

REGIONS FINANCIAL CORP

Form 10-K

February 17, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from _____ to _____

Commission File Number 001-34034

REGIONS FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

1900 Fifth Avenue North, Birmingham, Alabama 35203

(Address of principal executive offices)

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

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

Title of each class

Common Stock, \$.01 par value

Depository Shares, each representing a 1/40th Interest in a Share of

6.375% Non-Cumulative Perpetual Preferred Stock, Series A

Depository Shares, each representing a 1/40th Interest in a Share of

6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred

Stock, Series B

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained

herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter.

Common Stock, \$.01 par value—\$14,164,817,197 as of June 30, 2014.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value—1,342,894,228 shares issued and outstanding as of February 9, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the Annual Meeting to be held on April 23, 2015 are incorporated by reference into Part III.

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PART I

Forward-Looking Statements

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

Forward-looking statements are based on management's current expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the risks identified in Item 1A. "Risk Factors" of this Annual Report on Form 10-K and those described below:

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

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

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

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

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

Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.

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

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

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

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

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

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

Our ability to obtain no regulatory objection (as part of the comprehensive capital analysis and review ("CCAR") process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other

regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us. Our ability to comply with applicable capital and liquidity requirements (including the finalized Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Item 1. Business

Regions Financial Corporation is a financial holding company headquartered in Birmingham, Alabama, which operates in the South, Midwest and Texas. The terms "Regions," "the Company," "we," "us" and "our" mean Regions Financial Corporation, a Delaware corporation and its subsidiaries, when appropriate. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance, trust services, and other specialty financing. At December 31, 2014, Regions had total consolidated assets of approximately \$119.7 billion, total consolidated deposits of approximately \$94.2 billion and total consolidated stockholders' equity of approximately \$17.0 billion. Regions is a Delaware corporation and on July 1, 2004, became the successor by merger to Union Planters Corporation and the former Regions Financial Corporation. Its principal executive offices are located at 1900 Fifth Avenue North, Birmingham, Alabama 35203, and its telephone number at that address is (800) 734-4667.

Banking Operations

Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At December 31, 2014, Regions operated 1,997 ATMs and 1,666 banking offices in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia.

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

	Branches
Alabama	239
Arkansas	96
Florida	361
Georgia	136
Illinois	61
Indiana	63
Iowa	13
Kentucky	15
Louisiana	109
Mississippi	139
Missouri	66
North Carolina	6
South Carolina	30
Tennessee	249
Texas	81
Virginia	2
Total	1,666

Other Financial Services Operations

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

Regions Insurance Group, Inc., a subsidiary of Regions Financial Corporation, is an insurance broker that offers insurance products through its subsidiaries: Regions Insurance, Inc., headquartered in Birmingham, Alabama, and Regions Insurance Services, Inc., headquartered in Memphis, Tennessee. Through its insurance brokerage operations in Alabama, Arkansas, Florida, Georgia, Indiana, Louisiana, Mississippi, South Carolina, Tennessee and Texas, Regions Insurance, Inc. offers insurance coverage for various lines of personal and commercial insurance, such as property, vehicle, casualty, life, health and accident insurance. Regions Insurance, Inc. also provides services related to employee benefits. Regions Insurance Services, Inc. offers various insurance products, such as mortgage life and

disability, crop, life, accidental death and dismemberment, and environmental insurance, as well as debt cancellation products to customers of Regions. Regions Insurance Group, Inc. is one of the thirty largest insurance brokers in the United States based on annual revenues.

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Regions has several subsidiaries and affiliates that are agents or reinsurers of debt cancellation products and credit life insurance products relating to the activities of certain affiliates of Regions Bank.

Regions Equipment Finance Corporation and Regions Commercial Equipment Finance, LLC provide equipment financing products, focusing on commercial clients.

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

Regions Securities LLC is a wholly-owned subsidiary of Regions headquartered in Atlanta, Georgia. Regions Securities LLC serves as a broker-dealer to commercial clients and acts in an advisory capacity to merger and acquisition transactions.

Acquisition Program

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

Segment Information

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

Supervision and Regulation

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

Overview

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

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

In general, the BHC Act limits the activities permissible for bank holding companies. Bank holding companies electing to be treated as financial holding companies, however, may engage in additional activities under the BHC Act as described below under "-Permissible Activities under the BHC Act." For a bank holding company to be eligible to elect financial holding company status, all of its subsidiary insured depository institutions must be well-capitalized and well-managed as described below under "-Regulatory Remedies Under the FDIA" and must have received at least a

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

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

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

Permissible Activities under the BHC Act

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

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

Volcker Rule. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) prohibits banks and their affiliates from engaging in proprietary trading and investing in and sponsoring hedge funds and private equity funds. The statutory provision is commonly called the “Volcker Rule.” In December 2013, federal regulators adopted final rules to implement the Volcker Rule. The final rules also require that large bank holding companies, such as Regions, design and implement compliance programs to ensure adherence to the Volcker Rule’s prohibitions. Development and monitoring of the required compliance program may require the expenditure of resources and management attention.

Enhanced Supervision and Prudential Standards

The recent financial crisis led to the adoption and revision of numerous laws and regulations applicable to financial institutions operating in the United States. In particular, the Dodd-Frank Act significantly restructured the financial regulatory regime in the United States and provides for enhanced supervision and prudential standards for, among other things, bank holding companies like Regions that have total consolidated assets of \$50 billion or more. Among other changes, the Dodd-Frank Act created a new systemic risk oversight body, the Financial Stability Oversight Council (“FSOC”) to coordinate the efforts of the primary U.S. financial regulatory agencies (including the Federal Reserve, the FDIC and the SEC) in establishing regulations to address systemic financial stability concerns. The Dodd-Frank Act also directed the FSOC to make recommendations to the Federal Reserve regarding supervisory

requirements and prudential standards applicable to systemically important financial institutions (which includes all bank holding companies with over \$50 billion in assets, such as Regions), including capital, leverage, liquidity and risk-management requirements. The Dodd-Frank Act mandates that the requirements applicable to systemically important financial institutions be more stringent than those applicable to other financial companies. The Federal Reserve has discretionary authority to establish additional prudential standards on its own or at the FSOC's recommendation.

Stress Testing. As part of the enhanced prudential requirements applicable to systemically important financial institutions, the Federal Reserve conducts annual analyses of bank holding companies with at least \$50 billion in assets to determine whether the companies have sufficient capital on a consolidated basis necessary to absorb losses in three economic and financial scenarios generated by the Federal Reserve: baseline, adverse and severely adverse scenarios. Regions is also required to conduct its own semi-annual stress analysis (together with the Federal Reserve's stress analysis, the "stress tests") to assess the potential impact on Regions of the economic and financial conditions used as part of the Federal Reserve's annual stress analysis. The Federal Reserve may also use, and require companies to use, additional components in the adverse and severely adverse scenarios or additional or more complex scenarios designed to capture salient risks to specific business groups. Regions Bank is also required

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to conduct annual stress testing using the same economic and financial scenarios as Regions and report the results to the Federal Reserve. A summary of results of the Federal Reserve's analysis under the adverse and severely adverse stress scenarios will be publicly disclosed, and the bank holding companies subject to the rules, including Regions, must disclose a summary of the company-run severely adverse stress test results. Regions is required to include in its disclosure a summary of the severely adverse scenario stress test conducted by Regions Bank.

Comprehensive Capital Analysis and Review. U.S. bank holding companies with total consolidated assets of \$50 billion or more, such as Regions, must submit annual capital plans as part of the Federal Reserve's comprehensive capital analysis and review process ("CCAR"). Covered bank holding companies may execute capital actions, such as paying dividends and repurchasing stock, only in accordance with a capital plan that has been reviewed and not objected to by the Federal Reserve (or any amendments to such plan). The CCAR process is intended to help ensure that these bank holding companies have robust, forward-looking capital planning processes that account for each company's unique risks and that permit continued operations during times of economic and financial stress. Each of the bank holding companies participating in the CCAR process is also required to collect and report certain related data to the Federal Reserve on a quarterly basis to allow the Federal Reserve to monitor progress against the approved capital plans. Each capital plan must include a view of capital adequacy under the stress test scenarios described above. The Federal Reserve may object to a capital plan if the plan does not show that the covered bank holding company will maintain a Tier 1 common equity ratio (as defined under the Basel I framework) of at least 5% on a pro forma basis under expected and stressful conditions throughout the nine-quarter planning horizon covered by the capital plan. The CCAR rules, consistent with prior Federal Reserve guidance, also provide that capital plans contemplating dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny. The Federal Reserve recently amended its capital planning and stress testing rules to, among other things, generally limit our ability to make quarterly capital distributions - that is, dividends and share repurchases - commencing April 1, 2015 if the amount of our actual cumulative quarterly capital issuances of instruments that qualify as regulatory capital are less than we had indicated in our submitted capital plan as to which we receive a non-objection from the Federal Reserve. For example, if we issue a smaller amount of additional common stock than we had stated in our capital plan, we would be required to reduce common dividends or the amount of common stock repurchases so that the dollar amount of capital distributions, net of the dollar amount of additional common stock issued ("net distributions"), is not greater than the dollar amount of net distributions relating to our common stock included in our capital plan, as measured on an aggregate basis beginning in the third quarter of the nine-quarter planning horizon through the end of the then current quarter. However, not raising sufficient amounts of common stock as planned would not affect distributions related to Additional Tier 1 capital or Tier 2 capital instruments (each as defined below). These limitations also contain several important qualifications and exceptions, including that scheduled dividend payments on (as opposed to repurchases of) any Additional Tier 1 capital and Tier 2 capital instruments are not restricted if we fail to issue a sufficient amount of such instruments as planned, as well as provisions for certain de minimis excess distributions.

In addition, these amendments also revise the timeline for our annual capital plan and company- and supervisory- run stress testing processes generally by pushing back the various deadlines by one quarter beginning with the capital planning cycle commencing and thereafter, including that, beginning in 2016, our annual capital planning submission will be due by April 5 (instead of January 5) and the Federal Reserve will publish the results of its supervisory CCAR review of our capital plan by June 30 (instead of March 31) of each year. Regions submitted its 2015 CCAR capital plan to the Federal Reserve on January 5, 2015.

Living Will Requirement. Under rules adopted by the Federal Reserve and the FDIC pursuant to the Dodd-Frank Act, we are required to annually update our plan for our rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material distress or failure and may be required to update it upon the occurrence of material changes in our business, structure or operations. This resolution planning requirement may, as a practical matter, present additional constraints on our structure, operations and business strategy, and on transactions and business arrangements between our bank and non-bank subsidiaries because we must consider the impact of these matters on our ability to prepare and submit a resolution plan that demonstrates that we may be resolved under the Bankruptcy

Code in a rapid and orderly manner. Additionally, if the Federal Reserve and the FDIC determine that our plan is not credible and we do not cure the deficiencies, the Federal Reserve and the FDIC may impose more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations of the Company.

Orderly Liquidation Authority. The Dodd-Frank Act creates the Orderly Liquidation Authority (“OLA”), a resolution regime for systemically important non-bank financial companies, including bank holding companies, under which the FDIC may be appointed receiver to liquidate such a company if the company is in danger of default and presents a systemic risk to U.S. financial stability. This determination must come from the Secretary of the U.S. Department of the Treasury (“U.S. Treasury”) after supermajority recommendations by the Federal Reserve and the FDIC and consultation between the Secretary of the U.S. Treasury and the President of the United States, and after certain other conditions are met. OLA is similar to the FDIC resolution model for depository institutions, including granting very broad powers to the FDIC as receiver. Though creditors' rights under OLA were modified from the FDIC regime to reduce disparities in treatment between OLA and the U.S. Bankruptcy Code, substantial differences exist between the two regimes, including the ability of the FDIC to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the ability of the FDIC to transfer claims to a “bridge” entity. The Dodd-Frank Act also established an Orderly Liquidation Fund that may provide liquidity to the receivership or a related “bridge” entity in an

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OLA liquidation proceeding. The Orderly Liquidation Fund would be funded through borrowings from the U.S. Treasury and repaid from the assets of the failed financial company and, if necessary, risk-based assessments made, first, on entities that received more in the OLA proceeding than they would have received in a Chapter 7 liquidation to the extent of such excess and, second, on bank holding companies with total consolidated assets of \$50 billion or more, such as Regions, and on certain other non-bank financial companies. If an orderly liquidation is triggered, we could face assessments for the Orderly Liquidation Fund. It is not possible to determine the level of any such future assessments.

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

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

Additional Proposed SIFI Rules. The Federal Reserve has issued several proposed and final rules under its authority to establish such enhanced prudential standards for large bank holding companies, including the stress testing and capital adequacy rules discussed above. In addition, in February 2014, the Federal Reserve approved a final rule implementing several heightened prudential requirements, including the following:

Enhanced Liquidity Management Standards: The Federal Reserve’s rule focuses on prudential steps to manage liquidity risk, which comprehensively details liquidity risk management responsibilities for boards of directors and senior management, and requires, among other things, maintenance of a liquidity buffer, consisting of assets meeting certain standards, that is sufficient to meet projected net cash outflows and projected loss or impairment of existing funding sources for 30 days over a range of liquidity stress scenarios. To complement these liquidity standards, the Federal Reserve and the other federal banking regulators issued a final rule in September 2014 implementing the liquidity coverage ratio standard derived from the international liquidity standards incorporated into the Basel III framework. See “ - Capital Requirements - Liquidity Regulation.”

Enhanced Risk Management Requirements: Bank holding companies with \$50 billion or more in consolidated assets, and publicly traded bank holding companies with \$10 billion or more in consolidated assets, are required to establish a dedicated risk committee reporting directly to the company’s board of directors, comprised of members of the bank holding company’s board of directors, which would review and approve the enterprise-wide risk management policies of the company. The risk committee is required to have an appropriate number of independent directors, at least one risk management expert who has experience in identifying, assessing, and managing risk exposure of large, complex financial firms, commensurate with the company’s capital structure, risk profile, complexity, activities, size and other appropriate risk-related factors, and is subject to certain governance provisions set forth in the rule. Such bank holding companies, including Regions, are also required to appoint a Chief Risk Officer.

While the final rule adopted by the Federal Reserve largely implements its prior proposals regarding liquidity and risk management, the final rule does not address the Federal Reserve’s proposals regarding single counterparty credit exposure or early remediation requirements.

Capital Requirements

Regions and Regions Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve. The current risk-based capital standards applicable to Regions and Regions Bank, parts of which are

currently in the process of being phased-in, are based on the December 2010 final capital framework for strengthening international capital standards, known as Basel III, of the Basel Committee on Banking Supervision (the “Basel Committee”). Prior to January 1, 2015, however, the risk-based capital standards applicable to Regions and Regions Bank (the “general risk-based capital rules”) were based on the 1988 Capital Accord, known as Basel I, of the Basel Committee.

General Risk-Based Capital Rules. The general risk-based capital rules were intended to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and bank holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items were assigned to weighted risk categories. Capital was classified as Tier 1 (or core) capital or Tier 2 (or supplementary) capital depending on its characteristics. Under the general risk-based capital rules, Tier 1 capital included common equity, retained earnings, qualifying noncumulative perpetual preferred stock (including related surplus), non-controlling interests in equity accounts of consolidated

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subsidiaries, and a limited amount of certain restricted core capital elements, less goodwill, most intangible assets and certain other assets, and Tier 2 capital included qualifying subordinated debt, qualifying mandatorily convertible debt securities, perpetual preferred stock not included in the definition of Tier 1 capital, and a limited amount of the allowance for loan losses.

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

Advanced Approaches Risk-Based Capital Rules. In 2004, the Basel Committee published a new set of risk-based capital standards, known as Basel II, to revise Basel I. Basel II provides three approaches for setting capital standards for credit risk—"foundation" and "advanced" internal ratings-based approach tailored to individual institutions' circumstances, and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in Basel I or the general risk-based capital rules. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures. The federal bank regulators only adopted Basel II's advanced approaches for banking organizations having \$250 billion or more in total consolidated assets or consolidated on-balance sheet foreign exposures of \$10 billion or more. Regions and Regions Bank are not currently required to comply with the federal bank regulators' rules implementing Basel II's advanced approaches framework.

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

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

Under the Final Capital Rules, the minimum capital ratios effective as of January 1, 2015 are:

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

The Final Capital Rules also introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk-weighted asset ratios. In addition, the Final Capital Rules provide for a countercyclical capital buffer applicable only to certain covered institutions. We do not expect the countercyclical capital buffer to be applicable to Regions or Regions Bank. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer,

when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

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

The Final Capital Rules also provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, certain deferred tax assets and significant investments in non-consolidated financial

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entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

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

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

In December 2014, the Federal Reserve Board proposed a rule to establish risk-based capital surcharges for certain global systemically important banks (“G-SIBs”). For these institutions, the proposed rule implements the framework developed by the Basel Committee for assessing the global systemic importance of banking institutions and determining the range of additional CET1 that should be maintained by those deemed to be G-SIBs. Under the Basel Committee's framework, the required amount of additional CET1 for G-SIBs will initially range from 1% to 2.5% and could be higher in the future for a banking institution that increases its systemic footprint (e.g., by increasing total assets). The Federal Reserve Board stated that its framework would result in surcharges higher than those calculated under the methodology published by the Basel Committee, with expected surcharges ranging from 1% to 4.5%. The proposed rule treats the Basel Committee's methodology as a floor and introduces an alternative calculation to determine the applicable surcharge, which includes a new indicator based on an institution's use of short-term wholesale funding. We are not currently subject to this CET1 surcharge, however, it is possible that we may be subject to CET1 or other surcharges in the future.

