial mortgage loans held for sale	\$—	—	—	—	—	30	—	—	—	\$ 30

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Residential mortgage servicing rights	\$239	(31) ⁽¹⁾	—	8	—	—	—	—	—	\$ 216
Total derivatives, net	\$21	35	⁽⁴⁾	—	—	—	—	(39)	—	\$ 17

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Six Months Ended June 30, 2017										
Total Realized / Unrealized Gains or Losses										
	Opening Balance January 2017	Included in Earnings	Included in Comprehensive Income (Loss)	Purchases	Sales	Issuance	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2017
(In millions)										
Level 3 Instruments Only										
Securities available for sale:										
Residential non-agency MBS	\$4	—	—	—	—	—	(1)	—	—	\$3
Corporate and other debt securities	3	—	—	—	—	—	—	1	—	4
Total securities available for sale	\$7	—	—	—	—	—	(1)	1	—	\$7
Commercial mortgage loans held for sale	\$33	—	—	7	(40)	—	—	—	—	\$—
Residential mortgage servicing rights	\$324	(25)	(1)	—	47	—	—	—	—	\$346
Total derivatives, net	\$11	56	(5)	—	—	—	(54)	—	—	\$13
Six Months Ended June 30, 2016										
Total Realized / Unrealized Gains or Losses										
	Opening Balance January 2016	Included in Earnings	Included in Comprehensive Income (Loss)	Purchases	Sales	Issuance	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2016
(In millions)										
Level 3 Instruments Only										
Trading account securities										
	\$33	(2)	(3)	—	—	(31)	—	—	—	\$—
Securities available for sale:										
Residential non-agency MBS	\$5	—	—	—	—	—	—	—	—	\$5
Corporate and other debt securities	3	—	—	—	—	—	—	—	—	3
Total securities available for sale	\$8	—	—	—	—	—	—	—	—	\$8
Commercial mortgage loans held for sale	\$—	—	—	—	—	30	—	—	—	\$30
Residential mortgage servicing rights	\$252	(75)	(1)	—	39	—	—	—	—	\$216
Total derivatives, net	\$10	73	(6)	—	—	—	(66)	—	—	\$17

(1) Included in mortgage income.

- (2) Approximately \$8 million was included in capital markets fee income and other and \$25 million was included in mortgage income.
- (3) Included in capitals markets fee income and other.
- (4) Approximately \$4 million was included in capital markets fee income and other and \$31 million was included in mortgage income.
- (5) Approximately \$10 million was included in capital markets fee income and other and \$46 million was included in mortgage income.
- (6) Approximately \$13 million was included in capital markets fee income and other and \$60 million was included in mortgage income.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
	(In millions)			
Loans held for sale	\$(3)	\$(18)	\$(7)	\$(22)
Foreclosed property and other real estate	(11)	(20)	(15)	(27)

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The following tables present detailed information regarding assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of June 30, 2017, and December 31, 2016. The tables include the valuation techniques and the significant unobservable inputs utilized. The range of each significant unobservable input as well as the weighted-average within the range utilized at June 30, 2017, and December 31, 2016, are included. Following the tables are descriptions of the valuation techniques and the sensitivity of the techniques to changes in the significant unobservable inputs.

	June 30, 2017			
	Level 3			
	Estimated			
	Fair Value	Valuation	Unobservable	Quantitative Range of
	at	Technique	Input(s)	Unobservable Inputs and
	June 30,			(Weighted-Average)
	2017			
	(Dollars in millions)			
Recurring fair value measurements:				
Securities available for sale:				
Residential non-agency MBS	\$3	Discounted cash flow	Spread to LIBOR	5.4% - 69.9% (22.9%)
			Weighted-average CPR (%)	3.8% - 29.3% (11.4%)
			Probability of default	1.3%
			Loss severity	88.0%
			Evaluated quote on same issuer/comparable bond	100.1%
Corporate and other debt securities	\$4	Market comparable	Weighted-average CPR (%)	5.8% - 26.7% (7.9%)
			OAS (%)	8.2% - 13.7% (10.5%)
Residential mortgage servicing rights ⁽¹⁾	\$346	Discounted cash flow	Interest rate lock commitments on the residential mortgage loans are valued using discounted cash flows	Weighted-average CPR (%)
				5.8% - 26.7% (7.9%)
			OAS (%)	8.2% - 13.7% (10.5%)
			Pull-through	16.1% - 99.4% (80.0%)
Derivative assets:			Interest rate lock commitments on the commercial mortgage loans are valued using discounted cash flows	Internal rate of return
Interest rate options	\$9			7.0% - 17.0% (11.8%)
Nonrecurring fair value measurements:				
Loans held for sale	\$7	Commercial loans held for sale are valued based on multiple data points, including discount to appraised value of collateral	Appraisal comparability adjustment (discount)	31.5% - 93.6% (60.8%)

Foreclosed property and other real estate	\$2	based on recent market activity for sales of similar loans Property in foreclosure is valued by discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	25.0% - 38.8% (34.0%)
	\$8	Bank owned property valuations are based on comparable sales and local broker network estimates provided by a third-party real estate services provider	Estimated third-party valuations utilizing available sales data for similar transactions (discount)	6.4% - 72.4% (39.9%)

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

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	December 31, 2016			
	Level 3			
	Estimated	Valuation	Unobservable	Quantitative Range of
	Fair Value	Technique	Input(s)	Unobservable Inputs and
	at			(Weighted-Average)
	December			
	31, 2016			
	(Dollars in millions)			
Recurring fair value measurements:				
Securities available for sale:				
Residential non-agency MBS	\$4	Discounted cash flow	Spread to LIBOR	5.5% - 70.0% (23.0%)
			Weighted-average CPR (%)	3.5% - 29.5% (12.2%)
			Probability of default	3.1%
			Loss severity	63.6%
			Evaluated quote on same issuer/comparable bond	100.3%
Corporate and other debt securities	\$3	Market comparable	Credit spreads for bonds in the commercial MBS	0.4% - 5.8% (1.3%)
Commercial mortgage loans held for sale	\$33	Market comparable	Weighted-average CPR (%)	5.7% - 24.3% (7.6%)
Residential mortgage servicing rights ⁽¹⁾	\$324	Discounted cash flow	OAS (%)	8.2% - 13.6% (10.5%)
Derivative assets:				
		Interest rate lock commitments on the residential mortgage loans are valued using discounted cash flows	Weighted-average CPR (%)	5.7% - 24.3% (7.6%)
Interest rate options	\$8		OAS (%)	8.2% - 13.6% (10.5%)
			Pull-through	14.9% - 99.4% (78.3%)
		Interest rate lock commitments on the commercial mortgage loans are valued using discounted cash flows	Internal rate of return	7.0% - 17.0% (12.0%)
	\$3			
Nonrecurring fair value measurements:				
		Commercial loans held for sale are valued based on multiple data points, including discount to appraised value of collateral based on recent market activity for sales of similar loans	Appraisal comparability adjustment (discount)	26.2% - 69.4% (48.1%)
Loans held for sale	\$7			

Foreclosed property and other real estate	\$1	Property in foreclosure is valued by discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal comparability adjustment (discount)	25.0% - 60.3% (37.0%)
	\$5	Bank owned property valuations are based on comparable sales and local broker network estimates provided by a third-party real estate services provider	Estimated third-party valuations utilizing available sales data for similar transactions (discount)	5.9% - 29.6% (15.8%)

(1) See Note 7 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2016 for additional disclosures related to assumptions used in the fair value calculation for residential mortgage servicing rights.

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RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Securities available for sale

Residential non-agency MBS—The fair value reported in this category relates to retained interests in legacy securitizations. Significant unobservable inputs include the spread to LIBOR, CPR, probability of default, and loss severity in the event of default. Significant increases in spread to LIBOR, probability of default and loss given default in isolation would result in significantly lower fair value. A significant increase in CPR in isolation would result in an increase to fair value.

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

Commercial mortgage loans held for sale

Commercial mortgage loans held for sale are valued based on traded market prices for comparable commercial mortgage-backed securitizations, into which the loans will be placed, adjusted for movements of interest rates and credit spreads. Significant unobservable inputs include credit spreads for bonds in commercial mortgage-backed securitizations. An increase in credit spreads would result in a decrease in fair value.

Residential mortgage servicing rights

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

Derivative assets

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

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

NON-RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Loans held for sale

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

Foreclosed property and other real estate

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

Bank owned property available for sale is valued based on estimated third-party valuations utilizing recent sales data from similar transactions. A broker's opinion of value is obtained to further support the asset valuations. Updated valuations along with

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actual sales results of similar properties can further impact these values. These non-recurring fair value measurements are typically recorded on the date an updated third-party valuation is received.

FAIR VALUE OPTION

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

The Company also elected to measure commercial and industrial loans held for sale at fair value, as these loans are actively traded in the secondary market. The Company is able to obtain fair value estimates for substantially all of these loans through a third party valuation service that is broadly used by market participants. While most of the loans are traded in the market, the volume and level of trading activity is subject to variability and the loans are not exchange-traded. Therefore, these loans have been classified as Level 2.

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

	June 30, 2017		December 31, 2016	
	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal
		Value Less Aggregate Unpaid Principal		Value Less Aggregate Unpaid Principal
Mortgage loans held for sale, at fair value	\$379	\$ 365	\$447	\$ 443
		\$ 14		\$ 4

(In millions)

Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on loans held for sale in the consolidated statements of income. The following table details net gains and losses resulting from changes in fair value of these loans, which were recorded in mortgage and capital markets income in the consolidated statements of income during the three and six months ended June 30, 2017 and 2016. These changes in fair value are mostly offset by economic hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

	Net gains (losses) resulting from changes in fair value	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016
Mortgage loans held for sale, at fair value	\$2	\$ 7
	\$ 8	\$ 9

(In millions)

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The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of June 30, 2017 are as follows:

	June 30, 2017				
	Carrying Amount	Estimated Fair Value ⁽¹⁾	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	\$4,131	\$4,131	\$4,131	\$ —	—
Trading account securities	178	178	178	—	—
Securities held to maturity	1,754	1,770	—	1,770	—
Securities available for sale	23,608	23,608	517	23,084	7
Loans held for sale	573	573	—	573	—
Loans (excluding leases), net of unearned income and allowance for loan losses ⁽²⁾⁽³⁾	78,166	74,429	—	—	74,429
Other earning assets ⁽⁴⁾	940	940	—	940	—
Derivative assets	460	460	2	445	13
Financial liabilities:					
Derivative liabilities	662	662	2	660	—
Deposits	98,093	98,141	—	98,141	—
Short-term borrowings	600	600	—	600	—
Long-term borrowings	6,765	7,099	—	4,760	2,339
Loan commitments and letters of credit	99	430	—	—	430
Indemnification obligation	24	24	—	—	24

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

The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor.

(2) Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at June 30, 2017 was \$3.7 billion or 4.8 percent.

(3) Excluded from this table is the capital lease carrying amount of \$920 million at June 30, 2017.

(4) Excluded from this table is the operating lease carrying amount of \$597 million at June 30, 2017.

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The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of December 31, 2016 are as follows:

	December 31, 2016				
	Carrying Amount	Estimated Fair Value ⁽¹⁾	Level 1	Level 2	Level 3
	(In millions)				
Financial assets:					
Cash and cash equivalents	\$5,451	\$5,451	\$5,451	\$ —	—
Trading account securities	124	124	124	—	—
Securities held to maturity	1,362	1,369	—	1,369	—
Securities available for sale	23,781	23,781	504	23,270	7
Loans held for sale	718	722	—	689	33
Loans (excluding leases), net of unearned income and allowance for loan losses ⁽²⁾⁽³⁾	78,128	74,063	—	—	74,063
Other earning assets ⁽⁴⁾	956	956	—	956	—
Derivative assets	579	579	2	566	11
Financial liabilities:					
Derivative liabilities	887	887	1	886	—
Deposits	99,035	99,081	—	99,081	—
Long-term borrowings	7,763	8,008	—	5,408	2,600
Loan commitments and letters of credit	102	484	—	—	484
Indemnification obligation	28	26	—	—	26

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

The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. (2) In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at December 31, 2016 was \$4.1 billion or 5.2 percent.

(3) Excluded from this table is the capital lease carrying amount of \$876 million at December 31, 2016.

(4) Excluded from this table is the operating lease carrying amount of \$688 million at December 31, 2016.

NOTE 13. BUSINESS SEGMENT INFORMATION

Each of Regions' reportable segments is a strategic business unit that serves specific needs of Regions' customers based on the products and services provided. The segments are based on the manner in which management views the financial performance of the business. The Company has three reportable segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder split between Discontinued Operations and Other. Additional information about the Company's reportable segments is included in Regions' Annual Report on Form 10-K for the year ended December 31, 2016.

The application and development of management reporting methodologies is a dynamic process and is subject to periodic enhancements. As these enhancements are made, financial results presented by each reportable segment may be periodically revised.

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

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	Three Months Ended June 30, 2017				Continuing Operations	Discontinued Operations	Consolidated
	Corporate Bank	Consumer Bank	Wealth Management	Other			
	(In millions)						
Net interest income and other financing income (loss)	\$360	\$532	\$48	\$(58)	\$882	\$—	\$882
Provision (credit) for loan losses	66	71	5	(94)	48	—	48
Non-interest income	118	287	109	11	525	—	525
Non-interest expense	221	515	120	53	909	1	910
Income (loss) before income taxes	191	233	32	(6)	450	(1)	449
Income tax expense (benefit)	72	88	12	(39)	133	—	133
Net income (loss)	\$119	\$145	\$20	\$33	\$317	\$ (1)	\$316
Average assets	\$52,056	\$34,911	\$3,135	\$33,741	\$123,843	\$—	\$123,843
	Three Months Ended June 30, 2016						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income and other financing income (loss)	\$361	\$510	\$43	\$(66)	\$848	\$—	\$848
Provision (credit) for loan losses	71	70	6	(75)	72	—	72
Non-interest income	118	282	106	20	526	—	526
Non-interest expense	220	508	118	69	915	(5)	910
Income (loss) before income taxes	188	214	25	(40)	387	5	392
Income tax expense (benefit)	71	81	10	(47)	115	2	117
Net income (loss)	\$117	\$133	\$15	\$7	\$272	\$3	\$275
Average assets	\$54,747	\$34,331	\$3,241	\$33,093	\$125,412	\$—	\$125,412
	Six Months Ended June 30, 2017						
	Corporate Bank	Consumer Bank	Wealth Management	Other	Continuing Operations	Discontinued Operations	Consolidated
	(In millions)						
Net interest income and other financing income (loss)	\$700	\$1,050	\$94	\$(103)	\$1,741	\$—	\$1,741
Provision (credit) for loan losses	134	145	11	(172)	118	—	118
Non-interest income	231	561	221	22	1,035	—	1,035
Non-interest expense	437	1,027	242	80	1,786	(10)	1,776
Income (loss) before income taxes	360	439	62	11	872	10	882
Income tax expense (benefit)	137	167	23	(66)	261	4	265
Net income (loss)	\$223	\$272	\$39	\$77	\$611	\$6	\$617
Average assets	\$52,197	\$34,979	\$3,149	\$33,999	\$124,324	\$—	\$124,324

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	Six Months Ended June 30, 2016				Continuing Operations	Discontinued Operations	Consolidated
	Corporate Bank	Consumer Bank	Wealth Management	Other			
	(In millions)						
Net interest income and other financing income (loss)	\$736	\$1,015	\$88	\$(129)	\$1,710	\$—	\$1,710
Provision (credit) for loan losses	144	141	11	(111)	185	—	185
Non-interest income	249	540	213	30	1,032	—	1,032
Non-interest expense	437	1,015	230	102	1,784	(5)	1,779
Income (loss) before income taxes	404	399	60	(90)	773	5	778
Income tax expense (benefit)	154	152	23	(101)	228	2	230
Net income (loss)	\$250	\$247	\$37	\$11	\$545	\$3	\$548
Average assets	\$54,733	\$34,136	\$3,237	\$33,580	\$125,686	\$—	\$125,686

NOTE 14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

COMMERCIAL COMMITMENTS

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

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

	June 30, 2017	December 31, 2016
	(In millions)	
Unused commitments to extend credit	\$44,078	\$44,408
Standby letters of credit	1,352	1,425
Commercial letters of credit	58	46
Liabilities associated with standby letters of credit	32	34
Assets associated with standby letters of credit	33	34
Reserve for unfunded credit commitments	67	69

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

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

Commercial letters of credit—Commercial letters of credit are issued to facilitate foreign or domestic trade transactions for customers. As a general rule, drafts will be drawn when the goods underlying the transaction are in transit.

