

## TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Regions Financial Corporation

Submission date: December 30, 2011

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

### PART I. QUANTITATIVE OVERVIEW

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

	<u>2011</u>			<u>Key</u>	<u>Comments</u>
	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>		
<b>1. First Mortgage</b>					
a. Average Loan Balance (Daily Average Total Outstanding)	\$14,712	\$14,679	\$14,679	First and second residential 1-4 family mortgages, including residential mortgages held for sale.	The mortgage division originated mortgage loans totaling \$601 million in November 2011. Overall production decreased 1.8% from the prior month. New purchase originations decreased 4.6% from prior month, and refinancing originations decreased from the prior month 0.3%. Application activity in November decreased 16.5% as compared to prior month.
b. Total Originations	\$544	\$612	\$601	Loan originations designated for the secondary market and those to be held in portfolio on Regions' balance sheet.	
(1) Refinancings	\$311	\$406	\$405	Total originations designated as refinance status.	
(2) New Home Purchases	\$233	\$205	\$196	Total originations designated as new purchase status.	
<b>2. Home Equity</b>					
a. Average Total Loan Balance	\$13,363	\$13,274	\$13,165	Average balances include Home Equity loans and HELOCs.	Home Equity average balances declined \$109.6 million or 0.8% in November to \$13.2 billion. The HELOAN portfolio declined \$10.8 million or 0.8%, while HELOC balances declined \$98.8 million or 0.8%. Portfolio run-off continues as payoffs/paydowns outpace production.
b. Originations (New Lines+Line Increases)	\$61	\$58	\$60	New Home Equity loans, lines and increases.	
c. Total Used and Unused Commitments	\$22,081	\$21,919	\$21,552	Total portfolio of Home Equity loans and funded and unfunded HELOCs. Funded portion included in average balance above.	
<b>3. US Card - Managed</b>					
a. Average Total Loan Balance - Managed	\$1,025	\$1,018	\$1,019	Regions Financial Corp was an Agent Bank until the current portfolio was acquired on June 30, 2011.	Excluding associated premiums, month end consumer credit card principal balances increased by \$8.3 million, or 0.9%, in November to \$957 million. Excluding associated premiums, average consumer credit card principal balances increased by \$3.3 million, or 0.3%, in November to \$945 million.
b. New Account Originations (Initial Line Amt)	\$31	\$35	\$36	Regions Financial Corp was an Agent Bank until the current portfolio was acquired on June 30, 2011.	
c. Total Used and Unused Commitments	\$6,838	\$6,892	\$6,948		
<b>4. Other Consumer</b>					
a. Average Total Loan Balance	\$2,986	\$3,010	\$3,036	Includes consumer direct, indirect, other revolving (i.e., overdraft lines) and student loans held for sale.	November Other Consumer Lending balances increased by \$26.5 million or 0.9% when compared to October. Balances are being favorably impacted by the re-entry of Indirect Lending that generated \$90.2 million in new production for the month, offset by the continued run-off of the legacy Indirect Lending portfolio.
b. Originations	\$143	\$136	\$133	Includes direct and student lending origination activity.	

