REGIONS FINANCIAL CORP
Form 10-Q
November 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 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 (State or other jurisdiction of incorporation or organization)	63-0589368 (I.R.S. Employer Identification No.)
1900 Fifth Avenue North Birmingham, Alabama (Address of principal executive offices)	35203 (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 1,230,974,878 shares of common stock, par value $.01, outstanding as of November 2, 2016.

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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.

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

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when or where appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “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.

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- 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; disruption or damage to our systems; 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.

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- Other risks identified from time to time in reports that we file with the SEC.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.

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

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

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

	September 30, 2016	December 31, 2015
	(In millions, except share data)	
Assets		
Cash and due from banks	$ 1,928	$ 1,382
Interest-bearing deposits in other banks	2,310	3,932
Trading account securities	120	143
Securities held to maturity (estimated fair value of $1,485 and $1,969, respectively)	1,431	1,946
Securities available for sale	23,859	22,710
Loans held for sale (includes $549 and $353 measured at fair value, respectively)	571	448
Loans, net of unearned income	80,883	81,162
Allowance for loan losses	(1,126)	(1,106)
Net loans	79,757	80,056
Other earning assets	1,505	1,652
Premises and equipment, net	2,075	2,152
Interest receivable	305	319
Goodwill	4,882	4,878
Residential mortgage servicing rights at fair value	238	252
Other identifiable intangible assets	228	259
Other assets	5,968	5,921
Total assets	$ 125,177	$ 126,050
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$ 36,321	$ 34,862
Interest-bearing	62,968	63,568
Total deposits	99,289	98,430
Borrowed funds:		
Short-term borrowings:		
Other short-term borrowings	—	10
Total short-term borrowings	—	10
Long-term borrowings	6,054	8,349
Total borrowed funds	6,054	8,359
Other liabilities	2,469	2,417
Total liabilities	107,812	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—1,277,600,517 and 1,338,591,703 shares, respectively	13	13
Additional paid-in capital	17,339	17,883
Retained earnings (deficit)	465	(115)

Treasury stock, at cost—41,259,320 and 41,261,018 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	105	(380)
Total stockholders' equity	17,365	16,844
Total liabilities and stockholders' equity	$ 125,177	$ 126,050

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions, except per share data)			
Interest income, including other financing income on:				
Loans, including fees	$763	$748	$2,293	$2,201
Securities - taxable	135	137	427	423
Loans held for sale	4	5	11	12
Trading account securities	—	—	4	4
Other earning assets	9	11	27	30
Operating lease assets	31	—	95	—
Total interest income, including other financing income	942	901	2,857	2,670
Interest expense on:				
Deposits	31	27	86	82
Short-term borrowings	—	—	—	1
Long-term borrowings	51	38	148	116
Total interest expense	82	65	234	199
Depreciation expense on operating lease assets	25	—	78	—
Total interest expense and depreciation expense on operating lease assets	107	65	312	199
Net interest income and other financing income	835	836	2,545	2,471
Provision for loan losses	29	60	214	172
Net interest income and other financing income after provision for loan losses	806	776	2,331	2,299
Non-interest income:				
Service charges on deposit accounts	166	167	491	496
Card and ATM fees	105	93	299	268
Mortgage income	46	39	130	125
Securities gains, net	—	7	1	18
Other	282	191	710	650
Total non-interest income	599	497	1,631	1,557
Non-interest expense:				
Salaries and employee benefits	486	470	1,441	1,405
Net occupancy expense	87	90	259	270
Furniture and equipment expense	80	77	237	224
Other	281	258	781	835
Total non-interest expense	934	895	2,718	2,734
Income from continuing operations before income taxes	471	378	1,244	1,122
Income tax expense	152	116	380	335
Income from continuing operations	319	262	864	787
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	2	(6)	7	(16)
Income tax expense (benefit)	1	(2)	3	(6)
Income (loss) from discontinued operations, net of tax	1	(4)	4	(10)
Net income	$320	$258	$868	$777

Net income from continuing operations available to common shareholders	$303	$246	$816	$739
Net income available to common shareholders	$304	$242	$820	$729
Weighted-average number of shares outstanding:				
Basic	1,246	1,319	1,266	1,333
Diluted	1,252	1,326	1,270	1,343
Earnings per common share from continuing operations:				
Basic	$0.24	$0.19	$0.64	$0.55
Diluted	0.24	0.19	0.64	0.55
Earnings per common share:				
Basic	$0.24	$0.18	$0.65	$0.55
Diluted	0.24	0.18	0.65	0.54
Cash dividends declared per common share	0.065	0.06	0.19	0.17