LEGAL CONTINGENCIES

Regions and its subsidiaries are subject to loss contingencies related to litigation, claims, investigations and legal and administrative cases and proceedings arising in the ordinary course of business. Regions evaluates these contingencies based on information currently available, including advice of counsel. Regions establishes accruals for those matters when a loss contingency is considered probable and the related amount is reasonably estimable. Any accruals are periodically reviewed and may be adjusted

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as circumstances change. Some of Regions' exposure with respect to loss contingencies may be offset by applicable insurance coverage. In determining the amounts of any accruals or estimates of possible loss contingencies however, Regions does not take into account the availability of insurance coverage. To the extent that Regions has an insurance recovery, the proceeds are recorded in the period the recovery is received.

In addition, as previously discussed, Regions has agreed to indemnify Raymond James for all legal matters resulting from pre-closing activities in conjunction with the sale of Morgan Keegan and recorded an indemnification obligation at fair value in the second quarter of 2012. The indemnification obligation had a carrying amount of approximately \$24 million and an estimated fair value of approximately \$24 million as of June 30, 2017 (see Note 12).

When it is practicable, Regions estimates possible loss contingencies, whether or not there is an accrued probable loss. When Regions is able to estimate such possible losses, and when it is reasonably possible Regions could incur losses in excess of amounts accrued, Regions discloses the aggregate estimation of such possible losses. Regions currently estimates that any such losses in excess of amounts accrued, including legal contingencies that are subject to the indemnification agreement with Raymond James, would be immaterial to Regions' financial statements as a whole. However, as available information changes, the matters for which Regions is able to estimate, as well as the estimates themselves will be adjusted accordingly.

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

In July 2006, Morgan Keegan and a former Morgan Keegan analyst were named as defendants in a lawsuit filed by a Canadian insurance and financial services company and its American subsidiary in the Circuit Court of Morris County, New Jersey. Plaintiffs alleged civil claims under the RICO Act and claims for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs allege that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs to improperly drive down plaintiffs' stock price, so that others could profit from short positions. Plaintiffs allege that defendants' actions damaged their reputations and harmed their business relationships. Plaintiffs seek monetary damages for a number of categories of alleged damages, including lost insurance business, lost financings and increased financing costs, increased audit fees and directors and officers insurance premiums and lost acquisitions. In September 2012, the trial court dismissed the case with prejudice. Plaintiffs filed an appeal, and in April 2017, the appellate court affirmed the dismissal of the plaintiffs' claims under the RICO Act. The appellate court reversed the trial court's dismissal of the commercial disparagement and tortious interference claims and remanded those claims but limited the plaintiffs' damages. Plaintiffs filed an appeal with the Supreme Court of New Jersey in May 2017. This matter is subject to the indemnification agreement with Raymond James.

Regions is involved in formal and informal information-gathering requests, investigations, reviews, examinations and proceedings by various governmental regulatory agencies, law enforcement authorities and self-regulatory bodies regarding Regions' business, Regions' business practices and policies, and the conduct of persons with whom Regions does business. Additional inquiries will arise from time to time. In connection with those inquiries, Regions receives document requests, subpoenas and other requests for information. The inquiries, including those described below, could develop into administrative, civil or criminal proceedings or enforcement actions that could result in

consequences that have a material effect on Regions' consolidated financial position, results of operations or cash flows as a whole. Such consequences could include adverse judgments, findings, settlements, penalties, fines, orders, injunctions, restitution, or alterations in our business practices, and could result in additional expenses and collateral costs, including reputational damage.

Regions is cooperating with an investigation by the United States Attorney's Office for the Eastern District of New York pertaining to Regions' banking relationship with a former customer and accounts maintained by entities and individuals affiliated with the customer who may be involved in criminal activity, as well as related aspects of Regions' Anti-Money Laundering and Bank Secrecy Act compliance program.

While the final outcome of litigation and claims exposures or of any inquiries is inherently unpredictable, management is currently of the opinion that the outcome of pending and threatened litigation and inquiries will not have a material effect on Regions' business, consolidated financial position, results of operations or cash flows as a whole. However, in the event of unexpected future developments, it is reasonably possible that an adverse outcome in any of the matters discussed above could be material to Regions' business, consolidated financial position, results of operations or cash flows for any particular reporting period of occurrence.

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GUARANTEES

INDEMNIFICATION OBLIGATION

As discussed in Note 2, on April 2, 2012 (“Closing Date”), Regions closed the sale of Morgan Keegan and related affiliates to Raymond James. In connection with the sale, Regions agreed to indemnify Raymond James for all legal matters related to pre-closing activities, including matters filed subsequent to the Closing Date that relate to actions that occurred prior to closing. Losses under the indemnification include legal and other expenses, such as costs for judgments, settlements and awards associated with the defense and resolution of the indemnified matters. The maximum potential amount of future payments that Regions could be required to make under the indemnification is indeterminable due to the indefinite term of some of the obligations. However, Regions expects the majority of ongoing legal matters to be resolved during 2017, except for the July 2006 Morris County, New Jersey, matter which may extend beyond 2017.

As of the Closing Date, the fair value of the indemnification obligation, which includes defense costs and unasserted claims, was approximately \$385 million, of which approximately \$256 million was recognized as a reduction to the gain on sale of Morgan Keegan. The fair value was determined through the use of a present value calculation that takes into account the future cash flows that a market participant would expect to receive from holding the indemnification liability as an asset. Regions performed a probability-weighted cash flow analysis and discounted the result at a credit-adjusted risk free rate. The fair value of the indemnification liability includes amounts that Regions had previously determined meet the definition of probable and reasonably estimable. Adjustments to the indemnification obligation are recorded within professional and legal expenses within discontinued operations (see Note 2). As of June 30, 2017, the carrying value of the indemnification obligation was approximately \$24 million.

FANNIE MAE DUS LOSS SHARE GUARANTEE

Regions is a Fannie Mae DUS lender. The Fannie Mae DUS program provides liquidity to the multi-family housing market. Regions services loans sold to Fannie Mae and is required to provide a loss share guarantee equal to one-third of the majority of its DUS servicing portfolio. At June 30, 2017 and December 31, 2016, the Company's DUS servicing portfolio totaled approximately \$2.0 billion and \$1.8 billion, respectively. Regions' maximum quantifiable contingent liability related to its loss share guarantee was approximately \$687 million and \$559 million at June 30, 2017 and December 31, 2016, respectively. The Company would be liable for this amount only if all of the loans it services for Fannie Mae, for which the Company retains some risk of loss, were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement. Therefore, the maximum quantifiable contingent liability is not representative of the actual loss the Company would be expected to incur. The estimated fair value of the associated loss share guarantee recorded as a liability on the Company's consolidated balance sheets was approximately \$4 million at both June 30, 2017 and December 31, 2016. Refer to Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2016, for additional information.

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NOTE 15. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Adopted (or partially adopted) in 2017			
ASU 2016-05, Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships	The ASU amends Topic 815, Derivatives and Hedging, and addresses how a change in the counterparty to a derivative contract affects a hedging relationship. The ASU may be adopted either prospectively or on a modified retrospective basis.	January 1, 2017	Adopted on a prospective basis January 1, 2017. No material impact.
ASU 2016-06, Contingent Put and Call Options in Debt Instruments	The ASU amends Topic 815, Derivatives and Hedging, and clarifies that entities should solely use the four-step decision sequence described in current derivatives accounting guidance. This sequence should be used when assessing whether contingent exercise provisions associated with a put or call option are clearly and closely related to their debt hosts. The ASU should be adopted on a modified retrospective basis.	January 1, 2017	Adopted January 1, 2017. No material impact.
ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting	The ASU amends Topic 323, Investments-Equity Method and Joint Ventures, and eliminates the requirement for an investor to retrospectively apply the equity method to investments when its ownership interest (or degree of influence in an investee) increases to a level that triggers the equity method of accounting. This ASU should be adopted prospectively.	January 1, 2017	Adopted on a prospective basis January 1, 2017. No material impact.
ASU 2016-09, Improvements to Employee Share-Based Payment Accounting	This ASU amends Topic 718, Stock Compensation, and intends to improve and simplify accounting for employee share-based payments. The amendments update the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The transition method of accounting application (i.e. prospective, retrospective or modified retrospective application) differs by amendment and is defined in the guidance.	January 1, 2017	Adopted on January 1, 2017. There was no material impact at adoption related to the reclassification of excess tax benefits previously recognized in additional paid-in capital to income tax expense (prospective basis), cash flow statement reclassification related to excess tax benefits (prospective basis) or cash flow statement reclassification related to taxes paid for employee withholdings on share-based awards (retrospective basis). Additionally, the Company has no previously unrecognized excess tax benefits; therefore, there was no

impact.

The Company elected to retain its existing accounting policy election to estimate award forfeitures.

ASU 2016-17, Interest Held through Related Parties That Are Under Common Control	This ASU amends Topic 810, Consolidation, and prescribes that when determining whether a single decision maker is the primary beneficiary of a variable interest entity (VIE), a single decision maker will no longer be required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety.	January 1, 2017, Adopted on January 1, 2017.
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No material impact.

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Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Not Yet Adopted			
ASU 2014-09, Revenue from Contracts with Customers			Regions has established a revenue recognition standard implementation team, led by the Corporate Controller's group with assistance from the various lines of business and finance management to evaluate the potential impact of adopting this guidance. The implementation team has substantially completed the initial scoping and determined that approximately \$1.7 billion of 2016 non-interest income would be within the scope of the new revenue recognition standard, when adopted. Non-interest income streams that are out of scope of the new standard include mortgage income, securities gains (losses), bank-owned life insurance and certain other components within non-interest income. Based on the completed contract reviews thus far by the implementation team, any potential changes in revenue recognition for those contracts are not expected to result in a material impact to Regions upon adoption. The implementation team is currently finalizing its reviews of contracts related to investment management and trust fees, insurance commissions and fees and investment services fees. The implementation team is also in process of developing additional quantitative and qualitative disclosures that may be required upon the adoption of the new revenue recognition standard.
ASU 2015-14, Deferral of the Effective Date			
ASU 2016-08, Principal versus Agent Considerations	This ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the	January 1, 2018	
ASU 2016-10, Identifying Performance Obligations and Licensing	Industry topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU may be adopted either retrospectively or on a modified retrospective basis.	Early adoption is permitted beginning January 1, 2017.	
ASU 2016-12, Narrow-Scope Improvements and Practical Expedience			
ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers			
ASU 2017-01, Clarifying the Definition of a Business	This ASU amends Topic 805, Business Combinations, and provides additional accounting guidance to better determine when a set of assets and activities is a business. The ASU should be adopted prospectively.	January 1, 2018 Early adoption is permitted for certain transactions as described in guidance.	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material.

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ASU 2017-04, Simplifying the Test for Goodwill Impairment	This ASU amends Topic 350, Intangibles-Goodwill and Other, and eliminates Step 2 from the goodwill impairment test.	January 1, 2020	Regions believes the adoption of this guidance will not have a material impact. Regions does not plan to early adopt.
2017-05, Other Income- Gains and Losses from the Derecognition of Nonfinancial Assets	This ASU amends Subtopic 610-20, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, to clarify the scope and to add guidance for partial sales of nonfinancial assets. The new standard adds a definition for in-substance nonfinancial assets and clarifies that nonfinancial assets within a legal entity are within the scope of ASC 606. This ASU should be adopted in conjunction with ASU 2014-09 using a retrospective or modified retrospective approach.	January 1, 2018	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material.
2017-07, Compensation-Retirement Benefits	This ASU amends Topic 715, Retirement Benefits, and provides more prescriptive guidance around the presentation of net period pension and postretirement benefit cost in the income statement. The amendment requires that the service cost component be disaggregated from other components of net periodic benefit cost in the income statement.	January 1, 2018	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material. Regions does not plan to early adopt.
2017-08, Receivables-Nonrefundable Fees and Other Costs	This ASU amends Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs, to shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. Current guidance generally requires entities to amortize a premium as a yield adjustment over the contractual life of the instrument. Shortening the amortization period is generally expected to more closely align the recognition of interest income with expectations incorporated into the pricing of the underlying securities. The amendments do not affect the accounting treatment of discounts. This ASU should be adopted on a modified retrospective basis.	January 1, 2019	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material.
ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments	This ASU amends Topic 230, Statement of Cash Flows, and provides clarification with respect to classification within the statement on cash flows where current guidance is unclear or silent. The ASU	January 1, 2018	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material. Regions does not plan to early adopt.

should be adopted retrospectively.

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Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Not Yet Adopted (continued)			
ASU 2016-02, Leases	This ASU creates ASU Topic 842, Leases, and supersedes Topic 840, Leases. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their balance sheets for all leases with a term greater than one year. There are not significant changes to lessor accounting; however, there were certain improvements made to align lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. This guidance expands both quantitative and qualitative required disclosures. This ASU should be adopted on a modified retrospective basis.	January 1, 2019	This ASU supersedes the lease accounting requirements in Topic 840, Leases. Regions has established a leasing standard implementation team comprised of the Corporate Controller's group, Corporate Real Estate and other business and finance management to plan and execute the adoption of the new leasing standard. The implementation team has substantially completed the identification of Regions' leases that will need to be measured and reported as a right-of-use asset and corresponding liability for future rental payments. The implementation team is currently working with a lease administration vendor to set up and test the accounting for the lease contracts on the lease administration system. Based on the December 31, 2016 lease portfolio, Regions has approximately \$761 million of future lease obligations that would be measured and recognized when the new guidance is adopted (refer to Note 24 to the 2016 consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016). While this amount represents a large majority of the leases that are within the scope of the new leasing standard, the implementation team will continue reviewing service contracts up through the effective date and may identify additional leases embedded in those arrangements that will be within the scope of the new standard. Between now and January 1, 2019, Regions will likely have changes to the lease portfolio as the Company continues to evaluate and execute branch and occupancy optimization initiatives. In addition to final determination of the lease portfolio at the effective date, the initial measurement of the right-of-use asset and the corresponding liability will be affected by certain key assumptions such as expectations of renewals or extensions and the interest rate to be used to discount the future lease obligations. Up through the date of adoption, the evaluation of the impact of the standard will be adjusted based on new leases that are executed, leases that are terminated prior to the effective date, and any leases with changes to key assumptions or expectations such as renewals and extensions, and discount rates. While there will be some changes to income statement classification, the implementation team does not expect the adoption of the standard to have a material impact to pre-tax income. Regions does not anticipate early adoption of the new standard.

<p>ASU 2016-13, Measurement of Credit Losses on Financial Instruments</p>	<p>This ASU amends Topic 326, Financial Instruments-Credit Losses to replace the current incurred loss accounting model with a current expected credit loss approach (CECL) for financial instruments measured at amortized cost and other commitments to extend credit. The amendments require entities to consider all available relevant information when estimating current expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. The resulting allowance for credit losses is to reflect the portion of the amortized cost basis that the entity does not expect to collect. The amendments also eliminate the current accounting model for purchased credit impaired loans and debt securities. Additional quantitative and qualitative disclosures are required upon adoption.</p>	<p>January 1, 2020</p> <p>Early adoption permitted beginning January 1, 2019.</p>	<p>Regions has formed a cross-functional implementation team co-led by Finance and Risk Management. The implementation team has developed a high-level project plan and is keeping current with the broader industry's perspective and insights, delivering educational and awareness sessions across the Company, identifying and researching key decision points, and evaluating the financial and operational implications of adoption.</p>
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Regions expects the guidance will result in an increase in the allowance for credit losses given the change from accounting for losses inherent in the loan portfolio to accounting for losses over the remaining expected life of the portfolio. The guidance will also result in the establishment of an allowance for credit loss on held to maturity debt securities. The amount of the increase in these allowances will be impacted by the portfolio composition and quality at the adoption date as well as economic conditions and forecasts at that time.