SCHEDULE B: COMMERCIAL LENDING (Millions \$)					
1. C & I	Sep	Oct	Nov	Key	Comments
a. Average Total Loan and Lease Balance	\$36,165	\$36,057	\$36,089	Average outstanding funded balances (net of deferred fees and costs) for commercial related loans and leases. Also includes owner-occupied commercial real estate mortgage and construction loans made to operating businesses.	Loan demand, while somewhat soft by historical standards, picked up some momentum throughout the second half of 2010 and continued through the first half of 2011. The demand has been more robust in the upper end of the market and in certain industries. Outstanding loan balances increased \$32 million in November as compared to October levels. We are seeing less loan demand in the second half of 2011 and expect this trend to continue for the remainder of the year. Furthermore, loan pricing has intensified across all lending segments and we continue to have more conservative leverage positions on the deals we're underwriting. Utilization rates decreased in November as compared to October.
b. Renewal of Existing Accounts	\$2,474	\$2,190	\$1,762	Renewal of existing funded and unfunded commitments for commercial and owner-occupied real estate related loans based upon posting date of renewal. Also includes letters of credit.	
c. New Commitments	\$846	\$825	\$1,417	New funded and unfunded commitments for commercial and owner-occupied real estate related loans based upon posting date of the commitment. Also includes letters of credit and leases. Variable Rate Demand Note (VRDN) fundings are excluded from new commitment activity.	
<b>2. Commercial Real Estate</b>					
a. Average Total Loan and Lease Balance	\$12,635	\$12,137	\$11,913	Average outstanding funded balances (net of deferred fees and costs) for commercial investor-owned real estate related loans. Also includes Commercial loans held for sale.	Regions' focus in the commercial real estate market is to take a realistic and aggressive approach to identifying problems, understand the global financial position of our commercial real estate clients, and seek improvements to loan structures (such as additional security or principal curtailments) as appropriate. In addition, we are selectively originating new loans to the right clients that meet our profitability and credit quality hurdles. Also, as homebuilders sell existing inventory, we continue to convert lot loans to residential construction loans. We are starting to finance some new homes and lots with our most creditworthy clients, while very selectively soliciting new homebuilder clients in stable markets. While production levels are somewhat increasing, they remain far below what we would expect in normal market conditions. Construction starts are at a multi-generational low and developers continue to remain cautious, however, pipelines appear to be rebuilding in the multi-family sector. We are starting to see evidence of an increase in demand of financing for purchase of existing properties. Finally, competition for the construction opportunities that are available is increasing.
b. Renewal of Existing Accounts	\$793	\$734	\$724	Renewal of existing funded and unfunded commitments for commercial investor-owned real estate related loans based upon posting date of renewal. Also includes letters of credit.	
c. New Commitments	\$96	\$59	\$88	New funded and unfunded commitments for commercial investor-owned real estate related loans based upon posting date of the commitment. Also includes letters of credit. Variable Rate Demand Note (VRDN) fundings are excluded from new commitment activity.	
<b>SCHEDULE C: MEMORANDA - SMALL BUSINESS LENDING (Millions \$)</b>					
<b>4. Small Business Loans<sup>3</sup></b>					
a. Average Total Loan Balance	\$12,795	\$12,628	\$12,572	Average outstanding funded balances (net of deferred fees and costs) for commercial and commercial real estate related loans made to small business clients, which we generally define as clients with revenues up to \$20 million. These balances are reflected as components of C&I, Commercial Real Estate and First Mortgage reported above.	We expect small business demand to be flat as consumer spending continues to remain weak, and the economic recovery remains sluggish. The November 2011 NFIB survey reported that the percent of owners planning capital outlays in the next 3 – 6 months was 21%, which is still a recession level result, and a net negative 16% of owners expect better business conditions in the next 6 months, which is 26 points lower than the January 2011 reading. As a result of the poor outlook, we expect business owners to continue to be reluctant to expand or hire. Small business line utilization rates decreased in November as compared to October.
b. Originations	\$624	\$463	\$624	New and renewed production of funded and unfunded commitments made to small business clients, which we generally define as clients with revenues up to \$20 million. These originations are reflected as components of C&I and Commercial Real Estate reported above.	
<b>SCHEDULE D: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>					
<b>1. MBS/ABS Net Purchased Volume</b>					
a. Mortgage Backed Securities	\$87	\$373	\$2,692		Net purchase volume as captured in bond accounting system. Reflects settlement date. The Mortgage Backed securities consists of Government and Agency Fixed-Rate Mortgage-Backed Products and CMOs. The Asset Backed securities consists of both Agency Commercial Mortgage Backed products.
b. Asset Backed Securities	\$27	\$63	\$40		
<b>2. Secured Lending (Repo, PB, Margin Lending)</b>					
a. Average Total Matched Book (Repo/Reverse Repo) <sup>1</sup>	N/A	N/A	N/A		
b. Average Total Debit Balances <sup>2</sup>	\$1,085	\$1,075	\$1,079	Reflects average margin receivables as recorded on the general ledger.	
<b>3. Underwriting</b>					
a. Total Equity Underwriting	\$18	\$47	\$55	Total equity underwriting activity. Represents Regions' participation percentage.	The Morgan Keegan Equity department participated in 4 offerings during September 2011, 5 during October 2011, and 7 during November 2011. Gross debt issuance for September 2011, October 2011, and November 2011 was \$5.8 billion, \$7.3 billion and \$11.0 billion respectively.
b. Total Debt Underwriting	\$767	\$899	\$1,610	Debt issuances delivered monthly. Represents Regions' participation percentage.	
<b>Notes:</b>					
1. Not applicable if matched book activity does not exceed \$50 billion.					
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.					
3. Memoranda: these loans are already accounted for in either consumer lending, commercial lending, or a combination of both, and include loans guaranteed by the Small Business Administration and/or any other loans that are internally classified as small business loans.					

