

REGIONS FINANCIAL CORP

Form 10-Q

August 05, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 001-34034

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

63-0589368
(I.R.S. Employer
Identification No.)

1900 Fifth Avenue North
Birmingham, Alabama
(Address of principal executive offices)

35203
(Zip Code)

(800) 734-4667
(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,324,907,149 shares of common stock, par value \$.01, outstanding as of August 3, 2015.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when or where appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should” expressions often signify forward-looking statements. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments.

Forward-looking statements are based on management’s current expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, and because they also relate to the future they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.

Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our earnings.

The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.

Possible changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.

Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.

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

Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses where our allowance for loan losses may not be adequate to cover our eventual losses.

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

Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.

Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.

- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.

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 no regulatory objection (as part of the comprehensive capital analysis and review (“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 applicable capital and liquidity requirements (including the Basel III capital standards), 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 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.

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.

Any inaccurate or incomplete information provided to us by our customers or counterparties.

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.

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- 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.
 - 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.
 - 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 Financial Accounting Standards Board or other regulatory agencies could materially affect how we report our financial results.
 - The effects of any damage to our reputation resulting from developments related to any of the items identified above. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible to predict all of them. We assume no obligation to update or revise any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.
- See also the reports filed with the Securities and Exchange Commission, including the discussion under the "Risk Factors" section of Regions' Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2015	December 31, 2014
	(In millions, except share data)	
Assets		
Cash and due from banks	\$1,661	\$1,601
Interest-bearing deposits in other banks	2,094	2,303
Federal funds sold and securities purchased under agreements to resell	—	100
Trading account securities	110	106
Securities held to maturity (estimated fair value of \$2,093 and \$2,209, respectively)	2,067	2,175
Securities available for sale	22,672	22,580
Loans held for sale (includes \$466 and \$440 measured at fair value, respectively)	511	541
Loans, net of unearned income	80,149	77,307
Allowance for loan losses	(1,115)	(1,103)
Net loans	79,034	76,204
Other interest-earning assets	70	89
Premises and equipment, net	2,147	2,193
Interest receivable	305	310
Goodwill	4,816	4,816
Residential mortgage servicing rights at fair value	268	257
Other identifiable intangible assets	268	275
Other assets	5,832	6,013
Total assets	\$121,855	\$119,563
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	\$33,810	\$31,747
Interest-bearing	63,265	62,453
Total deposits	97,075	94,200
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	96	1,753
Other short-term borrowings	1,750	500
Total short-term borrowings	1,846	2,253
Long-term borrowings	3,602	3,462
Total borrowed funds	5,448	5,715
Other liabilities	2,433	2,775
Total liabilities	104,956	102,690
Stockholders' equity:		
Preferred stock, authorized 10 million shares, par value \$1.00 per share		
Non-cumulative perpetual, liquidation preference \$1,000.00 per share, including related surplus, net of issuance costs; issued—1,000,000 shares	852	884
Common stock, authorized 3 billion shares, par value \$.01 per share:		
	14	14

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Issued including treasury stock—1,371,885,146 and 1,395,204,638 shares, respectively

Additional paid-in capital	18,355	18,767	
Retained earnings (deficit)	(658	) (1,177)
Treasury stock, at cost—41,262,678 and 41,262,645 shares, respectively	(1,377	) (1,377)
Accumulated other comprehensive income (loss), net	(287	) (238)
Total stockholders' equity	16,899	16,873	
Total liabilities and stockholders' equity	\$121,855	\$119,563	

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	\$728	\$737	\$1,453	\$1,469
Securities - taxable	149	156	302	310
Loans held for sale	4	4	7	12
Trading account securities	1	—	4	2
Other interest-earning assets	1	3	3	5
Total interest income	883	900	1,769	1,798
Interest expense on:				
Deposits	27	25	55	52
Short-term borrowings	1	1	1	1
Long-term borrowings	35	51	78	106
Total interest expense	63	77	134	159
Net interest income	820	823	1,635	1,639
Provision for loan losses	63	35	112	37
Net interest income after provision for loan losses	757	788	1,523	1,602
Non-interest income:				
Service charges on deposit accounts	168	174	329	347
Card and ATM fees	90	84	175	163
Mortgage income	46	43	86	83
Securities gains (losses), net	6	6	11	8
Other	280	168	459	331
Total non-interest income	590	475	1,060	932
Non-interest expense:				
Salaries and employee benefits	477	443	935	898
Net occupancy expense	89	90	180	183
Furniture and equipment expense	76	70	147	140
Other	292	217	577	416
Total non-interest expense	934	820	1,839	1,637
Income from continuing operations before income taxes	413	443	744	897
Income tax expense	124	148	219	299
Income from continuing operations	289	295	525	598
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(6	) 2	(10	) 21
Income tax expense (benefit)	(2	) 1	(4	) 8
Income (loss) from discontinued operations, net of tax	(4	) 1	(6	) 13
Net income	\$285	\$296	\$519	\$611
Net income from continuing operations available to common shareholders	\$273	\$287	\$493	\$582
Net income available to common shareholders	\$269	\$288	\$487	\$595
Weighted-average number of shares outstanding:				
Basic	1,335	1,378	1,340	1,378
Diluted	1,346	1,390	1,352	1,390

