REGIONS FINANCIAL CORP
Form 10-K
February 24, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

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 000-50831

REGIONS FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

1900 Fifth Avenue North, Birmingham, Alabama 35203

(Address of principal executive offices)

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 par value	New York Stock Exchange

8.875% Trust Preferred Securities of Regions Financing Trust III	New York Stock Exchange

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

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

Act. Yes x 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 x

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

Indicate by check mark 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 x No ¨

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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 $7,594,703,404 as of June 30, 2011.

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 1,260,114,608 shares issued and outstanding as of February 15, 2012

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the Annual Meeting to be held on May 17, 2012 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 (Regions) under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management s expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

The Dodd-Frank Wall Street Reform and Consumer Protection Act became law on July 21, 2010, and a number of legislative, regulatory and tax proposals remain pending. Additionally, the U.S. Treasury and federal banking regulators continue to implement, but are also beginning to wind down, a number of programs to address capital and liquidity in the banking system. Proposed rules, including those that are part of the Basel III process, could require banking institutions to increase levels of capital. All of the foregoing may have significant effects on Regions and the financial services industry, the exact nature and extent of which cannot be determined at this time.

Regions ability to mitigate the impact of the Dodd-Frank Act on debit interchange fees through revenue enhancements and other revenue measures, which will depend on various factors, including the acceptance by customers of modified fee structures for Regions products and services.

The impact of compensation and other restrictions imposed under the Troubled Asset Relief Program (TARP) until Regions repays the outstanding preferred stock and warrant issued under the TARP, including restrictions on Regions ability to attract and retain talented executives and associates.

Possible additional loan losses, impairment of goodwill and other intangibles, and adjustment of valuation allowances on deferred tax assets and the impact on earnings and capital.

Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins. Increases in benchmark interest rates would also increase debt service requirements for customers whose terms include a variable interest rate, which may negatively impact the ability of borrowers to pay as contractually obligated.

Possible changes in general economic and business conditions in the United States in general and in the communities Regions serves in particular, including any prolonging or worsening of the current unfavorable economic conditions, including unemployment levels.

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

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

The current stresses in the financial and real estate markets, including possible continued deterioration in property values.

Regions 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 Regions business.

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

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

Regions ability to keep pace with technological changes.

Regions ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk, and regulatory and compliance risk.

Regions ability to ensure adequate capitalization which is impacted by inherent uncertainties in forecasting credit losses.

The cost and other effects of material contingencies, including litigation contingencies, and any adverse judicial, administrative, or arbitral rulings or proceedings.

The effects of increased competition from both banks and non-banks.

The effects of geopolitical instability and risks such as terrorist attacks.

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

The effects of weather and natural disasters such as floods, droughts, wind, tornadoes and hurricanes, and the effects of man-made disasters.

Possible downgrades in ratings issued by rating agencies.

Potential dilution of holders of shares of Regions common stock resulting from the U.S. Treasury s investment in TARP.

Possible changes in the speed of loan prepayments by Regions customers and loan origination or sales volumes.

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

The effects of problems encountered by larger or similar financial institutions that adversely affect Regions or the banking industry generally.

Regions ability to receive dividends from its subsidiaries.

The effects of the failure of any component of Regions business infrastructure which is provided by a third party.

Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

With regard to the sale of Morgan Keegan:

the possibility that regulatory and other approvals and conditions to the transaction are not received on a timely basis or at all; the possibility that modifications to the terms of the transaction may be required in order to obtain or satisfy such approvals or conditions; changes in the anticipated timing for closing the transaction; business disruption during the pendency of or following the transaction; diversion of management time on transaction-related issues; reputational risks; and the reaction of customers and counterparties to the transaction.

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

The words believe, expect, anticipate, project and similar expressions often signify forward-looking statements. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

See also Item 1A. Risk Factors of this Annual Report on Form 10-K.

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Item 1. ***Business***

Regions Financial Corporation (together with its subsidiaries on a consolidated basis, Regions or Company) is a financial holding company headquartered in Birmingham, Alabama, which operates throughout the South, Midwest and Texas. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of investment banking, asset management, trust, mutual funds, securities brokerage, insurance and other specialty financing. At December 31, 2011, Regions had total consolidated assets of approximately $127.0 billion, total consolidated deposits of approximately $95.6 billion and total consolidated stockholders equity of approximately $16.5 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 (205) 944-1300.

Banking Operations

Regions conducts its banking operations through Regions Bank, an Alabama chartered commercial bank that is a member of the Federal Reserve System. At December 31, 2011, Regions operated approximately 2,100 ATMs and 1,726 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	243
Arkansas	98
Florida	376
Georgia	137
Illinois	68
Indiana	64
Iowa	13
Kentucky	16
Louisiana	114
Mississippi	146
Missouri	67
North Carolina	7
South Carolina	30
Tennessee	259
Texas	85
Virginia	3
Total	1,726

Other Financial Services Operations

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

Morgan Keegan & Company, Inc. (Morgan Keegan), a subsidiary of Regions Financial Corporation, is a full-service regional brokerage and investment banking firm. Morgan Keegan offers products and services including securities brokerage, trust, asset management, financial planning, mutual funds, securities underwriting, sales and trading, and investment banking. Morgan Keegan employs approximately 1,200 financial advisors offering products and services to individual and institutional investors through 90 full-service offices in 20 states. On January 11, 2012 Regions announced that it had entered into a stock purchase agreement to sell Morgan Keegan, and related affiliates, to Raymond James Financial, Inc. The transaction is expected to close around the end of the first quarter, subject to regulatory approvals and customary closing conditions. Morgan Asset Management and Regions Morgan Keegan Trust are not included in the sale and will remain part of Regions Wealth Management organization.

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, Indiana, Louisiana, Missouri, Mississippi, Tennessee and Texas, Regions Insurance, Inc. offers insurance coverage for various lines of personal and commercial insurance, such as property, casualty, life, health and accident insurance. Regions Insurance Services, Inc. offers credit-related insurance products, such as title, term life, credit life, environmental, crop and mortgage insurance, as well as debt cancellation products to customers of Regions. Regions Insurance Group, Inc. is one of the twenty largest insurance brokers in the United States based on annual revenues.

Regions has several subsidiaries and affiliates that are agents or reinsurers of credit life insurance products relating to the activities of certain affiliates of Regions. Regions Investment Services, Inc., which sells annuities and life insurance products to Regions Bank customers, is a wholly-owned subsidiary of Regions Bank. Regions Equipment Finance Corporation, a subsidiary of Regions Bank, provides domestic and international equipment financing products, focusing on commercial clients.

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, in terms of assets acquired or liabilities assumed, to Regions financial condition. Historically, business combinations in the financial services industry have typically involved the payment of a premium over book and market values. This practice could result in dilution of book value and net income per share for the acquirer.

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 and its subsidiaries are subject to the extensive regulatory framework applicable to bank holding companies and their subsidiaries. Regulation of financial institutions such as Regions and its subsidiaries 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 and its subsidiaries. The 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 they may have a material effect on the business and results of Regions and its subsidiaries.

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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.

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

Many of Regions non-bank subsidiaries, such as Morgan Keegan & Company, Inc. (Morgan Keegan), are also subject to regulation by various federal and state agencies. As a registered investment adviser and broker-dealer, Morgan Keegan and its subsidiaries are subject to regulation and examination by the Securities and Exchange Commissioner (SEC), state securities regulators, the Financial Industry Regulatory Authority (FINRA), the New York Stock Exchange (NYSE) and other self-regulatory organizations (SROs). All of these regulations may affect Morgan Keegan s manner of operation and profitability.

Regulatory Reforms

The events of the past few years have led to numerous new laws and regulations in the United States applicable to financial institutions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the

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Dodd-Frank Act), which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States and provides for enhanced supervision and prudential standards for, among other things, bank holding companies like Regions that have total consolidated assets of $50 billion or more. The implications of the Dodd-Frank Act for our business will depend to a large extent on the manner in which rules adopted pursuant to the Dodd-Frank Act are implemented by the Federal Reserve, the FDIC, the SEC, and other government agencies, as well as potential changes in market practices and structures in response to the requirements of those rules.

New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect our financial condition or results of operations. As discussed further throughout this section, many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on Regions and its subsidiaries or the financial services industry generally. In addition to the discussion in this section, see Risk Factors Recent legislation regarding the financial services industry may have a significant adverse effect on our operations for a discussion of the potential impact legislative and regulatory reforms may have on our results of operations and financial condition.

Financial Stability Oversight Council. The Dodd-Frank Act creates 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 directs the FSOC to make recommendations to the Federal Reserve regarding supervisory requirements and prudential standards applicable to systemically important financial institutions (including 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. The Dodd-Frank Act also requires the Federal Reserve to conduct annual analyses of such bank holding companies to evaluate whether the companies have sufficient capital on a total consolidated basis necessary to absorb losses as a result of adverse economic conditions.

Enhanced Supervision and Prudential Standards. In December 2011, the Federal Reserve introduced a new proposal aimed at minimizing risks associated with U.S. bank holding companies with consolidated assets of $50 billion or more, often referred to as systemically important financial institutions (SIFI). The Federal Reserve s proposal includes risk-based capital and leverage requirements, liquidity requirements, stress tests, single-counterparty credit limits and overall risk management requirements, early remediation requirements and resolution planning and credit exposure reporting. The proposed rules would address a wide, diverse array of regulatory areas, each of which is highly complex. In some cases they would implement financial regulatory requirements being proposed for the first time, and in others overlap with other regulatory reforms. The proposed rules also address the Dodd-Frank Act s early remediation requirements applicable to bank holding companies that have total consolidated assets of $50 billion or more. The proposed remediation rules are modeled after the prompt corrective action regime, described under Safety and Soundness Standards below, but are designed to require action beginning in the earlier stages of a company s financial distress by mandating action on the basis of arranged triggers, including capital and leverage, stress test results, liquidity, and risk management. Comments on these proposed rules for systemically important financial institutions (Proposed SIFI Rules) are due by March 31, 2012. The full impact of the Proposed SIFI Rules on Regions is being analyzed, but will not be known until the rules, and other regulatory initiatives that overlap with these rules, are finalized and their combined impacts can be understood.

Federal Reserve s Comprehensive Capital Assessment Review. In November 2011, the Federal Reserve published a final rule which requires U.S. bank holding companies with total consolidated assets of $50 billion or more (such as Regions) to submit annual capital plans, along with related stress test requirements, to the appropriate Federal Reserve Bank for approval. The capital analysis and review process provided for in the rule is known as the Comprehensive Capital Analysis and Review (CCAR). The purpose of the capital plan is to 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. The capital plans are required to be submitted on an annual basis. Such bank holding companies will also be required to collect and report certain related data on a quarterly basis to allow the Federal Reserve to monitor the companies progress against their annual capital plans. The comprehensive capital plans, which are prepared using Basel I capital guidelines, include a view of capital adequacy under four scenarios a bank holding company-defined baseline scenario, a baseline scenario provided by the Federal Reserve, at least one bank holding company-defined stress scenario and a stress scenario provided by the Federal Reserve. The rules require, among other things, that a covered bank holding company may not make a capital distribution unless it will meet all minimum regulatory capital ratios and have a ratio of Tier 1 common equity to risk-weighted assets of at least 5% after making the distribution. The rules also provide that 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 of at least 5 percent on a pro forma basis under expected and stressful conditions throughout the nine-quarter planning horizon covered by the capital plan. Covered bank holding companies, including Regions, may pay dividends and repurchase stock only in accordance with a capital plan that has been reviewed and approved by the Federal Reserve. The CCAR rule, consistent with prior Federal Reserve Board guidance, provides that capital plans contemplating dividend payout ratios exceeding 30% of after-tax net income will receive particularly close scrutiny.

As part of this process, Regions will also provide the Federal Reserve with projections covering the time period it will take for Regions to fully comply with Basel III capital guidelines, including the 7% Tier 1 common equity, 8.5% Tier 1 capital and 3% leverage ratios as well as granular components of those elements. Regions capital plan was submitted on January 9, 2012.

The Proposed SIFI Rules, discussed earlier in this section under Enhanced Supervision and Prudential Standards, would expand the stress testing requirements to include, among other things, stress testing by the Federal Reserve under three economic and financial scenarios, including adverse and severely adverse scenarios. We would also be required to conduct our own semi-annual stress analysis (together with the Federal Reserve s stress analysis, the Stress Tests) to assess the potential impact on Regions, including our consolidated earnings, losses and capital, under each of the economic and financial conditions used as part of the Federal Reserve s annual stress analysis. A summary of the results of certain aspects of the Federal Reserve s stress analysis will be released publicly and will contain bank holding company specific information and results. We would also be required to disclose the results of our semi-annual stress analyses.

Proposed Joint Guidance on Stress Testing. In addition to the stress testing requirements under the Proposed SIFI Rules, the federal banking agencies proposed joint guidance on stress testing on June 15, 2011. Unlike the Proposed SIFI Rules, the proposed joint guidance addresses stress testing in connection with overall risk management, and not just capital and liquidity stress testing. The June 2011 proposed guidance outlines high-level principles for stress testing practices, applicable to all Federal Reserve-supervised banking organizations with more than $10 billion in total consolidated assets, such as Regions. The proposed guidance highlights the importance of stress testing as an ongoing risk management practice that supports a banking organization s forward-looking assessment of its risks. The agencies intend the proposed guidance to serve as a background for future rulemaking activities and supervisory initiatives. Comments were due on July 29, 2011. As of February 2012, no final rule has been adopted. The final rule is expected to be consistent with the stress testing requirements set forth under the Dodd-Frank Act and the Proposed SIFI Rules.

Living Will Requirement. As required by the Dodd-Frank Act, the Federal Reserve and the FDIC have jointly issued a final rule that requires certain organizations, including each bank holding company with consolidated assets of $50 billion or more, to report periodically to regulators a plan (a so-called living will) for their rapid and orderly resolution in the event of material financial distress or failure. Regions resolution plan must, among other things, ensure that our depository institution subsidiaries are adequately protected from risks arising from our other subsidiaries. The final rule sets specific standards for the resolution plans, including requiring strategic analysis of the plan s components, a description of the range of specific actions the company proposes to take in resolution, and a description of the company s organizational structure, material entities, interconnections and interdependencies, and management information systems, among other elements.

In addition, the FDIC has issued a final rule that requires insured depository institutions with $50 billion or more in total assets, such as Regions Bank, to submit to the FDIC periodic contingency plans for resolution in the event of the institution s failure. The rule requires these insured institutions to submit a resolution plan that will enable the FDIC, as receiver, to resolve the bank in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution s failure, maximizes the net-present-value return from the sale or disposition of its assets, and minimizes the amount of any loss to be realized by the institution s creditors. The final rule also sets specific standards for the resolution plans, including requiring a strategic analysis of the plan s components, a description of the strategies for achieving the least costly resolution, and analyses of the financial company s organization, material entities, interconnections and interdependencies, and management information systems, among other elements. The two living will rules are complementary.

Debit Card Interchange Fees. The Dodd-Frank Act gives the Federal Reserve the authority to establish rules regarding interchange fees charged by payment card issuers for transactions in which a person uses certain types of debit cards, requiring that such fees be reasonable and proportional to the cost incurred by the issuer with respect to such transaction. In June 2011, the Federal Reserve approved its final rule on debit interchange fees. The final rule caps the maximum debit interchange fee at 21 cents, plus 5 basis points (multiplied by the amount of the transaction) to reflect a portion of fraud losses. The restrictions on interchange fees contained in the final rule are applicable to all debit card issuers who, together with their affiliates, possess more than $10 billion in assets, such as Regions Bank. The debit interchange fee provision took effect on October 1, 2011.

In addition to the final rule on debit interchange fees, the Federal Reserve issued an interim final rule that provides an upward adjustment of a maximum of 1 cent to an issuer s debit card interchange fee if the issuer establishes and implements procedures that meet specified fraud-prevention standards set forth under the interim final rule. In order to receive the adjustment, qualifying issuers must certify their eligibility to the payment card networks in which they participate. The fraud-prevention adjustment provision took effect on October 1, 2011, but may be revised by the Federal Reserve at a later date based on comments received through September 30, 2011. Regions Bank is currently eligible for this adjustment.

The final rule on debit interchange fees also prohibits issuers and payment card networks from restricting the number of payment card networks on which an electronic debit transaction may be processed to fewer than two unaffiliated networks, regardless of the means by which a transaction may be authorized. This network exclusivity provision is applicable to all issuers, even those exempt from the debit interchange fees. Issuers will be subject to the network exclusivity rule beginning on April 1, 2012.

Consumer Financial Protection Bureau. Title X of the Dodd-Frank Act provides for the creation of the Consumer Financial Protection Bureau (the CFPB), a new consumer financial services regulator. The CFPB is directed to prevent unfair, deceptive and abusive practices and ensure that all consumers have access to fair, transparent, and competitive markets for consumer financial products and services. The Dodd-Frank Act gives the CFPB authority to enforce and issue rules and regulations implementing existing consumer protection laws and responsibility for all such existing regulations. As of July 2011, depository institutions with assets exceeding $10 billion, such as Regions Bank, their affiliates, and other larger participants in the markets for consumer financial services (as determined by the CFPB) are subject to direct supervision by the CFPB, including any applicable examination, enforcement and reporting requirements the CFPB may establish.

Orderly Liquidation Authority. The Dodd-Frank Act creates the Orderly Liquidation Authority (OLA), a resolution regime for systemically important non-bank financial companies and their non-bank affiliates, including bank holding companies, under which the FDIC may be appointed receiver to liquidate such a company if, among other conditions, the company is in danger of default and presents a systemic risk to U.S. financial stability. This determination must come after supermajority recommendations by the Federal Reserve and the FDIC and consultation between the Secretary of the U.S. Treasury and the President. This resolution authority is similar to the FDIC resolution model for depository institutions, with certain modifications to reflect differences between depository institutions and non-bank financial companies and to reduce disparities between the treatment of creditors claims under the U.S. Bankruptcy Code and in an orderly liquidation authority proceeding compared to those that would exist under the resolution model for insured depository institutions.

An Orderly Liquidation Fund will fund OLA liquidation proceedings through borrowings from the Treasury Department and risk-based assessments made, first, on entities that received more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of $50 billion or more, such as Regions. If an orderly liquidation is triggered, Regions could face assessments for the Orderly Liquidation Fund. We do not yet have an indication of the level of such assessments.

U.S. Department of Treasury s Assessment Fee Program. In late December 2011, the U.S. Department of the Treasury (U.S. Treasury) issued a proposed rule to implement Section 155 of the Dodd-Frank Act. Section 155 requires the U.S. Treasury to establish an assessment schedule for bank holding companies with total consolidated assets of $50 billion or more. Beginning on July 20, 2012, Regions will be required to pay assessments on a semiannual basis to cover expenses associated with the Office of Financial Research, the FSOC, and the FDIC s Orderly Liquidation Authorities. Comments on the proposed rule are due to the U.S. Treasury in late February 2012. The proposed rule has already been approved by the FSOC. Regions believes the assessment will not be material to the Company s consolidated financial position, results of operations, or cash flows.

Volcker Rule. The Dodd-Frank Act requires the federal financial regulatory agencies to adopt rules that prohibit banks and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds), with implementation starting as early as July 2012. The statutory provision is commonly called the Volcker Rule . In October 2011, federal regulators proposed rules to implement the Volcker Rule that included an extensive request for comments on the proposal, which were due by February 13, 2012. The proposed rules are highly complex, and many aspects of their application remain uncertain. Based on the proposed rules, Regions does not currently anticipate that the Volcker Rule will have a material effect on the operations of Regions and its subsidiaries. Regions may incur costs if it is required to adopt additional policies and systems to ensure compliance with the Volcker Rule. Until a final rule is adopted, the precise financial impact of the rule on Regions, its customers or the financial industry more generally, cannot be determined.

Permissible Activities under the BHC Act

In general, the BHC Act limits the activities permissible for bank holding companies to the business of banking, managing or controlling banks and such other activities as the Federal Reserve has determined to be so closely related to banking as to be properly incident thereto. A bank holding company electing to be treated as a financial holding company may also engage in a range of activities which are (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity and which 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.

Capital Requirements

Regions and Regions Bank are required to comply with the applicable capital adequacy standards established by the Federal Reserve. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve: a risk-based measure and a leverage measure.

Risk-based Capital Standards. The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in credit and market risk profiles among banks and financial holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

Currently the minimum guideline for the ratio of total capital (Total capital) to risk-weighted assets (including certain off-balance sheet items, such as standby letters of credit) is 8.0 percent. The regulatory capital rules state that voting common stockholders equity should be the predominant element within Tier 1 capital and that banking organizations should avoid over-reliance on non-common equity elements. At least half of the Total capital must be Tier 1 capital, which currently consists of qualifying common equity, qualifying noncumulative perpetual preferred stock (including related surplus), senior perpetual preferred stock issued to the U.S. Treasury as part of the Troubled Asset Relief Program Capital Purchase Program (the CPP), minority interests relating to qualifying common or noncumulative perpetual preferred stock issued by a consolidated U.S. depository institution or foreign bank subsidiary, and certain restricted core capital elements, as discussed below, less goodwill and certain other intangible assets. Currently, Tier 2 capital may consist of, among other things, qualifying subordinated debt, mandatorily convertible debt securities, preferred stock and trust preferred securities not included in the definition of Tier 1 capital, and a limited amount of the allowance for loan losses. Non-cumulative perpetual preferred stock, trust preferred securities and other so-called restricted core capital elements are currently limited to 25 percent of Tier 1 capital. Pursuant to the Dodd-Frank Act, trust preferred securities will be phased-out of the definition of Tier 1 capital of bank holding companies having consolidated assets exceeding $500 million, such as Regions, over a three-year period beginning in January 2013.

Currently the minimum guideline to be considered well-capitalized for Tier 1 capital and Total capital is 6.0 percent and 10.0 percent, respectively. As of December 31, 2011, Regions consolidated Tier 1 capital to risk-adjusted assets and Total capital to risk-adjusted assets ratios were 13.28 percent and 16.99 percent, respectively. The elements currently comprising Tier 1 capital and Tier 2 capital and the minimum Tier 1 capital and Total capital ratios may be subject to change in the future, as discussed in greater detail below. The risk-based capital rules state that the capital requirements are minimum standards based primarily on broad credit-risk considerations and do not take into account the other types of risk a banking organization may be exposed to (e.g., interest rate, market, liquidity and operational risks).

Basel I and II Standards. 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 2004, the Basel Committee published a new set of risk-based capital standards (Basel II) to revise Basel I. Basel II provides two approaches for setting capital standards for credit risk an 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 the existing risk-based capital guidelines. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures.

A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to internationally active banking organizations, or core banks (defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more) became effective on April 1, 2008. Other U.S. banking organizations may elect to adopt the requirements of this rule (if they meet applicable qualification requirements), but are not required to comply. The rule also allows a

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banking organization s primary federal supervisor to determine that application of the rule would not be appropriate in light of the bank s asset size, level of complexity, risk profile or scope of operations. Regions Bank is currently not required to comply with Basel II.

In July 2008, the U.S. bank regulatory agencies issued a proposed rule that would provide banking organizations that do not use the advanced approaches with the option to implement a new risk-based capital framework. This framework would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk, and related disclosure requirements. While this proposed rule generally parallels the relevant approaches under Basel II, it diverges where United States markets have unique characteristics and risk profiles, most notably with respect to risk weighting residential mortgage exposures. Comments on the proposed rule were due to the agencies by October 27, 2008, but a definitive final rule has not been issued as of February 2012.

Basel III Standards. In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, now officially identified by the Basel Committee as Basel III. Basel III, when implemented by the U.S. bank regulatory agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. The Basel III final capital framework, among other things:

- introduces as a new capital measure Common Equity Tier 1 , or CET1 , specifies that Tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting specified requirements, defines CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and expands the scope of the adjustments as compared to existing regulations;

- when fully phased in on January 1, 2019, requires banks to maintain:

  - as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5 percent, plus a 2.5 percent capital conservation buffer (which is added to the 4.5 percent CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7 percent);

  - a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0 percent, plus the capital conservation buffer (which is added to the 6.0 percent Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5 percent upon full implementation);

  - a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0 percent, plus the capital conservation buffer (which is added to the 8.0 percent total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5 percent upon full implementation);

  - as a newly adopted international standard, a minimum leverage ratio of 3.0 percent, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and

  - under some circumstances, a countercyclical capital buffer , generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0 percent to 2.5 percent when fully implemented (potentially resulting in total buffers of between 2.5 percent and 5 percent).

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the 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.

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In July 2011, the Basel Committee introduced a consultative document establishing a requirement for a capital surcharge on certain globally systemically important banks (G-SIBs), and in November 2011, the Basel Committee issued final provisions substantially unchanged from the previous proposal. An indicator-based approach will be used to determine whether a bank is a G-SIB and the appropriate level of the surcharge to be applied. The indicator-based approach consists of five broad categories: size, interconnectedness, lack of substitutability, cross-jurisdictional activity and complexity. Banks found to be G-SIBs will be subject to a progressive CET1 surcharge ranging from 1% to 3.5% over the Basel III 7% CET1 requirement. The surcharge will become fully effective on January 1, 2019. Regions does not expect to be subject to this CET1 surcharge.

The implementation of the Basel III final framework will commence January 1, 2013. On that date, banking institutions will be required to meet the following minimum capital ratios:

3.5 percent CET1 to risk-weighted assets;

4.5 percent Tier 1 capital to risk-weighted assets; and

8.0 percent Total capital to risk-weighted assets.

The Basel III final framework provides for a number of new deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets reliant on future profitability of the bank and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10 percent of CET1 or all such categories in the aggregate exceed 15 percent of CET1.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2014 and will be phased-in over a five-year period (20 percent per year). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625 percent and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5 percent on January 1, 2019).

The timing for the U.S. banking agency s publication of proposed rules to implement the Basel III capital framework and the implementation schedule is uncertain. The release accompanying the Proposed SIFI Rules appears to indicate that rules implementing Basel III will be published for comment during the first quarter of 2012. The rules ultimately adopted may be different from the Basel III final framework as published in December 2010.

The Dodd-Frank Act appears to require the Federal Reserve to adopt regulations imposing a continuing floor of the Basel I-based capital requirements in cases where the Basel II-based capital requirements and any changes in capital regulations resulting from Basel III otherwise would permit lower requirements. In December 2010, the Federal Reserve published for comment proposed regulations implementing this requirement. On June 14, 2011, the Federal Reserve, FDIC and Office of the Comptroller of the Currency (OCC) jointly approved a final rule which requires a banking organization operating under the agencies advanced approaches risk-based capital rules to adhere to the higher of the minimum requirements under the general risk-based capital rules and the minimum requirements under the advanced approaches risk-based capital rules.

Leverage Requirements. Neither Basel I nor Basel II includes a leverage requirement as an international standard; however, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies to be considered well-capitalized. These guidelines 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 3.0 percent for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 4 percent. Regions Leverage ratio at December 31, 2011 was 9.91 percent.

The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a tangible Tier 1 capital leverage ratio (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

Liquidity Requirements. Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity s expected net cash outflow for a 30-day time horizon (or, if greater, 25 percent of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the net stable funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. The Basel III liquidity framework contemplates that the LCR will be subject to an observation period continuing through mid-2013 and subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard on January 1, 2015. Similarly, it contemplates that the NSFR will be subject to an observation period through mid-2016 and, subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard by January 1, 2018.

As discussed above under Regulatory Reforms, the Proposed SIFI Rules address liquidity requirements for bank holding companies. including Regions, with $50 billion or more in total consolidated assets. In the release accompanying those rules, the Federal Reserve states a general intention to incorporate the Basel III liquidity framework for the bank holding companies covered by the Proposed SIFI Rules or a subset of those bank holding companies. Although these rules do not include prescriptive ratios like the LCR and NSFR, they do include detailed liquidity-related requirements, including requirements for cashflow projections, liquidity stress testing (including, at a minimum, over time horizons that include an overnight time horizon, a 30-day time horizon, a 90-day time horizon and a 1-year time horizon), and a requirement that covered bank holding companies maintain a liquidity buffer of unencumbered highly liquid assets sufficient to meet projected net cash outflows and the projected loss or impairment of existing funding sources for 30 days over a range of liquidity stress scenarios.

Capital Requirements of Regions Bank. Regions Bank is subject to substantially similar capital requirements as those applicable to Regions. As of December 31, 2011, Regions Bank was in compliance with applicable minimum capital requirements. Neither Regions nor Regions Bank has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it as of December 31, 2011. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See Regulatory Remedies under the FDIA below.

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 prompt corrective action provisions of the FDIA. See Regulatory Remedies under the FDIA below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Regulatory Remedies under the FDIA

The FDIA establishes a system of regulatory remedies to resolve the problems of undercapitalized institutions. The federal banking regulators have established five capital categories (well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and 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. The federal bank regulatory agencies have specified by regulation the current relevant capital levels for each category:

Well-Capitalized	**Adequately Capitalized**
Leverage ratio of 5 percent,	Leverage ratio of 4 percent,
Tier 1 capital ratio of 6 percent,	Tier 1 capital ratio of 4 percent, and
Total capital ratio of 10 percent, and	Total capital ratio of 8 percent.
Not subject to a written agreement, order, capital directive or regulatory remedy directive requiring a specific capital level.	
Undercapitalized	**Significantly Undercapitalized**
Leverage ratio less than 4 percent,	Leverage ratio less than 3 percent,
Tier 1 capital ratio less than 4 percent, or	Tier 1 capital ratio less than 3 percent, or
Total capital ratio less than 8 percent.	Total capital ratio less than 6 percent.
Critically Undercapitalized	
Tangible equity to total assets less than 2 percent.	

For purposes of these regulations, the term tangible equity includes core capital elements counted as Tier 1 capital for purposes of the risk-based capital standards plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. An institution that is classified as well-capitalized based on its capital levels may be classified as adequately capitalized, and an institution that is adequately capitalized or undercapitalized based upon its capital levels may be treated as though it were undercapitalized or significantly undercapitalized, respectively, if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking regulator. Under the FDIA, in order for the capital restoration plan to be accepted by the appropriate federal banking agency, a bank holding company must guarantee that a subsidiary depository institution will comply with its capital restoration plan, subject to certain limitations. The bank holding company must also provide appropriate assurances of performance. The obligation of a controlling bank holding company under the FDIA to fund a capital restoration plan is limited to the lesser of 5.0 percent 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 percent of its net earnings until the bank s surplus is equal to at least 20 percent 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 Financial unless Regions Bank is able to satisfy the criteria discussed above. In addition to dividend restrictions, Federal statutes also prohibit unsecured loans from banking subsidiaries to the parent company, as discussed below under Transactions with Affiliates .

Payment of Dividends by Regions. The payment of dividends by Regions and the dividend rate are subject to management review and approval by Regions Board of Directors on a quarterly basis. Regions dividend payments, as well as share repurchases, are also subject to the oversight of the Federal Reserve. Under a final rule issued by the Federal Reserve in November 2011, the dividend policies and share repurchases of a large bank holding company, such as Regions, will be reviewed by the Federal Reserve based on capital plans 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 Basel III capital ratio requirements referred to above as they are phased in by U.S. regulators. Specifically, financial institutions must maintain a Tier 1 common risk-based capital ratio greater than 5 percent, under both ordinary and adverse circumstances. The Federal Reserve will only approve capital distributions for companies whose capital plans adhere to the criteria described in the CCAR, as described above under Regulatory Reforms .

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.

Cross-Guarantee Provisions

Each insured depository institution controlled (as defined in the BHC Act) by the same bank holding company can be held liable to the FDIC for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of any other insured depository institution controlled by that holding company and for any assistance provided by the FDIC to any of those banks that is in danger of default. Such a cross-guarantee claim against a depository institution is generally superior in right of payment to claims of the holding company and its affiliates against that depository institution. At this time, Regions Bank is the only insured depository institution controlled by Regions for this purpose. If in the future, however, Regions were to control other insured depository institutions, such cross-guarantee claims would apply to all such insured depository institutions.