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30	
	2016	2015
	(In millions)	
Net income	$320	$258
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 ($1) 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 ($7) and $28 tax effect, respectively)	(13)	47
Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and $2 tax effect, respectively)	—	5
Net change in unrealized gains (losses) on securities available for sale, net of tax	(13)	42
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of ($12) and $75 tax effect, respectively)	(18)	121
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $13 and $16 tax effect, respectively)	22	25
Net change in unrealized gains (losses) on derivative instruments, net of tax	(40)	96
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	(1)	(1)
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of ($3) and ($4) tax effect, respectively)	(6)	(9)
Net change from defined benefit pension plans and other post employment benefits, net of tax	5	8
Other comprehensive income (loss), net of tax	(43)	148
Comprehensive income	$277	$406

	Nine Months Ended September 30	
	2016	2015
	(In millions)	
Net income	$868	$777
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 ($8) and ($4) tax effect, respectively)	(12)	(6)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	12	6

Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of $180 and ($17) tax effect, respectively)	295	(25)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of zero and $6 tax effect, respectively)	1	12
Net change in unrealized gains (losses) on securities available for sale, net of tax	294	(37)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $141 and $107 tax effect, respectively)	231	175
Less: reclassification adjustments for gains (losses) on derivative instruments realized in net income (net of $41 and $41 tax effect, respectively)	68	67
Net change in unrealized gains (losses) on derivative instruments, net of tax	163	108
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)	(2)
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of ($9) and ($13) tax effect, respectively)	(17)	(24)
Net change from defined benefit pension plans and other post employment benefits, net of tax	16	22
Other comprehensive income (loss), net of tax	485	99
Comprehensive income	$1,353	$876

See notes to consolidated financial statements.

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

	Preferred Stock		Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	(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	—	—	—	—	—	777	—	—	777
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	6	6
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(37)	(37)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	108	108
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	22	22
Cash dividends declared—$0.17 per share	—	—	—	—	(226)	—	—	—	(226)
Preferred stock dividends	—	(48)	—	—	—	—	—	—	(48)
Common stock transactions:									
Impact of share repurchase	—	—	(55)	(1)	(544)	—	—	—	(545)
Impact of stock transactions under compensation plans, net and other	—	—	5	—	22	—	—	—	22
BALANCE AT SEPTEMBER 30, 2015	1	$ 836	1,304	$ 13	$ 18,019	$ (400)	$ (1,377)	$ (139)	$ 16,952
BALANCE AT JANUARY 1, 2016	1	$ 820	1,297	$ 13	$ 17,883	$ (115)	$ (1,377)	$ (380)	$ 16,844
Net income	—	—	—	—	—	868	—	—	868
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	12	12
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	294	294
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	163	163
	—	—	—	—	—	—	—	16	16

Net change from employee benefit plans, net of tax									
Cash dividends declared—$0.19 per share	—	—	—	—	—	(240)	—	—	(240)
Preferred stock dividends	—	—	—	—	—	(48)	—	—	(48)
Common stock transactions:									
Impact of share repurchase	—	—	(65)	—	(569)	—	—	—	(569)
Impact of stock transactions under compensation plans, net and other	—	—	4	—	25	—	—	—	25
BALANCE AT SEPTEMBER 30, 2016	1	$ 820	1,236	$ 13	$ 17,339	$ 465	$ (1,377)	$ 105	$ 17,365

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2016	2015
	(In millions)	
Operating activities:		
Net income	$868	$777
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	214	172
Depreciation, amortization and accretion, net	425	384
Securities (gains) losses, net	(1)	(18)
Deferred income tax expense	18	68
Originations and purchases of loans held for sale	(2,767)	(1,931)
Proceeds from sales of loans held for sale	2,711	2,087
(Gain) loss on sale of loans, net	(95)	(70)
(Gain) loss on early extinguishment of debt	14	43
Net change in operating assets and liabilities:		
Trading account securities	23	—
Other earning assets	69	(158)
Interest receivable and other assets	28	116
Other liabilities	157	(95)
Other	76	36
Net cash from operating activities	1,740	1,411
Investing activities:		
Proceeds from maturities of securities held to maturity	522	174
Proceeds from sales of securities available for sale	1,873	1,142
Proceeds from maturities of securities available for sale	3,325	2,958
Purchases of securities available for sale	(6,108)	(4,169)
Proceeds from sales of loans	86	59
Purchases of loans	(779)	(857)
Purchases of mortgage servicing rights	(35)	(4)
Net change in loans	720	(3,291)
Net purchases of other assets	(107)	(193)
Net cash from investing activities	(503)	(4,181)
Financing activities:		
Net change in deposits	859	2,978
Net change in short-term borrowings	(10)	(2,253)
Proceeds from long-term borrowings	1,607	4,997
Payments on long-term borrowings	(3,910)	(1,142)
Cash dividends on common stock	(236)	(226)
Cash dividends on preferred stock	(48)	(48)
Repurchase of common stock	(569)	(544)
Other	(6)	12
Net cash from financing activities	(2,313)	3,774
Net change in cash and cash equivalents	(1,076)	1,004