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Earnings per common share from continuing operations:

Basic	\$0.20	\$0.21	\$0.37	\$0.42
Diluted	0.20	0.21	0.36	0.42
Earnings per common share:				
Basic	\$0.20	\$0.21	\$0.36	\$0.43
Diluted	0.20	0.21	0.36	0.43
Cash dividends declared per common share	0.06	0.05	0.11	0.08

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2015	2014
	(In millions)	
Net income	\$285	\$296
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of (\$2) and (\$2) tax effect, respectively)	(2)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	2	2
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of (\$94) and \$91 tax effect, respectively)	(152)	151
Less: reclassification adjustments for securities gains (losses) realized in net income (net of \$2 and \$2 tax effect, respectively)	4	4
Net change in unrealized gains (losses) on securities available for sale, net of tax	(156)	147
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of (\$3) and \$26 tax effect, respectively)	(4)	41
Less: reclassification adjustments for gains (losses) realized in net income (net of \$13 and \$11 tax effect, respectively)	21	18
Net change in unrealized gains (losses) on derivative instruments, net of tax	(25)	23
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and \$2 tax effect, respectively)	—	1
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, (net of (\$5) and (\$2) tax effect, respectively)	(7)	(4)
Net change from defined benefit pension plans and other post employment benefits, net of tax	7	5
Other comprehensive income (loss), net of tax	(172)	177
Comprehensive income	\$113	\$473

	Six Months Ended June 30	
	2015	2014
	(In millions)	
Net income	\$519	\$611
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of (\$3) and (\$3) tax effect, respectively)	(4)	(4)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	4	4
Unrealized gains (losses) on securities available for sale:		
	(72)	230

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Unrealized holding gains (losses) arising during the period (net of (\$45) and \$140 tax effect, respectively)			
Less: reclassification adjustments for securities gains (losses) realized in net income (net of \$4 and \$3 tax effect, respectively)	7		5
Net change in unrealized gains (losses) on securities available for sale, net of tax	(79	)	225
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Unrealized holding gains (losses) on derivatives arising during the period (net of \$32 and \$40 tax effect, respectively)	54		64
Less: reclassification adjustments for gains (losses) realized in net income (net of \$25 and \$22 tax effect, respectively)	42		35
Net change in unrealized gains (losses) on derivative instruments, net of tax	12		29
Defined benefit pension plans and other post employment benefits:			
Net actuarial gains (losses) arising during the period (net of zero and \$2 tax effect, respectively)	(1	)	1
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of(\$9) and \$(4) tax effect, respectively)	(15	)	(8
Net change from defined benefit pension plans and other post employment benefits, net of tax	14		9
Other comprehensive income (loss), net of tax	(49	)	267
Comprehensive income	\$470		\$878
See notes to consolidated financial statements.			

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock Shares	Preferred Amount	Common Stock Shares	Common Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
(In millions, except per share data)									
BALANCE AT JANUARY 1, 2014	1	\$ 450	1,378	\$ 14	\$ 19,216	\$(2,324)	\$(1,377)	\$ (319)	) \$ 15,660
Net income	—	—	—	—	—	611	—	—	611
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	4	4
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	225	225
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	29	29
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	9	9
Cash dividends declared—\$0.08 per share	—	—	—	—	(111)	—	—	—	(111)
Preferred stock dividends	—	(16)	—	—	—	—	—	—	(16)
Preferred stock transactions:									
Net proceeds from issuance of 500 thousand shares of Series B, fixed to floating rate, non-cumulative perpetual preferred stock, including related surplus	—	486	—	—	—	—	—	—	486
Common stock transactions:									
Impact of share repurchase	—	—	(1)	—	(8)	—	—	—	(8)
Impact of stock transactions under compensation plans, net	—	—	1	—	24	—	—	—	24
BALANCE AT JUNE 30, 2014	1	\$ 920	1,378	\$ 14	\$ 19,121	\$(1,713)	\$(1,377)	\$ (52)	) \$ 16,913
BALANCE AT JANUARY 1, 2015	1	\$ 884	1,354	\$ 14	\$ 18,767	\$(1,177)	\$(1,377)	\$ (238)	) \$ 16,873
Net income	—	—	—	—	—	519	—	—	519
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	4	4

