

REGIONS FINANCIAL CORP  
Form 10-K  
February 24, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**FORM 10-K**

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-50831

**REGIONS FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**1900 Fifth Avenue North, Birmingham, Alabama 35203**

(Address of principal executive offices)

**63-0589368**  
(I.R.S. Employer

Identification No.)

**Registrant's telephone number, including area code: (205) 326-5807**

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

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<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$.01 par value	New York Stock Exchange
8.875% Trust Preferred Securities of Regions Financing Trust III	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

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

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

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

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

**Common Stock, \$.01 par value \$8,081,116,041 as of June 30, 2010.**

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

**Common Stock, \$.01 par value 1,257,753,611 shares issued and outstanding as of February 15, 2011**

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the Annual Meeting to be held on May 19, 2011 are incorporated by reference into Part III.

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**PART I**

**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K, other periodic reports filed by Regions Financial Corporation ( Regions ) under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Act ) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

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

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

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

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

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

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

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

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

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

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

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

Regions' ability to keep pace with technological changes.

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

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

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

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

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

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

The effects of weather and natural disasters such as floods, droughts and hurricanes, and the effects of man-made disasters such as the Gulf of Mexico oil spill.

Possible downgrades in ratings issued by rating agencies.

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

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

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

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

Regions' ability to receive dividends from its subsidiaries.

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

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

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

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

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

### **Item 1. Business**

Regions Financial Corporation (together with its subsidiaries on a consolidated basis, Regions or Company ) is a financial holding company headquartered in Birmingham, Alabama, which operates throughout the South, Midwest and Texas. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of investment banking, asset management, trust, mutual funds,

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securities brokerage, insurance and other specialty financing. At December 31, 2010, Regions had total consolidated assets of approximately \$132.4 billion, total consolidated deposits of approximately \$94.6 billion and total consolidated stockholders' equity of approximately \$16.7 billion.

Regions is a Delaware corporation and on July 1, 2004, became the successor by merger to Union Planters Corporation and the former Regions Financial Corporation. Its principal executive offices are located at 1900 Fifth Avenue North, Birmingham, Alabama 35203, and its telephone number at that address is (205) 326-5807.

**Banking Operations**

Regions conducts its banking operations through Regions Bank, an Alabama chartered commercial bank that is a member of the Federal Reserve System. At December 31, 2010, Regions operated approximately 2,100 ATMs and 1,772 banking offices in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia.

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

	<b>Branches</b>
Alabama	244
Arkansas	100
Florida	397
Georgia	142
Illinois	68
Indiana	64
Iowa	13
Kentucky	16
Louisiana	118
Mississippi	147
Missouri	67
North Carolina	9
South Carolina	36
Tennessee	263
Texas	85
Virginia	3
<b>Total</b>	<b>1,772</b>

**Other Financial Services Operations**

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

Morgan Keegan & Company, Inc. ( Morgan Keegan ), a subsidiary of Regions Financial Corporation, is a full-service regional brokerage and investment banking firm. Morgan Keegan offers products and services including securities brokerage, asset management, financial planning, mutual funds, securities underwriting, sales and trading, and investment banking. Morgan Keegan also manages the delivery of trust services, which are provided pursuant to the trust powers of Regions Bank. Morgan Keegan employs approximately 1,200 financial advisors offering products and services from over 321 offices located in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, New York, North Carolina, South Carolina, Tennessee, Texas and Virginia.

Regions Insurance Group, Inc., a subsidiary of Regions Financial Corporation, is an insurance broker that offers insurance products through its subsidiaries Regions Insurance, Inc., headquartered in Birmingham,



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Alabama, and Regions Insurance Services, Inc., headquartered in Memphis, Tennessee. Through its insurance brokerage operations in Alabama, Arkansas, Indiana, Louisiana, Missouri, Mississippi, Tennessee and Texas, Regions Insurance, Inc. offers insurance coverage for various lines of personal and commercial insurance, such as property, casualty, life, health and accident insurance. Regions Insurance Services, Inc. offers credit-related insurance products, such as title, term life, credit life, environmental, crop and mortgage insurance, as well as debt cancellation products to customers of Regions. With \$108 million in annual revenues and offices in eight states, Regions Insurance Group, Inc. is one of the largest insurance brokers in the United States.

Regions has several subsidiaries and affiliates which are agents or reinsurers of credit life insurance products relating to the activities of certain affiliates of Regions. Regions Investment Services, Inc., which sells annuities and life insurance products to Regions Bank customers, is a wholly owned subsidiary of Regions Bank. In order to consolidate insurance related activities and the offering and distribution of insurance products, operationally Regions Investment Services, Inc. joined Regions Insurance Group, Inc. in 2010.

Regions Equipment Finance Corporation, a subsidiary of Regions Bank, provides domestic and international equipment financing products, focusing on commercial clients.

## **Acquisition Program**

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

## **Segment Information**

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

## **Supervision and Regulation**

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

## ***Overview***

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

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

In general, the BHC Act limits the activities permissible for bank holding companies. Bank holding companies electing to be treated as financial holding companies, however, may engage in additional activities under the BHC Act as described below under Permissible Activities under the BHC Act. For a bank holding company to be eligible to elect financial holding company status, all of its subsidiary insured depository institutions must be well-capitalized and well-managed as described below under Regulatory Remedies Under the FDIA and must have received at least a satisfactory rating on such institution's most recent examination under the Community Reinvestment Act of 1977 (the CRA). Beginning in July 2011, a bank holding company's eligibility to elect financial holding company status will also depend upon the holding company being well-capitalized and well-managed. If a financial holding company fails to continue to meet any of the prerequisites for financial holding company status after engaging in activities not permissible for bank holding companies that have not elected to be treated as financial holding companies, the company must enter into an agreement with the Federal Reserve to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the Federal Reserve may order the company to divest its subsidiary banks or the company may discontinue or divest investments in companies engaged in activities permissible only for a bank holding company electing to be treated as a financial holding company.

Regions Bank is a member of the FDIC, and, as such, its deposits are insured by the FDIC to the extent provided by law. Regions Bank is an Alabama state-chartered bank and a member of the Federal Reserve System. It is generally subject to supervision and examination by both the Federal Reserve and the Alabama Department of Banking. The Federal Reserve and the Alabama Department of Banking regularly examine the operations of Regions Bank and are given authority to approve or disapprove mergers, acquisitions, consolidations, the establishment of branches and similar corporate actions. The federal and state banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Regions Bank is subject to numerous statutes and regulations that affect its business activities and operations, including various consumer protection laws and regulations. Additionally, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control money and credit availability in order to influence the economy.

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

### ***Recent Developments***

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States, including through the creation of a new resolution authority, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies, and through numerous other provisions aimed at strengthening the sound operation of the financial services sector. The Dodd-Frank Act also creates a new systemic risk oversight body, the Financial Stability Oversight Council (FSOC). The FSOC will oversee and coordinate the efforts of the primary U.S. financial regulatory agencies (including the Federal Reserve, the FDIC

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and the SEC) in establishing regulations to address systemic financial stability concerns. The Dodd-Frank Act directs the FSOC to make recommendations to the Federal Reserve Board regarding supervisory requirements and prudential standards applicable to systemically important financial institutions (which we expect will include Regions), including capital, leverage, liquidity and risk-management requirements. The Dodd-Frank Act mandates that the requirements applicable to systemically important financial institutions be more stringent than those applicable to other financial companies.

In addition to the framework for systemic risk oversight implemented through the FSOC, the Dodd-Frank Act imposes heightened prudential requirements on bank holding companies with at least \$50 billion in total consolidated assets, such as Regions, and requires the Federal Reserve to establish prudential standards for such large bank holding companies that are more stringent than those applicable to other bank holding companies, including standards for risk-based capital requirements and leverage limits, liquidity, risk-management requirements, resolution plan and credit exposure reporting, and concentration. The Federal Reserve has discretionary authority to establish additional prudential standards, on its own or at the FSOC's recommendation, regarding contingent capital, enhanced public disclosures, short-term debt limits, and otherwise as it deems appropriate. The Dodd-Frank Act also requires the Federal Reserve to conduct annual analyses of such bank holding companies to evaluate whether the companies have sufficient capital on a total consolidated basis necessary to absorb losses as a result of adverse economic conditions.

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

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

### ***Permissible Activities under the BHC Act***

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

The BHC Act does not place territorial limitations on permissible non-banking activities of bank holding companies. The Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has

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reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

### ***Capital Requirements***

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

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

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

The minimum guideline to be considered well-capitalized for Tier 1 capital and Total capital is 6.0 percent and 10.0 percent, respectively. At December 31, 2010, Regions consolidated Tier 1 capital ratio was 12.40 percent and its Total capital ratio was 16.35 percent. The elements currently comprising Tier 1 capital and Tier 2 capital and the minimum Tier 1 capital and Total capital ratios may be subject to change in the future, as discussed in greater detail below.

*Basel I and II Standards.* Regions currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve based on the 1988 Capital Accord ( Basel I ) of the Basel Committee on Banking Supervision (the Basel Committee ). In 2004, the Basel Committee published a new set of risk-based capital standards ( Basel II ) in order to update Basel I. Basel II provides two approaches for setting capital standards for credit risk: an internal ratings-based approach tailored to individual institutions' circumstances and a standardized approach that bases risk-weighting on external credit assessments to a much greater extent than permitted in the existing risk-based capital guidelines. Basel II also would set capital requirements for operational risk and refine the existing capital requirements for market risk exposures. A definitive final rule for implementing the advanced approaches of Basel II in the United States, which applies only to internationally active banking organizations, or core banks (defined as those with consolidated total assets of \$250 billion or more or consolidated on-balance sheet foreign exposures of \$10 billion or more) became effective on April 1, 2008. Other U.S. banking organizations may elect to adopt the requirements of this rule (if they meet applicable qualification requirements), but are not required to comply. The rule also allows a banking organization's primary federal supervisor to determine that application of the rule would not be appropriate in light of the bank's asset size, level of complexity, risk profile or scope of operations. Regions Bank is currently not required to comply with Basel II.

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In July 2008, the U.S. bank regulatory agencies issued a proposed rule that would provide banking organizations that do not use the advanced approaches with the option to implement a new risk-based capital framework. This framework would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk, and related disclosure requirements. While this proposed rule generally parallels the relevant approaches under Basel II, it diverges where United States markets have unique characteristics and risk profiles, most notably with respect to risk weighting residential mortgage exposures. Comments on the proposed rule were due to the agencies by October 27, 2008, but a definitive final rule has not been issued as of February 2011.

*Leverage Requirements.* Neither Basel I nor Basel II includes a leverage requirement as an international standard; however, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies to be considered well-capitalized. These guidelines provide for a minimum ratio of Tier 1 capital to average total assets, less goodwill and certain other intangible assets (the Leverage ratio), of 3.0 percent for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage ratio of at least 4 percent. Regions' Leverage ratio at December 31, 2010 was 9.30 percent.

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

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

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

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

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

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

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

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



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provides for a countercyclical capital buffer, generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0 percent to 2.5 percent when fully implemented (potentially resulting in total buffers of between 2.5 percent and 5 percent). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

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

3.5 percent CET1 to risk-weighted assets;

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

8.0 percent Total capital to risk-weighted assets.

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

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

The U.S. banking agencies have indicated informally that they expect to propose regulations implementing Basel III in mid-2011 with final adoption of implementing regulations in mid-2012. Notwithstanding its release of the Basel III framework as a final framework, the Basel Committee is considering further amendments to Basel III, including the imposition of additional capital surcharges on globally systemically important financial institutions. In addition to Basel III, the Dodd-Frank Act requires or permits the Federal banking agencies to adopt regulations affecting banking institutions' capital requirements in a number of respects, including potentially more stringent capital requirements for systemically important financial institutions. Accordingly, the regulations ultimately applicable to us may be substantially different from the Basel III final framework as published in December 2010.

The Dodd-Frank Act appears to require the Federal Reserve to adopt regulations imposing a continuing floor of the Basel I-based capital requirements in cases where the Basel II-based capital requirements and any changes in capital regulations resulting from Basel III otherwise would permit lower requirements. In December 2010, the Federal Reserve published for comment proposed regulations implementing this requirement.

*Liquidity Requirements.* Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the U.S. and internationally, without required formulaic measures. The Basel III final framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25 percent of its expected total cash outflow) under an acute liquidity stress scenario. The other, referred to as the net stable funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of U.S. Treasury

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securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. The LCR would be implemented subject to an observation period beginning in 2011, but would not be introduced as a requirement until January 1, 2015, and the NSFR would not be introduced as a requirement until January 1, 2018. These new standards are subject to further rulemaking and their terms may well change before implementation.

*Capital Requirements of Regions Bank.* Regions Bank is subject to substantially similar capital requirements as those applicable to Regions. As of December 31, 2010, Regions Bank was in compliance with applicable minimum capital requirements. Neither Regions nor Regions Bank has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it as of December 31, 2010. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See Regulatory Remedies under the FDIA below.

Given that the Basel III rules are subject to change and the scope and content of capital regulations that U.S. federal banking agencies may adopt under the Dodd-Frank Act is uncertain, we cannot be certain of the impact new capital regulations will have on our capital ratios.

***Safety and Soundness Standards***

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

***Regulatory Remedies under the FDIA***

The FDIA establishes a system of regulatory remedies to resolve the problems of undercapitalized institutions. The federal banking regulators have established five capital categories ( well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized ) and must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions which are undercapitalized, significantly undercapitalized or critically undercapitalized. The severity of these mandatory and discretion supervisory actions depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the FDIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal bank regulatory agencies have specified by regulation the relevant capital levels for each category:

<p><b>Well-Capitalized</b> Leverage ratio of 5 percent,</p> <p>Tier 1 capital ratio of 6 percent,</p> <p>Total capital ratio of 10 percent, and</p> <p>Not subject to a written agreement, order, capital directive or regulatory remedy directive requiring a specific capital level.</p>	<p><b>Adequately Capitalized</b> Leverage ratio of 4 percent,</p> <p>Tier 1 capital ratio of 4 percent, and</p> <p>Total capital ratio of 8 percent.</p>
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**Undercapitalized**

Leverage ratio less than 4 percent,

Tier 1 capital ratio less than 4 percent, or

Total capital ratio less than 8 percent.