Leverage Requirements. Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. These requirements provide for a minimum ratio of Tier 1 capital to total consolidated quarterly average assets (as defined for regulatory purposes), net of the loan loss reserve, goodwill and certain other intangible assets (the “leverage ratio”), of 4.0% for all bank holding companies.

Liquidity Regulation. Liquidity risk management and supervision have become increasingly important since the financial crisis. During 2014 the federal banking agencies adopted final rules implementing for certain U.S. banking organizations one of the two new standards provided for in the Basel III liquidity framework - its liquidity coverage ratio (“LCR”), which is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon (or, if greater, 25 percent of its expected total cash outflow) under an acute liquidity stress scenario. The rules as adopted apply in their most comprehensive form only to advanced approaches bank holding companies and depository institutions subsidiaries of such bank holding companies and, in a modified form, to banking organizations having \$50 billion or more in total consolidated assets such as Regions. Among other differences from the full LCR requirements, the modified LCR only uses a 21-day time horizon for calculating the level of required high-quality liquid assets under a stress scenario. The proposed rule is currently being phased in over a two-year period ending January 1, 2017, with 80% compliance required on January 1, 2015, 90% compliance on January 1, 2016 and 100% compliance on January 1, 2017.

The Basel III framework also included a second standard, referred to as the net stable funding ratio (“NSFR”), which is designed to promote more medium-and long-term funding of the assets and activities of banks over a one-year time horizon. Although the Basel committee finalized its formulation of the NSFR in 2014, the U.S. banking agencies have not yet proposed an NSFR for application to U.S. banking organizations or addressed the scope of banking organizations to which it will apply. The Basel Committee’s final NSFR document states that the NSFR applies to internationally active banks, as did its final LCR document as to that ratio.

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

and Prudential Standards.”

Safety and Soundness Standards

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

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Remedies under the FDIA” below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Regulatory Remedies under the FDIA

The FDIA requires the federal banking agencies to take prompt corrective action in respect of depository institutions that do not meet specified capital requirements. The FDIA establishes five capital categories (“well-capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized”), and the federal banking agencies must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretionary supervisory actions depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the FDIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. As of December 31, 2014, both Regions and Regions Bank were well capitalized.

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

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

Payment of Dividends

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

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

Payment of Dividends by Regions Bank. Under the Federal Reserve’s Regulation H, Regions Bank may not, without approval of the Federal Reserve, declare or pay a dividend to Regions if the total of all dividends declared in a

calendar year exceeds the total of (a) Regions Bank's net income for that year and (b) its retained net income for the preceding two calendar years, less any required transfers to additional paid-in capital or to a fund for the retirement of preferred stock.

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

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

Support of Subsidiary Banks

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

Transactions with Affiliates

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

Deposit Insurance

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

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

institution's initial base assessment rate include (i) a potential decrease of up to 5 basis points for certain long-term unsecured debt ("unsecured debt adjustment") and (ii) (except for well-capitalized institutions with a CAMELS rating of 1 or 2) a potential increase of up to 10 basis points for brokered deposits in excess of 10% of domestic deposits ("brokered deposit adjustment"). As the DIF reserve ratio grows, the rate schedule will be adjusted downward. Additionally, the rule includes a new adjustment for depository institution debt whereby an institution will pay an additional premium equal to 50 basis points on every dollar (above 3% of an institution's Tier 1 capital) of long-term, unsecured debt held that was issued by another insured depository institution, excluding debt guaranteed under the FDIC's Temporary Liquidity Guarantee Program. The deposit insurance assessment base is calculated based on the average of consolidated total assets less the average tangible equity of the insured depository institution during the assessment period. During 2014, Regions Bank's deposit administrative fees were \$75 million, a \$50 million decrease from 2013.

The FDIA establishes a minimum ratio of deposit insurance reserves to estimated insured deposits, the designated reserve ratio (the "DRR"), of 1.15% prior to September 2020 and 1.35% thereafter. On December 20, 2010, the FDIC issued a final rule setting the DRR at 2%. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary,

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propose rules to further increase assessment rates. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged. Comments were due February 18, 2010. As of February 2015, no rule has been adopted.

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

FICO Assessments. In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation (“FICO”) to impose assessments on DIF applicable deposits in order to service the interest on FICO’s bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by FICO will be in addition to the amount, if any, paid for deposit insurance according to the FDIC’s risk-related assessment rate schedules. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. Regions Bank had a FICO assessment of approximately \$6 million in FDIC deposit premiums in 2014, which was included in the \$75 million in total deposit administrative fees previously disclosed.

Acquisitions

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

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

Depositor Preference

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

Incentive Compensation

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

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

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In April 2011, the Federal Reserve, other federal banking agencies and the Securities and Exchange Commission jointly published proposed rulemaking designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at a covered institution, which includes a bank or bank holding company with \$1 billion or more of assets, such as Regions and Regions Bank. The proposed rule (i) prohibits incentive-based compensation arrangements that encourage executive officers, employees, directors or principal shareholders to expose the institution to inappropriate risks by providing excessive compensation (based on the standards for excessive compensation adopted pursuant to the FDIA) and (ii) prohibits incentive-based compensation arrangements for executive officers, employees, directors or principal shareholders that could lead to a material financial loss for the institution. The proposed rule requires covered institutions to establish policies and procedures for monitoring and evaluating their compensation practices. Institutions with consolidated assets of \$50 billion or more, such as Regions, are subject to additional restrictions on compensation arrangements for their executive officers and any other persons identified by the institution's board of directors as having the ability to expose the institution to substantial losses. The comment period ended in May 2011. Although final rules have not been adopted as of February 2015, officials from the Federal Reserve have recently indicated that the U.S. banking regulators are in the process of preparing for public comment a new rule on incentive compensation. If these or other regulations are adopted in a form similar to that initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

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

Consumer Protection Laws

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

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

The CFPB has finalized a number of significant rules which impact nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. Among other things, the rules adopted by the CFPB require banks to: (i) develop and implement procedures to ensure compliance with a "reasonable ability to repay" test and identify whether a loan meets a new definition for a "qualified mortgage," in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the reasonable ability to repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain

financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time. Regions is continuing to analyze the impact that such rules may have on its business. In addition to the exercise of its rulemaking authority, the CFPB's supervisory powers entitle the CFPB to examine institutions for violations of consumer lending laws, even in the absence of consumer complaints or damages.

Financial Privacy

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

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Community Reinvestment Act ("CRA")

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

USA PATRIOT Act

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

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the "OFAC" rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC"). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Insurers and Insurance Brokers

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

Regulation of Broker Dealers

Our subsidiary Regions Securities LLC ("Regions Securities") is a registered broker dealer with the SEC and, as a result, is subject to regulation and examination by the SEC, FINRA and other self-regulatory organizations. These regulations cover a broad range of issues, including capital requirements; sales and trading practices; use of client funds and securities; the conduct of directors, officers and employees; record-keeping and recording; supervisory procedures to prevent improper trading on material non-public information; qualification and licensing of sales personnel; and limitations on the extension of credit in securities transactions. In addition to federal registration, state securities commissions require the registration of certain broker-dealers.

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Competition

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

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

Employees

As of December 31, 2014, Regions and its subsidiaries had 23,723 employees.

Available Information

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

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Item 1A. Risk Factors

An investment in the Company involves risk, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in our business. This risk also includes the possibility that the value of the investment could decrease considerably, and dividends or other distributions concerning the investment could be reduced or eliminated. Discussed below are risk factors that could adversely affect our financial results and condition, as well as the value of, and return on investment in the Company.

Risks Related to the Operation of Our Business

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

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

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

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

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

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities during 2014 were checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets were loans, which cannot be called or

sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

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

Our operations are concentrated in the Southeastern United States, particularly in the states of Alabama, Arkansas, Georgia, Florida, Louisiana, Mississippi and Tennessee. As a result, local economic conditions in the Southeastern United States significantly affect the demand for the loans and other products we offer to our customers (including real estate, commercial and construction loans), the ability of borrowers to repay these loans and the value of the collateral securing these loans. Since 2008, the national

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real estate market has experienced a significant decline in value, and the value of real estate in the Southeastern United States in particular declined significantly more than real estate values in the United States as a whole. This decline has had an adverse impact on some of our borrowers and on the value of the collateral securing many of our loans.

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

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

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

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

As of December 31, 2014, consumer residential real estate loans represented approximately 30% of our total loan portfolio. This portion of our loan portfolio has been under pressure for several years as disruptions in the financial markets and the deterioration in housing markets and general economic conditions have caused a decline in home values, real estate market demand and the credit quality of borrowers. Any further declines in home values would adversely affect the value of collateral securing the residential real estate that we hold, as well as the volume of loan originations and the amount we realize on the sale of real estate loans. These factors could result in higher delinquencies and greater charge-offs in future periods, which could materially adversely affect our business, financial condition or results of operations.

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

Facing continuing pressure from reduced asset values, high vacancy rates and reduced rents, the fundamentals within the commercial real estate sector remain weak. As of December 31, 2014, approximately 8.8% of our loan portfolio consisted of investor real estate loans. The properties securing income-producing investor real estate loans are typically not fully leased at the origination of the loan. The borrower's ability to repay the loan is instead dependent upon additional leasing through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space may remain at elevated levels in 2015. High vacancy rates could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Any such deterioration could adversely affect the ability of our borrowers to repay the amounts due under their loans. As a result, our business, results of operations or financial condition may be materially adversely affected.

Weakness in commodity businesses could adversely affect our performance.

Many of our borrowers operate in industries that are directly or indirectly impacted by changes in commodity prices. This includes agriculture, livestock, metals, timber, textiles and energy businesses (including oil, gas, and petrochemical), as well as businesses indirectly impacted by commodities prices such as businesses that transport

commodities or manufacture equipment used in production of commodities. Changes in commodity products prices depend on local, regional and global events or conditions that affect supply and demand for the relevant commodity. These industries have been, and may in the future be, subject to significant volatility. In addition, legislative changes such as the elimination of certain tax incentives could have significant impacts on this portfolio.

Specifically, as of December 31, 2014, energy-related loan balances represented approximately 4 percent of our total loan portfolio. This amount is comprised of loans directly related to energy, such as oilfield services, exploration and production, and pipeline transportation of gas and crude oil, as well as loans indirectly impacted by the energy portfolio, such as petroleum wholesalers, oil and gas equipment manufacturing, air transportation, and petroleum bulk stations and terminals. Beginning late in 2014, oil prices began declining, which has had an adverse effect on some of our borrowers in this portfolio and on the value of the collateral securing some of these loans. If such downturn in the oil and gas industry continues, the cash flows of our customers in this industry could be adversely impacted which could impair their ability to service any loans outstanding to them and/or reduce

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demand for loans. These factors could result in higher delinquencies and greater charge-offs in future periods, which could adversely affect our business, financial condition or results of operations.

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

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

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

Although our management will establish an allowance for loan losses it believes is appropriate to absorb probable and reasonably estimable losses in our loan portfolio, this allowance may not be adequate. In particular, if a hurricane or other natural disaster were to occur in one of our principal markets or if economic conditions in those markets were to deteriorate unexpectedly, additional loan losses not incorporated in the existing allowance for loan losses may occur. Losses in excess of the existing allowance for loan losses will reduce our net income and could adversely affect our business, results of operations or financial condition, perhaps materially.

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

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

Home equity products, particularly those where we are in a second lien position, and particularly those in certain geographic areas, may carry a higher risk of non-collection than other loans. Home equity lending includes both home equity loans and lines of credit. Of our \$10.9 billion home equity portfolio at December 31, 2014, approximately \$8.5 billion were home equity lines of credit and \$2.4 billion were closed-end home equity loans (primarily originated as amortizing loans). This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values at the time of origination directly affect the amount of credit extended, and, in addition, past and future changes in these values impact the depth of potential losses. Second lien position lending carries higher credit risk because any decrease in real estate pricing may result in the value of the collateral being insufficient to cover the second lien after the first lien position has been satisfied. We have realized higher levels of charge-offs on second lien positions, particularly in the state of Florida, where real estate valuations have been depressed over the past several years. As of December 31, 2014, approximately \$4.7 billion of our home equity lines and loans were in a second lien position.

Industry competition may have an adverse effect on our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment, and we expect competition to intensify due in part to the sustained low interest rate and ongoing low-growth economic environment. Certain of our competitors are larger and have more resources than we do, enabling them to be more aggressive than us in competing for loans and deposits. In our market areas, we face competition from other commercial banks, savings and loan associations, credit unions, Internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, mortgage companies, and other financial intermediaries that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. Our ability to compete

successfully depends on a number of factors, including customer convenience, quality of service, personal contacts, pricing and range of products. If we are unable to successfully compete for new customers and to retain our current customers, our business, financial condition or results of operations may also be adversely affected, perhaps materially. In particular, if we experience an outflow of deposits as a result of our customers seeking investments with higher yields or greater financial stability, or a desire to do business with our competitors, we may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin.

Fluctuations in market interest rates may adversely affect our performance.

Our profitability depends to a large extent on our net interest income, which is the difference between the interest income received on interest-earning assets (primarily loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (primarily deposits and borrowings). The level of net interest income is primarily a function of the

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average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the "FOMC") and market interest rates.

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

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

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

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

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

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

current debt rating. Any future downgrades would further increase the interest costs associated with potential future borrowings, the cost of which cannot be estimated due to the uncertainty of future issuances in terms of amount and priority and could further limit our access to the debt and capital markets.

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

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

As of December 31, 2014, we had \$4.8 billion of goodwill and \$275 million of other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower economic growth or a significant and sustained decline in the price of our common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our reporting units, or if we were to experience increases in book values of a reporting unit in excess of the increase in fair value of equity, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that a future write-down of our goodwill is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.

Identifiable intangible assets other than goodwill consist of core deposit intangibles, purchased credit card relationship assets, customer relationship employment agreement assets, and the Fannie Mae Delegated Underwriting and Servicing ("DUS") license. Adverse events or circumstances could impact the recoverability of these intangible assets including loss of core deposits, significant losses of credit card accounts and/or balances, increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non-cash impairment charge would be recorded, which could have a material adverse effect on our results of operations.

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

As of December 31, 2014, Regions had approximately \$367 million in net deferred tax assets (net of valuation allowance of \$32 million). Our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination, we consider all positive and negative evidence available including the impact of recent operating results as well as potential carryback of tax to prior years' taxable income, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. We have determined that the deferred tax assets are more likely than not to be realized at December 31, 2014 (except for \$32 million related to state deferred tax assets for which we have established a valuation allowance). If we were to conclude that a significant portion of our deferred tax assets were not more likely than not to be realized, the required valuation allowance could adversely affect our financial position, results of operations and regulatory capital ratios. In addition, the value of our deferred tax assets could be adversely affected by a change in statutory tax rates.

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

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

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

In April 2011, the Federal Reserve, other federal banking agencies and the Securities and Exchange Commission jointly published proposed rules designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with \$1 billion or more of assets, such as Regions and Regions Bank. It cannot be determined at this time whether or when a final rule will be adopted and whether compliance with such a final rule will substantially affect the manner in which we structure compensation for our executives and other

employees. Depending on the nature and application of the final rules, we may not be able to successfully compete with certain financial institutions and other companies that are not subject to some or all of the rules to retain and attract executives and other high performing employees. If this were to occur, our business, financial condition and results of operations could be adversely affected, perhaps materially.

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

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

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terms to retain or attract clients, or be subject to cost increases, and our business, financial condition or results of operations may be adversely affected.

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

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

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

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

Damage to our reputation could significantly harm our businesses.

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

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

cyber attacks. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers.

Information security risks for large financial institutions such as Regions have increased significantly in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies (including mobile banking) to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. Third parties with whom we or our customers do business also present operational and information security risks to us, including from breakdowns, security breaches or failures of their own systems. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. In addition, to access our products and services, our customers may use personal computers, smartphones, tablet PCs, and other mobile devices that are beyond our control systems. Although we believe that we have robust information security procedures and controls, our technologies, systems, networks and our customers' devices may be the target of cyber attacks or

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information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Regions' or our customers' confidential, proprietary and other information. Additionally, cyber attacks, such as denial of service attacks, hacking or terrorist activities, could disrupt Regions' or our customers' or other third parties' business operations. For example, in 2013 and 2014, denial of service attacks were launched against a number of large financial services institutions, including Regions. These events did not result in a breach of Regions' client data, and account information remained secure; however, the attacks did adversely affect the performance of Regions Bank's website, www.regions.com, and, in some instances, prevented customers from accessing Regions Bank's secure websites for consumer and commercial applications. In all cases, the attacks primarily resulted in inconvenience; however, future cyber attacks could be more disruptive and damaging, and Regions may not be able to anticipate or prevent all such attacks. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. The techniques used by cyber criminals change frequently, may not be recognized until launched and can be initiated from a variety of sources, including terrorist organizations and hostile foreign governments. Those parties may attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to data or our systems. These risks may increase as the use of mobile payment and other Internet-based applications in our business expands.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services, could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs and/or additional compliance costs, any of which could materially adversely affect our business, results of operations or financial condition. For a more detailed discussion of these risks and specific occurrences, see the "Information Security Risk" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

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

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

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

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

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

In the course of our business, we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial.

