REGIONS FINANCIAL CORP
Form 10-Q
August 05, 2016

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

Form 10-Q

ýQuarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2016
or
¨Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number: 001-34034

Regions Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware	63-0589368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1900 Fifth Avenue North Birmingham, Alabama	35203
(Address of principal executive offices)	(Zip Code)

(800) 734-4667
(Registrant's telephone number, including area code)
NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files). ý Yes ¨ No
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. (Check one): Large accelerated filer ý 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 Exchange Act). ¨ Yes ý No
The number of shares outstanding of each of the issuer’s classes of common stock was 1,255,198,176 shares of common stock, par value $.01, outstanding as of August 3, 2016.

Table of Contents

REGIONS FINANCIAL CORPORATION
FORM 10-Q
INDEX

Table of Contents

Glossary of Defined Terms

Agencies - collectively, FNMA, FHLMC and GNMA.
ALCO - Asset/Liability Management Committee.
AOCI - Accumulated other comprehensive income.
ATM - Automated teller machine.
Basel I - Basel Committee's 1988 Regulatory Capital Framework (First Accord).
Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord).
Basel III Rules - Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013.
Basel Committee - Basel Committee on Banking Supervision.
BHC - Bank Holding Company.
BITS - Technology arm of the Financial Services Roundtable.
Bank - Regions Bank.
Board - The Company’s Board of Directors.
CAP - Customer Assistance Program.
CCAR - Comprehensive Capital Analysis and Review.
CD - Certificate of deposit.
CEO - Chief Executive Officer.
CET1 - Common Equity Tier 1.
CFPB - Consumer Financial Protection Bureau.
Company - Regions Financial Corporation and its subsidiaries.
CPR - Constant (or Conditional) Prepayment Rate.
CRA - Community Reinvestment Act of 1977.
Dodd-Frank Act - The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DPD - Days Past Due.
DUS - Fannie Mae Delegated Underwriting & Servicing.
FASB - Financial Accounting Standards Board.
FDIC - Federal Deposit Insurance Corporation.
Federal Reserve - Board of Governors of the Federal Reserve System.
FHA - Federal Housing Administration.
FHLB - Federal Home Loan Bank.
FHLMC - Federal Home Loan Mortgage Corporation, known as Freddie Mac.
FNMA - Federal National Mortgage Association, known as Fannie Mae.
FS-ISAC - Financial Services - Information Sharing & Analysis Center
FRB - Federal Reserve Bank.
GAAP - Generally Accepted Accounting Principles in the United States.
GCM - Guideline Public Company Method.
GNMA - Government National Mortgage Association.
GTM - Guideline Transaction Method.
HUD - U.S. Department of Housing and Urban Development.

Table of Contents

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

Table of Contents

Forward-Looking Statements

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

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

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our earnings.
- The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.
- Possible changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.
- Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses where our allowance for loan losses may not be adequate to cover our eventual losses.
- Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.
- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.
- The effects of any developments, changes or actions relating to any litigation or regulatory proceedings brought against us or any of our subsidiaries.
- Changes in laws and regulations affecting our businesses, such as the Dodd-Frank Act and other legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- Our ability to obtain a regulatory non-objection (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock

under current or future programs, or redeem preferred stock or other regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us.

- Our ability to comply with stress testing and capital planning requirements (as part of the CCAR process or otherwise) may continue to require a significant investment of our managerial resources due to the importance and intensity of such tests and requirements.
- Our ability to comply with applicable capital and liquidity requirements (including, among other things, the Basel III capital standards and the LCR rule), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.

Table of Contents

- The Basel III framework calls for additional risk-based capital surcharges for globally systemically important banks. Although we are not subject to such surcharges, it is possible that in the future we may become subject to similar surcharges.
- The costs, including possibly incurring fines, penalties, or other negative effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party, and which may adversely affect our results.
- Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our business.
- Our ability to execute on our strategic and operational plans, including our ability to fully realize the financial and non-financial benefits relating to our strategic initiatives.
- The success of our marketing efforts in attracting and retaining customers.
- Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits, which could adversely affect our net income.
- Our ability to recruit and retain talented and experienced personnel to assist in the development, management and operation of our products and services may be affected by changes in laws and regulations in effect from time to time.
- Fraud or misconduct by our customers, employees or business partners.
- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- The risks and uncertainties related to our acquisition and integration of other companies.
- Inability of our framework to manage risks associated with our business such as credit risk and operational risk, including third-party vendors and other service providers, which could, among other things, result in a breach of operating or security systems as a result of a cyber attack or similar act.
- The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.
- The effects of geopolitical instability, including wars, conflicts and terrorist attacks and the potential impact, directly or indirectly, on our businesses.
- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes, and environmental damage, which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business.
- Changes in commodity market prices and conditions could adversely affect the cash flows of our borrowers operating in industries that are impacted by changes in commodity prices (including businesses indirectly impacted by commodities prices such as businesses that transport commodities or manufacture equipment used in the production of commodities), which could impair their ability to service any loans outstanding to them and/or reduce demand for loans in those industries.
- Our inability to keep pace with technological changes could result in losing business to competitors.
- Our ability to identify and address cyber-security risks such as data security breaches, “denial of service” attacks, “hacking” and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information; increased costs; losses; or adverse effects to our reputation.
- Our ability to realize our efficiency ratio target as part of our expense management initiatives.
- Significant disruption of, or loss of public confidence in, the Internet and services and devices used to access the Internet could affect the ability of our customers to access their accounts and conduct banking transactions.
- Possible downgrades in our credit ratings or outlook could increase the costs of funding from capital markets.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally could require us to change certain business practices, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- The effects of the failure of any component of our business infrastructure provided by a third party could disrupt our businesses; result in the disclosure of and/or misuse of confidential information or proprietary information; increase our costs; negatively affect our reputation; and cause losses.

- Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends to stockholders.
- Changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect how we report our financial results.
- Other risks identified from time to time in reports that we file with the SEC.

Table of Contents

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

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

See also the reports filed with the Securities and Exchange Commission, including the discussion under the “Risk Factors” section of Regions’ Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

Table of Contents

PART I
FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2016	December 31, 2015
	(In millions, except share data)	
Assets		
Cash and due from banks	$ 1,867	$ 1,382
Interest-bearing deposits in other banks	2,370	3,932
Trading account securities	117	143
Securities held to maturity (estimated fair value of $1,707 and $1,969, respectively)	1,646	1,946
Securities available for sale	23,494	22,710
Loans held for sale (includes $475 and $353 measured at fair value, respectively)	551	448
Loans, net of unearned income	81,702	81,162
Allowance for loan losses	(1,151)	(1,106)
Net loans	80,551	80,056
Other earning assets	1,516	1,652
Premises and equipment, net	2,091	2,152
Interest receivable	312	319
Goodwill	4,882	4,878
Residential mortgage servicing rights at fair value	216	252
Other identifiable intangible assets	240	259
Other assets	6,359	5,921
Total assets	$ 126,212	$ 126,050
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$ 34,982	$ 34,862
Interest-bearing	62,263	63,568
Total deposits	97,245	98,430
Borrowed funds:		
Short-term borrowings:		
Other short-term borrowings	2	10
Total short-term borrowings	2	10
Long-term borrowings	8,968	8,349
Total borrowed funds	8,970	8,359
Other liabilities	2,612	2,417
Total liabilities	108,827	109,206
Stockholders' equity:		
Preferred stock, authorized 10 million shares, par value $1.00 per share		
Non-cumulative perpetual, liquidation preference $1,000.00 per share, including related surplus, net of issuance costs; issued—1,000,000 shares	820	820
Common stock, authorized 3 billion shares, par value $.01 per share:		
Issued including treasury stock—1,300,275,747 and 1,338,591,703 shares, respectively	13	13
Additional paid-in capital	17,539	17,883
Retained earnings (deficit)	242	(115)

Treasury stock, at cost—41,261,041 and 41,261,018 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	148	(380)
Total stockholders' equity	17,385	16,844
Total liabilities and stockholders' equity	$ 126,212	$ 126,050

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(In millions, except per share data)			
Interest income, including other financing income on:				
Loans, including fees	$762	$728	$1,530	$1,453
Securities - taxable	145	141	292	286
Loans held for sale	4	4	7	7
Trading account securities	1	1	4	4
Other earning assets	8	9	18	19
Operating lease assets	32	—	64	—
Total interest income, including other financing income	952	883	1,915	1,769
Interest expense on:				
Deposits	28	27	55	55
Short-term borrowings	—	1	—	1
Long-term borrowings	50	35	97	78
Total interest expense	78	63	152	134
Depreciation expense on operating lease assets	26	—	53	—
Total interest expense and depreciation expense on operating lease assets	104	63	205	134
Net interest income and other financing income	848	820	1,710	1,635
Provision for loan losses	72	63	185	112
Net interest income and other financing income after provision for loan losses	776	757	1,525	1,523
Non-interest income:				
Service charges on deposit accounts	166	168	325	329
Card and ATM fees	99	90	194	175
Mortgage income	46	46	84	86
Securities gains, net	6	6	1	11
Other	209	280	428	459
Total non-interest income	526	590	1,032	1,060
Non-interest expense:				
Salaries and employee benefits	480	477	955	935
Net occupancy expense	86	89	172	180
Furniture and equipment expense	79	76	157	147
Other	270	292	500	577
Total non-interest expense	915	934	1,784	1,839
Income from continuing operations before income taxes	387	413	773	744
Income tax expense	115	124	228	219
Income from continuing operations	272	289	545	525
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	5	(6)	5	(10)
Income tax expense (benefit)	2	(2)	2	(4)
Income (loss) from discontinued operations, net of tax	3	(4)	3	(6)
Net income	$275	$285	$548	$519