Transactions with Affiliates

There are various legal restrictions on the extent to which Regions and its non-bank subsidiaries may borrow or otherwise obtain funding from Regions Bank. In general, Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Regulation W require that 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 (a) in the case of any single such affiliate, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 10 percent of the capital stock and surplus of Regions Bank, and (b) in the case of all affiliates, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 20 percent of the capital stock and surplus of Regions Bank. Covered transactions are defined by statute 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, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. The Dodd-Frank Act significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization. For example, commencing in July 2012, the Dodd-Frank Act requires that the 10% of capital limit on covered transactions begin to apply to financial subsidiaries. Commencing in July 2012, Dodd-Frank also expands the definition of a covered transaction to include derivatives transactions and securities lending transactions with a non-bank affiliate under which a bank (or a subsidiary) has credit exposure (with the term credit exposure to be defined by the Federal Reserve under its existing rulemaking authority). Collateral requirements will apply to such transactions as well as to certain repurchase and reverse repurchase agreements. 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. The applicable limit for FDIC insurance for most types of accounts is $250,000. For noninterest-bearing transactions accounts there is temporary unlimited coverage through December 31, 2012, during which time all funds held in noninterest-bearing transaction accounts are fully insured, without limit, and this coverage is separate from, and in addition to, the coverage provided to depositors for other accounts at Regions Bank. 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. Regions FDIC assessment rates were previously calculated based upon a combination of regulatory ratings and financial ratios. However, In February 2011, the FDIC adopted a final rule (the New Assessment Rule), which took effect on April 1, 2011, to revise the deposit insurance assessment system for large institutions. The New Assessment Rule creates a two scorecard system for large institutions, 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 will have a performance score and a loss-severity score that will be combined to produce a total score, which will be 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 will then translate 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 (TLGP). The New Assessment Rule also changed the deposit insurance assessment base from deposits to the average of consolidated total assets less the average tangible equity of the insured depository institution during the assessment period.

Regions began using the New Assessment Rule for FDIC expense calculations beginning with the second quarter of 2011. During 2011, FDIC insurance expense decreased $3 million to $217 million. The level of FDIC deposit expense is expected to fluctuate over time depending on the results of the calculations using the factors discussed above.

On November 17, 2009, the FDIC implemented a final rule requiring insured institutions, such as Regions Bank, to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. Such prepaid assessments were paid on December 30, 2009, along with each institution s quarterly risk-based deposit insurance assessment for the third quarter of 2009 (assuming 5 percent annual growth in deposits between the third quarter of 2009 and the end of 2012 and taking into account, for 2011 and 2012, the annualized three basis point increase discussed below). The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis.

The FDIA establishes a minimum ratio of deposit insurance reserves to estimated insured deposits, the designated reserve ratio (the DRR), of 1.15 percent prior to September 2020 and 1.35 percent thereafter. On December 20, 2010, the FDIC issued a final rule setting the DRR at 2 percent. Because the DRR fell below 1.15 percent as of June 30, 2008, and was expected to remain below 1.15 percent, the FDIC was required to establish and implement a restoration plan that would restore the reserve ratio to at least 1.15 percent within five years. In October 2008, the FDIC adopted such a restoration plan (the Restoration Plan). In February 2009, in light of the extraordinary challenges facing the banking industry, the FDIC amended the Restoration Plan to allow seven years for the reserve ratio to return to 1.15 percent. In October 2009, the FDIC passed a final rule extending the term of the Restoration Plan to eight years. This final rule also included a provision that implements a uniform three basis point increase in assessment rates, effective January 1, 2011, to help ensure that the reserve ratio returns to at least 1.15 percent within the eight year period called for by the Restoration Plan. In October 2010, the FDIC adopted a new restoration plan to ensure the DRR reaches 1.35 percent by September 2020. As part of the revised plan, the FDIC did not implement the uniform three-basis point increase in assessment rates that was scheduled to take place in January 2011. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary, propose rules to further increase assessment rates. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged. See also Incentive Compensation below.

We cannot predict whether, as a result of an adverse change in economic conditions or other reasons, the FDIC will in the future further increase deposit insurance assessment levels. For more information, see the FDIC Premiums and Special Assessment 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 $9 million in FDIC deposit premiums in 2011.

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 percent 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. Effective July 2011, financial holding companies and bank holding companies with consolidated assets exceeding $50 billion must (i) obtain prior approval from the Federal Reserve before acquiring certain nonbank 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 effective July 2011.

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.

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U.S. Treasury Capital Purchase Program

Pursuant to the CPP, on November 14, 2008, Regions issued and sold to the U.S. Treasury in a private offering, (i) 3.5 million shares of the Fixed Rate Cumulative Perpetual Preferred Stock, (Series A Preferred Stock) and (ii) a warrant (the Warrant) to purchase 48,253,677 shares of Regions common stock, at an exercise price of $10.88 per share, subject to certain anti-dilution and other adjustments, for an aggregate purchase price of $3.5 billion in cash. The securities purchase agreement, dated November 14, 2008, pursuant to which the securities issued to the U.S. Treasury under the CPP were sold, grants the holders of the Series A Preferred Stock, the Warrant and the common stock of Regions to be issued under the Warrant certain registration rights in order to facilitate resale, and subjects Regions to certain of the executive compensation limitations included in the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Recovery and Reinvestment Act of 2009 (ARRA).

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 January 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. The comment period ended on February 18, 2010. As of February 2012, a final rule has not been adopted.

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

In March 2011, the Federal Reserve and other federal banking agencies requested comments on a notice of 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

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(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 indentified by the institution s board of directors as having the ability to expose the institution to substantial losses. The comment period ended on May 31, 2011. These regulations may become effective before the end of 2012. If the regulations are adopted in the form initially proposed, they will impose limitations on the manner in which we may structure compensation for our executives.

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

Financial Privacy

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

Community Reinvestment Act

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

USA PATRIOT Act

A focus of governmental policy relating to financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and strengthened the ability of

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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, broker-dealer and insurance subsidiaries have augmented their systems and procedures to meet the requirements of these regulations and will continue to revise and update their policies, procedures and controls to reflect changes required by the USA PATRIOT Act and implementing regulations.

Office of Foreign Assets Control Regulation

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

On July 28, 2010, the Federal Reserve and other Federal bank regulatory authorities adopted a final rule on the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act). Under the S.A.F.E. Act, residential mortgage loan originators employed by banks, such as Regions Bank, must register with the Nationwide Mortgage Licensing System and Registry, obtain a unique identifier from the registry, and maintain their registration. As of July 30, 2011, any residential mortgage loan originator who fails to satisfy these requirements will not be permitted to originate residential mortgage loans.

Regulation of Morgan Keegan

Morgan Keegan is subject to regulation and examination by the SEC, FINRA, NYSE and other SROs. Such regulations cover a broad range of subject matter. Rules and regulations for registered broker-dealers cover such issues as: 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. Rules and regulations for registered investment advisers include limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, record-keeping and reporting requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, and anti-fraud standards.

Morgan Keegan is subject to the net capital requirements set forth in Rule 15c3-1 of the Securities Exchange Act of 1934. The net capital requirements measure the general financial condition and liquidity of a broker-dealer by specifying a minimum level of net capital that a broker-dealer must maintain, and by requiring that a significant portion of its assets be kept liquid. If Morgan Keegan failed to maintain its minimum required net capital, it would be required to cease executing customer transactions until it came back into compliance. This could also result in Morgan Keegan losing its FINRA membership, its registration with the SEC or require a complete liquidation.

The SEC s risk assessment rules also apply to Morgan Keegan as a registered broker-dealer. These rules require broker-dealers to maintain and preserve records and certain information, describe risk management policies and procedures, and report on the financial condition of affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operational condition of the broker-dealer. Certain material associated persons of Morgan Keegan, as defined in the risk assessment rules, may also be subject to SEC regulation.

In addition to federal registration, state securities commissions require the registration of certain broker-dealers and investment advisers. Morgan Keegan is registered as a broker-dealer with every state, the District of Columbia, and Puerto Rico. Morgan Keegan is registered as an investment adviser in 47 states and the District of Columbia.

Violations of federal, state and SRO rules or regulations may result in the revocation of broker-dealer or investment adviser licenses, imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion of officers and employees from the securities business firm.

The Dodd-Frank Act contains several provisions which may affect Morgan Keegan s business, including registration of municipal advisors, increased regulation of investment advisors and conducting a study regarding the fiduciary duties of investment advisors. Morgan Keegan s business may be adversely affected by new rules and regulations issued by the SEC or SROs, the implementation of provisions of the Dodd-Frank Act applicable to Morgan Keegan, and any changes in the enforcement of existing laws and rules that affect its securities business.

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, consumer finance companies, brokerage firms, insurance companies, investment companies, mutual funds, mortgage companies and financial service operations of major commercial and retail corporations. Regions expects competition to intensify among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies.

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.

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Employees

As of December 31, 2011, Regions and its subsidiaries had 26,813 employees.

Available Information

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

Item 1A. ***Risk Factors***
Risks Related to the Operation of Our Business

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

The capital and credit markets since 2008 have experienced unprecedented levels of volatility and disruption. In some cases, the markets produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength.

Dramatic declines in the housing market during recent years, with falling home prices and increasing foreclosures, unemployment and under-employment, have adversely affected the credit performance of real estate-related loans and resulted in, and may continue to result in, significant write-downs of asset values by us and other financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers, including financial institutions.

Although the economic slowdown that the United States experienced has begun to reverse and the markets have generally improved, business activities across a wide range of industries continue to face serious difficulties due to the lack of consumer spending and the lack of liquidity in the global credit markets. A sustained weakness or weakening in business and economic conditions generally or specifically in the principal markets in which we do business could have one or more of the following adverse effects on our business:

- A decrease in the demand for 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 fluctuations 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. An increase in the number of delinquencies, bankruptcies or defaults 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 four 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. Additionally, the improvement of certain economic indicators, such as real estate asset values and rents and unemployment, may vary between geographic markets and 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. For example, improvements in commercial real estate fundamentals typically lag broad economic recovery by twelve to eighteen months. Our clients include entities active in the real estate and financial services industries. 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. Should unemployment or real estate asset values fail to recover for an extended period of time, our business, financial condition or results of operations could be adversely affected. If economic conditions worsen or remain volatile, our business, financial condition and results of operations could be adversely affected. Concerns about the European Union s sovereign debt crisis have also caused uncertainty for financial markets globally. Such risks could indirectly affect the Company by affecting its hedging or other counterparties, as well as the Company s customers with European businesses or assets denominated in the euro or companies in the Company s markets with European businesses or affiliates.

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 or 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 on average during 2011 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 performance and credit quality.

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 can significantly affect the demand for the products offered by Regions Bank (including real estate, commercial and construction loans), the ability of borrowers to repay these loans and the value of the collateral securing these loans. Since 2008, the national real estate market 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. This decline 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 may negatively affect our business, results of operations or financial condition.

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

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. Such weather events can cause disruption to our operations and could have a material adverse effect on our overall results of operations. We maintain hurricane insurance, including coverage for lost profits and extra expense; however, there is no insurance against the disruption that a catastrophic hurricane could produce to the markets that we serve. Further, a hurricane or severe tornado in any of our market areas could adversely impact the ability of borrowers to timely repay their loans and may adversely affect the value of any collateral held by us. 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. Some of the states in which we operate have in recent years experienced extreme droughts. The severity and impact of future hurricanes, severe tornadoes, droughts and other weather-related events are difficult to predict and may be exacerbated by global climate change. The effects of past or future hurricanes, severe tornadoes, droughts and other weather-related events, as well as man-made disasters, could have an adverse effect on our business, financial condition or results of operations.

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

As of December 31, 2011, consumer residential real estate loans represented approximately 34.5 percent of our total loan portfolio. This portion of our loan portfolio has been under pressure for over four years as recent 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. The effects of the continuing mortgage market challenges, combined with decreases in residential real estate market prices and demand, could result in further declines in home values. Declines in home values would adversely affect the value of collateral securing the residential real estate that we hold, as well as the volume of loan originations and the amount we realize on sale of real estate loans. These factors could result in higher delinquencies and greater charge-offs in future periods, which could materially adversely affect our business, financial condition or results of operations.

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

Facing continuing pressure from reduced asset values, rising vacancies and reduced rents, the fundamentals within the commercial real estate sector also remain weak. As of December 31, 2011, approximately 13.8 percent 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 2012. 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 adversely affected.

If we experience greater credit losses in our loan portfolios than anticipated, our earnings may be 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 reducing our reported net income. If, as a result of general economic conditions, 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 and adversely affected.

Although our management will establish an allowance for loan losses it believes is appropriate to absorb probable and reasonable 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 of 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 or 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 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 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 the $13.0 billion home equity portfolio at December 31, 2011, approximately $11.6 billion were home equity lines of credit and $1.4 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 in the state of Florida, where real estate valuations have been depressed over the past several years. As of December 31, 2011, approximately $7.1 billion of our home equity lines and loans were in a second lien position (approximately $2.8 billion in Florida).

We are unable to track payment status on first liens held by another institution, including payment status related to loan modifications. When our 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, we do not and cannot continuously monitor the payment status of the first lien position. When the first lien is held by a third party, we can obtain an indication that a first lien is in default through information reported to credit bureaus. However, because borrowers may have more than one mortgage reported on the credit report and there is not a corresponding property address associated with reported mortgages, we are unable to associate a specific first lien with our junior lien. The only communication we receive directly from the first lien holder for our junior lien is notification at the time of foreclosure sale.

As of December 31, 2011, none of our home equity lines of credit have converted to mandatory amortization under the contractual terms. The vast majority of home equity lines of credit will convert to amortizing status after fiscal year 2020.

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. 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, and other financial intermediaries that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations that govern Regions or Regions Bank and may have greater flexibility in competing for business. We expect competition to intensify among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes, such as the recent repeal of all federal prohibitions on the payment by depository institutions of interest on demand deposit accounts and the recent repeal of all prohibitions on interstate branching by depository institutions. Should competition in the financial services industry intensify, our ability to effectively market our products and services and to retain or compete for new business may be adversely affected. Consequently, our business, financial condition or results of operations may also be adversely affected, perhaps materially.

Rapid and significant changes in market interest rates may adversely affect our performance.

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

The cost of our deposits and short-term wholesale borrowings is largely based on short-term interest rates, the level of which is driven primarily by the FOMC s actions. However, the yields generated by our loans and securities are typically driven by longer-term interest rates, which are set by the market through benchmark interest rates such as the London Interbank Offered Rates (LIBOR) or, at times the FOMC s actions, and generally vary from day to day. 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 asset sensitive, meaning that an immediate or gradual increase in interest rates would likely have a positive cumulative impact on Regions twelve-month net interest income. Alternatively, 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 would also increase debt service requirements for some of our borrowers. Such increases 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.

Our status as a non-investment grade issuer and any future reductions in our credit ratings may increase our funding costs, place limitations on business activities related to providing credit support to customers, or contribute to ineffective liquidity management.

The major rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. Over the past three years, all of the major ratings agencies downgraded Regions and Regions Bank s credit ratings and many issued negative outlooks. Negative watch, negative outlook or other similar terms mean that a future downgrade is possible. Recently, however, three major rating agencies have revised their outlooks of Regions upward from negative to stable. Citing improvements in loan loss performance and profitability, Standard & Poor s revised its outlook of Regions to stable in August 2011. Fitch Ratings followed suit in November 2011, noting that Regions overall risk profile had improved. In February 2012, Moody s Investor Services also changed its outlook from negative to stable citing that Regions had decreased its risk concentrations and is showing signs of stability in its asset quality. However, our rating from Dominion Bond Rating Service remains on negative outlook. Currently, Regions Senior ratings are Ba3, BB+, BBB-, and BBB by Moody s Investor Services, Standard & Poor s, Fitch Ratings and Dominion Bond Rating Service, respectively. Regions ratings with Moody s Investor Services and Standard & Poor s and Regions Bank s ratings with Moody s Investor Services are currently below investment grade.

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 particular, Standard & Poor s recently issued new credit rating criteria for regional banks based on general economic risks, risks associated with the banking industry, the bank s strengths and weaknesses, and the likelihood that the bank will need governmental or outside financial support. While Standard & Poor s has not downgraded Regions and Regions Bank s credit ratings at this time, a few of our peer banks have experienced credit downgrades as a result of the new rating criteria. In the future, these new ratings guidelines may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

Downgrades of Regions credit ratings 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 has caused us to hold more cash and liquid investments to meet our on-going cash needs. Such actions have reduced our profitability as these liquid investments earn a lower return than other assets, such as loans. Regions liquidity policy requires that we maintain a minimum cash level sufficient to cover debt service, maturities and operating cash requirements for two years for the parent company and acceptable periods for the bank and other affiliates. The conservative nature of this policy helps protect us against the costs of unexpected adverse funding environments. Future issuances of debt could cost Regions more in interest costs were such debt to be issued at our current debt rating. 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.

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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. Additionally, if due to future downgrades, we were required to cancel our derivatives contracts with certain counterparties and were unable to replace such contracts, our market risk profile could be altered. Regions believes that this market risk exposure would be immaterial to its consolidated financial position, liquidity and results of operations.

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

As of December 31, 2011, we had $4.8 billion of goodwill and $449 million of other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of our common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. If the fair value of our net assets improves at a faster rate than the market value of our Banking/Treasury reporting unit, 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 and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.

Additionally, as a result of the potential sale of Morgan Keegan, Regions is evaluating the organization of its reporting units. Reorganization of its reporting units in the future would result in a reallocation of goodwill across Regions business, at which time Regions would be required to test its goodwill in these new reporting units for impairment and could result in a write-down of our goodwill. A goodwill impairment charge is a non-cash item that does not have an adverse impact on regulatory capital.

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

As of December 31, 2011, Regions had approximately $1.3 billion in net deferred tax assets, of which $432 million was disallowed when calculating regulatory capital. Applicable banking regulations permit us to include these deferred tax assets, up to a maximum amount, when calculating Regions regulatory capital to the extent these assets will be realized based on future projected earnings within one year of the report date. The ability to realize these deferred tax assets during any year also includes the ability to apply these assets to offset any taxable income during the two previous years. Unless we anticipate generating sufficient taxable income in the future, we may be unable to include additional amounts related to our deferred tax assets as part of our regulatory capital. The inability to include deferred tax assets in our regulatory capital could significantly reduce our regulatory capital ratios.

Additionally, 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, 2011 (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 and results of operations.

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

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. 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. Furthermore, although we do not hold any European sovereign debt, we may do business with and be exposed to financial institutions that have been affected by the recent European sovereign debt crisis. 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. We are unable to make assurances that any such losses would not materially and adversely affect our business, financial condition or results of operations.

Negative perceptions associated with our continued participation in the U.S. Treasury s Capital Purchase Program (CPP) may adversely affect our ability to retain customers, attract investors and compete for new business opportunities.

On November 14, 2008, Regions issued and sold 3,500,000 shares of Series A Preferred Stock and the Warrant to purchase up to 48,253,677 shares of our common stock to the U.S. Treasury as part of the CPP. In order to repurchase one or both securities, in whole or in part, we must establish that we have satisfied all of the conditions to repurchase and must obtain the approval of the Federal Reserve and the U.S. Treasury. The federal regulators have not provided any formal guidance on the conditions to exit the Troubled Asset Relief Program (TARP) and appear to address these questions on a case-by-case basis. Our expectation is that we would be required to generate or raise additional capital prior to exiting TARP. Our ability to raise additional capital will depend on market conditions at the time.

There can be no assurance that we will be able to repurchase these securities from the U.S. Treasury. Our customers, employees and counterparties in our current and future business relationships may draw negative inferences regarding our strength as a financial institution based on our continued participation in the CPP. Any such negative perceptions and the limitations on incentive compensation contained in the American Recovery and Reinvestment Act (ARRA) may impair our ability to effectively compete with other financial institutions for business or to retain high performing employees. If this were to occur our business, financial condition, liquidity and results of operations may be adversely affected, perhaps materially.

The limitations on incentive compensation contained in ARRA and its implementing regulations may adversely affect our ability to retain our highest performing employees.

Because we have not yet repurchased the U.S. Treasury s CPP investment, we remain subject to the restrictions on incentive compensation contained in the ARRA. On June 10, 2009, the U.S. Treasury released its interim final rule implementing the provisions of the ARRA and limiting the compensation practices at institutions in which the U.S. Treasury is invested. Financial institutions which have repurchased the U.S. Treasury s CPP investment are relieved of the restrictions imposed by the ARRA and its implementing regulations. Because we remain subject to these restrictions, we may not be able to successfully compete with financial institutions that have exited the CPP to retain and attract high performing employees. If this were to occur, our business, financial condition and results of operations could be adversely affected, perhaps materially.

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

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

Our customers may pursue alternatives to bank deposits which could force us to rely on relatively more expensive sources of funding.

We may experience an outflow of deposits because customers seek investments with higher yields or greater financial stability, prefer to do business with our competitors, or otherwise. This outflow of deposits could force us to rely more heavily on borrowings and other sources of funding to fund our business and meet withdrawal demands, thereby adversely affecting our net interest margin. We may also be forced, as a result of any outflow of deposits, to rely more heavily on equity to fund our business, resulting in greater dilution of our existing shareholders. As a result, our business, financial condition or results of operations may be adversely affected.

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

We are exposed to many types of operational risks, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, and unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action. Actual or alleged conduct by Regions can also result in negative public opinion about our other businesses. Negative public opinion could also affect our credit ratings, which are important to our access to unsecured wholesale borrowings.

If personal, non-public, confidential or proprietary information of customers in our possession were to be misappropriated, mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, erroneously providing such information to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or the interception or inappropriate acquisition of such information by third parties.

Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages, or natural disasters, disease pandemics or other damage to property or physical assets) which may give rise to disruption of service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that we (or our vendors) business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in our diminished ability to operate our business (for example, by requiring us to expend significant resources to correct the defect), as well as potential liability to clients, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations, perhaps materially.

Our information systems may experience an interruption or security breach.

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

Information security risks for large financial institutions such as Regions have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. In addition, to access our products and services, our customers may use personal smartphones, tablet PC s, and other mobile devices that are beyond our control systems. Although we believe we have robust information security procedures and controls, our technologies, systems, networks, and our customers devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of Regions or our customers confidential, proprietary and other information, or otherwise disrupt Regions or our customers or other third parties business operations.

Third parties with which we do business or that facilitate our business activities, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the prevalence of Internet and mobile banking. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our business, results of operations or financial condition.

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 communication services provided by a vendor, failure of a vendor to handle current or higher volumes, or failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability to deliver products and services to our customers and otherwise 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.

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. 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. These critical accounting policies include: the allowance for credit losses; fair value measurements; intangible assets; mortgage servicing rights; and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided; recognize significant impairment on our goodwill, other intangible assets and deferred tax asset balances; or significantly increase our accrued income taxes.

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 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.

Risks Related to the Legal and Regulatory Framework in which Our Business Operates

We have been the subject of increased litigation which could result in legal liability and damage to our reputation.

We and certain of our subsidiaries have been named from time to time as defendants in various class actions and other litigation relating to their business and activities. Past, present and future litigation have included or could include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. We and certain of our subsidiaries are also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our and their business. These matters also could result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

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.

Substantial legal liability or significant regulatory action against us or our subsidiaries could materially adversely affect our business, financial condition or results of operations or cause significant harm to our reputation. Additional information relating to litigation affecting Regions and our subsidiaries is discussed in Note 23 Commitments, Contingencies and Guarantees to the consolidated financial statements of this Annual Report on Form 10-K.

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

The banking industry is extensively regulated and supervised under both federal and state law. Regions and Regions Bank are subject to the regulation and supervision of the Federal Reserve, the FDIC and the Superintendent of Banking of the State of Alabama. These regulations are intended primarily to protect depositors, the public and the FDIC insurance fund, and not our shareholders. These regulations govern a variety of matters, including certain debt obligations, changes in control of bank holding companies and state-chartered banks, maintenance of adequate capital by bank holding companies and state-chartered banks, and general business operations and financial condition of Regions and Regions Bank (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). Additionally, all our non-bank subsidiaries are subject to oversight by the Federal Reserve, and certain of our other subsidiaries, such as Morgan Keegan, are subject to regulation, supervision and examination by other regulatory authorities, such as the SEC, FINRA and state securities and insurance regulators.

As a result, we are 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. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us, Regions Bank and our subsidiaries. Any changes in any federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles, could affect us in substantial and unpredictable ways, including ways which may adversely affect our business, financial condition or results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. Our regulatory position is discussed in greater detail under the Bank Regulatory Capital Requirements section and associated Capital Ratios table of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K.

Recent legislation regarding the financial services industry may have a significant adverse effect on our operations.

The Dodd-Frank Act became law on July 21, 2010. Many of the provisions of the Dodd-Frank Act will directly affect our ability to conduct our business including:

- Imposition of higher prudential standards, including more stringent risk-based capital, leverage, liquidity and risk-management requirements, and numerous other requirements on systemically significant institutions, including all bank holding companies with assets of at least $50 billion (which would include Regions);

- Establishment of the Financial Stability Oversight Council to identify and impose additional regulatory oversight of large financial firms;

- Imposition of additional costs and fees, including fees to be set by the Federal Reserve and charged to systemically significant institutions to cover the cost of regulating such institutions and any FDIC assessment made to cover the costs of any regular or special examination of Regions or its affiliates;

- Establishment of the Consumer Financial Protection Bureau with broad authority to implement new consumer protection regulations and to examine and enforce compliance with federal consumer laws;

- Application to bank holding companies of regulatory capital requirements similar to those applied to banks, which requirements exclude, on a phase-out basis, all trust preferred securities and cumulative preferred stock from Tier 1 capital (except for preferred stock issued under TARP, such as the Series A Preferred Stock, which will continue to qualify as Tier 1 capital as long as it remains outstanding); and

- Establishment of new rules and restrictions regarding the origination of mortgages.

Many of the provisions of the Dodd-Frank Act became effective on July 21, 2011, the one-year anniversary of its enactment. However, a number of these other provisions still require extensive rulemaking, guidance and interpretation by regulatory authorities and have extended implementation periods and delayed effective dates. Accordingly, in some respects, the ultimate impact of the Dodd-Frank Act and its effect on Regions and the U.S. financial system generally may not be known for some time.

The provisions of the Dodd-Frank Act and any future rules adopted to implement those provisions as well as any additional legislative or regulatory changes may impact the profitability of our business activities and costs of operations, require that we change certain of our business practices, materially affect our business model or affect retention of key personnel, require us to raise additional regulatory capital, including additional Tier 1 capital, and could expose us to additional costs (including increased compliance costs). These and other changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to conduct our business as previously conducted or our results of operations or financial condition.

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 four years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the Deposit Insurance Fund (DIF). In order to maintain a strong funding position and restore the reserve ratios of the DIF, the FDIC increased assessment rates on insured institutions, charged a special assessment to all insured institutions as of June 30, 2009, and required banks to prepay three years worth of premiums on December 30, 2009. If there are additional financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels, or the FDIC may charge additional special assessments. Further, the FDIC increased the DIF s target reserve ratio to 2.0 percent of insured deposits following the Dodd-Frank Act s elimination of the 1.5 percent 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 recent 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.

Additionally, in February 2011, pursuant to the Dodd-Frank Act, the FDIC amended its regulations regarding assessment for federal deposit insurance to base such assessments on the average total consolidated assets of the insured institution during the assessment period, less the average tangible equity of the institution during the assessment period. The FDIC also adopted a revised risk-based assessment calculation in February 2011. In January 2010, the FDIC proposed a rule tying assessment rates of FDIC insured institutions to the institution s employee compensation programs. Comments were due on February 18, 2010, but as of February 2012, no final rule has been adopted. The exact nature and cumulative effect of these recent changes are not yet known, but they are expected to increase the amount of premiums we must pay for FDIC insurance. Any such increases may adversely affect our business, financial condition or results of operations.

The recent repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.

On July 21, 2011, all federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, financial institutions could commence offering interest on demand deposits to compete for clients. We do not yet know what interest rates or products our peer institutions may offer in response to this repeal. We anticipate that our interest expense will increase and our net interest margin will decrease if we begin offering interest on demand deposits to attract new clients or maintain current customers. Consequently, our business, financial condition or results of operations may be adversely affected, perhaps materially.

We may be subject to more stringent capital requirements.

Regions and Regions Bank are each subject to capital adequacy 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 guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. In light of proposed changes to regulatory capital requirements contained in the Dodd-Frank Act and the regulatory accords on international banking institutions formulated as part of the Basel Committee III process and implemented by the Federal Reserve, we may be required to satisfy additional, more stringent, capital adequacy standards. The ultimate impact of the new capital and liquidity standards on us cannot be determined at this time and will depend on a number of factors, including the treatment and implementation by the U.S. banking regulators. These requirements, however, and any other new regulations, could adversely affect our ability to pay dividends, or could require us to reduce business levels or to raise capital, including in ways that may adversely affect our financial condition or results of operations. For more information concerning our compliance with capital requirements, see the Bank Regulatory Capital Requirements section of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K.

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

As part of the Comprehensive Capital Analysis and Review implemented pursuant to the Dodd-Frank Act, the Federal Reserve and Regions will conduct ongoing stress analyses of Regions in connection with evaluating Regions capital plan. The Federal Reserve has indicated that it will release publicly a summary containing bank holding company specific information and results of the 2012 stress analyses it conducts in connection with the CCAR.

Under the Proposed SIFI Rules discussed under Regulatory Reforms in the Supervision and Regulation section of Item 1. of this Annual Report on Form 10-K, the Federal Reserve will also conduct an annual stress analysis of Regions to evaluate our ability to absorb losses in adverse economic and financial conditions. This stress analysis will use three economic and financial scenarios generated by the Federal Reserve, including adverse and severely adverse scenarios. The Proposed SIFI Rules would also require us to conduct our own semi-annual stress analysis to assess the potential impact on Regions, including our consolidated earnings, losses and capital, under each of the economic and financial conditions 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 would be released publicly and contain bank holding company specific information and results. The Proposed SIFI Rules would also require us to disclose publicly the results of our semi-annual stress analyses.

Although the stress tests are not meant to assess our current condition, and even if we remain strong, stable and well capitalized, we cannot predict our customers potential misinterpretation of, and adverse reaction to, the results of these stress tests. Any potential misinterpretations and adverse reactions could limit our ability to attract and retain customers or to effectively compete for new business opportunities. The inability to attract and retain customers or effectively compete for new business may have a material and adverse effect on our business, financial condition or results of operations.

Additionally, our regulators may require us to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests, including rejecting or requiring revisions to our annual capital plan submitted in connection with the Comprehensive Capital Analysis and Review. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms which 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 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 nonbank financial companies, including bank holding 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.

Rules regulating the imposition of debit card income may adversely affect our operations.

The Dodd-Frank Act gave the Federal Reserve the authority to establish rules regarding interchange fees charged by payment card issuers for transactions in which a person uses certain types of debit cards, requiring that such fees be reasonable and proportional to the cost incurred by the issuer with respect to such transaction, subject to a possible adjustment to account for costs incurred in connection with the issuer s fraud prevention policies. On June 29, 2011, the Federal Reserve approved its final rule on debit interchange fees. The final rule caps the maximum debit interchange fee at 21 cents, plus 5 basis points (multiplied by the amount of the transaction) to reflect a portion of fraud losses. The restrictions on interchange fees contained in the final rule are applicable to all debit card issuers who, together with their affiliates, possess more than $10 billion in assets, such as Regions Bank. The debit interchange fee provision took effect on October 1, 2011.

The Federal Reserve estimates that covered issuers, such as Regions Bank, may experience a decline in debit interchange fee revenue by more than 40 percent under the final rule. In 2011, Regions Bank collected $335 million in debit card income. We estimate that our debit card income will likely be reduced by approximately $180 million annually under the final rule before mitigation efforts.

In addition to the final rule on debit interchange fees, the Federal Reserve issued an interim final rule that provides an upward adjustment of a maximum of 1 cent to an issuer s debit card interchange fee if the issuer establishes and implements procedures that meet specified fraud-prevention standards set forth under the interim final rule. In order to receive the adjustment, qualifying issuers must certify their eligibility to the payment card networks in which they participate. The fraud-prevention adjustment provision took effect on October 1, 2011, but may be revised by the Federal Reserve at a later date based on comments received through September 30, 2011. Regions is currently eligible for this adjustment. Since this rule is not yet final, the effects of this provision in its final form on our business, financial condition or results of operation are not yet known at this time.

The final rule also prohibits issuers and payment card networks from restricting the number of payment card networks on which an electronic debit transaction may be processed to fewer than two unaffiliated networks, regardless of the means by which a transaction may be authorized. This network exclusivity provision is applicable to all issuers, even those exempt from the debit interchange fees. Issuers will be subject to the network exclusivity rule beginning on April 1, 2012.

The Federal Reserve predicts that this network exclusivity provision may result in higher costs for some issuers and may place downward pressure on interchange fees because merchants may opt to route transactions over less expensive networks. The effects of this rule on our business, financial condition or results of operation are not yet known at this time.

