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PARTICIPANTS

Corporate Participants

M. List Underwood – Head-Investor Relations, Regions Financial Corp.
O. B. Grayson Hall, Jr. – Chairman, President & Chief Executive Officer, Regions Financial Corp.
David J. Turner, Jr. – Chief Financial Officer & Senior Executive Vice President, Regions Financial Corp.
Barbara Godin – Chief Credit Officer & Senior Executive Vice President, Regions Financial Corp.

Other Participants

Betsy L. Graseck – Analyst, Morgan Stanley & Co. LLC
Ryan M. Nash – Analyst, Goldman Sachs & Co.
John Pancari – Analyst, Evercore Partners (Securities)
Erika P. Najarian – Analyst, Bank of America Merrill Lynch
Keith A. Murray – Managing Director, International Strategy & Investment Group LLC
Matt D. O'Connor – Analyst, Deutsche Bank Securities, Inc.
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Gerard S. Cassidy – Analyst, RBC Capital Markets LLC
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Regions Financial Corporation's Quarterly Earnings Call. My name is Paula and I'll be your operator for today's call. [Operator Instructions] I will now turn the call over to Mr. List Underwood to begin.

M. List Underwood, Head-Investor Relations

Good morning everyone. We appreciate your participation in our call this morning. Our presenters today are Chief Executive Officer Grayson Hall and our Chief Financial Officer David Turner. Other members of the management team are present as well and available to answer questions as appropriate.

Also as part of our earnings call, we will be referencing a slide presentation that is available under the Investor Relations section of regions.com. Finally, let me remind you that in this call and potentially in the Q&A that follows, we may make forward-looking statements which reflect our current views with respect to future events and financial performance. For further details, please reference our forward-looking statement that is located in the appendix of the presentation. Grayson?

O. B. Grayson Hall, Jr., Chairman, President & Chief Executive Officer

Thank you and good morning everyone. We appreciate your interest in Regions and participation in our third quarter 2013 earnings conference call. Today we reported earnings of $285 million for the

quarter, demonstrating our steady focus on executing our strategic priorities and business plans. Our continued progress is reflected by many key measures. We grew total loans for the second consecutive quarter. We expanded our customer base. We increased net interest income both year-over-year and linked quarter and we achieved broad-based asset quality improvement.

Year-to-date we grew loans nearly $2 billion, including just over $900 million in the third quarter. Importantly, this loan growth extended to both consumer and business lending portfolios. Looking first at business lending, commercial lending remained a significant driver of overall loan growth. We have a simple and yet effective model that focuses on relationship banking through high quality customer service coupled with industry expertise. The model is enabling us to expand our customer base and grow our loans outstanding. Despite this modest growth, uncertainties surrounding economic and political conditions as well as interest rates continue to weigh on business demand for new loans and our overall business marketplace.

On the consumer side, we have realized steady increases in new credit card production with active cardholders rising to the highest number since we purchased the card portfolio two years ago. Over the last year, we've increased our customer penetration rate by approximately 110 basis points, demonstrating a success of our marketing and sales effort. Further, we grew our indirect auto loan portfolio for the 11th consecutive quarter. We currently have relationships with approximately 25% of the auto dealers across our 16-state franchise, and we continue to build upon our dealer network. However, we do this while adhering to disciplined credit parameters.

In line with our expectations, mortgage loan production declined 16% in the third quarter. As we transition from a refinance to a purchase-driven market, we are adapting our business model to adjust for the overall production slowdown. Customers remain at the center of our overall strategy, and our commitment to providing products and services that customers need and want remains steadfast.

This means constantly building and improving our technology infrastructure for both our consumer products and services and back office platforms. To that end, we have made strategic investments in our people and technology. During the third quarter, we added almost 400 new positions, many in customer-facing, revenue-generating and compliance areas. We're also making investments in our risk management and compliance infrastructure and will continue to do so in order to effectively manage the evolving industry demands. As we have consistently said, we will continue to make prudent investments in our future while adhering to an expense discipline.

At the core of our strategy is Regions360, which as you may recall, is the approach we take to serving our customers and our communities. We believe this strategy of building a stronger relationship banking culture at Regions will drive revenue, increase associate retention and ultimately drive sustainable growth.

Prudent risk management, another key component of our sustainable growth strategy, also continued to pay off in the third quarter. Net charge-offs as a percent of loans was 0.6% at the end of the quarter as net charge-offs declined to the lowest level in more than five years. We achieved improvement in virtually every credit metric as our credit asset quality continues to improve.

Finally, we were able to return capital to shareholders in the form of share repurchase and have now completed essentially all of the $350 million of authorized share repurchases.

In summary, overall third quarter results reflect positive momentum as we stay focused on moving the company forward. We still have work to do, but continue to successfully execute our strategic priorities and business plans to deliver long-term value to our shareholders.

I'll now turn it over to David for a more detailed look at third quarter results. David?

David J. Turner, Jr., Chief Financial Officer & Senior Executive Vice President

Thank you and good morning everyone. Let's begin with the balance sheet. As Grayson mentioned, we achieved solid loan growth again this quarter, as total loans increased over $900 million or 1% from the second quarter. We grew almost every loan category with both business and consumer lending up quarter over quarter.

Starting with business lending, which includes our commercial and investor real estate portfolios, in total these loans increased 2% from the end of the prior quarter. This growth continues to be led by our consumer and industrial portfolio as ending loans grew 3% quarter over quarter. The growth in this portfolio was driven by our real estate corporate banking group or REIT lending, and our specialized lending groups also had a strong quarter with healthcare and technology lending in particular achieving significant growth. Asset-based lending was also a strong contributor to loan growth in the quarter.

Total business lending production was $13.8 billion, an increase of 18% over the prior year. Commitments for new loans were up $306 million or 6% from the prior quarter. And pipelines remained solid, and we are beginning to see some pickup in M&A activity among our client base and modest increases in small business lending.