Net income from continuing operations available to common shareholders	$256	$273	$513	$493
Net income available to common shareholders	$259	$269	$516	$487
Weighted-average number of shares outstanding:				
Basic	1,265	1,335	1,275	1,340
Diluted	1,268	1,346	1,279	1,352
Earnings per common share from continuing operations:				
Basic	$0.20	$0.20	$0.40	$0.37
Diluted	0.20	0.20	0.40	0.36
Earnings per common share:				
Basic	$0.20	$0.20	$0.40	$0.36
Diluted	0.20	0.20	0.40	0.36
Cash dividends declared per common share	0.065	0.06	0.125	0.11

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2016	2015
	(In millions)	
Net income	$275	$285
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($3) and ($2) tax effect, respectively)	(5)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	5	2
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of $62 and ($94) tax effect, respectively)	103	(152)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $2 and $2 tax effect, respectively)	4	4
Net change in unrealized gains (losses) on securities available for sale, net of tax	99	(156)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $51 and ($3) tax effect, respectively)	84	(4)
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $13 and $13 tax effect, respectively)	22	21
Net change in unrealized gains (losses) on derivative instruments, net of tax	62	(25)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of $1 and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of ($3) and ($5) tax effect, respectively)	(5)	(7)
Net change from defined benefit pension plans and other post employment benefits, net of tax	5	7
Other comprehensive income (loss), net of tax	171	(172)
Comprehensive income	$446	$113

	Six Months Ended June 30	
	2016	2015
	(In millions)	
Net income	$548	$519
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($4) and ($3) tax effect, respectively)	(7)	(4)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	7	4
Unrealized gains (losses) on securities available for sale:		
	308	(72)

Unrealized holding gains (losses) arising during the period (net of $187 and ($45) tax effect, respectively)		
Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and $4 tax effect, respectively)	1	7
Net change in unrealized gains (losses) on securities available for sale, net of tax	307	(79)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $153 and $32 tax effect, respectively)	249	54
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $28 and $25 tax effect, respectively)	46	42
Net change in unrealized gains (losses) on derivative instruments, net of tax	203	12
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of $1 and zero tax effect, respectively)	—	(1)
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of ($6) and ($9) tax effect, respectively)	(11)	(15)
Net change from defined benefit pension plans and other post employment benefits, net of tax	11	14
Other comprehensive income (loss), net of tax	528	(49)
Comprehensive income	$1,076	$470

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	Shares	Amount	Shares	Amount					
	(In millions, except per share data)								
BALANCE AT JANUARY 1, 2015	1	$ 884	1,354	$ 14	$ 18,767	$ (1,177)	$ (1,377)	$ (238)	$ 16,873
Net income	—	—	—	—	—	519	—	—	519
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	4	4
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(79)	(79)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	12	12
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	14	14
Cash dividends declared—$0.11 per share	—	—	—	—	(147)	—	—	—	(147)
Preferred stock dividends	—	(32)	—	—	—	—	—	—	(32)
Common stock transactions:									
Impact of share repurchase	—	—	(28)	—	(274)	—	—	—	(274)
Impact of stock transactions under compensation plans, net and other	—	—	5	—	9	—	—	—	9
BALANCE AT JUNE 30, 2015	1	$ 852	1,331	$ 14	$ 18,355	$ (658)	$ (1,377)	$ (287)	$ 16,899
BALANCE AT JANUARY 1, 2016	1	$ 820	1,297	$ 13	$ 17,883	$ (115)	$ (1,377)	$ (380)	$ 16,844
Net income	—	—	—	—	—	548	—	—	548
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	7	7
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	307	307
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	203	203
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	11	11

Cash dividends declared—$0.125 per share	—	—	—	—	—	(159)	—	—	(159)
Preferred stock dividends	—	—	—	—	—	(32)	—	—	(32)
Common stock transactions:									
Impact of share repurchase	—	—	(42)	—	(354)	—	—	—	(354)
Impact of stock transactions under compensation plans, net and other	—	—	4	—	10	—	—	—	10
BALANCE AT JUNE 30, 2016	1	$ 820	1,259	$ 13	$ 17,539	$ 242	$ (1,377)	$ 148	$ 17,385

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2016	2015
	(In millions)	
Operating activities:		
Net income	$548	$519
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	185	112
Depreciation, amortization and accretion, net	267	252
Securities (gains) losses, net	(1)	(11)
Deferred income tax expense	10	40
Originations and purchases of loans held for sale	(1,837)	(1,224)
Proceeds from sales of loans held for sale	1,823	1,295
(Gain) loss on sale of loans, net	(59)	(48)
(Gain) loss on early extinguishment of debt	—	43
Net change in operating assets and liabilities:		
Trading account securities	26	(4)
Other earning assets	83	(81)
Interest receivable and other assets	(126)	91
Other liabilities	197	(347)
Other	14	30
Net cash from operating activities	1,130	667
Investing activities:		
Proceeds from maturities of securities held to maturity	305	109
Proceeds from sales of securities available for sale	1,527	801
Proceeds from maturities of securities available for sale	1,983	1,911
Purchases of securities available for sale	(4,092)	(2,733)
Proceeds from sales of loans	47	49
Purchases of loans	(579)	(547)
Purchases of mortgage servicing rights	(24)	—
Net change in loans	(202)	(2,565)
Net purchases of other assets	(41)	(74)
Net cash from investing activities	(1,076)	(3,049)
Financing activities:		
Net change in deposits	(1,185)	2,875
Net change in short-term borrowings	(8)	(407)
Proceeds from long-term borrowings	1,607	1,248
Payments on long-term borrowings	(1,000)	(1,142)
Cash dividends on common stock	(154)	(147)
Cash dividends on preferred stock	(32)	(32)
Repurchase of common stock	(354)	(274)
Other	(5)	12
Net cash from financing activities	(1,131)	2,133
Net change in cash and cash equivalents	(1,077)	(249)
Cash and cash equivalents at beginning of year	5,314	4,004