Risks Related to the Sale of Morgan Keegan

The sale of Morgan Keegan may have an adverse impact on our business.

Pursuant to a stock purchase agreement entered into on January 11, 2012 (the Stock Purchase Agreement), Regions agreed to sell Morgan Keegan and certain related companies to Raymond James Financial, Inc. for

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approximately $930 million. The transaction is expected to close around the end of the first quarter of 2012, subject to customary conditions including the receipt of required regulatory approvals and customary closing conditions. We expect to receive a pre-closing dividend of $250 million from Morgan Keegan, bringing our total proceeds from the sale to approximately $1.18 billion, subject to adjustment.

The cash purchase price calculated under the Stock Purchase Agreement is subject to adjustment based on (1) the tangible book value of Morgan Keegan as of the closing of the transaction and (2) retention of Morgan Keegan employees through the date 90 days after closing of the transaction (the Measurement Date). If a significant number of Morgan Keegan employees leave prior to the Measurement Date or if the tangible book value of Morgan Keegan declines, the purchase price for Morgan Keegan that we receive under the Stock Purchase Agreement may be decreased.

Risks Related to Our Common Stock

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

The market price of our common 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:

- Operating results that vary from the expectations of management, securities analysts and investors;
- 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;
- 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 common 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 common stock.

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 the subsidiary s creditors.

We may not pay dividends on your common stock.

Holders of shares of our common 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. Regions has reduced its quarterly dividend to $0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future.

Regions is also subject to statutory and regulatory limitations on our ability to pay dividends on our common 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. Recently issued temporary guidance from the Federal Reserve states that our dividend policies will be assessed, among other things, against our ability to achieve Basel III capital ratio requirements. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratios exceeding 30 percent of after-tax net income.

Additionally, as of December 30, 2011, the Federal Reserve will require bank holding companies with $50 billion or more of total consolidated assets, such as Regions, to submit annual capital plans to the applicable Federal Reserve Bank for review before they can make capital distributions such as dividends. If the Federal Reserve does not approve Regions capital plan, Regions may not be able to declare dividends.

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

Certain provisions of state and federal law and our certificate of incorporation may make it more difficult for someone to acquire control of us without our Board of Directors approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a bank holding company. Acquisition of 10 percent 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 percent of the voting shares of any bank, including Regions Bank. There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in our certificate of incorporation could result in Regions being less attractive to a potential acquirer.

We may need to raise additional debt or equity capital in the future; such capital may be dilutive to our existing shareholders or may not be available when needed or at all.

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. The recent economic slowdown and loss of confidence in financial institutions 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, our long-term debt securities are currently rated below investment grade by certain of the credit ratings agencies. As a non-investment grade issuer, our cost of funding and access to the capital markets may be further limited.

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, our status as a non-investment grade issuer, or a further downgrade of our debt rating, 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.

Future equity offerings could impair the value of our deferred tax assets and adversely affect our capital ratios.

Our ability to utilize our deferred tax assets to offset future taxable income may be significantly limited if we experience an ownership change as defined in section 382 of the Internal Revenue Code of 1986, as amended (the Code). In general, an ownership change will occur if there is a cumulative change in our ownership by 5 percent shareholders (as defined in the Code) that exceeds 50 percent (as defined in the Code) over a rolling three-year period. Any corporation experiencing an ownership change will generally be subject to an annual limitation on its deferred tax assets prior to the ownership change equal to the value of such corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate (subject to certain adjustments). The annual limitation would be increased each year to the extent that there is an unused limitation in a prior year. The limitation arising from an ownership change under section 382 of the Code on our ability to utilize our deferred tax assets would depend on the value of Regions stock at the time of the ownership change. As a result, future investments by new or existing 5 percent shareholders or issuances of common equity could materially increase the risk that we could experience an ownership change in the future. If we were to experience an ownership change under section 382 of the Code for any reason, the value of our deferred tax assets may be impaired and may cause a decrease in our financial position, results of operations and regulatory capital ratios.

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, 2011, Regions Bank, Regions banking subsidiary, operated 1,726 banking offices. Regions provides investment banking and brokerage services from 90 full-service offices of Morgan Keegan. At December 31, 2011, 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 and Morgan Keegan s offices 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.

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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 30 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 15, 2012, there were 73,015 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, 2011, 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 2011.

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 Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 31, 2011				23,072,300
November 1 30, 2011				23,072,300
December 1 31, 2011				23,072,300
Total				23,072,300

On January 18, 2007, Regions Board of Directors authorized the repurchase of 50 million shares of Regions common stock through open market or privately negotiated transactions and announced the authorization of this repurchase. As indicated in the table above, approximately 23.1 million shares remain available for repurchase under the existing plan.

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. As of December 31, 2011, there were 3,500,000 shares of Regions Fixed Rate Cumulative Perpetual Preferred Stock Series A (the Series A Preferred Stock) with liquidation amount of $1,000 per share, issued and outstanding. Under the terms of the Series A Preferred Stock, as long as the Series A Preferred Stock is outstanding, Regions ability to declare and pay dividends on or redeem or repurchase certain equity securities, including Regions common stock, will be subject to restrictions in the event Regions fails to declare and pay (or set aside for payment) full dividends on the Series A Preferred Stock.

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Regions has reduced its quarterly dividend to $0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future. 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.

In addition, the terms of Regions   outstanding junior subordinated debt securities prohibit it from declaring or paying any dividends or distributions on Regions   capital stock, including its common stock, or purchasing, acquiring, or making a liquidation payment on such stock, if Regions has given notice of its election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing.

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PERFORMANCE GRAPH

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

	Cumulative Total Return					
	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Regions	$ 100.00	$ 66.36	$ 23.90	$ 16.39	$ 21.81	$ 13.51
S&P 500 Index	100.00	105.49	66.46	84.05	96.71	98.76
S&P Banks Index	100.00	77.32	48.97	45.67	55.31	49.79

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***

INTRODUCTION

EXECUTIVE SUMMARY

Management believes the following points summarize several of the most relevant items necessary for an understanding of the financial aspects of Regions Financial Corporation s (Regions or the Company) business, particularly regarding its 2011 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.

Morgan Keegan On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan & Company, Inc. and related affiliates (Morgan Keegan) to Raymond James Financial, Inc. (Raymond James) for approximately $930 million in cash. As part of the transaction, Morgan Keegan will also pay Regions a dividend of $250 million before closing, pending regulatory approval, resulting in total proceeds of approximately $1.18 billion to Regions, subject to adjustment. The transaction is anticipated to close around the end of the first quarter of 2012, subject to regulatory approvals and customary closing conditions. Morgan Asset Management and Regions Morgan Keegan Trust are not included in the sale. The transaction purchase price is subject to adjustment based on the closing tangible equity of the entities being sold and retention of Morgan Keegan associates in the period 90 days after closing. Regions believes any adjustments to the sales price will not have a material impact to the consolidated financial statements. Additionally, Regions will indemnify Raymond James for all litigation matters related to pre-closing activities. At closing, Regions will recognize the fair values of the indemnification, which will require an estimate of approximately $210 million of additional liabilities, and will be included in the gain / (loss) on disposition. The transaction reduces the Company s overall risk profile, provides substantial liquidity at the holding company level, and improves key capital ratios. It also establishes a business relationship with Raymond James, which is expected to provide incremental revenue opportunities and a source of low-cost deposits. As a result of the process of selling Morgan Keegan, Regions recorded in the fourth quarter of 2011 a non-cash goodwill impairment charge of $731 million (net of $14 million income tax impact) within the Investment Banking/Brokerage/Trust segment. Based on a relative fair value allocation, $478 million of the impairment charge was recorded within discontinued operations and $253 million within continuing operations. The goodwill impairment charge does not have an adverse impact on regulatory capital. For more information, refer to the following additional sections within this Form 10-K:

Discussion of Intangible Assets within the Critical Accounting Policies and Estimates section of MD&A

Note 3 Discontinued Operations to the consolidated financial statements

Note 9 Intangible Assets to the consolidated financial statements

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

Note 25 Subsequent Events to the consolidated financial statements

Credit The economy has been and will be the primary factor which influences Regions loan portfolio. Although the economy is recovering at a slow pace, unemployment remains high and the housing sector continues to be weak. However, even with this backdrop, Regions did experience credit quality improvement in 2011. Regions investor real estate loan portfolio, which includes credit to real estate developers and investors for the financing of land or buildings, declined 33 percent in 2011 and totaled $10.7 billion as of December 31, 2011. In addition, the land, single-family and condominium components of the investor real estate portfolio, which have been the Company s most distressed loans, declined 43 percent and ended the year at $1.8 billion. The reduction in investor real estate over the past few years has aided in a 40 percent decline in total gross inflows of non-performing loans in 2011. In addition, commercial and investor real estate criticized loans, which are the Company s earliest indicator of problem loans, declined 35 percent, and non-performing assets decreased 24 percent during 2011. These favorable trends contributed to a 29 percent decline in net charge-offs and a 47 percent decrease in the 2011 loan loss provision. Although the loan loss provision declined, the coverage ratio of allowance for loan losses to non-performing loans was 1.16x as of December 31, 2011, up from 1.01x as of December 31, 2010. Management is encouraged by these trends and is cautiously optimistic that credit metrics will continue to trend favorably. However, unemployment remains high throughout Regions footprint, property valuations continue to be pressured, and credit costs are expected to remain elevated, as compared to historical levels. New accounting guidance led to a higher level of troubled debt restructurings during 2011. The change had no material impact on the Company s overall allowance for loan losses. For more information, refer to the following additional sections within this Form 10-K:

2011 Overview discussion in MD&A

Discussion of Allowance for Credit Losses within the Critical Accounting Policies and Estimates section of MD&A

Other Real Estate Owned discussion within the Non-Interest Expense section of MD&A

Loans and Allowance for Credit Losses discussion within the Balance Sheet Analysis section of MD&A

Credit Risk section of MD&A

Note 6 Allowance for Credit Losses to the consolidated financial statements

Liquidity At the end of 2011, Regions Bank had over $4.9 billion in cash on deposit with the Federal Reserve, the loan-to-deposit ratio was 81 percent and cash at the parent company totaled $2.5 billion. Furthermore, as noted in the Morgan Keegan section above, the parent company cash level is expected to increase from the proceeds of the sale of Morgan Keegan. Regions policy is to maintain a sufficient level of cash to meet projected cash needs, including all debt service, dividends, and maturities, for the subsequent two years at the parent company and for acceptable periods at the bank and other affiliates. The Company s liquidity contingency planning does not rely on unsecured sources, although these markets are periodically tested to ensure they are available. Maturities of loans and securities provide a constant flow of funds available for cash needs. At December 31, 2011, the Company s borrowing capacity with the Federal Reserve Discount Window was $19.4 billion based on available collateral. Borrowing capacity with the FHLB was $5.4 billion based on available collateral at the same date. Additionally, the Company has $9.9 billion of unencumbered liquid securities available for pledging or repurchase agreements. The Company also has a bank note program and has issued senior and subordinated notes at the parent company level. In 2011, Regions long-term outlook was raised to stable from negative from both Standard & Poors (S&P) and Fitch Ratings. In February 2012, Moody s Investors Service (Moody s) revised Regions outlook to stable from negative. As of December 31, 2011, S&P and Moody s credit ratings for Regions Financial Corporation were below investment grade. For Regions Bank, Moody s credit ratings were below investment grade. For more information, refer to the following additional sections within this Form 10-K:

Discussion of Short-Term Borrowings within the Balance Sheet Analysis section of MD&A

Discussion of Long-Term Borrowings within the Balance Sheet Analysis section of MD&A

Ratings section of MD&A

Liquidity Risk section of MD&A

Note 11 Short-Term Borrowings to the consolidated financial statements

Note 12 Long-Term Borrowings to the consolidated financial statements

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

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Interest Rate Risk In 2011, the net interest margin from continuing operations expanded to 3.07 percent from 2.91 percent in 2010, largely due to a mix shift from time deposits to lower cost deposit products, resulting in deposit costs decreasing to 0.49 percent in 2011 from 0.78 percent in 2010. However, the margin continues to be negatively affected by a persistently low interest rate environment, elevated non-performing asset levels, and elevated cash levels. Loan yields remained stable at 4.31 percent as the Company began to see the benefits from migrating toward more consumer products, such as re-entering credit cards and indirect auto lending. However, the Company s securities yield declined 58 basis points driven by higher prepayments in its agency guaranteed residential mortgage-backed securities portfolio and reinvesting proceeds into lower yielding securities. The Company decreased the duration of the securities portfolio to 2.1 years as of December 31, 2011 from 3.4 years as of December 31, 2010. Management expects to see incremental improvement in net interest income and the resulting net interest margin in 2012 as the amount of cash at the Federal Reserve and non-performing assets continue to decline. Furthermore, Regions balance sheet is in an asset sensitive position such that if economic conditions were to improve more rapidly, thereby resulting in a rise in interest rates, the net interest margin would likely respond favorably. For more information, refer to the following additional sections within this Form 10-K:

2011 Overview discussion in MD&A

Net Interest Income and Margin section of MD&A

Interest Rate Risk section of MD&A

Regulatory Capital Regions ability to maintain appropriate levels of capital is critical to its safety and soundness. At December 31, 2011, Regions Tier 1 capital and Tier 1 common (non-GAAP) ratios were 13.28 percent and 8.51 percent, respectively. The corresponding Basel III ratios (non-GAAP) based on Regions current understanding of the guidelines are 11.39 percent and 7.70 percent, respectively. These ratios are above the respective Basel III minimums of 8.5 percent and 7 percent. Regions capital planning process is executed by management, overseen by the Board of Directors, and supervised by banking regulators. The process utilizes a base case, multiple adverse cases and a growth forecast. In early 2012, as part of the required Comprehensive Capital Analysis and Review (CCAR), Regions submitted four scenarios including the company s baseline forecast, the Federal Reserve s baseline outlook, the company s stress case and the Federal Reserve s stress case. Regions expects to receive its results from the Federal Reserve by the middle of March 2012. The Federal Reserve intends to publish the results of the supervisory stress test component of the CCAR for Regions and all companies that participated. For more information, refer to the following additional sections within this Form 10-K:

2011 Overview discussion in MD&A

Table 2 GAAP to Non-GAAP reconciliation

Bank Regulatory Capital Requirements section of MD&A

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

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 2011, 2010 and 2009; 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

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the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, mortgage servicing and secondary marketing, trust and asset management activities, insurance activities, capital markets and other customer services, which Regions provides. Results of operations are also affected by the provision for loan losses and non-interest expenses such as salaries and employee benefits, occupancy, professional fees, FDIC insurance, other real estate owned and other operating expenses, as well as income taxes. In 2011, Regions non-interest expense from continuing operations included a $253 million goodwill impairment charge related to the investment banking/brokerage/trust reporting unit. In 2010, Regions non-interest expense from continuing operations included a $75 million regulatory charge.

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 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 announced that it had entered into a stock purchase agreement to sell Morgan Keegan to Raymond James Financial, Inc., for approximately $930 million in cash. As part of the transaction, Morgan Keegan will also pay Regions a dividend of $250 million before closing, pending regulatory approvals, resulting in total proceeds of approximately $1.18 billion to Regions subject to adjustment. The transaction is anticipated to close around the end of the first quarter of 2012, subject to regulatory approvals and customary closing conditions. Morgan Asset Management and Regions Morgan Keegan Trust are not included in the sale.

Results of operations for the entities being sold are presented separately as discontinued operations for all periods presented on the consolidated statements of operations because the pending sale met all of the criteria for reporting as discontinued operations at the December 31, 2011 balance sheet date. Refer to Note 3 Discontinued Operations and Note 25 Subsequent Event for further details.

Business Segments

Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of investment banking, asset management, trust, mutual funds, securities brokerage, insurance and other specialty financing. Regions carries out its strategies and derives its profitability from the following business segments:

Banking/Treasury

Regions primary business is providing traditional commercial, retail and mortgage banking services to its customers. Regions banking subsidiary, Regions Bank, operates as an Alabama state-chartered bank with branch offices in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The Treasury function includes the Company s securities portfolio and other wholesale funding activities. In 2011, Regions banking and treasury operations contributed $355 million of net income.

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Investment Banking/Brokerage/Trust

Regions has provided investment banking, brokerage and trust services through Morgan Keegan, a subsidiary of Regions and one of the largest investment firms based in the South. Due to the pending sale of Morgan Keegan, Regions has separated these categories into continuing operations, which includes trust and asset management services to be retained by Regions, and discontinued operations, which includes Morgan Keegan s private client, retail brokerage services, fixed-income capital markets and equity capital markets line of businesses. Prior year disclosures have been adjusted to conform to the 2011 presentation. In 2011, Regions Investment Banking/Brokerage/Trust operations reported a loss of $595 million, primarily as the result of a $731 million (net of $14 million income tax impact) non-cash goodwill impairment charge.

Insurance

Regions provides insurance-related services through Regions Insurance Group, Inc., a subsidiary of Regions. Regions Insurance Group is one of the 20 largest insurance brokers in the country. The insurance segment includes all business associated with insurance coverage for various lines of personal and commercial insurance, such as property, casualty, life, health and accident insurance. The Insurance segment also offers credit-related insurance products, such as term life, credit life, environmental, crop and mortgage insurance, as well as debt cancellation products to customers of Regions. Insurance activities contributed $25 million of net income in 2011.

During 2011, minor reclassifications were made from the Banking/Treasury segment to the Insurance segment to more appropriately present management s current view of the segments. 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

	2011	2010	2009	2008	2007
		(In millions, except per share data)			
EARNINGS SUMMARY					
Interest income	$ 4,252	$ 4,637	$ 5,277	$ 6,465	$ 7,894
Interest expense	842	1,248	1,984	2,677	3,557
Net interest income	3,410	3,389	3,293	3,788	4,337
Provision for loan losses	1,530	2,863	3,541	2,057	555
Net interest income (loss) after provision for loan losses	1,880	526	(248)	1,731	3,782
Non-interest income	2,143	2,489	2,765	2,132	1,918
Non-interest expense	3,862	3,859	3,785	9,895	3,821
Income (loss) from continuing operations before income taxes	161	(844)	(1,268)	(6,032)	1,879
Income tax expense (benefit)	(28)	(376)	(194)	(383)	594
Income (loss) from continuing operations	189	(468)	(1,074)	(5,649)	1,285
Income (loss) from discontinued operations before income taxes	(408)	(41)	66	81	(58)
Income tax expense (benefit)	(4)	30	23	28	(24)
Income (loss) from discontinued operations, net of tax	(404)	(71)	43	53	(34)
Net income (loss)	$ (215)	$ (539)	$ (1,031)	$ (5,596)	$ 1,251
Income (loss) from continuing operations available to common shareholders	$ (25)	$ (692)	$ (1,304)	$ (5,675)	$ 1,285
Net income (loss) available to common shareholders	$ (429)	$ (763)	$ (1,261)	$ (5,622)	$ 1,251
Earnings (loss) per common share from continuing operations basic	$ (0.02)	$ (0.56)	(1.32)	(8.17)	1.81
Earnings (loss) per common share from continuing operations diluted	(0.02)	(0.56)	(1.32)	(8.17)	1.80
Earnings (loss) per common share basic	(0.34)	(0.62)	(1.27)	(8.09)	1.77
Earnings (loss) per common share diluted	(0.34)	(0.62)	(1.27)	(8.09)	1.76
Return on average common stockholders equity from continuing operations (GAAP)	(0.21)%	(5.57)%	(10.23)%	(31.37)%	6.87%
Return on average tangible common stockholders equity from continuing operations (non-GAAP) (1)	(0.36)	(9.36)	(17.13)	(79.92)	17.15
Return on average assets from continuing operations (GAAP)	(0.02)	(0.52)	(0.93)	(4.04)	(0.95)
BALANCE SHEET SUMMARY					
At year-end Consolidated					
Loans, net of unearned income	$ 77,594	$ 82,864	$ 90,674	$ 97,419	$ 95,379
Allowance for loan losses	(2,745)	(3,185)	(3,114)	(1,826)	(1,321)
Assets	127,050	132,351	142,318	146,248	141,042
Deposits	95,627	94,614	98,680	90,904	94,775
Long-term debt	8,110	13,190	18,464	19,231	11,325
Stockholders equity	16,499	16,734	17,881	16,813	19,823
Average balances Continuing Operations					
Loans, net of unearned income	$ 80,673	86,660	$ 94,523	$ 97,601	$ 94,366
Assets	126,719	132,720	139,468	140,455	134,693
Deposits	95,671	96,489	94,612	90,077	95,725
Long-term debt	11,240	15,489	18,501	13,422	9,089
Stockholders' equity	15,350	15,916	16,224	18,514	18,721
SELECTED RATIOS					
Allowance for loan losses as a percentage of loans, net of unearned income	3.54	3.84	3.43	1.87	1.39

Allowance for credit losses as a percentage of loans, net of unearned income	3.64	3.93	3.52	1.95	1.45
Tier 1 capital	13.28	12.40	11.54	10.38	7.29
Tier 1 common (non-GAAP) (1)	8.51	7.85	7.15	6.57	NM
Total capital	16.99	16.35	15.78	14.64	11.25
Leverage	9.91	9.30	8.90	8.47	6.66
Tangible common stockholders equity to tangible assets (non-GAAP) (1)	6.58%	6.04%	6.22%	5.43%	6.13%
Efficiency ratio (non-GAAP) (1)	64.56	67.74	67.88	60.67	54.95
COMMON STOCK DATA					
Cash dividends declared per common share	$ 0.04	$ 0.04	$ 0.13	$ 0.96	$ 1.46
Stockholders' common equity per share	10.39	10.63	11.97	19.53	28.58
Market value at year end	4.30	7.00	5.29	7.96	23.65
Market price range:					
High	8.09	9.33	9.07	25.84	38.17
Low	2.82	5.12	2.35	6.41	22.84
Total trading volume	5,204	6,381	8,747	3,411	912
Dividend payout ratio	NM	NM	NM	NM	82.49
Shareholders of record at year-end (actual)	73,659	76,996	81,166	83,600	85,060
Weighted-average number of common shares outstanding					
Basic	1,258	1,227	989	695	708
Diluted	1,258	1,227	989	695	713

NM Not meaningful

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

2011 OVERVIEW

Regions reported a net loss available to common shareholders of $429 million or $0.34 per diluted common share in 2011. A significant driver of 2011 results was a $731 million (net of $14 million income tax impact) goodwill impairment charge related to the Company s Investment Banking/Brokerage/Trust segment, resulting from the process of selling Morgan Keegan. This impairment charge included $478 million related to discontinued operations and $253 million from continuing operations. Another significant driver of 2011 results included a $44 million income tax benefit related to a regulatory settlement, of which approximately $17 million was associated with continuing operations and $27 million with discontinued operations. Excluding these two items, Regions income from continuing operations available to common shareholders was $211 million or $0.17 per diluted common share in 2011. See Table 2 GAAP to Non-GAAP Reconciliation . Credit-related costs, primarily the loan loss provision, declined significantly in 2011 as a result of improvements in the credit environment. Average low-cost deposits grew 5 percent leading to a decline in both 2011 s total deposit and funding costs.

Net interest income from continuing operations remained stable at $3.4 billion in 2011. The net interest margin (fully-taxable equivalent basis) was 3.07 percent in 2011, compared to 2.91 percent during 2010, primarily due to a reduction in average earning assets. Net interest income was driven primarily by a decrease of 34 basis points in the cost of interest-bearing liabilities, while being partially offset by a 15 basis point decline in the overall yield on interest earning assets. This dynamic reflected efforts to improve deposit costs and pricing on loans, while managing the challenges posed by a low interest rate environment. Long-term interest rates in particular remained low in 2011, pressuring yields on fixed-rate loan and securities portfolios, and contributed to the decline in the yield on taxable securities from 3.66 percent in 2010 to 3.08 percent in 2011. The overall costs of deposits improved from 0.78 percent in 2010 to 0.49 percent in 2011, as short-term interest rates (for example, the Federal Funds rate) remained at historical lows. The product mix of deposits improved as well, as declines in higher cost certificates of deposits accompanied increases in low cost checking and savings products.

Although the net interest margin from continuing operations increased in 2011, the factors that have pressured it are likely to persist. These factors include a continuation of persistent, low level of interest rates, elevated non-performing asset levels and costs associated with managing prudent levels of liquidity. However, management expects to see incremental improvement in net interest income and the resulting net interest margin in 2012 as the amount of excess cash reserves and non-performing assets continue to decline. Furthermore, Regions balance sheet is in an asset sensitive position such that if economic conditions were to improve more rapidly, thereby resulting in a rise in interest rates, the net interest margin would likely respond favorably.

Net charge-offs totaled $2.0 billion, or 2.44 percent of average loans in 2011 compared to $2.8 billion, or 3.22 percent of average loans in 2010. Net charge-offs were lower across most major categories when comparing 2011 to the prior year. Non-performing assets decreased $922 million from December 31, 2010 to December 31, 2011 to $3.0 billion.

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 cover losses inherent in the loan portfolio as of the balance sheet date. During 2011, the provision for loan losses decreased to $1.5 billion compared to $2.9 billion in 2010. The allowance for loan losses was $2.7 billion, or 3.54 percent of loans, at December 31, 2011 as compared to $3.2 billion, or 3.84 percent of loans, at December 31, 2010. Net charge-offs exceeded provision for loan losses for 2011. This relationship resulted from the allowance associated with loans transferred to held for sale and improving consumer credit trends. Credit metrics, including non-accrual, criticized and classified loan balances, and delinquencies showed continued improving trends.

Non-interest income from continuing operations decreased to $2.1 billion in 2011 from $2.5 billion in 2010. The year-over-year decrease was due primarily to lower securities gains and leveraged lease termination gains, as well as a decline in mortgage income. However, service charges income was relatively stable in 2011 compared to 2010, despite the impact of Regulation E and the Durbin Amendment. See Table 2 GAAP to Non-GAAP Reconciliation and Table 5 Non-Interest Income for further details.

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Non-interest expense from continuing operations totaled $3.9 billion in both 2011 and 2010. Non-interest expenses included a $253 million goodwill impairment charge in 2011 and a $75 million regulatory charge in 2010. The 2011 period included lower salaries and employee benefits due to reduced headcount and lower pension expense, lower occupancy expense and lower credit-related costs. The 2010 period was impacted by a loss on early extinguishment of debt related to prepayment of Federal Home Loan Bank advances. See Table 6, Non-Interest Expense from Continuing Operations (including Non-GAAP reconciliation) for further details.

Total loans decreased by $5.3 billion, or 6.4 percent in 2011, driven primarily by a strategic decision to lower exposure to investor real estate. Decreases in residential first mortgage and home equity loans also contributed to the year-over-year decrease primarily resulting from consumers decisions to de-leverage. These decreases were partially offset by growth in the commercial and industrial category, the purchase of a $1.1 billion credit card portfolio, and increases in indirect loans. Total deposits increased $1.0 billion in 2011 to $95.6 billion at December 31, 2011, and low-cost customer deposits increased $4.4 billion, or 6.2 percent, in 2011.

Regions Tier 1 capital (regulatory) and Tier 1 common (non-GAAP) ratios were 13.28 percent and 8.51 percent at December 31, 2011. The corresponding Basel III ratios (non-GAAP), based on Regions current understanding of the guidelines, were approximately 11.39 percent and 7.70 percent, which exceed the respective Basel III minimums of 8.5 percent and 7 percent (see Table 2, GAAP to Non-GAAP Reconciliation for a reconciliation of the non-GAAP measures to the corresponding GAAP or regulatory measure).

Table 2 GAAP to Non-GAAP Reconciliation presents computations of earnings (loss) and certain other financial measures excluding merger, goodwill impairment and regulatory charge and related income tax benefit; these measures include fee income ratio , efficiency ratio , return on average assets from continuing operations , return on average tangible common stockholders equity from continuing operations , end of period tangible common stockholders equity and related ratios, Tier 1 common equity and related ratios, and Basel III ratios , all of which are non-GAAP measures. Merger, goodwill impairment, and the regulatory charge and related income tax benefit are included in accordance with generally accepted accounting principles (GAAP). Regions believes the exclusion of merger, goodwill impairment and regulatory charge and related income tax benefit in expressing earnings and certain other financial measures 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 these charges to be as relevant to ongoing operating results. 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

Regions believes that presenting these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management and the Board of Directors. The third quarter of 2008 was the final quarter for merger charges related to the AmSouth acquisition.

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

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fully-taxable equivalent basis (GAAP) and non-interest income (GAAP) are added together to arrive at total revenue (GAAP). Adjustments are made to arrive at adjusted total revenue (non-GAAP), which is the denominator for the fee and efficiency ratios. Regions believes that the non-GAAP measures reflecting these adjustments provide 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. It is possible that the activities related to the adjustments may recur; however, 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.

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. While not codified, analysts and banking regulators have assessed Regions capital adequacy using the tangible common stockholders equity and/or the Tier 1 common equity measure. Because tangible common stockholders equity and Tier 1 common equity are not formally defined by GAAP or codified in the federal banking regulations, 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 1 common equity, Regions believes that it is useful to provide investors information enabling them 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 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, as adjusted, comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at Tier 1 common equity (non-GAAP). Tier 1 common equity is also divided by the risk-weighted assets to determine the Tier 1 common equity ratio. 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 regulation. When implemented by U.S. bank regulatory agencies and fully phased-in, Basel III will change capital requirements and place greater emphasis on common equity. Implementation of Basel III will begin on January 1, 2013, and will be phased in over a multi-year period. The U.S. bank regulatory agencies have not yet adopted final regulations governing the implementation of Basel III. Accordingly, the calculations provided below are estimates, based on Regions current understanding of the framework, including the Company s reading of the requirements, and informal feedback received through the regulatory process. Regions understanding of the framework is evolving and will likely change as the regulations are finalized. Because the Basel III implementation regulations are not formally defined by GAAP and have not yet been finalized and codified, 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 the merger, goodwill impairment and regulatory charge and related income tax benefit does not represent the amount that effectively accrues directly to stockholders (i.e., the merger, goodwill impairment and regulatory charge are a reduction to earnings and stockholders equity).

The following tables provide: 1) a reconciliation of net income (loss) available to common shareholders (GAAP) to income (loss) from continuing operations available to common shareholders, 2) income (loss) from continuing operations available to common shareholders to income (loss) from continuing operations available to common shareholders, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP), 3) a reconciliation of earnings (loss) per common share from continuing operations (GAAP) to earnings (loss) per common share from continuing operations, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP), 4) a reconciliation of non-interest expense from continuing operations (GAAP) to adjusted non-interest expense (non-GAAP), 5) a reconciliation of non-interest income from continuing operations (GAAP) to adjusted non-interest income (non-GAAP), 6) a computation of adjusted total revenue (non-GAAP), 7), a computation of the fee income ratio (non-GAAP), 8) a computation of the efficiency ratio (non-GAAP), 9) a computation of return on average assets from continuing operations, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP), 10) a reconciliation of average and ending stockholders equity (GAAP) to average and ending tangible common stockholders equity (non-GAAP) and calculations of related ratios, excluding discontinued operations, merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP), 11) 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 12) a reconciliation of stockholders equity (GAAP) to Basel III Tier 1 capital (non-GAAP), Basel III total capital (non-GAAP) and Basel III Tier 1 common (non-GAAP) and calculations of related ratios.