In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our business, financial condition or results of operations could be adversely affected.

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

In 2014, we sold 53% of the mortgage loans we originated to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association (collectively, the "Agencies"). We rely on the Agencies to purchase loans that meet their conforming loan requirements in order to reduce our credit risk and provide funding for additional loans we desire to originate. We cannot provide assurance that the Agencies will not materially limit their purchases of conforming loans due to capital constraints, a change in the criteria for conforming loans or other factors. Additionally, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of the Agencies. The exact

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effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to the Agencies. If we are unable to continue to sell conforming loans to the Agencies, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which would adversely affect our results of operations.

We are subject to a variety of risks in connection with any sale of loans we may conduct.

In connection with our sale of one or more loan portfolios, we may make certain representations and warranties to the purchaser concerning the loans sold and the procedures under which those loans have been originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase part or all of the effected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If we are required to make any indemnity payments or repurchases and do not have a remedy available to us against a solvent counterparty, we may not be able to recover our losses resulting from these indemnity payments and repurchases. Consequently, our results of operations may be adversely affected.

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

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

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

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

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

Certain accounting policies are critical to presenting our reported financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. The

Company's critical accounting estimates include: the allowance for credit losses; fair value measurements; intangible assets; residential mortgage servicing rights; and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided; recognize significant impairment on our goodwill, other intangible assets or deferred tax asset balances; or significantly increase our accrued income taxes. Any of these actions could adversely affect our reported financial condition and results of operations.

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

From time to time, the Financial Accounting Standards Board (the "FASB") and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements. For example, on

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December 20, 2012, the FASB issued for public comment a Proposed Accounting Standards Update, Financial Instruments - Credit Losses (Subtopic 825-15), that would substantially change the accounting for credit losses on loans and other financial assets held by banks, financial institutions and other organizations. The proposal would remove the existing “probable” threshold in GAAP for recognizing credit losses and instead require affected reporting companies to reflect their estimate of credit losses on financial assets over the lifetime of each such asset, broadening the range of information that must be considered in measuring the allowance for expected credit losses. This proposal, if adopted as proposed, will likely have a negative impact, potentially materially, on Regions’ reported earnings and capital and could also have an impact on Regions Bank’s lending to the extent that higher reserves are required at the inception of a loan based on recent loan loss experience.

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

We are, and may in the future be, subject to litigation, investigations and governmental proceedings which may result in liabilities adversely affecting our financial condition, business or results of operations or in reputational harm. We and our subsidiaries are, and may in the future be, named as defendants in various class actions and other litigation, and may be the subject of subpoenas, reviews, requests for information, investigations, and formal and informal proceedings by government and self-regulatory agencies regarding our and their businesses and activities. For example, as discussed in Note 23 “Commitments, Contingencies and Guarantees”, Regions is working to resolve certain inquiries from its banking regulators. Other such matters are likely to arise in the future. Any such matters may result in material adverse consequences to our results of operations, financial condition or ability to conduct our business, including adverse judgments, settlements, fines, penalties (including civil money penalties under applicable banking laws), injunctions, restrictions on our business activities or other relief. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government or self-regulatory agencies may result in additional litigation, investigations or proceedings as other litigants and government or self-regulatory agencies (including the inquiries mentioned above) begin independent reviews of the same businesses or activities. In general, the amounts paid by financial institutions in settlement of proceedings or investigations, including those relating to anti-money laundering matters, have been increasing dramatically and are likely to continue to increase. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant collateral consequences for a financial institution, including loss of customers, restrictions on the ability to access the capital markets, and the inability to operate certain businesses or offer certain products for a period of time.

In June 2014, Regions Bank entered into a joint consent order with the Federal Reserve and the Alabama State Banking Department and a deferred prosecution agreement with the SEC in order to resolve certain inquiries (collectively, the “Regulatory Orders”). Regions must devote resources to satisfying the requirements of the Regulatory Orders, including enhancements to its policies and procedures in certain areas. If Regions Bank fails to successfully address the requirements of the Regulatory Orders, it could be required to enter into further orders and settlements or could be subject to additional fines, penalties or restrictions.

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

In addition, in recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good

faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In the future, Regions could become subject to claims based on this or other evolving legal theories.

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

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

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. (“Raymond James”). The transaction closed on April 2, 2012. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation and certain other matters related to pre-closing activities of Morgan Keegan. Indemnifiable losses under the indemnification provision include legal and other expenses, such as costs for defense, judgments, settlements and awards associated with the resolution of litigation related to pre-closing activities. As of December 31, 2014, the carrying value of the indemnification obligation is approximately \$206 million. This amount reflects an estimate of liability, however actual liabilities can potentially be higher than amounts reserved. The amount of liability that we may ultimately incur from indemnification claims may have an adverse impact, perhaps materially, on our results of operations.

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We are subject to extensive governmental regulation, which could have an adverse impact on our operations. We are subject to extensive state and federal regulation, supervision and examination governing almost all aspects of our operations, which limits the businesses in which we may permissibly engage. The laws and regulations governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our shareholders or other creditors. These laws and regulations govern a variety of matters, including certain debt obligations, changes in control, maintenance of adequate capital, and general business operations and financial condition (including permissible types, amounts and terms of loans and investments, the amount of reserves against deposits, restrictions on dividends, establishment of branch offices, and the maximum interest rate that may be charged by law). Further, we must obtain approval from our regulators before engaging in many activities, and our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely. There can be no assurance that any regulatory approvals we may require or otherwise seek will be obtained. Since the recent financial crisis, financial institutions generally have been subjected to increased scrutiny from regulatory authorities. Recent changes to the legal and regulatory framework governing our operations, including the passage and continued implementation of the Dodd-Frank Act, have drastically revised the laws and regulations under which we operate. These changes may result in increased costs of doing business, decreased revenues and net income, and may reduce our ability to effectively compete in attracting and retaining customers. In general, bank regulators have increased their focus on risk management and consumer compliance, and we expect this focus to continue. Additional compliance requirements are likely and can be costly to implement, may require additional compliance personnel and may limit our ability to offer competitive products to our customers.

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

We may be subject to more stringent capital requirements.

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

In particular, the capital adequacy and liquidity guidelines applicable to Regions and Regions Bank under the Final Capital Rules began to be phased-in starting in 2015. Once these new rules take effect, we will be required to satisfy additional, more stringent, capital adequacy and liquidity standards than we have in the past. We estimate that, had the Final Capital Rules been fully phased in during the fourth quarter of 2014, Regions and Regions Bank would have exceeded the minimum requirements. This estimate could change in the future. Additionally, stress testing requirements may have the effect of requiring us to comply with the requirements of the Final Capital Rules, or potentially even greater capital requirements, sooner than expected. While we expect to meet the requirements of the Final Capital Rules, inclusive of the capital conservation buffer, as phased-in by the Federal Reserve, we may fail to do so. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions and make capital distributions in the form of increased dividends or share repurchases. Higher

capital levels could also lower our return on equity.

We may also be required to satisfy even more stringent standards depending on the implementation of the liquidity guidelines and the additional capital surcharges being considered by the Federal Reserve. The ultimate impact on our business of any such heightened standards cannot be determined at this time and will depend on a number of factors, including implementation by the federal banking regulators.

For more information concerning our compliance with capital and liquidity requirements, see Note 13 “Regulatory Capital Requirements and Restrictions” in the Notes to the Consolidated Financial Statements which are included in Item 8. of this Annual Report on Form 10-K.

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

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

We may not be able to complete future acquisitions, may not be successful in realizing the benefits of any future acquisitions that are completed, or may choose not to pursue acquisition opportunities we might find beneficial. A substantial part of our historical growth has been a result of acquisitions of other financial institutions, and we may, from time to time, evaluate and engage in the acquisition or divestiture of businesses (including their assets or liabilities, such as loans or deposits). We must generally satisfy a number of meaningful conditions prior to completing any such transaction, including in certain cases, federal and state bank regulatory approvals. Bank regulators consider a number of factors when determining whether to approve a proposed transaction, including the supervisory ratings and compliance history of all institutions involved, the anti-money laundering and Bank Secrecy Act compliance history of all institutions involved, CRA examination results and the effect of the transaction on financial stability.

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

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

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. High levels of bank failures over the past several years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the DIF. In order to maintain a strong funding position and

restore the reserve ratios of the DIF, the FDIC increased assessment rates on insured institutions, charged a special assessment to all insured institutions as of June 30, 2009, and required banks to prepay three years' worth of premiums on December 30, 2009. If there are additional financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels, or the FDIC may charge additional special assessments or require future prepayments. Further, the FDIC increased the DIF's target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act's elimination of the 1.5% cap on the DIF's reserve ratio. Additional increases in our assessment rate may be required in the future to achieve this targeted reserve ratio. These increases in deposit assessments and any future increases, required prepayments or special assessments of FDIC insurance premiums may adversely affect our business, financial condition or results of operations.

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

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

Our regulators may also require us to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests, including rejecting, or requiring revisions to, our annual capital plan submitted in connection with the CCAR. The failure of our capital plan to pass the CCAR could adversely affect our ability to pay dividends and repurchase stock. In addition, we may not be able to raise additional capital if required to do so, or may not be able to do so on terms that we believe are advantageous to Regions or its current shareholders. Any such capital raises, if required, may also be dilutive to our existing shareholders.

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

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

Risks Related to Our Capital Stock

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

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

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

Changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility. Stock markets in general (and our common stock in particular) have shown considerable volatility in the recent past. The market price of our capital stock, including our common stock and depositary shares representing fractional interests in our preferred

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stock, may continue to be subject to similar fluctuations unrelated to our operating performance or prospects. Increased volatility could result in a decline in the market price of our capital stock.

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

Our capital stock, including our common stock and depositary shares representing fractional interests in our preferred stock, ranks junior to all of Regions' existing and future indebtedness and Regions' other non-equity claims with respect to assets available to satisfy claims against us, including claims in the event of our liquidation. As of December 31, 2014, Regions' total liabilities were approximately \$102.7 billion, and we may incur additional indebtedness in the future to increase our capital resources. Additionally, if our capital ratios or the capital ratios of Regions Bank fall below the required minimums, we or Regions Bank could be forced to raise additional capital by making additional offerings of debt securities, including medium-term notes, senior or subordinated notes or other applicable securities.

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

We are a legal entity separate and distinct from our banking and other subsidiaries. Our principal source of cash flow, including cash flow to pay dividends to our stockholders and principal and interest on our outstanding debt, is dividends from Regions Bank. There are statutory and regulatory limitations on the payment of dividends by Regions Bank to us, as well as by us to our stockholders. Regulations of both the Federal Reserve and the State of Alabama affect the ability of Regions Bank to pay dividends and other distributions to us and to make loans to us. If Regions Bank is unable to make dividend payments to us and sufficient cash or liquidity is not otherwise available, we may not be able to make dividend payments to our common and preferred stockholders or principal and interest payments on our outstanding debt. See the "Stockholders' Equity" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation" of this Annual Report on Form 10-K. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, shares of our capital stock are effectively subordinated to all existing and future liabilities and obligations of our subsidiaries. At December 31, 2014, our subsidiaries' total deposits and borrowings were approximately \$98.1 billion.

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

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

We are also subject to statutory and regulatory limitations on our ability to pay dividends on our capital stock. For example, it is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratios exceeding 30% of after-tax net income. Additionally, we are required to submit annual capital plans to the Federal Reserve for review before we can take certain capital actions, including declaring and paying dividends and repurchasing or redeeming capital securities. If our capital plan or any amendment to our capital plan is objected to for any reason, our ability to declare and pay dividends on our capital stock may be limited. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may be limited in our ability to declare and pay dividends on our capital stock.

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

Certain provisions of state and federal law and our certificate of incorporation may make it more difficult for someone to acquire control of us without our Board of Directors' approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a bank holding company.

Acquisition of 10% or more of any class of voting stock of a bank holding company or state member bank, including shares of our common stock, creates a rebuttable presumption that the acquirer “controls” the bank holding company or state member bank. Also, as noted under the “Supervision and Regulation” section of Item 1. of this Annual Report on Form 10-K, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, including Regions Bank. One factor the federal banking agencies must consider in certain acquisitions is the systemic impact of the transaction. This may make it more difficult for large institutions to acquire other large institutions and may otherwise delay the regulatory approval process, possibly by requiring public hearings. There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt. For example, holders of our Series A Preferred Stock have certain voting rights that could adversely affect share value. If and when dividends on the preferred stock have not been declared and paid for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the authorized number of directors then constituting our Board of Directors will automatically be increased by two, and the preferred stockholders will be entitled to elect the two additional directors. Also, the affirmative vote or consent of the holders of at least

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two-thirds of all of the then-outstanding shares of the preferred stock is required to consummate a binding share-exchange or reclassification involving the preferred stock, or a merger or consolidation of Regions with or into another entity, unless certain requirements are met. These statutory provisions and provisions in our certificate of incorporation, including the rights of the holders of our Series A Preferred Stock, could result in Regions being less attractive to a potential acquirer.

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

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

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

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

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Regions' corporate headquarters occupy the main banking facility of Regions Bank, located at 1900 Fifth Avenue North, Birmingham, Alabama 35203.

At December 31, 2014, Regions Bank, Regions' banking subsidiary, operated 1,666 banking offices. At December 31, 2014, there were no significant encumbrances on the offices, equipment and other operational facilities owned by Regions and its subsidiaries.

See Item 1. "Business" of this Annual Report on Form 10-K for a list of the states in which Regions Bank's branches are located.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

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

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PART II

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

Regions’ common stock, par value \$.01 per share, is listed for trading on the New York Stock Exchange under the symbol RF. Quarterly high and low sales prices of and cash dividends declared on Regions’ common stock are set forth in Table 29 “Quarterly Results of Operations” of “Management’s Discussion and Analysis”, which is included in Item 7. of this Annual Report on Form 10-K. As of February 9, 2015, there were 54,453 holders of record of Regions’ common stock (including participants in the Computershare Investment Plan for Regions Financial Corporation). Restrictions on the ability of Regions Bank to transfer funds to Regions at December 31, 2014, are set forth in Note 13 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements, which are included in Item 8. of this Annual Report on Form 10-K. A discussion of certain limitations on the ability of Regions Bank to pay dividends to Regions and the ability of Regions to pay dividends on its common stock is set forth in Item 1. “Business” under the heading “Supervision and Regulation—Payment of Dividends” of this Annual Report on Form 10-K. The following table presents information regarding issuer purchases of equity securities during the fourth quarter of 2014.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs
October 1—31, 2014	7,247,727	\$9.79	7,247,727	\$278,962,076
November 1—30, 2014	15,762,601	\$10.10	15,762,601	\$119,592,102
December 1—31, 2014	1,751,130	\$9.79	1,751,130	\$102,419,368
Total 4th Quarter	24,761,458	\$9.98	24,761,458	\$102,419,368

On April 24, 2014, Regions' Board of Directors authorized a new \$350 million common stock repurchase plan, permitting repurchases from the beginning of the second quarter of 2014 through the end of the first quarter of 2015. As of December 31, 2014, Regions had repurchased approximately 25 million shares of common stock at a total cost of approximately \$248 million under this plan. The Company continued to repurchase shares under this plan in the first quarter of 2015 and concluded the plan in February of 2015 with the repurchase of approximately 11 million shares at a total cost of approximately \$102 million. 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 of Directors may declare out of funds legally available for such payments. Furthermore, holders of Regions common stock are subject to the prior dividend rights of any holders of Regions preferred stock then outstanding.

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

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

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

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).

PERFORMANCE GRAPH

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

	Cumulative Total Return					
	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Regions	\$100.00	\$133.08	\$82.42	\$137.49	\$192.79	\$209.43
S&P 500 Index	100.00	115.06	117.48	136.26	180.38	205.05
S&P Banks Index	100.00	119.84	107.00	132.74	180.15	208.10

Item 6. Selected Financial Data

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

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

EXECUTIVE SUMMARY

Management believes the following sections summarize several of the most relevant matters necessary for an understanding of the financial aspects of Regions Financial Corporation's ("Regions" or "the Company") business, particularly regarding its 2014 results. Cross references to more detailed information regarding each topic within Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the consolidated financial statements are included. This summary is intended to assist in understanding the information provided, but should be read in conjunction with the entire MD&A and consolidated financial statements, as well as the other sections of this Annual Report on Form 10-K.

2014 Results

Regions reported net income available to common shareholders of \$1.1 billion, or \$0.80 per diluted share, in 2014 compared to net income available to common shareholders of \$1.1 billion, or \$0.77 per diluted share, in 2013. Net interest income (taxable-equivalent basis) from continuing operations totaled \$3.3 billion for both 2014 and 2013. The net interest margin (taxable-equivalent basis) was 3.21 percent in 2014, reflecting a 1 basis point increase over 2013.

The provision for loan losses totaled \$69 million in 2014 compared to \$138 million in 2013. Credit metrics, including net charge-offs, non-accrual loans, criticized and classified loan balances, past due loans, and troubled debt restructurings all showed continued improvement in 2014 compared to 2013. Net charge-offs were 0.40 percent of average loans in 2014, compared to 0.96 percent in 2013. Net charge-offs again exceeded provision for loan losses in 2014 primarily due to continued improvement in credit metrics.