While the CECL model does not apply to AFS debt securities, the ASU does require entities to record an allowance when recognizing credit losses for AFS securities, rather than reduce the amortized cost of the securities by direct write-offs.

The ASU should be adopted on a modified retrospective basis. Entities that have loans accounted for under ASC 310-30 at the time of adoption should prospectively apply the

<p>ASU 2017-09, Stock Compensation: Scope of Modification Accounting</p>	<p>guidance in this amendment for purchase credit deteriorated assets. This ASU amends Topic 718, Compensation- Stock Compensation, and clarifies when modification accounting should be applied to changes in terms or conditions of share-based payment awards. The amendments narrow the scope of modification accounting by clarifying that modification accounting should be applied to awards if the change affects the fair value, vesting conditions, or classification of the award. The amendments do not impact current disclosure requirements for modifications, regardless of whether modification accounting is required under the new guidance.</p>	<p>January 1, 2018</p>	<p>Early adoption permitted, including in an interim period.</p>	<p>Regions is evaluating the impact upon adoption; however, the impact is not expected to be material.</p>
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Standard	Description	Required Date of Adoption	Effect on Regions' financial statements or other significant matters
Standards Not Yet Adopted (continued)			
ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities	This ASU amends ASC Topic 825, Financial Instruments-Overall, and addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The main provisions require investments in equity securities to be measured at fair value with changes in the fair value recognized through net income (except for those accounted for under the equity method of accounting or those that result in consolidation of the investee). requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires an entity to present separately in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value. Except for disclosure requirements that will be adopted prospectively, the ASU must be adopted on a modified retrospective basis.	January 1, 2018 Early adoption permitted beginning January 1, 2016 or 2017 for the amendment related to separate presentation in other comprehensive income.	Regions is evaluating the impact upon adoption; however, the impact is not expected to be material. Regions does not plan to early adopt.

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

INTRODUCTION

The following discussion and analysis is part of Regions Financial Corporation’s (“Regions” or the “Company”) Quarterly Report on Form 10-Q to the SEC and updates Regions’ Annual Report on Form 10-K for the year ended December 31, 2016, which was previously filed with the SEC. This financial information is presented to aid in understanding Regions’ financial position and results of operations and should be read together with the financial information contained in the Form 10-K. Certain other prior period amounts presented in this discussion and analysis have been reclassified to conform to current period classifications, except as otherwise noted. The emphasis of this discussion will be on the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016 for the consolidated statements of income. For the consolidated balance sheets, the emphasis of this discussion will be the balances as of June 30, 2017 compared to December 31, 2016.

This discussion and analysis contains statements that may be considered “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. See pages 5 through 7 for additional information regarding forward-looking statements.

CORPORATE PROFILE

Regions is a financial holding company headquartered in Birmingham, Alabama, that operates in the South, Midwest and Texas. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance brokerage, trust services, merger and acquisition advisory services and other specialty financing.

Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At June 30, 2017, Regions operated 1,492 total branch outlets across the South, Midwest and Texas. Regions operates under three reportable business segments: Corporate Bank, Consumer Bank, and Wealth Management with the remainder split between Discontinued Operations and Other. See Note 13 “Business Segment Information” to the consolidated financial statements for more information regarding Regions’ segment reporting structure. Regions also provides full-line insurance brokerage services primarily through Regions Insurance, Inc., which is included in the Wealth Management segment.

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James. The sale closed on April 2, 2012. Regions Investment Management, Inc. and Regions Trust were not included in the sale; they are included in the Wealth Management segment. See Note 2 “Discontinued Operations” to the consolidated financial statements for further discussion.

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

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

market rates on competing products in Regions' market areas.

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

SECOND QUARTER OVERVIEW

Regions reported net income available to common shareholders of \$300 million, or \$0.25 per diluted share, in the second quarter of 2017 compared to \$259 million, or \$0.20 per diluted share, in the second quarter of 2016. Net income available to common shareholders from continuing operations was \$301 million, or \$0.25 per diluted share, compared to \$256 million, or \$0.20 per diluted share, over these same periods. The primary drivers of the increases in results from the prior year periods were increased net interest income and other financing income and decreased provision for loan losses.

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For the second quarter of 2017, net interest income and other financing income (taxable-equivalent basis) from continuing operations totaled \$904 million, up \$35 million compared to the second quarter of 2016. The net interest margin (taxable-equivalent basis) was 3.32 percent for the second quarter of 2017 and 3.15 percent in the second quarter of 2016. Net interest margin (taxable-equivalent basis) benefited from higher market interest rates, prudent deposit cost management, the impact of balance sheet management strategies, including higher securities balances, and favorable credit-related interest recoveries, partially offset by lower average loan balances.

The provision for loan losses totaled \$48 million in the second quarter of 2017 compared to \$72 million during the second quarter of 2016. The decrease is attributable to improvement in credit quality as evidenced by the stability in oil prices and a reduction in non-performing loans. Volatility in certain credit metrics is to be expected, especially related to large dollar commercial credits and fluctuating commodity prices.

Net charge-offs totaled \$68 million, or an annualized 0.34 percent of average loans, in the second quarter of 2017, compared to \$72 million, or an annualized 0.35 percent for the second quarter of 2016. See Note 4 "Loans and the Allowance for Credit Losses" to the consolidated financial statements for additional information.

The allowance for loan losses at June 30, 2017, was 1.30 percent of total loans, net of unearned income, compared to 1.36 percent at December 31, 2016. Total non-performing assets were \$912 million at June 30, 2017, compared to \$1.1 billion at December 31, 2016.

Non-interest income from continuing operations was \$525 million for the second quarter of 2017 compared to \$526 million for the second quarter of 2016. Increases in service charges on deposit accounts, card and ATM fees and investment management and trust fee income were offset by decreased mortgage income and securities gains, resulting in non-interest income remaining consistent year-over-year. See Table 20 "Non-Interest Income from Continuing Operations" for more detail.

Total non-interest expense from continuing operations was \$909 million in the second quarter of 2017, a \$6 million decrease from the second quarter of 2016. The decrease was primarily driven by decreases in branch consolidation, property and equipment charges and the provision for unfunded credit losses, partially offset by higher salaries and employee benefits. See Table 21 "Non-Interest Expense from Continuing Operations" for more detail.

Income tax expense from continuing operations for the three months ended June 30, 2017 was \$133 million compared to income tax expense of \$115 million for the same period in 2016. See "Income Taxes" toward the end of the Management's Discussion and Analysis section of this report for more detail.

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

2017 Expectations

Management expectations for 2017 are noted below:

• Excluding the impact of a terminated third-party arrangement within the indirect-vehicle loan portfolio, full year average loans are expected to be flat to slightly down compared to the prior year

• Full year average deposit growth relatively stable compared to the prior year

• Net interest income and other financing income up 3 to 5 percent on a full year basis

• Adjusted non-interest income (non-GAAP) growth of 1 to 3 percent on a full year basis

• Adjusted non-interest expenses (non-GAAP) flat to up 1 percent on a full year basis

• Full year adjusted efficiency ratio (non-GAAP) of approximately 62 percent

• Positive adjusted operating leverage (non-GAAP) of 2 to 4 percent on a full year basis

• Full year effective tax rate expected in the 30 percent to 31 percent range

• Full year net charge-offs of 35 to 50 basis points

The reconciliation with respect to these forward-looking non-GAAP measures is expected to be consistent with the actual non-GAAP reconciliations within Management's Discussion and Analysis of this Form 10-Q. For more information related to the Company's 2017 expectations, including additional guidance within the ranges disclosed above, refer to the related sub-sections discussed in more detail within Management's Discussion and Analysis of this Form 10-Q.

BALANCE SHEET ANALYSIS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased approximately \$1.3 billion from year-end 2016 to June 30, 2017. This decrease was due primarily to a decrease in interest-bearing deposits in other banks as a result of normal day-to-day operating variations.

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SECURITIES

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

Table 1—Securities

	June 30, December 31,	
	2017	2016
	(In millions)	
U.S. Treasury securities	\$314	\$ 303
Federal agency securities	25	35
Obligations of states and political subdivisions	—	1
Mortgage-backed securities:		
Residential agency	18,628	18,571
Residential non-agency	3	4
Commercial agency	4,124	3,625
Commercial non-agency	816	1,129
Corporate and other debt securities	1,249	1,274
Equity securities	203	201
	\$25,362	\$ 25,143

Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities. Total securities at June 30, 2017 increased slightly from year-end 2016. See Note 3 "Securities" to the consolidated financial statements for additional information.

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

LOANS HELD FOR SALE

Loans held for sale totaled \$573 million at June 30, 2017, consisted of \$379 million of residential real estate mortgage loans, \$185 million of commercial mortgage loans, \$8 million of non-performing loans, and \$1 million of other loans. At December 31, 2016, loans held for sale totaled \$718 million, consisting of \$505 million of residential real estate mortgage loans, \$200 million of commercial mortgage loans, and \$13 million of non-performing loans. The level of residential real estate mortgage loans held for sale that are part of the Company's mortgage originations to be sold in the secondary market fluctuates depending on the timing of origination and sale to third parties. The level of commercial mortgage loans held for sale also fluctuates depending on timing.

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LOANS

Loans, net of unearned income, represented approximately 73 percent of Regions' interest-earning assets at June 30, 2017. The following table presents the distribution of Regions' loan portfolio by portfolio segment and class, net of unearned income:

Table 2—Loan Portfolio

	June 30, 2017	December 31, 2016
	(In millions, net of unearned income)	
Commercial and industrial	\$ 35,656	\$ 35,012
Commercial real estate mortgage—owner-occupied	6,445	6,867
Commercial real estate construction—owner-occupied	388	334
Total commercial	42,489	42,213
Commercial investor real estate mortgage	4,126	4,087
Commercial investor real estate construction	2,163	2,387
Total investor real estate	6,289	6,474
Residential first mortgage	13,765	13,440
Home equity	10,419	10,687
Indirect—vehicles	3,653	4,040
Indirect—other consumer	1,188	920
Consumer credit card	1,183	1,196
Other consumer	1,141	1,125
Total consumer	31,349	31,408
	\$ 80,127	\$ 80,095

PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes disclosed in Table 2, explain changes in balances from 2016 year-end, and highlight the related risk characteristics. Regions believes that its loan portfolio is well diversified by product, client, and geography throughout its footprint. However, the loan portfolio may be exposed to certain concentrations of credit risk which exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, certain loan products, or certain regions of the country. See Note 4 “Loans and the Allowance for Credit Losses” to the consolidated financial statements for additional discussion.

Commercial

The commercial portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases and other expansion projects. Commercial and industrial loans increased \$644 million since year-end 2016 driven primarily by new relationships and expansion of existing relationships in government and institutional banking, asset-based lending, financial services, and real estate investment trust portfolios, which more than offset declines in energy balances. Commercial also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flows generated by business operations. These loans declined \$422 million from year-end 2016 as a result of continued softness in demand and increasing competition for middle market and small business loans. Owner-occupied commercial real estate construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower.

Over half of the Company's total loans are included in the commercial portfolio segment. These balances are spread across numerous industries, as noted in the table below. The Company manages the related risks to this portfolio by setting certain lending limits for each significant industry.

The following tables provide detail of Regions' commercial lending balances in selected industries.

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Table 3—Selected Industry Exposure

	June 30, 2017		
	Loans	Unfunded Commitments	Total Exposure
	(In millions)		
Administrative, support, waste and repair	\$ 1,008	\$ 562	\$ 1,570
Agriculture	585	252	837
Educational services	2,099	383	2,482
Energy	1,985	1,976	3,961
Financial services	3,533	3,045	6,578
Government and public sector	2,692	388	3,080
Healthcare	4,178	1,525	5,703
Information	974	956	1,930
Manufacturing ⁽¹⁾	4,420	3,658	8,078
Professional, scientific and technical services ⁽¹⁾	1,540	1,231	2,771
Real estate ⁽¹⁾	6,382	5,376	11,758
Religious, leisure, personal and non-profit services	1,926	536	2,462
Restaurant, accommodation and lodging	2,237	616	2,853
Retail trade	2,663	2,244	4,907
Transportation and warehousing ⁽¹⁾	1,891	817	2,708
Utilities	1,287	2,219	3,506
Wholesale goods ⁽¹⁾	3,095	2,272	5,367
Other ⁽²⁾	(6)	1,064	1,058
Total commercial	\$42,489	\$ 29,120	\$ 71,609
	December 31, 2016 ⁽³⁾		
	Loans	Unfunded Commitments	Total Exposure
	(In millions)		
Administrative, support, waste and repair	\$899	\$ 481	\$ 1,380
Agriculture	612	241	853
Educational services	1,929	307	2,236
Energy	2,097	1,968	4,065
Financial services ⁽⁴⁾	3,473	3,228	6,701
Government and public sector	2,485	246	2,731
Healthcare	4,178	1,483	5,661
Information	1,111	817	1,928
Manufacturing ⁽⁴⁾	4,101	4,024	8,125
Professional, scientific and technical services ⁽⁴⁾	1,701	1,052	2,753
Real estate ⁽⁴⁾	6,513	5,445	11,958
Religious, leisure, personal and non-profit services	1,934	495	2,429
Restaurant, accommodation and lodging	2,436	650	3,086
Retail trade	2,570	2,339	4,909
Transportation and warehousing ⁽⁴⁾	2,196	1,005	3,201
Utilities	1,147	2,008	3,155
Wholesale goods ⁽⁴⁾	2,795	2,396	5,191
Other ⁽²⁾	36	1,162	1,198
Total commercial	\$42,213	\$ 29,347	\$ 71,560

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- (1) Regions' definition of indirect energy-related lending includes certain balances within each of these selected industry categories. As of June 30, 2017, total indirect energy-related loans were approximately \$544 million, with approximately \$516 million included in commercial loans and \$28 million in investor real estate loans. Total unfunded commitments for indirect energy-related lending were \$450 million as of June 30, 2017.
- (2) "Other" contains balances related to non-classifiable and invalid business industry codes offset by payments in process and fee accounts that are not available at the loan level.
- (3) As customers' businesses evolve (e.g. up or down the vertical manufacturing chain), Regions may need to change the assigned business industry code used to define the customer relationship. When these changes occur, Regions does not recast the customer history for prior periods into the new classification because the business industry code used in the prior period was deemed appropriate. As a result, year over year changes may be impacted.
- (4) Regions' definition of indirect energy-related lending includes certain balances within each of these selected industry categories. As of December 31, 2016, total indirect energy-related loans were approximately \$536 million, with approximately \$506 million included in commercial loans and \$30 million in investor real estate loans. Total unfunded commitments for indirect energy-related lending were \$446 million as of December 31, 2016.

Regions continues to monitor the impacts of low oil prices on both its direct and indirect energy lending portfolios. Regions' direct energy loan balances at June 30, 2017 amounted to approximately \$2.0 billion, consisting of loans such as oilfield services, exploration and production, and pipeline transportation of gas and crude oil. Other types of lending are tangentially impacted by the energy portfolio, such as petroleum wholesalers, oil and gas equipment manufacturing, air transportation, and petroleum bulk stations and terminals. These indirect energy loan balances were approximately \$544 million at June 30, 2017. The entire energy-related portfolio, combining direct and indirect loans, was approximately \$2.5 billion or 3 percent of total loans at June 30, 2017. Regions has \$1 million of energy-related loans held for sale. Regions also has \$97 million of energy-related operating leases. Regions evaluates the current value of these operating lease assets and tests for impairment when indicators of impairment are present. Economic trends such as volatility in commodity prices and collateral valuations, as well as circumstances related to individually large operating lease assets could result in impairment. If an impairment loss is deemed necessary on operating lease assets, the impairment is recorded through other non-interest income.