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Table 2 GAAP to Non-GAAP Reconciliation

		For Years Ended December 31 2011	2010	2009	2008	2007
				(In millions, except per share data)		
INCOME (LOSS)						
Net income (loss) (GAAP)		$ (215)	$ (539)	$ (1,031)	$ (5,596)	$ 1,251
Preferred dividends and accretion (GAAP)		(214)	(224)	(230)	(26)	
Net income (loss) available to common shareholders (GAAP)	A	(429)	(763)	(1,261)	(5,622)	1,251
Income (loss) from discontinued operations, net of tax (GAAP)		(404)	(71)	43	53	(34)
Income (loss) from continuing operations available to common shareholders (GAAP)	B	$ (25)	$ (692)	$ (1,304)	$ (5,675)	$ 1,285
Income (loss) from continuing operations available to common shareholders (GAAP)		$ (25)	$ (692)	$ (1,304)	$ (5,675)	$ 1,285
Merger-related charges, pre-tax:						
Salaries and employee benefits					134	159
Net occupancy expense					4	34
Furniture and equipment expense					5	5
Other					58	153
Total merger-related charges, pre-tax					201	351
Merger-related charges, net of tax					125	219
Goodwill impairment		253			6,000	
Regulatory charge and related income tax benefit [1]		(17)	75			
Income (loss) from continuing operations available to common shareholders, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP)	C	$ 211	$ (617)	$ (1,304)	$ 450	$ 1,504
Weighted-average diluted shares	D	1,258	1,227	989	695	713
Earnings (loss) per common share diluted (GAAP)	A/D	$ (0.34)	$ (0.62)	$ (1.27)	$ (8.09)	$ 1.75
Earnings (loss) per common share from continuing operations diluted (GAAP)	B/D	$ (0.02)	$ (0.56)	$ (1.32)	$ (8.16)	$ 1.80
Earnings (loss) per common share from continuing operations, excluding merger, goodwill impairment and regulatory charge and related income tax benefit diluted (non-GAAP)	C/D	$ 0.17	$ (0.50)	$ (1.32)	$ 0.65	$ 2.11
EFFICIENCY AND FEE INCOME RATIOS						
Non-interest expense from continuing operations (GAAP)		$ 3,862	$ 3,859	$ 3,785	$ 9,895	$ 3,821
Adjustments:						
Merger-related charges					(201)	(351)
Goodwill impairment		(253)			(6,000)	
Regulatory charge			(75)			
Mortgage servicing rights impairment					(85)	(6)
Loss on extinguishment of debt			(108)		(66)	
FDIC special assessment				(64)		
Securities impairment, net		(2)	(2)	(75)	(23)	(7)
Branch consolidation and property and equipment charges		(75)	(8)	(53)		
Adjusted non-interest expense (non-GAAP)	E	$ 3,532	$ 3,666	$ 3,593	$ 3,520	$ 3,457
		$ 3,445	$ 3,421	$ 3,325	$ 3,825	$ 4,364

Net interest income from continuing operations, fully- taxable equivalent basis (GAAP)						
Non-interest income from continuing operations (GAAP)		2,143	2,489	2,765	2,132	1,918
Adjustments:						
Securities (gains) losses, net		(112)	(394)	(69)	(92)	9
Leveraged lease termination gains		(8)	(78)	(587)		
Visa-related gains				(80)	(63)	
Gain on early extinguishment of debt				(61)		
Gain on sale of mortgage loans		3	(26)			
Adjusted non-interest income (non-GAAP)	F	2,026	1,991	1,968	1,977	1,927
Adjusted total revenue (non-GAAP)	G	$ 5,471	$ 5,412	$ 5,293	$ 5,802	$ 6,291
Fee income ratio (non-GAAP)	F/G	37.03%	36.79%	37.18%	34.07%	30.63%
Efficiency ratio (non-GAAP)	E/G	64.56%	67.74%	67.88%	60.67%	54.95%

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		For Years Ended December 31				
		2011	2010	2009	2008	2007
		(In millions, except per share data)				
RETURN ON AVERAGE ASSETS FROM CONTINUING OPERATIONS (2)						
Average assets (GAAP) continuing operations(2)	H	$ 126,719	$ 132,720	$ 139,468	$ 140,455	$ 134,693
Return on average assets from continuing operations (GAAP)	B/H	(0.02%)	(0.52%)	(0.93%)	(4.04%)	0.95%
Return on average assets from continuing operations, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP)	C/H	0.17%	(0.46%)	(0.93%)	0.32%	1.12%
RETURN ON AVERAGE TANGIBLE COMMON STOCKHOLDERS EQUITY FROM CONTINUING OPERATIONS (3)						
Average stockholders equity (GAAP) continuing operations(3)		$ 15,350	$ 15,916	$ 16,224	$ 18,514	$ 18,721
Less: Average intangible assets (GAAP) continuing operations		5,261	5,295	5,411	11,309	11,597
Average deferred tax liability related to intangibles (GAAP) continuing operations		(226)	(254)	(285)	(321)	(370)
Average preferred equity (GAAP) continuing operations		3,398	3,479	3,487	425	
Average tangible common stockholders equity (non-GAAP) continuing operations	I	$ 6,917	$ 7,396	$ 7,611	$ 7,101	$ 7,494
Return on average tangible common equity from continuing operations (non-GAAP)	B/I	(0.36%)	(9.36%)	(17.13%)	(79.92%)	17.15%
Return on average tangible common equity from continuing operations, excluding merger, goodwill impairment and regulatory charge and related income tax benefit (non-GAAP)	C/I	3.05%	(8.34%)	(17.13%)	6.34%	20.07%
TANGIBLE COMMON RATIOS						
Ending stockholders equity (GAAP)		$ 16,499	$ 16,734	$ 17,881	$ 16,813	$ 19,823
Less: Ending intangible assets (GAAP)		5,265	5,946	6,060	6,186	12,252
Ending deferred tax liability related to intangibles (GAAP)		(200)	(240)	(269)	(303)	(339)
Ending preferred equity (GAAP)		3,419	3,380	3,602	3,307	
Ending tangible common stockholders equity (non-GAAP)	J	$ 8,015	$ 7,648	$ 8,488	$ 7,623	$ 7,910
Ending total assets (GAAP)		127,050	132,351	142,318	146,248	141,042
Less: Ending intangible assets (GAAP)		5,265	5,946	6,060	6,186	12,252
Ending deferred tax liability related to intangibles (GAAP)		(200)	(240)	(269)	(303)	(339)
Ending tangible assets (non-GAAP)	K	$ 121,985	$ 126,645	$ 136,527	$ 140,365	$ 129,129
End of period shares outstanding	L	1,259	1,256	1,193	691	694
Tangible common stockholders equity to tangible assets (non-GAAP)	J/K	6.58%	6.04%	6.22%	5.43%	6.13%
Tangible common book value per share (non-GAAP)	J/L	$ 6.37	$ 6.09	$ 7.11	$ 11.03	$ 11.40

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		For Years Ended December 31				
		2011	2010	2009	2008	2007
		(In millions, except per share data)				
TIER 1 COMMON RISK-BASED RATIO						
Stockholders equity (GAAP)		$ 16,499	$ 16,734	$ 17,881	$ 16,813	
Accumulated other comprehensive (income) loss		69	260	(130)	8	
Non-qualifying goodwill and intangibles		(4,900)	(5,706)	(5,792)	(5,864)	
Disallowed deferred tax assets (4)		(432)	(424)	(947)		
Disallowed servicing assets		(35)	(27)	(25)	(16)	
Qualifying non-controlling interests		92	92	91	91	
Qualifying trust preferred securities		846	846	846	1,036	
Tier 1 capital (regulatory)		12,139	11,775	11,924	12,068	
Qualifying non-controlling interests		(92)	(92)	(91)	(91)	
Qualifying trust preferred securities		(846)	(846)	(846)	(1,036)	
Preferred stock		(3,419)	(3,380)	(3,602)	(3,307)	
Tier 1 common equity (non-GAAP)	M	$ 7,782	$ 7,457	$ 7,385	$ 7,634	
Risk-weighted assets (regulatory)	N	$ 91,449	$ 94,966	$ 103,330	$ 116,251	
Tier 1 common risk-based ratio (non-GAAP)	M/N	8.51%	7.85%	7.15%	6.57%	
BASEL III RATIOS						
Stockholders equity (GAAP)		$ 16,499				
Non-qualifying goodwill and intangibles (5)		(5,065)				
Adjustments, including other comprehensive income related to cash flow hedges, disallowed deferred tax assets, threshold deductions and other adjustments		(854)				
		10,580				
Qualifying non-controlling interests		4				
Basel III tier 1 capital (non-GAAP)	O	10,584				
Basel III tier 1 capital (non-GAAP)		10,584				
Preferred stock		(3,419)				
Qualifying non-controlling interests		(4)				
Basel III tier 1 common (non-GAAP)	P	$ 7,161				
Basel I risk-weighted assets (regulatory)		$ 91,449				
Basel III risk-weighted assets (non-GAAP) (6)	Q	$ 92,935				
Basel III tier 1 capital ratio (non-GAAP)	O/Q	11.39%				
Basel III tier 1 common ratio (non-GAAP)	P/Q	7.70%				

(1) 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. At that time, Regions assumed that the entire charge would be non-deductible for income tax purposes. $75 million of the regulatory charge relates to continuing operations. The regulatory settlement was finalized in the second quarter of 2011. At the time of the settlement, Regions had better information related to the income tax implications. $125 million of the approximately $200 million settlement charge will be deductible for federal income tax purposes. Accordingly, during the second quarter of 2011, Regions adjusted income tax expense to account for the impact of the deduction. The adjustment reduced total income tax expense by approximately $44 million for the second quarter of 2011, of which approximately $17 million relates to continuing operations.

(2) Return on assets from continuing operations does not include average assets related to discontinued operations of $3,254 million, $3,235 million, $3,291 million, $3,492 million and $4,064 million for December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(3) Return on average tangible common stockholders equity from continuing operations does not include net assets related to discontinued operations of $1,035 million, $1,512 million, $1,569 million, $1,514 million and $1,304 million for December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(4) Only one year of projected future taxable income may be applied in calculating deferred tax assets for regulatory capital purposes.

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

(6)

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

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Allowance for Credit Losses

The allowance for credit losses (allowance) consists of the allowance for loan losses and the reserve for unfunded credit commitments. These two components reflect management s judgment of probable credit losses inherent in the portfolio and unfunded credit commitments at the balance sheet date. A full discussion of these estimates 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, and Note 6 Allowance for Credit Losses to the consolidated financial statements.

The allowance is sensitive to a variety of internal factors, such as portfolio performance and assigned risk ratings, as well as external factors, such as interest rates and the general health of the economy. Management reviews different assumptions for variables that could result in increases or decreases in probable inherent credit losses, which may materially impact Regions estimate of the allowance and results of operations.

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 specific evaluation considering the facts and circumstances specific to each borrower. For all other commercial and investor real estate loans, the allowance for loan losses is based on statistical models using a probability of default (PD) and a loss given default (LGD). Historical default information for similar loans is used as an input for the statistical model. A 5 percent increase in the PD for non-defaulted accounts and a 5 percent increase in the LGD for all accounts would result in an increase to estimated losses of approximately $125 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 $35 million.

Additionally, the estimate of the allowance for the entire portfolio may change due to modifications in the mix and level of loan balances outstanding and general economic conditions, as evidenced by changes in real estate demand and values, interest rates, unemployment rates, bankruptcy filings, fluctuations in the gross domestic product, and the effects of weather and natural disasters such as droughts and hurricanes. Each has the ability to result in actual loan losses that could differ from originally estimated amounts.

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. For additional information regarding the allowance for credit losses calculation, see 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 assets and liabilities, securities available for sale, mortgage loans held for sale, mortgage servicing rights and derivative assets and liabilities. From time to time, the estimation of fair value also affects other loans held for sale, which are recorded at the lower of cost or fair value. Fair value determination is also relevant for certain other assets such as foreclosed property and other real estate, which are recorded at the lower of the recorded investment in the loan/property or fair value, less estimated costs to sell the property. For example, the fair value of other real estate is determined based on recent appraisals by third parties and other market information, less estimated selling costs. Adjustments to the appraised value are made if management becomes aware of changes in the fair value of specific properties or property types. The determination of fair value also impacts certain other assets that are periodically evaluated for impairment using fair value estimates, including goodwill, other identifiable intangible assets and impaired loans.

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 December 31, 2011 and $5.6 billion at December 31, 2010 and is allocated to each of Regions reportable segments (each a reporting unit), at which level goodwill is tested for impairment on an annual basis as of October 1 or more often if events and circumstances indicate impairment may exist (refer to Note 1 Significant Accounting Policies to the consolidated financial statements for further discussion of when Regions tests goodwill for impairment).

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. To the extent that the fair value of the reporting unit exceeds the carrying value,

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impairment is not indicated and no further testing is required. Conversely, if the fair value of the reporting unit is below its carrying amount, Step Two must be performed. Step Two consists of determining the implied fair value of goodwill, which is the net difference between the after-tax valuation of assets and liabilities and the fair value of the reporting unit (from Step One). 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 is less than the carrying amount, a loss would be recognized to reduce the carrying amount to the estimated implied fair value.

The fair value of the reporting unit is determined using two approaches and several key assumptions. 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, and the market risk premium based on published data. Once the output of the CAPM is determined, a size premium is added (also based on a published source) as well as a company-specific risk premium, 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. The table below summarizes the discount rate used in the goodwill impairment tests of the Banking/Treasury reporting unit for the reporting periods indicated:

	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011	4th Quarter 2010
Discount Rate	15%	15%	15%	15%	15%

In estimating future cash flows, a balance sheet as of the test date and a statement of operations for the last twelve months of activity for the reporting unit are compiled. From that point, future balance sheets and statements of operations are projected based on the inputs discussed below. 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 that range from 1 to 5 years. These internal forecasts are based on inputs developed in the Company s capital planning processes.

Refer to the discussion of intangible assets in Note 1 Summary of Significant Accounting Policies to the consolidated financial statements for a discussion of these approaches and Note 9 Intangible Assets for a discussion of the assumptions. The fair values of assets and liabilities 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.

Throughout 2009 and 2010 in the Banking/Treasury reporting unit, the credit quality of Regions loan portfolio declined, which contributed to increased losses as well as elevated non-performing loan levels. Accordingly, Regions performed tests of goodwill for impairment during each quarter of 2010 and during the second, third and fourth quarters of 2009 in a manner consistent with the test conducted in the fourth quarter of 2008. Regions continued to perform its goodwill impairment tests during the four quarters of 2011, in a manner consistent with the tests conducted in prior periods, primarily due to the Company s market capitalization remaining below book value. The long-term fair value of equity was determined using both income and market approaches (discussed in Note 9 Intangible Assets). The results of these calculations indicated that the fair value of the Banking/Treasury reporting unit was less than the carrying amount. At October 1, 2011, the carrying amount and fair value of the Banking/Treasury reporting unit were $12.0 billion and $7.6 billion, respectively, while the carrying amount of goodwill for the reporting unit was $4.7 billion. Therefore, Step Two of the goodwill impairment test was performed. In Step Two, the fair values of the reporting unit s assets and liabilities, including the loan portfolio, intangible assets, time deposits, debt, and other assets and liabilities were calculated. Once the fair values were determined, deferred tax adjustments were calculated as applicable. For the Banking/Treasury reporting unit, the after-tax effects of the Step Two adjustments, which were primarily write-downs of assets to fair value, exceeded any reductions in the value of common equity determined in Step One; accordingly the calculation of implied goodwill exceeded its carrying amount. Therefore, the results were no impairment for the Banking/Treasury reporting unit, whose implied fair value of goodwill exceeded its carrying amount by approximately 12 percent as of October 1, 2011 compared to approximately 29 percent as of fourth quarter 2010. Since the third quarter of 2009, the fair values of net assets and liabilities of the Banking/Treasury reporting unit have increased faster than the fair value of equity of this reporting unit. Should the fair values of net assets continue to increase more rapidly than the fair value of this reporting unit, goodwill could be impaired in future periods.

During the third and fourth quarters of 2011, Regions experienced a significant decline in market capitalization relative to prior periods. The large-cap banking sector also experienced a decline in market capitalization albeit not as significant as that of Regions. This resulted in price-to-tangible book values declining and resulted in an overall value conclusion for the Banking/Treasury reporting unit that would be indicative of a distressed sale in the public company method. Accordingly, Regions increased the control premium utilized in the public company method from 30 percent in 2010 to 55 percent in the test conducted in the fourth quarter of 2011. The higher control premium was evidenced by market transactions occurring in 2010. See attached sensitivity tables for additional information.

For the Investment Banking/Brokerage/Trust reporting unit, Regions performed and passed Step One of the goodwill impairment test as of the annual test date in the fourth quarter of 2011. Subsequent to that test, Regions received bids later in the fourth quarter from buyers interested in purchasing the Morgan Keegan component of the Investment Banking/Brokerage/Trust reporting unit; these bids were significantly below the value indications received from bidders as of October 1, 2011. The collapse and bankruptcy of a large brokerage firm and subsequent market disruptions that occurred in November of 2011 as a result impacted the significant price declines related to this component. Accordingly, Regions tested the goodwill of the Investment Banking/Brokerage/Trust reporting unit as of December 15, 2011, resulting in the reporting unit failing Step One. As a result, Regions conducted Step Two for this reporting unit, which indicated impairment of all of the $745 million of goodwill allocated to the Investment Banking/Brokerage/Trust reporting unit. Apart from the observed decline in the equity value of the reporting unit, the primary drivers of the impairment were recognition of customer and other identifiable intangibles in Step Two that are not required to be recognized in the GAAP financial statements of the reporting unit that must be calculated in the Step Two in the goodwill impairment test. The pre-tax $745 million impairment charge was allocated between continuing operations ($253 million) and discontinued operations ($492 million) based on relative fair values of the equity of the two components of the reporting unit. The goodwill impairment charge is a non-cash item that does not have an adverse impact on regulatory capital.

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 compared to equity, adverse business trends resulting from litigation and/or regulatory actions, higher loan losses, lengthened forecasts of higher unemployment relative to pre-crisis levels beyond 2013, future increased minimum regulatory capital requirements above current thresholds (refer to Note 13 Regulatory Capital Requirements and Restrictions for a discussion of current minimum regulatory requirements), future federal rules and regulations resulting from the Dodd-Frank Act, and/or a protraction in the current low level of interest rates significantly beyond 2014.

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The following tables present an analysis of independent changes in market factors or significant assumptions that could adversely impact the carrying balance of goodwill in the Banking/Treasury reporting unit and the outcome of the Step One tests for the Insurance reporting unit:

Banking/Treasury Reporting Unit

Change in Discount Rate	**Estimated Amount of Impairment (In millions)**
+ 0.75%	$ (a)
+ 1.75%	(558)
+ 2.75%	(1,007)
Change in Tangible Book Value Mulipliers (b)	
(34)%	$ (a)
55% Public Company Method Control Premium Changed To	
3%	$ (a)
Improvement in Loan Fair Values	
+ 1.10 Percentage Points	$ (a)
+ 2.10 Percentage Points	(478)
+ 3.10 Percentage Points	(967)

(a) Represents the point at which the implied fair value of goodwill would approximate its carrying value.

(b) Represents a 34 percent decline in both tangible book value multipliers of 0.7x and 1.1x for the public company method and the transaction method, respectively. The 0.7x multiplier for the public company method is before the 55 percent control premium utilized for this metric. See Note 9 for further details.

Impact to Step One Conclusion

Insurance Reporting Unit

Change in Discount Rate	**Impact of Change Insurance**
+ 1%	Pass
+ 2%	Pass
+ 3%	Pass
Change in Market Approach Mulipliers (c)	
- 10%	Pass
- 20%	Pass
- 30%	Pass
- 40%	Pass

(c) For Insurance, represents the percent decline in the 13.0x multiplier for the last twelve months of net income.

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

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

Mortgage Servicing Rights

Regions estimates the fair value of its mortgage servicing rights in order to record them at fair value on the balance sheet. Although sales of mortgage servicing rights do occur, mortgage servicing rights do not trade in an active market with readily observable market prices and the exact terms and conditions of sales may not be readily available, and are therefore Level 3 valuations in the fair value hierarchy previously discussed in the Fair Value Measurements section. Specific characteristics of the underlying loans greatly impact the estimated value of the related mortgage servicing rights. As a result, Regions stratifies its mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and values its mortgage servicing rights using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted mortgage loan prepayment rates, discount rates, escrow balances and servicing costs. Changes in interest rates, prepayment speeds or other factors impact the fair value of mortgage servicing rights which impacts earnings. 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, 2011 fair value of mortgage servicing rights by approximately 11 percent ($20 million) and 21 percent ($38 million), respectively. Conversely, 25 basis point and 50 basis point increases in these rates would increase the December 31, 2011 fair value of mortgage servicing rights by approximately 12 percent ($21 million) and 24 percent ($43 million), respectively. Regions also estimates that an increase in servicing costs of approximately $10 per loan, or 17 percent, would result in a decline in the value of the mortgage servicing rights by approximately $7 million or 2 basis points.

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

Income Taxes

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

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

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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 financial position, results of operations or cash flows.

OPERATING RESULTS

GENERAL

For 2011, Regions reported a net loss available to common shareholders of $429 million, or $0.34 per diluted common share. In January 2012, Regions entered into an agreement to sell Morgan Keegan to Raymond James Financial, Inc. The results of the entities being sold are presented as discontinued operations. Refer to Note 3 Discontinued Operations of the consolidated financial statements for additional information. Regions reported a loss from continuing operations available to common shareholders of $25 million, or $0.02 per diluted common share in 2011. Regions net loss from discontinued operations was $404 million, or $0.32 per diluted common share.

Regions 2011 results were impacted by a $731 million (net of $14 million income tax impact) non-cash goodwill impairment charge related to Regions Investment Banking/Brokerage/Trust reporting segment. Based on a relative fair value allocation, $253 million of the impairment charges was recorded within continuing operations and $478 million was recorded within discontinued operations.

Regions 2011 results also included a $44 million income tax benefit related to a regulatory settlement, of which approximately $17 million was associated with continuing operations and $27 million with discontinued operations. Excluding these two items, Regions income from continuing operations available to common shareholders was $211 million, or $0.17 per diluted common share in 2011. See Table 2 GAAP to non-GAAP Reconciliation . Regions results reflected higher net interest income, lower non-interest expenses and a significant decline in its provision for loan losses. These items were partially offset by lower non-interest income.

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 fully taxable-equivalent basis increased approximately $24 million, or 1 percent in 2011, from 2010 despite a 5 percent decrease in the level of average earning assets, from $117.5 billion in 2010 to $112.2 billion in 2011. The increase in net interest income was sufficient to offset the impact of the smaller balance sheet, and resulted in the net interest margin increasing to 3.07 percent in 2011 from 2.91 percent in 2010.

Comparing 2011 to 2010, interest-earning asset yields were lower, decreasing 15 basis points on average. However, interest-bearing liability rates were also lower, declining by 34 basis points, more than offsetting the drop in interest-earning asset yields. As a result, the net interest rate spread increased 19 basis points to 2.78 percent in 2011 compared to 2.59 percent in 2010.

Continued low levels of long-term interest rates affected interest-earning asset yields through their influence on the behavior and pricing of both variable-rate and fixed-rate loans and securities. Longer-term rates were impacted by Federal Reserve actions which in effect lowered long-term interest rates. The yield on the benchmark 10-year U.S. Treasury note ranged from a high of 3.74 percent to a low of 1.72 percent, and for the year decreased 142 basis points, ending the year at 1.88 percent. Persistently low long-term rates can incent fixed-rate borrowers to accelerate reductions or prepayments of existing loans and securities, which can result in the replacement of these at lower rates of interest. This pressure impacts portfolios that have a significant concentration of fixed-rate loans. The taxable investment securities portfolio, which contains significant residential fixed-rate exposure, for example, decreased in yield from 3.66 percent in 2010 to 3.08 percent in 2011.

The negative influence of low, long-term interest rates on the net interest margin, however, was offset by improvements in liability costs. The Federal funds rate and the prime rate, which are influential drivers of loan and deposit pricing on the shorter end of the yield curve, remained low at approximately 0.25 percent and 3.25 percent, respectively, throughout 2011, essentially unchanged from the previous year-end level. The Company s loan pricing is also influenced by the 30-day London Interbank Offering Rate (LIBOR), which, on average, was 4 basis points lower in 2011 than 2010, but ranged from a high of 0.30 percent to a low of 0.19 percent during 2011 and ended the year at 0.30 percent. The 2-year U.S. Treasury benchmark yield is a driver of deposit pricing on the shorter end of the yield curve, and it also remained low in 2011. The yield on the benchmark 2-year U.S. Treasury note ranged from a high of 0.85 percent to a low of 0.16 percent, and for the year decreased 36 basis points, ending the year at 0.24 percent. With short-term interest rates remaining low, deposit costs improved considerably from 0.78 percent in 2010 to 0.49 percent in 2011. There was substantial improvement in costs in every deposit category, including average money market accounts which declined from 0.43 percent to 0.29 percent. The improvement in overall deposit costs was also attributable to a less costly mix of deposits. For example, average time deposits declined from $26.3 billion, or 27.2 percent of total average deposits, in 2010 to $21.6 billion, or 22.6 percent of total average deposits, in 2011. Meanwhile, average non-interest bearing customer deposits increased from $24.0 billion in 2010 to $27.7 billion in 2011.

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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 fully 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

	2011			2010			2009		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets	(Dollars in millions; yields on taxable-equivalent basis)								
Interest-earning assets:									
Federal funds sold and securities purchased under agreements to resell	$ 4	$	%	$ 377	$ 2	0.53%	$ 124	$	%
Trading account assets	166	4	2.41	175	7	4.00	506	25	4.94
Securities:									
Taxable	24,586	758	3.08	23,851	873	3.66	20,218	966	4.78
Tax-exempt	31			44	1	2.27	460	29	6.30
Loans held for sale	1,131	35	3.09	1,281	39	3.04	1,655	55	3.32
Loans, net of unearned income [1] [2]	80,673	3,477	4.31	86,660	3,734	4.31	94,523	4,218	4.46
Other interest-earning assets	5,623	13	0.23	5,119	13	0.25	6,499	16	0.25
Total interest-earning assets	112,214	4,287	3.82	117,507	4,669	3.97	123,985	5,309	4.28
Allowance for loan losses	(3,114)			(3,187)			(2,240)		
Cash and due from banks	1,988			2,021			2,213		
Other non-earning assets	15,631			16,379			15,510		
	$ 126,719			$ 132,720			$ 139,468		
Liabilities and Stockholders Equity									
Interest-bearing liabilities:									
Savings accounts	$ 5,062	5	0.10	$ 4,459	4	0.09	$ 3,984	5	0.13
Interest-bearing transaction accounts	15,613	27	0.17	14,404	32	0.22	14,347	40	0.28
Money market accounts	25,142	72	0.29	26,753	116	0.43	21,434	181	0.84
Money market accounts foreign	467	1	0.21	601	1	0.17	1,139	3	0.26
Time deposits customer	21,635	367	1.70	26,236	601	2.29	32,617	1,045	3.20
Total customer deposits interest-bearing[4]	67,919	472	0.69	72,453	754	1.04	73,521	1,274	1.73
Time deposits non customer	11			54	1	1.85	122	2	1.64
Other foreign deposits							312	1	0.32
Total treasury deposits interest-bearing	11			54	1	1.85	434	3	0.69
Total interest-bearing deposits	67,930	472	0.69	72,507	755	1.04	73,955	1,277	1.73
Federal funds purchased and securities sold under agreements to repurchase	1,801	(1)	(0.06)	1,983	3	0.15	2,661	8	0.30
Other short-term borrowings	186			331	1	0.30	4,600	36	0.78
Long-term borrowings	11,240	371	3.30	15,489	489	3.16	18,501	663	3.58
Total interest-bearing liabilities	81,157	842	1.04	90,310	1,248	1.38	99,717	1,984	1.99
Net interest spread			2.78			2.59			2.29
Customer deposits non-interest-bearing[4]	27,741			23,982			20,657		
Other liabilities	2,471			2,512			2,870		
Stockholders equity	15,350			15,916			16,224		
	$ 126,719			$ 132,720			$ 139,468		

Net interest income/margin on a taxable-equivalent basis from continuing operations (3)(5)	$ 3,445	3.07%	$ 3,421	2.91%	$ 3,325	2.68%

(1) Loans, net of unearned income include non-accrual loans for all periods presented.
(2) Interest income includes loan fees of $50 million, $37 million and $30 million for the years ended December 31, 2011, 2010 and 2009, respectively.
(3) The computation of taxable-equivalent net interest income is based on the stautory federal income tax rate of 35%, adjusted for applicable state income taxes net of the related federal tax benefit.
(4) Total deposit costs may be calculated by dividing total interest expense on deposits by the sum of interest-bearing deposits and non-interest bearing deposits. The rates for total deposit costs equal 0.49%, 0.78% and 1.35% for the twelve months ended December 31, 2011, 2010 and 2009, respectively.
(5) The table above does not include average assets, average liabilities, interest income or interest expense for discontinued operations (see Note 3 to the consolidated financial statements). If these assets, liabilities, and net interest income were included in the calculation, the consolidated net interest income and margin on a taxable equivalent basis would be $3,476 million and 3.05%, $3,464 million and 2.90% and $3,367 million and 2.67% for the years ended December 31, 2011, 2010, and 2009, respectively.

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Table 4 Volume and Yield/Rate Variances for Continuing Operations

	2011 Compared to 2010 Change Due to			2010 Compared to 2009 Change Due to		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
	(Taxable equivalent basis in millions)					
Interest income on:						
Federal funds sold and securities purchased under agreements to resell	$ (1)	$ (1)	$ (2)	$	$ 2	$ 2
Trading account assets		(3)	(3)	(14)	(4)	(18)
Securities:						
Taxable	26	(141)	(115)	156	(249)	(93)
Tax-exempt		(1)	(1)	(16)	(12)	(28)
Loans held for sale	(5)	1	(4)	(12)	(4)	(16)
Loans, net of unearned income	(258)	1	(257)	(342)	(142)	(484)
Other interest-earning assets	1	(1)		(4)	1	(3)
Total interest-earning assets	(237)	(145)	(382)	(232)	(408)	(640)
Interest expense on:						
Savings accounts	1		1	1	(2)	(1)
Interest-bearing transaction accounts	3	(8)	(5)		(8)	(8)
Money market accounts domestic	(7)	(37)	(44)	38	(103)	(65)
Money market accounts foreign				(1)	(1)	(2)
Time deposits customer	(95)	(139)	(234)	(181)	(263)	(444)
Total customer deposits interest-bearing	(98)	(184)	(282)	(143)	(377)	(520)
Time deposits non customer		(1)	(1)	(1)		(1)
Other foreign deposits				(1)		(1)
Total treasury deposits interest-bearing		(1)	(1)	(2)		(2)
Total interest-bearing deposits	(98)	(185)	(283)	(145)	(377)	(522)
Federal funds purchased and securities sold under agreements to repurchase		(4)	(4)	(2)	(3)	(5)
Other short-term borrowings		(1)	(1)	(21)	(14)	(35)
Long-term borrowings	(140)	22	(118)	(101)	(73)	(174)
Total interest-bearing liabilities	(238)	(168)	(406)	(269)	(467)	(736)
Increase in net interest income	$ 1	$ 23	$ 24	$ 37	$ 59	$ 96

Notes:

1. 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.
2. The computation of taxable-equivalent net interest income is based on the statutory federal income tax rate of 35 percent, adjusted for applicable state income taxes net of the related federal tax benefit.
3. The table above does not include average assets, average liabilities, interest income or interest expense for discontinued operations (see Note 3 to the consolidated financial statements).

Net interest income and interest-rate spread are also affected by the actions taken to manage interest rate risk. As described in the Market Risk-Interest Rate Risk section of MD&A, Regions employs multiple tools in order to manage the risk of variability in net interest income attributable to changes in interest rates. Among these tools are interest rate derivatives. In 2011, net interest income attributable to interest rate derivatives for hedging purposes was $362 million versus $515 million in 2010.

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 2011 due to the low interest rate environment and a high level of loans on non-accrual status. Average interest-earning assets at December 31, 2011 totaled $112.2 billion, a decrease of $5.3 billion as compared to the prior year, or 5 percent. While average earning assets declined during 2011, the mix changed somewhat, reflecting higher securities balances on average and a decline in average loans due to decreased loan demand, consumers deleveraging and run-off of investor real estate.

Also affecting the interest rate spread and the net interest margin were continued elevated balances of interest-bearing deposits in other banks (included in other interest-earning assets in Table 3), primarily the Federal Reserve Bank, as a result of the Company s liquidity management process. These funds generate a significantly lower spread than loans or securities. The higher levels of cash reserves negatively impacted the net interest margin by 13 basis points in 2011 and 12 basis points in 2010. In addition, elevated levels of non-performing assets negatively impacted the net interest margin by 14 basis points in 2011 compared to 17 basis points in 2010.

Average loans as a percentage of average interest-earning assets were 73 percent in 2011 and 75 percent in 2010. The categories, which consist 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 measures the effectiveness of management s efforts to invest available funds into the most profitable interest-earning vehicles and represented 89 percent in both 2011 and 2010. This measure was consistent with the prior year as the overwhelming majority of the decline in total assets in 2011 was in interest-earning assets. Funding for Regions interest-earning assets comes from interest-bearing and non-interest-bearing sources. Another significant factor affecting the net interest margin is the percentage of interest-earning assets funded by interest-bearing liabilities. The percentage of average interest-earning assets funded by average interest-bearing liabilities was 72 percent in 2011 and 77 percent in 2010, also affected by the aforementioned increase in deposits in other banks.