Non-interest income from continuing operations was \$1.8 billion in 2014 compared to \$2.0 billion in 2013. The decline from the prior year was driven primarily by an \$87 million decrease in mortgage income and a \$39 million decrease in service charges on deposit accounts. See Table 5 "Non-Interest Income from Continuing Operations" for further details.

Non-interest expense from continuing operations was \$3.4 billion in 2014 compared to \$3.6 billion in 2013. The 2014 period included a \$100 million charge during the fourth quarter for contingent legal and regulatory accruals related to previously disclosed matters, and a \$16 million charge related to announced branch consolidations, partially offset by a \$35 million gain related to the subsequent 2014 sale of modified residential first mortgage loans transferred to held for sale in late 2013. The 2013 period included a \$58 million regulatory charge, \$5 million in branch consolidation charges, and \$61 million in loss on early extinguishment of debt. See Table 6 "Non-Interest Expense from Continuing Operations" for further details.

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

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

• "Operating Results" section of MD&A

• Note 23 "Commitments, Contingencies and Guarantees" to the consolidated financial statements

Capital

Capital Actions

As part of its 2014 Comprehensive Capital Analysis and Review ("CCAR") submission, Regions' proposed capital plans included increasing its quarterly common stock dividend from \$0.03 per share to \$0.05 per share; the issuance of \$500 million of the Company's 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B; and the execution of up to \$350 million in common share repurchases. The Federal Reserve did not object to these plans.

Regions' Board of Directors declared the higher common stock dividend each quarter in 2014 beginning with the second quarter. Management expects to continue to evaluate the amount of the common stock dividend with the Board of Directors and in conjunction with regulatory supervisors, subject to the Company's results of operations.

Regions' Board of Directors approved the issuance of \$500 million of its 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B. Net proceeds from the Series B preferred stock issuance increased equity by approximately \$486 million.

Regions' Board of Directors also approved the share repurchase plan. The share repurchase authority granted by the Board of Directors was available at the beginning of the second quarter of 2014 and will continue through the first quarter of 2015. As of December 31, 2014, Regions had repurchased approximately 25 million shares of common stock at a total cost of approximately \$248 million, under this plan. The Company continued to repurchase shares under this plan into the first quarter of 2015. These shares were immediately retired upon repurchase and therefore are not included in treasury stock.

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The 2015 CCAR capital plan was submitted in early January 2015, and results are expected to be communicated in March 2015.

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

•“Stockholders’ Equity” discussion in MD&A

•Note 14 “Stockholders’ Equity and Accumulated Other Comprehensive Income (Loss)” to the consolidated financial statements

Regulatory Capital

Regions and Regions Bank are required to comply with applicable capital adequacy standards established by the Federal Reserve. Under Basel I, the minimum guidelines to be considered well-capitalized for Tier I capital and Total capital are 6.0 percent and 10.0 percent, respectively. At December 31, 2014, Regions’ Tier 1 capital and Total capital ratios were 12.54 percent and 15.26 percent, respectively. In addition, the Federal Reserve and banking regulators routinely supplement their assessment of capital adequacy based on a variation of Tier 1 capital, known as Tier 1 common equity. Although Federal banking regulators did not establish minimum guidelines to be considered well-capitalized under Basel I, the Tier 1 common equity ratio has been a key component in assessing capital adequacy under the CCAR process. At December 31, 2014, Regions’ Tier 1 common equity ratio (non-GAAP) was 11.65 percent.

In 2013, Regions’ and Regions Bank’s primary federal regulator, the Federal Reserve, published final rules (the “Basel III Capital Rules”) establishing an updated comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including Regions and Regions Bank, compared to Basel I. The Basel III Capital Rules are effective for Regions and Regions Bank beginning January 1, 2015 (subject to a phase-in period) and will be reported in connection with March 31, 2015 results.

The Basel III Capital Rules officially define the Tier 1 common equity ratio (referred to in the rule as “Common Equity Tier 1” (“CET1”). When fully phased in on January 1, 2019, the minimum ratio of CET1 to risk-weighted assets will be at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7.0% upon full implementation). Regions’ understanding of the framework is evolving and will likely change as analysis and discussions with regulators continue. Based on its current understanding, Regions estimates its CET1 ratio (non-GAAP) under a fully phased in Basel III at December 31, 2014 to be 11.00% percent.

In 2014, the Federal Reserve Board released the final version of the liquidity coverage ratio (“LCR”), which requires modified LCR banks, including Regions, to hold high-quality liquid assets sufficient to cover 70 percent of projected net cash outflows under a prescribed 21-day liquidity stress scenario. The implementation date for modified LCR banks is January 1, 2016 (subject to a phase-in period). The Company anticipates being fully compliant with the LCR requirements upon implementation without having to make any significant changes to its current balance sheet. However, should Regions’ cash position or investment mix change in the future, Regions’ ability to meet the liquidity coverage ratio may be impacted.

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

•“Supervision and Regulation” discussion within Item 1. Business

•Table 2 - “GAAP to Non-GAAP reconciliation” in MD&A

•“Bank Regulatory Capital Requirements” section of MD&A

•Note 13 “Regulatory Capital Requirements and Restrictions” to the consolidated financial statements

Loan Portfolio and Credit

The Company grew total loans during 2014 by \$2.7 billion or 4 percent compared to year-end 2013. Loan growth was led by the commercial and industrial portfolio which increased \$3.3 billion in 2014 and the indirect portfolio which grew \$567 million in 2014. The combined growth of these two portfolios more than offset declines in commercial real estate and home equity loans. Investor real estate loans leveled out in 2014 reflecting a modest \$63 million increase over the prior year-end. The economy has been and will continue to be the primary factor which influences Regions’ loan portfolio. Customers continued to experience modest economic improvement during 2014 primarily through low

interest rates and the continued housing market recovery. The economic momentum experienced over the second half of 2014 is expected to be sustained in 2015. However, headwinds still persist particularly in the jobs market. Reported unemployment figures continue to improve, however many previously unemployed workers have taken only part-time positions while others have chosen to exit the workforce all together. Management's expectation for 2015 end of period loan growth is in the 4 percent to 6 percent range.

Net charge-offs totaled \$307 million, or 0.40 percent of average loans, in 2014, compared to \$716 million, or 0.96 percent in 2013. Net charge-offs were lower across most major loan categories when comparing 2014 to the prior year. Net charge-offs again exceeded provision for loan losses in 2014 primarily due to continued improvement in credit metrics, including lower levels of non-accrual loans, criticized and classified loans, delinquent loans, as well as, problem loan resolutions. Total non-performing

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assets were \$991 million at December 31, 2014, compared to \$1.3 billion at December 31, 2013. The allowance for loan losses at December 31, 2014 was 1.43 percent of total loans, net of unearned income, compared to 1.80 percent at December 31, 2013. The coverage ratio of allowance for loan losses to non-performing loans was 1.33x at December 31, 2014 compared to 1.24x at December 31, 2013.

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

•“Allowance for Credit Losses” discussion within the “Critical Accounting Policies and Estimates” section of MD&A

•“Provision for Loan Losses” discussion within the “Operating Results” section of MD&A

•“Loans,” “Allowance for Credit Losses,” “Troubled Debt Restructurings” and “Non-performing Assets” discussions within the

•“Balance Sheet Analysis” section of MD&A

•“Credit Risk” discussion within the “Risk Management” section of MD&A

•Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements

•Note 5 “Loans” to the consolidated financial statements

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

Net Interest Income, Margin and Interest Rate Risk

In 2014, the net interest margin increased 1 basis point to 3.21 percent, largely due to a mix shift from time deposits to lower cost deposit products, resulting in deposit costs decreasing to 11 basis points in 2014 from 15 basis points in 2013, as well as the maturity and payoff of approximately \$1.4 billion of long-term debt. These improvements contributed to a 9 basis point reduction in the the total cost paid on interest-bearing liabilities, which more than offset the 6 basis point decline in the yield on interest-earning assets.

Taxable-equivalent net interest income increased \$26 million in 2014, due primarily to a decline in both the volume of and rates paid on interest-bearing liabilities. These declines were partially offset by a modest decline in interest income earned on approximately \$391 million of increased interest-earning assets originated at lower interest rates. Despite the continued improvements in both cost and mix of interest-bearing liabilities, the net interest income and margin continue to be pressured by a sustained low interest rate, low growth environment. The Company did experience 2 percent growth in average loans in 2014, and 4 percent growth on a period-end basis.

Management is optimistic for continued growth in 2015. If economic conditions and interest rates follow a course of moderate increase through 2015, and the Company achieves its targeted range of loan growth, management believes that the net interest margin will remain stable to moderately rising. Alternatively, if rates in 2015 remain at levels prevalent at year-end 2014, management believes the net interest margin will come under modest pressure of approximately 10 to 12 basis points over the course of the year. Regions’ balance sheet is in a moderately asset sensitive position and should benefit from a rise in either long-term or short-term rates. So, if economic conditions were to improve more rapidly, thereby spurring a more rapid rise in interest rates, both net interest income and the resulting net interest margin would respond favorably.

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

•“Net Interest Income and Margin” discussion within the “Operating Results” section of MD&A

•“Interest Rate Risk” discussion within “Risk Management” section of MD&A

Liquidity

At the end of 2014, Regions Bank had over \$2.3 billion in cash on deposit with the Federal Reserve and the loan-to-deposit ratio was 82 percent. Cash and cash equivalents at the parent company totaled \$1.9 billion. Regions' liquidity policy related to minimum holding company cash requirements requires the holding company to maintain cash sufficient to cover the greater of (1) 18 months of debt service and other cash needs or (2) a minimum cash balance of \$500 million.

At December 31, 2014, the Company’s borrowing capacity with the Federal Reserve was \$21.3 billion based on available collateral. Borrowing availability with the Federal Home Loan Bank (“FHLB”) was \$9.9 billion based on available collateral at the same date. The Company has approximately \$10.3 billion of unencumbered liquid securities available for pledging or repurchase agreements. Regions also maintains a shelf registration statement with the U.S. Securities and Exchange Commission that can be utilized by the Company to issue various debt and/or equity securities. Additionally, Regions' Board of Directors has approved a bank note program which would allow Regions

Bank to issue up to \$5 billion in aggregate principal amount of bank notes outstanding at any one time. As of December 31, 2014, no issues have been made under this program.

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

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

• "Supervision and Regulation" discussion within Item 1. Business

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• “Short-Term Borrowings” discussion within the “Balance Sheet Analysis” section of MD&A

• “Long-Term Borrowings” discussion within the “Balance Sheet Analysis” section of MD&A

• “Regulatory Capital Requirements” section of MD&A

• “Liquidity Risk” discussion within the “Risk Management” section of MD&A

• Note 11 “Short-Term Borrowings” to the consolidated financial statements

• Note 12 “Long-Term Borrowings” to the consolidated financial statements

GENERAL

The following discussion and financial information is presented to aid in understanding Regions’ financial position and results of operations. The emphasis of this discussion will be on continuing operations for the years 2014, 2013 and 2012; in addition, financial information for prior years will also be presented when appropriate. Certain amounts in prior year presentations have been reclassified to conform to the current year presentation, except as otherwise noted. Regions’ profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income and non-interest income sources. Net interest income is the difference between the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions’ net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, 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, deposit administrative fees and other operating expenses, as well as income taxes.

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

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

Dispositions

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

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

Business Segments

Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance and other specialty financing. Regions carries out its strategies and derives its profitability from three reportable segments: Corporate Bank, Consumer Bank, and Wealth Management, with the remainder split between Discontinued Operations and Other. During the fourth quarter of 2014, Regions reorganized its internal management structure and, accordingly, its segment reporting structure. Previously, Regions’ three operating segments were Business Services, Consumer Services, and Wealth Management. Under the organizational realignment, Regions has created a Consumer Bank,

which consists principally of the previous Consumer Services segment with businesses that serve retail and small business banking customers, and a Corporate Bank, which consists principally of the previous Business Services segment with businesses that serve middle-market and large commercial clients. Previously, small business banking was included within Business Services, but is now included in the Consumer Bank as its product set is more consistent with those offered in that segment. The Wealth Management segment remained unchanged during the reorganization. Segment results for all periods presented have been recast to reflect this organizational realignment. See Note 22 “Business Segment Information” to the consolidated financial statements for further information on Regions’ business segments.

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Table 1—Financial Highlights

	2014	2013	2012	2011	2010
	(In millions, except per share data)				
EARNINGS SUMMARY					
Interest income	\$3,588	\$3,646	\$3,903	\$4,252	\$4,637
Interest expense	309	384	603	842	1,248
Net interest income	3,279	3,262	3,300	3,410	3,389
Provision for loan losses	69	138	213	1,530	2,863
Net interest income after provision for loan losses	3,210	3,124	3,087	1,880	526
Non-interest income	1,821	2,019	2,100	2,143	2,489
Non-interest expense	3,432	3,556	3,526	3,862	3,859
Income (loss) from continuing operations before income taxes	1,599	1,587	1,661	161	(844)
Income tax expense (benefit)	457	452	482	(28)	(376)
Income (loss) from continuing operations	1,142	1,135	1,179	189	(468)
Income (loss) from discontinued operations before income taxes	21	(24)	(99)	(408)	(41)
Income tax expense (benefit)	8	(11)	(40)	(4)	30
Income (loss) from discontinued operations, net of tax	13	(13)	(59)	(404)	(71)
Net income (loss)	\$1,155	\$1,122	\$1,120	\$(215)	\$(539)
Income (loss) from continuing operations available to common shareholders	\$1,090	\$1,103	\$1,050	\$(25)	\$(692)
Net income (loss) available to common shareholders	\$1,103	\$1,090	\$991	\$(429)	\$(763)
Earnings (loss) per common share from continuing operations – basic	\$0.79	\$0.79	\$0.76	\$(0.02)	\$(0.56)
Earnings (loss) per common share from continuing operations – diluted	0.79	0.78	0.76	(0.02)	(0.56)
Earnings (loss) per common share – basic	0.80	0.78	0.72	(0.34)	(0.62)
Earnings (loss) per common share – diluted	0.80	0.77	0.71	(0.34)	(0.62)
Return on average tangible common stockholders' equity (non-GAAP) ⁽¹⁾	9.97	% 10.80	% 10.69	% (5.51)	% (9.29)
Return on average assets from continuing operations (GAAP)	0.92	0.94	0.86	(0.02)	(0.52)
BALANCE SHEET SUMMARY					
At year-end—Consolidated					
Loans, net of unearned income	\$77,307	\$74,609	\$73,995	\$77,594	\$82,864
Allowance for loan losses	(1,103)	(1,341)	(1,919)	(2,745)	(3,185)
Assets	119,679	117,396	121,347	127,050	132,351
Deposits	94,200	92,453	95,474	95,627	94,614
Long-term debt	3,462	4,830	5,861	8,110	13,190
Stockholders' equity	16,989	15,768	15,499	16,499	16,734
Average balances—Continuing Operations					
Loans, net of unearned income	\$76,253	\$74,924	\$76,035	\$80,673	\$86,660
Assets	118,468	117,805	122,182	126,719	132,720
Deposits	93,481	92,646	95,330	95,671	96,489
Long-term debt	4,057	5,206	6,694	11,240	15,489
Stockholders' equity	16,725	15,502	15,035	15,350	15,916

SELECTED RATIOS

Allowance for loan losses as a percentage of loans, net of unearned income	1.43	% 1.80	% 2.59	% 3.54	% 3.84	%
Tier 1 capital ⁽²⁾	12.54	11.68	12.00	13.28	12.40	
Tier 1 common risk-based capital (non-GAAP) ⁽¹⁾⁽²⁾	11.65	11.21	10.84	8.51	7.85	
Total risk-based capital ⁽²⁾	15.26	14.73	15.38	16.99	16.35	
Leverage capital ⁽²⁾	10.86	10.03	9.65	9.91	9.30	
Tangible common stockholders' equity to tangible assets (non-GAAP) ⁽¹⁾	9.75	9.24	8.63	6.58	6.04	
Adjusted efficiency ratio (non-GAAP) ⁽¹⁾	65.50	65.42	64.42	64.56	67.74	

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	2014	2013	2012	2011	2010
	(In millions, except per share data)				
COMMON STOCK DATA					
Cash dividends declared per common share	\$0.18	\$0.10	\$0.04	\$0.04	\$0.04
Common equity book value per share	11.89	11.12	10.63	10.39	10.63
Tangible common book value per share (non-GAAP) ⁽¹⁾	8.26	7.54	7.11	6.37	6.09
Market value at year-end	10.56	9.89	7.13	4.30	7.00
Market price range: ⁽³⁾					
High	11.54	10.52	7.73	8.09	9.33
Low	8.85	7.13	4.21	2.82	5.12
Total trading volume	3,689	3,962	5,282	5,204	6,381
Dividend payout ratio	22.64	% 12.99	% 5.63	% NM	NM
Shareholders of record at year-end (actual)	57,529	63,815	67,574	73,659	76,996
Weighted-average number of common shares outstanding					
Basic	1,375	1,395	1,381	1,258	1,227
Diluted	1,387	1,410	1,387	1,258	1,227

NM—Not meaningful

(1) See Table 2 for GAAP to non-GAAP reconciliations.