Regions' energy-related portfolio is geographically concentrated primarily in Texas and, to a lesser extent, in southern Louisiana. Regions employs a variety of risk management strategies, including the use of concentration limits and continuous monitoring, as well as utilizing underwriting with borrowing base structures tied to energy commodity reserve bases or other tangible assets. Additionally, heightened credit requirements have been adopted for select segments of the portfolio. Regions also employs experienced lending and underwriting teams including petroleum engineers, all with extensive energy sector experience through multiple economic cycles. Given the recent volatility in oil prices, this energy-related portfolio may be subject to additional pressure on credit quality metrics including past due, criticized, and non-performing loans, as well as net charge-offs. Regions' energy-related portfolio consists of a relatively small number of customers, which provides the Company granular insight into the financial health of those borrowers. Through its on-going portfolio credit quality assessment, Regions will continue to assess the impact to the allowance and make adjustments as appropriate.

Investor Real Estate

Loans for real estate development are repaid through cash flows related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment consists of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Total investor real estate loans decreased \$185 million in comparison to 2016 year-end balances.

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

Residential First Mortgage

Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. These loans experienced a \$325 million increase in comparison to 2016 year-end balances. Approximately \$1.4 billion in new loan originations were retained on the balance sheet through the first six months of 2017.

Home Equity

Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their homes. The home equity portfolio totaled \$10.4 billion at June 30, 2017 as compared to \$10.7 billion at December 31, 2016. Substantially all of this portfolio was originated through Regions' branch network.

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The following table presents information regarding the future principal payment reset dates for the Company's home equity lines of credit as of June 30, 2017. The balances presented are based on maturity date for lines with a balloon payment and draw period expiration date for lines that convert to a repayment period.

Table 4—Home Equity Lines of Credit - Future Principal Payment Resets

	First Lien	% of Total	Second Lien	% of Total	Total
(Dollars in millions)					
2017	\$4	0.06 %	\$9	0.13 %	\$13
2018	9	0.13	16	0.23	25
2019	69	1.00	60	0.88	129
2020	143	2.09	111	1.63	254
2021	170	2.48	148	2.16	318
2022-2026	1,546	22.58	1,623	23.70	3,169
2027-2031	1,560	22.78	1,379	20.14	2,939
Thereafter	—	—	1	0.01	1
Total	\$3,501	51.12 %	\$3,347	48.88 %	\$6,848

Of the \$10.4 billion home equity portfolio at June 30, 2017, approximately \$6.8 billion were home equity lines of credit and \$3.6 billion were closed-end home equity loans (primarily originated as amortizing loans). Beginning in December 2016, new home equity lines of credit have a 10-year draw period and a 20-year repayment term. During the 10-year draw period customers do not have an interest-only payment option, except on a very limited basis. From May 2009 to December 2016, home equity lines of credit had a 10-year draw period and a 10-year repayment period. Prior to May 2009, home equity lines of credit had a 20-year term with a balloon payment upon maturity or a 5-year draw period with a balloon payment upon maturity. The term “balloon payment” means there are no principal payments required until the balloon payment is due for interest-only lines of credit. As of June 30, 2017, none of Regions' home equity lines of credit have converted to mandatory amortization under the contractual terms. As presented in the table above, the majority of home equity lines of credit will either begin to mature with a balloon payment or convert to amortizing status after fiscal year 2020.

Other Consumer Credit Quality Data

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

The following table presents current LTV data for components of the residential first mortgage and home equity classes of the consumer portfolio segment. Current LTV data for the remaining loans in the portfolio is not available, primarily because some of the loans are serviced by others. Data may also not be available due to mergers and systems integrations. The amounts in the table represent the entire loan balance. For purposes of the table below, if the loan balance exceeds the current estimated collateral, the entire balance is included in the “Above 100%” category, regardless of the amount of collateral available to partially offset the shortfall. The balances in the “Above 100%” category as a percentage of the portfolio balances were 1 percent in the residential first mortgage portfolio and 2 percent in the home equity portfolio at June 30, 2017.

Table 5—Estimated Current Loan to Value Ranges

June 30, 2017			December 31, 2016		
Residential First Mortgage Lien	Home Equity		Residential First Mortgage Lien	Home Equity	
	1st Lien	2nd Lien		1st Lien	2nd Lien
(In millions)					

Estimated current LTV:

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Above 100%	\$117	\$59	\$165	\$139	\$82	\$235
80% - 100%	1,693	319	581	1,675	371	677
Below 80%	11,427	6,277	2,787	11,090	6,248	2,814
Data not available	528	89	142	536	99	161
	\$13,765	\$6,744	\$3,675	\$13,440	\$6,800	\$3,887

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Indirect—Vehicles

Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. This portfolio class decreased \$387 million from year-end 2016, primarily because Regions terminated a third-party purchase arrangement during the fourth quarter of 2016. The balance is expected to continue to decrease during 2017.

Indirect—Other Consumer

Indirect-other consumer lending represents other point of sale lending through third parties. This portfolio class increased \$268 million from year-end 2016 primarily due to continued growth in point of sale initiatives and the purchase of \$138 million in loans during the second quarter of 2017.

Consumer Credit Card

Consumer credit card lending represents primarily open-ended variable interest rate consumer credit card loans. These balances decreased \$13 million from year-end 2016.

Other Consumer

Other consumer loans primarily include direct consumer loans, overdrafts and other revolving loans. Other consumer loans increased \$16 million from year-end 2016.

Regions qualitatively considers factors such as periodic updates of FICO scores, unemployment, home prices, and geography as credit quality indicators for consumer loans. FICO scores are obtained at origination as part of Regions' formal underwriting process. Refreshed FICO scores are obtained by the Company quarterly for all consumer loans. Residential first mortgage FICO scores are also refreshed quarterly. The following tables present estimated current FICO score data for components of classes of the consumer portfolio segment. Current FICO data is not available for the remaining loans in the portfolio for various reasons; for example, if customers do not use sufficient credit, an updated score may not be available. Residential first mortgage and home equity balances with FICO scores below 620 were 5 percent of the combined portfolios for both June 30, 2017 and December 31, 2016.

Table 6—Estimated Current FICO Score Ranges

	June 30, 2017						
	Residential First Mortgage Lien	Home Equity 1st Lien	2nd Lien	Indirect—Vehicles	Indirect—Other Consumer	Consumer Credit Card	Other Consumer
	(In millions)						
Below 620	\$779	\$284	\$187	\$ 371	\$ 28	\$ 77	\$ 77
620-680	859	516	318	449	109	207	149
681-720	1,362	831	471	471	175	268	224
Above 720	9,973	4,977	2,638	2,261	550	622	632
Data not available	792	136	61	101	326	9	59
	\$13,765	\$6,744	\$3,675	\$ 3,653	\$ 1,188	\$ 1,183	\$ 1,141
	December 31, 2016						
	Residential First Mortgage Lien	Home Equity 1st Lien	2nd Lien	Indirect—Vehicles	Indirect—Other Consumer	Consumer Credit Card	Other Consumer
	(In millions)						
Below 620	\$807	\$301	\$204	\$ 427	\$ 19	\$ 71	\$ 82
620-680	920	529	355	527	94	206	162
681-720	1,400	834	489	559	141	271	222
Above 720	9,578	4,988	2,775	2,402	382	647	597
Data not available	735	148	64	125	284	1	62
	\$13,440	\$6,800	\$3,887	\$ 4,040	\$ 920	\$ 1,196	\$ 1,125

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ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses (“allowance”) consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. Discussion of the methodology used to calculate the allowance is included in Note 1 “Summary of Significant Accounting Policies” and Note 6 “Allowance for Credit Losses” to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2016, as well as related discussion in Management’s Discussion and Analysis.

The allowance for loan losses totaled \$1.0 billion at June 30, 2017 as compared to \$1.1 billion in December 31, 2016. The allowance for loan losses as a percentage of net loans decreased from 1.36 percent at December 31, 2016 to 1.30 percent at June 30, 2017. The decrease in the percentage is primarily attributable to a reduction in non-performing and criticized loans, decreased allowance associated with commercial charge-offs and continued improvement in the energy portfolio.

The provision for loan losses decreased for the first six months of 2017 as compared to the same period in 2016. During the first six months of 2017, the provision for loan losses was less than net charge-offs by approximately \$50 million. Net charge-offs for the first six months of 2017 were approximately \$28 million higher as compared to the same period in 2016, reflecting a small number of large-dollar commercial loan charge-offs within the energy, healthcare, and education sectors.

Although elevated charge-offs were experienced during the first six months of 2017 associated with larger dollar commercial credits, management expects that net loan charge-offs will be in the 0.35 percent to 0.50 percent range for the 2017 year. Economic trends such as interest rates, unemployment, volatility in commodity prices and collateral valuations will impact the future levels of net charge-offs and may result in volatility during the remainder of 2017. Additionally, changes in circumstances related to individually large credits or certain portfolios may result in volatility.

Details regarding the allowance and net charge-offs, including an analysis of activity from the previous year’s totals, are included in Table 7 “Allowance for Credit Losses.”

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Activity in the allowance for credit losses is summarized as follows:

Table 7—Allowance for Credit Losses

	Six Months Ended June 30		
	2017	2016	
	(Dollars in millions)		
Allowance for loan losses at beginning of year	\$1,091	\$1,106	
Loans charged-off:			
Commercial and industrial	83	57	
Commercial real estate mortgage—owner-occupied	13	13	
Commercial real estate construction—owner-occupied	—	1	
Commercial investor real estate mortgage	2	1	
Commercial investor real estate construction	—	—	
Residential first mortgage	6	7	
Home equity	18	35	
Indirect—vehicles	26	23	
Indirect—other consumer	11	6	
Consumer credit card	27	19	
Other consumer	37	32	
	223	194	
Recoveries of loans previously charged-off:			
Commercial and industrial	13	10	
Commercial real estate mortgage—owner-occupied	4	5	
Commercial real estate construction—owner-occupied	—	—	
Commercial investor real estate mortgage	6	4	
Commercial investor real estate construction	1	1	
Residential first mortgage	2	2	
Home equity	10	14	
Indirect—vehicles	10	9	
Indirect—other consumer	—	—	
Consumer credit card	3	3	
Other consumer	6	6	
	55	54	
Net charge-offs:			
Commercial and industrial	70	47	
Commercial real estate mortgage—owner-occupied	9	8	
Commercial real estate construction—owner-occupied	—	1	
Commercial investor real estate mortgage	(4) (3)
Commercial investor real estate construction	(1) (1)
Residential first mortgage	4	5	
Home equity	8	21	
Indirect—vehicles	16	14	
Indirect—other consumer	11	6	
Consumer credit card	24	16	
Other consumer	31	26	
	168	140	
Provision for loan losses	118	185	
Allowance for loan losses at June 30	\$1,041	\$1,151	

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Reserve for unfunded credit commitments at beginning of year	\$69		\$52	
Provision (credit) for unfunded credit losses	(2)	12	
Reserve for unfunded credit commitments at June 30	\$67		\$64	
Allowance for credit losses at June 30	\$1,108		\$1,215	
Loans, net of unearned income, outstanding at end of period	\$80,127		\$81,702	
Average loans, net of unearned income, outstanding for the period	\$80,144		\$81,735	
Ratios:				
Allowance for loan losses at end of period to loans, net of unearned income	1.30	%	1.41	%
Allowance for loan losses at end of period to non-performing loans, excluding loans held for sale	1.27x		1.12x	
Net charge-offs as percentage of average loans, net of unearned income (annualized)	0.42	%	0.34	%

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

TDRs are modified loans in which a concession is provided to a borrower experiencing financial difficulty. Residential first mortgage, home equity, indirect-vehicles, consumer credit card and other consumer TDRs are consumer loans modified under the CAP. Commercial and investor real estate loan modifications are not the result of a formal program, but represent situations where modifications were offered as a workout alternative. Renewals of classified commercial and investor real estate loans are considered to be TDRs, even if no reduction in interest rate is offered, if the existing terms are considered to be below market. More detailed information is included in Note 4 "Loans and the Allowance For Credit Losses" to the consolidated financial statements. The following table summarizes the loan balance and related allowance for accruing and non-accruing TDRs for the periods presented:

Table 8—Troubled Debt Restructurings

	June 30, 2017		December 31, 2016	
	Loan Balance	Allowance for Loan Losses	Loan Balance	Allowance for Loan Losses
	(In millions)			
Accruing:				
Commercial	\$366	\$ 53	\$241	\$ 38
Investor real estate	108	14	90	8
Residential first mortgage	388	45	380	46
Home equity	268	4	286	5
Indirect—vehicles	1	—	1	—
Consumer credit card	1	—	2	—
Other consumer	9	—	10	—
	1,141	116	1,010	97
Non-accrual status or 90 days past due and still accruing:				
Commercial	227	52	279	65
Investor real estate	2	1	5	2
Residential first mortgage	66	8	74	9
Home equity	14	—	17	—
	309	61	375	76
Total TDRs - Loans	\$1,450	\$ 177	\$1,385	\$ 173
TDRs - Held For Sale	3	—	3	—
Total TDRs	\$1,453	\$ 177	\$1,388	\$ 173

Note: All loans listed in the table above are considered impaired under applicable accounting literature.

The following table provides an analysis of the changes in commercial and investor real estate TDRs. TDRs with subsequent restructurings that meet the definition of a TDR are only reported as TDR inflows in the period they were first modified. Other than resolutions such as charge-offs, foreclosures, payments, sales and transfers to held for sale, Regions may remove loans from TDR classification if the following conditions are met: the borrower's financial condition improves such that the borrower is no longer in financial difficulty, the loan has not had any forgiveness of principal or interest, the loan has not been restructured as an "A" note/"B" note, the loan has been reported as a TDR over one fiscal year-end and the loan is subsequently refinanced or restructured at market terms such that it qualifies as a new loan.

For the consumer portfolio, changes in TDRs are primarily due to inflows from CAP modifications and outflows from payments and charge-offs. Given the types of concessions currently being granted under the CAP, as detailed in Note 4 "Loans and the Allowance for Credit Losses" to the consolidated financial statements, Regions does not expect that the market interest rate condition will be widely achieved. Therefore, Regions expects consumer loans modified through CAP to continue to be identified as TDRs for the remaining term of the loan.

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Table 9—Analysis of Changes in Commercial and Investor Real Estate TDRs

	Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	Commercial	Investor Real Estate	Commercial	Investor Real Estate
	(In millions)			
Balance, beginning of period	\$ 520	\$ 95	\$ 281	\$ 179
Inflows	272	50	177	11
Outflows				
Charge-offs	(10)	(1)	(12)	—
Foreclosure	(1)	—	—	—
Payments, sales and other ⁽¹⁾	(188)	(34)	(85)	(49)
Balance, end of period	\$ 593	\$ 110	\$ 361	\$ 141

(1) The majority of this category consists of payments and sales. "Other" outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held for sale. It also includes \$8 million of commercial loans and none of investor real estate loans refinanced or restructured as new loans and removed from TDR classification for the six months ended June 30, 2017. During the six months ended June 30, 2016, \$22 million of commercial loans and \$6 million of investor real estate loans were refinanced or restructured as new loans and removed from TDR classification.

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NON-PERFORMING ASSETS

Non-performing assets are summarized as follows:

Table 10—Non-Performing Assets

	June 30, 2017	December 31, 2016	
	(Dollars in millions)		
Non-performing loans:			
Commercial and industrial	\$540	\$ 623	
Commercial real estate mortgage—owner-occupied	148	210	
Commercial real estate construction—owner-occupied	3	3	
Total commercial	691	836	
Commercial investor real estate mortgage	12	17	
Commercial investor real estate construction	—	—	
Total investor real estate	12	17	
Residential first mortgage	46	50	
Home equity	73	92	
Indirect - vehicles	1	—	
Total consumer	120	142	
Total non-performing loans, excluding loans held for sale	823	995	
Non-performing loans held for sale	8	13	
Total non-performing loans ⁽¹⁾	831	1,008	
Foreclosed properties	81	90	
Total non-performing assets ⁽¹⁾	\$912	\$ 1,098	
Accruing loans 90 days past due:			
Commercial and industrial	\$4	\$ 6	
Commercial real estate mortgage—owner-occupied	2	2	
Total commercial	6	8	
Residential first mortgage ⁽²⁾	84	99	
Home equity	30	33	
Indirect—vehicles	8	10	
Consumer credit card	15	15	
Other consumer	3	5	
Total consumer	140	162	
	\$146	\$ 170	
Restructured loans not included in the categories above	\$1,141	\$ 1,010	
Non-performing loans ⁽¹⁾ to loans and non-performing loans held for sale	1.04	% 1.26	%
Non-performing assets ⁽¹⁾ to loans, foreclosed properties and non-performing loans held for sale	1.14	% 1.37	%

(1) Excludes accruing loans 90 days past due.