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Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(79))	(79))
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	12		12	
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	14		14	
Cash dividends declared—\$0.11 per share	—	—	—	—	(147)	)	—	—		(147))
Preferred stock dividends	—	(32)	)	—	—	—	—	—		(32))
Common stock transactions:											
Impact of share repurchase	—	—	(28)	)	—	(274)	)	—		(274))
Impact of stock transactions under compensation plans, net	—	—	5		9		—	—		9	
BALANCE AT JUNE 30, 2015	1	\$ 852	1,331	\$ 14	\$ 18,355	\$(658))	\$(1,377)	\$ (287))	\$ 16,899

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2015	2014
	(In millions)	
Operating activities:		
Net income	\$519	\$611
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	112	37
Depreciation, amortization and accretion, net	252	248
Securities (gains) losses, net	(11	) (8
Deferred income tax expense	40	167
Originations and purchases of loans held for sale	(1,224	) (1,204
Proceeds from sales of loans held for sale	1,295	1,201
Gain on TDRs held for sale, net	—	(35
(Gain) loss on sale of loans, net	(48	) (20
(Gain) loss on early extinguishment of debt	43	—
Net change in operating assets and liabilities:		
Trading account securities	(4	) 11
Other interest-earning assets	19	21
Interest receivable and other assets	91	(351
Other liabilities	(347	) 60
Other	30	5
Net cash from operating activities	767	743
Investing activities:		
Proceeds from maturities of securities held to maturity	109	79
Proceeds from sales of securities available for sale	828	1,004
Proceeds from maturities of securities available for sale	1,911	1,481
Purchases of securities available for sale	(2,860	) (2,452
Proceeds from sales of loans	49	635
Purchases of loans	(547	) (518
Net change in loans	(2,565	) (1,686
Net purchases of premises and equipment and other assets	(74	) (95
Net cash from investing activities	(3,149	) (1,552
Financing activities:		
Net change in deposits	2,875	1,369
Net change in short-term borrowings	(407	) (364
Proceeds from long-term borrowings	1,248	—
Payments on long-term borrowings	(1,142	) (1,004
Cash dividends on common stock	(147	) (111
Cash dividends on preferred stock	(32	) (16
Repurchase of common stock	(274	) (8
Net proceeds from issuance of preferred stock	—	486
Other	12	3
Net cash from financing activities	2,133	355
Net change in cash and cash equivalents	(249	) (454
Cash and cash equivalents at beginning of year	4,004	5,273

Cash and cash equivalents at end of period	\$3,755	\$4,819
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See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Three and Six Months Ended June 30, 2015 and 2014

NOTE 1. BASIS OF PRESENTATION

Regions Financial Corporation (“Regions” or the “Company”) provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located primarily in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The Company is subject to competition from other financial institutions, is subject to the regulations of certain government agencies and undergoes periodic examinations by certain of those regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States (“GAAP”) and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions’ Form 10-K for the year ended December 31, 2014. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. (“Morgan Keegan”) and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 15 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. This presentation is consistent with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Effective January 1, 2015, the Company adopted new guidance related to the accounting for investments in qualified affordable housing projects. For investments that met the criteria specified in the guidance, Regions elected to use the proportional amortization method. Under this method, the initial investment was amortized in proportion to the actual tax credits and other tax benefits to be received in the current period as compared to the total tax credits and other tax benefits expected to be received over the life of the investment. The amortization and tax benefits were included as a component of income tax expense. The guidance required retrospective application. All prior period amounts impacted by this guidance were revised. The cumulative effect of the retrospective application was a \$116 million decrease to retained earnings (deficit), a \$22 million increase to other interest-earning assets and a \$138 million decrease to other assets. The Company’s total investments in qualified affordable housing projects were \$897 million and \$818 million at June 30, 2015 and December 31, 2014, respectively. These investments are reflected in other assets on Regions’ consolidated balance sheets. The Company recognized \$51 million and \$45 million of amortization expense and \$58 million and \$50 million of tax credits related to these investments during the six months ended June 30, 2015 and 2014, respectively. The Company also recognized \$11 million of other tax benefits related to these investments for both six months ended June 30, 2015 and 2014.

