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REGIONS FINANCIAL CORP  
Form 10-K405  
March 23, 2001

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NUMBER 0-6159

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.)

417 NORTH 20TH STREET, BIRMINGHAM, ALABAMA  
(Address of principal executive offices)

35203  
(Zip Code)

Registrant's telephone number, including area code: (205) 944-1300

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK -- PAR VALUE \$.625

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 2001.

COMMON STOCK, \$.625 PAR VALUE -- \$6,147,966,056\*

\*Excludes as shares held by affiliates only shares held by the registrant's Employees' Stock Ownership Plan, Directors' Stock Investment Plan and executive

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officers who are directors without prejudice to a determination of control.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of February 28, 2001.

Common Stock, \$.625 Par Value -- 208,077,159 shares issued and outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual proxy statement to be dated approximately April 10, 2001 are incorporated by reference into Part III.

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### PART I

#### ITEM 1. BUSINESS

(a) The Registrant, Regions Financial Corporation (the "Registrant" or "Regions"), is a regional bank holding company headquartered in Birmingham, Alabama, which operated 729 full-service banking offices in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee and Texas as of December 31, 2000. At that date, Regions had total consolidated assets of approximately \$43.7 billion, total consolidated deposits of approximately \$32.0 billion, and total consolidated stockholders' equity of approximately \$3.5 billion.

Regions was organized under the laws of the state of Delaware and commenced operations in 1971 under the name First Alabama Bancshares, Inc. On May 2, 1994, the name of First Alabama Bancshares, Inc. was changed to Regions Financial Corporation. Regions' principal executive offices are located at 417 North 20th Street, Birmingham, Alabama 35203, and its telephone number at such address is (205) 944-1300.

At December 31, 2000, Regions operated Regions Bank, a state-chartered commercial bank subsidiary (the "Subsidiary Bank") in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee and Texas and various banking-related subsidiaries engaged in mortgage banking, credit life insurance, leasing, commercial accounts receivable factoring, specialty mortgage financing and securities brokerage activities with offices in various southeastern states. Through its subsidiaries, Regions offers a broad range of banking and banking-related services.

In Alabama, Regions operates through Regions Bank which operates 188 banking offices throughout the state. At December 31, 2000, these offices had 31% of Regions' total consolidated assets and total consolidated deposits.

In Arkansas, Regions Bank operates 132 banking offices throughout the state. At December 31, 2000, these offices had 14% of Regions' total consolidated assets and 15% of total consolidated deposits.

In Florida, Regions Bank operates through 69 banking offices in the northwest and central regions of the state. At December 31, 2000, these offices had 7% of Regions' total consolidated assets and 8% of total consolidated deposits.

In Georgia, Regions Bank operates 141 banking offices throughout the state. At December 31, 2000, these offices had 25% of Regions' total consolidated assets and 21% of total consolidated deposits.

In Louisiana, Regions Bank operates 95 banking offices throughout the state. At December 31, 2000, these offices had 10% of Regions' total

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consolidated assets and 12% of total consolidated deposits.

In South Carolina, Regions Bank operates 36 banking offices throughout the state. At December 31, 2000, these offices had 4% of Regions' total consolidated assets and total consolidated deposits.

In Tennessee, Regions Bank operates 38 banking offices. At December 31, 2000, these offices had 5% of Regions' total consolidated assets and total consolidated deposits.

In Texas, Regions Bank operates 30 banking offices throughout the eastern portion of the state. At December 31, 2000, these offices had 4% of Regions' total consolidated assets and total consolidated deposits.

In addition to the Subsidiary Bank, Regions provides additional financial services through various banking-related subsidiaries, the most significant of which provide mortgage banking, credit life insurance, securities brokerage activities, commercial accounts receivable factoring, and specialty financing.

Regions Mortgage, Inc. (RMI), a subsidiary of Regions Bank, is engaged in mortgage banking, with its primary business and source of income being the origination and servicing of mortgage loans for long-term investors. RMI serviced approximately \$21.6 billion in real estate mortgages at December 31, 2000, and operates loan production offices in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, and Tennessee.

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Regions Agency, Inc., a subsidiary of Regions, acts as an insurance agent or broker with respect to credit life and accident and health insurance and other types of insurance relating to extensions of credit by the Subsidiary Bank or banking-related subsidiaries.

Regions Life Insurance Company, a subsidiary of Regions, acts as a re-insurer of credit life and accident and health insurance in connection with the activities of certain affiliates of Regions.

Regions Investment Company, Inc., a subsidiary of Regions Bank, engages in securities underwriting and brokerage activities and operates offices in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee and Texas.

Regions Interstate Billing Service, Inc. (RIBS), a subsidiary of Regions, factors commercial accounts receivable and performs billing and collection services. RIBS primarily serves clients related to the automotive service industry.

EquiFirst, a subsidiary of EFC Holdings Corporation which is a wholly-owned subsidiary of Regions Bank, provides specialty real estate financing to consumers.

A substantial portion of the growth of Regions since commencing operations in 1971 has been through the acquisition of other financial institutions, including commercial banks and thrift institutions, and the assets and deposits thereof. Since it began operations as a bank holding company, Regions has completed 95 acquisitions of other financial institutions representing in aggregate (at the time the acquisitions were completed) approximately \$25.4 billion in assets. As part of its ongoing strategic plan, Regions continually evaluates business combination opportunities. As a result, business combination discussions and, in some cases, negotiations take place, and future business combinations involving cash, debt, or equity securities can be expected. Any

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future business combination or series of business combinations that Regions might undertake may be material, in terms of assets acquired or liabilities assumed, to Regions' financial condition. Recent business combinations in the banking industry have typically involved the payment of a premium over book and market values. This practice could result in dilution of book value and net income per share for the acquirer.

Reference is made to Items 6 and 7 of this Annual Report on Form 10-K for certain statistical (Guide 3) and other information.

This Annual Report on Form 10-K, other periodic reports filed by Regions under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward looking statements which reflect Regions' current views with respect to future events and financial performance. Such forward looking 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. These risks, uncertainties and other factors include, but are not limited to the following:

Some factors are specific to Regions, including:

- The cost and other effects of material contingencies, including litigation contingencies.
- Regions' ability to expand into new markets and to maintain profit margins in the face of pricing pressures.
- Regions' ability to keep pace with technological changes.
- Regions' ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by Regions' customers and potential customers.
- Regions' ability to effectively manage interest rate risk, credit risk and operational risk.
- Regions' 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 Regions business.

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- Regions' ability to achieve the earnings expectations related to the businesses that were recently acquired or that may be acquired in the future, which in turn depends on a variety of factors, including:
  - Regions' ability to achieve the anticipated cost savings and revenue enhancements with respect to the acquired operations.
  - the assimilation of the acquired operations to Regions' corporate culture, including the ability to instill Regions' credit practices and efficient approach to the acquired operations.
  - the continued growth of the markets that the acquired entities serve, consistent with recent historical experience.

Other factors which may affect Regions apply to the financial services industry more generally, including:

- The easing of restrictions on participants in the financial services

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industry, such as banks, securities brokers and dealers, investment companies and finance companies, may increase competitive pressures.

- Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins.
- Possible changes in general economic and business conditions in the United States and the Southeast in general and in the communities Regions serves in particular may lead to a deterioration in credit quality, thereby increasing provisioning costs, or a reduced demand for credit, thereby reducing earning assets.
- Possible changes in trade, monetary and fiscal policies, laws, and regulations, and other activities of governments, agencies, and similar organizations, including changes in accounting standards, may have an adverse effect on business.
- Possible changes in consumer and business spending and saving habits could effect Regions' ability to grow assets and to attract deposits.

The words "believe", "expect", "anticipate", "project", and similar expressions signify forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statements made by or on behalf of Regions. Any such statement speaks only as of the date the statement was made. Regions undertakes no obligation to update or revise any forward looking statements.

(b) The primary business conducted by Registrant's banking affiliates, in each geographic region, is banking, which includes provision of commercial and retail banking services and, in some cases, trust services. Registrant's bank-related subsidiaries perform services incidental to the business of banking.

Reference is made to Note W. "Business Segment Information" to the consolidated financial statements included under Item 8 of this Annual Report on Form 10-K for information required by this item.

(c) (1) General. The Registrant is a bank holding company, registered with the Board of Governors of the Federal Reserve System ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended ("BHC Act"). As such, the Registrant and its subsidiaries are subject to the supervision, examination, and reporting requirements of the BHC Act and the regulations of the Federal Reserve.

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5.0% of the voting shares of the bank; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or (iii) it may merge or consolidate with any other bank holding company.

The BHC Act further provides that the Federal Reserve may not approve any transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are

clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues includes the parties' performance under the Community Reinvestment Act of 1977 (the "CRA"), both of which are discussed below.

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"), which became effective in 1995, repealed the prior statutory restrictions on interstate acquisitions of banks by bank holding companies, such that the Registrant, and any other bank holding company located in Alabama may now acquire a bank located in any other state, and any bank holding company located outside Alabama may lawfully acquire any Alabama-based bank, regardless of state law to the contrary, in either case subject to certain deposit-percentage, aging requirements, and other restrictions. The Interstate Banking Act also generally provided that, after June 1, 1997, national and state-chartered banks may branch interstate through acquisitions of banks in other states.

The BHC Act generally prohibits the Registrant from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. For example, factoring accounts receivable, acquiring or servicing loans, leasing personal property, conducting discount securities brokerage activities, performing certain data processing services, acting as agent or broker in selling credit life insurance and certain other types of insurance in connection with credit transactions, and performing certain insurance underwriting activities all have been determined by the Federal Reserve to be permissible activities of bank holding companies. The BHC Act does not place territorial limitations on permissible nonbanking activities of bank holding companies. Despite prior approval, the Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company.