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

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to maintain the allowance for loan losses at a level that, in management s judgment, is appropriate to cover losses inherent in the portfolio at the balance sheet date. During 2011, the provision for loan losses was $1.5 billion and net charge-offs were $2.0 billion. This compares to a provision for loan losses of $2.9 billion and net charge-offs of $2.8 billion in 2010. Net charge-offs exceeded the provision for loan losses during 2011 primarily due to the allowance associated with the loans transferred to held for sale, as well as improving consumer credit metrics.

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

NON-INTEREST INCOME

Non-interest income from continuing operations represents fees and income derived from sources other than interest-earning assets. Table 5 Non-Interest Income for Continuing Operations provides a detail of the components of non-interest income from continuing operations. Non-interest income totaled $2.1 billion in 2011 compared to $2.5 billion in 2010. The decrease in non-interest income is primarily due to a decrease in securities gains and leveraged lease termination gains. Excluding these two items, non-interest income was essentially stable compared to 2010.

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Table 5 Non-Interest Income from Continuing Operations

	Year Ended December 31 2011	2010	2009
		(In millions)	
Service charges on deposit accounts	$ 1,168	$1,174	$1,156
Capital markets and investment income	64	69	39
Mortgage income	220	247	259
Trust department income	199	196	191
Securities gains, net	112	394	69
Insurance commissions and fees	106	104	105
Leveraged lease termination gains	8	78	587
Commercial credit fee income	80	76	70
Bank-owned life insurance	83	88	74
Net revenue (loss) from affordable housing	(69)	(72)	(53)
Visa-related gains			80
Other miscellaneous income	172	135	188
	$ 2,143	$2,489	$2,765

Service Charges on Deposit Accounts

Income from service charges on deposit accounts decreased less than 1 percent in 2011 and totaled $1.2 billion in both 2011 and 2010. This modest decrease was driven by policy changes related to Regulation E, as well as a decline in interchange income as a result of debit interchange price controls implemented in the fourth quarter of 2011. These factors were offset by the restructuring of checking accounts from free to fee-eligible and a higher level of customer transactions.

Interchange income, which is included in service charges on deposit accounts, was impacted by the Federal Reserve s rulemaking required by section 1075 of the Dodd-Frank Act. The Federal Reserve Board of Governors announced its final rule on debit card interchange fees mandated by the Durbin Amendment to the Dodd-Frank Act effective October 1, 2011. The final proposal included an allowable interchange fee of 21 cents per transaction plus a 5 basis points allowance for fraud mitigation expenses, which was higher than the original proposal, but below the 44 cents per transaction which was the average amount charged for debit transactions according to the Federal Reserve s study on interchange transactions. Total revenues from debit card income at Regions were $335 million in 2011, which included one full quarter under the final rules. Based on the final ruling, the Company estimates that the reduction to annual debit interchange revenue will be approximately $180 million before any mitigation efforts. However, the Company believes it will be able to mitigate this impact over time through fee changes, introduction of new products and services and expense management.

Capital Markets, Investment and Trust Department Income

Total capital markets and investment income decreased 7 percent to $64 million in 2011 from $69 million in 2010. Trust department income increased 2 percent to $199 million in 2011, driven by a higher amount of fees from commissions. Trust assets under management were approximately $76.1 billion at year-end 2011 compared to approximately $76.6 billion at year-end 2010.

Mortgage Income

Mortgage income is generated through the origination and servicing of mortgage loans for long-term investors and sales of mortgage loans in the secondary market. Mortgage income decreased $27 million or 11 percent to $220 million in 2011. The decrease was primarily driven by lower benefit from mortgage servicing rights and related derivatives which added $16 million of non-interest income in 2010 compared to a $22 million loss in 2011. See Note 7 Servicing of Financial Assets to the consolidated financial statements for further detail. Mortgage originations totaled $6.3 billion in 2011 as compared to $8.2 billion in 2010. Mortgage originations were higher in 2010 due to more refinancing activity. In 2010, refinancing encompassed 62 percent of mortgage originations versus 54 percent in 2011.

Effective January 1, 2009, Regions made an election to prospectively change the policy for accounting for residential mortgage servicing rights from the amortization method to the fair value measurement method. Under the fair value measurement method, servicing assets are measured at fair value each period with changes in fair value recorded as a component of mortgage banking income. Regions uses various derivative instruments to mitigate the effect of changes in the fair value of its mortgage servicing rights. Beginning in the fourth quarter of 2009, the Company also began using trading assets to mitigate the impact of changes in the fair value of its mortgage servicing rights. Because changes in value of trading assets are reported in capital markets and investment income, and because earnings on these assets are reported in net interest income, the total effect of mortgage servicing rights and related hedging instruments impacts several line items in the statements of operations. See Note 7 Servicing of Financial Assets to the consolidated financial statements for further detail.

At December 31, 2011, Regions servicing portfolio totaled $41.1 billion, $26.7 billion of which was serviced for third parties. At December 31, 2010, the servicing portfolio totaled $41.7 billion, $26.0 billion of which was serviced for third parties.

Securities Gains, Net

Regions reported net gains of $112 million from the sale of securities available for sale in 2011, as compared to net gains of $394 million in 2010. The Company s gains for both years were due to increased sales activity within the available for sale category as part of the Company s asset/liability management strategies. In 2011, the Company repositioned its securities portfolio and sold $7.7 billion of securities that were primarily agency available for sale securities. The proceeds were reinvested predominantly into similar securities with shorter durations. In 2010, the Company repositioned its securities portfolio and sold $9.9 billion of securities to mitigate prepayment risk and extended the duration on the investment portfolio. The proceeds from the sales in 2011 and 2010 were primarily reinvested in U.S. government agency mortgage-backed securities classified as available for sale. Refer to the Securities section in the Balance Sheet Analysis for further discussion.

Leveraged Lease Termination Gains

A 2008 settlement with the Internal Revenue Service negatively impacted the economics of Regions leveraged lease portfolio. In addition, there was a mutual desire with lessees to terminate certain leases within this portfolio. Accordingly, the Company decided to terminate certain of these leases in 2011 and 2010, resulting in gains of $8 million and $78 million, respectively. However, the 2010 gains were essentially offset by related income tax expense of $74 million, resulting in a minimal impact to net income. There was no material impact to income tax expense related to the 2011 gains.

Bank-Owned Life Insurance

Bank-owned life insurance income decreased 6 percent to $83 million in 2011, compared to $88 million in 2010. This decrease is primarily due to a decline in death benefits and crediting rates.

Other Miscellaneous Income

Other miscellaneous income increased $37 million to $172 million in 2011. The largest component of the increase was credit card income which totaled $31 million in 2011 with no impact in 2010. In June 2011, Regions purchased approximately $1.1 billion of Regions-branded credit card accounts from FIA Card Services.

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NON-INTEREST EXPENSE

The following section contains a discussion of non-interest expense from continuing operations. The largest components of non-interest expense are salaries and employee benefits, net occupancy expense and furniture and equipment expense. Non-interest expense in 2011 totaled $3.9 billion and included a goodwill impairment charge of $253 million. In 2010, non-interest expense totaled $3.9 billion and included a $75 million regulatory charge. Non-interest expense excluding the goodwill impairment and regulatory charges (non-GAAP) decreased $175 million, or 5 percent, to $3.6 billion in 2011. Table 6 Non-Interest Expense from Continuing Operations (including Non-GAAP reconciliation) presents major non-interest expense components, both including and excluding the regulatory charge and goodwill impairment, for the years ended December 31, 2011, 2010 and 2009. Management believes the inclusion of non-GAAP financial measures in Table 6 is useful in the evaluation of trends in non-interest expense. See the text preceding Table 2 GAAP to Non-GAAP Reconciliation for further discussion of non-GAAP financial measures.

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Table 6 Non-Interest Expense from Continuing Operations (including Non-GAAP reconciliation)

	As Reported (GAAP) Year Ended December 31 2011	2010 (In millions)	2009
Salaries and employee benefits	$ 1,604	$ 1,640	$ 1,635
Net occupancy expense	388	411	422
Furniture and equipment expense	275	277	281
Professional and legal fees	175	170	167
Amortization of core deposit intangibles	95	107	120
Other real estate owned expense	162	209	175
Branch consolidation and property and equipment charges	75		
Other-than-temporary impairments	2	2	75
FDIC premiums	217	220	227
Loss on early extinguishment of debt		108	
Regulatory charge		75	
Goodwill impairment	253		
Other miscellaneous expenses	616	640	683
	$ 3,862	$ 3,859	$ 3,785

	Regulatory Charge and Goodwill Impairment Year Ended December 31 2011	2010 (In millions)	2009
Salaries and employee benefits	$	$	$
Net occupancy expense			
Furniture and equipment expense			
Professional and legal fees			
Amortization of core deposit intangibles			
Other real estate owned expense			
Branch consolidation and property and equipment charges			
Other-than-temporary impairments			
FDIC premiums			
Loss on early extinguishment of debt			
Regulatory charge		75	
Goodwill impairment	253		
Other miscellaneous expenses			
	$ 253	$ 75	$

	As Adjusted (Non-GAAP) Year Ended December 31 2011	2010 (In millions)	2009
Salaries and employee benefits	$ 1,604	$ 1,640	$ 1,635
Net occupancy expense	388	411	422
Furniture and equipment expense	275	277	281
Professional and legal fees	175	170	167
Amortization of core deposit intangibles	95	107	120
Other real estate owned expense	162	209	175
Branch consolidation and property and equipment charges	75		
Other-than-temporary impairments	2	2	75

FDIC premiums	217	220	227
Loss on early extinguishment of debt		108	
Regulatory charge			
Goodwill impairment			
Other miscellaneous expenses	616	640	683
	$ 3,609	$ 3,784	$ 3,785

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Salaries and Employee Benefits

Total salaries and employee benefits decreased $36 million, or 2 percent, in 2011. The year-over-year decrease in salaries and employee benefits cost was primarily due to lower headcount and lower pension costs. At December 31, 2011, Regions had 26,813 employees compared to 27,829 at December 31, 2010. Excluding Morgan Keegan associates, there were 23,707 and 24,656 employees at the end of 2011 and 2010, respectively.

Regions provides employees who meet established employment requirements with a benefits package that includes 401(k), pension, and medical, life and disability insurance plans. The pension plan has been closed to new enrollments since 2006. Regions 401(k) plan includes a Company match of eligible employee contributions. See Note 17 Employee Benefit Plans to the consolidated financial statements for further details.

There are various incentive plans in place in many of Regions lines of business that are tied to the performance levels of employees. In general, incentives are used to reward employees for selling products and services, for productivity improvements and for achievement of corporate financial goals. These achievements are determined through a review of profitability and risk management. Regions long-term incentive plan provides for the granting of stock options, restricted stock, restricted stock units and performance shares. See Note 16 Share-Based Payments to the consolidated financial statements for further information.

Net Occupancy Expense

Net occupancy expense includes rents, depreciation and amortization, utilities, maintenance, insurance, taxes, and other expenses of premises occupied by Regions and its affiliates. Net occupancy expense decreased $23 million, or 6 percent, in 2011. Rent expense decreased as a result of branch consolidation that occurred in early 2010 and late 2011, as well as a result of other lease downsizing efforts. At December 31, 2011, Regions had 1,726 branches compared to 1,772 at December 31, 2010. In 2011, Regions eliminated approximately 700,000 square feet of excess facilities space.

Furniture and Equipment Expense

Furniture and equipment expense decreased modestly by 1 percent to $275 million in 2011 primarily driven by branch consolidations.

Professional and Legal Fees

Professional and legal fees are comprised of amounts related to legal, consulting and other professional fees. These fees increased $5 million to $175 million in 2011, reflecting a 3 percent increase in the level of legal expenses and credit-related legal costs in 2011. Refer to Note 23 Commitments, Contingencies and Guarantees to the consolidated financial statements for additional information.

Amortization of Core Deposit Intangibles

The premium paid for core deposits in an acquisition is considered to be an intangible asset that is amortized on an accelerated basis over its useful life. As a result, amortization of core deposit intangibles decreased 11 percent to $95 million in 2011 compared to $107 million in 2010.

Other Real Estate Owned Expense

Other real estate owned (OREO) expenses include the cost of adjusting foreclosed properties to fair value after these assets have been classified as OREO and net gains and losses on sales of properties, as well as other costs to maintain the property such as property taxes, security, and grounds maintenance. Through Regions efforts to sell foreclosed properties, OREO balances decreased $158 million to $296 million in 2011. This reduction in OREO balances, along with lower valuation charges, was the primary driver of the $47 million decline in OREO expense in 2011. See the Foreclosed Properties section later in the Balance Sheet Analysis.

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Branch Consolidation and Property and Equipment Charges

Non-interest expense in 2011 included $75 million of branch consolidation charges related to lower of cost or market adjustments on owned branch property, terminated ground leases and impairment of other equipment. The charges were driven primarily by Regions decision to consolidate approximately 40 branches. Regions expects to realize future net cost savings of approximately $19 million on an annual basis as a result of the consolidations.

FDIC Premiums

FDIC premiums decreased in 2011 by $3 million to $217 million. FDIC premiums were impacted by a new assessment rule in 2011, which revised the deposit insurance assessment system for large institutions. The new rule changed the assessment base from deposits as the basis and utilizes a risk-based approach which calculates the assessment using average consolidated assets minus average tangible equity. Implementation of the new rule was effective beginning in the second quarter of 2011. The bank regulatory agencies ratings, comprised of Regions Bank s capital, asset quality, management, earnings, liquidity and sensitivity to risk, along with certain financial ratios are used in determining FDIC insurance premiums. For further information, see discussion of Deposit Insurance in the Supervision and Regulation section of Item 1 of this Form 10-K.

Loss on Early Extinguishment of Debt

During 2010, Regions prepaid approximately $2.0 billion of FHLB advances, realizing a $108 million pre-tax loss on early extinguishment. These extinguishments were part of the Company s asset/liability management process.

Regulatory Charge

During the second quarter of 2010, the SEC, a joint state task force of state securities regulators and FINRA announced that they were commencing administrative proceedings against Morgan Keegan, Morgan Asset Management and certain of their employees for violations of federal and state securities laws and NASD rules relating to certain mutual funds previously administered by Morgan Keegan and Morgan Asset Management. Based on the status of settlement negotiations, Regions concluded that a loss on the matter was probable and reasonably estimable. Accordingly, at June 30, 2010, Regions recorded a $200 million charge representing the estimate of probable loss. Of this amount, $75 million was from continuing operations and $125 million was from discontinued operations. The charges were settled during the second quarter of 2011.

Goodwill Impairment

As a result of the process of selling Morgan Keegan, Regions 2011 results include a non-cash goodwill impairment charge of $731 million (net of $14 million income tax impact) within the investment banking/brokerage/trust segment. Based on a relative fair value allocation, $478 million was recorded within discontinued operations and $253 million within continuing operations. The goodwill impairment charge is a non-cash item which does not have an adverse impact on regulatory capital. Refer to Note 9 in the footnotes to the consolidated financial statements for further details.

Other Miscellaneous Expenses

Other miscellaneous expenses include communications, postage, supplies, credit-related costs and business development services. Other miscellaneous expenses decreased $24 million to $616 million in 2011, reflecting the Company controlling discretionary costs.

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INCOME TAXES

The Company s income tax benefit from continuing operations for 2011 was $28 million compared to a tax benefit of $376 million in 2010, resulting in an effective tax rate of (17.4) percent and 44.5 percent, respectively. The decrease in the income tax benefit was primarily a result of positive consolidated pre-tax earnings and the goodwill impairment.

The Company s effective tax rate is affected by recurring items such as affordable housing tax credits, bank-owned life insurance and tax-exempt income, which are expected to be 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.

For 2011, the Company recorded an income tax benefit from discontinued operations of $4 million. In 2011, a regulatory settlement was finalized and a portion was determined to be deductible for income tax purposes. This settlement resulted in a $27 million income tax benefit to discontinued operations. In addition, the $492 million goodwill impairment reflected in 2011 discontinued operations resulted in a $14 million income tax benefit. The 2010 regulatory charge of $125 million reflected in discontinued operations was considered to be non-deductible at the time of the accrual.

At December 31, 2011, the Company reported a net deferred tax asset of $1.3 billion. Of this amount, $857 million was generated from differences between the financial statement carrying amounts and the corresponding tax bases of assets and liabilities, of which a significant portion relates to the allowance for loan losses. These net deferred tax assets have not yet reduced taxable income and therefore do not have a set expiration date. The remaining $429 million net deferred tax asset balance relates to tax carryforwards that have defined expiration dates which are typically 15 or 20 years from the date of creation. Of the $429 million, $87 million of this deferred tax asset is related to tax carryforwards that have expiration dates prior to the tax year 2024. Additional details related to tax carryforwards, including more information regarding the expiration of various categories of carryforwards, is included in Note 19 Income Taxes to the consolidated financial statements.

Management s determination of the realization of the net deferred tax asset is 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 making a conclusion, management has evaluated all available positive and negative evidence impacting these sources of taxable income. The primary sources of positive and negative evidence impacting taxable income are summarized below.

Positive Evidence

History of earnings The Company has a strong history of generating earnings and has demonstrated positive earnings in 16 of the last 20 years. Absent the goodwill impairments during 2011 and 2008, which had limited impact on taxable net income reported on the Company s tax returns, the Company would have generated positive earnings during these years leaving only 2009 and 2010 in loss positions. The Company did not generate any federal net operating losses or tax credit carryforwards until 2009, and in 2011 the Company utilized all federal net operating losses and a portion of the federal tax credit carryforwards. There is no history of significant tax carryforwards expiring unused.

Reversals of taxable temporary differences The Company anticipates that future reversals of taxable temporary differences, including the accretion of taxable temporary differences related to leveraged leases acquired in a prior business combination can absorb up to approximately $850 million of deferred tax assets.

Creation of future taxable income At December 31, 2011, the Company utilized all taxable income in prior carryback years. 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. The taxable income forecasting process utilizes the forecasted pre-tax earnings and adjusts for book-tax

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differences that will be exempt from taxation, primarily tax-exempt interest income and bank-owned life insurance, as well as temporary book-tax differences including the allowance for loan losses. The projections relied upon for this process are consistent with those used from the Company s financial forecasting process.

Strong capital position At December 31, 2011, the Company had a Tier 1 capital ratio of 13.28 percent, substantially above the 6.0 percent minimum standard to be well capitalized. Also, the Total capital ratio of 16.99 percent substantially exceeds the 10.0 percent minimum standard to be well capitalized. The Company s Tier 1 common ratio (non-GAAP) was 8.5 percent at December 31, 2011 (see Table 2 GAAP to Non-GAAP Reconciliation for further details). The Board of Governors of the Federal Reserve System has proposed 5 percent as the level of Tier 1 common capital sufficient to withstand adverse economic scenarios.

Ability to implement tax-planning strategies The Company has the ability to implement tax planning strategies to maximize the realization of deferred tax assets, such as the sale of assets. As an example, at December 31, 2011, the Company s portfolio of securities available for sale had $532 million of gross unrealized pre-tax gains which could accelerate the recognition of the associated taxable temporary differences, which management would consider being a tax planning strategy to maximize the realization of the deferred tax assets that may expire unutilized.

Negative Evidence

Cumulative loss position The Company is currently in a three-year cumulative loss position. Excluding the goodwill impairment in 2011 and a portion of the regulatory charge taken in 2010, as these items are nondeductible for income tax purposes, the cumulative continuing operations pre-tax loss position for 2009 through 2011 is $1.7 billion. The cumulative loss has resulted from the unprecedented provision for loan losses of $7.9 billion during these periods, which management believes will continue to be reduced in future periods. During 2011, the provision for loan losses decreased $1.4 billion to $1.5 billion, as compared to the provision for loan losses of $2.9 billion in 2010. Additionally, absent the goodwill impairment, Regions would have reported positive net income available to common shareholders for 2011, providing positive evidence regarding the Company s earnings.

The Company believes the positive evidence, when considered in its entirety, outweighs the negative evidence of recent pre-tax losses.

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

BALANCE SHEET ANALYSIS

At December 31, 2011, Regions reported total assets of $127.1 billion compared to $132.4 billion at the end of 2010, a decrease of approximately $5.3 billion or 4 percent. Loans, net of unearned income, declined approximately $5.3 billion, primarily related to the investor real estate segment. Goodwill declined between years as a result of the goodwill impairment recognized in the Investment/Banking/Brokerage/Trust segment related to the process of selling Morgan Keegan as further discussed in Note 9 Intangible Assets. Other assets also declined between years due to variations in settlements of securities sales. Offsetting these declines was an approximate $1.2 billion increase in securities available for sale.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks (including the Federal Reserve Bank), and Federal funds sold and securities purchased under agreements to resell (which have a life of 90 days or less). At December 31, 2011, these assets totaled $7.2 billion as compared to

$6.9 billion at December 31, 2010. The year-over-year increase was primarily driven by an increase in cash and due from banks slightly offset by a decrease in federal funds sold and securities purchased under agreements to resell.

Trading Account Assets

Trading account assets increased $150 million to $1.3 billion at December 31, 2011. The trading account assets are primarily held at Morgan Keegan. As discussed above, early in 2012, Regions entered into an agreement to sell Morgan Keegan. Also included in trading account assets are securities held in rabbi trusts related to deferred compensation plans. Trading account assets are carried at fair value with changes in fair value reflected in the consolidated statements of operations.

Table 7 Trading Account Assets

	December 31 2011	December 31 2010
	(In millions)	
Trading account assets:		
U.S. Treasury and Federal agency securities	$ 624	$ 370
Obligations of states and political subdivisions	240	355
Other securities	402	391
	$ 1,266	$ 1,116

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 portfolio consists primarily of high-quality mortgage-backed and asset-backed securities. Securities represented 19 percent of total assets at December 31, 2011 compared to 18 percent at December 31, 2010. In 2011, total securities, which are almost entirely classified as available for sale, increased $1.2 billion, or 5 percent.

The Market Risk-Interest Rate Risk section, found later in this report, further explains Regions interest rate risk management practices. The weighted-average yield earned on securities, less equities, was 2.91 percent in 2011 and 3.42 percent in 2010. Table 8 Securities illustrates the carrying values of total securities by category.

Table 8 Securities

	December 31 2011	December 31 2010
	(In millions)	
U.S. Treasury securities	$ 102	$ 96
Federal agency securities	150	21
Obligations of states and political subdivisions	36	30
Mortgage-backed securities:		
Residential agency	22,184	21,857
Residential non-agency	16	22
Commercial agency	326	112
Commercial non-agency	321	100
Corporate and other debt securities	537	27
Equity securities	815	1,048
	$ 24,487	$ 23,313

In conjunction with the Company s asset/liability management process, during 2011, Regions sold agency securities available for sale and reinvested the proceeds predominantly into similar securities with shorter durations. Additionally, during the second half of 2011, Regions purchased approximately $493 million of corporate bonds in an effort to increase diversification in the investment portfolio and reduce exposure to mortgage refinance risk through a sector that has an attractive risk and return profile. During 2011, Regions sold approximately $7.9 billion of securities and recognized approximately $112 million in net gains.

Net unrealized gains and losses in the securities available for sale portfolio are included in stockholders equity as accumulated other comprehensive income or loss, net of tax. At December 31, 2011, securities available for sale included a net unrealized gain of $514 million, which represented the difference between the estimated fair value of these securities as of year-end and their amortized cost. The net unrealized gain represents $532 million in gross unrealized gains and $18 million in gross unrealized losses. At December 31, 2010, securities available for sale included a net unrealized gain of $120 million, comprised of $283 million in gross unrealized gains and $163 million in gross unrealized losses.

The Company reviews its securities portfolio on a regular basis to determine if there are any conditions indicating that a security has other-than-temporary impairment. Factors considered in this determination include the length of time and the extent to which the market value has been below cost, the credit standing of the issuer, Regions intent to sell and whether it is more likely than not that the Company will have to sell the security before its market value recovers. During 2011, Regions recognized in earnings approximately $2 million of securities impairments, related to equity securities. During 2010, Regions recognized in earnings approximately $2 million of securities impairments, related to equity and other debt securities. See Note 4 Securities to the consolidated financial statements for further details.

Maturity Analysis The average life of the securities portfolio (excluding equities) at December 31, 2011 was estimated to be 3.9 years, with a duration of approximately 2.1 years. These metrics compare with an estimated average life of 6.6 years, with a duration of approximately 3.4 years for the portfolio at December 31, 2010. Table 9 Relative Contractual Maturities and Weighted-Average Yields for Securities provides additional details.

Table 9 Relative Contractual Maturities and Weighted-Average Yields for Securities

	Securities Maturing as of December 31, 2011				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
			(Dollars in millions)		
Securities:					
U.S. Treasury securities	$ 59	$ 39	$ 3	$ 1	$ 102
Federal agency securities	3	139	5	3	150
Obligations of states and political subdivisions	2	6	6	22	36
Mortgage-backed securities					
Residential agency	3	70	1,414	20,697	22,184
Residential non-agency				16	16
Commercial agency			57	269	326
Commercial non-agency		35	46	240	321
Corporate and other debt securities	6	123	309	99	537
	$ 73	$ 412	$ 1,840	$ 21,347	$ 23,672
Weighted-average yield	0.40%	2.89%	2.99%	2.91%	2.91%

Notes:

1. The weighted-average yields are calculated on the basis of the yield to maturity based on the book value of each security. Weighted-average yields on tax-exempt obligations have been computed on a fully-taxable equivalent basis using a tax rate of 35 percent. Taxable-equivalent adjustments for the calculation of yields amounted to zero as of December 31, 2011. 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.

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

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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 97 percent of the investment portfolio at December 31, 2011. All other securities rated below AAA, not backed by the U.S. Government or government sponsored agencies, or which are not rated represented less than 3 percent of total securities at year-end 2011.

Loans Held for Sale

At December 31, 2011, loans held for sale totaled $1.2 billion, consisting of $844 million of residential real estate mortgage loans and $328 million of non-performing investor real estate loans. At December 31, 2010, loans held for sale totaled $1.5 billion, consisting of $1.2 billion of residential real estate mortgage loans and $304 million of non-performing investor real estate loans. The level of residential real estate mortgage loans held for sale fluctuates depending on the timing of origination and sale to third parties.

Loans

GENERAL

Average loans, net of unearned income, represented 72 percent of average interest-earning assets from continuing operations for the year ended December 31, 2011, compared to 74 percent for the year ended December 31, 2010. Lending at Regions is generally organized along three portfolio segments: commercial (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).

Regions manages loan growth with a focus on risk management and risk-adjusted return on capital. Strategic decisions to reduce the concentration in investor real estate, sales of residential mortgage loans, and lower demand for home equity products were the primary contributors to the decrease. The decrease was partially offset by increases in commercial and industrial loans and indirect automobile lending as well as the purchase of Regions-branded credit card loans during the second quarter of 2011.

Table 10 illustrates a year-over-year comparison of loans by portfolio segment and class and Table 11 provides information on selected loan maturities.

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Table 10 Loan Portfolio

	2011	2010	2009	2008
	(In millions, net of unearned income)			
Commercial and industrial	$ 24,522	$ 22,540	$ 21,547	$ 23,596
Commercial real estate mortgage owner occupied	11,166	12,046	12,054	11,722
Commercial real estate construction owner occupied	337	470	751	1,605
Total commercial	36,025	35,056	34,352	36,923
Commercial investor real estate mortgage	9,702	13,621	16,109	14,486
Commercial investor real estate construction	1,025	2,287	5,591	9,029
Total investor real estate	10,727	15,908	21,700	23,515
Residential first mortgage	13,784	14,898	15,632	15,839
Home equity	13,021	14,226	15,381	16,130
Indirect	1,848	1,592	2,452	3,854
Consumer credit card	987			
Other consumer	1,202	1,184	1,157	1,158
Total consumer	30,842	31,900	34,622	36,981
	$ 77,594	$ 82,864	$ 90,674	$ 97,419

	2007
	(In millions, net of unearned income)
Commercial and industrial	$ 20,907
Commercial real estate [(1)]	23,107
Commercial real estate construction [(1)]	13,302
Residential first mortgage	16,960
Home equity	14,962
Indirect	3,938
Other consumer	2,203
	$ 95,379

(1) Breakout of commercial real estate mortgage and construction between owner occupied and investor categories is not available for periods prior to 2008.

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Table 11 Selected Loan Maturities

	Loans Maturing as of December 31, 2011 (2)			
	Within One Year	After One But Within Five Years	After Five Years	Total
	(In millions)			
Commercial and industrial (1)	$ 5,511	$ 14,613	$ 4,269	$ 24,393
Commercial real estate mortgage owner-occupied	1,965	5,913	3,288	11,166
Commercial real estate construction owner-occupied	39	126	172	337
Total commercial	7,515	20,652	7,729	35,896
Commercial investor real estate mortgage	4,811	4,253	638	9,702
Commercial investor real estate construction	605	396	24	1,025
Total investor real estate	5,416	4,649	662	10,727
	$ 12,931	$ 25,301	$ 8,391	$ 46,623

	Predetermined Rate	Variable Rate
	(In millions)	
Due after one year but within five years	$ 5,894	$ 19,407
Due after five years	4,087	4,304
	$ 9,981	$ 23,711

(1) Excludes $129 million of small business credit card accounts.

(2) Table 11 excludes residential first mortgage, home equity, indirect and other consumer loans.

The following sections describe the composition of the portfolio segments and classes in Table 10 and explain variations in balances from the 2010 year-end. 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 also includes owner-occupied commercial real estate loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. Owner-occupied construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower. During 2011, total commercial loan balances increased $969 million, or 3 percent, driven by growth experienced in specialized industry groups.

Investor Real Estate Loans for real estate development are repaid through cash flow related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions investor real estate portfolio segment is comprised of loans secured by residential product types (land, single-family and condominium loans) within Regions markets. Additionally, this category includes loans made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. The investor real estate loan segment decreased $5.2 billion from 2010 balances primarily due to strategic decisions to reduce the concentration in investor real estate in response to credit risk and economic pressure.

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

$1.1 billion decline to $13.8 billion in

2011, primarily due to lower mortgage origination volume reflecting decreased refinance activity in 2011 as compared to 2010. Mortgage originations totaled $6.3 billion in 2011 as compared to $8.2 billion in 2010. Refer to Note 6 Allowance for Credit Losses to the consolidated financial statements for additional discussion.

Home Equity Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower s residence, allows customers to borrow against the equity in their home. Substantially all of this portfolio was originated through Regions branch network. During 2011, home equity balances decreased $1.2 billion to $13.0 billion, driven by the continued general decline in demand and lower property valuations across the Company s operating footprint. During 2011, credit quality within the home equity portfolio continued to reflect pressure, but total charge-offs during 2011 decreased as compared to 2010. However, losses in Florida based-credits where the collateral is a second lien remained at elevated levels, as unemployment levels remain high and property valuations in certain markets have continued to experience ongoing deterioration. More information related to these developments is included in the Home Equity discussion below.

Indirect Indirect lending, which is lending initiated through third-party business partners, is largely comprised of loans made through automotive dealerships. This portfolio class increased $256 million, or 16 percent in 2011, reflecting growth from the late 2010 re-entry into the indirect auto lending business.

Consumer Credit Card During the second quarter of 2011, Regions completed the purchase of approximately $1.0 billion of Regions-branded consumer credit card accounts from FIA Card Services. The products are primarily open-ended variable interest rate consumer credit card loans.

Other Consumer Other consumer loans include direct consumer installment loans, overdrafts and other revolving credit, and educational loans. Other consumer loans totaled $1.2 billion at December 31, 2011, relatively unchanged from the prior year.

CREDIT QUALITY

Weak economic conditions, including declining property values and high levels of unemployment, impacted the credit quality of Regions loan portfolio. Investor real estate loans and home equity products (particularly Florida second lien see Table 14) carry a higher risk of non-collection than many other loans.

The following chart presents details of Regions $10.7 billion investor real estate portfolio as of December 31, 2011 (dollars in billions):

LAND, SINGLE-FAMILY AND CONDOMINIUM

Credit quality of the investor real estate portfolio segment is sensitive to risks associated with construction loans such as cost overruns, project completion risk, general contractor credit risk, environmental and other hazard risks, and market risks associated with the sale or rental of completed properties. Certain components of the investor real estate portfolio segment carry a higher risk of non-collection. While losses within these loan types were influenced by conditions described above, the most significant drivers of losses were the continued decline in demand for residential real estate and in the value of property. The land, single-family and condominium components of the investor real estate portfolio segment are particularly affected by these risks and conditions.