(2) Current year Tier 1 capital, Tier 1 common risk-based capital, Total risk-based capital, and Leverage capital ratios are estimated.

(3) High and low market prices are based on intraday sales prices.

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 fee income ratio”, “adjusted efficiency ratio”, “return on average tangible common stockholders’ equity”, average and end of period “tangible common stockholders’ equity”, “Tier 1 common equity”, and “Basel III CET1” 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 of Directors utilize these non-GAAP financial measures as follows:

• Preparation of Regions’ operating budgets

• Monthly financial performance reporting

• Monthly close-out reporting of consolidated results (management only)

• Presentations to investors of Company performance

The adjusted efficiency ratio (non-GAAP), which is a measure of productivity, is generally calculated as non-interest expense divided by total revenue on a taxable-equivalent basis. The adjusted fee income ratio (non-GAAP) is generally calculated as non-interest income divided by total revenue 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 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. In connection with the Federal Reserve's CCAR process, these regulators are supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. Analysts and banking regulators have assessed Regions' capital adequacy using the tangible common stockholders' equity and/or the Tier 1 common equity measure. Because tangible common stockholders' equity and Tier 1 common equity are not formally defined by GAAP, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently than Regions' disclosed calculations. Since analysts and banking regulators may assess Regions' capital adequacy using tangible common stockholders' equity and Tier

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

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

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

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

The following tables provide: 1) a reconciliation of net income (GAAP) to net income available to common shareholders (GAAP), 2) a reconciliation of non-interest expense from continuing operations (GAAP) to adjusted non-interest expense (non-GAAP), 3) a reconciliation of non-interest income from continuing operations (GAAP) to adjusted non-interest income (non-GAAP), 4) a computation of adjusted total revenue (non-GAAP), 5) a computation of the adjusted efficiency ratio (non-GAAP), 6) a computation of the adjusted fee income ratio (non-GAAP), 7) 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), 8) a reconciliation of stockholders' equity (GAAP) to Tier 1 capital (regulatory) and to Tier 1 common equity (non-GAAP) and calculations of related ratios, and 9) a reconciliation of stockholders' equity (GAAP) to Basel III CET1 (non-GAAP) and calculation of the related ratio based on Regions' current understanding of the Basel III requirements. The estimate at both December 31, 2014 and 2013 are based on the final rule released in July 2013 and the estimate at December 31, 2012 is based on the U.S. Notices of Proposed Rulemaking released in July 2012.

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Table 2—GAAP to Non-GAAP Reconciliation

	Year Ended December 31					
	2014	2013	2012	2011	2010	
	(In millions, except per share data)					
INCOME (LOSS)						
Net income (loss) (GAAP)	\$1,155	\$1,122	\$1,120	\$(215)	\$(539)	
Preferred dividends and accretion (GAAP)	(52)	(32)	(129)	(214)	(224)	
Net income (loss) available to common shareholders (GAAP)	A \$1,103	\$1,090	\$991	\$(429)	\$(763)	
ADJUSTED FEE INCOME AND EFFICIENCY RATIOS						
Non-interest expense from continuing operations (GAAP)	\$3,432	\$3,556	\$3,526	\$3,862	\$3,859	
Significant items:						
Professional, legal and regulatory expenses ⁽¹⁾⁽²⁾	(93)	(58)	—	—	(75)	
Branch consolidation and property and equipment charges	(16)	(5)	—	(75)	(8)	
Gain on sale of TDRs held for sale, net	35	—	—	—	—	
Loss on early extinguishment of debt	—	(61)	(11)	—	(108)	
Goodwill impairment	—	—	—	(253)	—	
Securities impairment, net	—	—	(2)	(2)	(2)	
REIT investment early termination costs ⁽³⁾	—	—	(42)	—	—	
Adjusted non-interest expense (non-GAAP)	B \$3,358	\$3,432	\$3,471	\$3,532	\$3,666	
Net interest income (GAAP)	\$3,279	\$3,262	\$3,300	\$3,410	\$3,389	
Taxable-equivalent adjustment	63	54	50	35	32	
Net interest income from continuing operations, taxable-equivalent basis	3,342	3,316	3,350	3,445	3,421	
Non-interest income from continuing operations (GAAP)	1,821	2,019	2,100	2,143	2,489	
Significant items:						
Securities gains, net	(27)	(26)	(48)	(112)	(394)	
Leveraged lease termination gains, net	(10)	(39)	(14)	(8)	(78)	
Loss (gain) on sale of mortgage loans	—	—	—	3	(26)	
Gain on sale of other assets ⁽⁴⁾	—	(24)	—	—	—	
Adjusted non-interest income (non-GAAP)	C 1,784	1,930	2,038	2,026	1,991	
Adjusted total revenue, taxable equivalent adjustment (non-GAAP)	D \$5,126	\$5,246	\$5,388	\$5,471	\$5,412	
Adjusted efficiency ratio (non-GAAP)	B/D 65.50	% 65.42	% 64.42	% 64.56	% 67.74	%
Adjusted fee income ratio (non-GAAP)	C/D 34.81	% 36.79	% 37.82	% 37.03	% 36.79	%
RETURN ON AVERAGE TANGIBLE COMMON STOCKHOLDERS' EQUITY						
Average stockholders' equity (GAAP)	\$16,735	\$15,504	\$15,246	\$16,927	\$17,444	
Less: Average intangible assets (GAAP)	5,103	5,136	5,210	5,965	6,003	
Average deferred tax liability related to intangibles (GAAP)	(182)	(188)	(195)	(220)	(255)	
Average preferred stock (GAAP)	754	464	960	3,398	3,479	
Average tangible common stockholders' equity (non-GAAP)	E \$11,060	\$10,092	\$9,271	\$7,784	\$8,217	

Return on average tangible common stockholders' equity (non-GAAP)	A/E	9.97	%	10.80	%	10.69	%	(5.51)%	(9.29)%
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	Year Ended December 31				
	2014	2013	2012	2011	2010
	(In millions, except share data)				
TANGIBLE COMMON RATIOS-CONSOLIDATED					
Ending stockholders' equity (GAAP)	\$16,989	\$15,768	\$15,499	\$16,499	\$16,734
Less: Ending intangible assets (GAAP)	5,091	5,111	5,161	5,265	5,946
Ending deferred tax liability related to intangibles (GAAP)	(172)	(188)	(191)	(200)	(240)
Ending preferred stock (GAAP)	884	450	482	3,419	3,380
Ending tangible common stockholders' equity (non-GAAP) F	\$11,186	\$10,395	\$10,047	\$8,015	\$7,648
Ending total assets (GAAP)	\$119,679	\$117,396	\$121,347	\$127,050	\$132,351
Less: Ending intangible assets (GAAP)	5,091	5,111	5,161	5,265	5,946
Ending deferred tax liability related to intangibles (GAAP)	(172)	(188)	(191)	(200)	(240)
Ending tangible assets (non-GAAP) G	\$114,760	\$112,473	\$116,377	\$121,985	\$126,645
End of period shares outstanding H	1,354	1,378	1,413	1,259	1,256
Tangible common stockholders' equity to tangible assets (non-GAAP) F/G	9.75 %	9.24 %	8.63 %	6.58 %	6.04 %
Tangible common book value per share (non-GAAP) F/H	\$8.26	\$7.54	\$7.11	\$6.37	\$6.09
TIER 1 COMMON RISK-BASED RATIO⁽⁵⁾-CONSOLIDATED					
Stockholders' equity (GAAP)	\$16,989	\$15,768	\$15,499	\$16,499	\$16,734
Accumulated other comprehensive (income) loss	238	319	(65)	69	260
Non-qualifying goodwill and intangibles ⁽⁸⁾	(4,809)	(4,798)	(4,826)	(4,900)	(5,706)
Disallowed deferred tax assets ⁽⁶⁾	—	—	(35)	(432)	(424)
Disallowed servicing assets	(28)	(31)	(33)	(35)	(27)
Qualifying non-controlling interests	—	—	93	92	92
Qualifying trust preferred securities	—	—	501	846	846
Tier 1 capital (regulatory)	12,390	11,258	11,134	12,139	11,775
Qualifying non-controlling interests	—	—	(93)	(92)	(92)
Qualifying trust preferred securities	—	—	(501)	(846)	(846)
Preferred stock (GAAP)	(884)	(450)	(482)	(3,419)	(3,380)
Tier 1 common equity (non-GAAP) I	\$11,506	\$10,808	\$10,058	\$7,782	\$7,457
Risk-weighted assets (regulatory) J	\$98,787	\$96,416	\$92,811	\$91,449	\$94,966
Tier 1 common risk-based ratio (non-GAAP) I/J	11.65 %	11.21 %	10.84 %	8.51 %	7.85 %
BASEL III COMMON EQUITY TIER 1 RATIO⁽⁵⁾⁽⁷⁾					
Stockholders' equity (GAAP)	\$16,989	\$15,768	\$15,499		
Non-qualifying goodwill and intangibles ⁽⁸⁾	(4,915)	(4,922)	(4,968)		
Proposed Adjustments					
Adjustments, including other comprehensive income related to cash flow hedges, disallowed deferred tax assets, threshold deductions and other adjustments	—	—	(298)		

Final Rules Adjustments

Adjustments, including all components of accumulated other comprehensive income, disallowed deferred tax assets, threshold deductions and other adjustments

		116		130		—	
Preferred stock (GAAP)		(884)	(450)	(482)
Basel III common equity Tier 1 (non-GAAP)	K	\$11,306		\$10,526		\$9,751	
Basel III risk-weighted assets (non-GAAP) ⁽⁹⁾	L	\$102,804		\$99,483		\$109,941	
Basel III common equity Tier 1 ratio (non-GAAP)	K/L	11.00	%	10.58	%	8.87	%

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- (1) Regions recorded \$100 million of contingent legal and regulatory accruals during the fourth quarter of 2014 related to previously disclosed matters.
In the fourth quarter of 2013, Regions recorded a non-tax deductible charge of \$58 million related to previously disclosed inquiries from government authorities concerning matters from 2009. The 2013 matters were settled in the second quarter of 2014 for \$7 million less than originally estimated and a corresponding recovery was recognized.
- (2) In the second quarter of 2010, Regions recorded a \$200 million charge to account for a probable, reasonably estimable loss related to a pending settlement of regulatory matters. \$75 million of the 2010 regulatory charge related to continuing operations.
In the fourth quarter of 2012, Regions entered into an agreement with a third party investor in Regions Asset Management Company, Inc., pursuant to which the investment was fully redeemed. This resulted in extinguishing a \$203 million liability, including accrued, unpaid interest, as well as incurring early termination costs of approximately \$42 million on a pre-tax basis (\$38 million after tax).
- (3) In the third quarter of 2013, Regions recorded a \$24 million gain on sale of a non-core portion of a Wealth Management business.
- (4) Current annual amounts and the resulting ratio are estimated.
- (5) Taxable income from the two previous tax years and one year of projected future taxable income may be applied in calculating deferred tax assets for regulatory capital purposes.
- (6) The 2014 and 2013 estimates are based on the final rule released in July 2013. The 2012 estimate is based on the June 2012 U.S. Notices of Proposed Rulemaking.
- (7) Under Basel III, in addition to goodwill and other identified intangibles, regulatory capital must be reduced by purchased credit card relationship intangible assets. The majority of these assets are allowed in Basel I capital.
- (8) Regions continues to develop systems and internal controls to precisely calculate risk-weighted assets as required by Basel III. The amount is a reasonable approximation, based on our understanding of the requirements.

CRITICAL ACCOUNTING ESTIMATES AND RELATED POLICIES

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

Allowance for Credit Losses

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

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

Management’s estimate of the allowance for the commercial and investor real estate portfolio segments could be affected by estimates of losses inherent in various product types as a result of fluctuations in the general economy, developments within a particular industry, or changes in an individual’s credit due to factors particular to that credit, such as competition, management or business performance. For non-accrual commercial and investor real estate loans equal to or greater than \$2.5 million, the allowance for loan losses is based on note-level evaluation considering the

facts and circumstances specific to each borrower. For all other commercial and investor real estate loans, the allowance for loan losses is based on statistical models using a probability of default (“PD”) and a loss given default (“LGD”). Historical default information for similar loans is used as an input for the statistical model. A 5 percent increase in the PD for non-defaulted commercial and investor real estate accounts and a 5 percent increase in the LGD for all accounts would result in an increase to estimated inherent losses of approximately \$57 million.

For residential real estate mortgages, home equity lending and other consumer-related loans, individual products are reviewed on a group basis or in loan pools (e.g., residential real estate mortgage pools). Losses can be affected by such factors as collateral value, loss severity, the economy and other uncontrollable factors. A 5 percent increase or decrease in the estimated loss rates on these loans would change estimated inherent losses by approximately \$13 million.

The pro forma inherent loss analysis presented above demonstrates the sensitivity of the allowance to key assumptions. This sensitivity analysis does not reflect an expected outcome. A full discussion of these assumptions and other factors is included in the “Allowance for Credit Losses” section within the discussion of “Credit Risk”, found in a later section of this report, Note 1 “Summary of Significant Accounting Policies”, and Note 6 “Allowance for Credit Losses” to the consolidated financial statements.

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Fair Value Measurements

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

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

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

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

Intangible Assets

Regions' intangible assets consist primarily of the excess of cost over the fair value of net assets of acquired businesses ("goodwill") and other identifiable intangible assets (primarily core deposit intangibles and purchased credit card relationships). Goodwill totaled \$4.8 billion at both December 31, 2014 and 2013 and is allocated to each of Regions' reportable segments (each a reporting unit: Corporate Bank, Consumer Bank, and Wealth Management). Refer to Note 22 "Business Segment Information" for discussion of Regions' reorganization of its management reporting structure during the fourth quarter of 2014 and, accordingly, its segment reporting structure and goodwill reporting units. In connection with the reorganization, management reallocated goodwill to the new reporting units using a relative fair value approach. Goodwill is tested for impairment on an annual basis as of October 1 or more often if events and circumstances indicate impairment may exist (refer to Note 1 "Summary of Significant Accounting Policies" to the consolidated financial statements for further discussion).

A test of goodwill for impairment consists of two steps. In Step One, the fair value of the reporting unit is compared to its carrying amount, including goodwill. To the extent that the estimated fair value of the reporting unit exceeds the carrying value, impairment is not indicated and no further testing is required. Conversely, if the estimated fair value of

the reporting unit is below its carrying amount, Step Two must be performed. Step Two consists of determining the implied estimated fair value of goodwill, which is the net difference between the valuation adjustments of assets and liabilities excluding goodwill and the valuation adjustment to equity (from Step One) of the reporting unit. The carrying value of equity for each reporting unit is determined from an allocation based upon risk weighted assets. Adverse changes in the economic environment, declining operations of the reporting unit, or other factors could result in a decline in the estimated implied fair value of goodwill. If the estimated implied fair value of goodwill is less than the carrying amount, a loss would be recognized to reduce the carrying amount to the estimated implied fair value. The estimated fair value of the reporting unit is determined using a blend of both income and market approaches. Within the income approach, which is the primary valuation approach, Regions utilizes the capital asset pricing model ("CAPM") in order to derive the base discount rate. The inputs to the CAPM include the 20-year risk-free rate, 5-year beta for a select peer set specific to each reporting unit, and a market risk premium based on published data. To determine the estimated cost of equity for each

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reporting unit, a size premium is added (also based on a published source) as well as a company-specific risk premium for each reporting unit, which is an estimate determined by the Company and meant to compensate for the risk inherent in the future cash flow projections and inherent differences (such as business model and market perception of risk) between Regions and the peer set. Regions evaluates the appropriateness of the inputs to the CAPM at each test date. Company specific factors considered during recent evaluation periods include positive results of operations, improvement in asset quality and strong capital and liquidity positions.

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

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

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

The results of the calculations for the fourth quarter of 2014 indicated that the estimated fair values of the Corporate Bank, Consumer Bank and Wealth Management reporting units were \$8.3 billion, \$7.7 billion and \$1.7 billion, respectively, which were greater than their carrying amounts of \$7.7 billion, \$7.0 billion and \$1.3 billion, respectively. Therefore, the goodwill of each reporting unit was considered not impaired as of the testing date, and Step Two of the goodwill impairment test was not required.

The table below summarizes the discount rate used in the goodwill impairment test of each reporting unit for the fourth quarter of 2014 and all four quarters of 2013:

Discount Rates

	Corporate Bank		Consumer Bank		Wealth Management	
Fourth quarter 2014	11.25	%	11.50	%	11.75	%
	Business Services		Consumer Services		Wealth Management	
Fourth quarter 2013	12.00	%	12.00	%	12.00	%
Third quarter 2013	12.00	%	12.00	%	12.00	%
Second quarter 2013	13.00	%	12.00	%	12.00	%
First quarter 2013	14.00	%	13.00	%	13.00	%

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

protraction in the current low level of interest rates significantly beyond 2015.

For sensitivity analysis, a discount rate of 12.0 percent for the Corporate Bank, Consumer Bank, and Wealth Management reporting units would result in estimated fair values of equity of \$7.8 billion, \$7.4 billion, and \$1.7 billion, respectively. All three reporting units' estimated fair value would continue to exceed the book value by approximately \$140 million, \$428 million, and \$421 million, respectively, and would not require Step Two procedures.