The Gramm-Leach-Bliley Act, adopted in 1999, significantly relaxed previously existing restrictions on the activities of banks and bank holding companies. Under such Act, an eligible bank holding company may elect to be a "financial holding company" and thereafter may engage in a range of activities that are financial in nature and that were not previously permissible for banks and bank holding companies. For a bank holding company to be eligible for financial holding company status, all of its subsidiary financial institutions must be well-capitalized and well managed. A bank holding company may become a financial holding company by filing a declaration with the Federal Reserve Board that it elects to become a financial holding company. A financial holding company may engage directly or through a subsidiary in the statutorily authorized activities of securities dealing, underwriting, and market making,

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insurance underwriting and agency activities, merchant banking, and insurance company portfolio investments, and in any activity that the Federal Reserve Board determines by rule or order to be financial in nature or incidental to such financial activity. The Federal Reserve Board must deny expanded authority to any bank holding company that received less than a satisfactory rating on its most recent Community Reinvestment Act review as of the time it submits its declaration.

The Gramm-Leach-Bliley Act also permits securities brokerage firms and insurance companies to own banks and bank holding companies. The Act also seeks to streamline and coordinate regulation of integrated financial holding companies, providing generally for "umbrella" regulation of financial holding companies by

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the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators.

On December 22, 2000, Regions filed a declaration to become a financial holding company, which was approved by the Federal Reserve on January 5, 2001.

The Subsidiary Bank of the Registrant is a member of the Federal Deposit Insurance Corporation ("FDIC"), and as such, its deposits are insured by the FDIC to the extent provided by law. The Subsidiary Bank is also subject to numerous state and federal statutes and regulations that affect its business activities and operations, and is supervised and examined by one or more state or federal bank regulatory agencies.

The Subsidiary Bank, which is a state-chartered bank and is not a member of the Federal Reserve System, is subject to supervision and examination by the FDIC and the state banking authorities of Alabama, the state in which it is headquartered. The federal banking regulator of the Subsidiary Bank, as well as the appropriate state banking authority for the Subsidiary Bank, regularly examines the operations of the Subsidiary Bank and is given authority to approve or disapprove mergers, consolidations, the establishment of branches, and similar corporate actions. The federal and state banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

The Subsidiary Bank is subject to the provisions of the CRA. Under the terms of the CRA, the Subsidiary Bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire communities, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires each appropriate federal bank regulatory agency, in connection with its examination of a subsidiary depository institution, to assess such institution's record in assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory agency's assessment of the institution's record is made available to the public. Further, such assessment is required of any institution which has applied to: (i) charter a national bank; (ii) obtain deposit insurance coverage for a newly chartered institution; (iii) establish a new branch office that will accept deposits; (iv) relocate an office; or (v) merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. In the case of a bank holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve will assess

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the records of each subsidiary depository institution of the applicant bank holding company, and such records may be the basis for denying the application. The Subsidiary Bank received a "satisfactory" CRA rating in its most recent examination.

Payment of Dividends. The Registrant is a legal entity separate and distinct from its banking and other subsidiaries. The principal source of cash flow of the Registrant, including cash flow to pay dividends to its stockholders, is dividends from the Subsidiary Bank. There are statutory and regulatory limitations on the payment of dividends by the Subsidiary Bank to the Registrant as well as the Registrant to its stockholders.

As to the payment of dividends, the Subsidiary Bank is subject to the laws and regulations of the state of Alabama and to the regulations of the FDIC.

If, in the opinion of a federal regulatory agency, an institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the institution, could include the payment of dividends), such agency may require, after notice and hearing, that such institution cease and desist from such practice. The federal banking agencies have indicated that paying dividends that deplete an institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), an insured institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. See "Prompt Corrective Action." Moreover, the Federal Reserve and the FDIC have issued policy statements which provide that bank holding companies and insured banks should generally pay dividends only out of current operating earnings.

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At December 31, 2000, under dividend restrictions imposed under federal and state laws, the Subsidiary Bank, without obtaining governmental approvals, could declare aggregate dividends to the Registrant of approximately \$298 million.

The payment of dividends by the Registrant and the Subsidiary Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

Capital Adequacy. The Registrant and the Subsidiary Banks are required to comply with the capital adequacy standards established by the Federal Reserve in the case of the Registrant and the FDIC in the case of the Subsidiary Bank. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum guideline for the ratio of total capital ("Total Capital") to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8.0%. At least half of the Total Capital must be composed of common equity, undivided profits, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a

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limited amount of cumulative perpetual preferred stock, less goodwill and certain other intangible assets ("Tier 1 Capital"). The remainder may consist of subordinated debt, other preferred stock, and a limited amount of loan loss reserves. The minimum guideline for Tier 1 Capital ratio is 4.0%. At December 31, 2000, the Registrant's consolidated Tier 1 Capital and Total Capital ratios were 9.14% and 11.44%, respectively.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets (the "Leverage Ratio"), of 3.0% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 3.0%, plus an additional cushion of 100 to 200 basis points. The Registrant's Leverage Ratio at December 31, 2000, was 6.90%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital leverage ratio" (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

The Registrant's Subsidiary Bank is subject to risk-based and leverage capital requirements adopted by the FDIC, which are substantially similar to those adopted by the Federal Reserve. The Registrant's Subsidiary Bank was in compliance with applicable minimum capital requirements as of December 31, 2000. Neither the Registrant nor its Subsidiary Bank has been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. See "Prompt Corrective Action."

Support of Subsidiary Bank. Under Federal Reserve policy, the Registrant is expected to act as a source of financial strength to, and to commit resources to support, the Subsidiary Bank. This support may be required at times when, absent such Federal Reserve policy, the Registrant may not be inclined to provide it. In addition, any capital loans by a bank holding company to the Subsidiary Bank are subordinate in right of payment to deposits and to certain other indebtedness of such Subsidiary Bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to

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maintain the capital of a Subsidiary Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Prompt Corrective Action. FDICIA establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, which became effective in December 1992, the federal banking regulators are required to establish five capital categories ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized") and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, FDICIA requires the banking regulator

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to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

Under the agency rule implementing the prompt corrective action provisions, an institution that (i) has a Total Capital ratio of 10.0% or greater, a Tier 1 Capital ratio of 6.0% or greater, and a Leverage Ratio of 5.0% or greater and (ii) is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the appropriate federal banking agency is deemed to be "well capitalized." An institution with a Total Capital ratio of 8.0% or greater, a Tier 1 Capital ratio of 4.0% or greater, and a Leverage Ratio of 4.0% or greater is considered to be "adequately capitalized." A depository institution that has a Total Capital ratio of less than 8.0%, a Tier 1 Capital ratio of less than 4.0%, or a Leverage Ratio of less than 4.0% is considered to be "undercapitalized." A depository institution that has a Total Capital ratio of less than 6.0%, a Tier 1 Capital ratio of less than 3.0%, or a Leverage Ratio of less than 3.0% is considered to be "significantly undercapitalized," and an institution that has a tangible equity capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized." For purposes of the regulation, the term "tangible equity" includes core capital elements counted as Tier 1 Capital for purposes of the risk-based capital standards plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. Under FDICIA, a bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to certain limitations. The obligation of a controlling bank holding company under FDICIA to fund a capital restoration plan is limited to the lesser of 5.0% of an undercapitalized subsidiary's assets and the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches, or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. In addition, the appropriate federal banking agency is given authority with respect to any undercapitalized depository institution to take any of the actions it is required to or may take with respect to a significantly undercapitalized institution as described below if it determines "that those actions are necessary to carry out the purpose" of FDICIA.

For those institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan, the appropriate federal banking agency must require the institution to take one or more of the following actions: (i) sell enough shares, including voting shares, to become adequately capitalized; (ii) merge with (or be sold to) another institution (or holding company), but only if grounds exist for appointing a conservator or receiver; (iii) restrict certain transactions with banking affiliates as if the "sister bank" exception to the requirements of Section 23A of the Federal Reserve Act did not exist; (iv) otherwise restrict transactions with bank or nonbank affiliates; (v) restrict interest rates that the institution pays on deposits to "prevailing rates" in the institution's "region"; (vi) restrict asset growth or reduce total assets; (vii) alter, reduce, or terminate activities; (viii) hold a new election of directors; (ix) dismiss any director or senior executive officer who held office for more than 180 days immediately before the institution became undercapitalized, provided that in requiring dismissal of a director or senior officer, the agency must comply with certain

procedural require-

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ments, including the opportunity for an appeal in which the director or officer will have the burden of proving his or her value to the institution; (x) employ "qualified" senior executive officers; (xi) cease accepting deposits from correspondent depository institutions; (xii) divest certain nondepository affiliates which pose a danger to the institution; or (xiii) be divested by a parent holding company. In addition, without the prior approval of the appropriate federal banking agency, a significantly undercapitalized institution may not pay any bonus to any senior executive officer or increase the rate of compensation for such an officer without regulatory approval.

At December 31, 2000, the Registrant's Subsidiary Bank had the requisite capital levels to qualify as well capitalized.

**FDIC Insurance Assessments.** Pursuant to FDICIA, the FDIC adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The risk-based system, which went into effect on January 1, 1994, assigns an institution to one of three capital categories: (i) well capitalized; (ii) adequately capitalized; and (iii) undercapitalized. These three categories are substantially similar to the prompt corrective action categories described above, with the "undercapitalized" category including institutions that are undercapitalized, significantly undercapitalized, and critically undercapitalized for prompt corrective action purposes. An institution is also assigned by the FDIC to one of three supervisory subgroups within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information which the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds (which may include, if applicable, information provided by the institution's state supervisor). An institution's insurance assessment rate is then determined based on the capital category and supervisory category to which it is assigned. Under the final risk-based assessment system, there are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied.