Cash and cash equivalents at beginning of year	5,314	4,004
Cash and cash equivalents at end of period	$4,238	$5,008

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three and Nine Months Ended September 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 September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions, except per share data)			
Non-interest expense:				
Professional and legal expenses/(recoveries)	$(2)	$7	$(8)	$16
Other	—	(1)	1	—
Total non-interest expense	(2)	6	(7)	16
Income (loss) from discontinued operations before income taxes	2	(6)	7	(16)

Income tax expense (benefit)	1	(2)	3	(6)
Income (loss) from discontinued operations, net of tax	$1	$(4)	$4	$(10)
Earnings (loss) per common share from discontinued operations:				
Basic	$0.00	$(0.00)	$0.00	$(0.01)
Diluted	$0.00	$(0.00)	$0.00	$(0.01)

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NOTE 3. SECURITIES

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

	September 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:							
Mortgage-backed securities:							
Residential agency	$1,316	—	(52)	1,264	53	—	$ 1,317
Commercial agency	171	—	(4)	167	1	—	168
	$1,487	$—	$ (56)	$1,431	$ 54	$ —	$ 1,485
Securities available for sale:							
U.S. Treasury securities	$237	$5	$ —	$242			$ 242
Federal agency securities	37	1	—	38			38
Mortgage-backed securities:							
Residential agency	17,189	328	(11)	17,506			17,506
Residential non-agency	4	1	—	5			5
Commercial agency	3,333	81	(1)	3,413			3,413
Commercial non-agency	1,125	19	(3)	1,141			1,141
Corporate and other debt securities	1,304	47	(17)	1,334			1,334
Equity securities	170	10	—	180			180
	$23,399	$492	$ (32)	$23,859			$ 23,859

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	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

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(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 $10.9 billion and $11.9 billion at September 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 September 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 September 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.

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	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Mortgage-backed securities:		
Residential agency	$1,316	$ 1,317
Commercial agency	171	168
	$1,487	$ 1,485
Securities available for sale:		
Due in one year or less	$52	$ 52
Due after one year through five years	463	475
Due after five years through ten years	808	836
Due after ten years	255	251
Mortgage-backed securities:		
Residential agency	17,189	17,506
Residential non-agency	4	5
Commercial agency	3,333	3,413
Commercial non-agency	1,125	1,141
Equity securities	170	180
	$23,399	$ 23,859

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at September 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.

	September 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	$—	$ —	$388	$ (4)	$388	$ (4)
Commercial agency	—	—	169	(3)	169	(3)
	$—	$ —	$557	$ (7)	$557	$ (7)
Securities available for sale:						
U.S. Treasury securities	$4	$ —	$2	$ —	$6	$ —
Federal agency securities	—	—	2	—	2	—
Mortgage-backed securities:						
Residential agency	1,491	(4)	604	(7)	2,095	(11)
Residential non-agency	3	—	—	—	3	—
Commercial agency	282	(1)	46	—	328	(1)
Commercial non-agency	94	(1)	245	(2)	339	(3)
All other securities	23	—	253	(17)	276	(17)
	$1,897	$ (6)	$1,152	$ (26)	$3,049	$ (32)

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	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 520 at September 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 market interest rates. In instances where an unrealized loss existed, there was no indication of an adverse change in credit on the underlying positions in the tables above. As it relates to these positions, management believes no individual unrealized loss, other than those discussed below, represented an 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 September 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 nine months ended September 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 September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions)			

Gross realized gains	$1	$15	$30	$29
Gross realized losses	(1)	(2)	(28)	(5)
OTTI	—	(6)	(1)	(6)
Securities gains (losses), net	$—	$7	$1	$18

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NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

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

	September 30, 2016	December 31, 2015
	(In millions, net of unearned income)	
Commercial and industrial	$ 35,388	$ 35,821
Commercial real estate mortgage—owner-occupied	7,007	7,538
Commercial real estate construction—owner-occupied	349	423
Total commercial	42,744	43,782
Commercial investor real estate mortgage	4,306	4,255
Commercial investor real estate construction	2,458	2,692
Total investor real estate	6,764	6,947
Residential first mortgage	13,402	12,811
Home equity	10,749	10,978
Indirect—vehicles	4,076	3,984
Indirect—other consumer	838	545
Consumer credit card	1,123	1,075
Other consumer	1,187	1,040
Total consumer	31,375	30,433
	$ 80,883	$ 81,162

During the three months ended September 30, 2016 and 2015, Regions purchased approximately $200 million and $310 million, respectively, in indirect-vehicles and indirect-other consumer loans from third parties. During the nine months ended September 30, 2016 and 2015, the comparable loan purchase amounts were approximately $779 million and $857 million, respectively.