**Significantly Undercapitalized**

Leverage ratio less than 3 percent,

Tier 1 capital ratio less than 3 percent, or

Total capital ratio less than 6 percent.

**Critically undercapitalized**

Tangible equity to total assets less than 2 percent.

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

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

***Payment of Dividends***

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

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

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*Payment of Dividends by Regions Bank.* Under the Federal Reserve's Regulation H, Regions Bank may not, without the approval of the Federal Reserve, declare or pay a dividend to Regions if the total of all dividends declared in a calendar year exceeds the total of (a) Regions Bank's net income for that year and (b) its retained net income for the preceding two calendar years, less any required transfers to additional paid-in capital or to a fund for the retirement of preferred stock. As a result of Regions Bank's \$975 million loss in 2009 and \$252 million loss in 2010, Regions Bank cannot, without approval from the Federal Reserve, declare or pay a dividend to Regions until such time as Regions Bank is able to satisfy the criteria discussed in the preceding sentence. Given the losses in 2009 and 2010, Regions Bank may not be able to pay dividends to Regions in the near term without obtaining regulatory approval.

Under Alabama law, Regions Bank may not pay a dividend in excess of 90 percent of its net earnings until the bank's surplus is equal to at least 20 percent of capital. Regions Bank is also required by Alabama law to obtain approval of the Alabama Superintendent of Banking prior to the payment of dividends if the total of all dividends declared by Regions Bank in any calendar year will exceed the total of (a) Regions Bank's net earnings (as defined by statute) for that year, plus (b) its retained net earnings for the preceding two years, less any required transfers to surplus. Also, no dividends may be paid from Regions Bank's surplus without the prior written approval of the Alabama Superintendent of Banking.

*Payment of Dividends by Regions.* The ability of Regions to pay dividends to its stockholders is not totally dependent on the receipt of dividends from Regions Bank, as Regions has other cash available to make dividend payments. As of December 31, 2010, Regions had \$6.9 billion of cash and cash equivalents on a consolidated basis, of which \$3.8 billion is attributable to the parent company. These funds are available for corporate purposes, including debt service and to pay dividends to its stockholders. This is compared to an anticipated common dividend requirement, assuming current dividend payment levels, of approximately \$50 million and preferred cash dividends of approximately \$175 million for the full year 2011. Expected long-term borrowings maturities in 2011 are approximately \$6.0 billion, of which approximately \$1.0 billion is attributable to the parent company.

Although Regions currently has capacity to make common dividend payments in 2011, the payment of dividends by Regions and the dividend rate are subject to management review and approval by Regions' Board of Directors on a quarterly basis. Regions' dividend payments are also subject to the oversight of the Federal Reserve. Under temporary guidance issued by the Federal Reserve in November 2010, the dividend policy of large bank holding companies, such as Regions, is reviewed by the Federal Reserve based on capital plans and stress tests as submitted by the bank holding company, and will be assessed against, among other things, the bank holding company's ability to achieve the Basel III capital ratio requirements referred to above as they are phased in by U.S. regulators and any potential impact of the Dodd-Frank Act on the company's risk profile, business strategy, corporate structure or capital adequacy. The Federal Reserve's current guidance provides that, for large bank holding companies like Regions, dividend payout ratios exceeding 30 percent of after-tax net income will receive particularly close scrutiny.

Prior to November 14, 2011, unless Regions has redeemed all of the Fixed Rate Cumulative Perpetual Preferred Stock, Series A (Series A Preferred Stock), issued to the U.S. Treasury on November 14, 2008 or unless the U.S. Treasury has transferred all the preferred securities to a third party, the consent of the U.S. Treasury will be required for Regions to declare or pay any dividend or make any distribution on common stock other than (i) regular quarterly cash dividends of not more than \$0.10 per share, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (ii) dividends payable solely in shares of common stock and (iii) dividends or distributions of rights or junior stock in connection with a stockholders' rights plan. Regions has reduced its quarterly dividend to \$0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future.

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### ***Support of Subsidiary Banks***

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

### ***Cross-Guarantee Provisions***

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

### ***Transactions with Affiliates***

There are various legal restrictions on the extent to which Regions and its non-bank subsidiaries may borrow or otherwise obtain funding from Regions Bank. In general, Sections 23A and 23B of the Federal Reserve Act and Federal Reserve Regulation W require that any covered transaction by Regions Bank (or its subsidiaries) with an affiliate must be secured by designated amounts of specified collateral and must be limited to (a) in the case of any single such affiliate, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 10 percent of the capital stock and surplus of Regions Bank, and (b) in the case of all affiliates, the aggregate amount of covered transactions of Regions Bank and its subsidiaries may not exceed 20 percent of the capital stock and surplus of Regions Bank. The Dodd-Frank Act significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization. For example, commencing in July 2011, the Dodd-Frank Act will require that the 10 percent of capital limit on covered transactions begin to apply to financial subsidiaries. Covered transactions are defined by statute to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on market terms.

### ***FDIC Insurance Assessments***

***Deposit Insurance Assessments.*** Regions Bank pays deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC. FDIC assessment rates generally depend upon a combination of regulatory ratings and financial ratios. Regulatory ratings reflect the applicable bank regulatory agency's evaluation of the financial institution's capital, asset quality, management, earnings, liquidity and sensitivity to risk (CAMELS). The assessment rate for large institutions with long-term debt issuer ratings, such as Regions, is currently determined using a combination of the institution's weighted average regulatory ratings, its long-term debt issuer ratings and the institution's financial ratios, each equally weighted. Assessment rates for institutions that are in the lowest risk category currently vary from seven to twenty-four basis points per \$100 of insured deposits, and may be increased or decreased by the FDIC on a semi-annual basis. Such base assessment rates are subject to adjustments based upon the institution's ratio of (i) long-term unsecured debt to its domestic deposits, (ii) secured liabilities to domestic deposits and (iii) brokered deposits to domestic deposits (if greater than 10 percent).

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In February 2011, the FDIC adopted a final rule (the New Assessment Rule) to revise the deposit insurance assessment system for large institutions. The New Assessment Rule creates a two scorecard system for large institutions, one for most large institutions that have more than \$10 billion in assets, such as Regions Bank, and another for highly complex institutions that have over \$50 billion in assets and are fully owned by a parent with over \$500 billion in assets. Each scorecard will have a performance score and a loss-severity score that will be combined to produce a total score, which will be translated into an initial assessment rate. In calculating these scores, the FDIC will continue to utilize the bank's supervisory (CAMELS) ratings and will introduce certain new forward-looking financial measures to assess an institution's ability to withstand asset-related stress and funding-related stress. The New Assessment Rule also eliminates the use of risk categories and long-term debt issuer ratings for calculating risk-based assessments for institutions having more than \$10 billion in assets. The FDIC will continue to have the ability under the New Assessment Rule to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. The total score will then translate to an initial base assessment rate on a non-linear, sharply-increasing scale. The New Assessment Rule preserves the adjustments to an institution's base assessment rates based on its long-term unsecured debt and brokered deposits (if greater than 10%) and creates a new adjustment based on the institution's holdings of long-term unsecured debt issued by a different insured depository institution. The New Assessment Rule eliminates the adjustment to an institution's base assessment rate based on the its secured liabilities. The final rule will be effective April 1, 2011.

Regions Bank's deposit insurance assessments are currently based on the total domestic deposits held by Regions Bank. The Dodd-Frank Act requires the FDIC to amend its regulations to base insurance assessments on the average consolidated assets less the average tangible equity of the insured depository institution during the assessment period. Under the New Assessment Rule, which implements these requirements effective April 1, 2011, assessments paid by Regions Bank are expected to increase.

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

The FDIA establishes a minimum ratio of deposit insurance reserves to estimated insured deposits, the designated reserve ratio (the DRR), of 1.15 percent prior to September 2020 and 1.35 percent thereafter. On December 20, 2010, the FDIC issued a final rule setting the DRR at 2 percent. Because the DRR fell below 1.15 percent as of June 30, 2008, and was expected to remain below 1.15 percent the FDIC was required to establish and implement a Restoration Plan that would restore the reserve ratio to at least 1.15 percent within five years. In October 2008, the FDIC adopted such a restoration plan (the Restoration Plan). In February 2009, in light of the extraordinary challenges facing the banking industry, the FDIC amended the Restoration Plan to allow seven years for the reserve ratio to return to 1.15 percent. In May 2009, the FDIC adopted a final rule that imposed a five basis point special assessment on each institution's assets minus Tier 1 capital (as of June 30, 2009). Such special assessment was collected on September 30, 2009. In October 2009, the FDIC passed a final rule extending the term of the Restoration Plan to eight years. Such final rule also included a provision that implements a uniform three basis point increase in assessment rates, effective January 1, 2011, to help ensure that the reserve ratio returns to at least 1.15 percent within the eight year period called for by the Restoration Plan. In October 2010, the FDIC adopted a new restoration plan to ensure the DRR reaches 1.35 percent by September 2020. As part of the revised plan, the FDIC will forego the uniform three-basis point increase in assessment rates scheduled to take place in January 2011. The FDIC will, at least semi-annually, update its income and loss projections for the DIF and, if necessary, propose rules to further increase assessment rates. In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged. See also Incentive Compensation below.

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

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

*FICO Assessments.* In addition, the Deposit Insurance Funds Act of 1996 authorized the Financing Corporation ( FICO ) to impose assessments on DIF applicable deposits in order to service the interest on FICO's bond obligations from deposit insurance fund assessments. The amount assessed on individual institutions by FICO will be in addition to the amount, if any, paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. FICO assessment rates may be adjusted quarterly to reflect a change in assessment base. The FICO annual assessment rate for the fourth quarter of 2010 was 1.04 cents per \$100 deposits and will decline to 1.02 cents per \$100 deposits for the first quarter of 2011. Regions Bank had a FICO assessment of \$10 million in FDIC deposit premiums in 2010.

### ***Acquisitions***

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (1) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the bank holding company will directly or indirectly own or control 5 percent or more of the voting shares of the institution; (2) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or (3) it may merge or consolidate with any other bank holding company. Effective July 2011, financial holding companies and bank holding companies with consolidated assets exceeding \$50 billion must (i) obtain prior approval from the Federal Reserve before acquiring certain nonbank financial companies with assets exceeding \$10 billion and (ii) provide prior written notice to the Federal Reserve before acquiring direct or indirect ownership or control of any voting shares of any company having consolidated assets of \$10 billion or more. Bank holding companies seeking approval to complete an acquisition must be well-capitalized and well-managed effective July 2011.

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

### ***FDIC Temporary Liquidity Guarantee Program***

In October 2008, the FDIC announced the Temporary Liquidity Guarantee Program (the TLGP), under which the FDIC would guarantee certain senior unsecured debt of FDIC-insured U.S. depository institutions and U.S. bank holding companies as well as non-interest bearing transaction account deposits at FDIC-insured U.S. depository institutions, unless such institutions opted out of the program. Regions and Regions Bank both participated in the TLGP. Although the guarantee of non-interest bearing transaction account deposits under the

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TLGP ended on June 30, 2010, the Dodd-Frank Act provides for unlimited FDIC deposit insurance coverage on non-interest bearing transaction accounts at all insured institutions, regardless of participation in the TLGP, until January 1, 2013.

On December 11, 2008, Regions Bank issued and sold \$3.5 billion aggregate principal amount of its senior bank notes guaranteed under the TLGP. Regions Bank issued and sold an additional \$250 million aggregate principal amount of FDIC-guaranteed senior bank notes on December 16, 2008. Under the TLGP, the FDIC will pay the unpaid principal and interest on such FDIC-guaranteed debt instruments upon the uncured failure of Regions Bank to make a timely payment of principal or interest. Neither Regions nor Regions Bank is permitted to use the proceeds from the sale of securities guaranteed under the TLGP to prepay any of its other debt that is not guaranteed by the FDIC.

***U.S. Treasury Capital Purchase Program***

Pursuant to the CPP, on November 14, 2008, Regions issued and sold to the U.S. Treasury in a private offering, (i) 3.5 million shares of Series A Preferred Stock and (ii) a warrant (the Warrant ) to purchase 48,253,677 shares of Regions common stock, at an exercise price of \$10.88 per share, subject to certain anti-dilution and other adjustments, for an aggregate purchase price of \$3.5 billion in cash. The securities purchase agreement, dated November 14, 2008, pursuant to which the securities issued to the U.S. Treasury under the CPP were sold, limits the payment of dividends on Regions common stock to \$0.10 per share without prior approval of the U.S. Treasury, limits Regions ability to repurchase shares of its common stock (with certain exceptions, including the repurchase of our common stock to offset share dilution from equity-based compensation awards), grants the holders of the Series A Preferred Stock, the Warrant and the common stock of Regions to be issued under the Warrant certain registration rights in order to facilitate resale, and subjects Regions to certain of the executive compensation limitations included in the Emergency Economic Stabilization Act of 2008 ( EESA ), as amended by the American Recovery and Reinvestment Act of 2009 ( ARRA ).

***Depositor Preference***

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

***Incentive Compensation***

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

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

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arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In February 2011, the Federal Reserve and other federal banking agencies requested comments on a notice of proposed rulemaking designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at a covered institution, which includes a bank or bank holding company with \$1.0 billion or more of assets, such as Regions and Regions Bank. The proposed rule (i) prohibits incentive-based compensation arrangements that encourage executive officers, employees, directors or principal shareholders to expose the institution to inappropriate risks by providing excessive compensation (based on the standards for excessive compensation adopted pursuant to the FDIA) and (ii) prohibits incentive-based compensation arrangements for executive officers, employees, directors or principal shareholders that could lead to a material financial loss for the institution. The proposed rule requires covered institutions to establish policies and procedures for monitoring and evaluating their compensation practices. Institutions with consolidated assets of \$50.0 billion or more, such as Regions, are subject to additional restrictions on compensation arrangements for their executive officers and any other persons indentified by the institution's board of directors as having the ability to expose the institution to substantial losses.

In addition, on January 12, 2010, the FDIC announced that it would seek public comment on whether banks with compensation plans that encourage risky behavior should be charged higher deposit assessment rates than such banks would otherwise be charged.

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

### ***Orderly Liquidation Authority***

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

An Orderly Liquidation Fund will fund OLA liquidation proceedings through borrowings from the Treasury Department and risk-based assessments made, first, on entities that received more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of \$50.0 billion or more, such as Regions. If an orderly liquidation is triggered, Regions could face assessments for the Orderly Liquidation Fund. We do not yet have an indication of the level of such assessments.