Regions' Subsidiary Bank is assessed at the well-capitalized level where the premium rate is currently zero. Like all insured banks, Regions' Subsidiary Bank also must pay a quarterly assessment of approximately \$.02 per \$100 of assessable deposits to pay off bonds that were issued in the late 1980's by a government corporation, the financing corporation, to raise funds to cover costs of the resolution of the savings and loan crisis.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

**Safety and Soundness Standards.** The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994, requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. The federal bank regulatory agencies adopted in 1995, a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards

relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other

actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of FDICIA. See "Prompt Corrective Action." If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties. The federal bank regulatory agencies also proposed guidelines for asset quality and earnings standards.

Depositor Preference. The Omnibus Budget Reconciliation Act of 1993 provides that deposits and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution in the "liquidation or other resolution" of such an institution by any receiver.

Other. The United States Congress continues to consider a number of wide-ranging proposals for altering the structure, regulation, and competitive relationships of the nation's financial institutions. It cannot be predicted whether or in what form further legislation may be adopted or the extent to which the business of the Registrant may be affected thereby.

Registrant's broker/dealer subsidiary, Regions Investment Company, Inc., is subject to regulation by the Securities and Exchange Commission, the National Association of Securities Dealers, and certain state securities commissions.

(i) The following chart shows for the last three years the percentage of total revenues contributed by each of the major categories of income.

	2000	1999	1998
	-----	-----	-----
Interest and fees on loans.....	67.5%	64.9%	67.4%
Interest on securities.....	15.7	16.6	14.9
Interest on mortgage loans held for sale.....	0.9	2.4	1.5
Interest on federal funds sold.....	0.1	0.1	0.6
Other interest income.....	0.1	0.1	0.2
Trust department income.....	1.5	1.6	1.8
Service charges on deposit accounts.....	6.0	5.8	5.6
Mortgage servicing and origination fees.....	2.2	3.0	3.6
Other non-interest income.....	6.0	5.5	4.4
	-----	-----	-----

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Total Revenues.....	100.0%	100.0%	100.0%
	=====	=====	=====

(ii) On December 18, 2000, Regions announced the signing of a definitive agreement to acquire Morgan Keegan, Inc., a regional broker/dealer firm headquartered in Memphis, Tennessee. Regions anticipates the transaction to close during the first quarter of 2001.

(iii) The monetary policies of the Federal Reserve affect the operations of Registrant's Subsidiary Banks. Through changes in the reserve requirements against bank and thrift deposits, open market operations in U.S. Government securities and changes in the discount rate on borrowings, the Federal Reserve influences the cost and availability of funds obtained for lending and investing.

The monetary policies of the Federal Reserve have had a significant effect on the operating results of financial institutions in the past and are expected to do so in the future. The impact of such policies on the future business and earnings of the Registrant cannot be predicted.

(iv) The Registrant does not have any material patents, trademarks, licenses, franchises, or concessions.

(v) No material portion of the Registrant's business is of a seasonal nature.

(vi) The primary sources of funds for the Subsidiary Bank are deposits and borrowed funds. The Registrant's primary sources of operating funds are service fees, dividends, and interest which it receives from bank and bank-related subsidiaries.

(vii) No material part of the business of the Registrant is dependent upon a single customer or a few customers. No single customer or affiliated group of customers accounts for 10% or more of Registrant's consolidated revenues.

(viii) Information concerning backlog orders is not relevant to an understanding of the business of the Registrant.

(ix) No material portion of the business of the Registrant is subject to renegotiation of profits or termination of contracts or subcontracts by governmental authorities.

(x) All aspects of the Registrant's business are highly competitive. The Registrant's subsidiaries compete with other financial institutions located in Alabama, Arkansas, northwest and central Florida, Georgia, Louisiana, South Carolina, Tennessee, east Texas and other adjoining states, as well as large banks in major financial centers and other financial intermediaries, such as savings and loan associations, credit unions, consumer finance companies, brokerage firms, insurance companies, investment companies, mutual funds, other mortgage companies and financial service operations of major commercial and retail corporations.

As of December 31, 2000, the Registrant was the second largest bank holding company headquartered in Alabama based on assets. For information with respect to the Registrant's markets and the size of the Subsidiary Bank operating in such markets, see the information provided under subsection (a) of this Item 1.

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Customers for banking services are generally influenced by convenience, quality of service, personal contacts, price of services, and availability of products. Although the ranking of Registrant's position varies in different markets, Registrant believes that its affiliates effectively compete with other banks and thrifts in their relevant market areas.

Under the provisions of the Interstate Banking Act, the Registrant and any other bank holding company located in Alabama are now able to acquire a bank located in any other state, and a bank holding company located outside Alabama could acquire any Alabama-based bank, in either case subject to certain deposit percentage and other restrictions. The Interstate Banking Act also generally provided that national and state-chartered banks may branch interstate through acquisitions of banks in other states. To the extent that large bank holding companies making acquisitions in the markets in which Regions operates, competition in the Registrant's markets could further intensify.

(xi) There were no material expenditures during the last three fiscal years on research and development activities by the Registrant.

(xii) Regulations of any governmental authority concerning the discharge of materials into the environment are expected to have no material effect on the Registrant or any of its subsidiaries.

(xiii) As of December 31, 2000, Registrant, its affiliate bank and other subsidiaries had a total of 14,390 full-time-equivalent employees.

(d) Registrant neither engages in foreign operations nor derives a significant portion of its business from customers in foreign countries.

### ITEM 2. PROPERTIES

The corporate headquarters of the Registrant occupy several floors of the main Birmingham banking facility of Regions Bank, located at 417 North 20th Street, Birmingham, Alabama 35203.

The Registrant and its subsidiaries, including the Subsidiary Bank, operate through 946 office facilities, of which 712 are owned by the Registrant or one of its subsidiaries and 234 are subject to building or ground leases. Of the 729 branch office facilities operated by the Subsidiary Bank at December 31, 2000, 529 are wholly owned by the Subsidiary Bank and 200 are subject to building or ground leases.

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For offices in premises leased by the Registrant and its subsidiaries, annual rentals totaled approximately \$16,932,000 as of December 31, 2000. During 2000, the Registrant and its subsidiaries received approximately \$8,570,000 in rentals for space leased to others. At December 31, 2000, encumbrances on the offices, equipment and other operational facilities owned by the Registrant and its subsidiaries totaled approximately \$815,000 with a weighted average interest rate of 4.9%.

### ITEM 3. LEGAL PROCEEDINGS

Reference is made to Note L "Commitments and Contingencies", to the consolidated financial statements included under Item 8 of this Annual Report on Form 10-K.

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The Registrant continues to be concerned about the general trend in litigation in Alabama state courts and other courts involving large damage awards against financial service company defendants. Registrant directly or through its subsidiaries is party to approximately 208 cases in the ordinary course of business, some of which seek class action treatment or punitive damages.

Notwithstanding these concerns, Registrant believes, based on consultation with legal counsel, that the outcome of pending litigation will not have a material effect on Registrant's consolidated financial position.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to security holders for a vote during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Common Stock Market Prices and Dividend information for the year ended December 31, 2000, is included under Item 8 of this Annual Report filed on Form 10-K in Note Z to the Consolidated Financial Statements.

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### ITEM 6. SELECTED FINANCIAL DATA

#### REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

#### HISTORICAL FINANCIAL SUMMARY

	2000	1999	1998	1997	1996	
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT RATIOS, YIELDS, AND PER SH					
<b>SUMMARY OF OPERATING RESULTS</b>						
Interest income:						
Interest and fees on						
loans.....	\$2,588,143	\$2,201,786	\$2,072,204	\$1,837,392	\$1,554,478	\$1,411,143
Income on federal funds						
sold.....	5,537	4,256	17,610	16,882	11,060	11,060
Taxable interest on						
securities.....	561,974	524,935	417,121	355,591	331,895	331,895
Tax-free interest on						
securities.....	41,726	39,484	39,981	42,836	34,536	34,536
Other interest income.....	36,863	84,225	50,870	23,883	22,314	22,314
	-----	-----	-----	-----	-----	-----
Total interest						
income.....	3,234,243	2,854,686	2,597,786	2,276,584	1,954,283	1,810,948
Interest expense:						
Interest on deposits.....	1,372,260	1,056,799	1,065,054	954,782	826,844	826,844
Interest on short-term						
borrowings.....	276,243	329,518	174,906	108,617	75,827	75,827
Interest on long-term						