Certain other prior period amounts have been reclassified to conform to the current period presentation. These reclassifications are immaterial and have no effect on net income, comprehensive income, total assets or total stockholders’ equity as previously reported.

NOTE 2. DISCONTINUED OPERATIONS

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. (“Raymond James”). The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust were not included in the sale. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters

related to pre-closing activities. See Note 15 for related disclosure.

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The following table represents the condensed results of operations for discontinued operations:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Non-interest expense:				
Professional and legal expenses	\$5	\$ (3)	\$9	\$ (22)
Other	1	1	1	1
Total non-interest expense	6	(2)	10	(21)
Income (loss) from discontinued operations before income taxes	(6)	2	(10)	21
Income tax expense (benefit)	(2)	1	(4)	8
Income (loss) from discontinued operations, net of tax	\$(4)	\$1	\$(6)	\$13
Earnings (loss) per common share from discontinued operations:				
Basic	\$(0.00)	\$0.00	\$(0.00)	\$0.01
Diluted	\$(0.00)	\$0.00	\$(0.00)	\$0.01

NOTE 3. SECURITIES

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

	June 30, 2015				Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	\$1	\$—	\$—	\$1	\$—	\$—	\$1
Federal agency securities	350	—	(11)	339	8	—	347
Mortgage-backed securities:							
Residential agency	1,597	—	(67)	1,530	22	(2)	1,550
Commercial agency	202	—	(5)	197	—	(2)	195
	\$2,150	\$—	\$(83)	\$2,067	\$30	\$(4)	\$2,093
Securities available for sale:							
U.S. Treasury securities	\$180	\$1	\$—	\$181			\$181
Federal agency securities	225	3	—	228			228
Obligations of states and political subdivisions	2	—	—	2			2
Mortgage-backed securities:							
Residential agency	15,793	225	(76)	15,942			15,942
Residential non-agency	6	—	—	6			6
Commercial agency	2,167	17	(8)	2,176			2,176
Commercial non-agency	1,479	11	(9)	1,481			1,481
Corporate and other debt securities	1,823	20	(39)	1,804			1,804
Equity securities	841	11	—	852			852
	\$22,516	\$288	\$(132)	\$22,672			\$22,672

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December 31, 2014							
	Recognized in OCI ⁽¹⁾				Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(In millions)							
Securities held to maturity:							
U.S. Treasury securities	\$1	\$—	\$—	\$1	\$—	\$—	\$1
Federal agency securities	350	—	(12)	338	6	—	344
Mortgage-backed securities:							
Residential agency	1,698	—	(71)	1,627	35	(1)	1,661
Commercial agency	216	—	(7)	209	—	(6)	203
	\$2,265	\$—	\$(90)	\$2,175	\$41	\$(7)	\$2,209
Securities available for sale:							
U.S. Treasury securities	\$176	\$—	\$—	\$176			\$176
Federal agency securities	233	2	—	235			235
Obligations of states and political subdivisions	2	—	—	2			2
Mortgage-backed securities:							
Residential agency	15,788	283	(33)	16,038			16,038
Residential non-agency	7	1	—	8			8
Commercial agency	1,959	14	(9)	1,964			1,964
Commercial non-agency	1,489	14	(9)	1,494			1,494
Corporate and other debt securities	1,980	36	(26)	1,990			1,990
Equity securities	662	12	(1)	673			673
	\$22,296	\$362	\$(78)	\$22,580			\$22,580

(1) The gross unrealized losses recognized in other comprehensive income (OCI) on held to maturity securities resulted from a transfer of available for sale securities to held to maturity in the second quarter of 2013.

Equity securities in the tables above included the following amortized cost related to Federal Reserve Bank stock and Federal Home Loan Bank (“FHLB”) stock. Shares in the Federal Reserve Bank and FHLB are accounted for at amortized cost, which approximates fair value.