### ***Financial Privacy***

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer

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information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

### ***Community Reinvestment Act***

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

### ***USA PATRIOT Act***

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

### ***Office of Foreign Assets Control Regulation***

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



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a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

### ***Regulation of Insurers and Insurance Brokers***

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

### ***Regulation of Morgan Keegan***

Morgan Keegan is subject to regulation and examination by the SEC, FINRA, NYSE and other SROs. Such regulations cover a broad range of subject matter. Rules and regulations for registered broker-dealers cover such issues as: capital requirements; sales and trading practices; use of client funds and securities; the conduct of directors, officers and employees; record-keeping and recording; supervisory procedures to prevent improper trading on material non-public information; qualification and licensing of sales personnel; and limitations on the extension of credit in securities transactions. Rules and regulations for registered investment advisers include limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, record-keeping and reporting requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, and anti-fraud standards.

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

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

In addition to federal registration, state securities commissions require the registration of certain broker-dealers and investment advisers. Morgan Keegan is registered as a broker-dealer with every state, the District of Columbia, and Puerto Rico. Morgan Keegan is registered as an investment adviser in over 40 states and the District of Columbia.

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

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

### **Competition**

All aspects of Regions' business are highly competitive. Regions' subsidiaries compete with other financial institutions located in the states in which they operate and other adjoining states, as well as large banks in major financial centers and other financial intermediaries, such as savings and loan associations, credit unions, consumer finance companies, brokerage firms, insurance companies, investment companies, mutual funds, mortgage companies and financial service operations of major commercial and retail corporations. Regions expects competition to intensify among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies.

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

### **Employees**

As of December 31, 2010, Regions and its subsidiaries had 27,829 employees.

### **Available Information**

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

### **Item 1A. Risk Factors**

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

The capital and credit markets since 2008 have experienced unprecedented levels of volatility and disruption. In some cases, the markets produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. Although the economic slowdown that the United States experienced has begun to reverse and the markets have generally improved, business activities across a wide range of industries continue to face serious difficulties due to the lack of consumer spending and the lack of liquidity in the global credit markets. Heightened unemployment levels have further increased these difficulties.

A sustained weakness or weakening in business and economic conditions generally or specifically in the principal markets in which we do business could have one or more of the following adverse effects on our business:

A decrease in the demand for loans and other products and services offered by us;

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A decrease in the value of our loans held for sale or other assets secured by consumer or commercial real estate;

An impairment of certain intangible assets, such as goodwill;

A decrease in interest income from variable rate loans, due to potential reductions in interest rates; and

An increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for loan losses, and valuation adjustments on loans held for sale.

Overall, during the past three years, the general business environment has had an adverse effect on our business. Although the general business environment has shown some improvement, there can be no assurance that it will continue to improve. If economic conditions worsen or remain volatile, our business, financial condition and results of operations could be adversely affected.

***Market developments may adversely affect our industry, business and results of operations.***

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

Further negative market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for credit losses. Continuing economic deterioration that affects household or corporate incomes could also result in reduced demand for credit or fee-based products and services. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry.

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

The major rating agencies regularly evaluate us and their ratings of our long-term debt based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. Over the past two years, all of the major ratings agencies downgraded Regions and Regions Bank's credit ratings, and many of our ratings remain on negative watch or negative outlook. Negative watch, negative outlook or other similar terms mean that a future downgrade is possible. Most recently, Regions' Senior ratings were downgraded to Ba3, BB+, BBB- and BBB by Moody's Investor Services, Standard & Poor's, Fitch Ratings and Dominion Bond Rating Service, respectively. Our ratings with Moody's Investor Services and Standard & Poor's are below investment grade.

In general, ratings agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings. The ratings assigned to Regions and Regions Bank remain subject to change at any time, and it is possible that any ratings agency will take action to downgrade Regions, Regions Bank or both in the future.

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The decreases in our credit rating over the past two years, our status as a non-investment grade issuer and any future decrease in our credit ratings by one or more ratings agencies could impact our access to the capital markets or short-term funding or increase our financing costs, and thereby adversely affect Regions' financial condition and liquidity. Where Regions Bank is providing forms of credit support such as letters of credit, standby lending arrangements or other forms of credit support, this recent decline and future declines may cause customers of Regions to seek replacement credit support from a higher rated institution and may limit our ability to compete for future business. Our counterparties are also sensitive to the risk of a ratings downgrade and have the ability to terminate or may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict whether customer relationships or opportunities for future relationships could be adversely affected by customers who choose to do business with a higher rated institution. The inability to retain customers or to effectively compete for new business may have a material and adverse effect on Regions' business, financial condition and results of operations.

Additionally, ratings agencies have themselves been subject to scrutiny arising from the financial crisis such that the rating agencies may make or may be required to make substantial changes to their ratings policies and practices. Such changes may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

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

As of December 31, 2010, Regions had approximately \$1.4 billion in net deferred tax assets, of which \$424 million was disallowed when calculating regulatory capital. Applicable banking regulations permit us to include these deferred tax assets, up to a maximum amount, when calculating Regions' regulatory capital to the extent these assets will be realized based on future projected earnings within one year of the report date. The ability to realize these deferred tax assets during any year also includes the ability to apply these assets to offset any taxable income during the two previous years. Unless we anticipate generating sufficient taxable income in the future, we may be unable to include additional amounts related to our deferred tax assets as part of our regulatory capital. The inability to include deferred tax assets in our regulatory capital could significantly reduce our regulatory capital ratios.

Additionally, our deferred tax assets are subject to an evaluation of whether it is more likely than not that they will be realized for financial statement purposes. In making this determination we consider all positive and negative evidence available including the impact of recent operating results as well as potential carryback of tax to prior years taxable income, reversals of existing taxable temporary differences, tax planning strategies and projected earnings within the statutory tax loss carryover period. We have determined that the deferred tax assets are more likely than not to be realized at December 31, 2010 (except for \$30 million related to state deferred tax assets for which we have established a valuation allowance). If we were to conclude that a significant portion of our deferred tax assets were not more likely than not to be realized, the required valuation allowance could adversely affect our financial position and results of operations.

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

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

In addition, in recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed lender liability. Generally,

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lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

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

### ***Further disruptions in the residential real estate market could adversely affect our performance.***

As of December 31, 2010, investor real estate loans secured by land, single-family and condominium properties, plus home equity loans secured by second liens in Florida represented approximately 8 percent of our total loan portfolio. These portions of our loan portfolio have been under pressure for over three years and, due to weakening credit quality, we have increased our loan loss provision and our total allowance for credit losses. In addition, we have implemented several measures to support the management of these sections of the loan portfolio, including reassignment of experienced, key relationship managers to focus on work-out strategies for distressed borrowers.

While we expect that these actions will help mitigate the overall effects of the downward credit cycle, the weaknesses in these sections of our loan portfolio are expected to continue well into 2011. Accordingly, it is anticipated that our non-performing asset and charge-off levels will remain elevated.

Further, the effects of recent mortgage market challenges, combined with decreases in residential real estate market prices and demand, could result in further price reductions in home values, adversely affecting the value of collateral securing the residential real estate and construction loans that we hold, as well as loan originations and gains on sale of real estate and construction loans. Specifically, a significant portion of our residential mortgages and commercial real estate loan portfolios are composed of borrowers in the Southeastern United States, in which certain markets have been particularly adversely affected by declines in real estate value, declines in home sale volumes, and declines in new home building. For example, prices of Florida properties remain under significant pressure, with high unemployment levels relative to periods prior to 2008 and the continuing impact of the recent real estate downturn on the general economy. These factors could result in higher delinquencies and greater charge-offs in future periods, which would materially adversely affect our financial condition and results of operations. A decline in home values or overall economic weakness could also have an adverse impact upon the value of real estate or other assets which we own upon foreclosing on a loan.

### ***Continuing weakness in the commercial real estate market could adversely affect our performance.***

The fundamentals within the commercial real estate sector remain weak, under continuing pressure from reduced asset values, rising vacancies and reduced rents. As of December 31, 2010, approximately 19 percent of our loan portfolio consisted of investor real estate loans. Investor real estate loans secured by land, single-family and condominiums continue to be impacted by declining property values, especially in areas where Regions has significant lending activities, including Florida and north Georgia. The properties securing income-producing investor real estate loans are typically not fully leased at the origination of the loan. The borrower's ability to repay the loan is instead reliant upon additional leasing through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations and typically slow the execution of new leases. Such economic conditions may also lead to existing lease turnover. As a result of these factors, vacancy rates for retail, office and industrial space may remain at elevated levels in 2011. High vacancy rates could result in rents falling further over the next several quarters. The combination of these factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration of one or more loans we have made. Any such deterioration could adversely affect our financial condition and results of operations.

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***Our profitability and liquidity may be affected by changes in economic conditions in the areas where our operations or loans are concentrated.***

Our success depends to a certain extent on the general economic conditions of the geographic markets served by Regions Bank in the states of Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The local economic conditions in these areas have a significant impact on Regions Bank's commercial, real estate and construction loans, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Adverse changes in the economic conditions of these geographical areas for over three years have had a negative impact on the financial results of our banking operations and may continue to have a negative effect on our business, financial condition and results of operations. Any future adverse changes may also negatively effect on our business, financial condition and results of operations.

***Improvements in economic indicators disproportionately affecting the financial services industry may lag improvements in the general economy.***

The improvement of certain economic indicators, such as unemployment and real estate asset values and rents, may continue to lag behind improvement in the overall economy. These economic indicators typically affect certain industries, such as real estate and financial services, more significantly. For example, improvements in commercial real estate fundamentals typically lag broad economic recovery by twelve to eighteen months. Our clients include entities active in these industries. Furthermore, financial services companies with a substantial lending business, like ours, are dependent upon the ability of their borrowers to make debt service payments on loans. Should unemployment or real estate asset values fail to recover for an extended period of time, our business, financial condition or results of operations could be adversely affected.

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

On November 14, 2008, we issued and sold 3,500,000 shares of Series A Preferred Stock and the Warrant to purchase up to 48,253,677 shares of our common stock to the U.S. Treasury as part of the CPP. Several financial institutions which also participated in the CPP (including some banks considered to be our peer banks) have exited, or have applied for permission to exit, the program. In order to repurchase one or both securities, in whole or in part, we must establish that we have satisfied all of the conditions to repurchase and must obtain the approval of the U.S. Treasury. There can be no assurance that we will be able to repurchase these securities from the U.S. Treasury. Our customers, employees and counterparties in our current and future business relationships may draw negative implications regarding the strength of Regions as a financial institution based on our continued participation in the CPP following the exit of one or more of our competitors or other financial institutions. Any such negative perceptions may impair our ability to effectively compete with other financial institutions for business or to retain high performing employees. If this were to occur, our business, financial condition, liquidity and results of operations may be adversely affected, perhaps materially.

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

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

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***Our participation in the U.S. Treasury's CPP imposes restrictions and obligations on us that limit our ability to increase dividends, repurchase shares of our common stock and access the equity capital markets.***

Prior to November 14, 2011, unless we have redeemed all of the Series A Preferred Stock purchased by the U.S. Treasury as part of the CPP or the U.S. Treasury has transferred all of the Series A Preferred Stock to a third party, the agreement pursuant to which such securities were sold, among other things, limits the payment of dividends on our common stock to a quarterly dividend of \$0.10 per share without prior regulatory approval, limits our ability to repurchase shares of our common stock (with certain exceptions, including the repurchase of our common stock to offset share dilution from equity-based compensation awards), and grants the holders of such securities certain registration rights which, in certain circumstances, impose lock-up periods during which we would be unable to issue equity securities. Regions has reduced its quarterly dividend to \$0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future. In addition, unless we are able to redeem the preferred stock prior to November 15, 2013, the dividends on the preferred stock will increase substantially, from 5 percent (\$175 million annually) to 9 percent (\$315 million annually).

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

The banking industry is extensively regulated and supervised under both federal and state law. Regions and Regions Bank are subject to the regulation and supervision of the Federal Reserve, the FDIC and the Superintendent of Banking of the State of Alabama. These regulations are intended primarily to protect depositors, the public and the FDIC insurance fund, and not our shareholders. These regulations govern matters ranging from the regulation of certain debt obligations, changes in the control of bank holding companies and state-chartered banks, and the maintenance of adequate capital to the general business operations and financial condition of Regions Bank, including permissible types, amounts and terms of loans and investments, to the amount of reserves against deposits, restrictions on dividends, establishment of branch offices, and the maximum interest rate that may be charged by law. Additionally, certain subsidiaries of Regions, such as Morgan Keegan, are subject to regulation, supervision and examination by other regulatory authorities, such as the SEC, FINRA and state securities and insurance regulators, and our non-bank subsidiaries are subject to oversight by the Federal Reserve.

As a result, we are subject to changes in federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles. Regulations affecting banks and other financial institutions are undergoing continuous review and frequently change, and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect us, Regions Bank and our subsidiaries. Any changes in any federal and state law, as well as regulations and governmental policies, income tax laws and accounting principles, could affect us in substantial and unpredictable ways, including ways which may adversely affect our business, financial condition or results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies, civil money penalties or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. Our regulatory position is discussed in greater detail under the *Capital Ratios* section of Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation* of this Annual Report on Form 10-K.

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

The Dodd-Frank Act, which was signed into law on July 21, 2010, implements a variety of far-reaching changes and has been called the most sweeping reform of the financial services industry since the 1930s. Many of the provisions of the Dodd-Frank Act will directly affect our ability to conduct our business including:

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

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Establishment of the FSOC to identify and impose additional regulatory oversight of large financial firms;

Mandates requiring the Federal Reserve to establish standards for determining whether interchange fees charged by certain financial institutions are reasonable and proportional to the costs incurred by such institutions;

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

Establishment of the CFPB with broad authority to implement new consumer protection regulations and to examine and enforce compliance with federal consumer laws;

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

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

Many provisions in the Dodd-Frank Act remain subject to regulatory rule-making and implementation, the effects of which are not yet known. As a result, it is difficult to gauge the ultimate impact of certain provisions of the Dodd-Frank Act because the implementation of many concepts is left to regulatory agencies. For example, the CFPB is given the power to adopt new regulations to protect consumers and is given control over existing consumer protection regulations adopted by federal banking regulators.