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borrowings.....	196,943	42,514	33,008	33,977	39,788	
	-----	-----	-----	-----	-----	-----
Total interest expense.....	1,845,446	1,428,831	1,272,968	1,097,376	942,459	
	-----	-----	-----	-----	-----	-----
Net interest income.....	1,388,797	1,425,855	1,324,818	1,179,208	1,011,824	
Provision for loan losses...	127,099	113,658	60,505	89,663	46,026	
	-----	-----	-----	-----	-----	-----
Net interest income after provision for loan losses.....	1,261,698	1,312,197	1,264,313	1,089,545	965,798	
Non-interest income:						
Trust department income....	57,675	53,434	55,218	44,227	41,660	
Service charges on deposit accounts.....	231,670	194,984	171,344	151,618	124,960	
Mortgage servicing and origination fees.....	82,732	103,118	111,555	93,327	92,757	
Securities gains (losses).....	(39,928)	160	7,002	498	3,311	
Other.....	269,061	185,445	129,578	117,312	82,415	
	-----	-----	-----	-----	-----	-----
Total non-interest income.....	601,210	537,141	474,697	406,982	345,103	
Non-interest expense:						
Salaries and employee benefits.....	588,857	551,569	528,409	480,842	413,768	
Net occupancy expense.....	70,675	61,635	62,887	61,933	55,163	
Furniture and equipment expense.....	74,213	72,013	68,595	56,304	49,971	
Merger and consolidation expense and SAIF assessment.....	0	0	121,438	0	33,777	
Other.....	387,437	379,095	322,379	302,697	284,355	
	-----	-----	-----	-----	-----	-----
Total non-interest expense.....	1,121,182	1,064,312	1,103,708	901,776	837,034	
	-----	-----	-----	-----	-----	-----
Income before income taxes.....	741,726	785,026	635,302	594,751	473,867	
Applicable income taxes.....	214,203	259,640	213,590	197,222	156,008	
	-----	-----	-----	-----	-----	-----
Net income.....	\$ 527,523	\$ 525,386	\$ 421,712	\$ 397,529	\$ 317,859	\$
	=====	=====	=====	=====	=====	=====
Average number of shares outstanding.....	220,762	221,617	220,114	209,781	194,241	
Average number of shares outstanding -- diluted....	221,989	223,967	223,781	213,750	197,751	
Per share:						
Net income.....	\$ 2.39	\$ 2.37	\$ 1.92	\$ 1.89	\$ 1.64	\$
Net income, diluted.....	2.38	2.35	1.88	1.86	1.61	
Cash dividends declared.....	1.08	1.00	0.92	0.80	0.70	

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	2000 -----	1999 -----	1998 -----
YIELDS AND COSTS (TAXABLE EQUIVALENT BASIS)			
Earning assets:			
Taxable securities.....	6.51%	6.35%	6.42%
Tax-free securities.....	7.64	7.91	8.26
Federal funds sold.....	6.27	4.49	5.45
Loans (net of unearned income).....	8.63	8.33	8.88
Other earning assets.....	8.95	7.06	6.59
Total earning assets.....	8.15	7.83	8.27
Interest-bearing liabilities:			
Interest-bearing deposits.....	5.03	4.32	4.61
Short-term borrowings.....	6.26	5.07	5.16
Long-term borrowings.....	6.42	6.33	7.32
Total interest-bearing liabilities.....	5.31	4.52	4.73
Net yield on interest earning assets.....	3.55	3.94	4.25
RATIOS			
Net income to:			
Average stockholders' equity.....	16.31%***	17.13%	14.62%**
Average total assets.....	1.23***	1.33	1.24**
Efficiency.....	54.35***	53.60	60.82**
Dividend payout.....	45.19	42.19	47.92
Average loans to average deposits.....	94.63	91.35	86.93
Average stockholders' equity to average total assets.....	7.54	7.74	8.47
Average interest-bearing deposits to average total deposits.....	85.67	84.40	85.83

\* Ratios for 1996 excluding \$20.2 million in after-tax charges for SAIF assessment and merger expenses are as follows: Return on average stockholders' equity 15.64%, Return on average total assets 1.33%, and Efficiency 60.93%.

\*\* Ratios for 1998 excluding \$80.7 million in after-tax charges for merger and consolidation charges are as follows: Return on average stockholders' equity 17.42%, Return on average total assets 1.48%, and Efficiency 54.13%.

\*\*\* Ratios for 2000 excluding \$44.0 million in after-tax gain from sale of credit card portfolio and \$26.2 million in after-tax loss from sale of securities are as follows: Return on average stockholders' equity 15.76%, Return on average total assets 1.19%, and Efficiency 56.19%.

REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

HISTORICAL FINANCIAL SUMMARY -- (CONTINUED)

2000	1999	1998	1997	1996
-----	-----	-----	-----	-----
(AVERAGE DAILY BALANCES IN THOUSANDS)				

ASSETS

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Earning assets:					
Taxable securities.....	\$ 8,651,052	\$ 8,244,603	\$ 6,473,392	\$ 5,443,877	\$ 5,
Tax-exempt securities.....	801,330	745,064	728,511	769,516	
Federal funds sold.....	88,361	94,875	323,293	282,006	
Loans, net of unearned income....	30,130,808	26,478,349	23,379,317	20,535,989	17,
Other earning assets.....	413,548	1,195,729	773,077	327,265	
	-----	-----	-----	-----	-----
Total earning assets.....	40,085,099	36,758,620	31,677,590	27,358,653	23,
Allowance for loan losses.....	(360,353)	(328,188)	(313,521)	(284,606)	(
Cash and due from banks.....	1,094,874	1,237,318	981,930	1,003,864	
Other non-earning assets.....	2,069,717	1,940,182	1,711,042	1,460,675	1,
	-----	-----	-----	-----	-----
Total assets.....	\$42,889,337	\$39,607,932	\$34,057,041	\$29,538,586	\$25,
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS'					
EQUITY					
Deposits:					
Non-interest-bearing.....	\$ 4,561,900	\$ 4,520,405	\$ 3,812,177	\$ 3,565,848	\$ 2,
Interest-bearing.....	27,279,092	24,465,254	23,081,727	20,611,654	18,
	-----	-----	-----	-----	-----
Total deposits.....	31,840,992	28,985,659	26,893,904	24,177,502	21,
Borrowed funds:					
Short-term.....	4,408,689	6,502,860	3,386,392	1,917,127	1,
Long-term.....	3,069,465	671,665	450,808	507,775	
	-----	-----	-----	-----	-----
Total borrowed funds.....	7,478,154	7,174,525	3,837,200	2,424,902	1,
Other liabilities.....	335,931	380,798	441,188	352,124	
	-----	-----	-----	-----	-----
Total liabilities.....	39,655,077	36,540,982	31,172,292	26,954,528	23,
Stockholders' equity.....	3,234,260	3,066,950	2,884,749	2,584,058	2,
	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$42,889,337	\$39,607,932	\$34,057,041	\$29,538,586	\$25,
	=====	=====	=====	=====	=====

COMPOUND  
GROWTH  
RATE  
1995-2000  
-----

ASSETS

Earning assets:	
Taxable securities.....	13.24%
Tax-exempt securities.....	5.37
Federal funds sold.....	-16.99
Loans, net of unearned income....	13.97
Other earning assets.....	17.85
Total earning assets.....	13.44
Allowance for loan losses.....	10.27
Cash and due from banks.....	3.59
Other non-earning assets.....	13.31
Total assets.....	13.13%

LIABILITIES AND STOCKHOLDERS'

EQUITY	
Deposits:	
Non-interest-bearing.....	10.40%
Interest-bearing.....	10.89
Total deposits.....	10.82
Borrowed funds:	

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Short-term.....	32.12
Long-term.....	31.03
Total borrowed funds.....	31.67
Other liabilities.....	4.88
Total liabilities.....	13.33
Stockholders' equity.....	10.84
Total liabilities and stockholders' equity.....	13.13%

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

HISTORICAL FINANCIAL SUMMARY -- (CONTINUED)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
YEAR-END BALANCES					
Assets.....	\$43,688,293	\$42,714,395	\$36,831,940	\$31,414,058	\$26,831,940
Securities.....	8,994,171	10,913,044	7,969,137	6,315,923	5,831,923
Loans, net of unearned income....	31,376,463	28,144,675	24,365,587	21,881,123	18,831,940
Non-interest-bearing deposits....	4,512,883	4,419,693	4,577,125	3,744,198	3,831,940
Interest-bearing deposits.....	27,509,608	25,569,401	23,772,941	21,266,823	18,831,940
	-----	-----	-----	-----	-----
Total deposits.....	32,022,491	29,989,094	28,350,066	25,011,021	22,663,883
Long-term debt.....	4,478,027	1,750,861	571,040	445,529	445,529
Stockholders' equity.....	3,457,944	3,065,112	3,000,401	2,679,821	2,679,821
Stockholders' equity per share...	\$ 15.73	\$ 13.89	\$ 13.61	\$ 12.75	\$ 12.75
Market price per share of common stock.....	\$ 27.31	\$ 25.13	\$ 40.31	\$ 42.19	\$ 42.19

COMPOUND  
GROWTH  
RATE  
1995-2000  
-----

YEAR-END BALANCES	
Assets.....	12.34%
Securities.....	9.87
Loans, net of unearned income....	14.20
Non-interest-bearing deposits....	7.90
Interest-bearing deposits.....	10.24
Total deposits.....	9.89
Long-term debt.....	42.48
Stockholders' equity.....	11.05
Stockholders' equity per share...	7.93%
Market price per share of common stock.....	4.90%

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### Notes to Historical Financial Summary:

- (1) Amounts in all periods have been restated to reflect significant business transactions accounted for as poolings of interests, including significant combinations through the year ended December 31, 2000.
- (2) All per share amounts give retroactive recognition to the effect of stock dividends and stock splits.
- (3) Non-accruing loans, of an immaterial amount, are included in earning assets. No adjustment has been made for these loans in the calculation of yields.
- (4) Yields are computed on a taxable equivalent basis, net of interest disallowance, using marginal federal income tax rates of 35% for 2000-1995.
- (5) This summary should be read in conjunction with the related consolidated financial statements and notes thereto under Item 8 on pages 46 to 79 of this Annual Report on Form 10-K.

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### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### INTRODUCTION

The following discussion and financial information is presented to aid in understanding Regions Financial Corporation's (Regions or the Company) financial position and results of operations. The emphasis of this discussion will be on the years 1998, 1999 and 2000; however, financial information for prior years will also be presented when appropriate.