	June 30, 2015	December 31, 2014
(In millions)		
Federal Reserve Bank	\$484	\$488
Federal Home Loan Bank	144	39

Securities with carrying values of \$12.7 billion and \$12.1 billion at June 30, 2015 and December 31, 2014, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements. Of the \$12.7 billion and the \$12.1 billion securities pledged, approximately \$12 million and zero represents encumbered U.S. Treasury securities at June 30, 2015 and December 31, 2014, respectively.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at June 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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	Amortized Cost (In millions)	Estimated Fair Value
Securities held to maturity:		
Due in one year or less	\$—	\$—
Due after one year through five years	351	348
Due after five years through ten years	—	—
Mortgage-backed securities:		
Residential agency	1,597	1,550
Commercial agency	202	195
	\$2,150	\$2,093
Securities available for sale:		
Due in one year or less	\$101	\$102
Due after one year through five years	830	839
Due after five years through ten years	1,007	992
Due after ten years	292	282
Mortgage-backed securities:		
Residential agency	15,793	15,942
Residential non-agency	6	6
Commercial agency	2,167	2,176
Commercial non-agency	1,479	1,481
Equity securities	841	852
	\$22,516	\$22,672

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at June 30, 2015 and December 31, 2014. For securities transferred to held to maturity from available for sale, the analysis in the tables below is comparing the securities' original amortized cost to its current estimated fair value. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

	June 30, 2015					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	\$149	\$(1)	\$198	\$(2)	\$347	\$(3)
Mortgage-backed securities:						
Residential agency	346	(8)	1,203	(39)	1,549	(47)
Commercial agency	—	—	195	(7)	195	(7)
	\$495	\$(9)	\$1,596	\$(48)	\$2,091	\$(57)
Securities available for sale:						
U.S. Treasury securities	\$7	\$—	\$8	\$—	\$15	\$—
Federal agency securities	—	—	4	—	4	—
Mortgage-backed securities:						
Residential agency	4,955	(57)	940	(19)	5,895	(76)
Commercial agency	528	(6)	228	(2)	756	(8)

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Commercial non-agency	562	(6)	237	(3)	799	(9)
All other securities	743	(21)	273	(18)	1,016	(39)
	\$6,795	\$(90)	\$1,690	\$(42)	\$8,485	\$(132)

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	December 31, 2014					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	\$—	\$—	\$344	\$(6)	\$344	\$(6)
Mortgage-backed securities:						
Residential agency	—	—	1,659	(37)	1,659	(37)
Commercial agency	—	—	203	(13)	203	(13)
	\$—	\$—	\$2,206	\$(56)	\$2,206	\$(56)
Securities available for sale:						
U.S. Treasury securities	\$74	\$—	\$3	\$—	\$77	\$—
Federal agency securities	—	—	3	—	3	—
Mortgage-backed securities:						
Residential agency	1,178	(5)	2,587	(28)	3,765	(33)
Commercial agency	464	(4)	316	(5)	780	(9)
Commercial non-agency	242	(1)	500	(8)	742	(9)
All other securities	400	(7)	455	(20)	855	(27)
	\$2,358	\$(17)	\$3,864	\$(61)	\$6,222	\$(78)

The number of individual securities in an unrealized loss position in the tables above increased from 827 at December 31, 2014 to 895 at June 30, 2015. The increase in the number of securities and the total amount of unrealized losses from year-end 2014 was primarily due to changes in interest rates, and credit spreads in certain instances. In instances where an unrealized loss did occur, there was no indication of an adverse change in credit on any of the underlying securities in the tables above. Management believes no individual unrealized loss represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the securities before the recovery of their amortized cost basis, which may be at maturity.

Gross realized gains and gross realized losses on sales of securities available for sale are shown in the table below. The cost of securities sold is based on the specific identification method.

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	(In millions)			
Gross realized gains	\$9	\$13	\$14	\$16
Gross realized losses	(3)	(5)	(3)	(6)
Other-than-temporary-impairment ("OTTI")	—	(2)	—	(2)
Securities gains, net	\$6	\$6	\$11	\$8

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NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

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

	June 30, 2015	December 31, 2014
	(In millions, net of unearned income)	
Commercial and industrial	\$35,347	\$32,732
Commercial real estate mortgage—owner-occupied	7,797	8,263
Commercial real estate construction—owner-occupied	448	407
Total commercial	43,592	41,402
Commercial investor real estate mortgage	4,509	4,680
Commercial investor real estate construction	2,419	2,133
Total investor real estate	6,928	6,813
Residential first mortgage	12,589	12,315
Home equity	10,899	10,932
Indirect—vehicles	3,782	3,642
Indirect—other consumer	383	206
Consumer credit card	992	1,009
Other consumer	984	988
Total consumer	29,629	29,092
	\$80,149	\$77,307

During the three months ended June 30, 2015 and 2014, Regions purchased approximately \$291 million and \$272 million, respectively, in indirect-vehicles and indirect-other consumer loans from third parties. During the six months ended June 30, 2015 and 2014, the comparable loan purchase amounts were approximately \$547 million and \$518 million, respectively.