At September 30, 2016, $14.7 billion in securities and net eligible loans held by Regions were pledged to secure current and potential borrowings from the FHLB. At September 30, 2016, an additional $19.7 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 nine months ended September 30, 2016 and 2015. The total allowance for loan losses and the related loan portfolio ending balances as of September 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.

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	Three Months Ended September 30, 2016			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2016	$825	$ 87	$ 239	$1,151
Provision (credit) for loan losses	(15)	(7)	51	29
Loan losses:				
Charge-offs	(31)	(1)	(62)	(94)
Recoveries	19	5	16	40
Net loan losses	(12)	4	(46)	(54)
Allowance for loan losses, September 30, 2016	798	84	244	1,126
Reserve for unfunded credit commitments, July 1, 2016	59	5	—	64
Provision (credit) for unfunded credit losses	8	—	—	8
Reserve for unfunded credit commitments, September 30, 2016	67	5	—	72
Allowance for credit losses, September 30, 2016	$865	$ 89	$ 244	$1,198

	Three Months Ended September 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2015	$740	$ 123	$ 252	$1,115
Provision (credit) for loan losses	32	(16)	44	60
Loan losses:				
Charge-offs	(33)	(3)	(59)	(95)
Recoveries	14	5	16	35
Net loan losses	(19)	2	(43)	(60)
Allowance for loan losses, September 30, 2015	753	109	253	1,115
Reserve for unfunded credit commitments, July 1, 2015	59	5	—	64
Provision (credit) for unfunded credit losses	—	—	—	—
Reserve for unfunded credit commitments, September 30, 2015	59	5	—	64
Allowance for credit losses, September 30, 2015	$812	$ 114	$ 253	$1,179

	Nine Months Ended September 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	108	(21)	127	214
Loan losses:				
Charge-offs	(102)	(2)	(184)	(288)
Recoveries	34	10	50	94
Net loan losses	(68)	8	(134)	(194)
Allowance for loan losses, September 30, 2016	798	84	244	1,126
Reserve for unfunded credit commitments, January 1, 2016	47	5	—	52
Provision (credit) for unfunded credit losses	20	—	—	20
Reserve for unfunded credit commitments, September 30, 2016	67	5	—	72
Allowance for credit losses, September 30, 2016	$865	$ 89	$244	$1,198
Portion of ending allowance for loan losses:				

Individually evaluated for impairment	$252	$ 19	$62	$333
Collectively evaluated for impairment	546	65	182	793
Total allowance for loan losses	$798	$ 84	$244	$1,126
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$1,119	$ 140	$785	$2,044
Collectively evaluated for impairment	41,625	6,624	30,590	78,839
Total loans evaluated for impairment	$42,744	$ 6,764	$31,375	$80,883

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	Nine Months Ended September 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	142	(44)	74	172
Loan losses:				
Charge-offs	(92)	(15)	(175)	(282)
Recoveries	49	18	55	122
Net loan losses	(43)	3	(120)	(160)
Allowance for loan losses, September 30, 2015	753	109	253	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, September 30, 2015	59	5	—	64
Allowance for credit losses, September 30, 2015	$812	$ 114	$253	$1,179
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$187	$ 27	$70	$284
Collectively evaluated for impairment	566	82	183	831
Total allowance for loan losses	$753	$ 109	$253	$1,115
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$744	$ 192	$846	$1,782
Collectively evaluated for impairment	43,309	6,719	29,253	79,281
Total loans evaluated for impairment	$44,053	$ 6,911	$30,099	$81,063

PORTFOLIO SEGMENT RISK FACTORS

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

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

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

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

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CREDIT QUALITY INDICATORS

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of September 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 that may, if not reversed or corrected, weaken the credit or inadequately protect the Company’s position at some future date. Obligations in this category may also be subject to economic or market conditions that may, in the future, have an adverse effect on debt service ability;
- Substandard Accrual—includes obligations that exhibit a well-defined weakness that presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;
- Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

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

	September 30, 2016				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$32,854	$ 744	$1,097	$ 693	$35,388
Commercial real estate mortgage—owner-occupied	6,288	257	241	221	7,007
Commercial real estate construction—owner-occupied	326	10	10	3	349
Total commercial	$39,468	$ 1,011	$1,348	$ 917	$42,744
Commercial investor real estate mortgage	$4,056	$ 129	$103	$ 18	$4,306
Commercial investor real estate construction	2,242	189	26	1	2,458
Total investor real estate	$6,298	$ 318	$129	$ 19	$6,764