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

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

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. The recent economic slowdown and loss of confidence in financial institutions may increase our cost of funding and limit our access to some of our customary sources of capital, including, but not limited to, inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve. Additionally, our debt ratings are currently not investment grade according to some credit ratings agencies. As a non-investment grade issuer, our cost of funding and access to the capital markets may be further limited.

We cannot assure you that capital will be available to us on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of Regions Bank or counterparties participating in the capital markets, our status as a non-investment grade issuer, or a further downgrade of our debt rating, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition or results of operations.



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***Increases in FDIC insurance premiums may adversely affect our earnings.***

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums we will be required to pay for FDIC insurance. High levels of bank failures over the past three years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the DIF. In order to maintain a strong funding position and restore the reserve ratios of the DIF, the FDIC increased assessment rates on insured institutions, charged a special assessment to all insured institutions as of June 30, 2009 and required banks to prepay three years' worth of premiums on December 30, 2009. If there are additional financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels, or the FDIC may charge additional special assessments. Further, the FDIC recently increased the DIF's target reserve ratio to 2.0 percent of insured deposits following the Dodd-Frank Act's elimination of the 1.5 percent cap on the DIF's reserve ratio. Additional increases in our assessment rate may be required in the future to achieve this targeted reserve ratio. These recent increases in deposit assessments and any future increases, required prepayments or special assessments of FDIC insurance premiums may adversely affect our business, financial condition or results of operations.

Additionally, pursuant to the Dodd-Frank Act, the FDIC must amend its regulations regarding assessment for federal deposit insurance to base such assessments on the average total consolidated assets of the insured institution during the assessment period, less the average tangible equity of the institution during the assessment period. Currently, we are assessed only on deposit balances, and this change may result in a substantial increase in the base to which the assessment rate is applied. The FDIC adopted a rule implementing this change, as well as adopting a revised risk-based assessment calculation in February 2011. The FDIC has also proposed a rule tying assessment rates of FDIC-insured institutions to the institution's employee compensation programs. The exact nature and cumulative effect of these recent changes are not yet known, but they are expected to increase the amount of premiums we must pay for FDIC insurance. Any such increase may adversely affect our business, financial condition or results of operations.

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

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

***We may be subject to more stringent capital requirements.***

Regions and Regions Bank are each subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital which each of Regions and Regions Bank must maintain. From time to time, the regulators implement changes to these regulatory capital adequacy guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected. In light of proposed changes to regulatory capital requirements contained in the Dodd-Frank Act and the regulatory accords on international banking institutions formulated by the Basel Committee and implemented by the Federal Reserve, we likely will be required to satisfy additional, more stringent, capital adequacy standards. The ultimate impact of the new capital and liquidity standards on us cannot be determined at this time and will depend on a number of factors, including the treatment and implementation by the U.S. banking regulators. These requirements, however, and any other new regulations, could adversely affect our ability to pay dividends, or could require us to reduce business levels or to raise capital, including in ways that may adversely affect our financial condition or results of operations. For more

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information concerning our compliance with capital requirements, see the Bank Regulatory Capital Requirements section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K.

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

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

***Proposed rules regulating the imposition of debit card income may adversely affect our operations.***

The Dodd-Frank Act gives the Federal Reserve the authority to establish rules regarding interchange fees charged by payment card issuers for transactions in which a person uses certain types of debit cards, requiring that such fees be reasonable and proportional to the cost incurred by the issuer with respect to such transaction, subject to a possible adjustment to account for costs incurred in connection with the issuer's fraud prevention policies. On December 16, 2010, the Federal Reserve requested comment on a proposed rule which would take effect on July 21, 2011 and which, if enacted, would significantly impact the amount of interchange fees collected by Regions Bank. The proposed rule contains two alternative restrictions on the permissible level of interchange fees: a uniform restriction of 12 cents per transaction and an issuer-specific restriction containing a safe harbor of 7 cents per transaction and a cap of 12 cents per transaction. Neither alternative makes a distinction between PIN or signature transactions, and under both alternatives, the interchange fee will be much lower than the 44 cents per transaction which is the average amount charged for all debit transactions according to the Federal Reserve's study on interchange transactions. The restrictions on interchange fees contained in the proposed rule would be applicable to all debit card issuers who, together with their affiliates, possess more than \$10 billion in assets, such as Regions Bank, and do not include adjustments associated with costs resulting from compliance with the issuer's fraud prevention policies, which are expected to be included at a later date.

The proposed rule would also prohibit issuers and payment card networks from restricting the number of payment card networks on which an electronic debit transaction may be processed to: (1) one network; or (2) two or more networks that are owned, controlled or operated by affiliates or networks affiliated with the issuer. To implement the network exclusivity restrictions of the proposed rule, the Federal Reserve has offered two alternative methods for comment. One alternative (Alternative A) prohibits networks and issuers from limiting the number of payment card networks available for processing an electronic debit transaction to fewer than two unaffiliated networks, regardless of the means by which a transaction may be authorized. The other alternative (Alternative B) prohibits networks and issuers from limiting the number of networks available for processing an electronic debit transaction to fewer than two unaffiliated networks for each method by which a transaction may be authorized. In the event the Federal Reserve adopts Alternative B, considerable costs and immense operational complexity will be associated with its implementation.

In 2010, Regions Bank collected \$346 million in debit card income, and without mitigating actions this amount could potentially be negatively impacted going forward. Based on the current proposed rule, Regions Bank's revenues resulting from debit card income would likely be reduced to approximately one quarter of

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current levels, absent any mitigating actions, based on the 12 cent alternative described above. While the final regulations are not yet known, they may have an adverse effect on our business, financial condition or results of operations.

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

We are a legal entity separate and distinct from our banking and other subsidiaries. Our principal source of cash flow, including cash flow to pay dividends to our stockholders and principal and interest on our outstanding debt, is dividends from Regions Bank. There are statutory and regulatory limitations on the payment of dividends by Regions Bank to us, as well as by us to our stockholders. Regulations of both the Federal Reserve and the State of Alabama affect the ability of Regions Bank to pay dividends and other distributions to us and to make loans to us. Due to losses recorded at Regions Bank during 2009 and 2010, under the Federal Reserve's rules, Regions Bank may not be able to pay dividends to us in the near term without first obtaining regulatory approval. If Regions Bank is unable to make dividend payments to us and sufficient cash or liquidity is not otherwise available, we may not be able to make dividend payments to our common and preferred stockholders or principal and interest payments on our outstanding debt. See the Stockholders' Equity section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

*If we experience greater credit losses than anticipated, our earnings may be adversely affected.*

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. Our credit risk with respect to our real estate and construction loan portfolio will relate principally to the creditworthiness of corporate borrowers and the value of the real estate serving as security for the repayment of loans. Our credit risk with respect to our commercial and consumer loan portfolio will relate principally to the general creditworthiness of businesses and individuals within our local markets.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for estimated credit losses based on a number of factors. We believe that our allowance for credit losses is adequate. However, if our assumptions or judgments are wrong, our allowance for credit losses may not be sufficient to cover our actual credit losses. We may have to increase our allowance in the future in response to the request of one of our primary banking regulators, to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of our loan portfolio. The actual amount of future provisions for credit losses cannot be determined at this time and may vary from the amounts of past provisions.

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

As of December 31, 2010, we had \$5.6 billion of goodwill and \$385 million of other intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of our common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate our taking charges in the future related to the impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment. Additionally, if the fair values of our net assets improves at a faster rate than the market value of our Banking/Treasury reporting unit, we may also have to take charges related to the impairment of our goodwill. If we were to conclude that a future write-down of our goodwill and other intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our results of operations.

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

Most of our assets and liabilities are monetary in nature and subject us to significant risks from changes in interest rates. Our profitability depends to a large extent on our net interest income, and changes in interest rates can impact our net interest income as well as the valuation of our assets and liabilities.

Our current one-year interest rate sensitivity position is asset sensitive, meaning that an immediate or gradual increase in interest rates would likely have a positive cumulative impact on Regions' twelve-month net interest income. Alternatively, an immediate or gradual decrease in rates over a twelve-month period would likely have a negative impact on twelve-month net interest income. However, like most financial institutions, our results of operations are affected by changes in interest rates and our ability to manage interest rate risks. Changes in market interest rates, or changes in the relationships between short-term and long-term market interest rates, or changes in the relationships between different interest rate indices, can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income, or a decrease in our interest rate spread. For a more detailed discussion of these risks and our management strategies for these risks, see the Net Interest Income and Margin and Market Risk Interest Rate Risk sections of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K. Our net interest margin depends on many factors that are partly or completely out of our control, including competition, federal economic monetary and fiscal policies, and general economic conditions. Despite our strategies to manage interest rate risks, changes in interest rates can still have a material adverse impact on our business, financial condition and results of operations.

Additionally, Regions' portfolio segments, particularly investor real estate, include products where terms are tied to benchmark interest rates, such as LIBOR. An increasing interest rate environment would increase debt service requirements for borrowers with these types of products. Such increases may impact the borrowers' ability to pay as contractually obligated.

***The performance of our investment portfolio is subject to fluctuations due to changes in interest rates and market conditions.***

Changes in interest rates can negatively affect the performance of most of our investments. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, our investment securities.

The fair market value of the securities in our portfolio and the investment income from these securities also fluctuate depending on general economic and market conditions. In addition, actual net investment income and cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. See the Securities section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation of this Annual Report on Form 10-K.

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

A significant portion of our operations are located in the areas bordering the Gulf of Mexico and the Atlantic Ocean, regions that are susceptible to hurricanes. Such weather events can cause disruption to our operations and could have a material adverse effect on our overall results of operations. We maintain hurricane insurance, including coverage for lost profits and extra expense; however, there is no insurance against the disruption to the markets that we serve that a catastrophic hurricane could produce. Further, a hurricane in any of our market areas could adversely impact the ability of borrowers to timely repay their loans and may adversely

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impact the value of any collateral held by us. Man-made disasters and other events connected with the Gulf of Mexico or Atlantic Ocean, such as the recent Gulf oil spill, could have similar effects. Some of the states in which we operate have in recent years experienced extreme droughts. The severity and impact of future hurricanes, droughts and other weather-related events are difficult to predict and may be exacerbated by global climate change. The effects of past or future hurricanes, droughts and other weather-related events could have an adverse effect on our business, financial condition or results of operations.

### ***Industry competition may have an adverse effect on our success.***

Our profitability depends on our ability to compete successfully. We operate in a highly competitive environment. Certain of our competitors are larger and have more resources than we do. In our market areas, we face competition from other commercial banks, savings and loan associations, credit unions, internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar services. Some of our non-bank competitors are not subject to the same extensive regulations that govern Regions or Regions Bank and may have greater flexibility in competing for business. Regions expects competition to intensify among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies. Additionally, the Dodd-Frank Act eliminated certain restrictions on the ability of banking institutions to open branches across state lines, a change which may also cause competition among financial services companies to intensify. Should competition in the financial services industry intensify, Regions' ability to market its products and services and to retain or compete for new business may be adversely affected. Consequently, our business, financial condition or results of operations may also be adversely affected.

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

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

### ***Consumers may decide not to use banks to complete their financial transactions.***

Technology and other changes are allowing parties to use alternative methods to complete financial transactions that historically have involved banks. For example, consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Any resulting loss of deposits could impact our cost of funding, and, together with any lost income generated by this loss of business, could adversely affect our business, financial condition or results of operations.

### ***The soundness of other financial institutions could adversely affect us.***

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry,

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including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated if the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our business, financial condition or results of operations.

### ***Changes in the policies of monetary authorities and other government action could adversely affect our profitability.***

The results of operations of Regions are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open-market operations in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings, and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, we cannot predict possible future changes in interest rates, deposit levels, and loan demand on our business and earnings. Furthermore, ongoing military operations around the world, including those in response to terrorist attacks, may result in currency fluctuations, exchange controls, market disruption and other adverse effects, any of which may negatively impact our business, financial condition or results of operations.

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

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

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

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

If personal, non-public, confidential or proprietary information of customers in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to

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parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties.

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

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

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

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

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

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

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

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Certain accounting policies are critical to presenting our reported financial condition and results. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include: the allowance for credit losses; intangible assets; mortgage servicing rights; and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided; recognize significant impairment on our goodwill, other intangible assets and deferred tax asset balances; or significantly increase our accrued income taxes.

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

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

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

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

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

In the course of our business, we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we become subject to significant environmental liabilities, our financial condition or results of operations could be adversely affected.

### ***Our information systems may experience an interruption or security breach.***

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.



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

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

Operating results that vary from the expectations of management, securities analysts and investors;

Developments in our business or in the financial sector generally;

Regulatory changes affecting our industry generally or our business and operations;

The operating and securities price performance of companies that investors consider to be comparable to us;

Announcements of strategic developments, acquisitions and other material events by us or our competitors;

Expectations of or actual equity dilution;

Changes in the credit, mortgage and real estate markets, including the markets for mortgage-related securities; and

Changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Stock markets in general and our common stock in particular have shown considerable volatility in the recent past. The market price of our common stock may continue to be subject to similar market fluctuations that may be unrelated to our operating performance or prospects. Increased volatility could result in a decline in the market price of our common stock.

***We may not pay dividends on your common stock.***

Holders of shares of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, participation in the CPP limits our ability to increase our dividend or to repurchase our common stock for so long as any securities issued under such program remain outstanding, as discussed in greater detail in the *Restrictions on Dividends and Repurchase of Stock* section of Item 5.

*Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* of this Annual Report on Form 10-K. Regions has reduced its quarterly dividend to \$0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future.

Regions is also subject to statutory and regulatory limitations on our ability to pay dividends on our common stock. For example, it is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality, and financial condition. Recently issued temporary guidance from the Federal Reserve states that our dividend policies will be assessed, among other things, against our ability to achieve Basel III capital ratio requirements. Moreover, the Federal Reserve will closely scrutinize any dividend payout ratios exceeding 30 percent of after-tax net income.