At June 30, 2015, \$13.3 billion in loans held by Regions were pledged to secure borrowings from the FHLB. At June 30, 2015, an additional \$31.1 billion of loans held by Regions were pledged to the Federal Reserve Bank.

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on at least a quarterly basis. Refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2014, for a description of the methodology.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2015 and 2014. The total allowance for loan losses and the related loan portfolio ending balances as of June 30, 2015 and 2014 are disaggregated to detail the amounts derived through individual evaluation and collective evaluation for impairment. The allowance for loan losses related to individually evaluated loans is attributable to reserves for non-accrual commercial and investor real estate loans and all troubled debt restructurings (“TDRs”). The allowance for loan losses and the loan portfolio ending balances related to collectively evaluated loans is attributable to the remainder of the portfolio.

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	Three Months Ended June 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2015	\$696	\$125	\$277	\$1,098
Provision (credit) for loan losses	51	(3	) 15	63
Loan losses:				
Charge-offs	(25	) (4	) (57	) (86
Recoveries	18	5	17	40
Net loan losses	(7	) 1	(40	) (46
Allowance for loan losses, June 30, 2015	740	123	252	1,115
Reserve for unfunded credit commitments, April 1, 2015	58	8	—	66
Provision (credit) for unfunded credit losses	1	(3	) —	(2
Reserve for unfunded credit commitments, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	\$799	\$128	\$252	\$1,179
	Three Months Ended June 30, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2014	\$692	\$208	\$361	\$1,261
Provision (credit) for loan losses	39	(18	) 14	35
Loan losses:				
Charge-offs	(40	) (7	) (63	) (110
Recoveries	14	7	22	43
Net loan losses	(26	) —	(41	) (67
Allowance for loan losses, June 30, 2014	705	190	334	1,229
Reserve for unfunded credit commitments, April 1, 2014	63	11	4	78
Provision (credit) for unfunded credit losses	11	1	(1	) 11
Reserve for unfunded credit commitments, June 30, 2014	74	12	3	89
Allowance for credit losses, June 30, 2014	\$779	\$202	\$337	\$1,318
	Six Months Ended June 30, 2015			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2015	\$654	\$150	\$299	\$1,103
Provision (credit) for loan losses	110	(28	) 30	112
Loan losses:				
Charge-offs	(59	) (12	) (116	) (187
Recoveries	35	13	39	87
Net loan losses	(24	) 1	(77	) (100
Allowance for loan losses, June 30, 2015	740	123	252	1,115
Reserve for unfunded credit commitments, January 1, 2015	57	8	—	65
Provision (credit) for unfunded credit losses	2	(3) —	(1

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Reserve for unfunded credit commitments, June 30, 2015	59	5	—	64
Allowance for credit losses, June 30, 2015	\$799	\$128	\$252	\$1,179
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	\$189	\$42	\$69	\$300
Collectively evaluated for impairment	551	81	183	815
Total allowance for loan losses	\$740	\$123	\$252	\$1,115
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$722	\$264	\$845	\$1,831
Collectively evaluated for impairment	42,870	6,664	28,784	78,318
Total loans evaluated for impairment	\$43,592	\$6,928	\$29,629	\$80,149

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	Six Months Ended June 30, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2014	\$711	\$236	\$394	\$1,341
Provision (credit) for loan losses	44	(45)	38	37
Loan losses:				
Charge-offs	(81)	(16)	(137)	(234)
Recoveries	31	15	39	85
Net loan losses	(50)	(1)	(98)	(149)
Allowance for loan losses, June 30, 2014	705	190	334	1,229
Reserve for unfunded credit commitments, January 1, 2014	63	12	3	78
Provision (credit) for unfunded credit losses	11	—	—	11
Reserve for unfunded credit commitments, June 30, 2014	74	12	3	89
Allowance for credit losses, June 30, 2014	\$779	\$202	\$337	\$1,318
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	\$212	\$92	\$82	\$386
Collectively evaluated for impairment	493	98	252	843
Total allowance for loan losses	\$705	\$190	\$334	\$1,229
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$846	\$523	\$858	\$2,227
Collectively evaluated for impairment	39,898	6,450	27,938	74,286
Total loans evaluated for impairment	\$40,744	\$6,973	\$28,796	\$76,513