Cash and cash equivalents at end of period	$4,237	$3,755

See notes to consolidated financial statements.

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and Six Months Ended June 30, 2016 and 2015

NOTE 1. BASIS OF PRESENTATION

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

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with GAAP and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions’ Annual Report on Form 10-K for the year ended December 31, 2015. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 14 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. This presentation is consistent with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2015.

During the fourth quarter of 2015, Regions reclassified its investments in FRB and FHLB stock from securities available for sale to other earning assets on its consolidated balance sheets. This reclassification has been made for all periods presented. Certain other prior period amounts have also been reclassified to conform to the current period presentation. These reclassifications are immaterial and have no effect on net income, comprehensive income, total assets, or total stockholders’ equity as previously reported.

NOTE 2. DISCONTINUED OPERATIONS

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(In millions, except per share data)			
Non-interest expense:				
Professional and legal expenses/(recoveries)	$(5)	$5	$(5)	$9
Other	—	1	—	1
Total non-interest expense	(5)	6	(5)	10
Income (loss) from discontinued operations before income taxes	5	(6)	5	(10)
Income tax expense (benefit)	2	(2)	2	(4)

Income (loss) from discontinued operations, net of tax	$3	$(4)	$3	$(6)
Earnings (loss) per common share from discontinued operations:				
Basic	$0.00	$(0.00)	$0.00	$(0.00)
Diluted	$0.00	$(0.00)	$0.00	$(0.00)

13

Table of Contents

NOTE 3. SECURITIES

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

	June 30, 2016						
		Recognized in OCI [1]			Not Recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$ —	$1	$ —	$ —	$ 1
Federal agency securities	150	—	(4)	146	4	—	150
Mortgage-backed securities:							
Residential agency	1,384	—	(57)	1,327	55	—	1,382
Commercial agency	176	—	(4)	172	2	—	174
	$1,711	$—	$ (65)	$1,646	$ 61	$ —	$ 1,707
Securities available for sale:							
U.S. Treasury securities	$235	$5	$ —	$240			$ 240
Federal agency securities	213	3	—	216			216
Obligations of states and political subdivisions	1	—	—	1			1
Mortgage-backed securities:							
Residential agency	16,602	342	(11)	16,933			16,933
Residential non-agency	4	1	—	5			5
Commercial agency	3,150	93	—	3,243			3,243
Commercial non-agency	1,167	20	(4)	1,183			1,183
Corporate and other debt securities	1,393	44	(22)	1,415			1,415
Equity securities	249	10	(1)	258			258
	$23,014	$518	$ (38)	$23,494			$ 23,494

Table of Contents

	December 31, 2015						
		Recognized in OCI [1]			Not Recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$ —	$1	$ —	$ —	$ 1
Federal agency securities	350	—	(10)	340	9	—	349
Mortgage-backed securities:							
Residential agency	1,490	—	(61)	1,429	18	(2)	1,445
Commercial agency	181	—	(5)	176	—	(2)	174
	$2,022	$—	$ (76)	$1,946	$ 27	$ (4)	$ 1,969
Securities available for sale:							
U.S. Treasury securities	$228	$1	$ (1)	$228			$ 228
Federal agency securities	219	—	(1)	218			218
Obligations of states and political subdivisions	1	—	—	1			1
Mortgage-backed securities:							
Residential agency	16,003	149	(90)	16,062			16,062
Residential non-agency	5	—	—	5			5
Commercial agency	3,033	10	(25)	3,018			3,018
Commercial non-agency	1,245	3	(17)	1,231			1,231
Corporate and other debt securities	1,718	12	(63)	1,667			1,667
Equity securities	272	10	(2)	280			280
	$22,724	$185	$ (199)	$22,710			$ 22,710

____

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

Securities with carrying values of $11.3 billion and $11.9 billion at June 30, 2016 and December 31, 2015, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements. Included within total pledged securities is approximately $51 million and $50 million of encumbered U.S. Treasury securities at June 30, 2016 and December 31, 2015, respectively.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at June 30, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Table of Contents

	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Due in one year or less	$1	$ 1
Due after one year through five years	150	150
Mortgage-backed securities:		
Residential agency	1,384	1,382
Commercial agency	176	174
	$1,711	$ 1,707
Securities available for sale:		
Due in one year or less	$50	$ 50
Due after one year through five years	646	660
Due after five years through ten years	883	907
Due after ten years	263	255
Mortgage-backed securities:		
Residential agency	16,602	16,933
Residential non-agency	4	5
Commercial agency	3,150	3,243
Commercial non-agency	1,167	1,183
Equity securities	249	258
	$23,014	$ 23,494