Regions' primary business is banking. In 2000, Regions' banking affiliates contributed approximately \$500 million to consolidated net income. Regions operates one state-chartered (Alabama) bank with operations in Alabama, Arkansas, Georgia, Louisiana, Florida, Texas, South Carolina and Tennessee. A distribution of selected information as of December 31, 2000, on Regions' banking operations, by state, is as follows:

	ASSETS	LOANS	DEPOSITS	FULL-SERVICE OFFICES
	-----	-----	-----	-----
Alabama.....	31%	31%	31%	188
Arkansas.....	14	14	15	132
Georgia.....	25	25	21	141
Louisiana.....	10	10	12	95
Florida.....	7	7	8	69
Texas.....	4	4	4	30
South Carolina.....	4	4	4	36
Tennessee.....	5	5	5	38
	---	---	---	---
Totals.....	100%	100%	100%	729
	===	===	===	===

Supplementing the Company's banking operations are a mortgage banking company, credit life insurance related companies, a registered broker/dealer firm, specialty financing firm and a commercial accounts receivable financing, billing and collection company. Regions has no foreign operations, although it maintains an International Department to assist customers with their foreign transactions. The mortgage banking company services approximately \$21.6 billion

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in mortgage loans and in 2000 contributed approximately \$25.3 million to net income.

The Company's principal market areas are located in the states of Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, Tennessee and Texas.

Because of significant business combinations with other companies in 1998, which were accounted for as poolings of interest, Regions financial information for all periods prior to 1998 was restated to present the combined financial condition and results of operations of Regions and the other pooled companies as if the business combinations had been in effect for all periods presented. Regions financial information was restated to reflect the 1998 business combinations with First Commercial Corporation of Little Rock, Arkansas (with approximately \$7.3 billion in assets), First State Corporation of Albany, Georgia (with approximately \$536 million in assets), First United Bancorporation of Anderson, South Carolina (with approximately \$305 million in assets) and PALFED, Inc. of Aiken, South Carolina (with approximately \$665 million in assets).

The acquisitions of other banks and related institutions have contributed significantly to Regions' growth during the last three years. Regions has expanded into new markets and strengthened its presence in existing markets.

Regions' 1998 acquisition activity expanded its presence in Alabama, Georgia, Florida, Louisiana, South Carolina, and Tennessee through ten acquisitions with combined assets of \$2.1 billion, combined loans of \$1.3 billion and combined deposits of \$1.8 billion.

In Alabama, Regions acquired Jacobs Bank, located in Scottsboro. The Jacobs transaction added \$186 million in assets.

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Regions' expansion in Georgia included the acquisition of Etowah Bank located in Canton, First Community Banking Services, Inc. located in Peachtree City and branches purchased from First Union National Bank in Valdosta, adding assets of \$409 million, \$125 million and \$109 million, respectively.

Regions' acquisition activity in Florida added \$416 million in combined assets from transactions with two institutions; Key Florida Bancorp, Inc. and Village Bankshares, Inc. These institutions added to Regions' existing central Florida presence.

In Louisiana, Regions acquired two institutions: St. Mary Holding Corporation in Franklin with assets of \$111 million and St. James Bancorporation, Inc. in Litcher with assets of \$172 million.

Also in 1998, Regions expanded its South Carolina market with the acquisition of Greenville Financial Corporation. This transaction added \$141 million in assets.

In Tennessee, First Commercial acquired a Federal Savings Bank subsidiary of Kemmons Wilson, Inc. This transaction added \$396 million in assets.

Additionally, Regions expanded its line of businesses and market area by acquiring EFC Holdings Corporation (EFC), a Charlotte, North Carolina, specialty financing institution. EFC, with \$63 million in assets, originates and sells consumer mortgage loans.

Acquisition activity in 1999 focused on strengthening several of Regions' existing markets. In early 1999, Regions acquired two Georgia-based

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institutions, VB&T Bancshares Corporation located in Valdosta and Bullsboro BancShares, Inc. located in Newnan, which combined added approximately \$176 million in assets. The VB&T transaction increased Regions' presence in Southwest Georgia while the Bullsboro transaction increased Regions' suburban-Atlanta franchise.

Also in early 1999, Regions increased its Tennessee presence with the acquisition of Meigs County Bancshares, Inc., a \$114 million institution located in Decatur, a part of Regions' middle Tennessee market.

Regions' 1999 expansion activity in Arkansas was in the northeast portion of the state. In March, Regions acquired Arkansas Banking Company located in Jonesboro. This transaction, while adding \$355 million in assets, significantly increased Regions' presence in the Jonesboro market.

At the end of 1999, Regions acquired Minden Bancshares, Inc., which is located in Minden, Louisiana. This transaction added \$319 million in assets to Regions' existing market in the northwest corner of the state.

Regions' acquisition activity in 2000 strengthened its presence in Arkansas, Florida, Tennessee and Louisiana, while expanding into the rapidly growing Austin, Texas market. These five acquisitions combined to add \$885 million in assets, \$494 million in loans and \$753 million in deposits.

In Arkansas, Regions acquired five branches from Amsouth Bank located in Fort Smith, Arkansas. The branch purchase added \$186 million in assets.

In Florida, Regions expanded into Ormond Beach through the acquisition of East Coast Bank Corporation with assets of \$108 million.

Regions expanded its Tennessee presence through the acquisition of LCB Corporation in Fayetteville with \$173 million in assets.

In Louisiana, Regions continued to expand its market presence through the acquisition of First National Bancshares of Louisiana, Inc. of Alexandria with assets of \$304 million.

Regions expansion in Texas consisted of an institution in the rapidly expanding Austin market. The acquisition of Heritage Bancorp, Inc., of Hutto Texas, added \$114 million in assets.

Regions' and the pooled companies' business combinations over the last three years are summarized in the following chart.

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DATE ----	COMPANY -----	HEADQUARTERS LOCATION -----	TOTAL ASSETS ----- (IN THOUSANDS)	ACCOUNT TREATM -----
2000				
January	LCB Corporation	Fayetteville, Tennessee	\$173,157	Purch
May	Five Branches of Amsouth Bank	Fort Smith, Arkansas	186,361	Purch
August	Heritage Bancorp, Inc.	Hutto, Texas	114,370	Purch
August	First National Bancshares of Louisiana, Inc.	Alexandria, Louisiana	303,793	Purch
September	East Coast Bank Corporation	Ormond Beach, Florida	107,779	Purch

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1999				
January	VB&T Bancshares Corporation	Valdosta, Georgia	75,733	Pooli
January	Bullsboro BancShares, Inc.	Newnan, Georgia	100,682	Pooli
January	Meigs County Bancshares, Inc.	Decatur, Tennessee	114,407	Pooli
March	Arkansas Banking Company	Jonesboro, Arkansas	354,981	Purch
December	Minden Bancshares, Inc.	Minden, Louisiana	318,955	Purch
1998				
February	Greenville Financial Corporation	Greenville, South Carolina	141,294	Pooli
March	St. Mary Holding Corporation	Franklin, Louisiana	111,498	Pooli
March	Key Florida Bancorp, Inc.	Bradenton, Florida	204,435	Pooli
March	Federal Savings Bank Subsidiary of Kemmons Wilson, Inc.	Memphis, Tennessee	395,629	Purch
August	Village Bankshares, Inc.	Tampa, Florida	211,469	Pooli
August	Jacobs Bank	Scottsboro, Alabama	185,939	Pooli
September	Etowah Bank	Canton, Georgia	409,139	Pooli
September	First Community Banking Services, Inc.	Peachtree City, Georgia	124,762	Pooli
September	Branches of First Union National Bank	Valdosta, Georgia	108,913	Purch
November	EFC Holdings Corporation	Charlotte, North Carolina	63,147	Purch
December	St. James Bancorporation, Inc.	Lutcher, Louisiana	171,572	Purch

As of December 31, 2000, Regions had one pending acquisition -- Morgan Keegan, Inc., a regional broker/dealer firm headquartered in Memphis, Tennessee.

See Note Q to the consolidated financial statements for additional information regarding the pending acquisition.

### FINANCIAL CONDITION

Regions' financial condition depends primarily on the quality and nature of its assets, liabilities and capital structure, the market and economic conditions, and the quality of its personnel.

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### LOANS AND ALLOWANCE FOR LOAN LOSSES

As a financial institution, Regions' primary investment is loans. At December 31, 2000, loans represented 77% of Regions' earning assets.

Over the last four years loans increased a total of \$13.0 billion, a compound growth rate of 14%. Loans acquired in connection with acquisitions over the last four years contributed \$3.7 billion of this growth. Regions has experienced significant loan growth in recent years, with loans increasing \$2.5 billion, \$3.8 billion and \$3.2 billion in 1998, 1999 and 2000, respectively. In 1998 and 1999, respectively, acquisitions added \$1.3 billion and \$567 million in loans. Five acquisitions in 2000 added approximately \$494 million in loans.

During 1999, Regions securitized \$1.3 billion in single-family residential mortgage loans. These assets were transferred from the loan portfolio to the available for sale securities portfolio. The securitization of these loans gives Regions additional flexibility for funding purposes and results in a lower risk-weighted capital allocation for these assets. In 2000, Regions sold its credit card portfolio, which totaled \$278 million. Adjusting for the effect of the securitization and sale, loans would have increased \$5.1 billion or 21% in

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1999 and \$3.5 billion or 12% in 2000.

All major categories of loans have shared in the growth in the loan portfolio over the last four years, with the strongest growth occurring in commercial and real estate construction loans. Over the last four years, commercial, financial and agricultural loans increased \$5.1 billion or 129%. Real estate construction loans increased \$2.0 billion or 168% over the same period. Real estate mortgage loans increased \$4.6 billion or 54%, and consumer loans increased \$1.2 billion or 26% over the last four years. The increase in real estate mortgage loans and consumer loans, respectively, is net of the \$1.3 billion single-family residential mortgage loan securitization and the \$278 million credit card portfolio sale previously discussed.