Excludes residential first mortgage loans that are 100% guaranteed by the FHA and all guaranteed loans sold to the (2) GNMA where Regions has the right but not the obligation to repurchase. Total 90 days or more past due guaranteed loans excluded were \$85 million at June 30, 2017 and \$113 million at December 31, 2016.

Non-performing loans at June 30, 2017 have decreased compared to year-end levels, due to improvement in credit quality as evidenced by stability in oil prices. Economic trends such as interest rates, unemployment, volatility in commodity prices and collateral valuations will impact the future level of non-performing assets. Circumstances related to individually large credits could also result in volatility throughout 2017.

Loans past due 90 days or more and still accruing, excluding government guaranteed loans, were \$146 million at June 30, 2017, a decrease from \$170 million at December 31, 2016.

At June 30, 2017, Regions had approximately \$125 million to \$200 million of potential problem commercial and investor real estate loans that were not included in non-accrual loans, but for which management had concerns as to the ability of such

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borrowers to comply with their present loan repayment terms. This is a likely estimate of the amount of commercial and investor real estate loans that have the potential to migrate to non-accrual status in the next quarter.

In order to arrive at the estimate of potential problem loans, personnel from geographic regions forecast certain larger dollar loans that may potentially be downgraded to non-accrual at a future time, depending on the occurrence of future events. These personnel consider a variety of factors, including the borrower's capacity and willingness to meet the contractual repayment terms, make principal curtailments or provide additional collateral when necessary, and provide current and complete financial information including global cash flows, contingent liabilities and sources of liquidity. Based upon the consideration of these factors, a probability weighting is assigned to loans to reflect the potential for migration to the pool of potential problem loans during this specific time period. Additionally, for other loans (for example, smaller dollar loans), a trend analysis is incorporated to determine the estimate of potential future downgrades. Because of the inherent uncertainty in forecasting future events, the estimate of potential problem loans ultimately represents the estimated aggregate dollar amounts of loans as opposed to an individual listing of loans. The majority of the loans on which the potential problem loan estimate is based are considered criticized and classified. Detailed disclosures for substandard accrual loans (as well as other credit quality metrics) are included in Note 4 "Loans and the Allowance for Credit Losses" to the consolidated financial statements.

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

Table 11—Analysis of Non-Accrual Loans

	Non-Accrual Loans, Excluding Loans Held for Sale Six Months Ended June 30, 2017			
	Commercial	Investor Real Estate	Consumer ⁽¹⁾	Total
	(In millions)			
Balance at beginning of period	\$ 836	\$ 17	\$ 142	\$ 995
Additions	257	6	—	263
Net payments/other activity	(231)	(4)	(22)	(257)
Return to accrual	(68)	(4)	—	(72)
Charge-offs on non-accrual loans ⁽²⁾	(91)	(1)	—	(92)
Transfers to held for sale ⁽³⁾	(10)	(2)	—	(12)
Transfers to foreclosed properties	(2)	—	—	(2)
Sales	—	—	—	—
Balance at end of period	\$ 691	\$ 12	\$ 120	\$ 823

	Non-Accrual Loans, Excluding Loans Held for Sale Six Months Ended June 30, 2016			
	Commercial	Investor Real Estate	Consumer ⁽¹⁾	Total
	(In millions)			
Balance at beginning of period	\$ 595	\$ 31	\$ 156	\$ 782
Additions	522	11	—	533
Net payments/other activity	(152)	(5)	(2)	(159)
Return to accrual	(21)	(2)	—	(23)
Charge-offs on non-accrual loans ⁽²⁾	(68)	(1)	—	(69)
Transfers to held for sale ⁽³⁾	(30)	—	(1)	(31)
Transfers to foreclosed properties	(2)	—	—	(2)
Sales	(5)	(1)	—	(6)
Balance at end of period	\$ 839	\$ 33	\$ 153	\$ 1,025

- (1) All net activity within the consumer portfolio segment other than sales and transfers to held for sale (including related charge-offs) is included as a single net number within the net payments/other activity line.
- (2) Includes charge-offs on loans on non-accrual status and charge-offs taken upon sale and transfer of non-accrual loans to held for sale.
- (3) Transfers to held for sale are shown net of charge-offs of \$4 million and \$16 million recorded upon transfer for the six months ended June 30, 2017 and 2016, respectively.

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Table of Contents**GOODWILL**

Goodwill totaled \$4.9 billion at both June 30, 2017 and December 31, 2016 and is allocated to each of Regions' reportable segments (each a reporting unit), at which level goodwill is tested for impairment on an annual basis or more often if events and circumstances indicate the fair value of the reporting unit may have declined below the carrying value (refer to Note 1 "Summary of Significant Accounting Policies" to the 2016 consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2016 for further discussion of when Regions tests goodwill for impairment and the Company's methodology and valuation approaches used to determine the estimated fair value of each reporting unit).

The result of the assessment performed for the second quarter of 2017 did not indicate that the estimated fair values of the Company's reporting units (Corporate Bank, Consumer Bank and Wealth Management) had declined below their respective carrying values. Therefore, Regions determined that a test of goodwill impairment was not required for each of Regions' reporting units for the June 30, 2017 interim period.

DEPOSITS

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

The following table summarizes deposits by category:

Table 12—Deposits

	June 30, December 31,	
	2017	2016
	(In millions)	
Non-interest-bearing demand	\$37,119	\$ 36,046
Savings	8,346	7,840
Interest-bearing transaction	19,233	20,259
Money market—domestic	26,384	27,293
Money market—foreign	71	186
Low-cost deposits	91,153	91,624
Time deposits	6,940	7,183
Customer deposits	98,093	98,807
Corporate treasury time deposits	—	228
	\$98,093	\$ 99,035

Total deposits at June 30, 2017 decreased approximately \$942 million compared to year-end 2016 levels. The decrease was driven primarily by declines in interest-bearing transaction and domestic money market accounts totaling \$1.9 billion. Interest-bearing transaction accounts have declined primarily due to the Company's strategic reductions of certain trust customer deposits, which require collateralization by securities, and have been shifted into other fee income-producing customer investments. Money market accounts declined since year-end as a result of a decision to reduce higher-cost retail brokered sweep deposits that were no longer a necessary component of the Company's funding strategy. These decreases were partially offset by continued growth in non-interest-bearing demand and savings accounts totaling \$1.6 billion. Customer time deposits declined \$243 million due to maturities with minimal reinvestment by customers as a result of continued customer preference for more liquid deposit products as market interest rates remain low. Also, corporate treasury time deposits declined from \$228 million to zero as a result of the lack of loan demand decreasing the need for wholesale deposit funding alternatives.

SHORT-TERM BORROWINGS

Short-term borrowings, which consist of FHLB advances, totaled \$600 million at June 30, 2017 compared to zero at December 31, 2016. The levels of these borrowings can fluctuate depending on the Company's funding needs and the

sources utilized.

In the near term, Regions expects the use of wholesale unsecured borrowings for its funding needs to remain low. Short-term secured borrowings, such as securities sold under agreements to repurchase and FHLB advances, are a core portion of Regions' funding strategy.

The securities financing market and specifically short-term FHLB advances continue to provide reliable funding at attractive rates. See the "Liquidity Risk" section for further detail of Regions' borrowing capacity with the FHLB.

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LONG-TERM BORROWINGS

Table 13—Long-Term Borrowings

	June 30, December 31, 2017 2016 (In millions)	
Regions Financial Corporation (Parent):		
2.00% senior notes due May 2018	\$ 101	\$ 100
3.20% senior notes due February 2021	1,102	1,102
7.75% subordinated notes due September 2024	100	100
6.75% subordinated debentures due November 2025	158	159
7.375% subordinated notes due December 2037	297	297
Valuation adjustments on hedged long-term debt	(26)	(30)
	1,732	1,728
Regions Bank:		
Federal Home Loan Bank advances	3,254	4,254
2.25% senior notes due September 2018	748	748
7.50% subordinated notes due May 2018	499	499
6.45% subordinated notes due June 2037	495	495
3.80% affiliate subordinated notes due February 2025	150	150
Other long-term debt	38	40
Valuation adjustments on hedged long-term debt	(1)	(1)
	5,183	6,185
Elimination of 3.80% affiliate subordinated notes due February 2025	(150)	(150)
Total consolidated	\$6,765	\$ 7,763

Long-term borrowings decreased approximately \$1.0 billion since year-end 2016. The decrease was the result of a \$1.0 billion decrease in the FHLB advances.

Long-term FHLB advances have a weighted-average interest rate of 1.1 percent at June 30, 2017 and 0.8 percent at December 31, 2016 with remaining maturities ranging from less than one year to fourteen years and a weighted-average of 0.4 years.

STOCKHOLDERS' EQUITY

Stockholders' equity was \$16.9 billion at June 30, 2017 as compared to \$16.7 billion at December 31, 2016. During the first six months of 2017, net income increased stockholders' equity by \$617 million, while cash dividends on common stock reduced stockholders' equity by \$162 million and cash dividends on preferred stock reduced stockholder's equity by \$32 million. Changes in accumulated other comprehensive income increased stockholders' equity by \$71 million, primarily due to the net change in unrealized gains (losses) on securities available for sale. Common stock repurchased during the first six months of 2017 reduced stockholders' equity by \$275 million. These shares were immediately retired and therefore are not included in treasury stock.

On June 28, 2017, Regions received no objection from the Federal Reserve to its 2017 capital plan that was submitted as part of the CCAR process, which included the repurchase of common shares and a common stock dividend increase.

See Note 7 "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)" for additional information.

REGULATORY REQUIREMENTS

CAPITAL RULES

Regions and Regions Bank are required to comply with regulatory capital requirements established by federal and state banking agencies. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, and also qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject the Company to a series of increasingly restrictive regulatory actions.

Under the Basel III Rules, Regions is designated as a standardized approach bank and, as such, began transitioning to the Basel III Rules in January 2015 subject to a phase-in period extending to January 2019. When fully phased in, the Basel III Rules will increase capital requirements through higher minimum capital levels as well as through increases in risk-weights for certain exposures. Additionally, the Basel III Rules place greater emphasis on common equity. The Basel III Rules, among other things,

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(i) introduce a measure called CET1, (ii) specify that Tier 1 capital consists of CET1 and “Additional Tier 1 capital” instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments to capital as compared to prior regulations. The Basel III Rules also provide for a number of deductions from and adjustments to CET1.

Additionally, the Basel III Rules introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is on top of minimum risk-weighted asset ratios. The Basel III Rules also prescribe an expanded standardized approach for risk weightings of assets to derive the capital ratios. Additional discussion of the Basel III Rules and their applicability to Regions is included in Note 14 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2016, as well as related discussion in Management's Discussion and Analysis. The following table summarizes the applicable holding company and bank regulatory requirements:

Table 14—Regulatory Capital Requirements

Transitional Basis Basel III Regulatory Capital Rules ⁽¹⁾	June 30, 2017 Ratio ⁽²⁾	December 31, 2016 Ratio	Minimum Requirement	To Be Well Capitalized
Basel III common equity Tier 1 capital:				
Regions Financial Corporation	11.47%	11.21%	4.50%	N/A
Regions Bank	12.49%	12.14%	4.50%	6.50%
Tier 1 capital:				
Regions Financial Corporation	12.27%	11.98%	6.00%	6.00%
Regions Bank	12.49%	12.14%	6.00%	8.00%
Total capital:				
Regions Financial Corporation	14.30%	14.15%	8.00%	10.00%
Regions Bank	14.23%	14.00%	8.00%	10.00%
Leverage capital:				
Regions Financial Corporation	10.41%	10.20%	4.00%	N/A
Regions Bank	10.61%	10.34%	4.00%	5.00%

(1) The 2017 and 2016 capital ratios were calculated at different points of the phase-in period under the Basel III Rules and therefore are not directly comparable.

(2) The current quarter Basel III CET1 capital, Tier 1 capital, Total capital, and Leverage capital ratios are estimated.

LIQUIDITY COVERAGE RATIO

The Federal Reserve, the OCC and the FDIC approved a final rule in 2014 implementing a minimum LCR requirement for certain large BHCs, savings and loan holding companies and depository institutions, and a less stringent LCR requirement (the “modified LCR”) for other banking organizations, such as Regions, with \$50 billion or more in total consolidated assets. The final rule imposes a monthly calculation requirement. As of January 1, 2017, the LCR calculation rule has been fully phased in. In December 2016, the Federal Reserve issued a final rule on the public disclosure of the LCR calculation that requires BHCs, such as Regions, to disclose publicly, on a quarterly basis, quantitative and qualitative information about certain components of its LCR beginning October 1, 2018.

At June 30, 2017, the Company was fully compliant with the LCR requirements. However, should the Company's cash position or investment mix change in the future, the Company's ability to meet the LCR requirement may be impacted, and additional funding may need to be sourced to remain compliant.

See the “Supervision and Regulation—Liquidity Regulation” subsection of the “Business” section and the “Risk Factors” section of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information.

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RATINGS

Table 15 “Credit Ratings” reflects the debt ratings information of Regions Financial Corporation and Regions Bank by Standard and Poor’s (“S&P”), Moody’s, Fitch and Dominion Bond Rating Service (“DBRS”) as of June 30, 2017 and December 31, 2016.

Table 15—Credit Ratings

	As of June 30, 2017			
	S&P	Moody’s	Fitch	DBRS
Regions Financial Corporation				
Senior unsecured debt	BBB	Baa2	BBB	BBBH
Subordinated debt	BBB-	Baa2	BBB-	BBB
Regions Bank				
Short-term	A-2	P-1	F2	R-1L
Long-term bank deposits	N/A	A2	BBB+	AL
Long-term rating	BBB+	A2	BBB	N/A
Senior unsecured debt	BBB+	Baa2	BBB	AL
Subordinated debt	BBB	Baa2	BBB-	BBBH
Outlook	Positive	Stable	Positive	Stable

	As of December 31, 2016			
	S&P	Moody’s	Fitch	DBRS
Regions Financial Corporation				
Senior unsecured debt	BBB	Baa2	BBB	BBBH
Subordinated debt	BBB-	Baa2	BBB-	BBB
Regions Bank				
Short-term	A-2	P-1	F2	R-1L
Long-term bank deposits	N/A	A2	BBB+	AL
Long-term rating	BBB+	A2	BBB	N/A
Senior unsecured debt	BBB+	Baa2	BBB	AL
Subordinated debt	BBB	Baa2	BBB-	BBBH
Outlook	Stable	Stable	Positive	Stable

N/A - Not applicable.

In general, ratings agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, probability of government support, and level and quality of earnings. Any downgrade in credit ratings by one or more ratings agencies may impact Regions in several ways, including, but not limited to, Regions’ access to the capital markets or short-term funding, borrowing cost and capacity, collateral requirements, and acceptability of its letters of credit, thereby potentially adversely impacting Regions’ financial condition and liquidity. See the “Risk Factors” section in the Annual Report on Form 10-K for the year ended December 31, 2016 for more information.