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

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Certain provisions of state and federal law and our certificate of incorporation may make it more difficult for someone to acquire control of us without our Board of Directors' approval. Under federal law, subject to certain exemptions, a person, entity or group must notify the federal banking agencies before acquiring control of a bank holding company. Acquisition of 10 percent or more of any class of voting stock of a bank holding company or state member bank, including shares of our common stock, creates a rebuttable presumption that the

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acquirer controls the bank holding company or state member bank. Also, as noted under the Supervision and Regulation section of Item 1. of this Annual Report on Form 10-K, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5 percent of the voting shares of any bank, including Regions Bank. There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in our certificate of incorporation could result in Regions being less attractive to a potential acquirer.

***Future issuances of additional equity securities could result in dilution of your ownership.***

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

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

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

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

At December 31, 2010, Regions Bank, Regions banking subsidiary, operated 1,772 banking offices. Regions provides investment banking and brokerage services from over 321 offices of Morgan Keegan. At December 31, 2010, there were no significant encumbrances on the offices, equipment and other operational facilities owned by Regions and its subsidiaries.

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

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**Item 3.      *Legal Proceedings***

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

**Executive Officers of the Registrant**

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

**Item 4.      *(Removed and Reserved).***

**Table of Contents****PART II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Regions' common stock, par value \$.01 per share, is listed for trading on the New York Stock Exchange under the symbol RF. Quarterly high and low sales prices of and cash dividends declared on Regions' common stock are set forth in Table 28 Quarterly Results of Operations of Management's Discussion and Analysis of Financial Condition and Results of Operations, which is included in Item 7. of this Annual Report on Form 10-K. As of February 15, 2011, there were 76,455 holders of record of Regions' common stock (including participants in the Computershare Investment Plan for Regions Financial Corporation).

Restrictions on the ability of Regions Bank to transfer funds to Regions at December 31, 2010, are set forth in Note 13 Regulatory Capital Requirements and Restrictions to the consolidated financial statements, which are included in Item 8. of this Annual Report on Form 10-K. A discussion of certain limitations on the ability of Regions Bank to pay dividends to Regions and the ability of Regions to pay dividends on its common stock is set forth in Item 1. Business under the heading Supervision and Regulation Payment of Dividends of this Annual Report on Form 10-K.

The following table presents information regarding issuer purchases of equity securities during the fourth quarter of 2010.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2010 - October 31, 2010		\$		23,072,300
November 1, 2010 - November 30, 2010				23,072,300
December 1, 2010 - December 31, 2010				23,072,300
Total		\$		23,072,300

On January 18, 2007, Regions' Board of Directors authorized the repurchase of 50 million shares of Regions' common stock through open market or privately negotiated transactions and announced the authorization of this repurchase. As indicated in the table above, approximately 23.1 million shares remain available for repurchase under the existing plan. As discussed in the Supervision and Regulation section of Item 1.

Business of this Annual Report on Form 10-K, the Company's ability to repurchase its common stock is limited by the terms of the Purchase Agreement between Regions and the U.S. Treasury. Under the CPP, prior to the earlier of (i) November 14, 2011, or (ii) the date on which the Series A Preferred Stock is redeemed in whole or the U.S. Treasury has transferred all of the Series A Preferred Stock to unaffiliated third parties, the consent of the U.S. Treasury is required to repurchase any shares of common stock except in connection with benefit plans in the ordinary course of business and certain other limited exceptions.

**Restrictions on Dividends and Repurchase of Stock**

Holders of Regions common stock are only entitled to receive such dividends as Regions' board of directors may declare out of funds legally available for such payments. Furthermore, holders of Regions common stock are subject to the prior dividend rights of any holders of Regions preferred stock then outstanding. As of December 31, 2010, there were 3,500,000 shares of Regions' Fixed Rate Cumulative Perpetual Preferred Stock Series A (the Series A Preferred Stock) with liquidation amount of \$1,000 per share, issued and outstanding. Under the terms of the Series A Preferred Stock, Regions' ability to declare and pay dividends on or repurchase Regions common stock will be subject to restrictions in the event Regions fails to declare and pay (or set aside for payment) full dividends on the Series A Preferred Stock.

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As long as the Series A Preferred Stock is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including Regions common stock, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. In addition, prior to November 14, 2011, unless Regions has redeemed all of the Series A Preferred Stock or the U.S. Treasury has transferred all of the Series A Preferred Stock to third parties, the consent of the U.S. Treasury will be required for Regions to, among other things, increase its common stock dividend above \$0.10 except in limited circumstances. Regions has reduced its quarterly common stock dividend to \$0.01 per share and does not expect to increase its quarterly dividend above such level for the foreseeable future. Also, Regions is a bank holding company, and its ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends.

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

**Table of Contents****PERFORMANCE GRAPH**

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

	12/31/2005	12/31/2006	Cumulative Total Return		12/31/2009	12/31/2010
			12/31/2007	12/31/2008		
Regions	\$ 100.00	\$ 114.92	\$ 76.26	\$ 27.47	\$ 18.84	\$ 25.07
S&P 500 Index	100.00	115.79	122.16	76.96	97.33	111.99
S&P Banks Index	100.00	115.64	89.40	56.62	52.81	63.96

**Item 6. Selected Financial Data**

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

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

**Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

**INTRODUCTION**

**EXECUTIVE SUMMARY**

Management believes the following points summarize several of the most relevant items necessary for an understanding of the financial aspects of Regions Financial Corporation's (Regions or the Company) business, particularly regarding its 2010 results. Cross references to more detailed information regarding each topic within Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the consolidated financial statements are included. This summary is intended to assist in understanding the information provided, but should be read in conjunction with the entire MD&A and consolidated financial statements, as well as the other sections of this Annual Report on Form 10-K.

**Credit** The distressed economy has increased the risk of default for many loan types. Regions entered 2008 with a concentration in investor real estate products in its Southeastern footprint. Loans extended to real estate developers or investors where repayment depends on sales of real estate, especially those loans secured by land, single-family developments and condominiums, experienced the most credit pressure. Income producing investor real estate, including loans secured by multi-family and retail developments, also came under pressure. Additionally, the risk profile of home equity products, particularly second lien mortgages in Florida, increased as real estate values fell and unemployment increased in that state. In 2010, credit risk began to moderate. However, an elevated provision for loan losses of \$2.9 billion was the catalyst for the net loss available to common shareholders of \$763 million in 2010. Internally criticized loans and total non-accrual loans while still elevated, migrated in favorable directions during 2010. Management is encouraged by these trends and is cautiously optimistic that credit metrics will continue to trend favorably. However, unemployment remains high throughout Regions' footprint, property valuations continue to be pressured, and credit costs are expected to remain elevated, as compared to historical levels. Management has therefore maintained the allowance for credit losses at \$3.3 billion to cover losses inherent in the loan portfolio. For more information, refer to the following additional sections within this Form 10-K:

2010 Overview discussion in MD&A

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

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

Loans discussion within the Balance Sheet Analysis section of MD&A

Credit Risk section of MD&A

Note 5 Allowance for Credit Losses to the consolidated financial statements

**Liquidity** At the end of 2010, Regions had interest-bearing deposits in other banks of \$4.9 billion, which primarily consist of deposits at the Federal Reserve. Additionally, the loan-to-deposit ratio was 88 percent. Regions' policy is to maintain a sufficient level of funding to meet projected cash needs, including all debt service, dividends, and maturities for the subsequent two years at the parent company and for acceptable periods at the bank and other affiliates. The Company's funding and contingency planning does not rely



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on unsecured sources, although these markets are periodically tested to ensure they are available. Maturities of loans and securities provide a constant flow of funds available for cash needs. At December 31, 2010, the Company's borrowing capacity with the Federal Reserve Discount Window was \$16.6 billion based on available collateral. Borrowing capacity with the FHLB was \$1.2 billion based on available collateral at the same date. The Company also has a bank note program and has issued senior and subordinated notes at the parent company level. Management believes the

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Company's liquidity position is solid and appropriate. For more information, refer to the following additional sections within this Form 10-K:

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

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

Ratings section of MD&A

Liquidity Risk section of MD&A

Note 11 Short-Term Borrowings to the consolidated financial statements

Note 12 Long-Term Borrowings to the consolidated financial statements

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

**Interest Rate Risk** In the fourth quarter of 2010, the net interest margin expanded to 3.00 percent, largely due to a mix shift from time deposits to lower cost deposit products. Deposit costs decreased from 1.35 percent in 2009 to 0.78 percent in 2010, and stood at 0.64 percent for the fourth quarter of 2010. However, the margin continues to be negatively affected by a persistently low interest rate environment, non-performing asset levels, and maintenance of conservative balance sheet liquidity levels. Additionally, management expects the net interest margin to be pressured in the near term due in part to the recent portfolio rebalancing activity undertaken to further the Company's capital and liquidity goals. Over the longer term, the eventual rise of benchmark interest rates will have a favorable impact on the net interest margin. The Company entered into an additional series of interest rate swaps to mitigate the risk to interest income if rates continue to remain low in the near term. These swaps offer this protection while reducing asset sensitivity through 2012. Management's 2009 decision to de-risk the securities portfolio also impacts the net interest margin. At December 31, 2010, the securities portfolio almost exclusively consisted of agency guaranteed residential mortgage-backed securities. Management expects to achieve a higher margin over the long term as excess liquidity is reinvested, the securities portfolio is repositioned, disciplined loan pricing is emphasized, the composition of the loan portfolio is migrated toward more consumer products and an advantageous deposit mix is maintained. For more information, refer to the following additional sections within this Form 10-K:

2010 Overview discussion in MD&A

Net Interest Income and Margin section of MD&A

Interest Rate Risk section of MD&A

**Regulatory Capital** Regions' ability to maintain appropriate levels of capital is critical to its safety and soundness. At December 31, 2010, Regions' Tier 1 capital and Tier 1 common ratios were 12.40 percent and 7.85 percent, respectively. On a Basel III pro forma basis, the corresponding Basel III ratios, based on Regions' current understanding of the guidelines, are 7.62 percent and 11.35 percent, respectively, above the respective Basel III minimums of 7 percent and 8.5 percent. Regions' capital planning process is

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executed by management, overseen by the Board of Directors, and supervised by banking regulators. The process utilizes a base case, multiple adverse cases and a growth forecast. For more information, refer to the following additional sections within this Form 10-K:

2010 Overview discussion in MD&A

Bank Regulatory Capital Requirements section of MD&A

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

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### **GENERAL**

The following discussion and financial information is presented to aid in understanding Regions financial position and results of operations. The emphasis of this discussion will be on the years 2010, 2009 and 2008; in addition, financial information for prior years will also be presented when appropriate. Certain amounts in prior year presentations have been reclassified to conform to the current year presentation, except as otherwise noted.

Regions' profitability, like that of many other financial institutions, is dependent on its ability to generate revenue from net interest income and non-interest income sources. Net interest income is the difference between the interest income Regions receives on interest-earning assets, such as loans and securities, and the interest expense Regions pays on interest-bearing liabilities, principally deposits and borrowings. Regions' net interest income is impacted by the size and mix of its balance sheet components and the interest rate spread between interest earned on its assets and interest paid on its liabilities. Non-interest income includes fees from service charges on deposit accounts, brokerage, investment banking, capital markets, and trust activities, mortgage servicing and secondary marketing, insurance activities, and other customer services which Regions provides. Results of operations are also affected by the provision for loan losses and non-interest expenses such as salaries and employee benefits, occupancy, professional fees, FDIC insurance, other real estate owned and other operating expenses, including income taxes. In 2010, Regions' non-interest expense included a \$200 million regulatory charge related to Morgan Keegan & Company, Inc. ( Morgan Keegan ). In 2008, Regions' non-interest expense included a non-cash \$6.0 billion goodwill impairment charge.

Economic conditions, competition, new legislation and related rules impacting regulation of the financial services industry and the monetary and fiscal policies of the Federal government significantly affect financial institutions, including Regions. Lending and deposit activities and fee income generation are influenced by levels of business spending and investment, consumer income, consumer spending and savings, capital market activities, and competition among financial institutions, as well as customer preferences, interest rate conditions and prevailing market rates on competing products in Regions' market areas.

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

### **Acquisitions**

The acquisitions of banks and other financial services companies have historically contributed significantly to Regions' growth. The acquisitions of other financial services companies have also allowed Regions to better diversify its revenue stream and to offer additional products and services to its customers. From time to time, Regions evaluates potential bank and non-bank acquisition candidates.

In February, 2009, Regions acquired from the Federal Deposit Insurance Corporation ( FDIC ) approximately \$285 million in deposits from a failed bank headquartered in Henry County, Georgia. Under the terms of the agreement with the FDIC, Regions assumed operations of the bank's four branches and provides banking services to its former customers.

In September, 2008, Regions acquired from the FDIC approximately \$900 million of deposits, primarily time deposits, from a failed bank headquartered in Alpharetta, Georgia. Under the terms of the agreement with the FDIC, Regions assumed operations of the bank's four branches and provides banking services to its former customers.

On January 1, 2008, Regions Insurance Group, Inc., a subsidiary of Regions Financial Corporation, acquired certain assets of Barksdale Bonding and Insurance, Inc., a multi-line insurance agency headquartered in Jackson, Mississippi. In addition, in December 2008, Morgan Keegan acquired Revolution Partners, LLC, a Boston-based investment banking boutique specializing in mergers and acquisitions and private capital advisory services for the technology industry.

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During 2007, Regions acquired two financial services entities. On January 2, 2007, Regions Insurance Group, Inc. acquired certain assets of Miles & Finch, Inc., a multi-line insurance agency headquartered in Kokomo, Indiana. On June 15, 2007, Morgan Keegan acquired Shattuck Hammond Partners LLC, an investment banking and financial advisory firm headquartered in New York, New York.

On November 4, 2006, Regions merged with AmSouth Bancorporation ( AmSouth ), headquartered in Birmingham, Alabama. In the stock-for-stock merger, 0.7974 shares of Regions were exchanged, on a tax-free basis, for each share of AmSouth common stock. AmSouth had total assets of approximately \$58 billion (including goodwill) and operated in six states at the time of the merger. This transaction was accounted for as a purchase of 100 percent of the voting interests of AmSouth by Regions and, accordingly, financial results for periods prior to November 4, 2006 have not been restated.

Regions incurred approximately \$822 million in one-time pre-tax merger-related costs to bring the two companies together. Regions recorded \$185 million of such costs in goodwill during 2006. This amount was subsequently adjusted down by \$3 million in 2007. The majority of merger costs flowed directly through the statements of operations. These included \$201 million, \$351 million, and \$89 million in pre-tax merger expenses during 2008, 2007 and 2006, respectively. No merger expenses related to the AmSouth transaction were recorded after the third quarter of 2008.