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The following table presents credit metrics for land, single-family and condominium loans:

Table 12 Land, Single-family and Condominium

	December 31 2011	December 31 2010
	(Dollars in millions, net of unearned income)	
Land		
Loan balance	$ 857	$ 1,640
Accruing loans 90 days past due	1	1
Non-accruing loans*	203	476
Non-accruing %*	23.7%	29.0%
Single-family		
Loan balance	$ 816	$ 1,236
Accruing loans 90 days past due	2	3
Non-accruing loans*	133	290
Non-accruing %*	16.3%	23.5%
Condominium		
Loan balance	$ 151	$ 308
Accruing loans 90 days past due	1	
Non-accruing loans*	36	92
Non-accruing %*	23.8%	29.9%

*Excludes non-accruing loans held for sale.

Regions has reduced exposures in these product types through pro-active workouts, appropriate charge-offs, and asset dispositions.

MULTI-FAMILY AND RETAIL

In recent years, loans within the multi-family and retail components of the investor real estate portfolio segment experienced increased pressure. Continued weak economic conditions impacted demand for products and services in these sectors. Lower demand impacted cash flows generated by these properties, leading to a higher rate of non-collection for these types of loans.

The following table presents credit metrics for multi-family and retail loans:

Table 13 Multi-family and Retail

	December 31 2011	December 31 2010
	(Dollars in millions, net of unearned income)	
Multi-family		
Loan balance	$ 2,643	$ 4,241
Accruing loans 90 days past due	7	1
Non-accruing loans*	131	239
Non-accruing %*	5.0%	5.6%
Retail		
Loan balance	$ 2,223	$ 3,099
Accruing loans 90 days past due	1	
Non-accruing loans*	151	177

Non-accruing %*	6.8%	5.7%

* Excludes non-accruing loans held for sale.

Strategic reductions in investor real estate exposures as discussed above, related to land, single-family and condominium loans also drove the year-over-year decreases in multi-family and retail loans.

Asset dispositions as referred to under the discussion of land, single-family and condominium, as well as multi-family and retail, may occur in several forms. Typical transactions are instances where a third party guarantor pays off a note at a discounted price or an actual sale of the note. Regions sells to strategic buyers (e.g., local developers or the note guarantor) interested in the underlying collateral who may be willing to pay more for a note or rights to collateral backing a note than other market participants. Regions has also sold loans to financial buyers such as distressed debt funds. In addition to note sales, Regions may also allow the borrower to sell the underlying collateral, apply the proceeds to the note, and charge-off the remaining balance. Regions does not sell loans, foreclosed properties or other problem assets to structured entities or other entities where Regions has an ownership interest.

HOME EQUITY

The home equity portfolio totaled $13.0 billion at December 31, 2011 as compared to $14.2 billion at December 31, 2010. Substantially all of this portfolio was originated through Regions branch network. Losses in this portfolio generally track overall economic conditions. The main source of economic stress has been in Florida, where residential property values have declined significantly while unemployment rates remain high. Losses in Florida where Regions is in a second lien position are higher than first lien losses.

The following tables provide details related to the home equity portfolio:

Table 14 Selected Home Equity Portfolio Information

	Year Ended December 31, 2011								
	Florida			All Other States			Total		
	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total
	(Dollars in millions)								
Balance	$ 1,973	$ 2,786	$ 4,759	$ 3,912	$ 4,350	$ 8,262	$ 5,885	$ 7,136	$ 13,021
Net Charge-offs	45	177	222	30	77	107	75	254	329
Net Charge-off % (1)	2.21%	5.96%	4.44%	0.75%	1.67%	1.24%	1.24%	3.35%	2.41%

	Year Ended December 31, 2010								
	Florida			All Other States			Total		
	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total	1st Lien	2nd Lien	Total
	(Dollars in millions)								
Balance	$ 2,074	$ 3,167	$ 5,241	$ 4,139	$ 4,846	$ 8,985	$ 6,213	$ 8,013	$ 14,226
Net Charge-offs	56	237	293	34	87	121	90	324	414
Net Charge-off % (1)	2.66%	7.12%	5.38%	0.80%	1.71%	1.30%	1.42%	3.85%	2.80%

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

Net charge-offs were an annualized 2.41 percent of home equity loans for the year ended December 31, 2011 compared to an annualized 2.80 percent for the year ended December 31, 2010. Losses in Florida-based credits remained at elevated levels, but the related net charge-off percentage did decrease to 4.44 percent for the year ended December 31, 2011 from 5.38 percent for the year ended December 31, 2010. Home equity losses have decreased during 2011 due to improvement in unemployment rates which, although high, are lower than prior levels.

Of the $13.0 billion home equity portfolio at December 31, 2011, approximately $11.6 billion were home equity lines of credit and $1.4 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

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repayment period. Previously, the 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, 2011, none of Regions home equity lines of credit have converted to mandatory amortization under the contractual terms. The vast majority of home equity lines of credit will convert to amortizing status after fiscal year 2020.

Of the $11.6 billion of home equity lines of credit as of December 31, 2011, approximately 90 percent require monthly interest-only payments while the remaining approximately 10 percent require a payment equal to 1.5 percent of the outstanding balance, which would include some principal repayment. As of December 31, 2011, approximately 30 percent of borrowers were only paying the minimum amount due on the home equity line. In addition, approximately 54 percent of the home equity lines of credit balances have the option to amortize either all or a portion of their balance. As of December 31, 2011, approximately $537 million of the home equity lines of credit balances have elected this option.

Regions home equity loans have higher default and delinquency rates than home equity lines of credit, which is expected at origination of the loans, due to more stringent underwriting guidelines for a line of credit versus a loan reflecting the nature of the credit being extended. Therefore, home equity loans secured with a second lien are expected to and do have higher delinquency and loss rates than home equity lines of credit with a second lien. In the current environment, second liens in areas experiencing declines in home prices, such as Florida, perform similar to an unsecured portfolio.

Regions is unable to track payment status on first liens held by another institution, including payment status related to loan modifications. When Regions second lien position becomes delinquent, an attempt is made to contact the first lien holder and inquire as to the payment status of the first lien. However, Regions does not continuously monitor the payment status of the first lien position. Short sale offers and settlement agreements are often received by the home equity junior lien holders well before the loan balance reaches the delinquency threshold for charge-off consideration, potentially resulting in a full balance payoff/charge-off.

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 the Federal Housing Finance Agency (FHFA). The FHFA data indicates trends for Metropolitan Statistical Areas (MSA). Regions uses the FHFA valuation trends from the MSA s 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 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. The balances in the Above 100% category have increased between December 31, 2010 and 2011 as a result of continued declines in residential real estate values.

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Table 15 Estimated Current Loan to Value Ranges

	December 31, 2011		December 31, 2010	
	Residential First Mortgage	Home Equity	Residential First Mortgage	Home Equity
	(In millions)			
Estimated current loan to value:				
Above 100%	$ 1,854	$ 2,157	$ 1,515	$ 1,839
80% - 100%	2,951	2,568	2,746	2,775
Below 80%	8,483	7,180	10,044	8,261
Data not available	496	1,116	593	1,351
	$ 13,784	$ 13,021	$ 14,898	$ 14,226

Regions qualitatively considers factors such as periodic updates of FICO scores, unemployment, home prices, and geography as credit quality indicators for consumer loans. FICO scores are obtained at origination as part of Regions formal underwriting process. Refreshed FICO scores are obtained by the Company quarterly for all revolving accounts and home equity lines of credit and semi-annually for all other consumer loans. Regions considers FICO scores less than 620 to be indicative of higher credit risk and obtains additional collateral in most of these instances. The following table presents estimated current FICO score data for components of classes of the consumer portfolio segment. Current FICO data is not available for the remaining loans in the portfolio for various reasons; for example, if customers do not use sufficient credit, an updated score may not be available. For purposes of the table above, 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. Residential first mortgage and home equity balances with FICO scores below 620 improved from approximately 9.8 percent at December 31, 2010 to approximately 8.7 percent at December 31, 2011.

Table 16 Estimated Current FICO Score Ranges

	December 31, 2011				
	Residential First Mortgage	Home Equity	Indirect	Consumer Credit Card	Other Consumer
	(In millions)				
Below 620	$ 1,449	$ 873	$ 191	$ 56	$ 106
620 - 680	1,286	1,157	281	129	142
681-720	1,557	1,559	274	236	162
Above 720	8,441	8,576	858	561	383
Data not available	1,051	856	244	5	409
	$ 13,784	$ 13,021	$ 1,848	$ 987	$ 1,202

	December 31, 2010				
	Residential First Mortgage	Home Equity	Indirect	Consumer Credit Card	Other Consumer
	(In millions)				
Below 620	$ 1,751	$ 1,115	$ 191	$	$ 128
620 - 680	1,518	1,242	198		145
681-720	1,822	1,687	197		162
Above 720	6,925	9,368	775		406
Data not available	2,882	814	231		343
	$ 14,898	$ 14,226	$ 1,592	$	$ 1,184

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Allowance for Credit Losses

The allowance for credit losses represents management s estimate of credit losses inherent in the portfolio. The allowance for credit losses consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. Management s assessment of the appropriateness of the allowance for credit losses is based on a combination of both these components. At December 31, 2011, the allowance for credit losses totaled $2.8 billion or 3.64 percent of loans, net of unearned income, compared to $3.3 billion or 3.93 percent at year-end 2010. See Note 6 to the consolidated financial statements and the Credit Risk section found later in this report for a detailed discussion of the allowance.

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

Table 17 Allowance for Credit Losses

	2011	2010	2009	2008
		(In millions)		
Allowance for loan losses at January 1	$ 3,185	$ 3,114	$ 1,826	$ 1,321
Loans charged-off:				
Commercial and industrial	294	429	384	235
Commercial real estate mortgage owner-occupied	248	225	89	60
Commercial real estate construction owner-occupied	8	25	19	12
Commercial investor real estate mortgage	685	879	590	328
Commercial investor real estate construction	195	565	488	556
Residential first mortgage	220	240	206	83
Home equity	353	432	442	243
Indirect	23	34	68	56
Consumer credit card	13			
Other consumer	68	83	83	66
	2,107	2,912	2,369	1,639
Recoveries of loans previously charged-off:				
Commercial and industrial	36	33	28	26
Commercial real estate mortgage owner-occupied	14	11	6	5
Commercial real estate construction owner-occupied		1	1	2
Commercial investor real estate mortgage	27	14	8	4
Commercial investor real estate construction	6	10	4	3
Residential first mortgage	3	2	4	2
Home equity	25	18	27	17
Indirect	10	15	21	15
Other consumer	16	16	17	18
	137	120	116	92
Net charge-offs:				
Commercial and industrial	258	396	356	209
Commercial real estate mortgage owner-occupied	234	214	83	55
Commercial real estate construction owner-occupied	8	24	18	10
Commercial investor real estate mortgage	658	865	582	324
Commercial investor real estate construction	189	555	484	553
Residential first mortgage	217	238	202	81
Home equity	328	414	415	226
Indirect	13	19	47	41
Consumer credit card	13			
Other consumer	52	67	66	48
	1,970	2,792	2,253	1,547
Allowance allocated to sold loans and loans transferred to loans held for sale				(5)
Provision for loan losses	1,530	2,863	3,541	2,057
Allowance for loan losses at December 31	$ 2,745	$ 3,185	$ 3,114	$ 1,826
Reserve for unfunded credit commitments at January 1	$ 71	$ 74	$ 74	$ 58
Provision (credit) for unfunded credit commitments	7	(3)		16
Reserve for unfunded credit commitments at December 31	$ 78	$ 71	$ 74	$ 74

Allowance for credit losses	$ 2,823	$ 3,256	$ 3,188	$ 1,900
Loans, net of unearned income, outstanding at end of period	$ 77,594	$ 82,864	$ 90,674	$ 97,419
Average loans, net of unearned income outstanding for the period	$ 80,673	$ 86,660	$ 94,523	$ 97,601
Ratios:				
Allowance for loan losses at end of period to loans, net of unearned income	3.54%	3.84%	3.43%	1.87%
Allowance for loan losses at end of period to non-performing loans, excluding loans held for sale	1.16x	1.01x	0.89x	1.74x
Net charge-offs as percentage of:				
Average loans, net of unearned income	2.44%	3.22%	2.38%	1.59%
Provision for loan losses	128.8	97.5	63.6	75.2

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		2007 (In millions)
Allowance for loan losses at January 1	$	1,056
Loans charged-off:		
Commercial and industrial		103
Commercial real estate [(1)]		39
Construction		33
Residential first mortgage		20
Home equity		54
Indirect		36
Other consumer		83
		368
Recoveries of loans previously charged-off:		
Commercial and industrial		30
Commercial real estate [(1)]		9
Construction		2
Residential first mortgage		1
Home equity		13
Indirect		16
Other consumer		26
		97
Net charge-offs:		
Commercial and industrial		73
Commercial real estate [(1)]		30
Construction		31
Residential first mortgage		19
Home equity		41
Indirect		20
Other consumer		57
		271
Allowance allocated to sold loans and loans transferred to loans held for sale		(19)
Provision for loan losses from continuing operations		555
Allowance for loan losses at December 31	$	1,321
Reserve for unfunded credit commitments at January 1	$	52
Provision for unfunded credit commitments		6
Reserve for unfunded credit commitments at December 31	$	58
Allowance for credit losses	$	1,379
Loans, net of unearned income, outstanding at end of period	$	95,379
Average loans, net of unearned income outstanding for the period	$	94,372
Ratios:		
Allowance for loan losses at end of period to loans, net of unearned income		1.39%
Allowance for loan losses at end of period to non-performing loans, excluding loans held for sale		1.78x
Net charge-offs as percentage of:		
Average loans, net of unearned income		0.29%
Provision for loan losses		48.8%

(1) Breakout of commercial real estate mortgage and construction between owner occupied and investor categories is not available for periods prior to 2008.

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Based on current expectations for the economy, management anticipates that net loan charge-offs will decrease in 2012, but continue at an elevated level for the near future. Economic trends such as real estate valuations, interest rates and unemployment will impact the future levels of net charge-offs and provision for loan losses.

Regions recorded an allowance for loan losses and related premium of approximately $84 million related to its purchase of credit card accounts during the second quarter of 2011. In the fourth quarter of 2011, Regions reclassified the $84 million allowance and premium as an adjustment to the basis of the loans. The impact of these reclassification entries was not material to the consolidated financial statements.

Table 18 Allocation of the Allowance for Loan Losses

	2011		2010		2009		2008	
	Allocation Amount	% of Total	Allocation Amount	% of Total	Allocation Amount	% of Total	Amount Allocation	% of Total
	(Dollars in millions)							
Commercial and industrial	$ 586	21.3%	$ 641	20.1%	$ 638	20.5%	$ 466	25.5%
Commercial real estate mortgage owner-occupied	427	15.6	395	12.4	328	10.5	172	9.4
Commercial real estate construction owner-occupied	17	0.6	19	0.6	37	1.2	48	2.6
Total commercial	1,030	37.5	1,055	33.1	1,003	32.2	686	37.5
Commercial investor real estate mortgage	784	28.6	1,030	32.3	929	29.8	403	22.1
Commercial investor real estate construction	207	7.5	340	10.7	536	17.2	369	20.2
Total investor real estate	991	36.1	1,370	43.0	1,465	47.0	772	42.3
Residential first mortgage	282	10.3	295	9.3	213	6.9	87	4.8
Home equity	356	13.0	414	13.0	374	12.0	235	12.9
Indirect	17	0.6	17	0.5	26	0.8	28	1.5
Consumer credit card	37	1.3						
Other consumer	32	1.2	34	1.1	33	1.1	18	1.0
	$ 2,745	100.0%	$ 3,185	100.0%	$ 3,114	100.0%	$ 1,826	100.0%

	2007	
	Allocation Amount	% of Total
	(Dollars in millions)	
Commercial and industrial	$ 295	22.3%
Commercial real estate (1)	411	31.1
Construction (1)	348	26.4
Residential first mortgage	89	6.7
Home equity	95	7.2
Indirect	52	3.9
Other consumer	31	2.4
	$ 1,321	100.0%

(1) Breakout of commercial real estate mortgage and construction between owner-occupied and investor categories is not available for periods prior to 2008.

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TROUBLED DEBT RESTRUCTURINGS

Residential first mortgage, home equity and other consumer TDRs are consumer loans modified under the Customer Assistance Program (CAP). Commercial and investor real estate loan modifications are not the result of a formal program, but represent situations where modification was offered as a workout alternative. As a result of clarified accounting guidance that was effective in the third quarter of 2011, renewals of classified commercial and investor real estate loans are considered to be TDRs, even if no reduction in interest rate is offered, because the existing terms are considered to be below market. Refer to Note 6 Allowance For Credit Losses to the consolidated financial statements for detailed information related to identification of TDRs, including the impact of new accounting literature adopted during 2011, loans modified in a TDR during the period and the financial impact of those modifications, and loans which defaulted during the period which were modified in a TDR during the previous twelve months.

The following table summarizes TDRs:

Table 19 Troubled Debt Restructurings

	December 31, 2011		December 31, 2010	
	Loan Balance	Allowance for Credit Losses	Loan Balance	Allowance for Credit Losses
	(In millions)			
Accruing:				
Commercial	$ 492	$ 89	$ 77	$ 5
Investor real estate	995	254	192	4
Residential first mortgage	900	132	813	97
Home equity	407	57	335	42
Other consumer	56	1	66	1
	2,850	533	1,483	149
Non-accrual status or 90 days past due:				
Commercial	353	100	105	23
Investor real estate	473	146	198	20
Residential first mortgage	210	31	240	28
Home equity	33	5	30	4
	1,069	282	573	75
	$ 3,919	$ 815	$ 2,056	$ 224

Notes:

(1) All loans listed in the table above are considered impaired under applicable accounting literature.

(2) Net charge-offs on commercial TDRs were approximately $46 million and $72 million for the years ended December 31, 2011 and 2010, respectively.

Net charge-offs on investor real estate TDRs were approximately $44 million and $63 million for the years ended December 31, 2011 and 2010, respectively.

Net charge-offs on residential first mortgage TDRs were approximately $103 million and $109 million for the years ended December 31, 2011 and 2010, respectively.

Net charge-offs on home equity TDRs were approximately $41 million for the years endeds December 31, 2011 and 2010.

Net charge-offs on other consumer TDRs were approximately $6 million and $7 million for the years ended December 31, 2011 and 2010, respectively.

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Non-Performing Assets

Non-performing assets consist of loans on non-accrual status and foreclosed properties and are summarized as follows:

Table 20 Non-Performing Assets

	2011	2010	2009	2008
		(Dollars in millions)		
Non-performing loans:				
Commercial and industrial	$ 457	$ 467	$ 427	$ 176
Commercial real estate mortgage owner-occupied	590	606	560	157
Commercial real estate construction owner-occupied	25	29	50	26
Total commercial	1,072	1,102	1,037	359
Commercial investor real estate mortgage	734	1,265	1,203	292
Commercial investor real estate construction	180	452	1,067	273
Total investor real estate	914	1,717	2,270	565
Residential first mortgage	250	285	180	125
Home equity	136	56	1	3
Total non-performing loans, excluding loans held for sale	2,372	3,160	3,488	1,052
Non-performing loans held for sale	328	304	317	423
Total non-performing loans (1)	2,700	3,464	3,805	1,475
Foreclosed properties	296	454	607	243
Total non-performing assets (1)	$ 2,996	$ 3,918	$ 4,412	$ 1,718
Accruing loans 90 days past due:				
Commercial and industrial	$ 28	$ 9	$ 24	$ 14
Commercial real estate mortgage owner-occupied	9	6	16	9
Commercial real estate construction owner-occupied		1	2	3
Total commercial	37	16	42	26
Commercial investor real estate mortgage	13	5	22	12
Commercial investor real estate construction		1	8	12
Total investor real estate	13	6	30	24
Residential first mortgage	284	359	361	275
Home equity	93	198	241	214
Indirect	2	2	6	8
Consumer credit card	14			
Other consumer	4	4	8	7
	$ 447	$ 585	$ 688	$ 554
Restructured loans not included in the categories above	$ 2,850	$ 1,483	$ 1,608	$ 455
Non-performing loans (1) to loans and non-performing loans held for sale (2)	3.47%	4.17%	4.18%	1.51%
Non-performing assets (1) to loans, foreclosed properties and non-performing loans held for sale (2)	3.83%	4.69%	4.82%	1.75%

(1) Exclusive of accruing loans 90 days past due.
(2) Beginning in 2011, non-performing loans and assets ratios include non-performing loans held for sale in the denominator, in addition to portfolio loans and foreclosed properties. Prior years have been revised to conform to current period presentation.

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		2007 (In millions)
Non-performing loans:		
Commercial and industrial	$	92
Commercial real estate [2]		263
Construction [2]		310
Residential first mortgage		72
Home equity		7
Total non-performing loans		744
Foreclosed properties		120
Total non-performing assets [1]	$	864
Non-performing loans [1] to loans		0.78%
Non-performing assets [1] to loans, and foreclosed properties		0.90%
Accruing loans 90 days past due:		
Commercial and industrial	$	12
Commercial real estate [2]		12
Construction [2]		19
Residential first mortgage		155
Home equity		147
Indirect		6
Other consumer		6
	$	357

(1) Exclusive of accruing loans 90 days past due.

(2) Breakout of commercial real estate mortgage and construction between owner occupied and investor categories not available for periods prior to 2008.

Non-performing assets totaled $3.0 billion at December 31, 2011, compared to $3.9 billion at December 31, 2010. Foreclosed properties, a subset of non-performing assets, totaled $296 million and $454 million at December 31, 2011 and December 31, 2010, respectively. The decrease in non-performing assets and foreclosed properties during 2011 reflects the Company s efforts to work through problem assets and reduce the riskiest exposures.

Based on current expectations for the economy, management anticipates non-performing assets to decrease in 2012, but remain elevated as compared to historical levels. Economic trends such as real estate valuations, interest rates and unemployment, as well as the level of disposition activity, will impact the future level of non-performing assets.

Loans past due 90 days or more and still accruing were $447 million at December 31, 2011, a decrease from $585 million at December 31, 2010.

At December 31, 2011, Regions had approximately $500-$600 million of potential problem commercial and investor real estate loans that were not included in non-accrual loans, but for which management had concerns as to the ability of such borrowers to comply with their present loan repayment terms. This is a likely estimate of the amount of loans that may migrate to non-accrual status in the next quarter.

In order to arrive at the estimate of potential problem loans, personnel from geographic regions forecast certain larger dollar loans that may potentially be downgraded to non-accrual at a future time, depending on the occurrence of future events. These personnel consider a variety of factors, including the borrower s capacity and willingness to meet the contractual repayment terms, make principal curtailments or provide additional collateral

when necessary, and provide current and complete financial information including global cash flows, contingent liabilities and sources of liquidity. A probability weighting is assigned to the listing of loans due to the inherent level of uncertainty related to potential actions that a borrower or guarantor may take to prevent the loan from reaching problem status. Regions assigns the probability weighting based on an assessment of the likelihood that the necessary actions required to prevent problem loan status will occur. Additionally, for other loans (for example, smaller dollar loans), a factor based on trends and experience is applied to determine the estimate of potential future downgrades. Because of the inherent uncertainty in forecasting future events, the estimate of potential problem loans ultimately represents the estimated aggregate dollar amounts of loans as opposed to an individual listing of loans.

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

The following table provides an analysis of non-accrual loans (excluding loans held for sale) by portfolio segment for the year ended December 31, 2011:

Table 21 Analysis of Non-Accrual Loans

	Non-Accrual Loans, Excluding Loans Held for Sale Year Ended December 31, 2011			
	Commercial	Investor Real Estate	Consumer (1)	Total
	(In millions)			
Balance at beginning of year	$ 1,102	$ 1,717	$ 341	$ 3,160
Additions	1,196	1,405	57	2,658
Net payments/other activity	(376)	(420)		(796)
Return to accrual	(100)	(124)		(224)
Charge-offs on non-accrual loans (2)	(531)	(776)	(4)	(1,311)
Transfers to held for sale (3)	(117)	(644)	(6)	(767)
Transfers to foreclosed properties	(89)	(145)		(234)
Sales	(13)	(99)	(2)	(114)
Balance at end of year	$ 1,072	$ 914	$ 386	$ 2,372

(1) All net activity within the consumer portfolio segment other than sales and transfers to held for sale is included as a single net number within the additions line, due to the relative immateriality of consumer non-accrual loans.
(2) Includes charge-offs on loans on non-accrual status and charge-offs taken upon sale and transfer of non-accrual loans to held for sale.
(3) Transfers to held for sale are shown net of charge-offs of $513 million recorded upon transfer.

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

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization, as applicable. Premises and equipment at December 31, 2011 decreased $194 million to $2.4 billion compared to year-end 2010. This decrease primarily resulted from depreciation expense.

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Goodwill

Goodwill totaled $4.8 billion at December 31, 2011 compared to $5.6 billion in 2010. Refer to the Critical Accounting Policies section earlier in this report for detailed discussions of the Company s methodology for testing goodwill for impairment and the $745 million impairment charge taken during 2011. Refer to Note 1 Summary of Significant Accounting Policies and Note 9 Intangible Assets to the consolidated financial statements, for the methodologies and assumptions used in Step One of the goodwill impairment test. Additionally, Note 1 Summary of Significant Accounting Policies to the consolidated financial statements includes information related to the fair value measurements of certain assets and liabilities and the valuation methodology of such pricing, which is also used for testing goodwill for impairment.

Mortgage Servicing Rights

Mortgage servicing rights at December 31, 2011 totaled $182 million compared to $267 million at December 31, 2010. A summary of mortgage servicing rights is presented in Note 7 Servicing of Financial Assets to the consolidated financial statements. The balances shown represent the right to service mortgage loans that are owned by other investors. Mortgage servicing rights are presented at fair value as of December 31, 2011 and 2010.

On January 1, 2009, Regions began accounting for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Also, in early 2009, Regions entered into derivative and trading asset transactions to mitigate the impact of market value fluctuations related to mortgage servicing rights. However, derivative instruments entered into in the future could be materially different from the current risk profile of Regions current portfolio. See the Mortgage Income section earlier in this report for detail regarding the effect of mortgage servicing rights and related hedging items on Regions consolidated statement of operations.

Other Identifiable Intangible Assets

Other identifiable intangible assets totaled $449 million at December 31, 2011 compared to $385 million at December 31, 2010. The year-over-year increase was due to the acquisition of Regions credit card portfolio that resulted in recognition of approximately $175 million of purchased credit card intangibles. This increase was partially offset by amortization of core deposit intangibles. Regions noted no indicators of impairment for any other identifiable intangible assets during 2011 or 2010. See Note 9 Intangible Assets to the consolidated financial statements for further information.

Foreclosed Properties

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

Table 22 Foreclosed Properties

	2011	2010
	(In millions)	
Balance at beginning of year	$ 454	$ 607
Transfer from loans	532	649
Valuation adjustments	(161)	(225)
Foreclosed property sold	(518)	(565)
Payments and other	(11)	(12)
	(158)	(153)
Balance at end of year	$ 296	$ 454

Note: Approximately 73 percent and 72 percent of the ending balances as of December 31, 2011 and 2010, respectively, relates to properties transferred in to foreclosed properties during the corresponding calendar year.

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Valuation adjustments are primarily recorded in other non-interest expense; adjustments are also recorded as a charge to the allowance for loan losses if incurred within 60 days after the date of transfer from loans. Valuation adjustments are primarily post-foreclosure write-downs that are a result of continued declining property values based on updated appraisals or other indications of value, such as offers to purchase. Foreclosed property sold represents the net book value of the properties sold.

Other Assets

Other assets decreased $675 million to $8.7 billion as of December 31, 2011. Securities sold but not yet settled near the end of 2010 primarily drove the decrease. Reduced foreclosed properties, deferred tax and prepaid expense balances also contributed to the year-over-year decrease. The decreases were partially offset by increased derivative asset balances.

Deposits

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

Deposits are Regions primary source of funds, providing funding for 85 percent of average interest-earning assets from continuing operations in 2011 and 82 percent of average interest-earning assets from continuing operations in 2010. Table 23 Deposits details year-over-year deposits on a period-ending basis. Total deposits as of year-end 2011 increased $1.0 billion, or 1 percent, compared to year-end 2010. The overall increase in deposits was primarily driven by an increase in non-interest-bearing demand accounts and interest-bearing transaction accounts. These increases were partially offset by decreases in domestic money market accounts and time deposits. Regions continues to manage and deepen existing customer relationships, as well as develop new relationships through client acquisition and new checking products.

Customer deposits, which exclude deposits used for wholesale funding purposes, increased by 1 percent to $95.6 billion on an ending basis during 2011. An increase in interest-bearing transaction accounts was the main source of the increase, combined with an increase in non-interest-bearing demand accounts. A decrease in domestic money market accounts partially offset these increases. Due to liquidity in the market, Regions has been able to steadily grow its low-cost customer deposits and reduce its total deposit costs from 1.35 percent in 2009 to 0.78 percent in 2010 and to 0.49 percent in 2011.

Table 23 Deposits

	2011	2010 (In millions)	2009
Non-interest-bearing demand	$ 28,266	$ 25,733	$ 23,204
Savings accounts	5,159	4,668	4,073
Interest-bearing transaction accounts	19,388	13,423	15,791
Money market accounts domestic	23,053	27,420	23,291
Money market accounts foreign	378	569	766
Low-cost deposits	76,244	71,813	67,125
Time deposits	19,378	22,784	31,468
Customer deposits	95,622	94,597	98,593
Corporate treasury time deposits	5	17	87
	$ 95,627	$ 94,614	$ 98,680

Regions elected to exit the Federal Deposit Insurance Corporation s (FDIC) Transaction Account Guarantee (TAG) program on July 1, 2010. The TAG program was a component of the Temporary Liquidity Guarantee Program, whereby the FDIC guaranteed all funds held at participating institutions beyond the $250,000 deposit insurance limit in qualifying transaction accounts. Regions decision to exit the program did not have a significant impact on liquidity. When the Dodd-Frank Act was enacted in July 2010, it permanently increased the FDIC coverage limit to $250,000. Also as a result of the Dodd-Frank Act, effective as of December 31, 2010, unlimited coverage for non-interest bearing demand transaction accounts will be provided until January 1, 2013.

Within customer deposits, non-interest-bearing demand deposits increased $2.5 billion to $28.3 billion, driven primarily by an increase in non-interest bearing deposits from commercial and small businesses. Non-interest-bearing deposits accounted for approximately 30 percent of total deposits at year-end 2011 as compared to 27 percent at year-end 2010. Savings balances increased $491 million to $5.2 billion, generally reflecting continued savings trends, spurred by economic uncertainty.

Domestic money market products, which exclude foreign money market accounts, are one of Regions most significant funding sources. These balances decreased 16 percent in 2011 to $23 billion or 24 percent of total deposits, compared to 29 percent of total deposits in 2010. Money market accounts decreased in 2011 due to the product conversion to interest-bearing transaction deposits.

Included in customer time deposits are certificates of deposit and individual retirement accounts. The balance of customer time deposits decreased 15 percent in 2011 to $19.4 billion compared to $22.8 billion in 2010. The decrease was primarily due to maturities with minimal reinvestment by customers as a result of a decline in rates offered on these products. Customer time deposits accounted for 20 percent of total deposits in 2011 compared to 24 percent in 2010.

Consistent with 2010, total treasury deposits, which are used mainly for overnight funding purposes, remained at low levels in 2011 as the Company continued to utilize customer-based funding and other sources. The Company s choice of overnight funding sources is dependent on the Company s particular funding needs and the relative attractiveness of each source.

The sensitivity of Regions deposit rates to changes in market interest rates is reflected in Regions average interest rate paid on interest-bearing deposits. The rate paid on interest-bearing deposits decreased to 0.69 percent in 2011 from 1.04 percent in 2010, driven by the expiration of time deposits, the positive mix shift to lower cost customer products, and continuation of the low interest rate environment throughout 2011. Table 24 Maturity of Time Deposits of $100,000 or More presents maturities of time deposits of $100,000 or more at December 31, 2011 and 2010.

Table 24 Maturity of Time Deposits of $100,000 or More

	2011	2010
	(In millions)	
Time deposits of $100,000 or more, maturing in:		
3 months or less	$ 1,216	$ 1,878
Over 3 through 6 months	1,504	1,396
Over 6 through 12 months	1,910	1,898
Over 12 months	3,061	3,679
	$ 7,691	$ 8,851

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Short-Term Borrowings

See Note 11 Short-Term Borrowings to the consolidated financial statements for a summary of these borrowings at December 31, 2011 and 2010. Short-term borrowings totaled $3.1 billion at December 31, 2011, compared to $3.9 billion at December 31, 2010. The levels of these borrowings can fluctuate depending on the Company s funding needs and the sources utilized, as well as a result of customers activity.