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

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NON-GAAP MEASURES

The table below presents computations of earnings and certain other financial measures, which exclude certain significant items that are included in the financial results presented in accordance with GAAP. These non-GAAP financial measures include “adjusted allowance for loan losses to non-performing loans, excluding loans held for sale ratio,” “adjusted efficiency ratio,” “adjusted fee income ratio,” “return on average tangible common stockholders’ equity,” average and end of period “tangible common stockholders’ equity,” and “Basel III CET1, on a fully phased-in basis” and related ratios. Regions believes that expressing earnings and certain other financial measures excluding these significant items provides a meaningful base for period-to-period comparisons, which management believes will assist investors in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions’ business because management does not consider the activities related to the adjustments to be indications of ongoing operations. Regions believes that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management. Management and the Board utilize these non-GAAP financial measures as follows:

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

The adjusted allowance for loan losses to non-performing loans, excluding loans held for sale ratio (non-GAAP), which is a measure of credit quality performance, is generally calculated as adjusted allowance for loan losses divided by adjusted total non-accrual loans, excluding loans held for sale. Management believes that excluding the portion of the allowance for loan losses related to direct energy loans and the direct energy non-accrual loans will assist investors in analyzing the Company's credit quality performance absent the volatility that has been experienced by energy businesses. The allowance for loan losses (GAAP) is presented excluding the portion of the allowance related to direct energy loans to arrive at the adjusted allowance for loan losses (non-GAAP). Total non-accrual loans (GAAP) is presented excluding direct energy non-accrual loans to arrive at adjusted total non-accrual loans, excluding loans held for sale (non-GAAP), which is the denominator for the allowance for loan losses to non-accrual loans ratio.

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

Tangible common stockholders’ equity ratios have become a focus of some investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Traditionally, the Federal Reserve and other banking regulatory bodies have assessed a bank’s capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. Analysts and banking regulators have assessed Regions’ capital adequacy using the tangible common stockholders’ equity measure. Because tangible common stockholders’ equity is not formally defined by GAAP, this measure is considered to be a non-GAAP financial measure and other entities may calculate it differently than Regions’ disclosed calculations. Since analysts and banking regulators may assess Regions’ capital adequacy using tangible common stockholders’ equity, Regions believes that it is useful to provide investors the ability to assess Regions’ capital adequacy on this same basis.

The Basel Committee's Basel III framework will strengthen international capital and liquidity regulations. When fully phased-in, Basel III will increase capital requirements through higher minimum capital levels as well as through increases in risk-weights for certain exposures. Additionally, the Basel III Rules place greater emphasis on common equity. The Federal Reserve released its final Basel III Rules detailing the U.S. implementation of Basel III in 2013. Regions, as a standardized approach bank, began transitioning to the Basel III framework in January 2015 subject to a phase-in period extending through January 2019. Because the Basel III implementation regulations will not be fully phased-in until 2019 and, are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures. Since analysts and banking regulators may assess Regions' capital adequacy using the fully phased-in Basel III framework, Regions believes that it is useful to provide investors information enabling them to assess Regions' capital adequacy on the same basis.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under

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GAAP. In particular, a measure of earnings that excludes selected items does not represent the amount that effectively accrues directly to stockholders.

The following tables provide: 1) a reconciliation of allowance for loan losses (GAAP) to adjusted allowance for loan losses (non-GAAP), 2) a reconciliation of non-accrual loans (GAAP) to adjusted non-accrual loans (non-GAAP), 3) a computation of adjusted allowance for loan losses to non-performing loans, excluding loans held for sale (non-GAAP), 4) a reconciliation of net income (GAAP) to net income available to common shareholders (GAAP), 5) a reconciliation of non-interest expense from continuing operations (GAAP) to adjusted non-interest expense (non-GAAP), 6) a reconciliation of non-interest income from continuing operations (GAAP) to adjusted non-interest income (non-GAAP), 7) a computation of adjusted total revenue (non-GAAP), 8) a computation of the adjusted efficiency ratio (non-GAAP), 9) a computation of the adjusted fee income ratio (non-GAAP), 10) a reconciliation of average and ending stockholders' equity (GAAP) to average and ending tangible common stockholders' equity (non-GAAP) and calculations of related ratios (non-GAAP), 11) a reconciliation of stockholders' equity (GAAP) to Basel III CET1, on a fully phased-in basis (non-GAAP), and calculation of the related ratio based on Regions' current understanding of the Basel III requirements (non-GAAP).

Table 16—GAAP to Non-GAAP Reconciliation

		June 30, 2017	December 31, 2016
		(Dollars in millions)	
ADJUSTED NON-ACCRUAL LOANS AND SELECTED RATIOS			
Allowance for loan losses (GAAP)	A	\$ 1,041	\$ 1,091
Less: Direct energy portion		136	147
Adjusted allowance for loan losses (non-GAAP)	B	\$ 905	\$ 944
Total non-accrual loans (GAAP)	C	\$ 823	\$ 995
Less: Direct energy non-accrual loans		267	311
Adjusted total non-accrual loans (non-GAAP)	D	\$ 556	\$ 684
Allowance for loan losses to non-performing loans, excluding loans held for sale (GAAP)	A/C	1.27x	1.10x
Adjusted allowance for loan losses to non-performing loans, excluding loans held for sale (GAAP)	B/D	1.63x	1.38x
		(Dollars in millions)	
		Three Months Ended June 30	
		2017	2016
		Six Months Ended June 30	
		2017	2016
INCOME			
Net income (GAAP)		\$ 316	\$ 275
Preferred dividends (GAAP)		(16)	(16)
Net income available to common shareholders (GAAP)	E	\$ 300	\$ 259
ADJUSTED EFFICIENCY AND FEE INCOME RATIOS			
Non-interest expense from continuing operations (GAAP)	F	\$ 909	\$ 915
Significant items:			
Professional, legal and regulatory expenses ⁽¹⁾		—	(3)
Branch consolidation, property and equipment charges		(7)	(22)
Salary and employee benefits—severance charges		(3)	(1)
Adjusted non-interest expense (non-GAAP)	G	\$ 899	\$ 889
Net interest income and other financing income (GAAP)		\$ 882	\$ 848
Taxable-equivalent adjustment		22	21
Net interest income and other financing income from continuing operations, taxable-equivalent basis	H	904	869
		1,785	1,752

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Non-interest income from continuing operations (GAAP)	I	525	526	1,035	1,032
Significant items:					
Securities (gains) losses, net		(1)	(6)	(1)	(1)
Insurance proceeds ⁽²⁾		—	—	—	(3)
Gain on sale of affordable housing residential mortgage loans ⁽³⁾		(5)	—	(5)	—
Adjusted non-interest income (non-GAAP)	J	\$519	\$520	\$1,029	\$1,028
Total revenue, taxable-equivalent basis	H+I=K	\$1,429	\$1,395	\$2,820	\$2,784
Adjusted total revenue, taxable-equivalent basis (non-GAAP)	H+J=L	\$1,423	\$1,389	\$2,814	\$2,780
Efficiency ratio (GAAP)	F/K	63.62 %	65.62 %	63.34 %	64.08 %
Adjusted efficiency ratio (non-GAAP)	G/L	63.18 %	63.98 %	62.97 %	62.30 %
Fee income ratio (GAAP)	I/K	36.75 %	37.70 %	36.71 %	37.07 %
Adjusted fee income ratio (non-GAAP)	J/L	36.48 %	37.46 %	36.56 %	37.00 %

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	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
	(Dollars in millions)			
RETURN ON AVERAGE TANGIBLE COMMON STOCKHOLDERS' EQUITY				
Average stockholders' equity (GAAP)	\$16,803	\$17,151	\$16,727	\$17,119
Less: Average intangible assets (GAAP)	5,108	5,124	5,114	5,127
Average deferred tax liability related to intangibles (GAAP)	(156)	(163)	(156)	(164)
Average preferred stock (GAAP)	820	820	820	820
Average tangible common stockholders' equity (non-GAAP)	M \$11,031	\$11,370	\$10,949	\$11,336
Return on average tangible common stockholders' equity (non-GAAP) ⁽⁴⁾	E/M 10.91	% 9.15	% 10.77	% 9.15

	June 30, 2017		December 31, 2016	
	(Dollars in millions, except per share data)			
TANGIBLE COMMON RATIOS-CONSOLIDATED				
Ending stockholders' equity (GAAP)		\$16,893		\$16,664
Less: Ending intangible assets (GAAP)		5,102		5,125
Ending deferred tax liability related to intangibles (GAAP)		(156)		(155)
Ending preferred stock (GAAP)		820		820
Ending tangible common stockholders' equity (non-GAAP)	N	\$11,127		\$10,874
Ending total assets (GAAP)		\$124,643		\$125,968
Less: Ending intangible assets (GAAP)		5,102		5,125
Ending deferred tax liability related to intangibles (GAAP)		(155)		(155)
Ending tangible assets (non-GAAP)	O	\$119,696		\$120,998
End of period shares outstanding	P	1,199		1,215
Tangible common stockholders' equity to tangible assets (non-GAAP)	N/O	9.30	%	8.99
Tangible common book value per share (non-GAAP)	N/P	\$9.28		\$8.95
BASEL III COMMON EQUITY TIER 1 RATIO—FULLY PHASED-IN PRO-FORMA				
⁽⁵⁾				
Stockholders' equity (GAAP)		\$16,893		\$16,664
Non-qualifying goodwill and intangibles		(4,932)		(4,955)
Adjustments, including all components of accumulated other comprehensive income, disallowed deferred tax assets, threshold deductions and other adjustments		432		489
Preferred stock (GAAP)		(820)		(820)
Basel III common equity Tier 1—Fully Phased-In Pro-Forma (non-GAAP)	Q	\$11,573		\$11,378
Basel III risk-weighted assets—Fully Phased-In Pro-Forma (non-GAAP) ⁽⁶⁾	R	\$101,894		\$102,975
Basel III common equity Tier 1 ratio—Fully Phased-In Pro-Forma (non-GAAP)	Q/R	11.36	%	11.05

(1) Regions recorded \$3 million of contingent legal and regulatory accruals during the second quarter of 2016.

(2) Insurance proceeds recognized in 2016 are related to the settlement of the previously disclosed 2010 class-action lawsuit.

(3) Gain on sale of affordable housing residential mortgage loans in the fourth quarter of 2016 was due to the decision to sell approximately \$171 million of loans to Freddie Mac. Approximately \$91 million were sold with recourse,

resulting in a deferred gain of \$5 million, which was recognized during the second quarter of 2017.

(4) Income statement amounts have been annualized in calculation.

(5) Current quarter amounts and the resulting ratio are estimated.

Regions continues to develop systems and internal controls to precisely calculate risk-weighted assets as required (6) by Basel III on a fully phased-in basis. The amounts included above are a reasonable approximation, based on current understanding of the requirements.

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OPERATING RESULTS

NET INTEREST INCOME AND MARGIN

Table 17—Consolidated Average Daily Balances and Yield/Rate Analysis from Continuing Operations

	Three Months Ended June 30					
	2017			2016		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
	(Dollars in millions; yields on taxable-equivalent basis)					
Assets						
Earning assets:						
Federal funds sold and securities purchased under agreements to resell	\$1	\$ —	— %	\$3	\$ —	— %
Trading account securities	150	—	—	114	1	0.99
Securities:						
Taxable	25,269	151	2.40	24,682	145	2.36
Tax-exempt	—	—	—	1	—	—
Loans held for sale	509	4	3.43	458	4	3.45
Loans, net of unearned income ⁽¹⁾⁽²⁾	80,110	823	4.10	81,960	783	3.82
Investment in operating leases, net	631	6	2.88	792	6	2.81
Other earning assets	2,532	9	1.54	2,970	8	1.10
Total earning assets	109,202	993	3.63	110,980	947	3.41
Allowance for loan losses	(1,069)			(1,158)		
Cash and due from banks	1,856			1,792		
Other non-earning assets	13,854			13,798		
	\$123,843			\$125,412		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Savings	\$8,359	4	0.15	\$7,794	2	0.14
Interest-bearing checking	19,272	8	0.19	20,760	5	0.09
Money market	26,712	10	0.15	26,585	7	0.11
Time deposits	7,005	15	0.87	7,338	14	0.73
Total interest-bearing deposits ⁽³⁾	61,348	37	0.24	62,477	28	0.18
Other short-term borrowings	422	2	0.99	—	—	—
Long-term borrowings	6,748	50	2.97	8,523	50	2.33
Total interest-bearing liabilities	68,518	89	0.52	71,000	78	0.44
Non-interest-bearing deposits ⁽³⁾	36,141	—	—	35,020	—	—
Total funding sources	104,659	89	0.34	106,020	78	0.29
Net interest spread			3.11			2.97
Other liabilities	2,387			2,241		
Stockholders' equity	16,797			17,151		
	\$123,843			\$125,412		
Net interest income and other financing income/margin on a taxable-equivalent basis from continuing operations ⁽⁴⁾		\$ 904	3.32 %		\$ 869	3.15 %

(1) Loans, net of unearned income include non-accrual loans for all periods presented.

(2) Interest income includes net loan fees of \$6 million and \$8 million for the three months ended June 30, 2017 and 2016, respectively.

(3)

Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing deposits and non-interest-bearing deposits. The rates for total deposit costs equal 0.15% and 0.12% for the three months ended June 30, 2017 and 2016, respectively.

- (4) The computation of taxable-equivalent net interest income and other financing income is based on the statutory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit.

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	Six Months Ended June 30					
	2017			2016		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in millions; yields on taxable-equivalent basis)					
Assets						
Earning assets:						
Federal funds sold and securities purchased under agreements to resell	\$1	\$—	— %	\$7	\$—	— %
Trading account securities	137	2	3.18	123	4	5.93
Securities:						
Taxable	25,170	299	2.40	24,650	292	2.38
Tax-exempt	—	—	—	1	—	—
Loans held for sale	525	8	3.20	410	7	3.38
Loans, net of unearned income ⁽¹⁾⁽²⁾	80,144	1,618	4.04	81,735	1,572	3.84
Investment in operating leases, net	655	11	3.07	809	11	2.76
Other earning assets	2,988	21	1.44	3,508	18	1.03
Total earning assets	109,620	1,959	3.58	111,243	1,904	3.42
Allowance for loan losses	(1,081)			(1,133)		
Cash and due from banks	1,877			1,751		
Other non-earning assets	13,908			13,825		
	\$124,324			\$125,686		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Savings	\$8,205	7	0.16	\$7,642	5	0.15
Interest-bearing checking	19,592	16	0.17	21,002	10	0.09
Money market	26,968	19	0.14	26,703	14	0.11
Time deposits	7,075	30	0.85	7,353	26	0.70
Total interest-bearing deposits ⁽³⁾	61,840	72	0.23	62,700	55	0.18
Other short-term borrowings	356	2	0.86	4	—	—
Long-term borrowings	7,103	100	2.82	8,665	97	2.23
Total interest-bearing liabilities	69,299	174	0.51	71,369	152	0.43
Non-interest-bearing deposits ⁽³⁾	35,886	—	—	34,923	—	—
Total funding sources	105,185	174	0.33	106,292	152	0.29
Net interest spread			3.07			2.99
Other liabilities	2,416			2,275		
Stockholders' equity	16,723			17,119		
	\$124,324			\$125,686		
Net interest income and other financing income/margin on a taxable-equivalent basis from continuing operations ⁽⁴⁾		\$ 1,785	3.28%		\$ 1,752	3.17%

(1) Loans, net of unearned income include non-accrual loans for all periods presented.

(2) Interest income includes net loan fees of \$11 million and \$19 million for the six months ended June 30, 2017 and 2016, respectively.

Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing (3) deposits and non-interest-bearing deposits. The rates for total deposit costs equal 0.15% and 0.11% for the six months ended June 30, 2017 and 2016, respectively.

(4)

The computation of taxable-equivalent net interest income and other financing income is based on the statutory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit. For the second quarter of 2017, net interest income and other financing income (taxable-equivalent basis) totaled \$904 million compared to \$869 million in the second quarter of 2016. The net interest margin (taxable-equivalent basis) was 3.32 percent for the second quarter of 2017 and 3.15 percent for the second quarter of 2016. Net interest income and other financing income (taxable-equivalent basis) totaled \$1.8 billion for the first six months of both 2017 and 2016. The net interest margin (taxable-equivalent basis) was 3.28 percent and 3.17 percent for the first six months of 2017 and 2016, respectively. The increase in net interest margin (taxable-equivalent basis) for the second quarter and first six months of 2017, compared to the same periods of 2016, was primarily due to higher market interest rates, prudent deposit cost management, and the impact of balance sheet management strategies, including higher investment securities balances, partially offset by lower average loan balances.

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Management expects to increase net interest income and other financing income in the range of 3 to 5 percent on a full year basis.