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at June 30, 2016 and December 31, 2015. For securities transferred to held to maturity from available for sale, the analysis in the tables below is comparing the securities' original amortized cost to its current estimated fair value. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

	June 30, 2016					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Mortgage-backed securities:						
Residential agency	$—	$ —	$944	$ (5)	$944	$ (5)
Commercial agency	—	—	174	(3)	174	(3)
	$—	$ —	$1,118	$ (8)	$1,118	$ (8)
Securities available for sale:						
U.S. Treasury securities	$7	$ —	$1	$ —	$8	$ —
Federal agency securities	1	—	—	—	1	—
Mortgage-backed securities:						
Residential agency	480	(3)	805	(8)	1,285	(11)
Residential non-agency	4	—	—	—	4	—
Commercial agency	44	—	45	—	89	—
Commercial non-agency	77	(1)	264	(3)	341	(4)

All other securities	41	(1)	291	(22)	332	(23)
	$654	$ (5)	$1,406	$ (33)	$2,060	$ (38)

Table of Contents

	December 31, 2015					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	$198	$ (1)	$—	$ —	$198	$ (1)
Mortgage-backed securities:						
Residential agency	322	(7)	1,121	(38)	1,443	(45)
Commercial agency	—	—	174	(7)	174	(7)
	$520	$ (8)	$1,295	$ (45)	$1,815	$ (53)
Securities available for sale:						
U.S. Treasury securities	$59	$ (1)	$8	$ —	$67	$ (1)
Federal agency securities	74	—	7	—	81	—
Mortgage-backed securities:						
Residential agency	8,037	(73)	791	(17)	8,828	(90)
Residential non-agency	3	—	—	—	3	—
Commercial agency	1,695	(20)	273	(5)	1,968	(25)
Commercial non-agency	684	(12)	264	(6)	948	(18)
All other securities	805	(36)	307	(29)	1,112	(65)
	$11,357	$ (142)	$1,650	$ (57)	$13,007	$ (199)

The number of individual positions in an unrealized loss position in the tables above decreased from 1,081 at December 31, 2015 to 407 at June 30, 2016. The decrease in the number of securities and the total amount of unrealized losses from year-end 2015 was primarily due to changes in interest rates. In instances where an unrealized loss existed, there was no indication of an adverse change in credit on the underlying positions in the tables above. As it relates to these positions, management believes no individual unrealized loss, other than those discussed below, represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the positions before the recovery of their amortized cost basis, which may be at maturity.

As part of the Company's normal process for evaluating other-than-temporary impairments, management did identify a limited number of positions where an other-than-temporary impairment was believed to exist as of June 30, 2016. Such impairments were related to available for sale equity securities with current market values below the highest traded price in the last six months. For the six months ended June 30, 2016, such impairments totaled $1 million, and have been reflected as a reduction of net securities gains (losses) on the consolidated statements of income.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(In millions)			
Gross realized gains	$13	$9	$29	$14
Gross realized losses	(7)	(3)	(27)	(3)

OTTI	—	—	(1)	—
Securities gains (losses), net	$6	$ 6	$1	$11

Table of Contents

NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

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

	June 30, 2016	December 31, 2015
	(In millions, net of unearned income)	
Commercial and industrial	$ 36,124	$ 35,821
Commercial real estate mortgage—owner-occupied	7,193	7,538
Commercial real estate construction—owner-occupied	344	423
Total commercial	43,661	43,782
Commercial investor real estate mortgage	4,302	4,255
Commercial investor real estate construction	2,660	2,692
Total investor real estate	6,962	6,947
Residential first mortgage	13,164	12,811
Home equity	10,832	10,978
Indirect—vehicles	4,159	3,984
Indirect—other consumer	722	545
Consumer credit card	1,113	1,075
Other consumer	1,089	1,040
Total consumer	31,079	30,433
	$ 81,702	$ 81,162

During the three months ended June 30, 2016 and 2015, Regions purchased approximately $300 million and $291 million, respectively, in indirect-vehicles and indirect-other consumer loans from third parties. During the six months ended June 30, 2016 and 2015, the comparable loan purchase amounts were approximately $579 million and $547 million, respectively.

At June 30, 2016, $14.6 billion in securities and net eligible loans held by Regions were pledged to secure current and potential borrowings from the FHLB. At June 30, 2016, an additional $31.5 billion in net eligible loans held by Regions were pledged to the Federal Reserve Bank for potential borrowings.

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on at least a quarterly basis. Refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2015, for a description of the methodology.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2016 and 2015. The total allowance for loan losses and the related loan portfolio ending balances as of June 30, 2016 and 2015, are disaggregated to detail the amounts derived through individual evaluation and collective evaluation for impairment. The allowance for loan losses related to individually evaluated loans is attributable to reserves for non-accrual commercial and investor real estate loans and all TDRs. The allowance for loan losses and the loan portfolio ending balances related to collectively evaluated loans is attributable to the remainder of the portfolio.