Sensitivity calculations are hypothetical and should not be considered to be predictive of future performance. Changes in implied fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on

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the implied fair value of goodwill is calculated without changing any other assumption, while in reality changes in one factor may result in changes in another which may either magnify or counteract the effect of the change.

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

Residential Mortgage Servicing Rights

Regions estimates the fair value of its residential mortgage servicing rights in order to record them at fair value on the balance sheet. Although sales of residential mortgage servicing rights do occur, residential mortgage servicing rights do not trade in an active market with readily observable market prices and the exact terms and conditions of sales may not be readily available, and are therefore Level 3 valuations in the fair value hierarchy previously discussed in the "Fair Value Measurements" section. Specific characteristics of the underlying loans greatly impact the estimated value of the related residential mortgage servicing rights. As a result, Regions stratifies its residential mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and values its residential mortgage servicing rights using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted residential mortgage loan prepayment rates, discount rates, escrow balances and servicing costs. Changes in interest rates, prepayment speeds or other factors impact the fair value of residential mortgage servicing rights which impacts earnings. The carrying value of residential mortgage servicing rights was \$257 million at December 31, 2014. Based on a hypothetical sensitivity analysis, Regions estimates that a reduction in primary mortgage market rates of 25 basis points and 50 basis points would reduce the December 31, 2014 fair value of residential mortgage servicing rights by approximately 6 percent (\$15 million) and 12 percent (\$32 million), respectively. Conversely, 25 basis point and 50 basis point increases in these rates would increase the December 31, 2014 fair value of residential mortgage servicing rights by approximately 6 percent (\$14 million) and 11 percent (\$28 million), respectively. Regions also estimates that an increase in servicing costs of approximately \$10 per loan, or 19 percent, would result in a decline in the value of the residential mortgage servicing rights by approximately \$8 million.

The pro forma fair value analysis presented above demonstrates the sensitivity of fair values to hypothetical changes in primary mortgage rates. This sensitivity analysis does not reflect an expected outcome. Refer to the "Residential Mortgage Servicing Rights" discussion in the "Balance Sheet" analysis section found later in this report.

Income Taxes

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

Deferred income taxes represent the amount of future income taxes to be paid or received and are accounted for using the asset and liability method. The net balance is reported as a component of either other assets or other liabilities, as appropriate, in the consolidated balance sheets. The Company determines the realization of the deferred tax asset based upon an evaluation of the four possible sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income exclusive of reversing temporary differences and carryforwards; 3) taxable income in prior carryback years; and 4) tax-planning strategies. In projecting future taxable income, the Company utilizes forecasted pre-tax earnings, adjusts for the estimated book-tax differences and incorporates assumptions, including the amounts of income allocable to taxing jurisdictions. These assumptions require significant judgment and are consistent with the plans and estimates the Company uses to manage the underlying businesses. The realization of the deferred tax assets could be reduced in the future if these estimates are significantly different than forecasted. For a detailed discussion of realization of deferred tax assets, refer to the "Income Taxes" section found later in this report. The Company is subject to income tax in the U.S. and multiple state and local jurisdictions. The tax laws and regulations in each jurisdiction may be interpreted differently in certain situations, which could result in a range of

outcomes. Thus, the Company is required to exercise judgment regarding the application of these tax laws and regulations. The Company will evaluate and recognize tax liabilities related to any tax uncertainties. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is different from the current estimate of the tax liabilities.

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

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OPERATING RESULTS

NET INTEREST INCOME AND MARGIN

Net interest income (interest income less interest expense) is Regions' principal source of income and is one of the most important elements of Regions' ability to meet its overall performance goals. Net interest income on a taxable-equivalent basis increased approximately \$26 million, or 1 percent in 2014 from 2013, driven primarily by a decline in rates paid on interest-bearing liabilities, and a lower level of non-deposit borrowings resulting from the execution of liability management actions. The net interest margin increased to 3.21 percent in 2014 from 3.20 percent in 2013, reflecting a favorable mix shift in deposits out of higher-cost time deposits into lower-cost checking, savings and money market accounts.

Comparing 2014 to 2013, average interest-earning asset yields were lower, decreasing 6 basis points. However, interest-bearing liability rates were also lower, declining by 9 basis points, more than offsetting the drop in interest-earning asset yields. As a result, the net interest rate spread increased 3 basis points to 3.06 percent in 2014 compared to 3.03 percent in 2013.

Monetary policy action pursued by the Federal Reserve, as well as a modest pace of economic recovery resulted in continued low levels of both long and short-term interest rates in 2014, both of which have influence on net interest margin and net interest income. Long-term rates are generally represented by the yield on the benchmark 10-year U.S. Treasury note. The 10-year U.S. Treasury note was 3.00 percent at the beginning of 2014 and ended the year at 2.17 percent. The average yield on the benchmark 10-year U.S. Treasury note increased slightly to 2.54 percent in 2014 compared to 2.35 percent in 2013. While being somewhat volatile during the year, long-term rates remained at historically low levels overall, which pressured interest-earning asset yields through their impact on fixed-rate loans and securities. One way in which long-term interest rates affect asset yields is through their influence on prepayment activity. Low levels of long-term interest rates precipitate higher levels of prepayments, particularly within fixed-rate loan and securities portfolios, which has resulted in the replacement of these assets at lower rates of interest. Additionally, government programs such as the Home Affordable Refinance Program ("HARP") have influenced levels of prepayments among loans and securities in a similar fashion. The taxable investment securities portfolio, which contains significant residential fixed-rate exposure, increased in yield from 2.38 percent in 2013 to 2.55 percent in 2014, largely attributable to the moderately higher average Treasury rates in 2014. The Company's loan pricing is also influenced by short-term rates such as the 30-day London Interbank Offering Rate ("LIBOR"), which on average was 16 basis points in 2014, compared to 19 basis points in 2013, and therefore had minimal impact on changes in the net interest margin.

The negative impact of low, long-term interest rates on interest-earning assets was more than offset by improvements in liability costs in 2013 and 2014. While the rates that most directly influence deposits costs (such as the Federal Reserve's Rate of Interest on Excess Reserves and the Prime rate) both remained low and unchanged from the previous year-end level (at 0.25 percent and 3.25 percent, respectively), deposit costs improved from 15 basis points in 2013 to 11 basis points in 2014. The improvement was due both to absolute improvements in cost of most deposit categories, but also to improvements in the mix of deposits from higher-cost time deposits to lower-cost checking and savings categories. For example, average time deposits declined from \$11.1 billion, or 12 percent of total average deposits, in 2013 to \$9.0 billion, or 10 percent of total average deposits in 2014. Meanwhile, average non-interest bearing customer deposits increased from \$29.6 billion in 2013 to \$31.1 billion in 2014. Net interest margin was also supported by a favorable shift of funding to customer deposits from more costly long-term borrowings. Average long-term borrowings declined to \$4.1 billion in 2014 as compared to \$5.2 billion in 2013, primarily due to the successful execution of liability management actions. See the "Long-Term Borrowings" section in Management's Discussion and Analysis and Note 12 "Long-Term Borrowings" to these consolidated financial statements for additional information related to these actions.

See also the "Market Risk-Interest Rate Risk" section in Management's Discussion and Analysis for additional information.

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

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

	Year Ended December 31											
	2014			2013			2012					
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate			
(Dollars in millions; yields on taxable-equivalent basis)												
Assets												
Interest-earning assets:												
Federal funds sold and securities purchased under agreements to resell	\$12	\$—	0.86 %	\$—	\$—	— %	\$—	\$—	— %			
Trading account securities	107	3	2.92	114	3	2.24	134	3	2.24			
Securities:												
Taxable	24,148	615	2.55	25,349	603	2.38	26,667	681	2.55			
Tax-exempt	3	—	—	6	—	—	17	—	—			
Loans held for sale	564	22	3.89	864	29	3.41	1,150	33	2.87			
Loans, net of unearned income ⁽¹⁾⁽²⁾	76,253	3,004	3.94	74,924	3,059	4.08	76,035	3,227	4.24			
Other interest-earning assets	2,989	7	0.25	2,428	6	0.25	3,792	9	0.24			
Total interest-earning assets	104,076	3,651	3.51	103,685	3,700	3.57	107,795	3,953	3.67			
Allowance for loan losses	(1,235)			(1,680)			(2,376)					
Cash and due from banks	1,793			1,775			1,836					
Other non-earning assets	13,834			14,025			14,927					
	\$118,468			\$117,805			\$122,182					
Liabilities and Stockholders' Equity												
Interest-bearing liabilities:												
Savings ⁽³⁾	\$6,596	8	0.12	\$6,226	6	0.10	\$5,712	5	0.08			
Interest-bearing checking	20,804	19	0.09	19,873	19	0.10	19,419	23	0.12			
Money market ⁽³⁾	26,006	29	0.11	25,768	35	0.13	24,348	42	0.18			
Time deposits	9,003	49	0.55	11,148	75	0.67	16,487	214	1.30			
Total interest-bearing deposits ⁽⁴⁾	62,409	105	0.17	63,015	135	0.21	65,966	284	0.43			
Federal funds purchased and	1,944	2	0.08	2,020	2	0.08	1,852	2	0.11			

securities sold under agreements to repurchase									
Other short-term borrowings	55	—	0.21	219	—	0.19	251	—	—
Long-term borrowings	4,057	202	4.98	5,206	247	4.75	6,694	317	4.74
Total interest-bearing liabilities	68,465	309	0.45	70,460	384	0.54	74,763	603	0.81
Non-interest-bearing deposits ⁽⁴⁾	31,072	—	—	29,631	—	—	29,364	—	—
Total funding sources	99,537	309	0.31	100,091	384	0.38	104,127	603	0.58
Net interest spread			3.06			3.03			2.86
Other liabilities	2,206			2,212			3,020		
Stockholders' equity	16,725			15,502			15,035		
	\$118,468			\$117,805			\$122,182		
Net interest income/margin on a taxable-equivalent basis from continuing operations ⁽⁵⁾⁽⁶⁾		\$3,342	3.21 %		\$3,316	3.20 %		\$3,350	3.11 %

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

(2) Interest income includes net loan fees of \$78 million, \$75 million and \$65 million for the years ended December 31, 2014, 2013 and 2012, respectively.

In 2014, approximately \$207 million of average IRA account balances and the related interest expense were (3) reclassified from money market to savings. Prior period amounts have been revised to conform to current period classification.

Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing (4) deposits and non-interest-bearing deposits. The rates for total deposit costs equal 0.11%, 0.15% and 0.30% for the years ended December 31, 2014, 2013 and 2012 respectively.

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

The table above does not include average interest-earning assets, average interest-bearing liabilities, interest income, or interest expense for discontinued operations (see Note 3 to the consolidated financial statements). If (6) these assets, liabilities, and net interest income were included in the calculation, the consolidated net interest income and margin on a taxable equivalent basis would have been \$3,356 million and 3.10% for the year ended December 31, 2012.

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

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

	2014 Compared to 2013			2013 Compared to 2012		
	Change Due to			Change Due to		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
	(Taxable-equivalent basis—in millions)					
Interest income on:						
Securities-taxable	\$ (29)	\$ 41	\$ 12	\$ (33)	\$ (45)	\$ (78)
Loans held for sale	(11)	4	(7)	(9)	5	(4)
Loans, including fees	54	(109)	(55)	(47)	(121)	(168)
Other interest-earning assets	1	—	1	(3)	—	(3)
Total interest-earning assets	15	(64)	(49)	(92)	(161)	(253)
Interest expense on:						
Savings	—	2	2	—	1	1
Interest-bearing checking	1	(1)	—	1	(5)	(4)
Money market	—	(6)	(6)	2	(9)	(7)
Time deposits	(13)	(13)	(26)	(56)	(83)	(139)
Total interest-bearing deposits	(12)	(18)	(30)	(53)	(96)	(149)
Long-term borrowings	(57)	12	(45)	(70)	—	(70)
Total interest-bearing liabilities	(69)	(6)	(75)	(123)	(96)	(219)
Increase (decrease) in net interest income	\$ 84	\$ (58)	\$ 26	\$ 31	\$ (65)	\$ (34)

Notes:

The change in interest not due solely to volume or yield/rate has been allocated to the volume column and yield/rate column in proportion to the relationship of the absolute dollar amounts of the change in each.

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

Prior period amounts for Savings and Money market have been reclassified to conform to current period classification.

The mix of interest-earning assets can also affect the interest rate spread. Regions' primary types of interest-earning assets are loans and investment securities. Certain types of interest-earning assets have historically generated larger spreads; for example, loans typically generate larger spreads than other assets, such as securities, Federal funds sold or securities purchased under agreements to resell. The spread on loans remained depressed in 2014 due to the low interest rate environment and an elevated level of loans on non-accrual status. Average interest-earning assets in 2014 totaled \$104.1 billion, an increase of \$391 million as compared to the prior year.

Average loans as a percentage of average interest-earning assets were 73 percent in 2014 and 72 percent in 2013. The remaining categories of interest-earning assets are shown in Table 3 "Consolidated Average Daily Balances and Yield/Rate Analysis for Continuing Operations". The proportion of average interest-earning assets to average total assets, which was 88 percent in both 2014 and 2013, measures the effectiveness of management's efforts to invest available funds into the most profitable interest-earning vehicles. Funding for Regions' interest-earning assets comes from interest-bearing and non-interest-bearing sources.

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Another significant factor affecting the net interest margin is the percentage of interest-earning assets funded by interest-bearing liabilities. The percentage of average interest-earning assets funded by average interest-bearing liabilities was 66 percent in 2014 and 68 percent in 2013.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to maintain the allowance for loan losses at a level that in management's judgment is appropriate to absorb probable losses inherent in the portfolio at the balance sheet date. During 2014, the provision for loan losses totaled \$69 million and net charge-offs were \$307 million. This compares to a provision for loan losses of \$138 million and net charge-offs of \$716 million in 2013. Net charge-offs exceeded provision for loan losses for 2014 primarily due to the continued improving credit metrics, including lower levels of non-accrual loans and criticized and classified loans, as well as problem loan resolutions.

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

NON-INTEREST INCOME

Table 5—Non-Interest Income from Continuing Operations

	Year Ended December 31			Change 2014 vs. 2013		
	2014	2013	2012	Amount	Percent	
	(Dollars in millions)					
Service charges on deposit accounts ⁽¹⁾	\$695	\$734	\$756	\$(39)	(5.3)	%
Card and ATM fees ⁽¹⁾	334	319	314	15	4.7	%
Investment management and trust fee income	193	196	195	(3)	(1.5)	%
Mortgage income	149	236	363	(87)	(36.9)	%
Insurance commissions and fees	124	114	109	10	8.8	%
Bank-owned life insurance	85	82	81	3	3.7	%
Capital markets fee income and other	73	87	83	(14)	(16.1)	%
Commercial credit fee income	61	65	68	(4)	(6.2)	%
Investment services fee income	43	34	27	9	26.5	%
Securities gains, net	27	26	48	1	3.8	%
Leveraged lease termination gains, net	10	39	14	(29)	(74.4)	%
Gain on sale of other assets	—	24	—	(24)	(100.0)	%
Net loss from affordable housing	(66)	(49)	(49)	(17)	34.7	%
Other miscellaneous income	93	112	91	(19)	(17.0)	%
	\$1,821	\$2,019	\$2,100	\$(198)	(9.8)	%

(1) "Card and ATM fees" line item represents the combined amounts of credit card/bank card income and debit card and ATM related revenue. Credit card/bank card income was previously reported as a separate line item. Debit card and ATM related revenue was previously included in the "service charges on deposit accounts" line item. All prior periods presented have been reclassified to conform to this presentation.

Service Charges on Deposit Accounts

Service charges on deposit accounts include non-sufficient fund fees, and other service charges. The decline in 2014 compared to 2013 was primarily driven by continued changes in customer behavior, an \$8 million reserve for customer reimbursements recorded in 2014, and the Company's decision to transition out of certain small credit product offerings.

Regions will begin piloting a revision to its posting order process for customer deposit accounts during the first quarter of 2015. The piloting results will be utilized to help develop final posting order process decisions as well as customer communications. Full implementation is not expected until the second half of 2015, and the Company's current modeling estimates the impact will decrease service charges on deposit accounts in the range of \$10 million to \$15 million per quarter on a pre-tax basis. There are many variables included in the current modeling, including the

assumption of a static population as well as numerous overlapping policies such as funds availability, all of which will impact this estimate.

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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 2014 compared to 2013 was a result of increased checking accounts, as well as increased transactions driven in part by the continued migration of transactions from cash and checks to cards. Additionally, an increase in active credit cards generated greater purchase activity resulting in higher interchange income.

Investment Management and Trust Fee Income

Investment management and trust fee income represents income from asset management services. In 2013, approximately \$12 million of investment management and trust fee income was associated with a non-core portion of a Wealth Management business that was sold in the third quarter of 2013. The sale resulted in a pre-tax gain of \$24 million, which is reflected in Table 5 in the "gain on sale of other assets" line item.

Mortgage Income

Mortgage income is generated through the origination and servicing of residential mortgage loans for long-term investors and sales of residential mortgage loans in the secondary market. The decline in mortgage income during 2014 compared to 2013 was primarily driven by lower mortgage production as consumer demand for residential mortgage loans slowed due to rising mortgage interest rates. A decline in the market valuation of the residential mortgage servicing portfolio, net of hedging activity, also contributed to the year-over-year decline.