Regions' real estate mortgage portfolio includes \$6.7 billion of mortgage loans secured by single-family residences that were originated by Regions' mortgage subsidiary and are secured primarily by homes in Regions' geographic footprint. These loans increased approximately \$815 million in 1998, \$1.9 billion in 1999 and \$1.2 billion in 2000, accounting for approximately 33%, 49%, and 38% respectively, of the growth in total loans in 1998, 1999, and 2000. The increase in 1998 and 1999 is net of the securitization of the \$534 million and \$1.3 billion, respectively, in single-family residential mortgages. Eighty-six percent of the balance of these mortgage loans consists of adjustable-rate mortgages (ARM's) that have rates approximately 275 basis points above one of several money market indices when fully priced.

Regions' real estate portfolio also includes \$1.5 billion of single-family mortgage loans obtained in various acquisitions, which are being serviced by Regions' mortgage subsidiary. Fixed-rate single-family mortgages with a weighted average interest rate of 7.86% and a weighted average remaining term of 14.25 years comprise 43% of this portfolio. Single-family ARM's, which have rates approximately 200 to 300 basis points above one of several money market indices when fully priced, comprise the remaining 57% of the overall balance of these loans.

Lending at Regions is generally organized along three functional lines: commercial loans (including financial and agricultural), real estate loans and consumer loans. The composition of the portfolio by these major categories is presented below (with real estate loans further broken down between construction and mortgage loans):

	DECEMBER 31,				
	2000	1999	1998	1997	1996
	(IN THOUSANDS, NET OF UNEARNED INCOME)				
Commercial.....	\$ 9,039,818	\$ 8,183,633	\$ 7,119,093	\$ 5,073,698	\$ 3,951
Real estate -- construction.....	3,271,692	2,439,104	1,865,972	1,582,706	1,222
Real estate -- mortgage.....	13,114,655	11,728,601	9,608,147	10,072,195	8,496
Consumer.....	5,950,298	5,793,337	5,772,375	5,152,524	4,724
	-----	-----	-----	-----	-----
Total.....	\$31,376,463	\$28,144,675	\$24,365,587	\$21,881,123	\$18,395
	=====	=====	=====	=====	=====

The amounts of total gross loans (excluding residential mortgages on 1-4 family residences and consumer loans) outstanding at December 31, 2000, based on

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remaining scheduled repayments of principal, due in (1) one year or less, (2) more than one year but less than five years and (3) more than five years, are shown in the following table. The amounts due after one year are classified according to sensitivity to changes in interest rates.

	LOANS MATURING			
	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOT
	(IN THOUSANDS)			
Commercial, financial and agricultural.....	\$3,840,795	\$3,913,715	\$1,315,739	\$ 9,07
Real estate -- construction.....	1,762,340	1,343,193	173,504	3,27
Real estate -- mortgage.....	709,277	1,844,764	1,154,947	3,70
Total.....	\$6,312,412	\$7,101,672	\$2,644,190	\$16,05

	SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES	
	PREDETERMINED RATE	VARIABLE RATE
	(IN THOUSANDS)	
Due after one year but within five years.....	\$4,929,603	\$2,172,069
Due after five years.....	1,244,277	1,399,913
Total.....	\$6,173,880	\$3,571,982

A sound credit policy and careful, consistent credit review are vital to a successful lending program. All affiliates of Regions operate under written loan policies which attempt to maintain a consistent lending philosophy, provide sound traditional credit decisions, provide an adequate return and render service to the communities in which the banks are located. Regions' lending policy generally confines loans to local customers or to national firms doing business locally. Credit reviews and loan examinations help confirm that affiliates are adhering to these loan policies.

Every loan carries some degree of credit risk. This risk is reflected in the consolidated financial statements by the allowance for loan losses, the amount of loans charged off and the provision for loan losses charged to operating expense. It is Regions' policy that when a loss is identified, it is charged against the allowance for loan losses in the current period. The policy regarding recognition of losses requires immediate recognition of a loss if significant doubt exists as to principal repayment.

Regions' provision for loan losses is a reflection of actual losses experienced during the year and management's judgment as to the adequacy of the allowance for loan losses. Some of the factors considered by management in determining the amount of the provision and resulting allowance include: (1) detailed reviews of individual loans; (2) gross and net loan charge-offs in the current year; (3) the current level of the allowance in relation to total loans

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and to historical loss levels; (4) past due and non-accruing loans; (5) collateral values of properties securing loans; (6) the composition of the loan portfolio (types of loans); and (7) management's analysis of economic conditions and the resulting impact on Regions' loan portfolio.

A coordinated effort is undertaken to identify credit risks in the loan portfolio for management purposes and to establish the loan loss provision and resulting allowance for accounting purposes. A regular, formal and ongoing loan review is conducted to identify loans with unusual risks or possible losses. The primary responsibility for this review rests with the management of the individual banking offices. Their work is supplemented with reviews by Regions' internal audit staff and corporate loan examiners. Bank regulatory agencies and the Company's independent auditors provide additional levels of review. This process provides information which helps in assessing the quality of the portfolio, assists in the prompt identification of problems and potential problems and aids in deciding if a loan represents a probable loss which should be recognized or a risk for which an allowance should be maintained.

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If, as a result of Regions' loan review and evaluation procedures, it is determined that payment of interest on a loan is questionable, it is Regions' policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a "cash basis" and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

Although it is Regions' policy to immediately charge off as a loss all loan amounts judged to be uncollectible, historical experience indicates that certain losses exist in the loan portfolio which have not been specifically identified. To anticipate and provide for these unidentifiable losses, the allowance for loan losses is established by charging the provision for loan losses expense against current earnings. No portion of the resulting allowance is in any way allocated or restricted to any individual loan or group of loans. The entire allowance is available to absorb losses from any and all loans.

Over the last five years, the year-end allowance for loan losses as a percentage of loans ranged from a low of 1.20% in 2000 to a high of 1.39% in 1997. As previously discussed, the adequacy of the allowance for loan losses is based on management's evaluation of various factors.

The ratio of non-performing assets (including loans past due 90 days or more and other real estate) to loans and other real estate increased from 0.83% at December 31, 1996 to 1.15% at December 31, 1998. The favorable effect on non-performing assets levels from generally improving economic conditions in Regions' markets were offset by the effect of non-performing assets added by certain acquisitions, resulting in the unfavorable trend in this ratio. The ratio of non-performing assets (including loans past due 90 days or more and other real estate) to loans and other real estate declined to 0.93% at December 31, 1999, and to 0.87% at December 31, 2000 due primarily to decreases in commercial and consumer loan delinquencies.

The allowance for loan losses as a percentage of non-performing loans (including loans past due 90 days or more) was 153% at December 31, 2000, compared to 135% at December 31, 1999, and to 120% at December 31, 1998. Management considers the current level of the allowance for loan losses adequate to absorb possible losses from loans in the portfolio. Management's determination of the adequacy of the allowance for loan losses, which is based on the factors and risk identification procedures previously discussed, requires the use of judgments and estimations that may change in the future. Unfavorable changes in the factors used by management to determine the adequacy of the

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reserve or the availability of new information, could cause the allowance for loan losses to be increased or decreased in future periods. In addition, bank regulatory agencies, as part of their examination process, may require that additions be made to the allowance for loan losses based on their judgments and estimates.

The analysis of loan loss experience (see chart following) shows that net loan losses, over the last five years, ranged from a high of \$99.2 million in 1999 to a low of \$30.4 million in 1996. Net loan losses were \$94.1 million in 2000, \$66.4 million in 1998 and \$56.1 million in 1997. Over the last five years, net loan losses averaged 0.29% of average loans and were 0.31% of average loans in 2000. Regions' higher level of net loan losses in 1999 and 2000 resulted primarily from charge-off of certain commercial credits and segments of consumer credits, partially offset by recoveries of previously charged-off loans in the commercial and consumer categories.

In order to assess the risk characteristics of the loan portfolio at December 31, 2000, it is appropriate to consider the three major categories of loans -- commercial, real estate and consumer.

Regions' commercial loan portfolio is highly diversified within the markets served by the Company. Geographically, the largest concentration is the 26% of the portfolio held by banking offices in the state of Alabama. Banking offices in Georgia and Arkansas hold 25% and 20% respectively, of the commercial loan portfolio, followed by Louisiana with 10%, Tennessee with 6%, Florida and Texas with 5% each and South Carolina with 3%. A small portion of these loans is secured by properties outside Regions' banking market areas.

The Alabama economy has experienced relatively stable growth over the last several years. Industries important in the Alabama economy include vehicle and vehicle parts manufacturing and assembly, lumber and wood products, and steel production. High technology industries are important in the northern part of the

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state. Service and health care industries have increased in importance and are predicted to continue growing. Agriculture, particularly poultry, beef cattle and cotton, are important to the state's economy.

The economy of the northern two-thirds of Georgia is diversified with a strong presence in poultry production, carpet manufacturing, automotive manufacturing related industries, tourism, and various service sector industries. A well developed transportation system has contributed to the growth in north Georgia. This area has experienced rapid population growth and has very favorable household income characteristics, relative to many of Regions' other markets. In recent years, Georgia's population has grown at twice the national rate. Prospects are good for continued strong economic growth and development in this area.

In the southern region of Georgia, while agriculture is important, other industries play an important role in the economy. Albany and Valdosta, Regions' primary market areas, are hubs for retail trade and health care for the entire south Georgia market. These markets are also home to numerous Fortune 500 Company manufacturing and production facilities.

The Arkansas economy is supported in part by the forest products industry due to the abundance of corporate owned forests and public lands. In recent years, steel production has become increasingly important to the state's economy.

Natural resources are very important to the Louisiana economy. Energy and

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petrochemical industries play a significant role in the economy. Shipping, shipbuilding, and other transportation equipment industries are strong in the state's durable goods industries. Tourism, amusement and recreation, service, and health care industries are also important to the Louisiana economy. Cotton, rice and sugarcane are among Louisiana's most important agricultural commodities.