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$13,352	$ 50	$13,402
Home equity	10,657	92	10,749
Indirect—vehicles	4,076	—	4,076
Indirect—other consumer	838	—	838
Consumer credit card	1,123	—	1,123
Other consumer	1,187	—	1,187
Total consumer	$31,233	$ 142	$31,375
			$80,883

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	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 September 30, 2016 and December 31, 2015:

	September 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	$14	$ 7	$ 5	$ 26	$34,695	$ 693	$35,388
Commercial real estate mortgage—owner-occupied	50	9	3	62	6,786	221	7,007
Commercial real estate construction—owner-occupied	1	1	—	2	346	3	349
Total commercial	65	17	8	90	41,827	917	42,744
Commercial investor real estate mortgage	5	1	—	6	4,288	18	4,306
Commercial investor real estate construction	—	—	—	—	2,457	1	2,458
Total investor real estate	5	1	—	6	6,745	19	6,764
Residential first mortgage	87	58	205	350	13,352	50	13,402
Home equity	54	25	39	118	10,657	92	10,749
Indirect—vehicles	46	11	9	66	4,076	—	4,076
Indirect—other consumer	3	2	—	5	838	—	838
Consumer credit card	8	7	13	28	1,123	—	1,123
Other consumer	14	5	3	22	1,187	—	1,187
Total consumer	212	108	269	589	31,233	142	31,375
	$282	$ 126	$ 277	$ 685	$79,805	$ 1,078	$80,883

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	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 September 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 that have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of September 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	$733	$ 49	$684	$ 81	$ 603	$ 162	28.8 %
Commercial real estate mortgage—owner-occupied	239	18	221	38	183	56	31.0
Commercial real estate construction—owner-occupied	4	1	3	—	3	2	75.0
Total commercial	976	68	908	119	789	220	29.5
Commercial investor real estate mortgage	21	3	18	5	13	6	42.9
Commercial investor real estate construction	1	—	1	—	1	—	—
Total investor real estate	22	3	19	5	14	6	40.9
Residential first mortgage	43	13	30	—	30	4	39.5

Home equity	12	1	11	—	11	—	8.3	
Total consumer	55	14	41	—	41	4	32.7	
	$1,053	$ 85	$968	$ 124	$ 844	$ 230	29.9	%

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	Accruing Impaired Loans As of September 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	$150	$ 2	$ 148	$ 26	18.7	%
Commercial real estate mortgage—owner-occupied	68	5	63	6	16.2	
Total commercial	218	7	211	32	17.9	
Commercial investor real estate mortgage	93	7	86	9	17.2	
Commercial investor real estate construction	35	—	35	4	11.4	
Total investor real estate	128	7	121	13	15.6	
Residential first mortgage	441	12	429	52	14.5	
Home equity	302	—	302	6	2.0	
Consumer credit card	2	—	2	—	—	
Other consumer	11	—	11	—	—	
Total consumer	756	12	744	58	9.3	
	$1,102	$ 26	$ 1,076	$ 103	11.7	%

	Total Impaired Loans As of September 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	$883	$ 51	$832	$ 81	$ 751	$ 188	27.1	%
Commercial real estate mortgage—owner-occupied	307	23	284	38	246	62	27.7	
Commercial real estate construction—owner-occupied	4	1	3	—	3	2	75.0	
Total commercial	1,194	75	1,119	119	1,000	252	27.4	
Commercial investor real estate mortgage	114	10	104	5	99	15	21.9	
Commercial investor real estate construction	36	—	36	—	36	4	11.1	
Total investor real estate	150	10	140	5	135	19	19.3	
Residential first mortgage	484	25	459	—	459	56	16.7	
Home equity	314	1	313	—	313	6	2.2	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	11	—	11	—	11	—	—	
Total consumer	811	26	785	—	785	62	10.9	
	$2,155	$ 111	$2,044	$ 124	$ 1,920	$ 333	20.6	%

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	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 %

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	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.

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

	Three Months Ended September 30				Nine Months Ended September 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	$816	$ 1	$379	$ 1	$670	$ 4	$378	$ 4
Commercial real estate mortgage—owner-occupied	296	1	322	2	313	3	350	7
Commercial real estate construction—owner-occupied	4	—	4	—	3	—	4	—
Total commercial	1,116	2	705	3	986	7	732	11
Commercial investor real estate mortgage	117	1	210	2	128	4	266	8
Commercial investor real estate construction	36	1	14	—	31	1	26	1
Total investor real estate	153	2	224	2	159	5	292	9
Residential first mortgage	464	4	477	3	473	12	476	11
Home equity	317	3	352	5	328	12	357	14
Indirect—vehicles	—	—	1	—	—	—	1	—
Consumer credit card	2	—	2	—	2	—	2	—
Other consumer	11	1	13	1	12	1	15	1
Total consumer	794	8	845	9	815	25	851	26
Total impaired loans	$2,063	$ 12	$1,774	$ 14	$1,960	$ 37	$1,875	$ 46

TROUBLED DEBT RESTRUCTURINGS

Regions regularly modifies commercial and investor real estate loans in order to facilitate a workout strategy. Similarly, Regions works to meet the individual needs of consumer borrowers to stem foreclosure through its CAP program. Refer to Note 6 "Allowance For Credit Losses" in the 2015 Annual Report on Form 10-K for additional information regarding the Company's TDRs.