Production in the investor real estate portfolio increased from the second quarter and offset the pace of derisking, which has slowed considerably. Investor real estate loan balances totaled $7 billion at quarter-end, a decline of $84 million or 1% from the prior quarter. Growth in the investor real estate production was driven by single family and multifamily construction. And July and August were the highest production months in the last three years. While balances in the investor real estate portfolio may fluctuate depending on production levels, derisking and payoff activity, we believe that we may be close to stabilization in the portfolio.

Now turning to consumer lending, this portfolio increased 1% from the previous quarter, marking a pivotal shift in balance trends. Our indirect auto portfolio achieved 7% loan growth from the prior quarter. In addition to expanding our dealer network, we are focused on increasing our number of loans per dealer by developing technology that will improve response time for loan requests, which should ultimately serve to increase loan production. However, we will remain disciplined with respect to our conservative credit requirements and policies.

Credit card balances were also up this quarter, as our number of active cardholders increased almost 4%. Period end balances totaled approximately $900 million, an increase of 3.5% as we experienced five consecutive months of balance increases. Much of this growth was driven by our marketing efforts through balance transfer offers extending to our existing customer base.

Mortgage balances were steady from the previous quarter due to the slowdown of mortgage refinancing activity. In addition, declines in our home equity portfolio have slowed considerably. Strong customer demand for our fixed rate home equity loan product is offsetting the impact of customer deleveraging on the variable rate home equity line product. As a result, we expect the pace of decline in our overall home equity portfolio to slow. All in all, our third quarter loan growth was stronger than anticipated. And looking ahead to the fourth quarter, we expect loan growth to continue, but at a more moderate pace.

Let's move on to the liability side of the balance sheet. Deposit mix and costs continued to improve in the third quarter. Total average low cost deposits increased $473 million from the previous quarter, and time deposits fell to just 11% of total deposits. This positive repricing and mix shift resulted in deposit cost declining 2 basis points, down to 13 basis points. As a result, total funding cost for the company declined 5 basis points to 35 basis points. Although opportunities to further reduce deposit costs are diminishing, we still have an additional $4.6 billion of CDs maturing in the

next 12 months at an average rate of 31 basis points. Now, this compares to our current average going-on rates for new CDs of approximately 19 basis points.

Now let's look at how all this has impacted net interest income and the margin. Net interest income on a fully taxable equivalent basis was $838 million, up $17 million or 2% from the previous quarter. The resulting net interest margin was higher than we expected at 3.24%, an increase of 8 basis points from the previous quarter. The liability management and investment portfolio actions we took late in the second quarter provided a 7 basis point lift to third quarter margins. These actions, as well as continued improvements in deposit costs, have helped to offset the effects of a persistently low interest rate environment.

Although lower loan and investment yield pressure net interest margin, this effect has been largely offset in recent quarters by our improving mix and cost of deposits and borrowings. The opportunity for the margin to further benefit from lower deposit costs will subside in future quarters. However, the increase in long-term rates has provided some tailwind. Rising rates are expected to be beneficial to our net interest margin as our asset sensitive balance sheet reacts favorably to increases in both short-term and long-term rates.

Higher long-term rates affect prepayment behavior. As a result, we experienced a positive impact from lower premium amortization in our securities portfolio. Lower premium amortization contributed approximately 5 basis points increase to the margin and totaled $59 million for the quarter. Of course, higher long-term rates also benefit reinvestment yields on fixed-rate loans and securities. With rates at their present level, we expect net interest margin to remain relatively stable. Additional details surrounding our interest rate sensitivity can be found in the appendix of the accompanying presentation.

Let's take a look now at noninterest revenue. Third quarter noninterest revenue was relatively flat from the previous quarter due to an increase in service charges that was offset by a decline in mortgage income. Also during the quarter, we divested a non-core portion of our wealth management business, which resulted in a pre-tax gain of $24 million. As expected, mortgage income declined in the third quarter as production slowed as a result of fewer refinances due to the recent rise in interest rates. Mortgage revenue declined 25% and loan production declined 16% over the prior quarter.

New home purchases continue to drive mortgage origination volume and accounted for 60% of total mortgage originations compared to 37% a year ago. Importantly, we have already started adjusting our mortgage operations model to account for the reduction in applications. Some costs, like commission expense, decline immediately. However, there are other expenses that will experience a lag before the savings are realized. We expect fourth quarter production volumes to continue to decline another 15% to 20% from third quarter levels.

Service charges increased $14 million from the previous quarter. Importantly, new checking account production increased 4% over the second quarter, which should serve to facilitate future cross-sell and revenue opportunities.

Products like our Now Banking suite continue to gain traction, and the number of households using these products increased 66% over the past year. Of note, almost 60% of these customers are new to Regions, providing us with additional opportunities for revenue growth. Also, Now Banking prepaid cards increased 57%.

Let's take a look at expenses on the next slide. Noninterest expenses totaled $884 million in the third quarter. As you may recall, expenses benefited last quarter from a lower level of legal and professional fees and unfunded commitment expense. Also, last quarter included $56 million of debt extinguishment costs related to the early termination of certain debt and preferred securities

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compared to the $5 million we incurred this quarter. Also, this quarter legal and professional fees increased 6% compared to the prior year and totaled $34 million.

Salaries and benefits increased slightly this quarter due to additional staffing in many revenue-generating and customer-facing areas. Expenses have also increased related to investments that we have made to our compliance and risk management infrastructure. We continue to rigorously review all expenses on an ongoing basis, which includes personnel, occupancy, furniture and equipment, as well as branch rationalization opportunities.

And you should expect some fluctuation in expenses on a quarter-to-quarter basis as we make investments to generate revenue growth in the future. However, if the revenue does not materialize, we will reduce expenses accordingly. We expect fourth quarter expenses will approximate those of this quarter, and that 2013 expenses will be modestly lower than those of 2012.

Let's move on to asset quality. We are very pleased with the overall improvement of our asset quality. Net charge-offs declined 21% linked quarter and 64% from the prior year and reached the lowest level in more than five years, representing 60 basis points of total average loans. Total loan loss provision was $18 million, which was $96 million less than net charge-offs. As a result, the allowance to loans declined 15 basis points and was 2.03% at quarter end. Our non-performing loans declined 10%. In addition, inflows of non-performing loans declined 39% to $199 million.

