

## TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Regions Financial Corporation

Submission date: October 31, 2011

Person to be contacted about this report: David Turner, Chief Financial Officer

### PART I. QUANTITATIVE OVERVIEW

#### SCHEDULE A: CONSUMER LENDING (Millions \$)

	<u>2011</u>			<u>Key</u>	<u>Comments</u>
	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>		
<b>1. First Mortgage</b>					
a. Average Loan Balance (Daily Average Total Outstanding)	\$14,835	\$14,750	\$14,712	First and second residential 1-4 family mortgages, including residential mortgages held for sale.	The mortgage division originated mortgage loans totaling \$544 million in September 2011. Overall production increased 11.2% from the prior month. New purchase originations decreased 15.4% from prior month, and refinancing originations increased from the prior month 45.5%. Application activity in September decreased 19.5% as compared to prior month.
b. Total Originations	\$483	\$489	\$544	Loan originations designated for the secondary market and those to be held in portfolio on Regions' balance sheet.	
(1) Refinancings	\$192	\$214	\$311	Total originations designated as refinance status.	
(2) New Home Purchases	\$291	\$276	\$233	Total originations designated as new purchase status.	
<b>2. Home Equity</b>					
a. Average Total Loan Balance	\$13,545	\$13,451	\$13,363	Average balances include Home Equity loans and HELOCs.	Home Equity average balances declined \$88.4 million or 0.7% in September to \$13.4 billion. The HELOAN portfolio declined \$ .7 million or 0.1%, while HELOC balances declined \$87.6 million or 0.7%. Portfolio run-off continues as payoffs/paydowns outpace production.
b. Originations (New Lines+Line Increases)	\$72	\$81	\$61	New Home Equity loans, lines and increases.	
c. Total Used and Unused Commitments	\$22,405	\$22,241	\$22,081	Total portfolio of Home Equity loans and funded and unfunded HELOCs. Funded portion included in average balance above.	
<b>3. US Card - Managed</b>					
a. Average Total Loan Balance - Managed	\$1,128	\$1,128	\$1,025	Regions Financial Corp was an Agent Bank until the current portfolio was acquired on June 30, 2011.	Excluding associated premiums, month-end consumer credit card principal balances decreased by \$5.6 million, or (0.6%), in September to \$946 million. Excluding associated premiums, average consumer credit card principal balances increased by \$1.8 million, or 0.2%, in September to \$945 million.
b. New Account Originations (Initial Line Amt)	\$20	\$31	\$31	Regions Financial Corp was an Agent Bank until the current portfolio was acquired on June 30, 2011.	
c. Total Used and Unused Commitments	\$6,709	\$6,786	\$6,838		
<b>4. Other Consumer</b>					
a. Average Total Loan Balance	\$2,923	\$2,975	\$2,986	Includes consumer direct, indirect, other revolving (i.e., overdraft lines) and student loans held for sale.	September Other Consumer Lending balances increased by \$10.9 million or 0.4% when compared to August. Balances are being favorably impacted by the re-entry of Indirect Lending that generated \$94 million in new production for the month, offset by the continued run-off of the legacy Indirect Lending portfolio.
b. Originations	\$141	\$159	\$143	Includes direct and student lending origination activity.	