None of the modified consumer loans listed in the following TDR disclosures were collateral-dependent at the time of modification. At September 30, 2016, approximately $38 million in residential first mortgage TDRs were in excess of 180 days past due and were considered collateral-dependent. At September 30, 2016, approximately $5 million in home equity first lien TDRs were in excess of 180 days past due and approximately $4 million in home equity second lien TDRs were in excess of 120 days past due, both of which were considered collateral-dependent.

Further discussion related to TDRs, including their impact on the allowance for loan losses and designation of TDRs in periods subsequent to the modification is included in Note 1 "Summary of Significant Accounting Policies" in the 2015 Annual Report on Form 10-K.

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The following tables present the end of period balance for loans modified in a TDR during the periods presented by portfolio segment and class, and the financial impact of those modifications. The tables include modifications made to new TDRs, as well as renewals of existing TDRs. Loans first reported as TDRs during the nine months ended September 30, 2016 and 2015 totaled approximately $347 million and $217 million, respectively.

	Three Months Ended September 30, 2016		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	47	$ 117	$ 2
Commercial real estate mortgage—owner-occupied	22	26	1
Total commercial	69	143	3
Commercial investor real estate mortgage	19	27	—
Commercial investor real estate construction	3	25	1
Total investor real estate	22	52	1
Residential first mortgage	51	9	1
Home equity	57	2	—
Consumer credit card	14	1	—
Indirect—vehicles and other consumer	47	1	—
Total consumer	169	13	1
	260	$ 208	$ 5

	Three Months Ended September 30, 2015		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	47	$ 43	$ 1
Commercial real estate mortgage—owner-occupied	44	26	1
Total commercial	91	69	2
Commercial investor real estate mortgage	32	68	2
Commercial investor real estate construction	1	1	—
Total investor real estate	33	69	2
Residential first mortgage	92	31	4
Home equity	139	8	—
Consumer credit card	30	—	—
Indirect—vehicles and other consumer	69	1	—
Total consumer	330	40	4
	454	$ 178	$ 8

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	Nine Months Ended September 30, 2016		
			Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	142	$ 298	$ 8
Commercial real estate mortgage—owner-occupied	98	60	2
Total commercial	240	358	10
Commercial investor real estate mortgage	68	87	1
Commercial investor real estate construction	8	36	1
Total investor real estate	76	123	2
Residential first mortgage	189	38	5
Home equity	263	13	—
Consumer credit card	65	1	—
Indirect—vehicles and other consumer	148	2	—
Total consumer	665	54	5
	981	$ 535	$ 17

	Nine Months Ended September 30, 2015		
			Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	150	$ 145	$ 3
Commercial real estate mortgage—owner-occupied	147	88	3
Total commercial	297	233	6
Commercial investor real estate mortgage	92	107	3
Commercial investor real estate construction	14	8	—
Total investor real estate	106	115	3
Residential first mortgage	321	83	11
Home equity	451	23	—
Consumer credit card	103	1	—
Indirect—vehicles and other consumer	265	3	—
Total consumer	1,140	110	11
	1,543	$ 458	$ 20

Defaulted TDRs

The following table presents, by portfolio segment and class, TDRs that defaulted during the three and nine months ended September 30, 2016 and 2015, and that were modified in the previous twelve months (i.e., the twelve months prior to the default). For purposes of this disclosure, default is defined as 90 days past due and still accruing for the consumer portfolio segment, and placement on non-accrual status for the commercial and investor real estate portfolio segments. Consideration of defaults in the calculation of the allowance for loan losses is described in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2015.

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	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions)			
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	$ 16	$ 4	$ 28	$ 8
Commercial real estate mortgage—owner-occupied	1	3	2	6
Total commercial	17	7	30	14
Commercial investor real estate mortgage	1	—	2	1
Commercial investor real estate construction	1	—	1	—
Total investor real estate	2	—	3	1
Residential first mortgage	7	7	18	15
Home equity	—	1	1	2
Total consumer	7	8	19	17
	$ 26	$ 15	$ 52	$ 32

Commercial and investor real estate loans that were on non-accrual status at the time of the latest modification are not included in the default table above, as they are already considered to be in default at the time of the restructuring. At September 30, 2016, approximately $66 million of commercial and investor real estate loans modified in a TDR during the three months ended September 30, 2016 were on non-accrual status. Approximately 1.2 percent of this amount was 90 days past due.