	Three Months Ended June 30, 2016			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2016	$821	$ 91	$ 239	$1,151
Provision (credit) for loan losses	38	(4)	38	72
Loan losses:				
Charge-offs	(42)	(1)	(55)	(98)
Recoveries	8	1	17	26
Net loan losses	(34)	—	(38)	(72)
Allowance for loan losses, June 30, 2016	825	87	239	1,151
Reserve for unfunded credit commitments, April 1, 2016	48	5	—	53
Provision (credit) for unfunded credit losses	11	—	—	11
Reserve for unfunded credit commitments, June 30, 2016	59	5	—	64
Allowance for credit losses, June 30, 2016	$884	$ 92	$ 239	$1,215

	Three Months Ended June 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2015	$696	$ 125	$ 277	$1,098
Provision (credit) for loan losses	51	(3)	15	63
Loan losses:				
Charge-offs	(25)	(4)	(57)	(86)
Recoveries	18	5	17	40
Net loan losses	(7)	1	(40)	(46)
Allowance for loan losses, June 30, 2015	740	123	252	1,115
Reserve for unfunded credit commitments, April 1, 2015	58	8	—	66
Provision (credit) for unfunded credit losses	1	(3)	—	(2)
Reserve for unfunded credit commitments, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	$799	$ 128	$ 252	$1,179

	Six Months Ended June 30, 2016			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2016	$758	$ 97	$251	$1,106
Provision (credit) for loan losses	123	(14)	76	185
Loan losses:				
Charge-offs	(71)	(1)	(122)	(194)
Recoveries	15	5	34	54
Net loan losses	(56)	4	(88)	(140)
Allowance for loan losses, June 30, 2016	825	87	239	1,151
Reserve for unfunded credit commitments, January 1, 2016	47	5	—	52
Provision (credit) for unfunded credit losses	12	—	—	12
Reserve for unfunded credit commitments, June 30, 2016	59	5	—	64
Allowance for credit losses, June 30, 2016	$884	$ 92	$239	$1,215
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$264	$ 20	$65	$349
Collectively evaluated for impairment	561	67	174	802

Total allowance for loan losses	$825	$ 87	$239	$1,151
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$1,046	$ 156	$815	$2,017
Collectively evaluated for impairment	42,615	6,806	30,264	79,685
Total loans evaluated for impairment	$43,661	$ 6,962	$31,079	$81,702

Table of Contents

	Six Months Ended June 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2015	$654	$ 150	$299	$1,103
Provision (credit) for loan losses	110	(28)	30	112
Loan losses:				
Charge-offs	(59)	(12)	(116)	(187)
Recoveries	35	13	39	87
Net loan losses	(24)	1	(77)	(100)
Allowance for loan losses, June 30, 2015	740	123	252	1,115
Reserve for unfunded credit commitments, January 1, 2015	57	8	—	65
Provision (credit) for unfunded credit losses	2	(3)	—	(1)
Reserve for unfunded credit commitments, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	$799	$ 128	$252	$1,179
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$189	$ 42	$69	$300
Collectively evaluated for impairment	551	81	183	815
Total allowance for loan losses	$740	$ 123	$252	$1,115
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$722	$ 264	$845	$1,831
Collectively evaluated for impairment	42,870	6,664	28,784	78,318
Total loans evaluated for impairment	$43,592	$ 6,928	$29,629	$80,149

PORTFOLIO SEGMENT RISK FACTORS

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

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

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

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact the depth of potential losses. Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. Indirect-other consumer lending represents other point of sale lending through third parties. Consumer credit card includes Regions branded consumer credit card accounts. Other consumer loans include other revolving consumer accounts, direct consumer loans, and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

Table of Contents

CREDIT QUALITY INDICATORS

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of June 30, 2016, and December 31, 2015. Commercial and investor real estate loan portfolio segments are detailed by categories related to underlying credit quality and probability of default. Regions assigns these categories at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. These categories are utilized to develop the associated allowance for credit losses.

- Pass—includes obligations where the probability of default is considered low;
- Special Mention—includes obligations that have potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. Obligations in this category may also be subject to economic or market conditions which may, in the future, have an adverse effect on debt service ability;
- Substandard Accrual—includes obligations that exhibit a well-defined weakness that presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;
- Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

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

	June 30, 2016				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$33,584	$ 690	$1,254	$ 596	$36,124
Commercial real estate mortgage—owner-occupied	6,492	270	191	240	7,193
Commercial real estate construction—owner-occupied	323	10	8	3	344
Total commercial	$40,399	$ 970	$1,453	$ 839	$43,661
Commercial investor real estate mortgage	$4,041	$ 112	$116	$ 33	$4,302
Commercial investor real estate construction	2,519	114	27	—	2,660
Total investor real estate	$6,560	$ 226	$143	$ 33	$6,962