At December 31, 2014, \$27.7 billion of the residential mortgage servicing portfolio was serviced for third parties compared to \$28.5 billion at December 31, 2013.

Insurance Commissions and Fees

Regions sells property and casualty, life and health, mortgage, and other specialty insurance and credit related products to businesses and individuals. Insurance commissions and fees increased in 2014 compared to 2013 primarily due to the incremental impact of insurance agency lift outs over the last several years, combined with organic growth in the insurance agency business.

Capital Markets Fee Income and Other

Capital markets fee income and other primarily relates to activities such as securities underwriting and placement, loan syndications, foreign exchange and customer derivatives. The decrease in these fees during 2014 compared to 2013 was primarily driven by a slowdown in demand for customer derivatives, given the continued low interest rate environment.

Investment Services Fee Income

Investment services fee income represents income earned through investment advisory services. Primary revenue streams include sales of annuity and brokerage products. The increase in investment services fee income during 2014 compared to 2013 was primarily driven by an increase in sales resulting from an increased number of financial consultants.

Securities Gains, Net

Net securities gains result from the Company's asset/liability management process. See Note 4 "Securities" to the consolidated financial statements for more information.

Leveraged Lease Termination Gains, Net

Regions terminated certain leveraged leases in 2014 and 2013. The related net termination gains were largely offset by increases in income tax expense.

Net Loss From Affordable Housing

Regions periodically invests in various limited partnerships that sponsor affordable housing projects. Regions accounts for these investments using the equity method. Net loss from affordable housing represents the Company's equity share of the partnership gains and losses. Net loss from affordable housing increased in 2014 reflecting an increase in investments and the related equity share of partnership losses, as well as, a reduction in gains on sales of investments.

Beginning in 2015, new accounting guidance allows companies with low income housing tax credit investments to apply a proportional amortization method that would recognize the cost of the investment as a component of income tax expense. Regions intends to adopt this method with its first quarter of 2015 financial reporting. This election will

result in an increase to income tax expense and an increase to non-interest income. The cumulative effect to retained earnings (deficit) as of January 1, 2015 of adopting this guidance is estimated to be a reduction in the range of approximately \$110 million to \$125 million. Refer to Note 1 "Summary of Significant Accounting Policies" for additional information.

Other Miscellaneous Income

Other miscellaneous income includes fees from safe deposit boxes, check fees and income from assets held for employee benefit purposes, which was the primary driver of the decrease in 2014.

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NON-INTEREST EXPENSE

Table 6—Non-Interest Expense from Continuing Operations

	Year Ended December 31			Change 2014 vs. 2013		
	2014	2013	2012	Amount	Percent	
	(Dollars in millions)					
Salaries and employee benefits	\$1,810	\$1,818	\$1,763	\$(8)	(0.4)	%
Net occupancy expense	368	365	382	3	0.8	%
Furniture and equipment expense	287	280	261	7	2.5	%
Professional, legal and regulatory expenses ⁽¹⁾	235	190	114	45	23.7	%
Outside services	131	106	82	25	23.6	%
Marketing	95	98	87	(3)	(3.1)	%
Deposit administrative fees	75	125	162	(50)	(40.0)	%
Amortization of other intangibles	51	54	109	(3)	(5.6)	%
Credit/checkcard expenses	44	41	64	3	7.3	%
Branch consolidation, property and equipment charges	16	5	—	11	220.0	%
REIT investment early termination costs	—	—	42	—	NM	
Loss on early extinguishment of debt	—	61	11	(61)	(100.0)	%
Provision (credit) for unfunded credit losses	(13)	(5)	5	(8)	160.0	%
(Gain) loss on loans held for sale, net	(23)	(30)	(61)	7	(23.3)	%
Gain on sale of TDRs held for sale, net	(35)	—	—	(35)	NM	
Other miscellaneous expenses	391	448	505	(57)	(12.7)	%
	\$3,432	\$3,556	\$3,526	\$(124)	(3.5)	%

NM - Not Meaningful

(1) "Professional and legal expenses" and "regulatory charge" line items were combined in 2014. All prior periods presented have been reclassified to conform to this presentation.

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 were essentially flat in 2014 as compared to 2013. Headcount decreased to 23,723 at December 31, 2014 from 24,255 at December 31, 2013.

Regions adopted new mortality tables and projection scales as of December 31, 2014 for estimating Regions' retirement plan liabilities. The combination of this adoption and a lower discount rate will result in pension related expense increasing by approximately \$23 million during 2015.

Net Occupancy Expense

Net occupancy expense includes rent, depreciation and amortization, utilities, maintenance, insurance, taxes, and other expenses of premises occupied by Regions and its affiliates. Net occupancy expense was essentially flat in 2014 compared to 2013.

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 2014 compared to 2013 primarily driven by higher rent, maintenance and repairs during 2014.

Professional, Legal and Regulatory Expenses

Professional, legal and regulatory expenses consist of amounts related to legal, consulting, other professional fees and regulatory charges. In 2013, a non-tax deductible regulatory charge of \$58 million was recorded related to previously disclosed inquiries from government authorities. The matter was settled in 2014 for \$7 million less than originally estimated and a corresponding recovery was recognized. In the fourth quarter of 2014, \$100 million of expense was

recorded for contingent legal and regulatory items related to previously disclosed matters.

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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 2014 when compared to 2013 primarily due to the use of temporary staffing for compliance and regulatory related projects as well as increased servicing costs related to continued purchases of indirect loans from a third party.

Deposit Administrative Fees

Deposit administrative fees decreased during 2014 when compared to 2013 as a result of continued improvement in performance metrics and a reduction in Regions' risk profile including a decline in higher risk loans, all of which impact the fee calculation.

Branch Consolidation, Property and Equipment Charges

In 2014, \$16 million of branch consolidation charges related to valuation adjustments on owned branch property were recognized. The charges were a result of Regions' decision to consolidate 30 branches in late 2013 and 50 branches in the fourth quarter of 2014. The actual branch closures occur over time, but management's decision to close them results in the recorded charges.

Loss on Early Extinguishment of Debt

During 2013, the Company incurred \$61 million in losses related to the early extinguishment of certain other long-term debt, the tender or redemption of certain senior debt securities and preferred stock, as well as the redemption of selected trust preferred securities. There were no debt extinguishments in 2014.

Gain on Sale of Troubled Debt Restructurings ("TDRs") Held for Sale, Net

During the fourth quarter of 2013, Regions transferred approximately \$535 million of certain primarily accruing residential first mortgage loans classified as TDRs to loans held for sale. During the first quarter of 2014, substantially all of these loans were sold resulting in a \$35 million net gain.

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 in 2014 as compared to 2013 primarily due to declines in mortgage repurchase costs reflecting lower losses.

INCOME TAXES

The Company's income tax expense from continuing operations was \$457 million and \$452 million for 2014 and 2013, respectively, resulting in effective tax rates of 28.6 percent and 28.5 percent, respectively.

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

Beginning in 2015, new accounting guidance allows companies with affordable housing tax credit investments to apply a proportional amortization method that would recognize the cost of the investment as a component of income tax expense. Regions intends to adopt this method with its first quarter of 2015 financial reporting. This election will result in an increase to income tax expense, and the resulting effective tax rate, and an increase to non-interest income. The cumulative effect to retained earnings (deficit) as of January 1, 2015 of adopting this guidance is estimated to be a reduction in the range of approximately \$110 million to \$125 million. Refer to Note 1 "Summary of Significant Accounting Policies" for additional information.

At December 31, 2014, the Company reported a net deferred tax asset of \$367 million, compared to \$612 million at December 31, 2013. The decrease in the net deferred tax asset was primarily due to the continued reduction in the allowance for loan losses and the utilization of tax attribute carryforwards.

The Company continually assesses the realizability of its deferred tax assets based on an evaluative process that considers all available positive and negative evidence. As part of this evaluative process, the Company considers the following sources of taxable income: 1) the future reversals of taxable temporary differences; 2) future taxable income

exclusive of reversing temporary differences and carryforwards; 3) taxable income in prior carryback years; and 4) tax-planning strategies. In making a conclusion, the Company has evaluated all available positive and negative evidence impacting these sources of taxable income. The primary sources of evidence impacting the Company's judgment regarding the realization of its deferred tax assets are summarized below.

History of earnings—In 2014, the Company has continued its positive earnings trend with positive earnings in 2014, 2013 and 2012. The Company has utilized all federal net operating losses and in 2014, utilized its remaining federal tax credit carryforwards. There is no history of significant tax carryforwards expiring unused.

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Reversals of taxable temporary differences—The Company anticipates that future reversals of taxable temporary differences, including the accretion of taxable temporary differences related to leveraged leases acquired in a prior business combination, can absorb up to approximately \$714 million of deferred tax assets.

Creation of future taxable income—The Company has projected future taxable income that will be sufficient to absorb the remaining deferred tax assets after the reversal of future taxable temporary differences.

Ability to implement tax-planning strategies—The Company has the ability to implement tax planning strategies such as asset sales to maximize the realization of deferred tax assets.

Based on this evaluative process, the Company has established a valuation allowance in the amount of \$32 million at December 31, 2014 and \$36 million at December 31, 2013 because the Company believes that a portion of the state net operating loss carryforwards and state tax credit carryforwards will not be utilized. The decrease of \$4 million is principally due to the Company's determination that certain state net operating loss carryforwards are more likely than not to be realized.

See Note 1 "Summary of Significant Accounting Policies" and Note 19 "Income Taxes" to the consolidated financial statements for additional information about income taxes.

DISCONTINUED OPERATIONS

Morgan Keegan was sold on April 2, 2012. Regions' results from discontinued operations are presented in Note 3 "Discontinued Operations" to the consolidated financial statements. During 2014, income from discontinued operations reflects further reductions in the indemnification liability based on updated assumptions, as well as insurance proceeds recognized. During 2013, the loss from discontinued operations was primarily due to higher professional and legal expenses.

BALANCE SHEET ANALYSIS

The following sections provide expanded discussion of significant changes in certain line items in asset, liability, and equity categories.

Cash and Cash Equivalents

At December 31, 2014, cash and cash equivalents totaled \$4.0 billion as compared to \$5.3 billion at December 31, 2013. The year-over-year decrease was driven by a decrease in interest-bearing deposits in other banks as a result of normal day-to-day operating variations.

Securities

Regions utilizes the securities portfolio to manage liquidity, interest rate risk, and regulatory capital, as well as to take advantage of market conditions to generate a favorable return on investments without undue risk.

The "Market Risk-Interest Rate Risk" and "Liquidity Risk" sections, found later in this report, further explain Regions' interest rate and liquidity risk management practices. The weighted-average yield earned on securities, less equities, was 2.58 percent in 2014 and 2.65 percent in 2013. Table 7 "Securities" details the carrying values of securities, including both available for sale and held to maturity.

Table 7—Securities

	2014	2013	2012
	(In millions)		
U.S. Treasury securities	\$177	\$57	\$54
Federal agency securities	573	425	555
Obligations of states and political subdivisions	2	5	9
Mortgage-backed securities:			
Residential agency	17,665	17,474	21,283
Residential non-agency	8	9	13
Commercial agency	2,173	1,154	725
Commercial non-agency	1,494	1,211	1,098
Corporate and other debt securities	1,990	2,827	2,835
Equity securities	673	676	682
	\$24,755	\$23,838	\$27,254

Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities. The securities at December 31, 2014 increased \$917 million from year-end 2013 primarily due to market rate improvements in the fair value of the available for sale securities portfolio as well as additional portfolio purchases.

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Maturity Analysis—The average life of the securities portfolio (excluding equities) at December 31, 2014 was estimated to be 5.0 years, with a duration of approximately 3.4 years. These metrics compare with an estimated average life of 5.0 years, with a duration of approximately 4.0 years for the portfolio at December 31, 2013. Table 8 “Relative Contractual Maturities and Weighted-Average Yields for Securities” provides additional details.

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

	Securities Maturing as of December 31, 2014				Total	
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years		
	(Dollars in millions)					
Securities ⁽¹⁾ :						
U.S. Treasury securities	\$ 10	\$ 160	\$ 5	\$ 2	\$ 177	
Federal agency securities	1	355	217	—	573	
Obligations of states and political subdivisions	1	1	—	—	2	
Mortgage-backed securities:						
Residential agency	—	162	1,177	16,326	17,665	
Residential non-agency	—	—	—	8	8	
Commercial agency	—	340	1,425	408	2,173	
Commercial non-agency	—	149	329	1,016	1,494	
Corporate and other debt securities	77	609	970	334	1,990	
	\$ 89	\$ 1,776	\$ 4,123	\$ 18,094	\$ 24,082	
Weighted-average yield ⁽²⁾	1.79	% 1.87	% 2.53	% 2.38	% 2.58	%

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

The weighted-average yields are calculated on the basis of the yield to maturity based on the book value of each security. Weighted-average yields on tax-exempt obligations have been computed on a taxable-equivalent basis using a tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit. Average (2) tax-exempt securities were maintained at such a small balance in 2014 that the taxable-equivalent adjustments for the calculation of yields amounted to zero for the year ended December 31, 2014. Yields on tax-exempt obligations have not been adjusted for the non-deductible portion of interest expense used to finance the purchase of tax-exempt obligations.

Portfolio Quality—Regions’ investment policy emphasizes credit quality and liquidity. Securities rated in the highest category by nationally recognized rating agencies and securities backed by the U.S. Government and government sponsored agencies, both on a direct and indirect basis, represented approximately 92 percent of the investment portfolio at December 31, 2014. All other securities rated below AAA, not backed by the U.S. Government or government sponsored agencies, or which are not rated represented approximately 8 percent of total securities at year-end 2014.

Loans Held For Sale

At December 31, 2014, loans held for sale totaled \$541 million, consisting primarily of \$442 million of residential real estate mortgage loans, \$61 million of commercial mortgage loans in the process of being sold to Fannie Mae through Regions' Fannie Mae Delegated Underwriting and Servicing ("DUS") program, and \$38 million of non-performing loans. At December 31, 2013, loans held for sale totaled \$1.1 billion, consisting primarily of \$963 million of residential real estate mortgage loans and \$82 million of non-performing loans. The level of residential real estate mortgage loans held for sale fluctuates depending on the timing of origination and sale to third parties.

During the fourth quarter of 2013, Regions transferred certain primarily accruing residential first mortgage loans classified as troubled debt restructurings ("TDRs") to loans held for sale. The book value of these loans was

approximately \$686 million and they were transferred into loans held for sale at the estimated fair value of \$535 million with the \$151 million difference reflected as a charge-off. Substantially all of the TDR loans held for sale were sold in the first quarter of 2014. Refer to the "Non-Interest Expense" section in the "Operating Results" section of this report for further discussion regarding the subsequent sale of these TDR loans.

Loans

GENERAL

Average loans, net of unearned income, represented 73 percent of average interest-earning assets for the year ended December 31, 2014, compared to 72 percent for the year ended December 31, 2013. Lending at Regions is generally organized

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along three portfolio segments: commercial loans (including commercial and industrial, and owner-occupied commercial real estate mortgage and construction loans), investor real estate loans (commercial real estate mortgage and construction loans) and consumer loans (residential first mortgage, home equity, indirect, consumer credit card and other consumer loans).

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

Table 9—Loan Portfolio

	2014	2013	2012	2011	2010
	(In millions, net of unearned income)				
Commercial and industrial	\$32,732	\$29,413	\$26,674	\$24,522	\$22,540
Commercial real estate mortgage—owner-occupied	8,263	9,495	10,095	11,166	12,046
Commercial real estate construction—owner-occupied	407	310	302	337	470
Total commercial	41,402	39,218	37,071	36,025	35,056
Commercial investor real estate mortgage	4,680	5,318	6,808	9,702	13,621
Commercial investor real estate construction	2,133	1,432	914	1,025	2,287
Total investor real estate	6,813	6,750	7,722	10,727	15,908
Residential first mortgage	12,315	12,163	12,963	13,784	14,898
Home equity	10,932	11,294	11,800	13,021	14,226
Indirect	3,642	3,075	2,336	1,848	1,592
Consumer credit card	1,009	948	906	987	—
Other consumer	1,194	1,161	1,197	1,202	1,184
Total consumer	29,092	28,641	29,202	30,842	31,900
	\$77,307	\$74,609	\$73,995	\$77,594	\$82,864

Table 10—Selected Loan Maturities

	Loans Maturing as of December 31, 2014 ⁽¹⁾			Total
	Within One Year	After One But Within Five Years	After Five Years	
	(In millions)			
Commercial and industrial ⁽²⁾	\$4,461	\$21,630	\$6,509	\$32,600
Commercial real estate mortgage—owner-occupied	930	4,135	3,198	8,263
Commercial real estate construction—owner-occupied	407	149	243	407
Total commercial	5,406	25,914	9,950	41,270
Commercial investor real estate mortgage	1,260	2,937	483	4,680
Commercial investor real estate construction	639	1,482	12	2,133
Total investor real estate	1,899	4,419	495	6,813
	\$7,305	\$30,333	\$10,445	\$48,083
			Predetermined Rate	Variable Rate
			(In millions)	
Due after one year but within five years			\$5,319	\$25,014
Due after five years			6,707	3,738
			\$12,026	\$28,752

(1) Excludes residential first mortgage, home equity, indirect, consumer credit card and other consumer loans.

(2) Excludes \$132 million of small business credit card accounts.