COMPANY FUNDING SOURCES

Short-term borrowings used as a source of funding for the company totaled $1.0 billion at December 31, 2011, compared to $1.5 billion at December 31, 2010. Short-term FHLB advances were $500 million at December 31, 2010 and there were no such borrowings at December 31, 2011.

Table 25 Selected Short-Term Borrowings Data provides selected information for certain short-term borrowings used for funding purposes for the years 2011, 2010, and 2009.

Table 25 Selected Short-Term Borrowings Data

	2011	2010	2009
		(Dollars in millions)	
Federal funds purchased:			
Balance at year end	$ 18	$ 19	$ 30
Average outstanding (based on average daily balances)	19	68	441
Maximum amount outstanding at any month-end	22	106	2,011
Weighted-average interest rate at year end	0.1%	0.1%	0.1%
Weighted-average interest rate on amounts outstanding during the year (based on average daily balances)	0.1%	0.1%	0.2%
Securities sold under agreements to repurchase:			
Balance at year end	$ 969	$ 763	$ 448
Average outstanding (based on average daily balances)	419	456	724
Maximum amount outstanding at any month-end	969	1,151	1,445
Weighted-average interest rate at year end	(0.2)%	0.3%	0.4%
Weighted-average interest rate on amounts outstanding during the year (based on average daily balances)	(0.6)%	0.2%	0.9%

The negative weighted-average interest rates on securities sold under agreements to repurchase during 2011 were the result of, in part, Regions entering into reverse-repurchase agreements. There are times when financing costs associated with these transactions are lower than typical repurchase agreement rates as a result of a supply and demand imbalance in particular collateral. Since short-term repurchase agreement rates were close to zero during the last half of 2011, the supply and demand imbalance related to securities that Regions owned led to negative financing rates.

CUSTOMER-RELATED BORROWINGS

Short-term borrowings that are the result of customer activity related to investment opportunities or brokerage interests totaled $2.1 billion at December 31, 2011, compared to $2.4 billion at December 31, 2010. The primary driver of this decrease was a $588 million decrease in repurchase agreements offered as commercial banking investment opportunities for customers.

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

Long-Term Borrowings

Regions long-term borrowings consist primarily of FHLB borrowings, senior notes, subordinated notes and other long-term notes payable. Total long-term borrowings decreased $5.1 billion to $8.1 billion at December 31, 2011. At the parent company, the decrease resulted from the maturity of approximately $1.0 billion of subordinated notes. At the bank level, $2.0 billion of senior bank notes matured, which were originally issued under the Temporary Liquidity Guarantee Program (TLGP). As of December 31, 2011, Regions had no remaining borrowings under the TLGP. Also at the bank level, approximately $1.8 billion of FHLB advances and $200 million of other long-term debt matured during 2011. The weighted-average interest rate on total long-term debt, including the effect of derivative instruments, was 3.3%, 3.2% and 3.6% for the years ended December 31, 2011, 2010 and 2009, respectively. See Note 12 Long-Term Borrowings to the consolidated financial statements for further discussion and detailed listing of outstandings and rates.

Ratings

During 2011, both Standard & Poor s (S&P) and Fitch Ratings (Fitch) revised their outlook for Regions and Regions Bank to stable from negative. Also during 2011, S&P upgraded Regions junior subordinated notes to B+ from B.

As of December 31, 2011, S&P and Moody s Investors Service (Moody s) credit ratings for Regions Financial Corporation were below investment grade. For Regions Bank, Moody s credit ratings were below investment grade. Also, Moody s and Dominion Bond Rating Service (DBRS) continue to have negative outlooks for Regions Financial Corporation and Regions Bank.

Table 26 Credit Ratings reflects the debt ratings information of Regions Financial Corporation and Regions Bank by S&P, Moody s, Fitch and DBRS as of December 31, 2011 and 2010.

Table 26 Credit Ratings

	As of December 31, 2011			
	Standard & Poor s	Moody s	Fitch	DBRS
Regions Financial Corporation				
Senior notes	BB+	Ba3	BBB-	BBB
Subordinated notes	BB	B1	BB+	BBBL
Junior subordinated notes	B+	B2	BB	BBBL
Regions Bank				
Short-term debt	A-3	NP [1]	F3	R-2H
Long-term bank deposits	BBB-	Ba1	BBB	BBBH
Long-term debt	BBB-	Ba2	BBB-	BBBH
Subordinated debt	BB+	Ba3	BB+	BBB
Outlook				
December 31, 2011	Stable	Negative [2]	Stable	Negative

(1) Not Prime
(2) On February 14, 2012, Moody s revised outlook to stable.

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	As of December 31, 2010			
	Standard & Poor s	Moody s	Fitch	DBRS
Regions Financial Corporation				
Senior notes	BB+	Ba3	BBB-	BBB
Subordinated notes	BB	B1	BB+	BBBL
Junior subordinated notes	B	B2	BB	BBBL
Regions Bank				
Short-term debt	A-3	NP[1]	F3	R-2H
Long-term bank deposits	BBB-	Ba1	BBB	BBBH
Long-term debt	BBB-	Ba2	BBB-	BBBH
Subordinated debt	BB+	Ba3	BB+	BBB
Outlook				
December 31, 2010	Negative	Negative	Negative	Negative

(1) Not Prime

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

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

Stockholders Equity

Stockholders equity decreased to $16.5 billion at year-end 2011 versus $16.7 billion at year-end 2010. In 2011, net losses reduced stockholders equity by $215 million, cash dividends declared reduced stockholders equity by $51 million for common stock and $175 million for preferred stock, and changes in accumulated other comprehensive income increased equity by $191 million.

On May 7, 2009, the final results of the Federal Reserve s Supervisory Capital Assessment Program (SCAP) were released requiring Regions to submit a capital plan to its regulators detailing the steps to be utilized to increase total Tier 1 common equity by $2.5 billion, of which at least $0.4 billion had to be new Tier 1 equity (see Table 2 GAAP to Non-GAAP Reconciliation and Table 27 Capital Ratios for further discussion).

The Company s public equity offering of common stock, announced May 20, 2009, resulted in the issuance of 460 million shares at $4 per share, generating proceeds of approximately $1.8 billion, net of issuance costs.

The Company also issued 287,500 shares of mandatory convertible preferred stock, Series B (Series B shares), generating net proceeds of approximately $278 million in 2009. Accrued dividends on the Series B shares reduced retained earnings by $12 million and $19 million during 2010 and 2009, respectively. In November 2009, a single investor converted approximately 20,000 Series B shares to common shares as allowed under the original transaction documents. On June 18, 2010, as allowed by the terms of the Series B shares, Regions initiated an early conversion of all of the remaining outstanding Series B shares. Dividends accrued and

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unpaid at the conversion date were settled through issuance of common shares in accordance with the original document. Approximately 63 million common shares were issued in 2010 in the conversion and dividend settlement. No Series B shares were outstanding at December 31, 2011 or 2010.

In addition to the offerings mentioned above, in 2009 the Company also issued approximately 33 million common shares in exchange for $202 million of outstanding 6.625 percent trust preferred securities issued by Regions Financing Trust II (the Trust). The trust preferred securities were exchanged for junior subordinated notes issued by the Company to the Trust. The Company recognized a pre-tax gain of approximately $61 million on the extinguishment of the junior subordinated notes. The increase in shareholders equity related to the debt for common share exchange was approximately $135 million, net of issuance costs.

These public offerings along with other capital raising efforts resulted in Regions fully meeting the Tier 1 common equity capital requirement and exceeding the Tier 1 capital requirements prescribed by the SCAP (see Table 2 GAAP to Non-GAAP Reconciliation for further discussion).

At December 31, 2011, Regions had 23 million common shares available for repurchase through open market transactions under an existing share repurchase authorization. There were no treasury stock purchases through open market transactions during 2011 or 2010. The Company s ability to repurchase its common stock is limited by the terms of the Purchase Agreement between Regions and the U.S. Treasury entered into on November 14, 2008, pursuant to the U.S. Treasury s Capital Purchase Program (CPP). See Part II, Item 5 (Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities) for more information.

Regions ratio of stockholders equity to total assets was 12.99 percent at December 31, 2011 and 12.64 percent December 31, 2010. Regions ratio of tangible common stockholders equity (stockholders equity less preferred stock, goodwill and other identifiable intangibles and the related deferred tax liability) to total tangible assets was 6.58 percent at December 31, 2011 compared to 6.04 percent at December 31, 2010 (see Table 2 GAAP to Non-GAAP Reconciliation for further discussion). The increase between years was a result of the change in accumulated other comprehensive income and the reduction in tangible assets.

In 2011 and 2010, Regions annual dividend was $0.04 per common share compared to $0.13 in 2009. Regions does not expect to increase its quarterly dividend above $0.01 per common share for the foreseeable future.

BANK REGULATORY CAPITAL REQUIREMENTS

Regions and Regions Bank are required to comply with regulatory capital requirements established by Federal and State banking agencies. These regulatory capital requirements involve quantitative measures of the Company s assets, liabilities and certain off-balance sheet items, and also qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject the Company to a series of increasingly restrictive regulatory actions. Currently, there are two basic measures of capital adequacy: a risk-based measure and a leverage measure.

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

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The minimum standard for the ratio of total capital to risk-weighted assets is 8 percent. At least 50 percent of that capital level must consist of common equity, undivided profits and non-cumulative perpetual preferred stock, senior perpetual preferred stock issued to the U.S. Treasury under the Capital Purchase Program, minority interests relating to qualifying common or noncumulative perpetual preferred stock issued by a consolidated U.S. depository institution or foreign bank subsidiary, less goodwill, disallowed deferred tax assets and certain other intangibles (Tier 1 capital). The remainder (Tier 2 capital) may consist of a limited amount of other preferred stock, mandatorily convertible securities, subordinated debt, and a limited amount of the allowance for loan losses. The sum of Tier 1 capital and Tier 2 capital is total risk-based capital or total capital. However, under the Collins Amendment, which was passed as a section of the Dodd-Frank Act, trust preferred securities will be eliminated as an element of Tier 1 capital. This disallowance of trust preferred securities will be phased in from January 1, 2013 to January 1, 2016. Debt or equity instruments issued to the Federal government as part of the CPP are exempt from the Collins Amendment. As of December 31, 2011, Regions had $846 million of trust preferred securities that are subject to the Collins Amendment and $3.5 billion of preferred equity that is exempt from the Collins Amendment.

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

In recent years, the Federal Reserve and banking regulators began supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. This measure has been a key component of assessments of capital adequacy under the Comprehensive Capital Analysis and Review (CCAR) process. While not currently codified[1], analysts and banking regulators have assessed Regions capital adequacy using the Tier 1 common and/or the tangible common stockholders equity measure. Because tangible common stockholders equity and Tier 1 common equity are not formally defined by GAAP or codified in the federal banking regulations, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently than Regions disclosed calculations (see Table 2 GAAP to Non-GAAP Reconciliation for further details).

The Dodd-Frank Act requires the Federal Reserve to impose more stringent capital requirements on bank holding companies with assets of $50 billion or more. Consequently, as part of Regions annual CCAR, Regions must submit its annual capital plans to the Federal Reserve. As part of the CCAR, Regions is required to submit four scenarios including the company s baseline forecast, the Federal Reserve s baseline outlook, the Company s stress case and the Federal Reserve s stress case. Regions is required to maintain its capital levels above each minimum regulatory capital ratio and above a Tier 1 common ratio of 5 percent on a pro forma basis under expected and stressful conditions throughout a certain time period horizon. Any capital actions requested by Regions must be submitted to the Federal Reserve for approval. The Federal Reserve has committed to responding to Regions capital plans by mid-March 2012. The Federal Reserve intends to publish the results of the supervisory stress test component of CCAR for Regions and all companies that are participating.

Regions is evaluating the anticipated impact of Basel III based on the proposal by the Basel Committee on Banking Supervision, which will begin in 2013 and is expected to be fully phased-in on January 1, 2019. The Company s estimated Tier 1 capital and Tier 1 common ratios as of December 31, 2011, based on Regions current understanding of the guidelines, were approximately 11.39 and 7.70 percent, respectively, which are above the Basel III minimums of 8.5 percent for Tier 1 capital and 7 percent for Tier 1 common. Based on Regions understanding of the calculation for the liquidity coverage ratio under Basel III, Regions currently

1 On December 20, 2011 the Board of Governors of the Federal Reserve released a Notice of Proposed Rulemaking on enhanced capital standards and early remediation requirements mandated by sections 165 and 166 of the Dodd-Frank Act. If enacted as proposed this would codify the calculation of Tier 1 Common Capital.

meets the requirement due to the Company s current cash and investment positions. Should Regions cash position or investment mix change in the future, Regions ability to meet the liquidity coverage ratio may be impacted. Additionally, there is still need for clarification of the Basel III rules as well as interpretation and implementation by U.S. banking regulators, such that the ultimate impact of Basel III on Regions is not completely known at this point. Because the Basel III capital calculations are not formally defined by GAAP and are not currently codified in the federal banking regulations, these measures are considered to be non-GAAP financial measures, and other entities may calculate them differently than Regions disclosed calculations (see Table 2 GAAP to Non-GAAP Reconciliation for further details).

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

See Note 13 Regulatory Capital Requirements and Restrictions to the consolidated financial statements for further details. As of December 31, 2011, Regions Bank had the requisite capital levels to qualify as well capitalized.

Table 27 Capital Ratios

	December 31	
	2011	2010
	(Dollars in millions)	
Risk-based capital:		
Stockholders equity (GAAP)	$ 16,499	$ 16,734
Accumulated other comprehensive (income) loss	69	260
Non-qualifying goodwill and intangibles	(4,900)	(5,706)
Disallowed deferred tax assets (1)	(432)	(424)
Disallowed servicing assets	(35)	(27)
Qualifying non-controlling interests	92	92
Qualifying trust preferred securities	846	846
Tier 1 capital	12,139	11,775
Qualifying subordinated debt	2,145	2,418
Adjusted allowance for loan losses (2)	1,164	1,213
Other	90	121
Tier 2 capital	3,399	3,752
Total capital	$ 15,538	$ 15,527
Risk-weighted assets (regulatory)	$ 91,449	$ 94,966
Capital ratios:		
Tier 1 common risk-based ratio (non-GAAP)	8.51%	7.85%
Tier 1 capital to total risk-weighted assets	13.28	12.40
Total capital to total risk-weighted assets	16.99	16.35
Leverage	9.91	9.30
Stockholders equity to total assets	12.99	12.64
Common stockholders equity to total assets	10.30	10.09
Tangible common equity to tangible assets (non-GAAP)	6.58	6.04

(1) Only one year of projected future taxable income may be applied in calculating deferred tax assets for regulatory capital purposes.
(2) Includes $78 million and $119 million in 2011 and 2010, respectively, associated with reserves recorded for off-balance sheet credit exposures, including derivatives.

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OFF-BALANCE SHEET ARRANGEMENTS

Regions has certain variable interests in unconsolidated variable interest entities (i.e., Regions is not the primary beneficiary). Regions owns the common stock of subsidiary business trusts, which have issued mandatorily redeemable preferred capital securities (trust preferred securities) in the aggregate of $1 billion at the time of issuance. These trusts meet the definition of a variable interest entity of which Regions is not the primary beneficiary; the trusts only assets are junior subordinated debentures issued by Regions, which were acquired by the trusts using the proceeds from the issuance of the trust preferred securities and common stock. The junior subordinated debentures are included in long-term borrowings (see Note 12 Long-Term Borrowings to the consolidated financial statements), and Regions equity interests in the business trusts are included in other assets. For regulatory reporting and capital adequacy purposes, the Federal Reserve Board has indicated that such trust preferred securities currently constitute Tier 1 capital, but beginning in 2013, trust preferred securities will be phased out as an allowable component of Tier 1 capital over a three-year period. Additional discussion regarding the status of capital treatment for these instruments is included in the Supervision and Regulation Capital Requirements section of Item 1 of this Annual Report on Form 10-K.

Also, Regions periodically invests in various limited partnerships that sponsor affordable housing projects, which are funded through a combination of debt and equity. Regions maximum exposure to loss as of December 31, 2011 was $873 million, which included $184 million in unfunded commitments to the partnerships. Additionally, Regions has short-term construction loans or letters of credit commitments with the partnerships totaling $180 million as of December 31, 2011. The funded portion of these loans and letters of credit was $59 million at December 31, 2011. The funded portion is included with loans on the consolidated balance sheets. See Note 2 Variable Interest Entities to the consolidated financial statements for further discussion.

EFFECTS OF INFLATION

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

Management believes the most significant potential impact of inflation on financial results is a direct result of Regions ability to manage the impact of changes in interest rates. Management attempts to maintain an essentially balanced position between rate-sensitive assets and liabilities in order to minimize the impact of interest rate fluctuations on net interest income. However, this goal can be difficult to completely achieve in times of rapidly changing rate structure and is one of many factors considered in determining the Company s interest rate positioning. The Company is asset sensitive as of December 31, 2011. Refer to Table 28 Interest Rate Sensitivity for additional details on Regions interest rate sensitivity.

EFFECTS OF DEFLATION

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

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

RISK MANAGEMENT

Risk identification and risk management are key elements in the overall management of Regions. Management believes the primary risk exposures are market risk, liquidity risk, counterparty risk, international risk and credit risk. Market risk is the price and earnings variability (mainly reductions) arising from adverse changes in 1) the fair values of financial instruments due to changes in interest rates, exchange rates, commodity prices, equity prices or the credit quality of debt securities and/or 2) the impact to net interest income based on changes in interest rates and the associated impact on prepayments. Regions market risk is made up of three components: interest rate risk, prepayment risk, and capital markets and brokerage-related risks (primarily associated with Morgan Keegan). Interest rate risk is the risk to net interest income due to the impact of movements in interest rates. Prepayment risk is the risk that borrowers may repay their loans or other debt earlier than at their stated maturities. The Company, primarily through Morgan Keegan, is also subject to various market-related risks associated with its brokerage and market-related activities. Liquidity risk relates to Regions ability to fund present and future obligations. Counterparty risk represents the risk that a counterparty will not comply with its contractual obligations. International risk, or country exposure, is defined as the aggregation of exposure Regions has with financial institutions, companies, or individuals in a given country outside of the United States. Credit risk represents the risk that parties indebted to Regions fail to perform as contractually obligated. Regions primary credit risk arises from the possibility that borrowers may not be able to repay loans, and to a lesser extent, the failure of securities issuers and counterparties to perform as contractually required.

Management follows a formal policy to evaluate and document the key risks facing each line of business, how those risks can be controlled or mitigated, and how management monitors the controls to ensure that they are effective. Separate from risk acceptance, there is an independent risk assessment and reporting program. To ensure that risks within the Company are presented and appropriately addressed, the Board has designated a Risk Committee of outside directors. The Risk Committee s focus is on Regions overall risk profile, and the committee receives reports from the Company s management quarterly. Additionally, Regions Internal Audit Division performs ongoing, independent reviews of the risk management process which are reported to the Audit Committee of the Board of Directors.

Some of the more significant processes used to manage and control these and other risks are described in the remainder of this report. External factors beyond management s control may result in losses despite risk management efforts.

MARKET RISK INTEREST RATE RISK

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

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

The primary objective of asset/liability management at Regions is to coordinate balance sheet composition with interest rate risk management to sustain a reasonable and stable net interest income throughout various interest rate cycles. In computing interest rate sensitivity for measurement, Regions compares a set of alternative interest rate scenarios to the results of a base case scenario based on market forward rates. The standard set of interest rate scenarios includes the traditional instantaneous parallel rate shifts of plus 100 and 200 basis points. Regions also prepares a minus 50 basis points scenario, as minus 100 and 200 basis point scenarios are not considered realistic in the current rate environment. Up-rate scenarios of greater magnitude are also analyzed, and are of increased importance as the current and historic low levels of interest rates increase the relative likelihood of a rapid and substantial increase in interest rates. Regions also includes simulations of gradual interest rate movements that may more realistically mimic potential interest rate movements. These gradual scenarios include curve steepening, flattening, and parallel movements of various magnitudes phased in over a six-month period, and include rate shifts of minus 50 basis points and plus 100 and 200 basis points.

Exposure to Interest Rate Movements As of December 31, 2011, Regions was moderately asset sensitive to both gradual and instantaneous rate shifts as compared to the base case for the measurement horizon ending December 2012. The protractedly low interest-rate environment that has prevailed over the past few years has led many borrowers, especially those with loans at fixed rates of interest, to refinance or prepay their loans. This has resulted in considerable pressure on net interest margin and net interest income as these loans and fixed rate investment securities were replaced by other assets at lower yields. However, at the same time, the broader economic conditions and the level of short-term interest-rates, in particular, produced ample opportunities for the reduction of deposit and borrowing costs. If long-term rates were to decline materially from the recent implied market-forward outlook, Regions loan and securities portfolios would expect to be subject to higher levels of prepayment. Deposit costs, having benefited from several years of very low short-term rates, would likely experience additional reduction from recent levels, but the magnitude of decline may not be as pronounced as in the past few years. In total, Regions estimates an impact of a 50 basis points instantaneous and gradual decline in interest rates at ($141) million and ($111) million respectively, for the measurement period ending December 2012. (Note that where scenarios would indicate negative interest rates, a minimum of zero is applied). In the converse environment, in which rates rise, Regions estimates that the speed of loan and securities prepayment will slow considerably and deposit rates would rise, but the negative impact of these factors would be more than offset by higher rates on new loans and securities as well as the repricing of existing floating rate loans.

Table 28 Interest Rate Sensitivity

Gradual Change in Interest Rates	**Estimated Annual Change in Net Interest Income December 31, 2011 (In millions)**	
+200 basis points	$	300
+100 basis points		173
-50 basis points		(111)
Instantaneous Change in Interest Rates		
+200 basis points	$	364
+100 basis points		222
-50 basis points		(141)

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

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

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

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

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

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

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

On January 1, 2009, Regions began accounting for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Also, in early 2009, Regions entered into derivative and balance sheet transactions to mitigate the impact of market value fluctuations related to mortgage servicing rights. Derivative instruments entered in the future could be materially different from the current risk profile of Regions current portfolio.

MARKET RISK PREPAYMENT RISK

Regions, like most financial institutions, is subject to changing prepayment speeds on mortgage-related assets under different interest rate environments. Prepayment risk is a significant risk to earnings and specifically to net interest income. For example, mortgage loans and other financial assets may be prepaid by a debtor, so that the debtor may refinance its obligations at lower rates. As loans and other financial assets prepay in a falling rate environment, Regions must reinvest these funds in lower-yielding assets. Prepayments of assets carrying higher rates reduce Regions interest income and overall asset yields. Conversely, in a rising rate environment, these assets will prepay at a slower rate, resulting in opportunity cost by not having the cash flow to reinvest at higher rates. Prepayment risk can also impact the value of securities and the carrying value of equity. Regions greatest exposures to prepayment risks primarily rest in its mortgage-backed securities portfolio, the mortgage fixed-rate loan portfolio and the mortgage servicing asset, all of which tend to be sensitive to interest rate movements. Regions also has prepayment risk that would be reflected in non-interest income in the form of servicing income on loans sold. Regions actively monitors prepayment exposure as part of its overall net interest income forecasting and interest rate risk management. In particular, because interest rates are currently relatively low, Regions is actively managing exposure to declining prepayments that are expected to coincide with increasing interest rates in both the loan and securities portfolios.

MARKET RISK BROKERAGE AND OTHER MARKET ACTIVITY RISK

When there are references to Morgan Keegan it should not be assumed or inferred that any specific activity mentioned is carried on by any particular Morgan Keegan entity. In addition, in early 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan to Raymond James Financial, Inc. Refer to Note 3 Discontinued Operations and Note 25 Subsequent Event to the consolidated financial statements for further details.

Morgan Keegan s business activities, including its securities inventory positions and securities held for investment, expose it to market risk. Further, the Company is also exposed to market risk in its capital markets business, which includes derivatives, loan syndication and foreign exchange trading activities, and mortgage trading activity, which includes secondary marketing of loans to government-sponsored entities.

Morgan Keegan trades for its own account in corporate and tax-exempt securities and U.S. Government agency and Government-sponsored securities. Most of these transactions are entered into to facilitate the execution of customers orders to buy or sell these securities. In addition, it trades certain equity securities in order to make a market in these securities. Morgan Keegan s trading activities require the commitment of capital. All principal transactions place the subsidiary s capital at risk. Profits and losses are dependent upon the skills of employees and market fluctuations. In order to mitigate the risks of carrying inventory and as part of other normal brokerage activities, Morgan Keegan assumes short positions on securities.

In the normal course of business, Morgan Keegan enters into underwriting and forward and future commitments. As of December 31, 2011, the total notional amount of forward commitments was approximately $810 million. Morgan Keegan typically settles its position by entering into equal but opposite contracts and, as

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such, the contract amounts do not necessarily represent future cash requirements. Settlement of the transactions relating to such commitments is not expected to have a material effect on Regions consolidated financial position. Transactions involving future settlement give rise to market risk, which represents the potential gain or loss that can be caused by a change in the market value of a particular financial instrument. Regions exposure to market risk is determined by a number of factors, including the size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

Additionally, in the normal course of business, Morgan Keegan enters into transactions for delayed delivery, to-be-announced securities, which are recorded in trading account assets on the consolidated balance sheets at fair value. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from unfavorable changes in interest rates or the market values of the securities underlying the instruments. The credit risk associated with these contracts is typically limited to the cost of replacing all contracts on which Morgan Keegan has recorded an unrealized gain. For exchange-traded contracts, the clearing organization acts as the counterparty to specific transactions and, therefore, bears the risk of delivery to and from counterparties.

Interest rate risk at Morgan Keegan arises from the exposure of holding interest-sensitive financial instruments such as government, corporate and municipal bonds, and certain preferred equities. Morgan Keegan manages its exposure to interest rate risk by setting and monitoring limits and, where feasible, entering into offsetting positions in securities with similar interest rate risk characteristics. Securities inventories recorded in trading account assets on the consolidated balance sheet, are marked to market, and, accordingly, there are no unrecorded gains or losses in value. While a significant portion of the securities inventories have contractual maturities in excess of five years, these inventories, on average, turn over in excess of twelve times per year. Accordingly, the exposure to interest rate risk inherent in Morgan Keegan s securities inventories is less than that of similar financial instruments held by firms in other industries. Morgan Keegan s equity securities inventories are exposed to risk of loss in the event of unfavorable price movements. Also, Morgan Keegan is subject to credit risk arising from non-performance by trading counterparties, customers and issuers of debt securities owned. This risk is managed by imposing and monitoring position limits, monitoring trading counterparties, reviewing security concentrations, holding and marking to market collateral, and conducting business through clearing organizations that guarantee performance. Morgan Keegan regularly participates in the trading of some derivative securities for its customers; however, this activity does not involve Morgan Keegan acquiring a position or commitment in these products and this trading is not a significant portion of Morgan Keegan s business.

Morgan Keegan has been an underwriter and dealer in auction rate securities. See Note 23 Commitments, Contingencies and Guarantees to the consolidated financial statements for more details regarding regulatory action related to Morgan Keegan auction rate securities. As of December 31, 2011, customers of Morgan Keegan owned approximately $675 thousand of auction rate securities, and Morgan Keegan held approximately $135 million of auction rate securities on the balance sheet.

To manage trading risks arising from interest rate and equity price risks, Regions uses a Value at Risk (VAR) model along with other risk management methods to measure the potential fair value the Company could lose on its trading positions given a specified statistical confidence level and time-to-liquidate time horizon. The end-of-period VAR was approximately $423 thousand at December 31, 2011 and $805 thousand at December 31, 2010. Maximum daily VAR utilization during 2011 was $1.7 million and average daily VAR during the same period was $782 thousand.

LIQUIDITY RISK

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

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

In order to ensure an appropriate level of liquidity is maintained, Regions performs specific procedures including scenario analyses and stress testing at the bank, holding company, and affiliate levels. Regions policy is to maintain a sufficient level of funding to meet projected cash needs, including all debt service and maturities, for the subsequent two years at the parent company and acceptable periods for the bank and other affiliates. The Company s current non-investment grade credit ratings makes access to short-term unsecured funding markets unreliable; therefore, the Company s funding and contingency planning does not currently include any reliance on unsecured sources. Risk limits are established within the Company s ALCO, which regularly reviews compliance with the established limits. Regions parent company cash and cash equivalents as of December 31, 2011 was $2.5 billion.

Table 29 Contractual Obligations

	Payments Due By Period [5]					
	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Indeterminable Maturity	Total
	(In millions)					
Deposits [1]	$ 12,313	$ 4,971	$ 2,075	$ 24	$ 76,244	$ 95,627
Short-term borrowings	3,067					3,067
Long-term borrowings	1,853	2,444	846	2,967		8,110
Lease obligations	170	266	208	499		1,143
Purchase obligations	10	3				13
Benefit obligations [2]	12	31	25	77		145
Commitments to fund low income housing partnerships [3]	305					305
Unrecognized tax benefits [4]					46	46
Visa litigation					22	22
Other			361			361
	$ 17,730	$ 7,715	$ 3,515	$ 3,567	$ 76,312	$ 108,839

(1) Deposits with indeterminable maturity include non-interest bearing demand, savings, interest-bearing transaction accounts and money market accounts.
(2) Amounts only include obligations related to the unfunded non-qualified pension plan and postretirement health care plan.
(3) Commitments to fund low income housing partnerships do not have defined maturity dates. Therefore, they have been considered due on demand, maturing one year or less.
(4) Includes liabilities for unrecognized tax benefits of $39 million and tax-related interest and penalties of $7 million. See Note 19 Income Taxes to the consoliated financial statements.
(5) See Note 23 Commitments, Contingencies and Guarantees, to the consolidated financial statements for the Company s commercial commitments at December 31, 2011.

The securities portfolio is one of Regions primary sources of liquidity. Maturities of securities provide a constant flow of funds available for cash needs (see Note 4 Securities to the consolidated financial statements). The agency guaranteed mortgage portfolio is another source of liquidity in various secured borrowing capacities. In anticipation of regulatory changes proposed within the Basel III framework, in particular the Liquidity Coverage Ratio, Regions increased its holdings in securities backed by the Government National Mortgage Association (GNMA), which are explicitly backed by the U.S. Government. Additionally, the Company has $9.9 billion of unencumbered liquid securities available for pledging or repurchase agreements.

Maturities in the loan portfolio also provide a steady flow of funds (see Table 11 Selected Loan Maturities). At December 31, 2011, commercial loans and investor real estate mortgage and construction loans with an aggregate balance of $12.9 billion were due to mature in one year or less, although Regions may renew some of these lending arrangements if the risk profile is acceptable. Additionally, securities of $73 million were due to contractually mature in one year or less. Additional funds are provided from payments on consumer loans and one-to-four family residential first mortgage loans. In addition, liquidity needs can also be met by borrowing funds in state and national money markets, although Regions does not currently rely on unsecured wholesale market funding. Historically, Regions liquidity has been enhanced by its relatively stable customer deposit base. During 2010 and 2011, Regions customer base grew substantially in response to competitive offers and customers desire to lock-in rates in the falling rate environment, as well as the introduction of new consumer and business checking products.

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

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

Due to the potential for uncertainty and inconsistency in the unsecured funding markets, Regions has been maintaining higher levels of cash liquidity by depositing excess cash with the Federal Reserve Bank, which is the primary component of the balance sheet line item, interest-bearing deposits in other banks. At December 31, 2011, Regions had over $4.9 billion in excess cash on deposit with the Federal Reserve. Regions borrowing availability with the Federal Reserve Bank as of December 31, 2011, based on assets available for collateral at that date, was $19.4 billion.

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

Regions financing arrangement with the FHLB adds additional flexibility in managing its liquidity position. As of December 31, 2011, Regions borrowing availability from the FHLB totaled $5.4 billion. FHLB borrowing capacity is contingent on the amount of collateral pledged to the FHLB. Regions Bank and its subsidiaries have pledged certain residential first mortgage loans on one-to-four family dwellings and home equity lines of credit as collateral for the FHLB advances outstanding. Additionally, investment in FHLB stock is required in relation to the level of outstanding borrowings. Regions held $219 million in FHLB stock at December 31, 2011. The FHLB has been and is expected to continue to be a reliable and economical source of funding.