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$13,112	$ 52	$13,164
Home equity	10,731	101	10,832
Indirect—vehicles	4,159	—	4,159
Indirect—other consumer	722	—	722
Consumer credit card	1,113	—	1,113
Other consumer	1,089	—	1,089
Total consumer	$30,926	$ 153	$31,079
			$81,702

Table of Contents

	December 31, 2015				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$33,639	$ 963	$894	$ 325	$35,821
Commercial real estate mortgage—owner-occupied	6,750	306	214	268	7,538
Commercial real estate construction—owner-occupied	385	21	15	2	423
Total commercial	$40,774	$ 1,290	$1,123	$ 595	$43,782
Commercial investor real estate mortgage	$3,926	$ 140	$158	$ 31	$4,255
Commercial investor real estate construction	2,658	4	30	—	2,692
Total investor real estate	$6,584	$ 144	$188	$ 31	$6,947

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,748	$ 63	$12,811
Home equity	10,885	93	10,978
Indirect—vehicles	3,984	—	3,984
Indirect—other consumer	545	—	545
Consumer credit card	1,075	—	1,075
Other consumer	1,040	—	1,040
Total consumer	$30,277	$ 156	$30,433
			$81,162

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio segment and class as of June 30, 2016 and December 31, 2015:

	June 30, 2016						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$24	$ 14	$ 6	$ 44	$35,528	$ 596	$36,124
Commercial real estate mortgage—owner-occupied	20	7	3	30	6,953	240	7,193
Commercial real estate construction—owner-occupied	1	—	—	1	341	3	344
Total commercial	45	21	9	75	42,822	839	43,661
Commercial investor real estate mortgage	19	8	3	30	4,269	33	4,302
Commercial investor real estate construction	—	—	—	—	2,660	—	2,660
Total investor real estate	19	8	3	30	6,929	33	6,962
Residential first mortgage	90	58	199	347	13,112	52	13,164
Home equity	51	23	34	108	10,731	101	10,832
Indirect—vehicles	43	12	8	63	4,159	—	4,159
Indirect—other consumer	3	2	—	5	722	—	722
Consumer credit card	8	4	13	25	1,113	—	1,113
Other consumer	14	3	3	20	1,089	—	1,089
Total consumer	209	102	257	568	30,926	153	31,079
	$273	$ 131	$ 269	$ 673	$80,677	$ 1,025	$81,702

22

Table of Contents

	December 31, 2015						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$11	$ 6	$ 9	$ 26	$35,496	$ 325	$35,821
Commercial real estate mortgage—owner-occupied	24	7	3	34	7,270	268	7,538
Commercial real estate construction—owner-occupied	—	1	—	1	421	2	423
Total commercial	35	14	12	61	43,187	595	43,782
Commercial investor real estate mortgage	14	13	4	31	4,224	31	4,255
Commercial investor real estate construction	2	—	—	2	2,692	—	2,692
Total investor real estate	16	13	4	33	6,916	31	6,947
Residential first mortgage	88	60	220	368	12,748	63	12,811
Home equity	58	26	59	143	10,885	93	10,978
Indirect—vehicles	49	14	9	72	3,984	—	3,984
Indirect—other consumer	2	1	—	3	545	—	545
Consumer credit card	7	5	12	24	1,075	—	1,075
Other consumer	11	4	4	19	1,040	—	1,040
Total consumer	215	110	304	629	30,277	156	30,433
	$266	$ 137	$ 320	$ 723	$80,380	$ 782	$81,162

IMPAIRED LOANS

The following tables present details related to the Company’s impaired loans as of June 30, 2016 and December 31, 2015. Loans deemed to be impaired include all TDRs and all non-accrual commercial and investor real estate loans, excluding leases. Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of June 30, 2016						
			Book Value(3)				
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %(4)
	(Dollars in millions)						
Commercial and industrial	$644	$ 57	$587	$ 121	$ 466	$ 162	34.0 %
Commercial real estate mortgage—owner-occupied	261	21	240	31	209	65	33.0
Commercial real estate construction—owner-occupied	3	—	3	—	3	2	66.7
Total commercial	908	78	830	152	678	229	33.8
Commercial investor real estate mortgage	38	5	33	11	22	8	34.2
Total investor real estate	38	5	33	11	22	8	34.2
Residential first mortgage	47	14	33	—	33	4	38.3
Home equity	13	—	13	—	13	—	—

Total consumer	60	14	46	—	46	4	30.0	
	$1,006	$ 97	$909	$ 163	$ 746	$ 241	33.6	%

Table of Contents

	Accruing Impaired Loans As of June 30, 2016				
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Book Value(3)	Related Allowance for Loan Losses	Coverage %(4)
	(Dollars in millions)				
Commercial and industrial	$154	$ 1	$ 153	$ 30	20.1 %
Commercial real estate mortgage—owner-occupied	65	3	62	5	12.3
Commercial real estate construction—owner-occupied	1	—	1	—	—
Total commercial	220	4	216	35	17.7
Commercial investor real estate mortgage	101	6	95	9	14.9
Commercial investor real estate construction	29	1	28	3	13.8
Total investor real estate	130	7	123	12	14.6
Residential first mortgage	456	12	444	55	14.7
Home equity	312	1	311	6	2.2
Consumer credit card	2	—	2	—	—
Other consumer	12	—	12	—	—
Total consumer	782	13	769	61	9.5
	$1,132	$ 24	$ 1,108	$ 108	11.7 %