PORTFOLIO SEGMENT RISK FACTORS

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

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

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

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect-vehicles, indirect-other consumer, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's

residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact the depth of potential losses. Indirect-vehicles lending, which is lending initiated through third-party business partners, largely consists of loans made through automotive dealerships. Indirect-other consumer lending represents other point of sale lending through third parties. Consumer credit card includes Regions branded consumer credit card accounts. Other consumer loans include other revolving consumer accounts, direct consumer loans, and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

Table of Contents**CREDIT QUALITY INDICATORS**

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of June 30, 2015 and December 31, 2014. Commercial and investor real estate loan portfolio segments are detailed by categories related to underlying credit quality and probability of default. Regions assigns these categories at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. These categories are utilized to develop the associated allowance for credit losses.

Pass—includes obligations where the probability of default is considered low;

Special Mention—includes obligations that have potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. Obligations in this category may also be subject to economic or market conditions which may, in the future, have an adverse effect on debt service ability;

Substandard Accrual—includes obligations that exhibit a well-defined weakness that presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;

Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

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

	June 30, 2015				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	\$33,741	\$608	\$701	\$297	\$35,347
Commercial real estate mortgage—owner-occupied	6,942	331	321	203	7,797
Commercial real estate construction—owner-occupied	413	20	11	4	448
Total commercial	\$41,096	\$959	\$1,033	\$504	\$43,592
Commercial investor real estate mortgage	\$4,119	\$173	\$154	\$63	\$4,509
Commercial investor real estate construction	2,355	31	31	2	2,419
Total investor real estate	\$6,474	\$204	\$185	\$65	\$6,928
			Accrual	Non-accrual	Total
			(In millions)		
Residential first mortgage			\$12,503	\$86	\$12,589
Home equity			10,803	96	10,899
Indirect—vehicles			3,782	—	3,782
Indirect—other consumer			383	—	383
Consumer credit card			992	—	992
Other consumer			984	—	984
Total consumer			\$29,447	\$182	\$29,629
					\$80,149

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	December 31, 2014				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	\$31,492	\$626	\$362	\$252	\$32,732
Commercial real estate mortgage—owner-occupied	7,425	315	285	238	8,263
Commercial real estate construction—owner-occupied	387	9	8	3	407
Total commercial	\$39,304	\$950	\$655	\$493	\$41,402
Commercial investor real estate mortgage	\$4,152	\$234	\$171	\$123	\$4,680
Commercial investor real estate construction	2,060	22	49	2	2,133
Total investor real estate	\$6,212	\$256	\$220	\$125	\$6,813
			Accrual	Non-accrual	Total
			(In millions)		
Residential first mortgage			\$12,206	\$109	\$12,315
Home equity			10,830	102	10,932
Indirect—vehicles			3,642	—	3,642
Indirect—other consumer			206	—	206
Consumer credit card			1,009	—	1,009
Other consumer			988	—	988
Total consumer			\$28,881	\$211	\$29,092
					\$77,307

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio segment and class as of June 30, 2015 and December 31, 2014:

	June 30, 2015				Total 30+ DPD	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD				
	(In millions)							
Commercial and industrial	\$9	\$14	\$3	\$26	\$35,050	\$297	\$35,347	
Commercial real estate mortgage—owner-occupied	32	6	2	40	7,594	203	7,797	
Commercial real estate construction—owner-occupied	—	—	—	—	444	4	448	
Total commercial	41	20	5	66	43,088	504	43,592	
Commercial investor real estate mortgage	14	4	1	19	4,446	63	4,509	
Commercial investor real estate construction	—	—	—	—	2,417	2	2,419	
Total investor real estate	14	4	1	19	6,863	65	6,928	
Residential first mortgage	91	56	212	359	12,503	86	12,589	
Home equity	54	30	61	145	10,803	96	10,899	
Indirect—vehicles	36	10	6	52	3,782	—	3,782	

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Indirect—other consumer	1	—	—	1	383	—	383
Consumer credit card	6	4	11	21	992	—	992
Other consumer	11	3	4	18	984	—	984
Total consumer	199	103	294	596	29,447	182	29,629
	\$254	\$127	\$300	\$681	\$79,398	\$751	\$80,149