Loans, net of unearned income, totaled \$77.3 billion at December 31, 2014, an increase of \$2.7 billion from year-end 2013 levels. Regions manages loan growth with a focus on risk management and risk-adjusted return on capital. Strategic decisions to grow the commercial and industrial portfolios through the Company's specialized lending groups and the indirect automobile

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lending portfolios, as well as increases in commercial investor real estate construction, were the primary contributors to the increase in loans in 2014. The increase was partially offset by continued decreases in commercial investor real estate mortgage and the lower demand for home equity products. Management's expectation for 2015 end of period loan growth is in the 4 percent to 6 percent range.

PORTFOLIO CHARACTERISTICS

The following sections describe the composition of the portfolio segments and classes disclosed in Table 9, explain variances in balances from the 2013 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 5 "Loans" and Note 6 "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 \$3.3 billion or 11 percent since year-end 2013 due to Regions' integrated approach to specialized lending. Commercial also includes owner-occupied commercial real estate mortgage loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. These loans declined \$1.2 billion or 13 percent from year-end 2013 as a result of continued customer deleveraging. Owner-occupied construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower. During 2014, total commercial loan balances increased approximately \$2.2 billion, or 6 percent.

The commercial portfolio segment has generated the majority of the Company's loan growth in 2014, particularly commercial and industrial loans. The commercial portfolio segment comprised approximately 54 percent of total loans at December 31, 2014, compared to 53 percent at December 31, 2013.

The following table provides detail of Regions' commercial lending balances in selected industries as of December 31: Table 11—Selected Industry Balances

	2014		2013 ⁽¹⁾		Change 2014 vs. 2013 Amount
	Loans	% of Total	Loans	% of Total	
	(Dollars in millions)				
Real estate	\$5,533	13.4	% \$4,992	12.7	% \$541
Healthcare	4,544	11.0	4,805	12.3	(261)
Manufacturing ⁽²⁾	4,114	9.9	3,831	9.8	283
Financial services ⁽²⁾	3,436	8.3	3,265	8.3	171
Wholesale goods ⁽²⁾	3,269	7.9	3,026	7.7	243
Energy	2,845	6.9	2,070	5.3	775
Retail trade	2,297	5.5	2,286	5.8	11
Religious, leisure, personal and non-profit services	2,246	5.4	2,352	6.0	(106)
Transportation and warehousing ⁽²⁾	2,209	5.3	2,220	5.7	(11)
Restaurant, accommodation and lodging	2,058	5.0	1,959	5.0	99
Government and public sector	1,956	4.7	1,437	3.7	519
Educational services	1,654	4.0	1,579	4.0	75
Professional, scientific and technical services ⁽²⁾	1,298	3.1	1,449	3.7	(151)
Information	1,012	2.4	747	1.9	265
Administrative, support, waste and repair	976	2.4	1,192	3.0	(216)

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Utilities	940	2.3	821	2.1	119
Agriculture	852	2.1	859	2.2	(7)
Other	163	0.4	328	0.8	(165)
	\$41,402	100.0	% \$39,218	100.0	% \$2,184

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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 (1) 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.

Regions' definition of indirect energy-related lending includes certain balances within each of these selected (2) industry categories. As of December 31, 2014, total indirect energy-related lending was approximately \$500 million.

In 2014, Regions experienced loan growth in most industry classifications compared to a year ago. The most significant growth occurred in the energy industry with year over year growth of \$775 million or 37 percent. This industry represented 6.9 percent and 5.3 percent of total commercial lending at December 31, 2014 and 2013, respectively. The increases in real estate and energy represented 60 percent of the overall commercial lending growth in 2014. This was partially offset by decreases in the healthcare, administrative, support, waste and repair, as well as, professional, scientific and technical services portfolios.

Beginning late in 2014, oil prices began declining and Regions has been monitoring the prices for both direct and indirect impacts on its energy lending portfolio. As shown in Table 11, Regions' energy industry loan balances at December 31, 2014 were approximately \$2.8 billion. This amount is comprised of loans directly related to energy, 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. The entire energy-related portfolio, combining direct and indirect exposures, was approximately \$3.4 billion at December 31, 2014. These loans are geographically concentrated primarily in Texas and, to a lesser extent, in South 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. Regions also employs experienced lending and underwriting teams including petroleum engineers, all with extensive energy sector experience through multiple economic cycles. If the current low level of oil prices continues, 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.

Investor Real Estate

Loans for real estate development are repaid through cash flow related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment is comprised of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. The investor real estate loan portfolio leveled out in 2014 with a modest \$63 million increase over 2013 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.

The Company has made considerable efforts to de-risk its balance sheet. A primary focus has been reducing the Company's exposure in the investor real estate portfolio. Total investor real estate loans represented approximately 24 percent of total loans at December 31, 2008, and has been actively managed down to approximately 9 percent of total loans at December 31, 2014. Investor real estate lending remains an important part of the Company's lending strategy based on its market presence in the southeast United States; however, strict underwriting requirements and exposure limits will be maintained.

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 \$152 million or 1 percent increase from year-end 2013, as prepayments have slowed. Approximately \$375 million of 10 and 15-year fixed-rate loans were retained on the balance sheet during 2014.

Home Equity

The home equity portfolio totaled \$10.9 billion at December 31, 2014 as compared to \$11.3 billion at December 31, 2013. 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 December 31, 2014. 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 12—Home Equity Lines of Credit-Future Principal Payment Resets

	First Lien (Dollars in millions)	% of Total	Second Lien	% of Total	Total
2015	\$26	0.31	% \$188	2.22	% \$214
2016	28	0.34	38	0.45	66
2017	5	0.06	11	0.13	16
2018	15	0.18	25	0.29	40
2019	116	1.37	105	1.24	221
2020-2024	1,475	17.42	1,322	15.62	2,797
2025-2029	2,418	28.56	2,688	31.75	5,106
Thereafter	2	0.02	4	0.04	6
Total	\$4,085	48.26	% \$4,381	51.74	% \$8,466

Of the \$10.9 billion home equity portfolio at December 31, 2014, approximately \$8.5 billion were home equity lines of credit and \$2.4 billion were closed-end home equity loans (primarily originated as amortizing loans). Beginning in May 2009, new home equity lines of credit have a 10-year draw period and a 10-year repayment period. Previously, home equity lines of credit had a 20-year term with a balloon payment upon maturity or a 5-year draw period with a balloon payment upon maturity. The term “balloon payment” means there are no principal payments required until the balloon payment is due for interest-only lines of credit. As of December 31, 2014, 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 mature with a balloon payment or convert to amortizing status after fiscal year 2020.

Of the \$8.5 billion of home equity lines of credit at December 31, 2014, approximately 91 percent require monthly interest-only payments while the remaining approximately 9 percent require a payment equal to 1.5 percent of the outstanding balance, which would include some principal repayment. At December 31, 2014, approximately 30 percent of borrowers were only paying the minimum amount due on their home equity line. In addition, approximately 59 percent of home equity lines of credit balances have the option to amortize either all or a portion of their balance. At December 31, 2014, approximately \$270 million of home equity line of credit balances have elected this option. Regions is unable to track payment status on first liens held by another institution. When Regions' second lien position becomes delinquent, an attempt is made to contact the first lien holder and inquire as to the payment status of the first lien. However, Regions does not continuously monitor the payment status of the first lien position. Short sale offers and settlement agreements are often received by the home equity junior lien holders well before the loan balance reaches the delinquency threshold for charge-off consideration, potentially resulting in a full balance payoff/charge-off. Regions is presently monitoring the status of all first lien position loans that the Company owns or services and has a second lien, and is taking appropriate action when delinquent. Regions services the first lien on approximately 24 percent of the entire second lien home equity portfolio as of December 31, 2014.

Other Consumer Credit Quality Data

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

The following table presents current LTV data for components of the residential first mortgage and home equity classes of the consumer portfolio segment. Current LTV data for the remaining loans in the portfolio is not available, primarily because some of the loans are serviced by others. Data may also not be available due to mergers and systems integrations. The amounts in the table represent the entire loan balance. For purposes of the table below, if the loan

balance exceeds the current estimated collateral, the entire balance is included in the "Above 100%" category, regardless of the amount of collateral available to partially offset the shortfall. The balances in the "Above 100%" category as a percentage of the portfolio balances decreased from 6 percent to 4 percent in the residential first mortgage portfolio and from 13 percent to 8 percent in the home equity portfolio when comparing December 31, 2013 to December 31, 2014, respectively.

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Table 13—Estimated Current Loan to Value Ranges

	December 31, 2014			December 31, 2013		
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien	Residential First Mortgage	Home Equity 1st Lien	2nd Lien
Estimated current loan to value:						
Above 100%	\$435	\$198	\$633	\$733	\$416	\$1,034
80% - 100%	1,743	536	1,078	2,050	737	1,294
Below 80%	9,626	5,282	2,696	8,899	4,646	2,501
Data not available	511	179	330	481	199	467
	\$12,315	\$6,195	\$4,737	\$12,163	\$5,998	\$5,296

Indirect

Indirect lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. This portfolio class increased \$567 million from year-end 2013, reflecting continued growing demand for automobile loans.

Consumer Credit Card

Consumer credit card lending represents primarily open-ended variable interest rate consumer credit card loans. These balances increased \$61 million during 2014.

Other Consumer

Other consumer loans include direct consumer installment loans, overdrafts and other revolving loans. Other consumer loans increased \$33 million during 2014.

Regions qualitatively considers factors such as periodic updates of FICO scores, unemployment, home prices, and geography as credit quality indicators for consumer loans. FICO scores are obtained at origination as part of Regions' formal underwriting process. Refreshed FICO scores are obtained by the Company quarterly for all revolving accounts and home equity lines of credit and semi-annually for all other consumer loans. 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 declined to 6 percent of the combined portfolios for December 31, 2014, down 1 percent from December 31, 2013.

Table 14—Estimated Current FICO Score Ranges

	December 31, 2014			Indirect	Consumer Credit Card	Other Consumer
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien			
	(In millions)					
Below 620	\$827	\$345	\$318	\$377	\$52	\$82
620 - 680	1,031	544	491	500	150	140
681 - 720	1,355	740	617	550	231	181
Above 720	8,228	4,337	3,162	2,032	575	475
Data not available	874	229	149	183	1	316
	\$12,315	\$6,195	\$4,737	\$3,642	\$1,009	\$1,194

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	December 31, 2013					
	Residential First Mortgage	Home Equity 1st Lien	2nd Lien	Indirect	Consumer Credit Card	Other Consumer
	(In millions)					
Below 620	\$886	\$324	\$322	\$312	\$38	\$87
620 - 680	1,022	533	527	470	130	142
681 - 720	1,341	725	672	511	216	177
Above 720	8,091	4,052	3,491	1,599	563	425
Data not available	823	364	284	183	1	330
	\$12,163	\$5,998	\$5,296	\$3,075	\$948	\$1,161

Allowance for Credit Losses

The allowance for credit losses ("allowance") consists of two components: the allowance for loan and lease losses and the reserve for unfunded credit commitments. The allowance represents management's estimate of probable credit losses inherent in the loan and credit commitment portfolios as of period end. Regions determines its allowance in accordance with applicable accounting literature as well as regulatory guidance related to receivables and contingencies. Binding unfunded credit commitments include items such as letters of credit, financial guarantees and binding unfunded loan commitments. Additional discussion of the methodology used to calculate the allowance is included in Note 1 "Summary of Significant Accounting Policies" and Note 6 "Allowance for Credit Losses" to the consolidated financial statements, as well as related discussion in Management's Discussion and Analysis.

The allowance for loan losses totaled \$1.1 billion at December 31, 2014 and \$1.3 billion at December 31, 2013. The allowance for loan losses as a percentage of net loans was 1.43 percent at December 31, 2014 and 1.80 percent at December 31, 2013. The reserve for unfunded credit commitments was \$65 million at December 31, 2014 compared to \$78 million at December 31, 2013. Net charge-offs as a percentage of average loans were 0.40 percent and 0.96 percent in 2014 and 2013, respectively. Net charge-offs were lower across most categories primarily due to fundamental improvement in credit performance. Net charge-offs for residential first mortgage included \$151 million related to the transfer of primarily accruing loans classified as troubled debt restructurings to held for sale late in 2013. Management considers the current level of the allowance appropriate to absorb losses inherent in the loan and credit commitment portfolios. Management's determination of the appropriateness of the allowance requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance to be increased or decreased in future periods. Management expects the allowance for credit losses to total loans ratio to vary over time due to changes in portfolio balances, economic conditions, loan mix and collateral values, or variations in other factors that may affect inherent losses. In addition, bank regulatory agencies, as part of their examination process, may require changes in the level of the allowance based on their judgments and estimates.

Management expects that net loan charge-offs in 2015 will decline somewhat compared with those experienced in 2014; however, economic trends such as real estate valuations, interest rates, unemployment and volatility in commodity prices will impact the future levels of net charge-offs and provision and may result in volatility during 2015. Additionally, changes in circumstances related to individually large credits or certain portfolios may result in volatility. Details regarding the allowance and net charge-offs, including an analysis of activity from the previous year's totals, are included in Table 15 "Allowance for Credit Losses."

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The table below summarizes activity in the allowance for credit losses for the years ended December 31:
Table 15—Allowance for Credit Losses

	2014	2013	2012	2011	2010
	(Dollars in millions)				
Allowance for loan losses at January 1	\$1,341	\$1,919	\$2,745	\$3,185	\$3,114
Loans charged-off:					
Commercial and industrial	114	186	203	294	429
Commercial real estate mortgage—owner-occupied	63	125	193	248	225
Commercial real estate construction—owner-occupied	2	1	8	8	25
Commercial investor real estate mortgage	23	69	226	685	879
Commercial investor real estate construction	1	1	46	195	565
Residential first mortgage	36	223	147	220	240
Home equity	93	159	266	353	432
Indirect	37	31	23	23	34
Consumer credit card	37	38	45	13	—
Other consumer	67	65	66	68	83
	473	898	1,223	2,107	2,912
Recoveries of loans previously charged-off:					
Commercial and industrial	51	45	61	36	33
Commercial real estate mortgage—owner-occupied	16	25	16	14	11
Commercial real estate construction—owner-occupied	—	3	—	—	1
Commercial investor real estate mortgage	22	35	36	27	14
Commercial investor real estate construction	5	5	9	6	10
Residential first mortgage	8	6	5	3	2
Home equity	32	35	32	25	18
Indirect	13	10	8	10	15
Consumer credit card	5	4	2	—	—
Other consumer	14	14	15	16	16
	166	182	184	137	120
Net charge-offs:					
Commercial and industrial	63	141	142	258	396
Commercial real estate mortgage—owner-occupied	47	100	177	234	214
Commercial real estate construction—owner-occupied	2	(2)	8	8	24
Commercial investor real estate mortgage	1	34	190	658	865
Commercial investor real estate construction	(4)	(4)	37	189	555
Residential first mortgage	28	217	142	217	238
Home equity	61	124	234	328	414
Indirect	24	21	15	13	19
Consumer credit card	32	34	43	13	—
Other consumer	53	51	51	52	67
	307	716	1,039	1,970	2,792
Provision for loan losses	69	138	213	1,530	2,863
Allowance for loan losses at December 31	\$1,103	\$1,341	\$1,919	\$2,745	\$3,185
Reserve for unfunded credit commitments at January 1	\$78	\$83	\$78	\$71	\$74
Provision (credit) for unfunded credit losses	(13)	(5)	5	7	(3)
Reserve for unfunded credit commitments at December 31	\$65	\$78	\$83	\$78	\$71
Allowance for credit losses at December 31	\$1,168	\$1,419	\$2,002	\$2,823	\$3,256
	\$77,307	\$74,609	\$73,995	\$77,594	\$82,864

Loans, net of unearned income, outstanding at end of period

Average loans, net of unearned income, outstanding for the period	\$76,253	\$74,924	\$76,035	\$80,673	\$86,660
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Ratios:

Allowance for loan losses to loans, net of unearned income	1.43	% 1.80	% 2.59	% 3.54	% 3.84	%
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Allowance for loan losses to non-performing loans, excluding loans held for sale	1.33x	1.24x	1.14x	1.16x	1.01x
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Net charge-offs as percentage of average loans, net of unearned income	0.40	% 0.96	% 1.37	% 2.44	% 3.22	%
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Allocation of the allowance for loan losses by portfolio segment and class is summarized as follows:

Table 16—Allocation of the Allowance for Loan Losses

	2014		2013		2012		2011		2010		
	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	Allocation Amount	% Loans in Each Category	
	(Dollars in millions)										
Commercial and industrial	\$428	42.4 %	\$427	39.4 %	\$497	36.1 %	\$586	31.6 %	\$641	27.2 %	
Commercial real estate mortgage—owner-occupied	214	10.7	271	12.8	342	13.6	427	14.4	395	14.5	
Commercial real estate construction—owner-occupied	12	0.5	13	0.4	8	0.4	17	0.4	19	0.6	
Total commercial	654	53.6	711	52.6	847	50.1	1,030	46.4	1,055	42.3	
Commercial investor real estate mortgage	122	6.0	210	7.1	424	9.2	784	12.5	1,030	16.4	
Commercial investor real estate construction	28	2.8	26	1.9	45	1.2	207	1.3	340	2.8	
Total investor real estate	150	8.8	236	9.0	469	10.4	991	13.8	1,370		