	Total Impaired Loans As of June 30, 2016						
			Book Value(3)				
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %(4)
	(Dollars in millions)						
Commercial and industrial	$798	$ 58	$740	$ 121	$ 619	$ 192	31.3 %
Commercial real estate mortgage—owner-occupied	326	24	302	31	271	70	28.8
Commercial real estate construction—owner-occupied	4	—	4	—	4	2	50.0
Total commercial	1,128	82	1,046	152	894	264	30.7
Commercial investor real estate mortgage	139	11	128	11	117	17	20.1
Commercial investor real estate construction	29	1	28	—	28	3	13.8
Total investor real estate	168	12	156	11	145	20	19.0
Residential first mortgage	503	26	477	—	477	59	16.9
Home equity	325	1	324	—	324	6	2.2
Consumer credit card	2	—	2	—	2	—	—
Other consumer	12	—	12	—	12	—	—
Total consumer	842	27	815	—	815	65	10.9
	$2,138	$ 121	$2,017	$ 163	$ 1,854	$ 349	22.0 %

Table of Contents

	Non-accrual Impaired Loans As of December 31, 2015						
			Book Value(3)				
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %(4)
	(Dollars in millions)						
Commercial and industrial	$363	$ 41	$322	$ 26	$ 296	$ 98	38.3 %
Commercial real estate mortgage—owner-occupied	286	18	268	36	232	69	30.4
Commercial real estate construction—owner-occupied	2	—	2	—	2	1	50.0
Total commercial	651	59	592	62	530	168	34.9
Commercial investor real estate mortgage	36	5	31	13	18	8	36.1
Total investor real estate	36	5	31	13	18	8	36.1
Residential first mortgage	51	16	35	—	35	4	39.2
Home equity	14	1	13	—	13	—	7.1
Total consumer	65	17	48	—	48	4	32.3
	$752	$ 81	$671	$ 75	$ 596	$ 180	34.7 %

	Accruing Impaired Loans As of December 31, 2015				
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Book Value(3)	Related Allowance for Loan Losses	Coverage %(4)
	(Dollars in millions)				
Commercial and industrial	$68	$ 1	$ 67	$ 13	20.6 %
Commercial real estate mortgage—owner-occupied	89	6	83	8	15.7
Commercial real estate construction—owner-occupied	1	—	1	—	—
Total commercial	158	7	151	21	17.7
Commercial investor real estate mortgage	141	8	133	13	14.9
Commercial investor real estate construction	27	—	27	5	18.5
Total investor real estate	168	8	160	18	15.5
Residential first mortgage	457	13	444	57	15.3
Home equity	328	—	328	7	2.1
Indirect—vehicles	1	—	1	—	—
Consumer credit card	2	—	2	—	—
Other consumer	12	—	12	—	—
Total consumer	800	13	787	64	9.6
	$1,126	$ 28	$ 1,098	$ 103	11.6 %

Table of Contents

	Total Impaired Loans As of December 31, 2015						
			Book Value[3]				
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]
	(Dollars in millions)						
Commercial and industrial	$431	$ 42	$389	$ 26	$ 363	$ 111	35.5 %
Commercial real estate mortgage—owner-occupied	375	24	351	36	315	77	26.9
Commercial real estate construction—owner-occupied	3	—	3	—	3	1	33.3
Total commercial	809	66	743	62	681	189	31.5
Commercial investor real estate mortgage	177	13	164	13	151	21	19.2
Commercial investor real estate construction	27	—	27	—	27	5	18.5
Total investor real estate	204	13	191	13	178	26	19.1
Residential first mortgage	508	29	479	—	479	61	17.7
Home equity	342	1	341	—	341	7	2.3
Indirect—vehicles	1	—	1	—	1	—	—
Consumer credit card	2	—	2	—	2	—	—
Other consumer	12	—	12	—	12	—	—
Total consumer	865	30	835	—	835	68	11.3
	$1,878	$ 109	$1,769	$ 75	$ 1,694	$ 283	20.9 %

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

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

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

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

Table of Contents

The following table presents the average balances of total impaired loans and interest income for the three and six months ended June 30, 2016 and 2015. Interest income recognized represents interest on accruing loans modified in a TDR. TDRs are considered impaired loans.

	Three Months Ended June 30				Six Months Ended June 30			
	2016		2015		2016		2015	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)							
Commercial and industrial	$719	$ 2	$398	$ 2	$597	$ 3	$378	$ 3
Commercial real estate mortgage—owner-occupied	314	1	348	2	321	2	364	5
Commercial real estate construction—owner-occupied	3	—	4	—	3	—	4	—
Total commercial	1,036	3	750	4	921	5	746	8
Commercial investor real estate mortgage	126	1	257	3	134	3	294	