Our loan loss allowance to nonperforming loans was 114% at the end of the third quarter. Notably, criticized and classified loans, which is one of the best and earliest indicators of asset quality, continued to decline with commercial and investor real estate criticized loans down 10% from the second quarter. Classified loans have declined 67% from the peak in the fourth quarter of 2009. And based on what we know today, we expect continued improvement in asset quality going forward.

Take a look at capital and liquidity. Our capital position remains strong as our estimated Tier 1 ratio at the end of the quarter stood at 11.6%. Our estimated Tier 1 common ratio was 11.1%, which is relatively consistent with the prior quarter. We estimate our fully phased-in pro forma Basel III Tier 1 common ratio will be approximately 10.4%, and is well above the minimum threshold. Liquidity at both the bank and the holding company remains solid, with a loan-to-deposit ratio of 82%. And lastly, based on our understanding of the new amendments, Regions remains well-positioned to be fully compliant with respect to the liquidity coverage ratio.

So I'd say in summary, our third quarter results reflect our focus on moving the company forward, and we will continue to seek opportunities to build on this positive momentum and maximize shareholder returns.

I'll now turn it back to List for instructions on the Q&A portion of our call.

M. List Underwood, Head-Investor Relations

Thanks, David. We are ready to begin the Q&A session, and in order to accommodate as many participants as possible this morning, I would like to ask each caller to please limit yourself to one primary question and one related follow-up question. Now, let's open it up the line, operator.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Betsy Graseck of Morgan Stanley.

<Q – Betsy Graseck – Morgan Stanley & Co. LLC>: Good morning.

<A – Grayson Hall – Regions Financial Corp.>: Good morning.

<Q – Betsy Graseck – Morgan Stanley & Co. LLC>: Okay, so a couple of questions. One is on loan growth. You indicated that you are likely to see a little bit of a deceleration rate in loan growth as we go into 4Q. And I just wanted to understand where that's coming from because you do have good momentum in many of your asset classes, and you indicated that home equity was likely to shrink less. So if you could give us some color on where the moderation comes from.

<A – Grayson Hall – Regions Financial Corp.>: Well I think that when you look at the loan growth that we had in the third quarter, it was a little stronger than we had initially anticipated. We began the third quarter, we had signaled that we thought the third quarter typically, which is a seasonably slow quarter for a lot of our lending activities, we fully expected it to be a little more modest than it was in this quarter. We exceeded our expectations.

We still continue to temper our expectations for the fourth quarter. Fourth quarter typically is a strong seasonable quarter for us in terms of lending activity. Last year in particular was strong due to a lot of anticipated tax structure changes. We don't anticipate a repeat of that this year, but we do anticipate that fourth quarter will be a good quarter. We've got good, solid momentum, but we are being a little conservative, if you will, on what we think our opportunities are in the fourth quarter. We'd certainly be delighted to exceed those expectations, but right now we've tried to moderate our expectations given the economy.

<Q – Betsy Graseck – Morgan Stanley & Co. LLC>: Okay. But you're also looking at year-on-year growth as opposed to linked quarter annualized growth?

<A – Grayson Hall – Regions Financial Corp.>: That's correct.

<Q – Betsy Graseck – Morgan Stanley & Co. LLC>: Okay. And then just as a follow up, in direct auto, nice increase there. Could you maybe give us a bit of more color? I know that you have been increasing the auto dealers that you've been working with. Could you give us a sense as to what types of products or are there incremental product types that you're going into as well?

<A – Grayson Hall – Regions Financial Corp.>: Yes, we really have not expanded our product types. We've stayed pretty close to the structure we've had all along. We've continued to be encouraged by the growth in that market, although that market has become more competitive and I do see some competitions on both rate and term in that segment of our portfolio. What we've tried to do is continue to grow our dealer network, and we've been pleased with the number of dealers that we've been able to add. But we've been very focused on trying to sell deeper into the existing dealers that we have on board to try to generate more volume from those dealers. But we really have not expanded our product set or our credit criteria for that space. We tried to remain very disciplined. We probably may be giving up some volume given the credit disciplines we've got in place, but we still believe it's the correct strategy.

<Q – Betsy Graseck – Morgan Stanley & Co. LLC>: Okay. Thanks.

Operator: Your next question comes from the line of Ryan Nash of Goldman Sachs.

<Q – Ryan Nash – Goldman Sachs & Co.>: Hey, good morning guys.

<A – Grayson Hall – Regions Financial Corp.>: Good morning Ryan.

<Q – Ryan Nash – Goldman Sachs & Co.>: Just a follow up on the expense outlook. So, you talked about 4Q being flat with 3Q. And just as you're looking forward to 2014, I mean you're one of the few banks that actually generates some top line growth. And I understand that this is showing that some of the investments are working, but just beyond 4Q, how do we think about the trajectory of expenses into 2014? Should we expect expenses to be down again, or are you more targeting positive operating leverage? And how should we think about the path of the efficiency ratio?

<A – David Turner – Regions Financial Corp.>: Yes Ryan, this is David. I will tell you, it's a little premature for us to give you the 2014 expense numbers, but let me try to frame it up. As I mentioned in the prepared comments, we have made investments to grow our revenue. We've done a pretty good job of managing expenses. If you look at our noninterest expense in just about any category, average assets, FTEs, we're one of the lowest in our industry. We need to grow our revenue, which is why we've made the investments that we have.

So an example of that would be in wealth management, where that is a relatively new business group for us where we've invested in financial consultants, and we expect that revenue to come. It just doesn't happen in a particular quarter. So I think you kind of nailed it with the operating leverage. Our goal is to generate positive operating leverage, and we think we can do that by making smart investments. If you look at the efficiency ratio, obviously, our efficiency ratio was up this quarter. We still expect over time to be in that 55%, 59% range, need a rate increase to help us do that. But our focus is on growing revenue, because that's really where we think overall the generation of shareholder value comes from. And that's really what our game plan is.