The economy along the I-85 corridor in South Carolina continues to be among the fastest growing in the country. This area is home to numerous multinational manufacturers, resulting in one of the highest per capita foreign investment areas in the nation. South Carolina has one of the highest growth rates in personal income in the nation.

Tennessee's economy is heavily influenced by automobile manufacturing, tourism, entertainment and recreation, health care and other service industries. With one out of four Tennesseans employed in service industries, the state's economy is very dependent on this sector for continued good economic performance.

The economy of the eastern portion of Texas remains healthy. A major distribution center and a new telemarketing service center bode well for the Tyler market while the Longview area benefits from manufacturing expansion and a medical claims service center.

The northwestern part of Florida and the central Florida area have also experienced excellent economic growth during the last several years. Tourism is very important to the Florida economy, and military payrolls are significant in the panhandle area. Florida has experienced strong in-migration, contributing to strong construction activity and a growing retirement-age population. Population growth rates in Florida are 50% higher than the national average. Citrus fruit production is also important in the state.

From 1996 to 2000, net losses on commercial loans ranged from a low of 0.03% in 1997 to a high of 0.41% in 2000. The higher level of commercial loan losses in 2000, resulted primarily from an \$11.4 million charge-off of a single loan to a customer in the steel industry. Excluding the loss associated with this one credit, commercial loan losses would have been down slightly from 1999. Future losses are a function of many variables, of which general economic conditions are the most important. A continuation of moderate economic growth during 2001 in Regions' market areas could result in 2001 net commercial loan losses slightly below the 2000 level.

Regions' real estate loan portfolio consists of construction and land development loans, loans to businesses for long-term financing of land and buildings, loans on one-to-four family residential properties, loans to mortgage banking companies (which are secured primarily by loans on one-to-four family residential properties and are known as warehoused mortgage loans) and various other loans secured by real estate.

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Real estate construction loans increased \$833 million in 2000 to \$3.3 billion. At December 31, 2000, these loans represented 10.4% of Regions' total loan portfolio, compared to 6.6% at the end of 1996. Strong economic growth and new development in Regions' market areas have enabled Regions to steadily increase construction loans. Most of the construction loans relate to shopping centers, apartment complexes, commercial buildings and residential property development. These loans are normally secured by land and buildings and are generally backed by commitments for long-term financing from other financial institutions. Real estate construction loans are closely monitored by management, since these loans are generally considered riskier than other types

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of loans and are particularly vulnerable in economic downturns and in periods of high interest rates. Regions generally requires higher levels of borrower equity investment in addition to other underwriting requirements for this type of lending as compared to other real estate lending. Regions has not been an active lender to real estate developers outside its market areas.

The loans to businesses for long-term financing of land and buildings are primarily to commercial customers within Regions' markets. Total loans secured by non-farm, non-residential properties totaled \$5.2 billion at December 31, 2000. Although some risk is inherent in this type of lending, the Company attempts to minimize this risk by generally making the majority of these type loans only on owner-occupied properties, and by requiring collateral values which exceed the loan amount, adequate cash flow to service the debt, and in most cases, the personal guaranties of principals of the borrowers.

Regions also attempts to mitigate the risks of real estate lending by adhering to standard loan underwriting policies and by diversifying the portfolio both geographically within its market area and within industry groups.

Loans on one-to-four family residential properties, which total approximately 72% of Regions' real estate mortgage portfolio, are principally on single-family residences. These loans are geographically dispersed throughout the southeastern states and some are guaranteed by government agencies or private mortgage insurers. Historically, this category of loans has not produced sizable loan losses; however, it is subject to some of the same risks as other real estate lending. Warehoused mortgage loans, since they are secured primarily by loans on one-to-four family residential properties, are similar to these loans in terms of risk.

From 1996 to 1999, net losses on real estate loans ranged from a high of 0.11% of real estate loans in 1998 and 1999, to a low of 0.01% of real estate loans in 1996. In 2000 real estate loan losses were 0.07% of average real estate loans, primarily as a result of higher commercial real estate loan charge offs. These losses depend, to a large degree, on the level of interest rates, economic conditions and collateral values, and thus, are very difficult to predict. Management expects 2001 net real estate loan losses to be near the 2000 level.

Regions' consumer loan portfolio consists of \$5.1 billion in consumer loans and \$858 million in personal lines of credit (including home equity loans). Consumer loans are primarily borrowings of individuals for home improvements, automobiles and other personal and household purposes. Regions' consumer loan portfolio includes \$1.2 billion and \$1.3 billion in indirect installment loans at December 31, 2000 and 1999, respectively. During the past five years, the ratio of net consumer loan losses to consumer loans ranged from a low of 0.64% in 1996 to a high of 1.09% in 1999. Higher levels of personal bankruptcies in Regions' market areas have contributed to the higher net consumer loan losses in recent years. In 2000, net consumer loan losses declined to 0.82% of average loans, primarily due to improved collection processes. Consumer loan losses are difficult to predict, but historically have tended to increase during periods of recession. Management expects net consumer loan losses in 2001 to be near the 2000 level assuming continued moderate economic growth.

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The following table presents information on non-performing loans and real estate acquired in settlement of loans:

DECEMBER 31,  
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NON-PERFORMING ASSETS	2000	1999	1998	1997	1996
(DOLLAR AMOUNTS IN THOUSANDS)					
Non-performing loans:					
Loans accounted for on a non-accrual basis.....	\$197,974	\$169,904	\$124,718	\$138,149	\$ 84,21
Loans contractually past due 90 days or more as to principal or interest payments (exclusive of non-accrual loans).....	35,903	71,952	134,411	29,020	35,83
Loans whose terms have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower (exclusive of non-accrual loans and loans past due 90 days or more).....	12,372	8,390	4,550	12,616	11,03
Real estate acquired in settlement of loans ("other real estate").....	28,443	12,662	17,273	20,511	21,09
Total.....	\$274,692	\$262,908	\$280,952	\$200,296	\$152,18
Non-performing assets as a percentage of loans and other real estate.....					
	.87%	.93%	1.15%	0.91%	0.8

The following analysis presents a five year history of the allowance for loan losses and loan loss data:

	2000	1999	1998	1997	1996
(DOLLAR AMOUNTS IN THOUSANDS)					
Allowance for loan losses:					
Balance at beginning of year....	\$ 338,375	\$ 315,412	\$ 304,223	\$ 253,248	\$ 231
Loans charged off:					
Commercial.....	51,617	35,589	24,214	15,534	9
Real estate.....	13,673	15,781	13,366	7,174	4
Installment.....	66,456	77,867	56,159	65,571	38
Total.....	131,746	129,237	93,739	88,279	51
Recoveries:					
Commercial.....	15,639	12,934	10,473	14,265	8
Real estate.....	2,750	1,109	1,655	3,879	3
Installment.....	19,249	16,006	15,201	14,027	9
Total.....	37,638	30,049	27,329	32,171	21
Net loans charged off:					
Commercial.....	35,978	22,655	13,741	1,269	1
Real estate.....	10,923	14,672	11,711	3,295	
Installment.....	47,207	61,861	40,958	51,544	28
Total.....	94,108	99,188	66,410	56,108	30
Allowance of acquired banks.....	5,142	8,493	17,094	17,420	6
Provision charged to expense....	127,099	113,658	60,505	89,663	46
Balance at end of year.....	\$ 376,508	\$ 338,375	\$ 315,412	\$ 304,223	\$ 253

	2000	1999	1998	1997	1996
	(DOLLAR AMOUNTS IN THOUSANDS)				
Average loans outstanding:					
Commercial.....	\$ 8,811,864	\$ 7,661,595	\$ 7,060,917	\$ 4,536,710	\$ 3,583,000
Real estate.....	15,595,695	13,144,153	10,479,084	10,768,271	9,318,000
Installment.....	5,723,249	5,672,601	5,839,316	5,231,008	4,427,000
Total.....	\$30,130,808	\$26,478,349	\$23,379,317	\$20,535,989	\$17,329,000
Net charge-offs as percent of average loans outstanding:					
Commercial.....	.41%	.30%	.19%	.03%	
Real estate.....	.07	.11	.11	.03	
Installment.....	.82	1.09	.70	.99	
Total.....	.31	.37	.28	.27	
Net charge-offs as percent of:					
Provision for loan losses.....	74.0%	87.3%	109.8%	62.6%	
Allowance for loan losses.....	25.0	29.3	21.1	18.4	
Allowance as percentage of loans, net of unearned income.....					
Provision for loan losses (net of tax effect) as percentage of net income.....	1.20%	1.20%	1.29%	1.39%	
Provision for loan losses (net of tax effect) as percentage of net income.....	15.1%	13.5%	9.0%	14.1%	

At December 31, 2000, non-accrual loans totaled \$198.0 million or 0.63% of loans, compared to \$169.9 million or 0.60% of loans at December 31, 1999. The increase in non-accrual loans at December 31, 2000, was primarily due to increased levels of commercial loans being placed on non-accrual status. Commercial loans comprised \$70.3 million of the 2000 total, with real estate loans accounting for \$111.4 million and consumer loans \$16.3 million.

Loans contractually past due 90 days or more were 0.11% of total loans at December 31, 2000, compared to 0.26% of total loans at December 31, 1999. Since December 31, 1999, loan delinquencies have declined primarily due to improvements in loan collection processes during 2000. Loans past due 90 days or more at December 31, 2000, consisted of \$18.1 million in commercial and real estate loans and \$17.8 million in consumer loans.

Renegotiated loans were 0.04% and 0.03% of loans at December 31, 2000 and 1999, respectively. Renegotiated loans have remained at relatively low levels over the last five years, as a result of paydowns and payoffs on renegotiated loans, which were added by acquisitions.