SCHEDULE B: COMMERCIAL LENDING (Millions \$)					
1. C & I	Jul	Aug	Sep	Key	Comments
a. Average Total Loan and Lease Balance	\$35,928	\$35,883	\$36,165	Average outstanding funded balances (net of deferred fees and costs) for commercial related loans and leases. Also includes owner-occupied commercial real estate mortgage and construction loans made to operating businesses.	Loan demand, while somewhat soft by historical standards, picked up some momentum throughout the second half of 2010 and continued through the first half of 2011. The demand has been more robust in the upper end of the market and in certain industries. We are seeing less loan demand in 3Q and expect this trend to continue for the remainder of 2011. Furthermore, loan pricing has intensified across all lending segments and we continue to have more conservative leverage positions on the deals we're underwriting. Parallel to increasing demand during this time frame, line utilization has also increased. Utilization rates increased in September as compared to August.
b. Renewal of Existing Accounts	\$2,068	\$2,048	\$2,474	Renewal of existing funded and unfunded commitments for commercial and owner-occupied real estate related loans based upon posting date of renewal. Also includes letters of credit.	
c. New Commitments	\$1,132	\$1,314	\$846	New funded and unfunded commitments for commercial and owner-occupied real estate related loans based upon posting date of the commitment. Also includes letters of credit and leases. Variable Rate Demand Note (VRDN) fundings are excluded from new commitment activity.	
<b>2. Commercial Real Estate</b>					
a. Average Total Loan and Lease Balance	\$13,656	\$12,975	\$12,635	Average outstanding funded balances (net of deferred fees and costs) for commercial investor-owned real estate related loans. Also includes Commercial loans held for sale.	Regions' focus in the commercial real estate market is to take a realistic and aggressive approach to identifying problems, understand the global financial position of our commercial real estate clients, and seek improvements to loan structures (such as additional security or principal curtailments) as appropriate. In addition, we are selectively originating new loans to the right clients that meet our profitability and credit quality hurdles. Also, as homebuilders sell existing inventory, we continue to convert lot loans to residential construction loans. We are starting to finance some new homes and lots with our most creditworthy clients, while very selectively soliciting new homebuilder clients in stable markets. While production levels are somewhat increasing, they remain far below what we would expect in normal market conditions. Construction starts are at a multi-generational low and developers continue to remain cautious, however, pipelines appear to be rebuilding in the multi-family sector. We are starting to see evidence of an increase in demand of financing for purchase of existing properties. Finally, competition for the construction opportunities that are available is increasing.
b. Renewal of Existing Accounts	\$687	\$871	\$793	Renewal of existing funded and unfunded commitments for commercial investor-owned real estate related loans based upon posting date of renewal. Also includes letters of credit.	
c. New Commitments	\$95	\$63	\$96	New funded and unfunded commitments for commercial investor-owned real estate related loans based upon posting date of the commitment. Also includes letters of credit. Variable Rate Demand Note (VRDN) fundings are excluded from new commitment activity.	
<b>SCHEDULE C: MEMORANDA - SMALL BUSINESS LENDING (Millions \$)</b>					
<b>4. Small Business Loans<sup>3</sup></b>					
a. Average Total Loan Balance	\$12,920	\$12,856	\$12,795	Average outstanding funded balances (net of deferred fees and costs) for commercial and commercial real estate related loans made to small business clients, which we generally define as clients with revenues up to \$20 million. These balances are reflected as components of C&I, Commercial Real Estate and First Mortgage reported above.	We expect small business demand to be flat as consumer spending continues to remain weak, and the economic recovery remains sluggish. The September 2011 NFIB survey reported that the small business optimism index dropped for the 6th consecutive month. The drop was due primarily to low expectations for real sales growth and business conditions. As a result of the poor outlook, we expect business owners to continue to be reluctant to expand or hire. Small business line utilization rates were flat in September as compared to August.
b. Originations	\$574	\$674	\$624	New and renewed production of funded and unfunded commitments made to small business clients, which we generally define as clients with revenues up to \$20 million. These originations are reflected as components of C&I and Commercial Real Estate reported above.	
<b>SCHEDULE D: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>					
<b>1. MBS/ABS Net Purchased Volume</b>					
a. Mortgage Backed Securities	\$27	\$479	\$87		Net purchase volume as captured in bond accounting system. Reflects settlement date. Consists of Government and Agency Fixed-Rate Mortgage-Backed Products. The Asset Backed securities consist of Non-Agency Commercial Mortgage Backed products.
b. Asset Backed Securities	\$52	\$25	\$27		
<b>2. Secured Lending (Repo, PB, Margin Lending)</b>					
a. Average Total Matched Book (Repo/Reverse Repo) <sup>1</sup>	N/A	N/A	N/A		
b. Average Total Debit Balances <sup>2</sup>	\$1,186	\$1,125	\$1,085	Reflects average margin receivables as recorded on the general ledger.	
<b>3. Underwriting</b>					
a. Total Equity Underwriting	\$57	\$36	\$18	Total equity underwriting activity. Represents Regions' participation percentage.	The Morgan Meegan Equity department participated in 6 offerings during July 2011, 3 during August 2011, and 4 during September 2011. Gross debt issuance for July, August, and September was \$7.9 billion, \$4.9 billion, and \$5.8 billion respectively.
b. Total Debt Underwriting	\$830	\$710	\$767	Debt issuances delivered monthly. Represents Regions' participation percentage.	
<b>Notes:</b>					
1. Not applicable if matched book activity does not exceed \$50 billion.					
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.					
3. Memoranda: these loans are already accounted for in either consumer lending, commercial lending, or a combination of both, and include loans guaranteed by the Small Business Administration and/or any other loans that are internally classified as small business loans.					

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## PART II. QUALITATIVE OVERVIEW

*Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.*

### I. Company Description

Regions Financial Corporation (“Regions” or the “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, securities brokerage, insurance and other specialty financing. At September 30, 2011, Regions had total consolidated assets of approximately \$130 billion.