MARKET RISK—INTEREST RATE RISK

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

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

The primary objective of asset/liability management at Regions is to coordinate balance sheet composition with interest rate risk management to sustain reasonable and stable net interest income and other financing income throughout various interest rate cycles. In computing interest rate sensitivity for measurement, Regions compares a set of alternative interest rate scenarios to the results of a base case scenario based on "market forward rates." The standard set of interest rate scenarios includes the traditional instantaneous parallel rate shifts of plus 100 and 200 basis points. While not presented, up-rate scenarios of greater magnitude are also analyzed. Regions prepares a minus 50 basis points scenario, as minus 100 and 200 basis points scenarios are of limited use in the current rate environment. In addition to parallel curve shifts, multiple curve steepening and flattening scenarios are contemplated. Regions includes simulations of gradual interest rate movements phased in over a six-month period that may more realistically mimic the speed of potential interest rate movements.

Exposure to Interest Rate Movements—As of June 30, 2017, Regions was moderately asset sensitive to both gradual and instantaneous parallel yield curve shifts as compared to the base case for the measurement horizon ending June 2018. The estimated exposure associated with the parallel yield curve shift of minus 50 basis points in the table below reflects the combined impacts of movements in short-term and long-term interest rates. The decline in short-term interest rates (such as the Fed Funds rate, the rate of Interest on Excess Reserves and 1 month LIBOR) will lead to a reduction of yield on assets and liabilities contractually tied to such rates. Recent Fed Funds increases have not resulted in a meaningful increase in deposit costs for Regions. Therefore, it is expected that declines in deposit costs will only partially offset the decline in asset yields. A reduction in long-term interest rates (such as intermediate to longer-term U.S. Treasuries, swap and mortgage rates) will drive yields lower on certain fixed rate, newly originated or renewed loans, reduce prospective yields on certain investment portfolio purchases, and increase amortization of premium expense on existing securities in the investment portfolio.

With respect to sensitivity to long-term interest rates, the balance sheet is estimated to be moderately asset sensitive. Current simulation models estimate that, as compared to the base case, net interest income and other financing income over a 12 month horizon would respond favorably by approximately \$83 million if longer-term interest rates were to immediately and on a sustained basis exceed the base scenario by 100 basis points. Conversely, if longer-term interest rates were to immediately and on a sustained basis underperform the base case by 50 basis points, then net interest income and other financing income, as compared to the base case, would decline by approximately \$50 million. While long-term rates have retracted from post-election highs, they remain moderately elevated through the second quarter, reducing the interest income sensitivity afforded by potential further extension of investment securities and the

resulting impact on premium amortization. To the extent that interest rates do not materially decline, net interest income sensitivity driven by middle and long-term interest rates will be primarily attributable to changes in the level of reinvestment yields on fixed rate assets. The table below summarizes Regions' positioning in various parallel yield curve shifts (i.e. including both long-term and short-term interest rates). The scenarios are inclusive of all interest rate risk hedging activities.

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Table 18—Interest Rate Sensitivity

	Estimated Annual Change in Net Interest Income June 30, 2017 (In millions)
Gradual Change in Interest Rates	
+ 200 basis points	\$231
+ 100 basis points	134
- 50 basis points	(68)
Instantaneous Change in Interest Rates	
+ 200 basis points	\$224
+ 100 basis points	156
- 50 basis points	(107)

As discussed above, the interest rate sensitivity analysis presented in Table 18 is informed by a variety of assumptions and estimates regarding the course of the balance sheet in both the baseline scenario as well as the scenarios of instantaneous and gradual shifts in the yield curve. Though there are many assumptions that affect the estimates for net interest income and other financing income, those pertaining to deposit pricing, deposit mix and overall balance sheet composition are particularly impactful. Given the uncertainties associated with the prolonged period of low interest rates, management evaluates the impact to its sensitivity analysis of these key assumptions. Sensitivity calculations are hypothetical and should not be considered to be predictive of future results.

The Company's baseline balance sheet growth assumptions include moderate loan and deposit growth reflecting management's best estimate. The behavior of deposits in response to changes in interest rate levels is largely informed by analyses of prior rate cycles, but with suitable adjustments based on management's expectations in the current rate environment. In the + 200 basis point gradual interest rate change scenario in Table 18, the total cumulative interest bearing deposit re-pricing sensitivity is expected to be approximately 60 percent of changes in short-term market rates (e.g., Fed Funds), as compared to approximately 55 percent in the 2004 to 2007 historical timeframe. A 5 percentage point higher sensitivity than the 60 percent baseline would reduce 12 month net interest income and other financing income in the gradual +200 basis points scenario by approximately \$56 million. While the estimates should be used as a guide, differences may result driven by the pace of rate changes, and other market and competitive factors.

Similarly, management assumes that the change in the mix of deposits in a rising rate environment versus the baseline balance sheet growth assumptions is informed by analyses of prior rate cycles. Management assumes that in rising rate scenarios, some shift from non-interest bearing to interest-bearing products will occur. The magnitude of the shift is rate dependent, but equates to approximately \$3.5 billion over 12 months in the gradual +200 basis point scenario in Table 18. In the event this shift increased by an additional \$3.0 billion over 12 months, the result would be a reduction of 12 month net interest income and other financing income in the gradual +200 basis points scenario by approximately \$25 million.

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

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

Forward rate contracts are commitments to buy or sell financial instruments at a future date at a specified price or yield. A Eurodollar futures contract is a future on a Eurodollar deposit. Eurodollar futures contracts subject Regions to

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

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Regions has made use of interest rate swaps in balance sheet hedging strategies to effectively convert a portion of its fixed-rate funding position and available for sale securities portfolios to a variable-rate position and to effectively convert a portion of its variable-rate loan portfolios to fixed-rate. Regions also uses derivatives to economically manage interest rate and pricing risk associated with its mortgage origination business. In the period of time that elapses between the origination and sale of mortgage loans, changes in interest rates have the potential to cause a decline in the value of the loans in this held-for-sale portfolio. Futures contracts and forward sale commitments are used to protect the value of the loan pipeline and loans held for sale from changes in interest rates and pricing. The following table presents additional information about the interest rate derivatives used by Regions to manage interest rate risk:

Table 19—Hedging Derivatives by Interest Rate Risk Management Strategy

	June 30, 2017						
	Estimated		Weighted-Average				
	Fair	Value	Notional	Gain	Loss	Maturity	Receive Pay
	Amount	(Dollars in millions)	(Dollars in millions)	(Dollars in millions)	(Dollars in millions)	(Years)	Rate
Interest rate swaps:							
Derivatives in fair value hedging relationships:							
Receive fixed/pay variable	\$1,850	\$—	\$21	2.6	1.2	%	1.2 %
Receive variable/pay fixed	318	1	9	10.3	1.2		2.5
Derivatives in cash flow hedging relationships:							
Receive fixed/pay variable	7,400	20	158	5.9	1.4		1.1
Total derivatives designated as hedging instruments	\$9,568	\$21	\$188	5.4	1.4	%	1.2 %

Regions manages the credit risk of these instruments in much the same way as it manages credit risk of the loan portfolios by establishing credit limits for each counterparty and through collateral agreements for dealer transactions. For non-dealer transactions, the need for collateral is evaluated on an individual transaction basis and is primarily dependent on the financial strength of the counterparty. Credit risk is also reduced significantly by entering into legally enforceable master netting agreements. When there is more than one transaction with a counterparty and there is a legally enforceable master netting agreement in place, the exposure represents the net of the gain and loss positions with and collateral received from and/or posted to that counterparty. The majority of interest rate derivatives traded by Regions are subject to mandatory clearing. The counterparty risk for cleared trades effectively moves from the executing broker to the clearinghouse allowing Regions to benefit from the risk mitigation controls in place at the respective clearinghouse. The “Credit Risk” section in Regions’ Annual Report on Form 10-K for the year ended December 31, 2016 contains more information on the management of credit risk.

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

The primary objective of Regions’ hedging strategies is to mitigate the impact of interest rate changes, from an economic perspective, on net interest income and other financing income and the net present value of its balance sheet. The overall effectiveness of these hedging strategies is subject to market conditions, the quality of Regions’ execution, the accuracy of its valuation assumptions, counterparty credit risk and changes in interest rates. See Note 11 “Derivative Financial Instruments and Hedging Activities” to the consolidated financial statements for a tabular summary of Regions’ quarter-end derivatives positions and further discussion.

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

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

LIQUIDITY RISK

Liquidity is an important factor in the financial condition of Regions and affects Regions' ability to meet the borrowing needs and deposit withdrawal requirements of its customers. In 2014, the FRB, the OCC and the FDIC released the final version of the liquidity coverage ratio rule, which is designed to ensure that financial institutions have the necessary assets on hand to withstand short-term liquidity disruptions. See the "Liquidity Coverage Ratio" discussion included in the "Regulatory Requirements" section of Management's Discussion and Analysis for additional information.

Regions intends to fund its obligations primarily through cash generated from normal operations. In addition to these obligations, Regions has obligations related to potential litigation contingencies. See Note 14 "Commitments, Contingencies and Guarantees" to the consolidated financial statements for additional discussion of the Company's funding requirements.

Assets, consisting principally of loans and securities, are funded by customer deposits, borrowed funds and stockholders' equity. Regions' goal in liquidity management is to satisfy the cash flow requirements of depositors and borrowers, while at the same time meeting the Company's cash flow needs. Having and using various sources of liquidity to satisfy the Company's funding requirements is important.

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

The securities portfolio is one of Regions' primary sources of liquidity. Proceeds from maturities and principal and interest payments of securities provide a constant flow of funds available for cash needs (see Note 3 "Securities" to the consolidated financial statements). The agency guaranteed mortgage-backed securities portfolio is another source of liquidity in various secured borrowing capacities.

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

The balance with the FRB is the primary component of the balance sheet line item, "interest-bearing deposits in other banks." At June 30, 2017, Regions had approximately \$2.3 billion in cash on deposit with the FRB, a decrease from approximately \$3.6 billion at December 31, 2016.

Regions' borrowing availability with the FRB as of June 30, 2017, based on assets pledged as collateral on that date, was \$16.3 billion.

Regions' financing arrangement with the FHLB adds additional flexibility in managing the Company's liquidity position. As of June 30, 2017, Regions' outstanding balance of FHLB borrowings was \$3.9 billion and its total borrowing capacity from the FHLB totaled \$14.1 billion. FHLB borrowing capacity is contingent on the amount of collateral pledged to the FHLB. Regions Bank pledged certain securities, commercial and real estate mortgage loans, residential first mortgage loans on one-to-four family

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dwellings and home equity lines of credit as collateral for the FHLB advances outstanding. Additionally, investment in FHLB stock is required in relation to the level of outstanding borrowings. The FHLB has been and is expected to continue to be a reliable and economical source of funding.

Regions maintains a shelf registration statement with the SEC that can be utilized by Regions to issue various debt and/or equity securities. Regions may also issue bank notes from time to time, either as part of a bank note program or as stand-alone issuances. Refer to Note 13 "Long-Term Borrowings" to the consolidated financial statements in the 2016 Annual Report on Form 10-K for additional information.

Regions may, from time to time, consider opportunistically retiring outstanding issued securities, including subordinated debt in privately negotiated or open market transactions for cash or common shares. Regulatory approval would be required for retirement of some instruments.

CREDIT RISK

Regions' objective regarding credit risk is to maintain a high-quality credit portfolio that provides for stable credit costs with acceptable volatility through an economic cycle. Regions has a diversified loan portfolio in terms of product type, collateral and geography. See Table 2 for further details of each loan portfolio segment. See the "Portfolio Characteristics" section of the Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of risk characteristics of each loan type.

INFORMATION SECURITY RISK

Regions faces a variety of operational risks, including information security risks. Information security risks such as evolving and adaptive cyber-attacks, regularly conducted against Regions and other large financial institutions to compromise or disable information systems, have generally increased in recent years. This trend is expected to continue for a number of reasons, including the proliferation of new technologies, the use of mobile devices, more financial transactions conducted online, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties or fraud on the part of employees.

Regions devotes significant financial and non-financial resources to identify and mitigate threats to the confidentiality, availability and integrity of its information systems. Regions regularly assesses the threats and vulnerabilities to its environment so it can update and maintain its systems and controls to effectively mitigate these risks. Layered security controls are designed to complement each other to protect customer information and transactions. Regions will continue to commit the resources necessary to mitigate these growing cyber risks, as well as continue to develop and enhance controls, processes and technology to protect its systems from attacks or unauthorized access. In addition, Regions maintains a strong commitment to a comprehensive risk management program that includes oversight of third-party relationships involving vendors. The Board, through its various committees, is briefed at least quarterly on information security matters.

Regions participates in information sharing organizations such as FS-ISAC, to gather and share information among peer banks and other financial institutions to better prepare and protect its information systems from attack. FS-ISAC is a nonprofit organization whose objective is to protect the financial services sector against cyber and physical threats and risk. It acts as a trusted third party that provides anonymity to allow members to submit threat, vulnerability and incident information in a non-attributable and trusted manner so information that would normally not be shared is instead made available for the greater good of the membership. In addition to FS-ISAC, Regions is a member of BITS. BITS serves the financial community and its members by providing industry best practices on a variety of security and fraud topics.

Regions has contracts with vendors to provide denial of service mitigation. These vendors have also continued to commit the necessary resources to support Regions in the event of an attack. Even though Regions devotes significant resources to combat cyber security risks, there is no guarantee that these measures will provide absolute security. As an additional security measure, Regions has engaged a computer forensics firm and an industry-leading consulting firm on retainer in case of a breach event. Furthermore, some of Regions' exposure with respect to data breaches may be offset by applicable insurance.

Even if Regions successfully prevents data breaches to its own network, the Company may still incur losses that result from customers' account information obtained through breaches of retailers' networks where customers have

transacted business. The fraud losses, as well as the costs of investigations and re-issuing new customer cards, impact Regions' financial results. In addition, Regions also relies on some vendors to provide certain components of its business infrastructure, and although Regions actively assesses and monitors the information security capabilities of these vendors, Regions' reliance on them may also increase exposure to information security risk.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to maintain the allowance for loan losses at a level that in management's judgment is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. The provision for loan losses totaled \$48 million in the second quarter of 2017 compared to \$72 million during the second quarter of 2016. The provision for loan losses totaled \$118 million for the first six months of 2017 compared to \$185 million for the first six months of 2016. Refer to the "Allowance for Credit Losses" section of Management's Discussion and Analysis for further detail.

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NON-INTEREST INCOME

Table 20—Non-Interest Income from Continuing Operations

	Three Months Ended June 30		Quarter-to-Date Change 6/30/2017 vs. 6/30/2016		
	2017	2016	Amount	Percent	
	(Dollars in millions)				
Service charges on deposit accounts	\$169	\$166	\$3	1.8	%
Card and ATM fees	104	99	5	5.1	%
Investment management and trust fee income	57	52	5	9.6	%
Mortgage income	40	46	(6)	(13.0)	%
Capital markets fee income and other	38	38	—	NM	
Insurance commissions and fees	36	36	—	NM	
Bank-owned life insurance	22	20	2	10.0	%
Commercial credit fee income	18	18	—	NM	
Investment services fee income	15	15	—	NM	
Securities gains (losses), net	1	6	(5)	(83.3)	%
Market value adjustments on employee benefit assets	2	8	(6)	(75.0)	%
Other miscellaneous income	23	22	1	4.5	%
	\$525	\$526	\$(1)	(0.2)	%
			Year-to-Date Change 6/30/2017 vs. 6/30/2016		
	Six Months Ended June 30		Change 6/30/2017 vs. 6/30/2016		
	2017	2016	Amount	Percent	
	(Dollars in millions)				
Service charges on deposit accounts	\$337	\$325	\$12	3.7	%
Card and ATM fees	208	194	14	7.2	%
Investment management and trust fee income	113	102	11	10.8	%
Mortgage income	81	84	(3)	(3.6)	%
Capital markets fee income and other	70	79	(9)	(11.4)	%
Insurance commissions and fees	73	76	(3)	(3.9)	%
Bank-owned life insurance	41	53	(12)	(22.6)	%
Commercial credit fee income	36	37	(1)	(2.7)	%
Investment services fee income	31	31	—	NM	
Insurance proceeds	—	3	(3)	(100.0)	%
Securities gains (losses), net	1	1	—	NM	
Market value adjustments on employee benefit assets	7	(4)	11	(275.0)	%
Other miscellaneous income	37	51	(14)	(27.5)	%
	\$1,035	\$1,032	\$3	0.3	%

 NM - Not Meaningful

Service charges on deposit accounts—Service charges on deposit accounts include non-sufficient fund fees and other service charges. The increases during the second quarter of 2017 and first six months of 2017 compared to the same periods of 2016 was primarily due to checking account growth and increases in non-sufficient fund fees.