### **Dispositions**

During the first quarter of 2007, through sales to three separate buyers, Regions completed the divestiture of 52 former AmSouth branches having approximately \$2.7 billion in deposits and \$1.7 billion in loans. These divestitures were required in markets where the merger may have affected competition.

On March 30, 2007, Regions sold its wholly-owned non-conforming mortgage origination subsidiary, EquiFirst Corporation ( EquiFirst ) for an initial sales price of approximately \$76 million. The business related to EquiFirst has been accounted for as discontinued operations and the results are presented separately on the consolidated statements of operations for all periods presented. Resolution of the sales price was completed in October 2008, and resulted in an after-tax loss of approximately \$10 million. As of December 31, 2010, Regions has approximately \$51 million in book value of sub-prime loans retained from the disposition of EquiFirst in 2007, down from the year-end 2009 balance of \$61 million. Management has considered the credit quality of these loans in the calculation of the allowance for loan losses.

### **Business Segments**

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

#### *Banking/Treasury*

Regions' primary business is providing traditional commercial, retail and mortgage banking services to its customers. Regions' banking subsidiary, Regions Bank, operates as an Alabama state-chartered bank with branch offices in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The Treasury function includes the Company's securities portfolio and other wholesale funding activities. In 2010, Regions' banking and treasury operations reported a loss of \$433 million, as credit and credit-related costs continued to pressure this business segment.

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*Investment Banking/Brokerage/Trust*

Regions provides investment banking, brokerage and trust services in 321 offices of Morgan Keegan, a subsidiary of Regions and one of the largest investment firms based in the South. Its lines of business include private client, retail brokerage services, fixed-income capital markets, equity capital markets, trust, and asset management. In 2010, Morgan Keegan's operations reported a loss of \$116 million, which was driven by a \$200 million regulatory charge.

*Insurance*

Regions provides insurance-related services through Regions Insurance Group, Inc., a subsidiary of Regions. Regions Insurance Group is one of the 25 largest insurance brokers in the country. The insurance segment includes all business associated with insurance coverage for various lines of personal and commercial insurance, such as property, casualty, life, health and accident insurance. The insurance segment also offers credit-related insurance products, such as term life, credit life, environmental, crop and mortgage insurance, as well as debt cancellation products to customers of Regions. Insurance activities contributed \$10 million of net income in 2010.

*Merger Charges and Discontinued Operations*

The reportable segment designated Merger Charges and Discontinued Operations includes merger charges related to the AmSouth acquisition and the results of EquiFirst for the periods presented. These amounts are excluded from other reportable segments because management reviews the results of the other reportable segments excluding these items.

During 2010, minor reclassifications were made from the Banking/Treasury segment to the Insurance segment to more appropriately present management's current view of the segments. Prior year disclosures have been adjusted to conform to the 2010 presentation. See Note 22 Business Segment Information to the consolidated financial statements for further information on Regions' business segments.

**Table of Contents****Table 1 Financial Highlights**

	2010	2009	2008	2007	2006
	(In millions, except per share data)				
<b>EARNINGS SUMMARY</b>					
Interest income	\$ 4,689	\$ 5,332	\$ 6,563	\$ 8,074	\$ 5,649
Interest expense	1,257	1,997	2,720	3,676	2,341
Net interest income	3,432	3,335	3,843	4,398	3,308
Provision for loan losses	2,863	3,541	2,057	555	142
Net interest income (loss) after provision for loan losses	569	(206)	1,786	3,843	3,166
Non-interest income	3,531	3,755	3,073	2,856	2,030
Non-interest expense	4,985	4,751	10,792	4,660	3,204
Income (loss) before income taxes from continuing operations	(885)	(1,202)	(5,933)	2,039	1,992
Income tax expense (benefit)	(346)	(171)	(348)	646	619
Income (loss) from continuing operations	(539)	(1,031)	(5,585)	1,393	1,373
Income (loss) from discontinued operations before income taxes			(18)	(217)	(32)
Income tax expense (benefit)			(7)	(75)	(13)
Income (loss) from discontinued operations			(11)	(142)	(19)
Net income (loss)	\$ (539)	\$ (1,031)	\$ (5,596)	\$ 1,251	\$ 1,354
Income (loss) from continuing operations available to common shareholders	\$ (763)	\$ (1,261)	\$ (5,611)	\$ 1,393	\$ 1,373
Net income (loss) available to common shareholders	\$ (763)	\$ (1,261)	\$ (5,622)	\$ 1,251	\$ 1,354
Earnings (loss) per common share from continuing operations basic	\$ (0.62)	\$ (1.27)	\$ (8.07)	\$ 1.97	\$ 2.74
Earnings (loss) per common share from continuing operations diluted	(0.62)	(1.27)	(8.07)	1.95	2.71
Earnings (loss) per common share basic	(0.62)	(1.27)	(8.09)	1.77	2.70
Earnings (loss) per common share diluted	(0.62)	(1.27)	(8.09)	1.76	2.67
Return on average tangible common stockholders equity (non-GAAP)	(9.29)%	(14.92)%	(71.29)%	15.12%	22.18%
Return on average common stockholders equity	(5.47)	(8.82)	(28.81)	6.24	10.94
Return on average total assets, (non-GAAP)	(0.56)	(0.88)	(3.90)	0.90	1.41
<b>BALANCE SHEET SUMMARY</b>					
At year-end					
Loans, net of unearned income	\$ 82,864	\$ 90,674	\$ 97,419	\$ 95,379	\$ 94,551
Assets	132,351	142,318	146,248	141,042	143,369
Deposits	94,614	98,680	90,904	94,775	101,228
Long-term debt	13,190	18,464	19,231	11,325	8,643
Stockholders equity	16,734	17,881	16,813	19,823	20,701
Average balances					
Loans, net of unearned income	86,660	94,523	97,601	94,372	64,766
Assets	135,955	142,759	143,947	138,757	95,800
Deposits	96,489	94,612	90,077	95,725	67,466
Long-term debt	15,547	18,588	13,510	9,698	6,856
Stockholders equity	17,444	17,773	19,939	20,036	12,369
<b>SELECTED RATIOS</b>					
Tangible common stockholders equity to tangible assets (non-GAAP)	6.04%	6.22%	5.43%	6.13%	6.81%
Allowance for loan losses as a percentage of loans, net of unearned income	3.84	3.43	1.87	1.39	1.12
Allowance for credit losses as a percentage of loans, net of unearned income	3.93	3.52	1.95	1.45	1.17

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Efficiency Ratio (non-GAAP)	71.83	72.08	64.97	58.83	56.44
Tier 1 common (non-GAAP)	7.85	7.15	6.57	NM	NM
Tier 1 capital	12.40	11.54	10.38	7.29	8.07
Total capital	16.35	15.78	14.64	11.25	11.54
<b>COMMON STOCK DATA</b>					
Cash dividends declared per common share	\$ 0.04	\$ 0.13	\$ 0.96	\$ 1.46	\$ 1.40
Stockholders' common equity per share	10.62	11.97	19.53	28.58	28.36
Market value at year end	7.00	5.29	7.96	23.65	37.40
Market price range:					
High	9.33	9.07	25.84	38.17	39.15
Low	5.12	2.35	6.41	22.84	32.37
Total trading volume	6,381	8,747	3,411	912	301
Dividend payout ratio	NM	NM	NM	82.49	51.85
Shareholders of record at year-end (actual)	76,996	81,166	83,600	85,060	84,877
Weighted-average number of common shares outstanding					
Basic	1,227	989	695	708	502
Diluted	1,227	989	695	713	507

- (1) Beginning in 2010, tangible ratios are computed net of deferred taxes associated with intangible assets. Prior periods have been revised to conform with current presentation.
- (2) NM Not meaningful



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**Table of Contents****2010 OVERVIEW**

Regions reported a net loss available to common shareholders of \$763 million or \$0.62 per diluted common share in 2010. Significant drivers of 2010 results include an elevated provision for loan losses and other real estate expenses, as well as a \$200 million regulatory charge related to Morgan Keegan. These items were partially offset by higher net interest income.

Net interest income was \$3.4 billion in 2010 compared to \$3.3 billion in 2009. The net interest margin (taxable-equivalent basis) was 2.90 percent in 2010, compared to 2.67 percent during 2009. The margin improvement was driven primarily by a decrease of 60 basis points in the cost of interest-bearing liabilities, while being partially offset by a 30 basis point decline in the overall yield on interest earning assets. This dynamic reflected efforts to improve deposit costs and pricing on loans, while managing the challenges posed by a low interest rate environment. Long-term interest rates in particular remained low in 2010, pressuring yields on fixed-rate loan and securities portfolios, and contributed to the decline in the yield on taxable securities from 4.78 percent in 2009 to 3.66 percent in 2010. The overall costs of deposits improved from 1.35 percent in 2009 to 0.78 percent in 2010, although short-term interest rates (e.g. Fed Funds) remained relatively stable. The product mix of deposits improved as well, as declines in higher cost certificates of deposits accompanied increases in other low cost checking, savings and money market products.

Although the net interest margin increased in 2010, the factors that have pressured it are likely to persist, including those directly and indirectly associated with the erosion of economic and industry conditions since late 2007. These factors include a continuation of a low level of interest rates, higher costs of new debt issuances, elevated non-performing asset levels and costs associated with managing to prudent levels of liquidity risk. The combination of these factors may even lead to a modest decline in margin in the near term from 3.00 percent in the fourth quarter of 2010. Additionally, management expects the net interest margin to be pressured in the near term due in part to the recent portfolio rebalancing activity to further the Company's capital and liquidity goals. However, Regions' balance sheet is in an asset sensitive position such that if economic conditions were to improve more rapidly, thereby resulting in a rise in interest rates, the net interest margin would likely respond favorably.

Net charge-offs totaled \$2.8 billion, or 3.22 percent of average loans in 2010 compared to \$2.3 billion, or 2.38 percent of average loans in 2009. The increased loss rate reflected seasoning of losses as the Company moves through the credit cycle as well as the impact of opportunistic asset dispositions which increased charge-offs and decreased average loan balances. Non-performing assets decreased \$494 million between December 31, 2009 and December 31, 2010 to \$3.9 billion.

The provision for loan losses is used to maintain the allowance for loan losses at a level that, in management's judgment, is adequate to cover losses inherent in the loan portfolio as of the balance sheet date. During 2010, the provision for loan losses decreased to \$2.9 billion compared to \$3.5 billion in 2009. The allowance for credit losses was \$3.3 billion, or 3.93 percent of loans, at December 31, 2010 as compared to \$3.2 billion, or 3.52 percent of loans, at December 31, 2009. The stabilization in the level of the allowance reflects moderating credit trends.

Non-interest income decreased to \$3.5 billion in 2010 from \$3.8 billion in 2009. The year-over-year decrease was due primarily to several items impacting 2009 with a lower or no corresponding impact on 2010. These 2009 items include gains from terminations of leveraged leases, which were largely offset by income taxes, a gain on extinguishment of debt realized in connection with the Company's issuance of common stock in exchange for trust preferred securities, and gains related to transactions in Visa stock. Lower mortgage income, resulting from market valuation adjustments for mortgage servicing rights and related derivatives, also drove the year-over-year decline. The decreases were largely offset by higher gains from sales of securities in 2010, as well as increases in non-interest income attributable to service charges and brokerage, investment banking and capital markets income. The impact of Regulation E on service charges was less than anticipated; however, the Company expects increased pressure on fee-based revenues in light of pending regulatory changes. See Table 2 GAAP to Non-GAAP Reconciliation and Table 5 Non-Interest Income for further details.

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Non-interest expense from continuing operations totaled \$5.0 billion in 2010 compared to \$4.8 billion in 2009. The year-over-year increase was driven largely by a \$200 million nondeductible regulatory charge related to Morgan Keegan, losses on early extinguishments of debt related to prepayment of Federal Home Loan Bank advances, and increased FDIC premiums. Higher salaries and employee benefits and credit-related costs such as other-real-estate-owned expense also contributed to the increase. These items were partially offset by lower other-than-temporary impairment on securities and a 2009 FDIC special assessment which did not repeat in 2010. See Table 8 Non-Interest Expense (including Non-GAAP Reconciliation) for further details.

Total loans decreased by \$7.8 billion, or 8.6 percent in 2010, driven primarily by a strategic decision to lower exposure to investor real estate. Decreases in residential first mortgage, home equity, and indirect loans also contributed to the year-over-year decrease primarily resulting from consumers' decisions to de-leverage. Total deposits decreased \$4.1 billion in 2010 to \$94.6 billion at December 31, 2010, primarily due to maturities of time deposits. However, low-cost customer deposits increased \$4.7 billion, or 7 percent in 2010.

Regions' Tier 1 common and Tier 1 capital ratios were 7.85 percent and 12.40 percent at December 31, 2010. Pro forma calculations indicate that the corresponding Basel III ratios, based on Regions' current understanding of the guidelines, are approximately 7.62 percent and 11.35 percent, above the respective Basel III minimums of 7 percent and 8.5 percent.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) which was signed into law on July 21, 2010 provides some level of clarity regarding how the industry and Regions' specific business will be affected moving forward. However, provisions in the Dodd-Frank Act remain subject to regulatory rule-making and implementation, and it will be some time before the business implications are completely defined. Proposed rules regarding regulation of interchange income would have a significant negative impact on non-interest revenues if adopted as drafted. In 2010, Regions collected \$346 million in debit card income. Based on the current proposed rule, absent any mitigating actions, revenues from debit card income would likely be reduced to approximately one quarter of current levels, assuming a cap of 12 cents per transaction. Non-interest expenses (e.g., FDIC insurance premiums, compliance costs, and other regulatory fees) will also be negatively impacted by provisions included in the legislation. Additionally, trust preferred securities will be phased out as an allowable component of Tier 1 capital over a three-year period beginning in 2013.