Regions conducts its banking operations through Regions Bank, its brokerage and investment banking business through Morgan Keegan & Company, Inc. (“Morgan Keegan”), and its insurance brokerage business through Regions Insurance Group, Inc.

### II. Overall Summary

In September, new and renewed commitments decreased by \$0.1 billion to \$5.0 billion for the month, while average balances declined \$0.3 billion from August to \$80.9 billion.

### III. Consumer Lending

#### A. Mortgage Lending

The mortgage division originated mortgage loans totaling \$544 million in September 2011. Overall production increased 11.2% from the prior month. New purchase originations decreased 15.4% from prior month, and refinancing originations increased from the prior month 45.5%. Application activity in September decreased 19.5% as compared to prior month.

Regions’ mortgage division rolled out the U.S. Treasury sponsored Home Affordable Refinance Program (HARP) in late March 2009, which provides borrowers who have an existing loan owned or securitized by Fannie Mae or Freddie Mac, the ability to refinance to more beneficial financing terms with no new or additional mortgage insurance required, even if their current loan-to-value ratio is higher than it was on the original loan. The loan-to-value ratio cannot exceed 125%. September originations included approximately \$57 million related to 334 loans refinanced under the Home Affordable Refinance Program.

Regions’ has implemented the U. S. Treasury sponsored Home Affordable Modification Program (HMP) for FNMA/FHLMC loans serviced by Regions. This program is designed to assist mortgage borrowers who

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have an existing loan owned or securitized by Fannie Mae or Freddie Mac, and who are in imminent danger of default or are already in default to obtain modified financing terms prescribed by the program. On March 26, 2010, the U.S. Treasury announced program modifications to the existing HMP program. These program modifications are designed to expand flexibility for mortgage servicers and originators to assist more unemployed homeowners and to help more people who owe more on their mortgage than their home is worth because their local markets saw large declines in home values. In accordance with the program guidelines, Regions has distributed approximately 2,640 modification packages to eligible borrowers subject to a ninety-day trial period. The first modifications under this program were seen in July 2009. In the month of September, Regions completed 46 modifications totaling \$6.7 million in unpaid principal. Regions currently services approximately \$26 billion of Agency mortgages.

## B. Home Equity Lending

Home Equity production decreased 24.1% to \$61.2 million from prior month due in part to seasonality and decreased 47.5% versus same period prior year. Activities for September included: daily pre-approved point of sale Equity offers at DDA account opening, pre-approved direct mail offer with lead lists to the branches, payment savings/utilization mailing to existing customers as well as continued momentum from targeting the lending needs of customers that do not qualify for the traditional HELOC product but are NOT considered subprime borrowers.

Overall Home Equity average balances declined \$88.4 million or 0.7% in September to \$13.4 billion. The HELOAN portfolio declined \$ .7 million or 0.1%, while HELOC balances declined \$87.6 million or 0.7%. Portfolio run-off continues as payoffs/paydowns outpace production.

## C. US Card – Managed

Regions completed its purchase of the Regions-branded credit card portfolio from FIA Card Services, effective June 30, 2011. The transaction acquired the portfolio of over 500,000 existing Regions consumer credit card accounts with balances of \$947 million and 40,000 business credit card accounts with balances of \$129MM. Excluding associated premiums, month end consumer credit card principal balances decreased by \$5.6 million, or (0.6%), in September to \$946 million. Excluding associated premiums, average consumer credit card principal balances increased by \$1.8 million, or 0.2%, in September to \$945 million.

## D. Other Consumer Lending

Other Consumer Lending production decreased 9.6% in September to \$143.4 million from prior month and increased 130% versus same period prior year due to our re-entry into Indirect Auto Lending. Other Consumer Lending activities for September included: daily pre-approved point of sale Auto/Unsecured LOC offers at DDA account opening; pre-approved direct mail offer with lead lists to the branches, and continued momentum from targeting the lending needs of customers that do not qualify for traditional credit products but are NOT considered subprime borrowers.

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Regions' Ready Advance™ product, a short-term, small-dollar line of credit with limits ranging from \$50 to \$500, continues to be utilized by customers. New Ready Advance™ production, which is included in the \$143.4 million above, totaled \$3.5MM in September. Program to date 53,794 accounts have been established.

Overall, September Other Consumer Lending balances increased by \$10.9 million or 0.4% when compared to August. Balances are being favorably impacted by the re-entry of Indirect Lending that generated \$94 million in new production for the month, offset by the continued run-off of the legacy Indirect Lending portfolio.