Card and ATM fees—Card and ATM fees include the combined amounts of credit card/bank card income and debit card and ATM related revenue. The increase in the second quarter and first six months of 2017 compared to the same periods of 2016 was primarily the result of increased checking accounts and related spending volume resulting in higher interchange income. Additionally, lower processing expenses contributed to the increases.

Investment management and trust fee income—Investment management and trust fee income represents income from asset management services provided to individuals, businesses and institutions. The increases in the second quarter of 2017 and the first six months of 2017 compared to the same periods of 2016 were primarily the result of increases in assets under administration.

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Capital markets fee income and other—Capital markets fee income and other primarily relates to capital raising activities that includes securities underwriting and placement, loan syndication and placement, as well as foreign exchange, derivatives, merger and acquisition and other advisory services. Capital markets fee income and other remained flat in the second quarter of 2017 compared to the same period in 2016, but decreased in the first six months of 2017 compared to the same periods in 2016. The decrease was primarily due to a reduction in fees generated from the placement of permanent financing for real estate customers and mergers and acquisitions advisory services. The decrease was partially offset by an increase in fees obtained from debt underwriting activities.

Bank-owned life insurance—Bank-owned life insurance decreased in the first six months of 2017 compared to the same period in 2016 primarily due to reduced claims benefits and a gain on exchange of policies that was recognized in the first quarter of 2016.

Securities gains (losses), net—Net securities gains (losses) primarily result from the Company's asset/liability management process.

Market value adjustments on employee benefit assets—Market value adjustments on employee benefit assets decreased in the second quarter and increased in the first six months of 2017 compared to the same periods of 2016 reflecting market value variations related to assets held for certain employee benefits. These adjustments are offset in salaries and employee benefits expense.

Other miscellaneous income—Other miscellaneous income includes net revenue from affordable housing, fees from safe deposit boxes, check fees, and other miscellaneous income. Net revenue from affordable housing includes actual gains and losses resulting from the sale of affordable housing investments, cash distributions from the investments and any related impairment charges. Other miscellaneous income decreased in the first six months of 2017 compared to the same period of 2016 primarily due to lower net revenue from affordable housing. In addition, operating lease impairment charges of \$7 million and \$5 million were recorded in the second and first quarters of 2017, respectively.

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NON-INTEREST EXPENSE

Table 21—Non-Interest Expense from Continuing Operations

	Three Months Ended June 30		Quarter-to-Date Change 6/30/2017 vs. 6/30/2016		
	2017	2016	Amount	Percent	
	(Dollars in millions)				
Salaries and employee benefits	\$497	\$480	\$17	3.5	%
Net occupancy expense	86	86	—	NM	
Furniture and equipment expense	85	79	6	7.6	%
Outside services	43	39	4	10.3	%
Marketing	22	28	(6)	(21.4)	%
FDIC insurance assessments	26	17	9	52.9	%
Professional, legal and regulatory expenses	28	21	7	33.3	%
Branch consolidation, property and equipment charges	7	22	(15)	(68.2)	%
Credit/checkcard expenses	12	14	(2)	(14.3)	%
Provision (credit) for unfunded credit losses	(3)	11	(14)	(127.3)	%
Visa class B shares expense	1	2	(1)	(50.0)	%
Other miscellaneous expenses	105	116	(11)	(9.5)	%
	\$909	\$915	\$(6)	(0.7)	%
			Year-to-Date Change		
	Six Months Ended June 30		6/30/2017 vs. 6/30/2016		
	2017	2016	Amount	Percent	
	(Dollars in millions)				
Salaries and employee benefits	\$975	\$955	\$20	2.1	%
Net occupancy expense	171	172	(1)	(0.6)	%
Furniture and equipment expense	165	157	8	5.1	%
Outside services	83	75	8	10.7	%
Marketing	46	53	(7)	(13.2)	%
FDIC insurance assessments	53	42	11	26.2	%
Professional, legal and regulatory expenses	50	34	16	47.1	%
Branch consolidation, property and equipment charges	8	36	(28)	(77.8)	%
Credit/checkcard expenses	26	27	(1)	(3.7)	%
Provision (credit) for unfunded credit losses	(2)	12	(14)	(116.7)	%
Visa class B shares expense	4	4	—	NM	
Other miscellaneous expenses	207	217	(10)	(4.6)	%
	\$1,786	\$1,784	\$2	0.1	%

NM - Not Meaningful

Salaries and employee benefits—Salaries and employee benefits are comprised of salaries, incentive compensation, long-term incentives, payroll taxes, and other employee benefits such as 401(k), pension, and medical, life and disability insurance, as well as, expenses from liabilities held for employee benefit purposes. Salaries and employee benefits increased for the second quarter and first six months of 2017 compared to the same periods in 2016. The

primary drivers of the increase were merit increases and a \$10 million pension settlement charge that both occurred during the second quarter of 2017. The increase was offset by lower production-based incentives and a reduction in staffing levels. Full-time equivalent headcount decreased to 22,126 at June 30, 2017 from 22,447 at June 30, 2016 reflecting the impact of the Company's efficiency initiatives implemented as part of its three-year strategic plan. Furniture and equipment expense—Furniture and equipment expense includes depreciation, maintenance and repairs, rent, taxes, and other expenses of equipment utilized by Regions and its affiliates. Furniture and equipment expense increased during the second quarter and the first six months of 2017 compared to the same periods of 2016 primarily due to the completion of certain capital investment projects.

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Outside services—Outside services consists of expenses related to routine services provided by third parties, such as contract labor, servicing costs, data processing, loan pricing and research, data license purchases, data subscriptions, and check printing. Outside services increased during the second quarter and the first six months of 2017 compared to the same periods of 2016 primarily due to increased servicing costs related to point-of-sale lending through third parties.

FDIC insurance assessments—FDIC insurance assessments increased during the second quarter and the first six months of 2017 compared to the same periods of 2016 due to the implementation of the FDIC assessment surcharge that went into effect in the third quarter of 2016, as well as the impact of a \$6 million refund recognized in the second quarter of 2016.

Professional, legal and regulatory expenses—Professional, legal and regulatory expenses consist of amounts related to legal, consulting, other professional fees and regulatory charges. Professional, legal and regulatory expenses increased during the second quarter and first six months of 2017 compared to the same periods in 2016 due to an increase in legal settlement expense. Also contributing to the increase was a legal recovery of \$7 million that was recognized in the first quarter of 2016.

Branch consolidation, property and equipment charges—Branch consolidation, property and equipment charges include valuation adjustments related to owned branches when the decision to close them is made. Accelerated depreciation and lease write-off charges are recorded for leased branches through and at the actual branch close date. Branch consolidation, property and equipment charges also include costs related to occupancy optimization initiatives.

Provision (credit) for unfunded credit losses—Provision (credit) for unfunded credit losses is the adjustment to the reserve for unfunded credit commitments. The provision for unfunded credit losses decreased during the second quarter and first six months of 2017 compared to the same periods of 2016. The (credit) for unfunded credit losses was primarily attributable to a reduction in the level of risk estimated for the unfunded credit commitments in the commercial and industrial portfolio.

Other miscellaneous expenses—Other miscellaneous expenses include expenses related to communications, postage, supplies, certain credit-related costs, foreclosed property expenses and mortgage repurchase costs. Other miscellaneous expenses decreased during the second quarter and the first six months of 2017 compared to the same periods of 2016 primarily due to lower foreclosed property expenses.

INCOME TAXES

The Company's income tax expense from continuing operations for the three months ended June 30, 2017 was \$133 million compared to income tax expense of \$115 million for the same period in 2016, resulting in effective tax rates of 29.5 percent and 29.7 percent, respectively. Income tax expense from continuing operations for the six months ended June 30, 2017 was \$261 million compared to income tax expense of \$228 million for the same period in 2016, resulting in effective tax rates of 30.0 percent and 29.5 percent, respectively. Both current periods were impacted due to the Company's permanent tax adjustments offsetting a smaller proportion of pre-tax income. This impact was more than offset in the quarter-to-date period and partially offset in the year-to-date period principally by net tax benefits related to share-based payments.

The effective tax rate is affected by many factors including, but not limited to, the level of pre-tax income, the mix of income between various tax jurisdictions with differing tax rates, net tax benefits related to affordable housing investments, bank-owned life insurance and tax-exempt interest. In addition, the effective tax rate is affected by items that may occur in any given period but are not consistent from period-to-period, such as the termination of certain leveraged leases, share-based payments, valuation allowance changes and changes to unrecognized tax benefits. Accordingly, the comparability of the effective tax rate between periods may be impacted.

At June 30, 2017, the Company reported a net deferred tax asset of \$212 million compared to a net deferred asset of \$308 million at December 31, 2016. The change is due principally to a decrease in the deferred tax asset related to employee benefits and a decrease in unrealized losses on securities available for sale.

Regions adopted new accounting guidance related to accounting for share-based payments effective January 1, 2017. The guidance eliminates additional paid-in capital pools and designates that all excess tax benefits and deficiencies should be recorded in income tax expense or benefit when the awards vest or are settled. As a result of adoption of the

new guidance, expiring stock options resulted in an incremental increase to income tax expense of approximately \$5 million in the second quarter of 2017. However, the increase in the second quarter of 2017 was offset by approximately \$8 million of income tax benefits from the vesting of restricted and performance stock awards occurring during the quarter.

DISCONTINUED OPERATIONS

Morgan Keegan was sold on April 2, 2012. Regions' results from discontinued operations are presented in Note 2 "Discontinued Operations" to the consolidated financial statements. The three months ended June 30, 2017 loss from discontinued operations was immaterial and the six months ended June 30, 2017 income from discontinued operations was primarily the result of recoveries of legal expenses.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Reference is made to pages 85 through 88 included in Management's Discussion and Analysis.

Item 4. Controls and Procedures

Based on an evaluation, as of the end of the period covered by this Form 10-Q, under the supervision and with the participation of Regions' management, including its Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer have concluded that Regions' disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective. During the quarter ended June 30, 2017, there have been no changes in Regions' internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Regions' internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required by this item is set forth in Note 14, “Commitments, Contingencies and Guarantees” in the Notes to the Consolidated Financial Statements (Unaudited) in Part I. Item 1. of this report, which is incorporated by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information concerning Regions’ repurchases of its outstanding common stock during the three month period ended June 30, 2017, is set forth in the following table:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
April 1-30, 2017	6,400,187	\$ 13.77	6,400,187	\$ 37,195,678
May 1-31, 2017	2,677,883	\$ 13.82	2,677,883	\$ 146,328
June 1-30, 2017	—	\$ —	—	\$ 146,328
Total 2nd Quarter	9,078,070	\$ 13.78	9,078,070	\$ 146,328

On July 14, 2016, Regions’ Board authorized a \$640 million common stock repurchase plan, permitting repurchases from the beginning of the third quarter of 2016 through the second quarter of 2017. On October 12, 2016, Regions’ Board authorized an additional \$120 million repurchase, which increased the total amount authorized under the plan to \$760 million. As of June 30, 2017, Regions had repurchased approximately 65.8 million shares of common stock at a total cost of approximately \$760 million under this plan and concluded the plan during the second quarter of 2017. Regions’ Board authorized, effective June 28, 2017, a new \$1.47 billion common stock repurchase plan, permitting repurchases from the beginning of the third quarter of 2017 through the end of the second quarter of 2018. The Company began to repurchase shares under this plan in the third quarter of 2017, and as of August 3, 2017, Regions had additional repurchases of approximately 9.9 million shares of common stock at a total cost of approximately \$144.9 million. All of these shares were immediately retired upon repurchase and, therefore, will not be included in treasury stock.

Restrictions on Dividends and Repurchase of Stock

Holders of Regions common stock are only entitled to receive such dividends as Regions’ Board may declare out of funds legally available for such payments. Furthermore, holders of Regions common stock are subject to the prior dividend rights of the holders of Regions preferred stock then outstanding.

Regions understands the importance of returning capital to shareholders. Management will continue to execute the capital planning process, including evaluation of the amount of the common dividend, with the Board and in conjunction with the regulatory supervisors, subject to the Company’s results of operations. Also, Regions is a BHC, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends.

On November 1, 2012, Regions completed the sale of 20 million depositary shares, each representing a 1/40th ownership interest in a share of its 6.375% Non-Cumulative Perpetual Preferred Stock, Series A, par value \$1.00 per share (“Series A Preferred Stock”), with a liquidation preference of \$1,000 per share of Series A Preferred Stock (equivalent to \$25 per depositary share). The terms of the Series A Preferred Stock prohibit Regions from declaring or paying any dividends on any junior series of its capital stock, including its common stock, or from repurchasing,

redeeming or acquiring such junior stock, unless Regions has declared and paid full dividends on the Series A Preferred Stock for the most recently completed dividend period. The Series A Preferred Stock is redeemable at Regions' option in whole or in part, from time to time, on any dividend payment date on or after December 15, 2017, or in whole, but not in part, at any time within 90 days following a regulatory capital treatment event (as defined in the certificate of designations establishing the Series A Preferred Stock).

On April 29, 2014, Regions completed the sale of 20 million depositary shares, each representing a 1/40th ownership interest in a share of its 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B, par value \$1.00 per share ("Series B Preferred Stock"), with a liquidation preference of \$1,000 per share of Series B Preferred Stock (equivalent to \$25 per depositary share). The terms of the Series B Preferred Stock prohibit Regions from declaring or paying any dividends on any junior series of its capital stock, including its common stock, or from repurchasing, redeeming or acquiring such junior stock, unless Regions has declared and paid full dividends on the Series B Preferred Stock for the most recently completed dividend period. The Series B Preferred Stock is redeemable at Regions' option in whole or in part, from time to time, on any dividend payment

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date on or after September 15, 2024, or in whole but not in part, at any time following a regulatory capital treatment event (as defined in the certificate of designations establishing the Series B Preferred Stock).

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Item 6. Exhibits

The following is a list of exhibits including items incorporated by reference

- 3.1 Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-Q Quarterly Report filed by registrant on August 6, 2012.
- 3.2 Certificate of Designations, incorporated by reference to Exhibit 3.3 to Form 8-A filed by registrant on November 1, 2012.
- 3.3 Certificate of Designations, incorporated by reference to Exhibit 3.3 to the Form 8-A filed by registrant on April 28, 2014.
- 3.4 By-laws as amended and restated, incorporated by reference to Exhibit 3.2 to Form 8-K Current Report filed by registrant on July 27, 2017.
- 10.1 Amendment Number Three to the Regions Financial Corporation Post 2006 Supplemental Executive Retirement Plan Restated as of January 1, 2014.
- 10.2 Amendment Number Two to the Regions Financial Corporation Supplemental 401(k) Plan Restated as of January 1, 2014.
- 10.3 2017 Form of Notice and Form of Restricted Stock Unit Award Agreement under Regions Financial Corporation 2015 Long Term Incentive Plan.
- 10.4 2017 Form of Notice and Form of Performance Stock Unit Award Agreement under Regions Financial Corporation 2015 Long Term Incentive Plan.
- 10.5 2017 Form of Notice and Form of Performance Unit Award Agreement under Regions Financial Corporation 2015 Long Term Incentive Plan.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive Data File

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SIGNATURES

Pursuant to the requirements 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.

DATE: August 4, 2017 Regions Financial Corporation

/S/ HARDIE B. KIMBROUGH, JR.
Hardie B. Kimbrough, Jr.
Executive Vice President and Controller
(Chief Accounting Officer and Authorized Officer)