Table 2 GAAP to Non-GAAP Reconciliation presents computations of earnings and certain other financial measures excluding merger, goodwill impairment and regulatory charges, including efficiency ratio, average tangible common stockholders' equity, end of period tangible common stockholders' equity and Tier 1 common equity, all of which are non-GAAP. Merger, goodwill impairment and regulatory charges are included in financial results presented in accordance with generally accepted accounting principles (GAAP). Regions believes the exclusion of merger, goodwill impairment and regulatory charges in expressing earnings and certain other financial measures, including earnings per common share, excluding merger, goodwill impairment and regulatory charges and return on average tangible common stockholders' equity, excluding merger, goodwill impairment and regulatory charges provides a meaningful base for period-to-period and company-to-company comparisons, which management believes will assist investors in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business, because management does not consider these charges to be relevant to ongoing operating results. Management and the Board of Directors utilize these non-GAAP financial measures as follows:

Preparation of Regions' operating budgets

Monthly financial performance reporting

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

Presentations to investors of Company performance

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

The efficiency ratio, which is a measure of productivity, is generally calculated as non-interest expense divided by total revenue on a fully tax equivalent basis. Management uses the efficiency ratio to monitor performance and believes this measure provides meaningful information to investors. Non-interest expense (GAAP) is presented excluding certain adjustments to arrive at adjusted non-interest expense (non-GAAP), which is the numerator for the efficiency ratio. Net interest income on a fully-taxable equivalent basis (GAAP) and non-interest income (GAAP) are added together to arrive at total revenue. Adjustments are made to arrive at adjusted total revenue (non-GAAP), which is the denominator for the efficiency ratio. Regions believes that the exclusion of these adjustments provides a meaningful base for period-to-period comparisons, which management believes will assist investors in analyzing the operating results of the Company and predicting future performance. These non-GAAP financial measures are also used by management to assess the performance of Regions' business. It is possible that the activities related to the adjustments may recur; however, management does not consider the activities related to the adjustments to be indications of ongoing operations. Regions believes that presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management.

Tangible common stockholders' equity ratios have become a focus of some investors in analyzing the capital position of the Company absent the effects of intangible assets and preferred stock. Traditionally, the Federal Reserve and other banking regulatory bodies have assessed a bank's capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. In connection with the Federal Reserve's Supervisory Capital Assessment Program (SCAP), these regulators began supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. While not codified, analysts and banking regulators have assessed Regions' capital adequacy using the tangible common stockholders' equity and/or the Tier 1 common equity measure. Because tangible common stockholders' equity and Tier 1 common equity are not formally defined by GAAP or codified in the federal banking regulations, these measures are considered to be non-GAAP financial measures and other entities may calculate them differently than Regions' disclosed calculations. Since analysts and banking regulators may assess Regions' capital adequacy using tangible common stockholders' equity and Tier 1 common equity, Regions believes that it is useful to provide investors the ability to assess Regions' capital adequacy on these same bases.

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

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. To mitigate these limitations, Regions has policies and procedures in place to identify and address expenses that qualify for non-GAAP presentation, including authorization and system controls to ensure accurate period-to-period comparisons. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. In particular, a measure of earnings that excludes the merger, goodwill impairment and regulatory charges does not represent the amount that effectively accrues directly to stockholders (i.e., the merger, goodwill impairment and regulatory charges are a reduction to earnings and stockholders' equity).

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The following tables provide: 1) a reconciliation of net income (loss) available to common shareholders (GAAP) to net income (loss) available to common shareholders, excluding merger, goodwill impairment and regulatory charges (non-GAAP), 2) a reconciliation of earnings (loss) per common share (GAAP) to earnings (loss) per common share, excluding merger, goodwill impairment and regulatory charges (non-GAAP), 3) a reconciliation of non-interest expense (GAAP) to adjusted non-interest expense (non-GAAP), 4) a reconciliation of non-interest income (GAAP) to adjusted non-interest income (non-GAAP), 5) computation of adjusted total revenue (non-GAAP), 6) computation of the efficiency ratio (non-GAAP), 7) a reconciliation of return on average assets (GAAP) to return on average assets, excluding merger, goodwill impairments and regulatory charges (non-GAAP), 8) a reconciliation of average and ending stockholders' equity (GAAP) to average and ending tangible common stockholders' equity with and without merger, goodwill impairment and regulatory charges (non-GAAP), and 9) a reconciliation of stockholders' equity (GAAP) to Tier 1 capital (regulatory) and to Tier 1 common equity (non-GAAP).

**Table 2 GAAP to Non-GAAP Reconciliation**

		2010	For Years Ended December 31			
			2009	2008	2007	2006
			(In millions, except per share data)			
<b>INCOME (LOSS)</b>						
Net income (loss) from continuing operations (GAAP)		\$ (539)	\$ (1,031)	\$ (5,585)	\$ 1,393	\$ 1,373
Preferred dividends and accretion (GAAP)		(224)	(230)	(26)		
Net income (loss) from continuing operations available to common shareholders (GAAP)		(763)	(1,261)	(5,611)	1,393	1,373
Net income (loss) from discontinued operations, net of tax (GAAP)				(11)	(142)	(19)
Net income (loss) available to common shareholders (GAAP)	A	\$ (763)	\$ (1,261)	\$ (5,622)	\$ 1,251	\$ 1,354
Income (loss) from continuing operations available to common shareholders (GAAP)		\$ (763)	\$ (1,261)	\$ (5,611)	\$ 1,393	\$ 1,373
Merger-related charges, pre-tax						
Salaries and employee benefits				134	159	66
Net occupancy expense				4	34	3
Furniture and equipment expense				5	5	1
Other				58	153	19
Total merger-related charges, pre-tax				201	351	89
Merger-related charges, net of tax				125	219	60
Goodwill impairment				6,000		
Regulatory charge		200				
Income from continuing operations, excluding merger, goodwill impairment and regulatory charges (non-GAAP)	B	\$ (563)	\$ (1,261)	\$ 514	\$ 1,612	\$ 1,433
Weighted-average diluted shares	C	1,227	989	695	713	507
Earnings (loss) per common share diluted (GAAP)	A/C	\$ (0.62)	\$ (1.27)	\$ (8.09)	\$ 1.76	\$ 2.67
Earnings per common share from continuing operations, excluding merger, goodwill impairment and regulatory charges diluted (non-GAAP)	B/C	\$ (0.46)	\$ (1.27)	\$ 0.74	\$ 2.26	\$ 2.83

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		2010	For Years Ended December 31			2006
			2009	2008	2007	
(In millions, except per share data)						
<b>EFFICIENCY RATIO</b>						
Non-interest expense (GAAP)		\$ 4,985	\$ 4,751	\$ 10,792	\$ 4,660	\$ 3,204
Adjustments:						
Merger-related charges				(201)	(351)	(89)
Goodwill impairment				(6,000)		
Regulatory charge		(200)				
Mortgage servicing rights impairment				(85)	(6)	(16)
Loss on extinguishment of debt		(108)		(66)		
FDIC special assessment			(64)			
Securities impairment, net		(2)	(75)	(23)	(7)	
Branch consolidation costs		(8)	(53)			
Adjusted non-interest expense (non-GAAP)	D	\$ 4,667	\$ 4,559	\$ 4,417	\$ 4,296	\$ 3,099
Net interest income, taxable-equivalent basis (GAAP)		\$ 3,464	\$ 3,367	\$ 3,880	\$ 4,437	\$ 3,469
Non-interest income (GAAP)		3,531	3,755	3,073	2,856	2,030
Adjustments:						
Securities (gains) losses, net		(394)	(69)	(92)	9	(8)
Leveraged lease termination gains		(78)	(587)			
Visa-related gains			(80)	(63)		
Gain on early extinguishment of debt			(61)			
Gain on sale of mortgage loans		(26)				
Adjusted non-interest income (non-GAAP)		3,033	2,958	2,918	2,865	2,022
Adjusted total revenue (non-GAAP)	E	\$ 6,497	\$ 6,325	\$ 6,798	\$ 7,302	\$ 5,491
Efficiency ratio (non-GAAP)	D/E	71.83%	72.08%	64.97%	58.83%	56.44%
<b>RETURN ON AVERAGE ASSETS</b>						
Average assets (GAAP)	F	\$ 135,955	\$ 142,759	\$ 143,947	\$ 138,757	\$ 95,800
Return on average assets (GAAP)	A/F	-0.56%	-0.88%	-3.90%	0.90%	1.41%
Return on average assets, excluding merger, goodwill impairment and regulatory charges (non-GAAP)	B/F	-0.41%	-0.88%	0.36%	1.16%	1.50%
<b>RETURN ON AVERAGE TANGIBLE COMMON STOCKHOLDERS EQUITY(1)</b>						
Average stockholders equity (GAAP)		\$ 17,444	\$ 17,773	\$ 19,939	\$ 20,036	\$ 12,369
Average intangible assets (GAAP)		6,003	6,122	11,949	12,130	6,450
Average deferred tax liability related to intangibles (GAAP)		(255)	(286)	(321)	(370)	(185)
Average preferred equity (GAAP)		3,479	3,487	425		
Average tangible common stockholders equity (non-GAAP)	G	\$ 8,217	\$ 8,450	\$ 7,886	\$ 8,276	\$ 6,104
Average stockholders equity, excluding discontinued operations (GAAP)		\$ 17,444	\$ 17,773	\$ 19,939	\$ 20,013	\$ 12,215
Average intangible assets, excluding discontinued operations (GAAP)		6,003	6,122	11,949	12,130	6,450
Average deferred tax liability related to intangibles (GAAP)		(255)	(286)	(321)	(370)	(185)
Average preferred equity (GAAP)		3,479	3,487	425		
Average tangible common equity, excluding discontinued operations (non-GAAP)	H	\$ 8,217	\$ 8,450	\$ 7,886	\$ 8,253	\$ 5,950
Return on average tangible common equity (non-GAAP)	A/G	-9.29%	-14.92%	-71.29%	15.12%	22.18%

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Return on average tangible common equity, excluding discontinued operations, merger, goodwill impairment and regulatory charges (non-GAAP)

B/H	-6.85%	-14.92%	6.52%	19.53%	24.08%
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		2010	For Years Ended December 31			2006
			2009	2008	2007	
(In millions, except per share data)						
<b>TANGIBLE COMMON RATIOS(1)</b>						
Ending stockholders equity (GAAP)		\$ 16,734	\$ 17,881	\$ 16,813	\$ 19,823	\$ 20,701
Less: Ending intangible assets (GAAP)		5,946	6,060	6,186	12,252	12,133
Ending deferred tax liability related to intangibles (GAAP)		(240)	(269)	(303)	(339)	(401)
Ending preferred equity (GAAP)		3,380	3,602	3,307		
Ending tangible common stockholders equity (non-GAAP)	I	\$ 7,648	\$ 8,488	\$ 7,623	\$ 7,910	\$ 8,969
Ending total assets (GAAP)		132,351	142,318	146,248	141,042	143,369
Less: Ending intangible assets (GAAP)		5,946	6,060	6,186	12,252	12,133
Ending deferred tax liability related to intangibles (GAAP)		(240)	(269)	(303)	(339)	(401)
Ending tangible assets (non-GAAP)	J	\$ 126,645	\$ 136,527	\$ 140,365	\$ 129,129	\$ 131,637
End of period shares outstanding	K	1,256	1,193	691	694	730
Tangible common stockholders equity to tangible assets (non-GAAP)	I/J	6.04%	6.22%	5.43%	6.13%	6.81%
Tangible common book value per share (non-GAAP)	I/K	\$ 6.09	\$ 7.11	\$ 11.03	\$ 11.40	\$ 12.29
<b>TIER 1 COMMON RISK-BASED RATIO</b>						
Stockholders equity (GAAP)		\$ 16,734	\$ 17,881	\$ 16,813		
Accumulated other comprehensive (income) loss		260	(130)	8		
Non-qualifying goodwill and intangibles		(5,706)	(5,792)	(5,864)		
Disallowed deferred tax assets(2)		(424)	(947)			
Disallowed servicing assets		(27)	(25)	(16)		
Qualifying non-controlling interests		92	91	91		
Qualifying trust preferred securities		846	846	1,036		
Tier 1 capital (regulatory)		11,775	11,924	12,068		
Qualifying non-controlling interests		(92)	(91)	(91)		
Qualifying trust preferred securities		(846)	(846)	(1,036)		
Preferred stock		(3,380)	(3,602)	(3,307)		
Tier 1 common equity (non-GAAP)	L	\$ 7,457	\$ 7,385	\$ 7,634		
Risk-weighted assets (regulatory)	M	94,966	103,330	116,251		
Tier 1 common risk-based ratio (non-GAAP)	L/M	7.85%	7.15%	6.57%		

- (1) Beginning in 2010, tangible ratios are computed net of deferred taxes associated with intangible assets. Prior periods have been revised to conform with current presentation.
- (2) Only one year of projected future taxable income may be applied in calculating deferred tax assets for regulatory capital purposes.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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

**Allowance for Credit Losses**

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The allowance for credit losses ( allowance ) consists of the allowance for loan losses and the reserve for unfunded credit commitments. These two components reflect management 's judgment of probable credit losses



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inherent in the portfolio and unfunded credit commitments at the balance sheet date. A full discussion of these estimates and other factors are included in the Allowance for Credit Losses section within the discussion of credit risk, found in a later section of this report, and Note 5 Allowance for Credit Losses to the consolidated financial statements.

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

Management's estimate of the allowance for the commercial and investor real estate portfolio segments could be affected by estimates of losses inherent in various product types as a result of fluctuations in the general economy, developments within a particular industry, or changes in an individual's credit due to factors particular to that credit, such as competition, management or business performance. A 10 percent increase or decrease in the estimated loss rates on all pools of loans with similar risk characteristics would change estimated inherent losses by approximately \$180 million. For residential real estate mortgages, home equity lending and other consumer-related loans, individual products are reviewed on a group basis or in loan pools (e.g., residential real estate mortgage pools). Losses can be affected by such factors as collateral value, loss severity, the economy and other uncontrollable factors. A 10 percent increase or decrease in the estimated loss rates on these loans would change estimated inherent losses by approximately \$55 million.

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

The pro forma inherent loss analysis presented above demonstrates the sensitivity of the allowance to key assumptions. This sensitivity analysis does not reflect an expected outcome.

## **Fair Value Measurements**

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

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

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

See Note 21 Fair Value Measurements to the consolidated financial statements for a detailed discussion of determining fair value.