## E. Customer Assistance Program

Regions' continues to work to meet the unique needs of financially troubled borrowers to stem foreclosures and keep customers in their homes. Well before the full effects of the credit crisis were realized, Regions launched an extensive Customer Assistance Program (CAP) for troubled borrowers. As unemployment levels continue to be elevated and the housing crisis lingers our goal remains the same - to ensure customers who encounter financial difficulty know they have options and that Regions wants to work with them.

As a result, Regions has taken steps including renegotiating the terms of mortgages and home equity loans, keeping families in their homes and allowing Regions to maintain a foreclosure rate well below industry average for residential first mortgages. Overall, the number of Regions serviced first mortgage loans in the foreclosure process is less than half the national average. (1.87% for Regions vs. 4.43% nationally in the second quarter of 2011.) Since inception of the program, Regions has restructured more than \$3.5 billion in mortgages, including \$31 million in September 2011. Regions has assisted more than 40,000 homeowners with solutions.

In addition, Regions introduced the U.S. Treasury sponsored Home Affordable Modification Program for loans serviced on behalf of Fannie Mae and Freddie Mac back in late March 2009. To date, we have initiated 2,640 trial period modifications for \$398 million and of those 1,962 have been completed for \$295 million.

## IV. Commercial Lending

### A. Commercial and Industrial Lending

Loan demand, while somewhat soft by historical standards, picked up some momentum throughout the second half of 2010 and continued through the first half of 2011. The demand has been more robust in the upper end of the market and in certain industries. Outstanding loan balances increased \$282 million in September as compared to August levels. We are seeing less loan demand in 3Q and expect this trend to continue for the remainder of 2011. Furthermore, loan pricing has intensified across all lending

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segments and we continue to have more conservative leverage positions on the deals we're underwriting.

Parallel to increasing demand during this time frame, line utilization has also increased. Utilization rates increased in September as compared to August.

Regions defines small business, in general, as clients with revenues up to \$20 million. Small business lending activity is reflected within our Commercial and Industrial, Commercial Real Estate and First Mortgage outstanding loan balances and production.

We expect small business demand to be flat as consumer spending continues to remain weak, and the economic recovery remains sluggish. The September 2011 NFIB survey reported that the small business optimism index dropped for the 6<sup>th</sup> consecutive month. The drop was due primarily to low expectations for real sales growth and business conditions. As a result of the poor outlook, we expect business owners to continue to be reluctant to expand or hire. Small business line utilization rates were flat in September as compared to August.

## B. Commercial Real Estate Lending

Regions' focus in the commercial real estate market is to take a realistic and aggressive approach to identifying problems, understand the global financial position of our commercial real estate clients, and seek improvements to loan structures (such as additional security or principal curtailments) as appropriate. In addition, we are selectively originating new loans to the right clients that meet our profitability and credit quality hurdles. Also, as homebuilders sell existing inventory, we continue to convert lot loans to residential construction loans. We are starting to finance some new homes and lots with our most creditworthy clients, while very selectively soliciting new homebuilder clients in stable markets.

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## V. Treasury Activities

Management of interest rate risk is among the most fundamental tenets in banking. Banking institutions utilize the Available for Sale investment portfolio as a primary tool to balance the inherent interest rate risk arising from core banking activities. Agency Mortgage-Backed securities provided an efficient means to offset asset sensitivity and maintain the desired liquidity profile, while offering a compelling risk adjusted return on the use of capital. Mortgage-Backed security activity in August totaled \$87.24 million, which consists of Government and Agency Fixed-Rate Mortgage-Backed

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Products. Asset-Backed security activity in August totaled \$27.23 million, which consisted of Non-Agency Commercial Mortgage Backed products.

### VI. Equity and Debt Activities at Morgan Keegan

There was not one IPO priced during the month of September, excluding closed-end funds. This has not been the case since January 2009. However, the IPO backlog has grown to its highest level since YTD 2007. September was the lowest secondary offering month since 1998. Morgan Keegan participated in four transactions. The stock market's volatility continues to meaningfully affect the syndicate environment. We are hopeful the fourth quarter will give the issuers an opportunity to raise capital whether a new issue or a follow on offering. Municipal debt issuance continues to trail last year's pace – as of the end of September it was down 40% from this time in 2010. The downgrade of the U.S. credit rating has slowed new municipal issuance. As a result, we expect October municipal issuance to continue to lag 2010's pace. Corporate Issuance has remained very light due to spread widening, particularly for non-investment grade issuers, and this issuance slowdown is expected to continue at least through October.