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Reporting month(s): **November 2011**

Submission date: **December 30, 2011**

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## PART II. QUALITATIVE OVERVIEW

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

### I. Company Description

Regions Financial Corporation (“Regions” or the “Company”) is a financial holding company headquartered in Birmingham, Alabama, which operates throughout the South, Midwest and Texas. Regions provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of investment banking, asset management, trust, securities brokerage, insurance and other specialty financing. At September 30, 2011, Regions had total consolidated assets of approximately \$130 billion.

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

### II. Overall Summary

In November, new and renewed commitments increased by \$0.2 billion to \$4.8 billion for the month, while average balances declined \$0.3 billion from October to \$79.9 billion.

The month over month increase in new and renewed commitments was driven by a \$0.6 billion increase in C&I new commitments which was offset by a \$0.4 billion decrease in C&I renewals.

### III. Consumer Lending

#### A. Mortgage Lending

The mortgage division originated mortgage loans totaling \$601 million in November 2011. Overall production decreased 1.8% from the prior month. New purchase originations decreased 4.6% from prior month, and refinancing originations decreased from the prior month 0.3%. Application activity in November decreased 16.5% as compared to prior month.

Regions’ mortgage division rolled out the U.S. Treasury sponsored Home Affordable Refinance Program (HARP) in late March 2009, which provides borrowers who have an existing loan owned or securitized by Fannie Mae or Freddie Mac, the ability to refinance to more beneficial financing terms with no new or additional mortgage insurance required, even if their current loan-to-value ratio is higher than it was on the original loan. The loan-to-value ratio cannot exceed 125%. November originations included approximately \$65 million related to 411 loans refinanced under the Home Affordable Refinance Program.

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Regions' has implemented the U. S. Treasury sponsored Home Affordable Modification Program (HMP) for FNMA/FHLMC loans serviced by Regions. This program is designed to assist mortgage borrowers who have an existing loan owned or securitized by Fannie Mae or Freddie Mac, and who are in imminent danger of default or are already in default to obtain modified financing terms prescribed by the program. On March 26, 2010, the U.S. Treasury announced program modifications to the existing HMP program. These program modifications are designed to expand flexibility for mortgage servicers and originators to assist more unemployed homeowners and to help more people who owe more on their mortgage than their home is worth because their local markets saw large declines in home values. In accordance with the program guidelines, Regions has distributed approximately 2,723 modification packages to eligible borrowers subject to a ninety-day trial period. The first modifications under this program were seen in July 2009. In the month of November, Regions completed 45 modifications totaling \$6.4 million in unpaid principal. Regions currently services approximately \$26 billion of Agency mortgages.

## B. Home Equity Lending

Home Equity production increased 2.9% to \$59.9 million from prior month and decreased 42.4% versus same period prior year. Activities for November included: daily pre-approved point of sale Equity offers at DDA account opening, pre-approved direct mail offer with lead lists to the branches, and continued momentum from targeting the lending needs of customers that do not qualify for the traditional HELOC product but are NOT considered subprime borrowers.

Overall Home Equity average balances declined \$109.6 million or 0.8% in November to \$13.2 billion. The HELOAN portfolio declined \$10.8 million or 0.8%, while HELOC balances declined \$98.8 million or 0.8%. Portfolio run-off continues as payoffs/paydowns outpace production.

## C. US Card – Managed

Regions completed its purchase of the Regions-branded credit card portfolio from FIA Card Services, effective June 30, 2011. The transaction acquired the portfolio of over 500,000 existing Regions consumer credit card accounts with balances of \$947 million and 40,000 business credit card accounts with balances of \$129MM. Excluding associated premiums, month end consumer credit card principal balances increased by \$8.3 million, or 0.9%, in November to \$957 million. Excluding associated premiums, average consumer credit card principal balances increased by \$3.3 million, or 0.3%, in November to \$945 million.

## D. Other Consumer Lending

Other Consumer Lending production decreased 2.7% in November to \$132.7 million from prior month and increased 29% versus same period prior year due to our re-entry into Indirect Auto Lending. Other Consumer Lending activities for November included: daily pre-approved point of sale Auto/Unsecured LOC offers at DDA account opening; pre-approved direct mail offer with lead lists to the branches, and

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continued momentum from targeting the lending needs of customers that do not qualify for traditional credit products but are NOT considered subprime borrowers.

Regions' Ready Advance™ product, a short-term, small-dollar line of credit with limits ranging from \$50 to \$500, continues to be utilized by customers. New Ready Advance™ production, which is included in the \$132.7 million above, totaled \$3.3MM in November. Program to date 67,691 accounts have been established.

Overall, November Other Consumer Lending balances increased by \$26.5 million or 0.9% when compared to October. Balances are being favorably impacted by the re-entry of Indirect Lending that generated \$90.2 million in new production for the month, offset by the continued run-off of the legacy Indirect Lending portfolio.

## E. Customer Assistance Program

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

As a result, Regions has taken steps including renegotiating the terms of mortgages and home equity loans, keeping families in their homes and allowing Regions to maintain a foreclosure rate well below industry average for residential first mortgages. Overall, the number of Regions serviced first mortgage loans in the foreclosure process is less than half the national average. (1.74% for Regions vs. 4.43% nationally in the third quarter of 2011.) Since inception of the program, Regions has restructured more than \$3.7 billion in mortgages, including \$27 million in November 2011. Regions has assisted more than 41,500 homeowners with solutions.

Regions introduced the U.S. Treasury sponsored Home Affordable Modification Program for loans serviced on behalf of Fannie Mae and Freddie Mac back in late March 2009. To date, we have initiated 2,723 trial period modifications for \$409 million and of those 2,049 have been completed for \$308 million.

## IV. Commercial Lending

### A. Commercial and Industrial Lending

Loan demand, while somewhat soft by historical standards, picked up some momentum throughout the second half of 2010 and continued through the first half of 2011. The demand has been more robust in the upper end of the market and in certain industries. Outstanding loan balances increased \$32 million

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in November as compared to October levels. We are seeing less loan demand in the second half of 2011 and expect this trend to continue for the remainder of the year. Furthermore, loan pricing has intensified across all lending segments and we continue to have more conservative leverage positions on the deals we're underwriting. Utilization rates decreased in November as compared to October.

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

We expect small business demand to be flat as consumer spending continues to remain weak, and the economic recovery remains sluggish. The November 2011 NFIB survey reported that the percent of owners planning capital outlays in the next 3 – 6 months was 21%, which is still a recession level result, and a net negative 16% of owners expect better business conditions in the next 6 months, which is 26 points lower than the January 2011 reading. As a result of the poor outlook, we expect business owners to continue to be reluctant to expand or hire. Small business line utilization rates decreased in November as compared to October.

## B. Commercial Real Estate Lending

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

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## V. Treasury Activities

Management of interest rate risk is among the most fundamental tenets in banking. Banking institutions utilize the Available for Sale investment portfolio as a primary tool to balance the inherent interest rate risk arising from core banking activities. Agency Mortgage-Backed securities provided an efficient means to offset asset sensitivity and maintain the desired liquidity profile, while offering a compelling risk adjusted return on the use of capital. Mortgage-Backed security activity in November totaled \$2,691.6 million, which consists of Government and Agency Fixed-Rate Mortgage-Backed

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Products and CMOs. Asset-Backed security activity in August totaled \$40.4 million of Agency Commercial Mortgage Backed products.

## VI. Equity and Debt Activities at Morgan Keegan

The Groupon IPO brought attention to the IPO market as well as to the technology sector. The technology sector has seen more activity in the IPO arena than any other with 31 transactions being completed YTD. Groupon is just one more high profile name to go public this year. Angie's List completed their IPO this month as well. Tech names still on the backburner are Zynga and Facebook. Zynga is anticipated in December while Facebook is anticipated the first quarter of 2012. The oil and gas sector continues to complete transactions as well as build backlog. The syndicate calendar has experienced a strong 2011 YTD and is expected to see continued activity the first half of December.

Municipal debt issuance continues to trail last year's pace – as of the end of November it was down 36% from this time in 2010. However, consistent with fourth quarters in previous years, muni issuance was strong in November and we expect this to continue thru the end of the year. Corporate issuance was up significantly in November, as compared to September/October, due to improving conditions in both the investment grade and non-investment grade market. We expect that to continue in December.