At September 30, 2016, Regions had restructured binding unfunded commitments totaling $51 million where a concession was granted and the borrower was in financial difficulty.

NOTE 5. SERVICING OF FINANCIAL ASSETS

RESIDENTIAL MORTGAGE BANKING ACTIVITIES

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions)			
Carrying value, beginning of period	$ 216	$ 268	$ 252	$ 257
Additions	34	9	73	28
Increase (decrease) in fair value[(1)]:				
Due to change in valuation inputs or assumptions	(2)	(25)	(60)	(14)
Economic amortization associated with borrower repayments	(10)	(11)	(27)	(30)
Carrying value, end of period	$ 238	$ 241	$ 238	$ 241

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

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

On September 1, 2016, the Company purchased the rights to service approximately $2.8 billion in residential mortgage loans for approximately $22 million. However, the Company paid $11 million as of September 30, 2016 and the balance of $11 million will be paid in the fourth quarter of 2016.

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

	September 30			
	2016		2015	
	(Dollars in millions)			
Unpaid principal balance	$29,657		$26,220	
Weighted-average prepayment speed (CPR; percentage)	12.3	%	12.0	%
Estimated impact on fair value of a 10% increase	$(13	)	$(13	)
Estimated impact on fair value of a 20% increase	$(24	)	$(25	)
Option-adjusted spread (basis points)	1,060		999	
Estimated impact on fair value of a 10% increase	$(9	)	$(9	)
Estimated impact on fair value of a 20% increase	$(18	)	$(18	)
Weighted-average coupon interest rate	4.2	%	4.4	%
Weighted-average remaining maturity (months)	280		279	
Weighted-average servicing fee (basis points)	27.6		27.9	

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(In millions)			
Servicing related fees and other ancillary income	$21	$ 21	$ 63	$ 62

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

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

COMMERCIAL MORTGAGE BANKING ACTIVITIES

On July 18, 2014, Regions was approved as a Fannie Mae DUS lender and acquired a DUS servicing portfolio totaling approximately $1.0 billion. The Fannie Mae DUS program provides liquidity to the multi-family housing market. As part of the transaction, Regions recorded $12 million in commercial MSRs and $15 million in intangible assets associated with the DUS license purchased. Regions also assumed a loss share guarantee associated with the purchased portfolio and any future originations. Regions estimated the fair value of the loss share guarantee to be approximately $4 million. See Note 1 "Summary of Significant Accounting Policies" in the 2015 Annual Report on

Form 10-K for additional information. Also see Note 14 herein for additional information related to the guarantee.
As of September 30, 2016 and December 31, 2015, the DUS servicing portfolio was approximately $1.7 billion and $1.2 billion, respectively. The related commercial MSRs were valued at approximately $28 million and $16 million at September 30, 2016 and December 31, 2015, respectively. The loss share guarantee was valued at approximately $3 million at both September 30, 2016 and December 31, 2015.

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NOTE 6. GOODWILL

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

	September 30, 2016	December 31, 2015
	(In millions)	
Corporate Bank	$2,452	$ 2,305
Consumer Bank	1,978	2,095
Wealth Management	452	478
	$4,882	$ 4,878

Regions evaluates each reporting unit's goodwill for impairment on an annual basis in the fourth quarter, or more often if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A detailed description of the Company's methodology and valuation approaches used to determine the estimated fair value of each reporting unit is included in the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2015. Adverse changes in the economic environment, declining operations, or other factors could result in a decline in the implied fair value of goodwill.

During the third quarter of 2016, Regions assessed events and circumstances for all three reporting units as of September 30, 2016, and through the date of the filing of this Quarterly Report on Form 10-Q that could potentially indicate goodwill impairment. The indicators assessed included:

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

During the first quarter of 2016, Regions reorganized its internal management structure and, accordingly, its segment reporting structure. Due to the organizational realignment, Regions determined that quantitative testing of goodwill was required for all reporting units, and goodwill was reallocated to each reporting unit using a relative fair value approach. Results of the first quarter 2016 goodwill test indicated that the estimated fair value of each reporting unit exceeded its carrying amounts as of the test date. Additionally, after assessing the indicators noted above, Regions determined that it was not more likely than not that the fair value of each of its reporting units had declined below their carrying value as of September 30, 2016. Therefore, Regions determined that a test of goodwill impairment was not required for each of Regions' reporting units for the September 30, 2016 interim period.