<A – Grayson Hall – Regions Financial Corp.>: I'd say, Ryan, I'd say additionally, as we've seen a slowdown in mortgage, that's going to take a little while to play out from an expense standpoint. Clearly, we're adjusting our operating models to what we anticipate to be the volume of activity coming through that channel.

<Q – Ryan Nash – Goldman Sachs & Co.>: Got it. And then just as a follow-up on the net interest margin. Does this contemplate any changes in rates or liability management actions from here? I mean your outlook is calling for stable, but you still have some funding levers. The securities portfolio appears to have bottomed. Loan yields are declining at a decelerating pace. So I'm just trying to understand given the move in the margin this quarter, is this just your guidance is coming at a bit conservative or is the competition that intense such that you see a pickup in asset yield pressure from here?

<A – David Turner – Regions Financial Corp.>: Well we had an increase of 8 points on NIM, and we're calling for that to be stable. It's obviously dependent on rates. We benefit from short-term and long-term rates. And so I think we need to see what impact the prepayments will have. That was a big driver of our improvement in NIM as our premium amortization came down from about $72 million to $59 million. We think if the rates will stay kind of where they are right now, we know we've had a little bit of a rally today in rates. But we think that stability in the margin for the fourth quarter in particular can continue.

We do have a couple of levers as I mentioned on deposit costs. There's not as much there as we have seen in the past, but we can pick up a couple of points perhaps, and we still have some, as we look at long-term debt and think about that, that's less available to us because most of those debt instruments are really tied to capital. So we'll have to consider that in our CCAR process. But we worked our funding cost down to 35 basis points. We have a little bit more to go there, but again, I think our focus is on generating the asset side of the balance sheet and we're seeing growth. We've now grown in a couple of quarters, and that's encouraging to us.

<A – Grayson Hall – Regions Financial Corp.>: Yes and I would just add from a loan competition, loan pricing, loan yields perspective, then I would agree with your earlier comment. You saw pressure on that for several quarters, but the level of pressure seems to have subsided to a degree. Rates seem to have stabilized sort of where they're at today. That could change over time, but right now we don't see a lot of pressure on that particular category.

<Q – Ryan Nash – Goldman Sachs & Co.>: Thanks for taking my questions.

Operator: Your next question comes from the line of John Pancari of Evercore.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, John.

<Q – John Pancari – Evercore Partners (Securities)>: Good morning. Back to the loan yields quickly, as a follow-up there to that discussion, the loan yield was only off about 2 bps in the quarter. Based upon your commentary, you sound pretty confident in the sustainability there. I mean, should we expect that this is the range of a quarterly compression that we could see in that yield, or could it accelerate a bit?

<A – David Turner – Regions Financial Corp.>: John, I think that our guidance was really all in NIM versus breaking it into its individual parts. I think we did have a modest decline in loan yields there. A lot of that is really dependent on mix changes that you see. I think that in this low rate environment, the longer it persists, you should continue to see a grind down in terms of loan yields, albeit our pace, which was only 2 basis points, maybe it's not quite that low. Maybe we have a little more of a decline, but I think our funding side protects us quite a bit there. So that's why we're able to give you confidence on the stability of the margin all-in.

<Q – John Pancari – Evercore Partners (Securities)>: Okay. All right. And then on the loan growth front, can you talk a little bit more about, I know you mentioned it quickly in your prepared comments, around the commercial real estate inflection, and particularly in the investor CRE book. Can you talk about your confidence of seeing that and when we could really see a material turn in that book?

<A – Grayson Hall – Regions Financial Corp.>: Well I think that what we said this time is that we've seen new production improve, albeit from a very low level, and we also would say that new production is more broad across different commercial real estate asset classes than you would have seen a quarter or two before. But it's still relatively small, and we think that given we are a commercial real estate investor, commercial real estate portfolio is today, is that we could be reaching a point of stabilization. An inflection point would assume that we had rapid growth beyond that point. I do think we'll stabilize and start to grow modestly in that portfolio, but we're remaining very disciplined and prudent in what we put into that portfolio, and but I would say that at this juncture we're encouraged by some of the increased demand for that product.

<Q – John Pancari – Evercore Partners (Securities)>: And is that a quarter or two away, that stabilization, Grayson?

<A – Grayson Hall – Regions Financial Corp.>: I think a lot of it, knowing what we know today, I think that's a reasonable assumption, but some of this is the entities behind these assets sometimes accelerate payoffs and paydowns that we can't necessarily anticipate.

<Q – John Pancari – Evercore Partners (Securities)>: Okay. Thank you.

Operator: Your next question comes from the line of Erika Najarian of Bank of America.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Erika.

<Q – Erika Najarian – Bank of America Merrill Lynch>: Good morning. My first question is a follow-up to Ryan. We're calculating an adjusted efficiency ratio of 68% this quarter, which is higher than the mid 60s that you've been trending over the past quarter. As we look out into your near-term efficiency goals next year, could you get back to that mid 60% level, and is the message on this call is that getting back to that mid 60% level really going to come on the revenue side at this point?

<A – Grayson Hall – Regions Financial Corp.>: Erika, I think it predominantly comes from the revenue side, but it will also come from expense reduction on the mortgage side of our business as well. David, anything you want to add?

<A – David Turner – Regions Financial Corp.>: Yes, I think we've been at the 63% range. We popped up to 67%. We expect to work that down on both sides. Obviously, we have levers on expense all the time. But we really want to be careful that we don't just shoot for a particular goal in any given quarter on efficiency. We want to make the proper investments for the long-term growth of our business. So, I think the predominant driver will be revenue and we expect that to come through our investments that we've made. If it doesn't, we adjust expenses accordingly to work that down, because we're not going to sit here and accept a 67% efficiency ratio.

<Q – Erika Najarian – Bank of America Merrill Lynch>: Got it. And as a follow-up to that, could you give us a little bit more color on which business lines you're currently investing in?

<A – David Turner – Regions Financial Corp.>: Well, it's been across the board. So, I gave one example earlier. Wealth management was our new business group that we started investing in this year. We've hired quite a few financial consultants. If you look at our head count additions, almost half of those are revenue generation folks. So wealth management is one area. We've hired additional people in our branch distribution channel. That's where the vast majority of our products are sold, and we needed more people to grow revenue, grow households out in that channel. So those are two. We've also invested in relationship managers across the board in multiple geographies and especially lending and general business.

We have the capital liquidity. We're ready to go. We're ready to invest and make and grow our revenue, because you cannot generate shareholder value in the long-term from expense reductions. You got to make prudent investments to get the revenue going. And we are, that's our bet we're making, and if that doesn't come, we'll adjust accordingly. But it's really across the board. There's no one particular place.

<Q – Erika Najarian – Bank of America Merrill Lynch>: Got it. Thank you.

Operator: Your next question comes from the line of Keith Murray of ISI.

<Q – Keith Murray – International Strategy & Investment Group LLC>: Good morning.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Keith.

<Q – Keith Murray – International Strategy & Investment Group LLC>: I'm going to beat the expense horse one more time. Just curious, when you think about the head count additions let's say in areas like wealth management, how much more hiring do you think needs to occur? And then, what kind of revenue lift or productivity goals do you have there and sort of what's the breakeven? Does it take six months, 12 months, 18 months? I'm just curious on that.

<A – David Turner – Regions Financial Corp.>: Yes, I think when we make – so you picked on wealth management, on that particular one. We make investments in people who pay for themselves within a year, and so it's pretty quick. And different businesses have different timeframes in terms of when they pay for the investment. So again, we can react pretty quickly. We

mentioned the reaction we can make on mortgage. Our mortgage, the production for purchases is up. We have mortgage loan originators dealing with that, but then we have adjusted the back office. So we're moving our expenses around to give us the best return we can. But these investments that we're making in revenue generation areas, we should see revenue growing quarter to quarter to quarter. The question is different investments have a different length of time to return.

<Q – Keith Murray – International Strategy & Investment Group LLC>: Okay. And then could we switch sides to the overall balance sheet? I know loan growth was very healthy this quarter, but total interest-earning assets declined a little bit versus second quarter. Where do you see the overall balance sheet heading, and should we just expect more of a mix change, meaning more loans, less securities going forward?

<A – David Turner – Regions Financial Corp.>: Yes, Keith, what you saw on the earning asset change was really the recognition of the transaction that we made last quarter, the deleverage. We sold some investment securities late in that quarter, last quarter, so they didn't manifest themselves into a decline in the average assets until this quarter. We're kind of there. We think we've stabilized the earning asset levels and we grow from here, so that was really the anomaly that you saw. If you go back and look at ending, you can kind of see what I'm talking about.

<Q – Keith Murray – International Strategy & Investment Group LLC>: Thank you.

Operator: Your next question comes from the line of Matt O'Connor of Deutsche Bank.

<A – Grayson Hall – Regions Financial Corp.>: Good morning.

<Q – Matt O'Connor – Deutsche Bank Securities, Inc.>: Good morning. As we think about some of the compliance and regulatory costs that you mentioned, are you able to size how big they are, either in absolute terms or maybe the change versus a year ago? And are you fully ramped there or is there still some increase to come related to those areas?

<A – Grayson Hall – Regions Financial Corp.>: Matt, I think that clearly in the environment we're all operating in, it's an evolving environment that we continue to make investments in audit and compliance and in risk management. I think those investments will continue to mature over time. As we're obviously able to mechanize more of these processes and be more productive, you'll see some rationalization of those resources. But for right now, I think we still see an evolving and increasing risk management environment, and we're continuing to make investments as we see appropriate.

That being said, we have to figure out a way to fund that, to pay for that on the business side of the house. And that's why we're investing equally in the customer-facing revenue-producing side. That tends to be somewhat opportunistic because we are looking for talented team members to add to our team, because our primary focus is serving our customers, and we need good bankers to be able to do that. And we're finding those in select markets and making those investments when we believe they have got a fairly rapid payback.

<Q – Matt O'Connor – Deutsche Bank Securities, Inc.>: Okay, and then just switching gears on the premium amortization. I think it's about a 23 basis point drag to the net interest margin this quarter. And as we think about that drag going away over time, assuming rates stay here, do we just think about kind of an average life of the portfolio of three to four years and it's probably not exactly straight-lined, but that thought process, or?

<A – David Turner – Regions Financial Corp.>: Yes, Matt, so we were down quite a bit. Our duration is right at four years. You can't straight-line it, but you can do that as a proxy. I think starting the quarter we had right at $800 million of amortizable premium. We amortized $59 million, so the delta that's left, we do make investments each quarter, but so we're down to $740 million-ish

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of amortizable premium. So, you can do your math to get a proxy for that over the four-year duration.

<Q – Matt O'Connor – Deutsche Bank Securities, Inc.>: I guess with where rates are right now, are you still buying bonds or premiums? I'm sure the premiums are a lot smaller than they were before, but is it still mostly premiums that you're buying?

<A – David Turner – Regions Financial Corp.>: That's true. They're just not as large as you mentioned, but yes, we do.

<Q – Matt O'Connor – Deutsche Bank Securities, Inc.>: Okay, makes sense. Thank you.

<A – Grayson Hall – Regions Financial Corp.>: Thank you, Matt.

Operator: Your next question comes from the line of Marty Mosby of Guggenheim.

<A – Grayson Hall – Regions Financial Corp.>: Hey, Marty. Good morning.

<Q – Marty Mosby – Guggenheim Securities LLC>: Good morning. I was going to ask you about deposits. As you're making the significant shift to the lower-cost deposits, you've seen total deposits kind of continuing to move lower. It does look like if you look at the period-end numbers, you're at an inflection point that you might start to see deposits growing again. Is that kind of what you're thinking about and starting to see some stabilization, even growth there?

<A – Grayson Hall – Regions Financial Corp.>: Yes, Marty, as we sort of go on through this cycle, and to David's earlier point, deposit costs are down to 13 basis points. Not sure how much room there is to go lower. Maybe it's 1 point or 2. But what we've seen is, now time deposits are 11% of our book. We're still growing low-cost deposits, but not growing the time book. As that time deposit book, as they have maturities, we're retaining just over 70% of the customers who have maturing CDs in the time deposit segment.

Those that we don't retain, some portion of them are putting monies into money market or into savings. We're very close to a point where we believe we can start showing net growth in total deposits, depending on customer behavior. But as we've got our book down to this roughly 11% mix of time deposits, I think we're in a much better position as you look forward. We think this has been a good strategy for us. We think it's really helped us during this point in time.

That being said, as rates increase, we're trying to model what happens to deposits. There's not a lot of historical models for how deposits react in this kind of market, because we've never really been here before. But we're spending an awful lot of time understanding what we believe to be customer behaviors in a rising rate environment.

<A – David Turner – Regions Financial Corp.>: Marty, I'll add something that's quite interesting this quarter on deposits. So, we had been retaining in total about 70% of our deposits, whether it be in CDs, rolling over into a new CD, or other core deposits. That number was up to about 80%. So 70% of it, as Grayson mentioned, went into retained as a CD, but we had the delta there going into core deposits. So it wasn't the runoff we had seen earlier, and we can suspect that was related to rates have just been lower and the delta between what's maturing and what's going on is not as great as it was. But we feel good about our deposit balances. The investments we've made that we talked about in terms of people should also help us grow those deposits. And we're looking forward to that, because you can never have enough low-cost deposits.

<Q – Marty Mosby – Guggenheim Securities LLC>: When I was just looking at the period-end numbers, if you look at interest-bearing and noninterest-bearing, the total number actually was up over the average. So it looked like it was starting to signal that inflection point. And then lastly,

David, I'm just curious. As you've made this big shift out of time deposits, when rates start to go up, do you think you can kind of go back in and recapturing some of that market share when the time in the market is appropriate? Thanks.

<A – Grayson Hall – Regions Financial Corp.>: Marty, what we've tried to do is during this time period, we're actually running some number of different strategies in some of our markets to try to determine what customer behavior will be. Today our loan to deposit ratio is 82%. So, we don't necessarily need additional deposits today. Although, we're always looking for new customers and trying to grow our deposit base, and so we are running a number of different strategies across our markets so that we can find what's the best strategy for raising deposits when that time occurs.

<Q – Marty Mosby – Guggenheim Securities LLC>: Thanks.

Operator: Your next question comes from the line of Eric Wasserstrom of SunTrust Robinson.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Eric.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Good morning. Just a couple of questions. First, looking at charge-offs, it looks like much of the sequential improvement came from lower C&I and owner-occupied CRE. And I'm curious to know there if that was a function of lower units of charge-off or a lesser degree of severity or higher degrees of recovery, or what the loss content experience was.

<A – Grayson Hall – Regions Financial Corp.>: We've got our Chief Credit Officer, Barb Godin, with us today. We'll ask Barb if she'd answer that question.

<A – Barb Godin – Regions Financial Corp.>: Certainly. It's a little bit of both. What we've seen is the granularity of our portfolio has clearly gotten a lot smaller. We really don't have that many credits, particularly those that charged off that were more than $1 million. We only had a handful. So that explains a lot of those averages coming down. Same thing with number of units came down. And the loss severity per unit also came down.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Thanks.

<A – Grayson Hall – Regions Financial Corp.>: Thanks, Barb.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: And then maybe just jumping back to the NIM for a moment. It looks like you've got a couple of chunks of long-term debt coming up in 2014. I think it's $350 million and something like $850 million in 2015. What would be your intent with respect to refunding those maturities at this point?

<A – David Turner – Regions Financial Corp.>: Yes, we constantly look at our maturities a couple of years in advance. We will get to a point where we need to add new long-term debt. So we do have a [ph] slug (46:33) coming due in the latter part of 2014. And we've dealt with that already in our liquidity profile because of our policy. So you should expect us to be in the market in the not too distant future.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: And if I may just sneak in one more. With respect to, it looks like – sorry back to credit, the 30 to 89-day past dues seem to sneaking up in a number of buckets, and I'm just wondering how we reconcile that with the overall decline in asset quality trends? So, that's it for me. Thank you.

<A – Barb Godin – Regions Financial Corp.>: It's Barb Godin again. A lot of that does have to do with seasonality, especially as you think of any of the consumer buckets, back to school, etcetera, happening, we typically do see the 30 to 89-day delinquencies go up. On the business services

side, in general, that's usually one or two accounts. We've looked at all of them. There's nothing in there that suggests that there's any trends at all.

<A – Grayson Hall – Regions Financial Corp.>: Thank you, Barb.

<Q – Eric Wasserstrom – SunTrust Robinson Humphrey>: Thank you.

Operator: Your next question comes from the line of Michael Rose of Raymond James.

<Q – Michael Rose – Raymond James & Associates, Inc.>: Hey good morning, guys. How are you?

<A – Grayson Hall – Regions Financial Corp.>: Good morning. Thank you.

<Q – Michael Rose – Raymond James & Associates, Inc.>: Hey, just wanted to get a little sense on the Now Banking initiative. It seems like there was good increase in utilization there. Can we just get an overview for what that contributed to deposit service charges and what your outlook is there? Thanks.

<A – Grayson Hall – Regions Financial Corp.>: I mean, we continue to look at ways to improve our product set to serve our customers. And the Now Banking suite has been an attractive offering for us. It's growing from a relatively low base, so the contribution to our earnings from that product set are still relatively small but growing. And so, but more importantly, it's given us the opportunity to really serve our customers and to try to attract new customers into our branches. I think the most exciting part is of 60% of the customers are new to Regions, so it's given us an opportunity to really attract more people into our branch offices and garner more utilization of that branch channel to try to serve an even greater number of customers. David, you want to talk a little bit about contribution?

<A – David Turner – Regions Financial Corp.>: Yes. I think as Grayson mentioned, it's still relatively small. I think if you look at the run rate for the year, we'd be in the $15 million to $20 million range and growing. So we're encouraged by the growth, not because just the dollars today, but where we think it can go over time serving a customer segment that hadn't been served before as well. And it gives us a chance to grow households there, and if you look at our footprint and you look at the opportunities for Now Banking suite, it's pretty large. So we're encouraged by that.

<Q – Michael Rose – Raymond James & Associates, Inc.>: Okay, and then just a follow-on to that. Is there any updates in working with the CFPB in regards to this product and have they given you any additional feedback? Thanks.

<A – David Turner – Regions Financial Corp.>: Not on this product, no. This is really a prepaid debit card and check cashing and expedited bill pay. Those are the kind of products.

<A – Grayson Hall – Regions Financial Corp.>: Funds transfer.

<A – David Turner – Regions Financial Corp.>: And funds transfer. So it's really not – these are good core products and we don't see issues relative to that agency on this.

<Q – Michael Rose – Raymond James & Associates, Inc.>: Great. Thanks for taking my questions.

Operator: Your next question comes from the line of Matt Burnell of Wells Fargo Securities.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Matt.

<Q – Matt Burnell – Wells Fargo Securities LLC>: Good morning. Thanks for taking my question. Just a question on commercial loan utilization rates. A number of your competitors have said that those softened in the third quarter versus the second quarter. I'm curious if you've had the same experience and what your expectations are for the fourth quarter.

<A – Grayson Hall – Regions Financial Corp.>: You know, Matt, we haven't seen that. I mean, our utilization rates of lines is relatively flat. It didn't move much at all during the quarter. If fourth quarter follows historical trends, we'll probably see a little increase in utilization, but so far just really haven't seen much movement in it this quarter.

<Q – Matt Burnell – Wells Fargo Securities LLC>: Okay. And then, just pulling up a little bit. In terms of the buyback, you mentioned that you pretty fully used your current authorization, and is it fair to assume that you would not really plan on doing much more on the buyback front until you are out of the 2014 capital planning process?

<A – David Turner – Regions Financial Corp.>: Yes, I mean as you know, any capital action requires approval from our regulatory supervisors. So we executed, as we mentioned when CCAR came out, what our plan was. We executed in accordance with that plan as our board allowed and as the regulatory supervisors authorized. So if we want to have additional return to the shareholders via buyback or dividend, it requires us to submit a CCAR filing and ask for permission. We're evaluating that as we do 2014 CCAR.

<Q – Matt Burnell – Wells Fargo Securities LLC>: Right, okay, thanks very much for taking my questions. .

Operator: Your next question comes from the line of Gerard Cassidy of RBC.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Gerard.

<Q – Gerard Cassidy – RBC Capital Markets LLC>: Good morning. Thank you. I had to jump off, so I apologize if you have answered this question. Can you guys share with us on the indirect auto, you've had obviously good growth here. There's been some commentary in the media about the Consumer Protection Bureau going after the dealers with the dealer reserve. What's your guys' view on that? How can you manage that process if they're forced, the dealers, to lower that reserve going forward?

<A – David Turner – Regions Financial Corp.>: A couple things, Gerard, that I'd point to. First, banks represent about 42% of this market, so there are captives and others that are in this market. There has been some indication of wanting to get that down. We have seen competition come down to where we've been, and we continue to monitor that, monitor our dealers. We have an aggressive program to go in and make sure our dealers are being fair to the customer, and when we find a dealer that is not, we don't do business with the dealer. It's pretty straightforward, and we feel very confident with what we're doing. That being said, we have to wait and see and as we know, there's a regulatory environment can change, and we have to adapt and overcome. We've done that over and over through the numerous changes that have occurred over the past several years, and we'll continue to do that in this case. But we feel confident where we are right now that we're doing the right thing by our customer.

<Q – Gerard Cassidy – RBC Capital Markets LLC>: Okay. Thank you. And on the second question, shifting gears, obviously you guys are very well capitalized and I know regional banks do not know what their Basel III Tier I common ratios will be under the new rulings. Clearly 7% is the minimum but maybe there will be a small SIFI buffer. When you do your CCAR, what's to prevent you from for asking for 100% payback of return of capital, I should say, of earnings for 2014?

<A – David Turner – Regions Financial Corp.>: Physically nothing's to prevent us. What we don't want to happen is – it's incumbent upon us to manage our capital in an appropriate manner. And that starts with our Board of Directors and goes through all of us that manage capital. And there's a lot of us through this capital planning process to do that. So we want to make sure that we have an appropriate amount of capital, and then whatever we deem to be appropriate is submitted to our regulatory supervisors for their signoff. And that includes spot capital and stress capital.

So nothing prevents it. It just needs, we need to put in something that makes sense, is credible. It's based on our strategy and what we're going to do with our balance sheet. And there are a lot of factors that go into managing capital, so it's not as easy to say just you clearly have plenty of capital today to be able to return 100%. You haven't seen that in our industry. We clearly want to utilize our capital in the most efficient way, whether it be dividend or share buybacks.

But most importantly, we use the capital that the shareholders gave us and that we generated through operations to invest in our business going forward. And that's what we primarily want to do first. And we think loan growth, investing in businesses like our credit card portfolio that we bought. At some time M&A will come back and that will be a place to utilize capital. And if we can't do those things, returning it to the shareholders is the right thing to do.

So all of that goes into our thought process. We're in the middle of that as we speak, and we think we have a very good capital planning process with good governance and we'll exercise that and file our CCAR in 2014 and you'll see the results of that soon afterwards. But nothing's technically to prevent you from doing it.

<Q – Gerard Cassidy – RBC Capital Markets LLC>: Thank you.

Operator: Your next question comes from the line of Gaston Ceron of Morningstar Equity Research.

<A – Grayson Hall – Regions Financial Corp.>: Good morning, Gaston.

<Q – Gaston Ceron – Morningstar Research>: Hi, good morning. Thanks for taking my question. I just wanted to go back to the issue of loan growth for a second. As you look across our key markets, whether you are looking at Florida or Alabama or some of the other large ones, is there any way to kind of parse through quickly and get some color on how loan growth is behaving different, demand for loans is behaving differently in some of these key markets or is it pretty even across the board, would you say?

<A – Grayson Hall – Regions Financial Corp.>: No, I think that if you look at our loan growth, then I would say we've dissected it both geographically and also by lending segment. And you've got geographically, clearly a lot of the growth has come out of the markets that have energy-related activities, Louisiana and Texas. A lot of our growth also has come out of some of the Midwest markets, in St. Louis and also Indianapolis, been particularly strong in those markets. But even in the markets that have been the most challenged, if you will, like Florida, we're seeing the pace of loan runoff there materially slow, and the pace of new production improve.

So, as I mentioned earlier in my comments, I believe I mentioned this, is that we grew in our 16-state footprint, we grew loans in 70% of our markets. So we divide those 16 states and 19 markets and we grew in 70% of those. And so it's broader this quarter than it was last quarter geographically. It's also broader from a lending segment as well. Still a lot of dominance in the large commercial and corporate space. But we did see more activity in the commercial middle market and even in the small business and even in consumer this quarter than we saw previous quarter. So incrementally better, incrementally broader is what I would say, and geographically not all geographies are behaving the same today, but closer than they were.

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<Q – Gaston Ceron – Morningstar Research>: And are you growing any more optimistic about Florida, would you say, or not?

<A – David Turner – Regions Financial Corp.>: Ask your question again, please.

<Q – Gaston Ceron – Morningstar Research>: I'm sorry. Are you growing more optimistic about Florida getting even better, or not, just holding steady?

<A – Grayson Hall – Regions Financial Corp.>: Yes, we are. The housing recovery we say is real. Florida was at the center of this economic storm, and so recovering a little slower and later than some of our other markets, but clearly recovering and we're optimistic about it. We think long term it's going to be a good market for us. We've just got to be disciplined in how we do business there.

<Q – Gaston Ceron – Morningstar Research>: Great. Thanks for the color.

Operator: Your final question comes from the line of Ken Usdin of Jefferies.

<Q – Ken Usdin – Jefferies LLC>: Thanks. Good morning. A couple of cleanup ones here. So Dave, I was just wondering, can you help us dimensionalize the magnitude of the cost reduction that could come out of the mortgage business as you get around to that point of level setting that back to the new revenue run rate?

<A – David Turner – Regions Financial Corp.>: Ken, it's hard to come up with a point estimate on the dollars. I think what we need to do is adjust it according to what the revenue opportunities. Our revenue opportunities are different than the other areas. Remember, we're more of a purchase shop than we were a refinance shop. So I think that we've seen still pretty strong demand over purchase mortgage. We want to make sure we have mortgage loan originators out there. We've grown that. But we've reduced our back office 22% thus far, and that's primarily through reductions in temporary staff and overtime at some people. But that's really what the driver is. Obviously if revenue is down, commissions are down. You see that pretty quick.

So I think what I'd leave you with is we're confident we can adjust mortgage pretty rapidly. It just may not follow a given quarter. That being said, that business was very strong over the past couple of years. Gains on sale were large. All that is starting to rationalize a little bit, but it's a great shop. They do a fabulous job in the mortgage group and the mortgage servicing group. And we will continue to make investments in appropriate places, and we will cut back on other areas and adjust accordingly.

<Q – Ken Usdin – Jefferies LLC>: All right. And then just in terms of just you continuing to fund this growth buildout, is there anything you guys are contemplating or have in place on the branch and staffing side to also cut out of that side of it as well?

<A – Grayson Hall – Regions Financial Corp.>: You know, that's a great question. We spend an awful lot of time looking at all of our sales and service channel. And the branch channel is one that is one of our more expensive channels, and we continue to monitor the behavior of our customers and the utilization of our customers of those offices. You will continue to see us. We got 1,700, a little over 1,700 offices. We continue to look at the size of those offices, the technology that is embedded in the offices and in terms of where there's opportunities for us to make that delivery system more efficient and more effective. And you'll continue to see that out of us. We don't have anything to announce today, but when you look at the way we're servicing our customers, we continue to invest in each channel, but we continue to rationalize each channel at the same time, and we do that on a regular basis in our branch channel.

<Q – Ken Usdin – Jefferies LLC>: All right and another little clean up one. Relative to this wealth management business sale, can you talk about any revenue and expense impact that that will have going forward?

<A – David Turner – Regions Financial Corp.>: Well, we made investments in our wealth management group, the financial consultants I was talking to you about. We've added probably over 100 people during the year, and if you just compare our third quarter of 2013 in terms of some of our fee income related to that business, we're up 67%. And I think that that's really important to us. We have cut businesses out. You saw us, we had a disposal of a segment in wealth management that wasn't as profitable as we wanted it to be. So we've made adjustments there. But wealth management is relatively new. And we'll continue to make investments to grow that revenue, and feel very confident that revenue comes pretty quickly.

<Q – Ken Usdin – Jefferies LLC>: Yes, so David, on that sale piece, will that be a noticeable change, either the revenues that go away or the expenses that go with it to the point of it not being a very profitable part of the business? Does it have a noticeable effect on the financials going forward?

<A – David Turner – Regions Financial Corp.>: Ken, I doubt you'll even notice, that you'll even see it. It does impact us some, but it was pretty negligible, so I don't think you'll miss it net/net after expenses that were taken out of the revenue loss.

<Q – Ken Usdin – Jefferies LLC>: Okay, and my then my last, last one on expenses is, professional fees you guys are spending for the regulatory side and getting ready for CCAR and whatnot, does that eventually crest and roll back over? Is that a bit of a temporary blip that you're seeing there, or does that roll over at all?

<A – David Turner – Regions Financial Corp.>: Well, you can see volatility in professional fees. You can look at any particular quarter and see the kind of volatility we have. We're in a unique environment. Our whole industry is, and so you've seen that be a little higher than we want it to be. So, we think in time, if we get the environment to stabilize, we think that those costs rationalize as well and come down to a more acceptable level, I should say.

<Q – Ken Usdin – Jefferies LLC>: All right. Thanks very much.

O. B. Grayson Hall, Jr., Chairman, President & Chief Executive Officer

All right. Thank you for everyone's time. There being no more questions, we'll stand adjourned. Thank you.

Operator: Thank you. This concludes today's conference call. You may now disconnect.

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