**Intangible Assets**

Regions' intangible assets consist primarily of the excess of cost over the fair value of net assets of acquired businesses ( goodwill ) and other identifiable intangible assets (primarily core deposit intangibles). Goodwill totaled \$5.6 billion at both December 31, 2010 and 2009 and is allocated to each of Regions' reportable segments (each a reporting unit), at which level goodwill is tested for impairment on an annual basis or more often if events and circumstances indicate impairment may exist (refer to Note 1 Significant Accounting Policies to the consolidated financial statements for further discussion of when Regions tests goodwill for impairment). Adverse changes in the economic environment, declining operations of the reporting unit, or other factors could result in a decline in the estimated implied fair value of goodwill. If the estimated implied fair value is less than the carrying amount, a loss would be recognized to reduce the carrying amount to the estimated implied fair value.

A test of goodwill for impairment consists of two steps. In Step One, the fair value of the reporting unit is compared to its carrying amount. To the extent that the fair value of the reporting unit exceeds the carrying value, impairment is not indicated and no further testing is required. Conversely, if the fair value of the reporting unit is below its carrying amount, Step Two must be performed. Step Two consists of determining the implied fair value of goodwill, which is the net difference between the after-tax valuation adjustments of assets and liabilities and the valuation adjustment to equity (from Step One) of the reporting unit.

The fair value of the reporting unit is determined using two approaches and several key assumptions. Regions utilizes the capital asset pricing model (CAPM) in order to derive the base discount rate. The inputs to the CAPM include the 20-year risk-free rate, 5-year beta for a select peer set, and the market risk premium based on published data. Once the output of the CAPM is determined, a size premium is added (also based on a published source) as well as a company-specific risk premium, which is an estimate determined by the Company and meant to compensate for the risk inherent in the future cash flow projections and inherent differences (such as business model and market perception of risk) between Regions and the peer set. The table below summarizes the discount rate used in the goodwill impairment tests of the Banking/Treasury reporting unit for the reporting periods indicated:

	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009
Discount Rate	15%	16%	16%	16%	18%

The decrease in discount rate from the fourth quarter 2009 test to the first quarter 2010 test was driven primarily by a reduction in the company-specific risk premium, which was lowered as a result of updated forecasts that reduced uncertainty from the projected cash flows.

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In the fourth quarter of 2010, Regions reduced the company-specific component of its discount rate to reflect several positive factors that occurred during the period, as well as factors which reduced the uncertainty of future cash flow projections. Specifically, the Company earned a profit and experienced improving credit metrics, including lower non-performing assets and lower gross inflows of non-performing loans than in the third quarter of 2010. Additionally, Regions experienced lower levels of criticized loans, a leading indicator of loan losses (see Note 5

Allowance for Credit Losses to the consolidated financial statements for further details, including a definition of criticized loans. ) The Company also completed its three-year strategic plan, which reflected improving credit trends and included additional clarity around future cash flows that were driven by a proposed rule issued by the Federal Reserve governing debit card income and the announcements in the fourth quarter of 2010 and January of 2011 of pending non-distressed, orderly sales of financial institutions of comparable size and/or footprint to Regions. Additionally, the Basel Committee finalized its capital framework, which provided additional clarity on future equity requirements that impact the projections of future cash flows. In the judgment of management, these factors outweighed the downgrades of Regions' debt to below investment grade during the fourth quarter of 2010, as well as new rules which are expected to increase FDIC insurance premiums.

In estimating future cash flows, a balance sheet as of the test date and a statement of operations for the last twelve months of activity for the reporting unit are compiled. From that point, future balance sheets and statements of operations are projected based on the inputs discussed below. Cash flows are based on expected future capitalization requirements due to balance sheet growth and anticipated changes in regulatory capital requirements. The baseline cash flows utilized in all models correspond to the most recent internal forecasts and/or budgets that range from 1 to 5 years. These internal forecasts are based on inputs developed in the Company's capital planning processes.

Refer to the discussion of intangible assets in Note 1 Summary of Significant Accounting Policies to the consolidated financial statements for a discussion of these approaches and Note 8 Intangible Assets for a discussion of the assumptions. The fair values of assets and liabilities are determined using an exit price concept. Refer to the discussion of fair value in Note 1 Summary of Significant Accounting Policies and Note 21

Fair Value Measurements to the consolidated financial statements for discussions of the exit price concept and the determination of fair values of financial assets and liabilities.

In the fourth quarter of 2008, Regions performed its goodwill impairment tests for the Banking/Treasury reporting unit, which resulted in an implied fair value of goodwill of approximately \$4.7 billion and a goodwill impairment charge of \$6.0 billion. Throughout 2009 and continuing into the first half of 2010, in the Banking/Treasury reporting unit, the credit quality of Regions' loan portfolio declined, which contributed to increased losses as well as elevated non-performing loan levels. Accordingly, Regions performed tests of goodwill for impairment during each quarter of 2010 and during the second, third and fourth quarters of 2009 in a manner consistent with the test conducted in the fourth quarter of 2008. The long-term fair value of equity was determined using both income and market approaches (discussed in Note 8 Intangible Assets of the consolidated financial statements). The results of these calculations continued to indicate that the fair value of the Banking/Treasury reporting unit was less than its carrying amount. As of December 31, 2010, the carrying amount and fair value of the Banking/Treasury reporting unit were \$11.9 billion and \$8.0 billion, respectively, while the carrying amount of goodwill for the reporting unit was \$4.7 billion. Therefore, Step Two of the goodwill impairment test was performed. In Step Two, the fair values of the reporting unit's assets and liabilities, including the loan portfolio, intangible assets, time deposits, debt, and others were calculated. Once the fair values were determined, deferred tax adjustments were calculated as applicable. The after-tax effects of the Step Two adjustments, which were primarily write-downs of assets to fair value, exceeded any reductions in the value of common equity determined in Step One; therefore, the results were no impairment for the Banking/Treasury reporting unit. Since the second quarter of 2009, the fair values of net assets and liabilities of the Banking/Treasury reporting unit have increased faster than the value of this reporting unit. Should the fair values of net assets continue to increase more rapidly than the fair value of this reporting unit, goodwill could be impaired in future periods.

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Specific factors as of the date of filing the financial statements that could negatively impact the assumptions used in assessing goodwill for impairment include: disparities in the level of fair value changes in net assets compared to equity; adverse business trends resulting from litigation and/or regulatory actions; increasing FDIC premiums; higher loan losses; lengthened forecasts of unemployment in excess of 10 percent beyond 2012; future increased minimum regulatory capital requirements above current thresholds (refer to Note 14 Regulatory Capital Requirements and Restrictions to the consolidated financial statements for a discussion of current minimum regulatory requirements); future federal rules and regulations resulting from the Dodd-Frank Act; and/or a protraction in the current low level of interest rates beyond 2012.

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

<b>Impact to the Carrying Value of Goodwill Banking/Treasury Reporting Unit</b>		<b>Estimated Amount of Impairment (In millions)</b>
<b>Change in Discount Rate</b>		
+ 2%	\$	(a)
+ 3%		(464)
+ 4%		(939)
<b>Change in Tangible Book Value Multipliers (b)</b>		
- 53%	\$	(a)
<b>Improvement in Loan Fair Values</b>		
+ 2.7 Percentage Points	\$	(a)
+ 3.0 Percentage Points		(172)
+ 4.0 Percentage Points		(680)

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

(b) Represents a 53 percent decline in both tangible book value multipliers of 1.0x and 1.3x for the public company method and the transaction method, respectively. The 1.0x multiplier for the public company method is before the 30 percent control premium utilized for this metric. See Note 8 for further details.

<b>Impact to Step One Conclusion Investment Banking/Brokerage/Trust and Insurance Reporting Units</b>		<b>Impact of Change</b>	
<b>Change in Discount Rate</b>		<b>Investment Banking/ Brokerage/Trust</b>	<b>Insurance</b>
+ 1%		Pass	Pass
+ 2%		Pass	Pass
+ 3%		Fail	Pass
<b>Change in Market Approach Multipliers (c) (d)</b>			
- 10%		Pass	Pass
- 20%		Pass	Pass
- 30%		Pass	Pass
- 40%		Fail	Pass

(c) For Investment Banking/Brokerage/Trust, represents the percent decline in both tangible book value multipliers of 1.6x and 2.1x for the public company method and the transaction method, respectively. The 1.6x multiplier for the public company method is before the 30 percent control premium utilized for this metric. See Note 8 for further details.

- (d) For Insurance, represents the percent decline in the 17.3x multiplier for the last twelve months of net income and is before the 30 percent control premium utilized for this metric. See Note 8 for further details.

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

Other identifiable intangible assets, primarily core deposit intangibles, are reviewed at least annually for events or circumstances which could impact the recoverability of the intangible asset, such as loss of core deposits, increased competition or adverse changes in the economy. To the extent another identifiable intangible asset is deemed unrecoverable; an impairment loss would be recorded to reduce the carrying amount. These events or circumstances, if they occur, could be material to Regions' operating results for any particular reporting period but the potential impact cannot be reasonably estimated.

**Mortgage Servicing Rights**

Regions estimates the fair value of its mortgage servicing rights in order to record them at fair value on the balance sheet. Although sales of mortgage servicing rights do occur, mortgage servicing rights do not trade in an active market with readily observable market prices and the exact terms and conditions of sales may not be readily available, and are therefore Level 3 valuations in the fair value hierarchy previously discussed. Specific characteristics of the underlying loans greatly impact the estimated value of the related mortgage servicing rights. As a result, Regions stratifies its mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and values its mortgage servicing rights using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted mortgage loan prepayment rates and discount rates. Changes in interest rates, prepayment speeds or other factors impact the fair value of mortgage servicing rights which impacts earnings. Based on a hypothetical sensitivity analysis, Regions estimates that a reduction in primary mortgage market rates of 25 basis points and 50 basis points would reduce the December 31, 2010 fair value of mortgage servicing rights by approximately 6.1 percent (\$16 million) and 12.7 percent (\$34 million), respectively. Conversely, 25 basis point and 50 basis point increases in these rates would increase the December 31, 2010 fair value of mortgage servicing rights by approximately 5.6 percent (\$15 million) and 10.7 percent (\$28 million), respectively.

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

**Income Taxes**

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

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

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The Company is subject to income tax in the U.S. and multiple state and local jurisdictions. The tax laws and regulations in each jurisdiction may be interpreted differently in certain situations, which could result in a range of outcomes. Thus, the Company is required to exercise judgment regarding the application of these tax laws and regulations. In the event a dispute with a taxing authority arises, the Company will evaluate and recognize tax liabilities related to the tax uncertainties. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is different from the current estimate of the tax liabilities.

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

## **OPERATING RESULTS**

### **GENERAL**

Regions reported a net loss available to common shareholders of \$763 million in 2010, compared to a net loss available to common shareholders of \$1.3 billion in 2009. The lower loss in 2010 was primarily reflective of moderation in credit quality within the Company's loan portfolio. However, the provision for loan losses remained elevated.

### **NET INTEREST INCOME AND MARGIN**

Net interest income (interest income less interest expense) is Regions' principal source of income and is one of the most important elements of Regions' ability to meet its overall performance goals. Net interest income on a taxable-equivalent basis increased 3 percent to \$3.5 billion in 2010 from \$3.4 billion in 2009 despite a decrease in the level of average earning assets, from \$125.9 billion in 2009 to \$119.3 billion in 2010. The increase in the net interest margin to 2.90 percent in 2010 from 2.67 percent in 2009 was sufficient to offset the impact of the smaller balance sheet size.

Comparing 2010 to 2009, interest-earning asset yields were lower, decreasing 30 basis points on average. However, interest-bearing liability rates were also lower, declining by 60 basis points, which was more than enough improvement in funding costs to offset the drop in interest-earning asset yields. As a result, the net interest rate spread increased 30 basis points to 2.58 percent in 2010 as compared to 2.28 percent in 2009.

Continued low levels of long-term interest rates affected interest-earning asset yields through their influence on the behavior and pricing of fixed-rate loans and securities. Longer-term rates remained at historical low levels and fluctuated throughout the year. The yield on the benchmark 10-year U.S. Treasury note ranged from a high of 4.01 percent to a low of 2.41 percent, and for the year decreased 55 basis points, ending the year at 3.30 percent. Persistently low long-term rates can incent fixed-rate borrowers to accelerate reductions or prepayments of existing loans, often at lower rates of interest. This results in pressure on yields for portfolios that have a significant concentration of fixed-rate loans. The taxable investment securities portfolio, which contains significant residential fixed-rate exposure, for example, decreased in yield from 4.78 percent in 2009 to 3.66 percent in 2010.

The negative influence of low, long-term interest rates on net interest margin, however, was offset by improvements in liability costs. The Federal Funds rate and the Prime Rate, which are influential drivers of loan and deposit pricing on the shorter end of the yield curve, remained low at approximately 0.25 percent and 3.25 percent, respectively, throughout 2010, essentially unchanged from the previous year-end level. Despite the lack of movement in short-term rates compared to historic lows, deposit costs improved considerably from 1.35 percent in 2009 to 0.78 percent in 2010. There was substantial improvement in costs in every deposit category, including average money market accounts which declined from 0.84 percent to 0.43 percent, and yet experienced an increase in average total balance from \$21.4 billion in 2009 to \$26.8 billion in 2010. The improvement in overall deposit cost was also attributable to a less costly mix of deposits. For example, average time deposits declined from \$32.7 billion in 2009 to \$26.2 billion in 2010. Meanwhile, average non-interest bearing customer deposits increased from \$20.7 billion in 2009 to \$24.0 billion in 2010.

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

**Table 3 Consolidated Average Daily Balances and Yield/Rate Analysis**

	Average Balance	2010 Income/ Expense	Yield/ Rate	Average Balance	2009 Income/ Expense	Yield/ Rate	Average Balance	2008 Income/ Expense	Yield/ Rate
(Dollars in millions; yields on taxable-equivalent basis)									
<b>Assets</b>									
Interest-earning assets:									
Federal funds sold and securities purchased under agreements to resell	\$ 694	\$ 3	0.43%	\$ 503	\$ 3	0.60%	\$ 868	\$ 18	2.07%
Trading account assets	1,236	44	3.56	1,599	65	4.07	1,473	66	4.48
Securities:									
Taxable	23,854	873	3.66	20,221	966	4.78	16,897	828	4.90
Tax-exempt	44	1	2.27	460	29	6.30	754	61	8.09
Loans held for sale	1,281	39	3.04	1,655	55				