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NOTE 7. STOCKHOLDERS’ EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
PREFERRED STOCK
The following table presents a summary of the non-cumulative perpetual preferred stock:

	Issuance Date	Earliest Redemption Date	Dividend Rate	Liquidation Amount	September 30, 2016 Carrying Amount	December 31, 2015 Carrying Amount
	(Dollars in millions)					
Series A	11/1/2012	12/15/2017	6.375%	$ 500	$ 387	$ 387
Series B	4/29/2014	9/15/2024	6.375% (1)	500	433	433
				$ 1,000	$ 820	$ 820

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

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

The Board of Directors declared $8 million in cash dividends on Series A Preferred Stock during each of the first three quarters of 2016 and 2015. Series B Preferred Stock dividends were also $8 million for each of the first three quarters of 2016 and 2015. Prior to the first quarter of 2016, the Company was in a retained deficit position and preferred dividends were recorded as a reduction of preferred stock, including related surplus. During the first quarter of 2016, the Company achieved positive retained earnings and preferred dividends were recorded as a reduction of retained earnings.

In the event Series A and Series B preferred shares are redeemed at the liquidation amounts, $113 million and $67 million excess of the redemption amount over the carrying amount will be recognized, respectively. Approximately $100 million of Series A preferred dividends that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to retained earnings, and approximately $13 million of related issuance costs that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to net income available to common shareholders. Approximately $52 million of Series B preferred dividends that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to retained earnings, and approximately $15 million of related issuance costs that were recorded as a reduction of preferred stock, including related surplus, will be recorded as a reduction to net income available to common shareholders.

COMMON STOCK

On June 29, 2016, Regions received no objection from the Federal Reserve to its 2016 capital plan that was submitted as part of the CCAR process. In addition to continuing the $0.065 quarterly common stock dividend, actions that Regions may undertake as outlined in its capital plan include the repurchase of up to $640 million in common shares. The capital plan also provides the potential for a dividend increase beginning in the second quarter of 2017, which is expected to be considered by the Board in early 2017.

On July 14, 2016, Regions' Board authorized a new $640 million common stock repurchase plan, permitting repurchases from the beginning of the third quarter of 2016 through the second quarter of 2017. As of September 30, 2016, Regions had repurchased approximately 23.1 million shares of common stock at a total cost of approximately $215 million. On October 12, 2016, Regions' Board authorized an additional $120 million repurchase, which increases the total amount authorized under the plan to $760 million. The Company continued to repurchase shares under this plan in the fourth quarter of 2016, and as of November 3, 2016, Regions had additional repurchases of approximately 10.9 million shares of common stock at a total cost of approximately $116.7 million. All of these shares were immediately retired upon repurchase and therefore will not be included in treasury stock.

The Board declared a $0.065 per share cash dividend on common stock for the second and third quarters of 2016 and $0.06 per common share for the first quarter of 2016, totaling $0.19 per share cash dividend for the first nine months of 2016. The Board declared a $0.06 per share cash dividend on common stock for the second and third quarters of 2015, and a $0.05 per share cash dividend for the first quarter of 2015, totaling $0.17 per share cash dividend for the first nine months of 2015. Prior to the first quarter of 2016, the Company was in a retained deficit position and common stock dividends were recorded as a reduction of additional paid-in capital. During the first quarter of 2016, the Company achieved positive retained earnings and common stock dividends were recorded as a reduction of retained earnings.

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ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended September 30, 2016				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(40)	$ 297	$ 278	$ (387)	$ 148
Net change	5	(13)	(40)	5	(43)
End of period	$(35)	$ 284	$ 238	$ (382)	$ 105

	Three Months Ended September 30, 2015				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(51)	$ 96	$ 45	$ (377)	$ (287)
Net change	2	42	96	8	148
End of period	$(49)	$ 138	$ 141	$ (369)	$ (139)

	Nine Months Ended September 30, 2016				
	Unrealized losses on securities transferred to held to maturity	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				
Beginning of period	$(47)	$ (10)	$ 75	$ (398)	$ (380)
Net change	12	294	163	16	485
End of period	$(35)	$ 284	$ 238	$ (382)	$ 105

	Nine Months Ended September 30, 2015				
	Unrealized losses on	Unrealized gains (losses) on	Unrealized gains (losses) on	Defined benefit pension	Accumulated other comprehensive

	securities transferred to held to maturity	securities available for sale	derivative instruments designated as cash flow hedges	plans and other post employment benefits	income (loss), net of tax
	(In millions)				
Beginning of period	$(55)	$ 175	$ 33	$ (391)	$ (238)
Net change	6	(37)	108	22	99
End of period	$(49)	$ 138	$ 141	$ (369)	$ (139)

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The following tables present amounts reclassified out of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2016 and 2015:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended September 30, 2016 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]	Three Months Ended September 30, 2015 Amount Reclassified from Accumulated Other Comprehensive Income (Loss)[1]	Affected Line Item in the Consolidated Statements of Income
	(In millions)		
Unrealized losses on securities transferred to held to maturity:			