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	December 31, 2014						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	\$16	\$7	\$7	\$30	\$32,480	\$252	\$32,732
Commercial real estate mortgage—owner-occupied	21	13	5	39	8,025	238	8,263
Commercial real estate construction—owner-occupied	1	—	—	1	404	3	407
Total commercial	38	20	12	70	40,909	493	41,402
Commercial investor real estate mortgage	17	3	3	23	4,557	123	4,680
Commercial investor real estate construction	—	—	—	—	2,131	2	2,133
Total investor real estate	17	3	3	23	6,688	125	6,813
Residential first mortgage	99	64	247	410	12,206	109	12,315
Home equity	73	38	63	174	10,830	102	10,932
Indirect—vehicles	43	10	7	60	3,642	—	3,642
Indirect—other consumer	—	—	—	—	206	—	206
Consumer credit card	8	5	12	25	1,009	—	1,009
Other consumer	13	4	3	20	988	—	988
Total consumer	236	121	332	689	28,881	211	29,092
	\$291	\$144	\$347	\$782	\$76,478	\$829	\$77,307

IMPAIRED LOANS

The following tables present details related to the Company's impaired loans as of June 30, 2015 and December 31, 2014. Loans deemed to be impaired include all TDRs and all non-accrual commercial and investor real estate loans, excluding leases. Loans which have been fully charged-off do not appear in the tables below.

Non-accrual Impaired Loans As of June 30, 2015

	Book Value ⁽³⁾							
	Unpaid Principal Balance ⁽¹⁾	Charge-offs and Payments Applied ⁽²⁾	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % ⁽⁴⁾	
	(Dollars in millions)							
Commercial and industrial	\$335	\$39	\$296	\$64	\$232	\$94	39.7	%
Commercial real estate mortgage—owner-occupied	221	18	203	37	166	60	35.3	
Commercial real estate construction—owner-occupied	4	—	4	—	4	2	50.0	
Total commercial	560	57	503	101	402	156	38.0	
Commercial investor real estate mortgage	97	34	63	20	43	15	50.5	
Commercial investor real estate construction	11	9	2	—	2	1	90.9	

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Total investor real estate	108	43	65	20	45	16	54.6	
Residential first mortgage	65	21	44	—	44	6	41.5	
Home equity	21	6	15	—	15	—	28.6	
Total consumer	86	27	59	—	59	6	38.4	
	\$754	\$ 127	\$627	\$121	\$506	\$178	40.5	%

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	Accruing Impaired Loans As of June 30, 2015					Coverage % ⁽⁴⁾
	Unpaid Principal Balance ⁽¹⁾	Charge-offs and Payments Applied ⁽²⁾	Book Value ⁽³⁾	Related Allowance for Loan Losses		
	(Dollars in millions)					
Commercial and industrial	\$86	\$2	\$84	\$ 15	19.8	%
Commercial real estate mortgage—owner-occupied	144	10	134	18	19.4	
Commercial real estate construction—owner-occupied	1	—	1	—	—	
Total commercial	231	12	219	33	19.5	
Commercial investor real estate mortgage	176	7	169	21	15.9	
Commercial investor real estate construction	30	—	30	5	16.7	
Total investor real estate	206	7	199	26	16.0	
Residential first mortgage	439	12	427	55	15.3	
Home equity	349	7	342	8	4.3	
Indirect—vehicles	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	14	—	14	—	—	
Total consumer	805	19	786	63	10.2	
	\$1,242	\$38	\$1,204	\$ 122	12.9	%

Total Impaired Loans As of June 30, 2015

	Book Value ⁽³⁾							Coverage % ⁽⁴⁾
	Unpaid Principal Balance ⁽¹⁾	Charge-offs and Payments Applied ⁽²⁾	Total Impaired Loans	Impaired Loans with Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses		
	(Dollars in millions)							
Commercial and industrial	\$421	\$ 41	\$380	\$ 64	\$316	\$109	35.6	%
Commercial real estate mortgage—owner-occupied	365	28	337	37	300	78	29.0	
Commercial real estate construction—owner-occupied	5	—	5	—	5	2	40.0	
Total commercial	791	69	722	101	621	189	32.6	
Commercial investor real estate mortgage	273	41	232	20	212	36	28.2	
Commercial investor real estate construction	41	9	32	—	32	6	36.6	
Total investor real estate	314	50	264	20	244	42	29.3	
Residential first mortgage	504	33	471	—	471	61	18.7	
Home equity	370	13	357	—	357	8	5.7	
Indirect—vehicles	1	—	1	—	1	—	—	