In February 2010, Regions filed a shelf registration statement with the U.S. Securities and Exchange Commission. This shelf registration does not have a capacity limit and can be utilized by Regions to issue various debt and/or equity securities. The registration statement will expire in February 2013. In 2010, Regions issued from the shelf $250 million (par value) of 4.875% senior notes due April 2013 and $500 million (par value) of 5.75% senior notes due June 2015.

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Regions Bank Note program allows Regions Bank to issue up to $20 billion aggregate principal amount of bank notes outstanding at any one time. No issuances have been made under this program as of December 31, 2011. Notes issued under the program may be senior notes with maturities from 30 days to 15 years and subordinated notes with maturities from 5 years to 30 years. These notes are not deposits and they are not insured or guaranteed by the FDIC.

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

Morgan Keegan maintains certain lines of credit with unaffiliated banks to manage liquidity in the ordinary course of business. See the Short-Term Borrowings section for further detail.

See the Stockholders Equity section for discussion of the Federal Reserve s Comprehensive Capital Analysis and Review.

COUNTERPARTY RISK

Regions manages and monitors its exposure to other financial institutions, also known as counterparty exposure, on an ongoing basis. The objective is to ensure that Regions appropriately identifies and reacts to risks associated with counterparties in a timely manner. This exposure may be direct or indirect exposure that could create legal, reputational or financial risk to the Company.

Counterparty exposure may result from a variety of transaction types and may include exposure to commercial banks, savings and loans, insurance companies, broker/dealers, institutions that provide credit enhancements, and corporate debt issuers. Because transactions with a counterparty may be generated in one or more departments, credit limits are established for use by various areas of the Company including treasury, capital markets, finance, the mortgage division and lines of business.

To manage counterparty risk, Regions has a centralized approach to approval, management and monitoring of exposure. To that end, Regions has a dedicated counterparty credit group and credit officer, as well as a documented counterparty credit policy. Exposures to counterparties are regularly aggregated across departments and reported to senior management.

Regions has various counterparties that are regularly relied upon for market making capabilities, primarily broker-dealers. With these counterparties, Regions typically has in place margin agreements that are monitored daily, with margin posted to collateralize exposure as appropriate. Interaction with these counterparties is part of the risk management and monitoring process outlined above.

INTERNATIONAL RISK

Regions has minimal sovereign credit exposure except for an immaterial amount in government securities bonds to a single non-European sovereign, as well as a guarantee on a leveraged lease from a Western European government agency. However, Regions does have country exposure, which is defined as the aggregation of exposure Regions has with financial institutions, companies, or individuals in a given country outside of the United States. The majority of these exposures are in the form of derivative hedges (interest rate and foreign exchange), corporate securities and leveraged lease guarantees. This exposure is concentrated in highly-rated, Western European countries but not in those most severely affected by the recent Eurozone turmoil. In addition to Western Europe, Regions corporate securities include investments in corporations domiciled in other countries in Eastern Europe, North America and Australia.

Regions has other smaller exposures in the form of trade confirmations, due from clearing accounts and loan participations with counterparties domiciled in countries in other regions, such as Latin America, Asia and the Middle East/North Africa region.

At December 31, 2011, Regions international exposure was approximately $500 million in total. Amounts in excess of 75 percent of the exposure relate to highly-rated Western European entities.

Regions Counterparty Risk department is responsible for the setting of country limits and managing of the outstanding country exposure for all departments of the bank as well as monitoring compliance of the outstanding exposure to the set limits. Reports are sent to Counterparty Risk by the lines of business on a monthly basis to demonstrate their compliance with their set limits. Counterparty Risk conducts a formal, quarterly assessment of the exposure, on both an outstanding and limit basis, which is then distributed to upper management for review.

CREDIT RISK

Regions objective regarding credit risk is to maintain a high-quality credit portfolio that provides for stable credit costs with acceptable volatility through an economic cycle. See the Credit Quality section found earlier in this report for further information.

Management Process

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

Responsibility and accountability for adherence to underwriting policies and accurate risk ratings lies in the lines of business. For consumer and small business portfolios, the risk management process focuses on managing customers who become delinquent in their payments and managing performance of the credit scorecards, which are periodically adjusted based on actual credit performance. Commercial business units are responsible for underwriting new business and, on an ongoing basis, monitoring the credit of their portfolios, including a complete review of the borrower semi-annually or more frequently as needed.

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

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

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

Risk Characteristics of the Loan Portfolio

In order to assess the risk characteristics of the loan portfolio, Regions considers the current U.S. economic environment and that of its primary banking markets, as well as risk factors within the major categories of loans.

Economic Environment in Regions Banking Markets

One of the primary factors influencing the credit performance of Regions loan portfolio is the overall economic environment in the U.S. and the primary markets in which it operates. The Great Recession that began in December 2007 continued through 2008 and into 2009. Through this recessionary period, the overall output of goods and services experienced its sharpest decline since the early 1980s. Consumer spending, about 70 percent of all recorded spending, has been adversely impacted by declining inflation-adjusted income, low additional credit capacity, historically high required monthly debt payments, a negative employment outlook, a higher savings portion of after-tax personal income, and historically low consumer confidence. However, business sector output continues to grow, driven by replenishment of inventories that were highly depleted during the recession.

In 2009, the economic downturn that began with the housing slowdown continued to negatively impact consumer confidence. In turn, lower confidence levels negatively affected demand for goods and services. This lower demand impacted retail sales and led to increased vacancy rates and lower rent rolls for the commercial real estate sector. High unemployment continued in 2009 but began improving in 2010 and 2011. Residential real estate prices were stable in 2010, but declined again in 2011. Concerns remain about the impact on real estate prices from the future sale of the large supply of homes that are either on bank balance sheets or have mortgages that are currently delinquent.

Late in 2010, significant fiscal and monetary stimuli were implemented. The Federal Reserve approved the purchase of an additional $600 billion in U.S. Treasury bonds, and the Congress approved significant tax provisions that were expected to increase consumption, and, thereby, Gross Domestic Product (GDP). Even with these measures, the 1.7 percent growth in real GDP in 2011 trailed the 3.0 percent growth rate in 2010, as the U.S was negatively impacted by the ongoing credit crisis in the Eurozone. Overall, the consensus for 2012 is for marginally better but still below-trend economic growth. While the unemployment rate in the U.S declined from 9.4 percent in December 2010 to 8.5 percent in December 2011, the rate has been 8.5 percent or greater for 34 consecutive months.

Portfolio Characteristics

Regions has a diversified loan portfolio, in terms of product type, collateral and geography. At December 31, 2011, commercial loans represented 46 percent of total loans, net of unearned income, investor real estate loans represented 14 percent, residential first mortgage loans totaled 18 percent and other consumer loans, largely home equity lending, comprised the remaining 22 percent. Following is a discussion of risk characteristics of each loan type.

Commercial The commercial loan portfolio segment totaled $36.0 billion at year-end 2011 and primarily consists of loans to small and mid-sized commercial and large corporate customers with business operations in Regions geographic footprint. Loans in this portfolio are generally underwritten individually and are usually secured with the assets of the company and/or the personal guarantee of the business owners. Also considered as commercial loans are owner-occupied commercial real estate loans to businesses for long-term financing of land and buildings. Regions attempts to minimize risk on owner-occupied properties by requiring collateral values that exceed the loan amount, adequate cash flow to service the debt, and, in many cases, the personal guarantees of principals of the borrowers. Net charge-offs on commercial loans were 1.40 percent in 2011 compared to 1.86 percent in 2010.

Investor Real Estate The investor real estate portfolio segment totaled $10.7 billion at year-end 2011 and includes various loan types. A large component of investor real estate loans is extensions of credit to real estate developers and investors for the financing of land or buildings, where the repayment is generated from the sale of the real estate or income generated by the real estate property. Net charge-offs on commercial investor real estate mortgage loans were 5.52 percent in 2011, as compared to 5.66 percent in 2010. Commercial investor real estate construction loans are primarily 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. These loans are generally underwritten and managed by a specialized real estate group that also manages loan disbursements during the construction process. Net charge-offs on commercial investor real estate construction decreased from 14.32 percent in 2010 to 11.71 percent in 2011.

Residential First Mortgage The residential first mortgage portfolio primarily contains loans to individuals, which are secured by single-family residences that are originated through Regions branch network. Loans of this type are generally smaller in size than commercial or investor real estate loans and are geographically dispersed throughout Regions market areas, with some guaranteed by government agencies or private mortgage insurers. Losses on the residential loan portfolio depend, to a large degree, on the level of interest rates, the unemployment rate, economic conditions and collateral values. During 2011, losses on single-family residences totaled 1.52 percent, as compared to 1.53 percent in 2010.

Home Equity The home equity portfolio totaled $13.0 billion at December 31, 2011, as compared to $14.2 billion at December 31, 2010. Substantially all of this portfolio was originated through Regions branch network. Losses in this portfolio generally track overall economic conditions. The main source of economic stress has been in Florida, where residential property values have declined significantly while unemployment rates rose to historically high levels. Losses on relationships in Florida where Regions is in a second lien position are higher than first lien losses. During 2011, losses on home equity decreased to 2.41 percent from 2.80 percent in 2010.

Indirect Indirect lending, which is lending initiated through third-party business partners, is largely comprised of loans made through automotive dealerships. Beginning in late 2010, the Company re-entered indirect auto lending. During 2011, this portfolio class increased $256 million to $1.8 billion. Losses on indirect loans were 0.75 percent for 2011, as compared to 0.99 percent for 2010.

Consumer Credit Card During 2011, Regions completed the purchase of approximately 500,000 existing Regions-branded consumer credit card accounts from FIA Card Services, adding approximately $1.0 billion in consumer principal balances. The products are primarily open-ended variable interest rate consumer credit card loans.

Other Consumer Other consumer loans include direct consumer installment loans, overdrafts and other revolving credit, and educational loans.

Allowance for Credit Losses

The allowance for credit losses represents management s estimate of credit losses inherent in the portfolio as of year-end. The allowance for credit losses consists of two components: the allowance for loan losses and the reserve for unfunded credit commitments. Management s assessment of the appropriateness of the allowance for credit losses is based on a combination of both of these components. Regions determines its allowance for credit losses 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.

Allowance Process Factors considered by management in determining the adequacy of the allowance include, but are not limited to: 1) detailed reviews of individual loans; 2) historical and current trends in gross and net loan charge-offs for the various classes of loans evaluated; 3) the Company s policies relating to delinquent loans and charge-offs; 4) the level of the allowance in relation to total loans and to historical loss levels; 5) levels and trends in non-performing and past due loans; 6) collateral values of properties securing loans; 7) the composition of the loan portfolio, including unfunded credit commitments; 8) management s analysis of current economic conditions; 9) migration of loans between risk rating categories; and 10) estimation of inherent credit losses in the portfolio. In support of collateral values, Regions obtains updated valuations for non-performing loans on at least an annual basis. For loans that are individually identified for impairment in certain loan categories, those valuations are currently discounted from the most recent appraisal to consider continued declines in property values. The discounted valuations are utilized in the measurement of the level of impairment in the allowance calculation. For loans that are not individually identified for impairment and secured by real estate, Regions considers the impact of declines in real estate valuations in the loss given default estimates within the allowance calculation.

Commercial and Consumer Credit Risk Management and Problem Asset Management are all involved in the credit risk management process to assess the accuracy of risk ratings, the quality of the portfolio and the estimation of inherent credit losses in the loan portfolio. This comprehensive process also assists in the prompt identification of problem credits. The Company has taken a number of measures to manage the portfolios and reduce risk, particularly in the more problematic portfolios. In addition, a strong Customer Assistance Program for consumer lending is in place which educates customers about options and initiates early contact with customers to discuss solutions when a loan first becomes delinquent.

For loans that are not specifically reviewed, management uses information from its ongoing review processes to stratify the loan portfolio into pools sharing common risk characteristics. Loans that share common risk characteristics are assigned a portion of the allowance for credit losses based on the assessment process described above. Credit exposures are categorized by type and assigned estimated amounts of inherent loss based on several factors, including current and historical loss experience for each pool and management s judgment of current economic conditions and their expected impact on credit performance. Adjustments to the allowance for loan losses calculated using a pooled approach are recorded through the provision for loan losses; adjustments to the reserve for unfunded credit commitments calculated using a pooled approach are recorded through noninterest expense.

As a matter of business practice, Regions may require some form of credit support, such as a guarantee. Guarantees are legally binding and simultaneous with the primary loan agreements. Regions underwrites the ability of each guarantor to perform under its guarantee in the same manner and to the same extent as would be required to underwrite the repayment plan of a direct obligor. This entails obtaining sufficient information on the guarantor, including financial and operating information, to sufficiently measure a guarantor s ability to perform, under the guarantee. Evaluation of guarantors ability and willingness to pay is considered as part of the risk rating process, which provides the basis for the allowance for loan losses for commercial and investor real estate portfolio segments. In some cases, the credit support provided by the guarantor is integral to the risk rating. In concluding that the risk rating is appropriate, Regions considers a number of factors including whether underlying cash flow is adequate to service the debt, payment history, and whether there is appropriate guarantor support. Accordingly, Regions has concluded that the impact of credit support provided by guarantors has been appropriately considered in the calculation and assessment of the allowance for loan losses.

Management considers the current level of allowance for credit losses appropriate to absorb losses inherent in the loan portfolio and unfunded commitments. Management s determination of the appropriateness of the allowance for credit losses, which is based on the factors and risk identification procedures previously discussed, requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance for credit losses 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.

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Details regarding the allowance for credit losses, including an analysis of activity from the previous year s total, are included in Table 17 Allowance for Credit Losses. Also, refer to Table 18 Allocation of the Allowance for Loan Losses for details pertaining to management s allocation of the allowance for loan losses to each loan category.

FINANCIAL DISCLOSURE AND INTERNAL CONTROLS

Regions has always maintained internal controls over financial reporting, which generally include those controls relating to the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. Regions process for evaluating internal controls over financial reporting starts with understanding the risks facing each of its functions and areas, how those risks are controlled or mitigated, and how management monitors those controls to ensure that they are in place and effective. These risks, control procedures and monitoring tools are documented in a standard format. This format not only documents the internal control structures over all significant accounts, but also places responsibility on management for establishing feedback mechanisms to ensure that controls are effective. These monitoring procedures are also part of management s testing of internal controls. At least quarterly, each area updates and assesses the adequacy of its documented internal controls. If changes are necessary, updates are made more frequently.

Regions has also established processes to ensure appropriate disclosure controls and procedures are maintained. These controls and procedures as defined by the Securities and Exchange Commission (SEC) are generally designed to ensure that financial and non-financial information required to be disclosed in reports filed with the SEC is reported within the time periods specified in the SEC s rules and forms, and that such information is communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Regions Disclosure Review Committee, which includes representatives from the legal, risk management, accounting, investor relations, treasury and audit departments, meets quarterly to review recent internal and external events to determine whether all appropriate disclosures have been made in reports filed with the SEC. In addition, the CEO and CFO meet quarterly with the SEC Filings Review Committee, which includes senior representatives from accounting, legal, risk management, audit, treasury, human resources, and operations and technology. The SEC Filings Review Committee reviews certain reports to be filed with the SEC, including Forms 10-K and 10-Q and evaluates the adequacy and accuracy of the disclosures. As part of this process, certifications of internal control effectiveness are obtained from accounting, treasury, legal, audit, risk management, human resources, administration, and operations and technology. These certifications are reviewed and presented to the CEO and CFO as support of the Company s assessment of internal controls over financial reporting. The Forms 10-K and 10-Q are presented to the Audit Committee of the Board of Directors for approval. Financial results and other financial information are also reviewed with the Audit Committee on a quarterly basis.

As required by applicable regulatory pronouncements, the CEO and the CFO review and make various certifications regarding the accuracy of Regions periodic public reports filed with the SEC, as well as the effectiveness of disclosure controls and procedures and internal controls over financial reporting. With the assistance of the financial review committees noted in the previous paragraph, Regions will continue to assess and monitor disclosure controls and procedures and internal controls over financial reporting, and will make refinements as necessary.

COMPARISON OF 2010 WITH 2009 CONTINUING OPERATIONS

Regions reported a net loss available to common shareholders of $763 million, or $0.62 per diluted common share, in 2010 compared to a net loss available to common shareholders of $1.3 billion, or $1.27 per diluted share, in 2009. Regions reported a loss from continuing operations available to common shareholders of $692 million, or $0.56 per diluted common share, in 2010 compared to a loss from continuing operations available to common shareholders of $1.3 billion, or $1.32 per diluted share, in 2009. Significant drivers of 2010 results included an elevated provision for loan losses and other real estate expenses, as well as a $75 million regulatory charge. These items were partially offset by higher net interest income.

Net interest income from continuing operations was $3.4 billion in 2010 compared to $3.3 billion in 2009. The net interest margin from continuing operations (fully-taxable equivalent basis) was 2.91 percent in 2010, compared to 2.68 percent during 2009. The margin improvement was driven primarily by a decrease of 61 basis points in the cost of interest-bearing liabilities, while being partially offset by a 31 basis point decline in the overall yield on interest earning assets. This dynamic reflected efforts to improve deposit costs and pricing on loans, while managing the challenges posed by a low interest rate environment. Long-term interest rates in particular remained low in 2010, pressuring yields on fixed-rate loan and securities portfolios, and contributed to the decline in the yield on taxable securities from 4.78 percent in 2009 to 3.66 percent in 2010. The overall costs of deposits improved from 1.35 percent in 2009 to 0.78 percent in 2010, although short-term interest rates (e.g. Fed Funds) remained relatively stable.

Non-interest income from continuing operations totaled $2.5 billion in 2010, compared to $2.8 billion in 2009. The year-over-year decrease was due primarily to several items impacting 2009 with a lower or no corresponding impact on 2010. These 2009 items include gains from terminations of leveraged leases, which were largely offset by income taxes, a gain on extinguishment of debt realized in connection with the Company s issuance of common stock in exchange for trust preferred securities, and gains related to transactions in Visa stock. Lower mortgage income, resulting from a decline in origination volume, also drove the year-over-year decline. These decreases were largely offset by higher gains from sales of securities in 2010, as well as increases in non-interest income attributable to service charges and capital markets and investment income.

Capital markets and investment income increased $30 million to $69 million in 2010 from $39 million in 2009, primarily due to an increase in the capital markets revenues. Trust assets under management were approximately $76.6 billion at year-end 2010 compared to approximately $70.0 billion at year-end 2009. The rise in assets under management was primarily driven by a higher amount of asset inflows and higher end-of-period asset valuations than in the prior year.

Service charges on deposit accounts increased 2 percent and totaled $1.2 billion in both 2010 and 2009. This modest increase was a result of a higher level of customer transactions and new account growth that began in 2009 and continued in 2010. These factors were slightly offset by policy changes, as well as changes related to Regulation E.

In 2010, mortgage income decreased $12 million, or 5 percent to $247 million. The decrease was primarily driven by lower mortgage origination volume in 2010 as compared to 2009 due to decreased refinance activity during 2010 as compared to 2009. Mortgage originations totaled $8.2 billion in 2010 as compared to $9.6 billion in 2009. However, the decrease in origination income was partially offset by market valuation adjustments for mortgage servicing rights and related derivatives which added $16 million and $13 million to mortgage income in 2010 and 2009, respectively.

Regions reported net gains of $394 million from the sale of securities available for sale in 2010, compared to net gains of $69 million in 2009. The Company s gains were due to increased sales activity within the available-for-sale category as part of the Company s asset/liability management strategies. In 2010, the Company repositioned its securities portfolio and sold $9.9 billion to mitigate prepayment risk and extended the duration of the investment portfolio. In 2009, the Company significantly reduced its exposure in non-agency investment securities, collateralized mortgage-backed securities and municipal bonds through sales of $5.4 billion of these securities, incurring some losses on the sales. The proceeds from the sales in 2010 and 2009 were reinvested in U.S. government agency mortgage-backed securities classified as available for sale.

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Non-interest expense from continuing operations in 2010 included a $75 million regulatory charge. Non-interest expense, excluding the regulatory charge (non-GAAP), decreased $1 million to $3.8 billion in 2010. See Table 6 Non-Interest Expense from Continuing Operations (including Non-GAAP reconciliation) and the text preceding Table 2 GAAP to Non-GAAP Reconciliation . Salaries and employee benefits remained relatively stable at $1.6 billion in 2010. At December 31, 2010, Regions had 27,829 employees compared to 28,509 at December 31, 2009**.**

Net occupancy expense decreased 3 percent to $411 million in 2010, due primarily to charges associated with the 2009 decision to consolidate 121 branches. Furniture and equipment expense decreased $4 million to $277 million in 2010. This decrease was primarily due to branch consolidation charges of $7 million incurred in 2009.

Professional and legal fees are comprised of amounts related to legal, consulting and other professional fees. These fees increased $3 million to $170 million in 2010, reflecting an increase in the level of credit-related legal expenses in 2010.

OREO expenses include the cost of adjusting foreclosed properties to fair value after these assets have been classified as OREO and net gains and losses on sales of properties, as well as other costs to maintain the property such as property taxes, security and grounds maintenance. Through Regions efforts to sell foreclosed properties, OREO balances decreased $153 million to $454 million in 2010 compared to $607 million in 2009. OREO expense increased $34 million to $209 million in 2010 compared to $175 million in 2009, primarily driven by valuation declines resulting from further deterioration of the housing and real estate markets.

FDIC premiums decreased $7 million to $220 million in 2010. The decrease resulted from a $64 million special assessment in 2009. The FDIC made a number of changes to its assessment rate schedule, which drove an offsetting increase in premium rates. The bank regulatory agencies ratings, comprised of Regions Bank s capital, asset quality, management, earnings, liquidity and sensitivity to risk, along with its long-term debt issuer ratings and financial ratios, were the primary factors in determining FDIC insurance premiums.

Other miscellaneous expenses include communications, postage, supplies, credit-related costs and business development services. Other miscellaneous expenses decreased $43 million to $640 million in 2010.

The Company s income tax benefit for 2010 was $376 million compared to a tax benefit of $194 million in 2009, resulting in an effective tax rate of 44.5 percent and 15.3 percent, respectively. The increase in income tax benefit reflects the impact of the decline in the number and amount of leveraged lease terminations offset by the recognition of the regulatory charge and the decrease in the consolidated pre-tax loss.

Net charge-offs totaled $2.8 billion, or 3.22 percent of average loans in 2010 compared to $2.3 billion, or 2.38 percent of average loans in 2009. The increased loss rate reflected seasoning of losses as the Company moved through the credit cycle as well as the impact of asset dispositions which increased charge-offs and decreased average loan balances. Charge-off ratios were higher across most major classes, with investor real estate experiencing the largest increase. Non-performing assets decreased from $4.4 billion at December 31, 2009 to $3.9 billion at December 31, 2010, reflecting management s efforts to work through problem assets and reduce the riskiest exposures.

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 cover losses inherent in the portfolio at the balance sheet date. During 2010 the provision for loan losses was $2.9 billion. This compares to a provision for loan losses of $3.5 billion in 2009.

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At December 31, 2010, the allowance for loan losses totaled $3.2 billion or 3.84 percent of total loans, net of unearned income compared to $3.1 billion or 3.43 percent at year-end 2009. The increase in the allowance for loan loss ratio reflected management s estimate of the level of inherent losses in the portfolio, which stabilized during 2010, as well as a result of the decline in the loan portfolio balance.

Table 30 Quarterly Results of Operations

	2011				2010			
	Fourth Quarter (3)	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In millions, except per share data)							
Total interest income	$ 1,031	$ 1,055	$ 1,076	$ 1,090	$ 1,120	$ 1,147	$ 1,167	$ 1,203
Total interest expense	182	205	220	235	257	288	321	382
Net interest income	849	850	856	855	863	859	846	821
Provision for loan losses	295	355	398	482	682	760	651	770
Net interest income after provision for loan losses	554	495	458	373	181	99	195	51
Total non-interest income, excluding securities gains (losses), net	500	514	519	498	587	488	516	504
Securities gains (losses), net	7	(1)	24	82	333	2		59
Total non-interest expense	1,124	850	956	932	990	910	966	993
Income (loss) from continuing operations before income taxes	(63)	158	45	21	111	(321)	(255)	(379)
Income tax expense (benefit)	18	17	(34)	(29)	44	(157)	(95)	(168)
Income (loss) from continuing operations	(81)	141	79	50	67	(164)	(160)	(211)
Discontinued operations								
Income (loss) from discontinued operations before income taxes	(472)	24	4	36	31	16	(110)	22
Income tax expense (benefit)	(5)	10	(26)	17	9	7	7	7
Income (loss) from discontinued operations, net of tax	(467)	14	30	19	22	9	(117)	15
Net income (loss)	$ (548)	$ 155	$ 109	$ 69	$ 89	$ (155)	$ (277)	$ (196)
Income (loss) from continuing operations available to common shareholders	$ (135)	$ 87	$ 25	$ (2)	$ 14	$ (218)	$ (218)	$ (270)
Net income (loss) available to common shareholders	$ (602)	$ 101	$ 55	$ 17	$ 36	$ (209)	$ (335)	$ (255)
Earnings (loss) per common share from continuing operations: (1)								
Basic	$ (0.11)	$ 0.07	$ 0.02	$ (0.00)	$ 0.01	$ (0.17)	$ (0.18)	$ (0.23)
Diluted	(0.11)	0.07	0.02	(0.00)	0.01	(0.17)	(0.18)	(0.23)
Earnings (loss) per common share: (1)								
Basic	$ (0.48)	$ 0.08	$ 0.04	$ 0.01	$ 0.03	$ (0.17)	$ (0.28)	$ (0.21)

Diluted	(0.48)	0.08	0.04	0.01	0.03	(0.17)	(0.28)	(0.21)
Cash dividends declared per share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Market price: (2)								
High	4.46	6.53	7.45	8.09	7.62	7.76	9.33	8.05
Low	2.82	3.33	5.86	6.79	5.12	6.12	6.55	5.33

(1) Quarterly amounts may not add to year-to-date amounts due to rounding.

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

(3) Includes goodwill impairment of $253 million in non-interest expense from continuing operations. Discontinued operations includes goodwill impairment of $478 million, net of a $14 million income tax benefit.

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Item 8. ***Financial Statements and Supplementary Data***

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We, as members of the Management of Regions Financial Corporation (the Company), are responsible for establishing and maintaining effective internal control over financial reporting. Regions internal control system was designed to provide reasonable assurance to the Company s management and Board of Directors regarding the preparation and fair presentation of the Company s financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

All internal controls systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements in the Company s financial statements, including the possibility of circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Regions management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2011. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control Integrated Framework. Based on our assessment, we believe and assert that, as of December 31, 2011, the Company s internal control over financial reporting is effective based on those criteria.

Regions independent registered public accounting firm has issued an audit report on the effectiveness of the Company s internal control over financial reporting. This report appears on the following page.

REGIONS FINANCIAL CORPORATION

by /s/ O. B. GRAYSON HALL, JR.

O. B. Grayson Hall, Jr.

President and Chief Executive Officer

by /s/ DAVID J. TURNER, JR.

David J. Turner, Jr.

Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS OF REGIONS FINANCIAL CORPORATION

We have audited Regions Financial Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Regions Financial Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Regions Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Regions Financial Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for each of the three years in the period ended December 31, 2011 of Regions Financial Corporation and our report dated February 24, 2012, expressed an unqualified opinion thereon.

Birmingham, Alabama

February 24, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND STOCKHOLDERS OF REGIONS FINANCIAL CORPORATION

We have audited the accompanying consolidated balance sheets of Regions Financial Corporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regions Financial Corporation and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Regions Financial Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012, expressed an unqualified opinion thereon.

Birmingham, Alabama

February 24, 2012

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31 2011	December 31 2010
	(In millions, except share data)	
Assets		
Cash and due from banks	$ 2,132	$ 1,643
Interest-bearing deposits in other banks	4,913	4,880
Federal funds sold and securities purchased under agreements to resell	200	396
Trading account assets	1,266	1,116
Securities available for sale	24,471	23,289
Securities held to maturity (estimated fair value of $17 and $26, respectively)	16	24
Loans held for sale (includes $844 and $1,174 measured at fair value, respectively)	1,193	1,485
Loans, net of unearned income	77,594	82,864
Allowance for loan losses	(2,745)	(3,185)
Net loans	74,849	79,679
Other interest-earning assets	1,085	1,219
Premises and equipment, net	2,375	2,569
Interest receivable	361	421
Goodwill	4,816	5,561
Mortgage servicing rights	182	267
Other identifiable intangible assets	449	385
Other assets	8,742	9,417
Total assets	$ 127,050	$ 132,351
Liabilities and Stockholders Equity		
Deposits:		
Non-interest-bearing	$ 28,266	$ 25,733
Interest-bearing	67,361	68,881
Total deposits	95,627	94,614
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	2,333	2,716
Other short-term borrowings	734	1,221
Total short-term borrowings	3,067	3,937
Long-term borrowings	8,110	13,190
Total borrowed funds	11,177	17,127
Other liabilities	3,747	3,876
Total liabilities	110,551	115,617
Stockholders equity:		
Preferred stock, authorized 10 million shares		
Series A, cumulative perpetual participating, par value $1.00 (liquidation preference $1,000.00) per share, net of discount;		
Issued 3,500,000 shares	3,419	3,380
Common stock, par value $.01 per share:		
Authorized 3 billion shares		

Issued including treasury stock 1,301,230,838 and 1,299,000,755 shares, respectively	13	13
Additional paid-in capital	19,060	19,050
Retained earnings (deficit)	(4,527)	(4,047)
Treasury stock, at cost 42,414,444 and 42,764,258 shares, respectively	(1,397)	(1,402)
Accumulated other comprehensive income (loss), net	(69)	(260)
Total stockholders equity	16,499	16,734
Total liabilities and stockholders equity	$ 127,050	$ 132,351

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2011	2010	2009
	(In millions, except per share data)		
Interest income on:			
Loans, including fees	$ 3,444	$ 3,705	$ 4,199
Securities:			
Taxable	758	873	966
Tax-exempt		1	19
Total securities	758	874	985
Loans held for sale	36	39	55
Trading account assets	1	4	22
Other interest-earning assets	13	15	16
Total interest income	4,252	4,637	5,277
Interest expense on:			
Deposits	472	755	1,277
Short-term borrowings	(1)	4	44
Long-term borrowings	371	489	663
Total interest expense	842	1,248	1,984
Net interest income	3,410	3,389	3,293
Provision for loan losses	1,530	2,863	3,541
Net interest income (loss) after provision for loan losses	1,880	526	(248)
Non-interest income:			
Service charges on deposit accounts	1,168	1,174	1,156
Capital markets and investment income	64	69	39
Mortgage income	220	247	259
Trust department income	199	196	191
Securities gains, net	112	394	69
Leveraged lease termination gains	8	78	587
Other	372	331	464
Total non-interest income	2,143	2,489	2,765
Non-interest expense:			
Salaries and employee benefits	1,604	1,640	1,635
Net occupancy expense	388	411	422
Furniture and equipment expense	275	277	281
Other-than-temporary impairments(1)	2	2	75
Goodwill impairment	253		
Regulatory charge		75	
Other	1,340	1,454	1,372
Total non-interest expense	3,862	3,859	3,785
Income (loss) from continuing operations before income taxes	161	(844)	(1,268)
Income tax benefit	(28)	(376)	(194)
Income (loss) from continuing operations	$ 189	$ (468)	$ (1,074)
Discontinued operations:			
Income (loss) from discontinued operations before income taxes	(408)	(41)	66
Income tax expense (benefit)	(4)	30	23

Income (loss) from discontinued operations, net of tax	(404)	(71)	43
Net income (loss)	$ (215)	$ (539)	$ (1,031)
Net income (loss) from continuing operations available to common shareholders	$ (25)	$ (692)	$ (1,304)
Net income (loss) available to common shareholders	$ (429)	$ (763)	$ (1,261)
Weighted-average number of shares outstanding:			
Basic	1,258	1,227	989
Diluted	1,258	1,227	989
Earnings (loss) per common share from continuing operations:			
Basic	$ (0.02)	$ (0.56)	$ (1.32)
Diluted	(0.02)	(0.56)	(1.32)
Earnings (loss) per common share:			
Basic	$ (0.34)	$ (0.62)	$ (1.27)
Diluted	(0.34)	(0.62)	(1.27)
Cash dividends declared per common share	0.04	0.04	0.13

(1) Includes $266 million for the year ended December 31, 2009, of gross charges, net of $191 million of non-credit portion reported in other comprehensive income (loss). The corresponding 2010 and 2011 amounts are immaterial.

See notes to consolidated financial statements.

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY