Regions Financial Corporation

Basel III Regulatory Capital Disclosures Report

As of and for the quarter ended March 31, 2016

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Glossary

Bank	Regions Bank.
Basel I	Basel Committee's 1988 Regulatory Capital Framework (First Accord).
Basel II	Basel Committee's 2004 Regulatory Capital Framework (Second Accord).
Basel III	Basel Committee's 2010 Regulatory Capital Framework (Third Accord).
Basel III Rules	Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013.
Board	The Company's Board of Directors.
BOLI	Bank-owned life insurance.
CCAR	Federal Reserve's Comprehensive Capital Analysis and Review.
CET1	Common Equity Tier 1 capital.
Company	Regions Financial Corporation and its subsidiaries.
CSA	Credit Support Annexes.
DFAST	Dodd-Frank Act Stress Testing.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
FASB	Financial Accounting Standards Board.
FHA	Federal Housing Administration.
FHLB	Federal Home Loan Bank.
Form 10-K	Refers to the Annual Report on Form 10-K that is filed with the Securities and Exchange Commission by Regions Financial Corporation.
Form 10-Q	Refers to the Quarterly Report on Form 10-Q that is filed with the Securities and Exchange Commission by Regions Financial Corporation.
FRB	Federal Reserve Board.
GNMA	Government National Mortgage Association.
ISDA	International Swaps and Derivatives Association.
LCR	Liquidity Coverage Ratio.
OTC	Over the counter.
Regions	Regions Financial Corporation and its subsidiaries.
RWA	Risk weighted assets.
SEC	U.S. Securities and Exchange Commission.
SPE	Special purpose entity.
SSFA	Simplified Supervisory Formula Approach.
TDR	Troubled debt restructured loans.
U.S.	United States.
U.S. GAAP	Generally Accepted Accounting Principles in the United States.

Forward Looking Statements

This report may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, which reflect Regions' current views with respect to future events and financial performance. The terms "Regions," "the Company," "we," "us" and "our" mean Regions Financial Corporation, a Delaware corporation and its subsidiaries, when or where appropriate. The words "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "targets," "projects," "outlook," "forecast," "will," "may," "could," "should," "can" and similar expressions often signify forward-looking statements. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management's 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. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the risks identified in Item 1A. "Risk Factors" of our 2015 Annual Report on Form 10-K and those described below:

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our earnings.
- The effects of a possible downgrade in the U.S. government's sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.
- Possible changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.
- Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses where our allowance for loan losses may not be adequate to cover our eventual losses.
- Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.
- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.
- The effects of any developments, changes or actions relating to any litigation or regulatory proceedings brought against us or any of our subsidiaries.
- Changes in laws and regulations affecting our businesses, such as the Dodd-Frank Act and other legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- Our ability to obtain a regulatory non-objection (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us.
- Our ability to comply with stress testing and capital planning requirements (as part of the CCAR process or otherwise) may continue to require a significant investment of our managerial resources due to the importance and intensity of such tests and requirements.
- Our ability to comply with applicable capital and liquidity requirements (including, among other things, the Basel III capital standards and the LCR rule), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.
- The Basel III framework calls for additional risk-based capital surcharges for globally systemically important banks. Although we are not subject to such surcharges, it is possible that in the future we may become subject to similar surcharges.
- The costs, including possibly incurring fines, penalties, or other negative effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party, and which may adversely affect our results.
- Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our business.
- Our ability to execute on our strategic and operational plans, including our ability to fully realize the financial and non-financial benefits relating to our strategic initiatives.
- The success of our marketing efforts in attracting and retaining customers.
- Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits, which could adversely affect our net income.
- Our ability to recruit and retain talented and experienced personnel to assist in the development, management and operation of our products and services may be affected by changes in laws and regulations in effect from time to time.

- Fraud or misconduct by our customers, employees or business partners.
- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- The risks and uncertainties related to our acquisition and integration of other companies.
- Inability of our framework to manage risks associated with our business such as credit risk and operational risk, including third-party vendors and other service providers, which could, among other things, result in a breach of operating or security systems as a result of a cyber attack or similar act.
- The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.
- The effects of geopolitical instability, including wars, conflicts and terrorist attacks and the potential impact, directly or indirectly, on our businesses.
- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes, and environmental damage, which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business.
- Changes in commodity market prices and conditions could adversely affect the cash flows of our borrowers operating in industries that are impacted by changes in commodity prices (including businesses indirectly impacted by commodities prices such as businesses that transport commodities or manufacture equipment used in the production of commodities), which could impair their ability to service any loans outstanding to them and/or reduce demand for loans in those industries.
- Our inability to keep pace with technological changes could result in losing business to competitors.
- Our ability to identify and address cyber-security risks such as data security breaches, “denial of service” attacks, “hacking” and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information; increased costs; losses; or adverse effects to our reputation.
- Significant disruption of, or loss of public confidence in, the Internet and services and devices used to access the Internet could affect the ability of our customers to access their accounts and conduct banking transactions.
- Possible downgrades in our credit ratings or outlook could increase the costs of funding from capital markets.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally could require us to change certain business practices, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- The effects of the failure of any component of our business infrastructure provided by a third party could disrupt our businesses; result in the disclosure of and/or misuse of confidential information or proprietary information; increase our costs; negatively affect our reputation; and cause losses.
- Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends to stockholders.
- Changes in accounting policies or procedures as may be required by the FASB or other regulatory agencies could materially affect how we report our financial results.
- Other risks identified from time to time in reports that we file with the SEC.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.

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

Background and Overview

In July 2013, the Company's and the Bank's primary federal regulator, the Federal Reserve Board, published the Basel III Rules establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Rules implement the Basel Committee's December 2010 framework known as Basel III for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company and the Bank, compared to the U.S. risk-based capital rules in effect prior to the effective date of the Basel III Rules. The Basel III Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. The Basel III Rules were effective for Regions and Regions Bank on January 1, 2015 (subject to a phase-in period). Regions is currently not subject to the U.S. market risk capital rule, which applies only to banking institutions with significant trading activity.

This document and certain of the Company's public filings present the Regulatory Capital Disclosures in compliance with Basel III as described in Section 63 of the Final Rules. The Company's Annual Report on Form 10-K for the year ended December 31, 2015 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC contain management's discussion of the overall risk profile of the Company and related management strategies. These Regulatory Capital Disclosures should be read in conjunction with the Form 10-K and Form 10-Q, as well as the Consolidated Financial Statements for Holding Companies - FR Y-9C. The Regulatory Capital Disclosures Matrix presented in Appendix 1 specifies where all disclosures required by the Basel III Rules are located.

Table 1 Scope of Application

Regions Financial Corporation is a financial holding company headquartered in Birmingham, Alabama. The terms "we," "us" and "our" mean Regions Financial Corporation, a Delaware corporation and its subsidiaries, when appropriate. Regions conducts its banking operations through Regions Bank, an Alabama state-chartered commercial bank that is a member of the Federal Reserve System. At March 31, 2016, Regions operated 1,950 ATMs and 1,605 banking offices across the South, Midwest and Texas. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, insurance, trust services, merger and acquisition advisory services and other specialty financing. At March 31, 2016, Regions had total consolidated assets of approximately $125.5 billion, total consolidated deposits of approximately $98.2 billion and total consolidated stockholders' equity of approximately $17.2 billion.

The Company's accounting and reporting policies conform to U.S. GAAP. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. See Note 1, "Summary of Significant Accounting Policies" to the consolidated financial statements included in Regions' 2015 Form 10-K. The basis of consolidation for accounting and regulatory purposes is the same.

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. Under the Federal Reserve's Regulation H, Regions Bank may not, without 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.

Under Alabama law, Regions Bank may not pay a dividend in excess of 90% of its net earnings until the bank's surplus is equal to at least 20% of capital. Regions Bank is also required by Alabama law to seek the 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 for that year, plus (b) its retained net earnings for the preceding two years, less any required transfers to surplus. The statute defines net earnings as the remainder of all earnings from current operations plus actual recoveries on loans and investments and other assets, after deducting from the total thereof all current operating expenses, actual losses, accrued dividends on preferred stock, if any, and all federal, state and local taxes. Regions Bank cannot, without approval from the Federal Reserve and the Alabama Superintendent of Banking, declare or pay a dividend to Regions unless Regions Bank is able to satisfy the criteria discussed above.

Regions' insurance subsidiaries are insurance brokers and do not currently engage in underwriting activities. However, Regions did engage in underwriting activities in the past. At March 31, 2016, the Company's insurance subsidiaries' aggregate amount of surplus capital included in the total capital of the consolidated group was minimal.

At March 31, 2016, none of the Company's subsidiaries that have a capital requirement had capital less than the minimum total capital requirement.

Table 2 Capital Structure

Regions has issued a variety of capital instruments to meet its regulatory capital requirements. These capital instruments include common stock that qualifies as CET1, noncumulative perpetual preferred stock that qualifies as additional Tier 1 capital and subordinated debt that qualifies as Tier 2 capital. For further information on the Company's capital instruments, see Note 13, "Long-Term Borrowings", and Note 15, "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)", to the consolidated financial statements in Part II, Item 8 of the 2015 Form 10-K. See also Note 7, "Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)", to the consolidated financial statements in Part I, Item 1 of the March 31, 2016 Form 10-Q. See also Table 14, "Long-Term Borrowings", in Part I, Item 2 of the March 31, 2016 Form 10-Q.

The following table represents the amounts of CET1, Tier 1 capital and Total capital along with the related components and regulatory adjustments and deductions.

Table 2 Capital Structure

	March 31, 2016	
	Regions Financial Corporation	Regions Bank
	(In millions)	
Common Equity Tier 1 Capital:		
Common stock and surplus (net of treasury stock)	$ 16,352	$ 16,461
Retained earnings	62	68
Accumulated other comprehensive income (loss), net	(23)	(23)
Regulatory adjustments and deductions made to CET1	(4,891)	(4,210)
Common Equity Tier 1 Capital	11,500	12,296
Additional Tier 1 Capital:		
Preferred stock	820	—
Regulatory adjustments and deductions made to Tier 1 capital	(35)	—
Tier 1 Capital	12,285	12,296
Tier 2 Capital:		
Qualifying subordinated debt	557	844
Qualifying allowance for loan and lease losses	1,204	1,204
Total capital minority interest not included in Tier 1 capital	599	—
Includible unrealized gains on available for sale equity exposures	3	3
Total Capital	$ 14,648	$ 14,347

Table 3 Capital Adequacy

Capital Adequacy Assessment

Regions believes that the prudent management of capital is paramount in ensuring the Company's continued ability to provide uninterrupted high quality service to the businesses and communities it serves. Regions believes that no single tool or model can sufficiently assess capital adequacy. As such, Regions has established a multi-faceted approach which is designed to capture relevant information from across the Company and consolidate it in a way that can be reliably used to facilitate capital adequacy assessments and broader capital planning decision making. This framework is directly integrated with the Risk Appetite Statement, as defined by the Board, and includes, but is not limited to, analysis of economic capital, regulatory capital, liquidity, and internal enterprise risk assessments. Certain of these elements are analyzed on a spot and forecasted basis and under a multiple of assumed macroeconomic conditions, including adverse scenarios of varying severity. With respect to these adverse scenarios, this "stress testing" is a critical input into Regions' internal capital adequacy assessment and is also a primary focus of CCAR and DFAST. For additional information on the risks considered and methodology employed by Regions as part of its internal stress testing routines, see Regions' semi-annual DFAST disclosure posted on Regions' website.

Regulatory Capital Ratios

Regions also manages its capital to exceed regulatory capital requirements for well-capitalized financial institutions and to exceed minimum levels inclusive of any applicable capital conservation buffer (see Table 4 "Capital Conservation Buffer"). For March 31, 2016, the Company's applicable capital requirement for regulatory and supervisory purposes is based upon the ratios determined under the standardized approach.

Under the standardized approach, banking regulators define capital requirements for banks and bank holding companies expressed in the form of a CET1 capital ratio, a Tier 1 capital ratio, a Total capital ratio, and a Leverage ratio. The current minimum required levels for these ratios are 4.5 percent, 6.0 percent, 8.0 percent, and 4.0 percent, respectively, for both Regions and Regions Bank. The requirements for Regions Bank to be considered "well capitalized" are 6.5 percent, 8.0 percent, 10.0 percent, and 5.0 percent, respectively. The requirements for Regions to be considered "well capitalized" are 6.0 percent for Tier 1 capital and 10.0 percent for Total capital.

A summary of the risk-weighted assets by exposure category and the capital ratios under the standardized approach as of March 31, 2016 are shown below.

Table 3 Capital Adequacy

Risk-Weighted Assets:	March 31, 2016 Regions Financial Corporation
	(In millions)
Exposures to government sponsored enterprises	$ 3,090
Exposures to depository institutions, foreign banks and credit unions	352
Exposures to public service entities	1,297
Corporate exposures	47,203
Residential mortgage exposures	16,126
High volatility commercial real estate loans	5,424
Past due loans	1,288
Other assets	11,328
Securitization exposures	338
Equity exposures[1]	2,078
Other:	
Off-balance-sheet commitments	15,288
Derivatives	744
Letters of credit and other	1,228
Total risk-weighted assets	$ 105,784

(1) See Table 9 for additional information regarding Regions' equity exposures.

	March 31, 2016	
Capital Ratios:	Regions Financial Corporation	Regions Bank
Common Equity Tier 1	10.87%	11.65%
Tier 1	11.61%	11.65%
Total	13.85%	13.60%

Table 4 Capital Conservation Buffer

The Basel III Rules introduce a new capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is on top of minimum risk-weighted asset ratios. In addition, the Basel III Rules provide for a countercyclical capital buffer applicable only to advanced approach institutions. Currently the countercyclical capital buffer is not applicable to Regions or Regions Bank. The reportable capital conservation buffer is equal to the lowest difference between the three risk-based capital ratios less the applicable minimum required ratio. Banking institutions with ratios that are above the minimum but below the combined capital conservation buffer and countercyclical capital buffer (when applicable) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

When fully phased-in on January 1, 2019, the Basel III Rules will require the Company and the Bank to maintain an additional capital conservation buffer of 2.5% of CET1 to risk-weighted assets, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a remaining 3-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The Basel III Rules also require disclosure of a banking institution's eligible retained income, which is calculated as the net income attributable to the institution for the four calendar quarters preceding the current calendar quarter, based on the institution’s

most recent quarterly Call Reports and FR Y-9C's, as appropriate, net of any distributions and associated tax effects not already reflected in net income.

A summary of the capital conservation buffer calculations and disclosure requirements under the standardized approach as of March 31, 2016 is shown below.

	March 31, 2016	
	Regions Financial Corporation	Regions Bank
	(Dollars in millions)	
CET1	10.87%	11.65%
Less: minimum	4.50%	4.50%
	6.37%	7.15%
Tier 1	11.61%	11.65%
Less: minimum	6.00%	6.00%
	5.61%	5.65%
Total	13.85%	13.60%
Less: minimum	8.00%	8.00%
	5.85%	5.60%
Reportable capital conservation buffer (lowest of the subtotals above)	5.61%	5.60%
Eligible retained income	$ 72	$ 256

Regions is not subject to any limitations on its capital distributions or discretionary bonus payments to executive officers because capital levels exceed the defined minimum levels, inclusive of the capital conservation buffer.

Table 5 Credit Risk: General Disclosures

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet a contractual obligation. Credit risk exists in the securities portfolio, the loan portfolio, and derivatives activities. Regions maintains a highly rated securities portfolio consisting primarily of agency mortgage-backed securities, in order to manage credit risk in the securities portfolio. Regions uses financial derivative instruments for management of interest rate sensitivity, as well as to offset the risks associated with customer derivatives, which include interest rate, credit and foreign exchange risks. Regions manages the credit risk of these derivative instruments in much the same way it manages credit risk of the loan portfolios by establishing credit limits for each counterparty and through collateral agreements for dealer transactions. For non-dealer transactions, the need for collateral is evaluated on an individual transaction basis and is primarily dependent on the financial strength of the counterparty. Credit risk related to derivatives is also reduced significantly by entering into legally enforceable master netting agreements.

Regions has established a risk management framework to manage risks and provide reasonable assurance of the achievement of the Company’s strategic objectives. Regions’ risk management framework outlines the Company's approach for managing risk that includes four components: 1) culture, 2) appetite, 3) process and 4) governance. Clearly defined roles and responsibilities are critical to the effective management of risk and are central to the four components of the Company’s approach to risk management. Regions utilizes the Three Lines of Defense concept to clearly designate risk management activities within the Company. The Risk Management Group, led by the Company’s Chief Risk Officer, ensures the consistent application of Regions’ risk management approach within the structure of the Company’s operating, capital and strategic plans. As part of its ongoing assessment process, the Risk Management Group makes recommendations to management and the Risk Committee of the Board regarding adjustments to controls as conditions or risk tolerances change. Management, with the assistance of the Risk Management Group, follows a formal process for identifying, measuring and documenting key risks (including credit risk) facing each business group and determining how those risks can be controlled or mitigated, as well as how the controls can be monitored to ensure they are effective. The Risk Committee receives reports from management to ensure operations are within the limits established by the Committee’s Risk Appetite Statement.

For further information on Regions’ credit risk and risk management framework, see “Quantitative and Qualitative Disclosures about Market Risk-Risk Management,” and “Quantitative and Qualitative Disclosures about Market Risk-Credit Risk,” and “Quantitative and Qualitative Disclosures about Market Risk-Interest Rate Risk” in Part II, Item 7A of the 2015 Form 10-K for a discussion of Regions’ derivative credit risk.

Regions has documented policies related to determining past due or delinquency status of a loan, placing loans on non-accrual status, returning loans to accrual status, identifying impaired loans and charging-off uncollectible loans. See Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements included in Regions’ 2015 Form 10-K for further information.

Disclosures included in this Credit Risk: General Disclosures section report classifications consistent with the 2015 Form 10-K. Credit risk associated with loans combined with related commitments to extend credit and letters of credit, corporate and other debt securities and OTC derivatives are presented in this section since they represent Regions' major types of credit exposure.

Loans and Related Commitments

The Company categorizes its loan portfolio into three segments, which is the level at which it develops and documents a systematic methodology to determine the allowance for credit losses. The Company’s three loan portfolio segments are commercial lending, investor real estate lending and consumer lending. Regions further disaggregates its loans into various classes based on their underlying risk characteristics. The three classes within the commercial lending segment are commercial and industrial, commercial real estate mortgage-owner occupied and commercial real estate construction-owner occupied. The two classes within investor real estate lending are commercial investor real estate mortgage and commercial investor real estate construction. The six classes within the consumer lending segment are residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card and other consumer loans. The following tables present certain of the Company’s on- and off-balance sheet positions for which the Company is subject to credit risk exposure and are presented on a U.S. GAAP basis. These amounts do not include the effects of certain credit risk mitigation techniques (for example, netting not permitted under U.S. GAAP), equity investments or liability positions that also would be subject to credit risk capital calculations, and amounts related to items that are deducted from regulatory capital. For the tables below, the residential first mortgage and home equity lending classes have been combined into “consumer real estate” and the indirect-vehicles, indirect-other consumer, consumer credit card and other consumer loan classes have been combined into “other consumer”. For further information on the Company’s loan portfolios, see the “Portfolio Characteristics” sections of Management’s Discussion and Analysis in Part II, Item 7A of the 2015 Form 10-K, and in Part I, Item 2 of the March 31, 2016 Form 10-Q.

Table 5a provides the geographic distribution of loans and related commitments by the top ten states within the United States and all other. The table includes loans, contractual commitments to extend credit and letters of credit, and excludes loans held for sale.

Table 5a Loans and Related Commitments Exposure by Geography

	March 31, 2016					
	Commercial [1]	Investor Real Estate [2]	Consumer Real Estate [2]	Other Consumer [1]	Total	Percent of Total
	(Dollars in millions)					
Florida	$ 8,253	$ 2,173	$ 9,996	$ 2,475	$ 22,897	17.9%
Alabama	9,498	411	4,964	2,145	17,018	13.3%
Tennessee	7,218	368	5,102	1,450	14,138	11.0%
Texas	9,661	2,187	965	1,102	13,915	10.9%
Georgia	5,403	724	2,137	1,093	9,357	7.3%
Louisiana	4,109	327	1,459	642	6,537	5.1%
Mississippi	2,436	199	1,372	686	4,693	3.7%
North Carolina	1,579	709	580	396	3,264	2.5%
Arkansas	1,929	93	748	493	3,263	2.5%
Missouri	2,058	89	686	235	3,068	2.4%
Other [3]	21,080	3,504	3,418	1,923	29,925	23.4%
	$ 73,224	$ 10,784	$ 31,427	$ 12,640	$ 128,075	100.0%

(1) Geography defined by location of customer.
(2) Geography defined by location of collateral.
(3) Includes commitments to make commitments of approximately $2.3 billion.

Table 5b provides loans and related commitments by industry distribution. The table includes loans, contractual commitments to extend credit and letters of credit, and excludes loans held for sale.

Table 5b Loans and Related Commitments Exposure by Industry

	March 31, 2016	
	Amount	Percent of Subtotal
	(Dollars in millions)	
Commercial:		
Administrative, support, waste and repair	$ 1,433	2.0%
Agriculture	1,004	1.4%
Educational services	2,111	2.9%
Energy	4,829	6.6%
Financial services [(1)]	6,766	9.2%
Government and public sector	2,445	3.3%
Healthcare	5,601	7.6%
Information	1,903	2.6%
Manufacturing [(1)]	8,268	11.3%
Professional, scientific and technical services [(1)]	2,870	3.9%
Real estate	11,388	15.6%
Religious, leisure, personal and non-profit services	2,783	3.8%
Restaurant, accommodation and lodging	3,222	4.4%
Retail trade	5,173	7.1%
Transportation and warehousing [(1)]	3,191	4.4%
Utilities	2,860	3.9%
Wholesale goods [(1)]	5,441	7.4%
Other	1,936	2.6%
Total commercial	73,224	100.0%
Investor real estate:		
Hotel	408	3.8%
Industrial [(1)]	1,170	10.9%
Land [(1)]	240	2.2%
Multi-family	3,067	28.4%
Office [(1)]	1,922	17.8%
Retail [(1)]	1,392	12.9%
Single-family/condo	1,671	15.5%
Other [(1)]	914	8.5%
Total investor real estate	10,784	100.0%
Consumer:		
Consumer real estate secured	31,427	
Consumer non-real estate secured	12,640	
Total consumer	44,067	
Total	$ 128,075	
Average for the quarter	$ 128,273	

(1) Regions' definition of indirect energy-related lending includes certain balances within each of these selected industry categories. As of March 31, 2016, total indirect energy-related lending and commitments were approximately $1.0 billion.

Table 5c provides a distribution based on remaining maturity by loan category for the funded amount of loans. Table 5d provides a maturity distribution by loan category for contractual commitments to extend credit and letters of credit. The funded amount of loans combined with the contractual amounts of commitments to extend credit and letters of credit represents the Company's maximum exposure to credit loss in the event of default by the borrower if the borrower were to fully draw against the commitment. Regions manages this credit risk by using the same credit policies it applies to loans. Refer to Note 14, "Commitments, Contingencies and Guarantees", to the consolidated financial statements in Part I, Item 1 of the March 31, 2016 Form 10-Q for further details.

Table 5c Loan Maturities by Exposure Type

	March 31, 2016			
	One Year or Less	Over One Through Five Years	Over Five Years	Total
	(In millions)			
Commercial	$ 5,781	$ 28,283	$ 9,867	$ 43,931
Investor real estate	2,357	4,409	304	7,070
Consumer real estate	119	1,149	22,541	23,809
Other consumer	1,209	3,157	2,430	6,796
	$ 9,466	$ 36,998	$ 35,142	$ 81,606
Average for the quarter				$ 81,510

Table 5d Commitments and Letters of Credit Maturities by Exposure Type

	March 31, 2016		
	One Year or Less	Greater Than One Year	Total
	(In millions)		
Commercial	$ 8,945	$ 20,348	$ 29,293
Investor real estate	1,079	2,635	3,714
Consumer real estate	942	6,676	7,618
Other consumer	5,436	408	5,844
	$ 16,402	$ 30,067	$ 46,469
Average for the quarter			$ 46,763

Table 5e provides geographic detail on past due and nonperforming loans, excluding loans held for sale. The geographic distribution is consistent with the methodology utilized in Table 5a. The table also excludes unfunded commitments and letters of credit because Regions' obligation to provide additional funding is reduced as a result of the performing status of these loans.

Table 5e Past Due and Nonperforming Loans by Geography

	March 31, 2016				
	Accruing Loans [1]		Non-accrual Loans		
	30-89 Days Past Due	90 or More Days Past Due	Less Than 90 Days Past Due	90 or More Days Past Due	Total Non-accrual
	(In millions)				
Florida	$ 98	$ 99	$ 85	$ 98	$ 183
Alabama	49	45	131	29	160
Tennessee	41	36	48	19	67
Texas	12	10	259	12	271
Georgia	33	20	25	9	34
Louisiana	24	19	78	18	96
Mississippi	26	22	27	7	34
North Carolina	10	4	4	8	12
Arkansas	10	13	11	8	19
Missouri	8	5	8	7	15
Other	49	33	52	50	102
	$ 360	$ 306	$ 728	$ 265	$ 993

(1) Includes residential first mortgage loans that are 100% guaranteed by FHA and all guaranteed loans sold to GNMA where Regions has the right but not the obligation to repurchase. Total 30-89 days past due guaranteed loans included above were $19 million. Total 90 days or more past due guaranteed loans included above were $105 million.

Table 5f provides industry distribution of the past due and nonperforming loans for each class of loans, excluding loans held for sale. Unfunded commitments and letters of credit are also excluded as discussed above.

Table 5f Past Due and Nonperforming Loans by Industry

	March 31, 2016				
	Accruing Loans		Non-accrual Loans		
	30-89 Days Past Due	90 or More Days Past Due	Less Than 90 Days Past Due	90 or More Days Past Due	Total Non-accrual
	(In millions)				
Commercial:					
Administrative, support, waste and repair	$ 2	$ 1	$ 8	$ 6	$ 14
Agriculture	9	1	17	18	35
Educational services	—	—	49	4	53
Energy	2	—	267	20	287
Financial services	1	1	5	5	10
Government and public sector	—	—	11	—	11
Healthcare	7	—	21	18	39
Information	—	—	8	2	10
Manufacturing	3	—	93	4	97
Professional, scientific and technical services	2	—	14	27	41
Real estate	6	1	35	9	44
Religious, leisure, personal and non-profit services	7	1	25	6	31
Restaurant, accommodation and lodging	2	—	18	3	21
Retail trade	7	1	8	5	13
Transportation and warehousing	1	—	31	4	35
Wholesale goods	9	—	63	7	70
Other	1	—	—	1	1
Total commercial	59	6	673	139	812
Investor real estate:					
Industrial	—	1	6	2	8
Land	1	—	4	4	8
Multi-family	18	—	1	—	1
Office	1	8	—	2	2
Retail	1	—	1	—	1
Single family/condo	2	1	2	1	3
Other	1	—	3	2	5
Total investor real estate	24	10	17	11	28
Consumer:					
Consumer real estate secured [(1)]	202	265	38	115	153
Consumer non-real estate secured	75	25	—	—	—
Total consumer	277	290	38	115	153
Total	$ 360	$ 306	$ 728	$ 265	$ 993

(1) Includes residential first mortgage loans that are 100% guaranteed by FHA and all guaranteed loans sold to GNMA where Regions has the right but not the obligation to repurchase. Total 30-89 days past due guaranteed loans included above were $19 million. Total 90 days or more past due guaranteed loans included above were $105 million.

Table 5g details the amount of the allowance by loan portfolio category. The allowance for loan and lease losses represents management's estimate of probable credit losses inherent in the loan portfolios as of period end. Regions determines its allowance in accordance with applicable accounting literature as well as regulatory guidance related to receivables and contingencies. Additional discussion of the methodology used to calculate the allowance is included in Note 1, "Summary of Significant Accounting Policies" and Note 6, "Allowance for Credit Losses" to the consolidated financial statements included in Regions' 2015 Form 10-K.

Table 5g **Allocation of the Allowance for Loan Losses**

	March 31, 2016		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
		(In millions)	
Commercial	$ 254	$ 567	$ 821
Investor real estate	20	71	91
Consumer real estate	66	66	132
Other consumer loans	—	107	107
	$ 340	$ 811	$ 1,151

Management considers the current level of the allowance appropriate to absorb losses inherent in the loan portfolios. Management's determination of the appropriateness of the allowance requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance to be increased or decreased in future periods. In addition, bank regulatory agencies, as part of their examination process, may require changes in the level of the allowance based on their judgments and estimates. Actual losses could vary from management's estimates.

Refer to Note 4, "Loans and the Allowance for Credit Losses", to the consolidated financial statements in Part I, Item 1 of the Company's March 31, 2016 Form 10-Q for a rollforward of the allowance.

Table 5h presents loan charge-offs by industry for each of the Company's loan portfolios.

Table 5h Charge-Offs by Industry

	Three Months Ended March 31, 2016
	(In millions)
Commercial:	
Administrative, support, waste and repair	$ 1
Agriculture	6
Educational services	1
Healthcare	15
Manufacturing	1
Professional, scientific and technical services	1
Real estate	1
Religious, leisure, personal and non-profit services	1
Retail trade	1
Other	1
Total commercial charge-offs	29
Total commercial recoveries	(7)
Total commercial net charge-offs	22
Total investor real estate charge-offs	—
Total investor real estate recoveries	(4)
Total investor real estate net charge-offs (recoveries)	(4)
Consumer:	
Consumer real estate secured charge-offs	24
Consumer real estate secured recoveries	(7)
Consumer non-real estate secured charge-offs	43
Consumer non-real estate secured recoveries	(10)
Total consumer net charge-offs	50
Total net charge-offs	$ 68

Table 5i details the level of Regions' impaired loans by industry along with the amount of those loans with a related allowance and those with no related allowance.

Table 5i Impaired Loans by Industry

	March 31, 2016		
	Impaired Loans with Related Allowance	Impaired Loans With No Related Allowance	Total Impaired Loans
		(In millions)	
Commercial:			
Administrative, support, waste and repair	$ 15	$ 4	$ 19
Agriculture	31	5	36
Educational services	53	3	56
Energy	257	49	306
Financial services	10	4	14
Government and public sector	11	—	11
Healthcare	53	3	56
Information	10	—	10
Manufacturing	113	1	114
Professional, scientific and technical services	51	—	51
Real estate	59	2	61
Religious, leisure, personal and non-profit services	40	11	51
Restaurant, accommodation and lodging	25	—	25
Retail trade	16	3	19
Transportation and warehousing	33	3	36
Wholesale goods	62	21	83
Other	1	—	1
Total commercial	840	109	949
Investor real estate:			
Industrial	13	6	19
Land	9	4	13
Multi-family	42	—	42
Office	38	—	38
Retail	21	—	21
Single-family/condo	10	—	10
Other	9	3	12
Total investor real estate	142	13	155
Consumer:			
Consumer real estate secured	812	—	812
Consumer non-real estate secured	15	—	15
Total consumer	827	—	827
Total	$ 1,809	$ 122	$ 1,931

Impaired loans include non-accrual commercial and investor real estate loans (excluding leases), as well as all TDRs, which were approximately $1.3 billion at March 31, 2016.

Corporate and Other Debt Securities

The Company’s investment securities portfolio primarily includes U.S. Treasury and agencies, agency mortgage-backed securities, and corporate and other debt obligations. Obligations of state and political subdivisions (municipal securities) and equity securities are minimal. The most important feature management relies on when assessing credit risk for U.S. Treasury and agencies and agency mortgage-backed securities is the guarantee of the federal government or its agencies. Geography is one of the factors the Company considers in managing its investment in corporate and other debt obligations. Table 5j reflects the Company's corporate and other debt obligations' geographic distribution consistent with the methodology utilized in Table 5a. Table 5k reflects the Company’s corporate and other debt obligations’ distribution by the industry of the issuer, which is another factor considered in assessing risk. Table 5l illustrates the maturity distribution of the corporate and other debt obligations.

Table 5j Corporate and Other Debt Securities by Geography

	March 31, 2016	
	Amount	Percent of Total
	(Dollars in millions)	
New York	$ 169	10.2%
Texas	169	10.2%
California	151	9.2%
Pennsylvania	97	5.9%
Illinois	73	4.4%
New Jersey	59	3.6%
Georgia	58	3.5%
Arkansas	50	3.0%
Michigan	50	3.0%
Ohio	44	2.7%
Other	730	44.3%
	$ 1,650	100.0%
Average for the quarter	$ 1,675	

Table 5k Corporate and Other Debt Securities by Issuer Industry

	March 31, 2016	
	Amount	Percent of Total
	(Dollars in millions)	
Industrial	$ 1,115	67.6%
Utilities - electric	191	11.6%
Special purpose	141	8.5%
Telecommunications	119	7.2%
Transportation - rail	28	1.7%
Utilities - gas	19	1.2%
Financial	17	1.0%
Gas transmission	16	1.0%
Other	4	0.2%
	$ 1,650	100.0%

Table 5l Corporate and Other Debt Securities by Maturity

	March 31, 2016	
	Amount	Percent of Total
	(Dollars in millions)	
One year or less	$ 53	3.2%
Over one year through five years	444	26.9%
Over five years	1,153	69.9%
	$ 1,650	100.0%

OTC Derivatives

Tables 5m, 5n, and 5o present information related to credit exposure for OTC derivatives. OTC derivatives include bilateral trades, which are transactions directly between trading parties. Transactions cleared through central counterparties are not included due to the lower level of associated credit risk. The values in the tables represent current credit exposure, which is the fair value of derivatives in a net asset position, after giving effect to counterparty netting. This basis is similar to the calculation used for risk-based capital calculation purposes. Derivatives used to meet the needs of bank customers, as well as residential mortgage interest rate lock commitments which are reported as derivatives, are shown by counterparty type and by geography in tables 5m and 5n, respectively. The geographic distribution is consistent with the methodology utilized in Table 5a. Table 5o presents maturity information. Derivatives used by Regions to hedge its own interest rate, commodity, and foreign exchange risk are shown in a single line in all three tables. Counterparties for these transactions are financial entity dealers; accordingly, counterparty and geographic breakout is not considered meaningful for disclosure.

Table 5m OTC Derivative Exposures by Counterparty

	March 31, 2016	
	Exposure	Percent of Total
	(Dollars in millions)	
Customer derivatives:		
Corporate	$ 338	70.7%
Consumer	20	4.2%
Banks	3	0.6%
Public	4	0.9%
Non-bank financial institutions	3	0.6%
Total customer	368	77.0%
Dealer hedges (non-customer)	110	23.0%
Net current credit exposure	478	100.0%
Collateral held	(102)	
Unsecured net current credit exposure	$ 376	

Table 5n OTC Derivative Exposures by Geography

	March 31, 2016	
	Exposure	Percent of Total
	(Dollars in millions)	
Customer derivatives:		
Florida	$ 51	10.7%
Tennessee	50	10.5%
Alabama	42	8.8%
Louisiana	39	8.2%
Texas	34	7.1%
Mississippi	28	5.9%
Georgia	16	3.3%
New York	14	2.9%
Maryland	14	2.9%
Arkansas	13	2.7%
Other	67	14.0%
Total customer	368	77.0%
Dealer hedges (non-customer)	110	23.0%
Net current credit exposure	478	100.0%
Collateral held	(102)	
Unsecured net current credit exposure	$ 376	

Table 5o OTC Derivative Exposures by Maturity

	March 31, 2016			
	One Year or Less	Over One Through Five Years	Over Five Years	Total
	(In millions)			
OTC derivatives	$ 139	$ 390	$ 261	$ 790
Counterparty netting [(a)]				(312)
Net current credit exposure				478
Collateral held				(102)
Unsecured net current credit exposure				$ 376
Average for the quarter				$ 328

(a) Represents netting of derivative assets and liabilities with the same counterparty subject to master netting agreements.

Table 6 Counterparty Credit Risk-Related Exposures

Counterparty credit risk is the risk that a counterparty to a financial contract or transaction could default and be unable to fulfill its contractual obligation which could potentially lead to financial losses for the Company. Activities in OTC derivatives, margin loans, and repo-style transactions are the most common types of transactions that create counterparty credit risk exposure. At present, Regions does not engage in margin loans with any of its financial institution counterparties. At March 31, 2016, Regions had no repo-style transactions outstanding with financial institution counterparties. Exposure from OTC derivatives transactions with other financial institutions is managed through netting agreements documented through the execution of standard ISDA master agreements, with CSAs dictating terms related to the collateralization of exposures. The agreements provide the framework governing activities across a full range of OTC products and contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Standard ISDA agreements and CSAs are required for all OTC derivative financial institution counterparties. These agreements provide for netting and the exchange of collateral to further mitigate exposure associated with OTC derivative transactions. Regions has infrastructure in place to calculate net positions and manage collateral exchanges with financial counterparties on a daily basis. Eligible collateral types are documented in a CSA to the ISDA master agreement and managed under established credit policies. This collateral is and has primarily been cash, though certain fixed income securities may be exchanged as well on occasion. In the event of a material adverse change in the Bank's own credit rating, financial counterparties may require additional collateral (independent amount) to maintain the trading relationship resulting in additional exposure. At March 31, 2016, the additional collateral required to be posted for a three-notch downgrade of Regions Financial Corporation or Regions Bank would be approximately $146 million.

To reduce derivative counterparty credit exposure to individual counterparties, Regions centrally clears eligible transactions. OTC transactions are not centrally cleared and are therefore the only derivatives included in Table 6a below. All exposures, including exposures related to centrally cleared transactions, are managed through internally established limits set by the Company's Financial Institution and Counterparty Credit group. All OTC derivative financial institution counterparties must be reviewed and approved by the Financial Institution and Counterparty Credit group. The approval of all counterparties and the subsequent setting of limits is based on in-depth analysis of each counterparty's creditworthiness and assessment of the credit exposure associated with a counterparty. Internal ratings-based tools along with additional quantitative and qualitative assessments of the creditworthiness of a counterparty are utilized to assign a risk rating. Utilizing the internal risk rating along with an assessment of the risks associated with the specific type of exposure are then evaluated to set limits in accordance with Regions' risk tolerance.

Regions also enters into transactions possessing counterparty credit risk with corporate, institutional and real estate customers. These transactions are primarily designed to hedge the customers' exposures to interest rate, commodity price or foreign exchange rate movements. These transactions are usually not cleared through a clearinghouse; rather, Regions retains the credit exposure of the clients for the life of the trade. The credit risk in these transactions is usually underwritten in conjunction with a loan transaction for the customer, and, when the loan is collateralized, the derivative shares in the collateral which can be real estate, working capital assets, securities, contracts or other assets. The credit approval process for these transactions includes independent credit officers familiar with the underlying credit risk, working in conjunction with a Capital Markets credit officer experienced in derivatives and the underlying documentation.

The following table is presented on a U.S. GAAP basis and summarizes the netting and collateral positions of the Company's OTC derivatives transactions by exposure type. As defined, the gross current credit exposure is the greater of the positive fair value of the derivative or zero (asset derivatives). The collateral is comprised of $97 million of cash and $5 million of U.S. Treasury and government agency securities.

Table 6a OTC Derivative Credit Exposures

	March 31, 2016
	(In millions)
Interest rate swaps	$ 613
Options	17
Commodities	120
Forward agreements	10
Foreign exchange	30
Gross current credit exposure	790
Netting [(a)]	(312)
Net current credit exposure	478
Collateral	(102)
Net unsecured credit exposure	$ 376

(a) Represents netting of derivative assets and liabilities and related collateral with the same counterparty subject to master netting agreements.

The following table reflects the notional amount of outstanding credit derivatives used to hedge the Company's own portfolio. The Company does not undertake credit derivatives in connection with client intermediation activities. The Company has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). Swap participations, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty when the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction.

Table 6b Credit Derivatives

	March 31, 2016	
	Purchased	Sold
	(In millions)	
Swap participations notional amounts	$ 315	$ 1,667

For a further discussion of the Company's credit derivatives, see Note 21, "Derivative Financial Instruments and Hedging Activities", to the consolidated financial statements in Part II, Item 8 of the Company's 2015 Form 10-K and Schedule HC-L, Derivatives and Off-Balance-Sheet Items, in the Company's Consolidated Financial Statements for Holding Companies - FR Y-9C dated March 31, 2016.

Table 7 Credit Risk Mitigation

Credit risk mitigation techniques are primarily utilized in the loan portfolio and derivative transactions. Regions' objective regarding credit risk mitigation related to the loan portfolio is to maintain a high-quality credit portfolio that provides for stable credit costs with acceptable volatility through an economic cycle. Regions has a diversified loan portfolio in terms of product type, collateral and geography which helps to mitigate credit risk. Regions' objective regarding credit risk related to derivative transactions is to enter into master netting agreements and collateral agreements with counterparties.

The amount and type of collateral supporting a loan impacts the level of credit risk related to that loan. During the underwriting process, the collateral is assessed as part of the overall credit evaluation of the loan. In recurring support of loan collateral values, Regions obtains updated valuations for non-performing loans on at least an annual basis. For loans that are individually identified for impairment, those valuations are currently discounted from the most recent appraisal to consider continued declines in property values. The discounted valuations are utilized in the measurement of the level of impairment in the allowance calculation. For loans that are not individually identified for impairment and secured by real estate, Regions considers the impact of declines in real estate valuations in the loss given default estimates within the allowance calculation.

As a matter of business practice, Regions may require some form of credit support as a mitigating factor, such as a guarantee. Guarantees are legally binding and entered into simultaneously with the primary loan agreements. Regions underwrites the ability of each guarantor to perform under its guarantee in the same manner and to the same extent as would be required to underwrite the repayment plan of a direct obligor. This entails obtaining sufficient information on the guarantor, including financial and operating information, to sufficiently measure the guarantor's ability to perform under the guarantee. Evaluation of guarantors' ability and willingness to pay is considered as part of the risk rating process, which provides the basis for the allowance for the commercial and investor real estate portfolios. In some cases, the credit support provided by the guarantor is integral to the risk rating.

The "Quantitative and Qualitative Disclosures about Market Risk - Risk Management - Credit Risk" in Part II, Item 7A of the 2015 Form 10-K contains more information on credit risk management and mitigation.

In connection with derivative activities, credit risk is mitigated by entering into legally enforceable master netting agreements. When there is more than one transaction with a counterparty and there is a legally enforceable master netting agreement in place, the exposure represents the net of the gain and loss positions with and collateral received from and/or posted to that counterparty. Many of interest rate derivatives traded by Regions are subject to mandatory clearing. The counterparty risk for cleared trades effectively moves from the executing broker to the clearinghouse allowing Regions to benefit from the risk mitigation controls in place at the respective clearinghouse.

See "Quantitative and Qualitative Disclosures about Market Risk-Interest Rate Risk" in Part II, Item 7A of the 2015 Form 10-K for a discussion of derivatives' credit risk.

The Basel III Rules allow eligible financial collateral, eligible guarantees, and eligible credit derivatives to be recognized in the calculation of risk weighted assets. The Company's use of credit risk mitigants related to Regions' major types of credit exposure in the calculation of risk-weighted assets is presented in Tables 7a and 7b below. When financial collateral is obtained that qualifies as eligible collateral under the Basel III Rules, the eligible collateral can be substituted for the collateralized portion of the credit exposure in the risk-weighted asset calculation. The impact of any applicable collateral haircuts on the exposure amount secured by eligible collateral is immaterial. As illustrated below, the bulk of eligible financial collateral consists of cash and U.S. Treasury or agency securities; therefore the associated risk weighted asset amounts are immaterial. Similarly, when an eligible guarantee is received, the risk weight applicable to the eligible guarantor would apply to the exposure covered by the guarantee.

Table 7a Eligible Financial Collateral

	Collateral Type	March 31, 2016 Exposure Amount Secured by Eligible Collateral
		(In millions)
Loans	Cash on deposit at bank	$ 229
OTC derivatives	Cash on deposit at bank, U.S. Treasury and agency securities	102
Letters of credit	Cash on deposit at bank	55
Unfunded commitments	Cash on deposit at bank	14

Table 7b Eligible Guarantees

	Guarantor	March 31, 2016 Exposure Amount	 Risk Weighted Assets
		(In millions)	
Securities	U.S. government and agencies	$ 21,590	$ 3,063
Loans	U.S. government and agencies	878	176
Other assets	U.S. government and agencies	71	10

Table 8 Securitization

Regions has not engaged in securitization activities that it sponsors ("originated securitizations") in several years. The remaining estimated fair value of originated securitization exposures is immaterial and is included in securities available for sale. Regions has purchased tranches of non-agency securitizations (primarily commercial mortgage-backed securities) for its securities available for sale portfolio.

The credit and market risks inherent in the securitization exposures are mitigated due to the high credit ratings of the related securities. Additionally, personnel within Treasury and Risk areas monitor these securities for downgrades and potential credit problems. Currently, Regions does not own any resecuritization exposures, but these would be subject to the same review and monitoring processes.

For the purchased securitization exposures, the Company applies the SSFA. The SSFA is a formula that starts with a baseline derived from the capital requirements that apply to all exposures underlying the securitization and then assigns risk weights based on the subordination level and the level of delinquencies of an exposure. The agencies designed the SSFA to apply relatively higher capital requirements to the more risky junior tranches of a securitization that are the first to absorb losses, and relatively lower requirements to the most senior exposures.

The tables below illustrate Regions' securitization exposures, related capital requirements and risk-weighted asset impact.

Table 8a Securitizations by Exposure Type

	March 31, 2016 Balance Sheet Exposure	 Off-balance Sheet Exposure	 Total Exposure
		(In millions)	
Commercial non-agency mortgage-backed securities	$ 1,207	$ —	$ 1,207
Residential non-agency mortgage-backed securities	5	—	5
Asset-backed securities	2	—	2
Total securitization exposure	$ 1,214	$ —	$ 1,214

Table 8b **Securitizations by Capital Treatment and Risk Weight**

	March 31, 2016				
	Exposure	SSFA Risk Weighted Assets	Gross-Up Risk Weighted Assets	1250% Risk Weighted Assets	Capital Impact
			(In millions)		
20% risk weighting	$ 1,187	$ 237	$ —	$ —	$ 19
150% risk weighting	21	32	—	—	2
151% - 1249% risk weighting	1	9	—	—	1
1250% risk weighting	5	—	—	60	5
	$ 1,214	$ 278	$ —	$ 60	$ 27

The capital impact of risk-weighted assets is calculated by multiplying each risk-weighted asset amount in the table above by the minimum total risk-based capital ratio of 8%.

Table 9 Equity Exposures Not Subject to the Market Risk Rule

Regions has total equity exposures ("equities") of approximately $3.8 billion, with $1.7 billion in individual equities and $2.1 billion in equity funds at March 31, 2016. The majority of the individual equity investments are related to community reinvestment activities, including tax-advantaged investments. The majority of the equity funds are related to the Company's separate account BOLI.

The Company applies the Simple Risk-Weight Approach for its individual equity securities. Under this approach, the risk weight for each equity exposure is calculated by multiplying the carrying value of the equity exposure by the applicable regulatory prescribed risk weight. The Company applies the Simple Modified Look-Through Approach for equity exposures to investment funds. Under this approach, the carrying value of this exposure is multiplied by the highest risk weight that applies to any exposure the fund is permitted to hold under its prospectus or related documents. For the separate account BOLI investment, the Company uses the Alternative Modified Look-Through Approach. Under this approach, the carrying value (cash surrender value) of this exposure is assigned on a pro rata basis to different risk weight categories based on the information in the fund's prospectus or related documents. Investment guidelines specify objectives and constraints for separate account BOLI investment funds, including permitted and non-permitted investments, concentration and diversification requirements, credit quality requirements and duration parameters. In compliance with these guidelines, the underlying investment exposures consist of high quality, investment grade securities that are generally similar to those in the Barclays U.S. Aggregate Index.

Equity securities classified as trading comprise mutual fund investments made in connection with employee deferred compensation plans and are reported at fair value. Changes in fair value are recorded in earnings.

The majority of nonpublic equity securities are the common stock of the FRB and the FHLB of Atlanta. Regions is required to maintain certain levels of FHLB stock as a member. Shares in the FRB and FHLB are accounted for at amortized cost, which approximates fair value. Under regulatory reporting rules, these equities are reported in other assets because they do not have readily determinable fair values.

Public equity securities are recorded as available for sale and carried at fair value with unrealized net gains or losses reported within other comprehensive income (loss) in stockholders' equity. For regulatory capital purposes, 45% of unrealized gains on available for sale equity securities are included in Tier 2 capital.

Table 9a summarizes the amortized cost and fair value of the Company's equities not subject to the market risk rule.

Table 9a Equities Not Subject to the Market Risk Rule

	March 31, 2016			
	Nonpublic	Public	Separate Account BOLI	Total
	(In millions)			
Amortized cost	$ 1,647	$ 455	$ 1,642	$ 3,744
Unrealized gains (losses)	—	7	—	7
Fair value	$ 1,647	$ 462	$ 1,642	$ 3,751

Table 9b summarizes the capital impact of equities which is calculated by multiplying each risk-weighted asset amount in the table below by the minimum total risk-based capital ratio of 8%.

Table 9b Equities Risk Weights and Capital Impact

	March 31, 2016		
	Exposure	Risk Weighted Assets	Capital Impact of RWA Total
	(In millions)		
Simple risk-weight approach:			
0%	$ 494	$ —	$ —
20%	197	39	3
100%	1,376	1,376	110
Simple modified look-through approach	35	91	7
Alternative modified look-through approach	1,642	569	46
	3,744	2,075	166
Unrealized gains included in Tier 1 or Tier 2 capital	3	3	—
	$ 3,747	$ 2,078	$ 166

Table 9c summarizes information related to the realized and unrealized gains or losses on equities. Latent revaluation gains/losses are unrealized gains/losses on nonpublic equities recorded at cost which are not recognized in the Company's balance sheet or income statement. At March 31, 2016, the amount of latent revaluation gains/losses is insignificant.

Table 9c Equities Realized and Unrealized Gains (Losses)

	March 31, 2016
	(In millions)
Quarter to date realized gains from sales and liquidations	$ 13
Total unrealized gains (losses)	$ 7
Unrealized gains included in Tier 1 or Tier 2 capital	$ 3

Table 10 Interest Rate Risk for Non-Trading Activities

Regions' primary market risk is interest rate risk, including uncertainty with respect to absolute interest rate levels as well as uncertainty with respect to relative interest rate levels, which is impacted by both the shape and the slope of the various yield curves that affect the financial products and services that the Company offers. To quantify this risk, Regions measures the change in its net interest income and other financing income in various interest rate scenarios compared to a base case scenario. Net interest income and other financing income sensitivity is a useful short-term indicator of Regions' interest rate risk.

Financial simulation models are Regions' primary tools used to measure interest rate exposure. Using a wide range of sophisticated simulation techniques provides management with extensive information on the potential impact to net interest income and other financing income caused by changes in interest rates. Models are structured to simulate cash flows and accrual characteristics of Regions' balance sheet. Assumptions are made about the direction and volatility of interest rates, the slope of

the yield curve, and the changing composition of the balance sheet that result from both strategic plans and from customer behavior. Among the assumptions are expectations of balance sheet growth and composition, the pricing and maturity characteristics of existing business and the characteristics of future business. Interest rate-related risks are expressly considered, such as pricing spreads, the pricing of deposit accounts, prepayments and other option risks. Regions considers these factors, as well as the degree of certainty or uncertainty surrounding their future behavior.

For further information on interest rate risk and interest rate sensitivity analyses, see “Market Risk-Interest Rate Risk” and “Market Risk-Prepayment Risk” in Part II, Item 7A of the 2015 Form 10-K and "Market Risk-Interest Rate Risk" and "Market Risk-Prepayment Risk" in Part I, Item 2 of the March 31, 2016 Form 10-Q.

Appendix 1 Basel III Regulatory Capital Disclosure Matrix

Table Number	Disclosure Requirement	Description	Disclosures Report	March 31, 2016 Form 10-Q	2015 Form 10-K
			(Disclosure starts on page numbers)		
1	Scope of application	Name of the top corporate entity	6	55	9
		Descriptions of differences in basis for consolidating entities	6	—	—
		Restrictions on transfers of funds or total capital within the group	6	88	15
		Aggregate amount of surplus capital of insurance subsidiaries	7	—	—
		Aggregate amount of total capital that is less than minimum capital	7	—	—
2	Capital structure	Terms and conditions of capital instruments	7	31	78, 143
		Capital components	7	72	47, 141
3	Capital adequacy	Capital adequacy assessment process	8	—	—
		Risk-weighted assets by exposure type	8	—	—
		Market risk-weighted assets	NA	NA	NA
		Capital ratios	9	73	142
		Risk-weighted assets	9	—	47
4	Capital conservation buffer	Calculation of capital conservation buffer	10	—	—
		Calculation of eligible retained income	10	NA	NA
		Limitations on distributions and discretionary bonus payments	10	NA	NA
5	Credit risk: general disclosures	Policies and practices	11	83	87, 104, 105
		Credit risk exposures:			
		Loans and related commitments	12	—	61, 62
		Impaired loans by industry	19	—	—
		Past due loans by industry	16	—	—
		Allowance disaggregated on the basis of impairment methodology	17	19	124
		Charge-offs by industry	18	—	—
		Impaired loans by geography	15	—	—
		Reconciliation of changes in allowance	17	19	124
		Debt securities	20	—	119
		OTC derivatives	21	—	—
6	Counterparty credit risk-related exposures	Policies and practices	23	—	89
		Counterparty risk exposure	24	—	—
		Credit derivatives purchased and sold	24	39	160

Table Number	Disclosure Requirement	Description	Disclosures Report	March 31, 2016 Form 10-Q	2015 Form 10-K
			(Disclosure starts on page numbers)		
7	Credit risk mitigation	Policies and processes	25	83	87
		Exposures covered by eligible financial collateral	26	—	—
		Exposures covered by guarantees/credit derivatives and related risk-weighted assets	26	—	—
8	Securitization	Policies and practices	26	—	—
		SPEs and affiliated entities	NA	NA	NA
		Accounting policies for securitization activities	NA	NA	NA
		Exposures securitized by the bank and resecuritizations	NA	NA	NA
		Securitization exposures	26	—	—
9	Equities not subject to the market risk rule	Policies and practices	27	—	103, 117
		Amortized cost and fair value by type/nature and public versus nonpublic	28	—	—
		Realized and unrealized gains (losses)	28	—	—
		Capital requirements	28	—	—
10	Interest rate risk for non-trading activities	Nature, assumptions and frequency of measurement	29	79	82
		Earnings sensitivity to rate movements	29	79	83

NA Disclosure is not applicable to Regions