Other real estate declined from 1996 to 1999, but increased to \$28.4 million at December 31, 2000, from \$12.7 million at December 31, 1999. Other real estate, added through the normal course of business and by acquisitions in 2000, was partially offset by sales of other real estate. From 1996 through 1999, other real estate declined due to increased sales of parcels of other real estate, combined with fewer additions. Other real estate is recorded at the lower of (1) the recorded investment in the loan or (2) the estimated net realizable value of the collateral. Although Regions does not anticipate material loss upon disposition of other real estate, sustained periods of

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adverse economic conditions, substantial declines in real estate values in Regions' markets, actions by bank regulatory agencies, or other factors, could result in additional loss from other real estate.

The amount of interest income earned in 2000 on the \$198.0 million of non-accruing loans outstanding at year end was approximately \$7.5 million. If these loans had been current in accordance with their original terms, approximately \$21.1 million would have been earned on these loans in 2000. Approximately \$1.1 million in interest income would have been earned in 2000 under the original terms of the \$12.4 million in renegotiated loans outstanding at December 31, 2000. Approximately \$846,000 in interest income was actually earned in 2000 on these loans.

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In the normal course of business, Regions makes commitments under various terms to lend funds to its customers. These commitments include (among others) revolving credit agreements, term loan agreements and short-term borrowing arrangements, which are usually for working capital needs. Letters of credit are also issued, which under certain conditions could result in loans. See Note L to the consolidated financial statements for additional information on commitments.

The commercial, real estate and consumer loan portfolios are highly diversified in terms of industry concentrations. The following table shows the largest concentrations in terms of the customer's Standard Industrial Classification Code at December 31, 2000:

STANDARD INDUSTRIAL CLASSIFICATION	2000			1999		
	AMOUNT	% OF TOTAL	% NON- ACCRUAL	AMOUNT	% OF TOTAL	NO ACC
	(DOLLAR AMOUNTS IN MILLIONS)					
Individuals.....	\$17,560.1	55.8%	0.5%	\$15,181.7	53.8%	0
Services:						
Physicians.....	288.3	0.9	0.3	200.4	0.7	0
Business services.....	209.8	0.7	0.0	149.5	0.5	1
Religious organizations.....	343.6	1.1	0.6	293.1	1.0	0
Legal services.....	98.9	0.3	0.7	89.3	0.3	0
All other services.....	2,728.3	8.7	0.9	1,910.2	6.9	0
Total services.....	3,668.9	11.7	0.8	2,642.5	9.4	0
Manufacturing:						
Electrical equipment.....	93.6	0.3	0.1	62.2	0.2	0
Food and kindred products.....	38.5	0.1	1.3	57.8	0.2	0
Rubber and plastic products.....	31.6	0.1	3.5	35.2	0.1	3
Lumber and wood products.....	188.4	0.6	0.4	129.1	0.5	0
Fabricated metal products.....	169.6	0.5	0.5	88.7	0.3	0
All other manufacturing.....	669.4	2.1	1.8	642.3	2.3	3
Total manufacturing.....	1,191.1	3.7	1.3	1,015.3	3.6	2
Wholesale trade.....	689.9	2.2	0.6	649.6	2.3	0
Finance, insurance and real estate:						
Real estate.....	1,349.4	4.3	0.9	1,840.7	6.5	0
Banks and credit agencies.....	149.6	0.5	0.0	283.2	1.0	0
All other finance, insurance and real estate.....	2,402.4	7.6	0.1	1,249.6	4.4	0

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Total finance, insurance and real estate.....	3,901.4	12.4	0.3	3,373.5	11.9	0
Construction:						
Residential building construction.....	576.6	1.8	0.7	541.5	1.9	0
General contractors and builders.....	764.7	2.4	1.8	486.9	1.7	0
All other construction.....	348.5	1.1	1.6	324.2	1.1	1
Total construction.....	1,689.8	5.3	1.4	1,352.6	4.7	0
Retail trade:						
Automobile dealers.....	514.8	1.6	0.1	251.8	0.9	0
All other retail trade.....	706.8	2.3	0.9	805.5	2.9	0
Total retail trade.....	1,221.6	3.9	0.5	1,057.3	3.8	0
Agriculture, forestry and fishing.....	527.9	1.7	1.4	510.3	1.8	1
Transportation, communication, electrical, gas and sanitary.....	448.5	1.4	0.9	408.4	1.4	0
Mining (including oil and gas extraction).....	50.2	0.2	1.9	40.1	0.1	9
Public administration.....	0.0	0.0	0.0	113.1	0.4	0

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STANDARD INDUSTRIAL CLASSIFICATION	2000			1999		
	AMOUNT	% OF TOTAL	% NON-ACCRUAL	AMOUNT	% OF TOTAL	NO ACC
	(DOLLAR AMOUNTS IN MILLIONS)					
Revolving credit loans.....	0.0	0.0	0.0	335.4	1.2	0
Other.....	523.3	1.7	1.5	1,541.4	5.6	0
Total.....	\$31,472.7	100.0%	0.6%	\$28,221.2	100.0%	0

INTEREST-BEARING DEPOSITS IN OTHER BANKS

Interest-bearing deposits in other banks are used primarily as temporary investments. These assets generally have short-term maturities. This category of earning assets decreased from \$144.0 million at December 31, 1998, to \$9.7 million at December 31, 1999 and to \$3.2 million at December 31, 2000. During 1999 and 2000, maturities from these assets were reinvested in alternative investments, resulting in the declining balance over the past two years.

SECURITIES

The following table shows the carrying values of securities as follows:

DECEMBER 31,		
2000	1999	1998
(IN THOUSANDS)		

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Investment securities:

U.S. Treasury & Federal agency securities.....	\$2,573,461	\$2,639,214	\$2,371,412
Obligations of states and political subdivisions.....	670,252	635,034	565,095
Mortgage-backed securities.....	295,477	380,677	188,607
Other securities.....	12	399,354	-0
	-----	-----	-----
Total.....	\$3,539,202	\$4,054,279	\$3,125,114
	=====	=====	=====

Securities available for sale:

U.S. Treasury & Federal agency securities.....	\$ 785,537	\$ 568,561	\$ 956,162
Obligations of states and political subdivisions.....	142,073	158,260	168,493
Mortgage-backed securities.....	4,255,433	5,973,995	3,574,590
Other securities.....	1,294	3,336	6,592
Equity securities.....	270,632	154,613	138,186
	-----	-----	-----
Total.....	\$5,454,969	\$6,858,765	\$4,844,023
	=====	=====	=====

Total securities decreased \$1.9 billion or 18% in 2000. This decline resulted from the sale of \$1.4 billion of available for sale securities in addition to maturities of securities not being reinvested in this category of earning assets. U.S. Treasury and Federal agency securities increased \$151 million. Obligations of states and political subdivisions increased \$19 million. Mortgage-backed securities decreased \$1.8 billion in 2000 due to the previously discussed sale of securities and other maturities.

In 1999, total securities increased \$2.9 billion or 37%. U.S. Treasury and Federal agency securities decreased \$120 million. Mortgage-backed securities increased \$2.6 billion due to acquisition activity and the \$1.3 billion securitization of mortgage loans previously discussed. Obligations of states and political subdivisions increased \$59.7 million or 8% in 1999. Other securities were up significantly in 1999 due to the investing of excess liquidity in various short-term securities.

Regions' investment portfolio policy stresses quality and liquidity. At December 31, 2000, the average maturity of U.S. Treasury and Federal agency securities was 4.1 years and that of obligations of states and political subdivisions was 7.1 years. The average expected maturity of mortgage-backed securities was 4.2 years and other securities had an average contractual maturity of 5.2 years. Overall, the average maturity of the portfolio was 13.8 years using contractual maturities and 4.4 years using expected maturities. Expected

maturities differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

The estimated fair market value of Regions' investment securities portfolio at December 31, 2000, was \$2.9 million below the amount carried on Regions' books. Regions' securities available for sale portfolio at December 31, 2000, included net unrealized gains of \$1.4 million. Regions' investment securities and securities available for sale portfolios included gross unrealized gains of \$36.5 million and gross unrealized losses of \$38.0 million at December 31, 2000. Market values of these portfolios vary significantly as interest rates change; however, management expects normal maturities from the securities portfolios to meet liquidity needs.

Of Regions' tax-free securities rated by Moody's Investors Service, Inc.,

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97% are rated "A" or better. The portfolio is carefully monitored to assure no unreasonable concentration of securities in the obligations of a single debtor, and current credit reviews are conducted on each security holding.

The following table shows the maturities of securities (excluding equity securities) at December 31, 2000, the weighted average yields and the taxable equivalent adjustment used in calculating the yields:

	SECURITIES MATURING				TOTAL
	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE BUT WITHIN TEN YEARS	AFTER TEN YEARS	
(IN THOUSANDS)					
Investment securities:					
U.S. Treasury and Federal agency securities.....	\$ 26,429	\$1,936,794	\$ 610,018	\$ 220	\$2,573,461
Obligations of states and political subdivisions.....	30,655	130,639	245,569	263,389	670,252
Mortgage-backed securities.....	6,493	48,795	240,189	-0-	295,477
Other securities.....	-0-	3	6	3	12
Total.....	\$ 63,577	\$2,116,231	\$1,095,782	\$263,612	\$3,539,202
Weighted average yield.....	7.99%	6.44%	6.65%	7.95%	6.64
Securities available for sale:					
U.S. Treasury and Federal agency securities.....	\$ 44,586	\$ 671,114	\$ 69,837	\$ -0-	\$ 785,537
Obligations of states and political subdivisions.....	18,005	61,399	42,787	19,882	142,073
Mortgage-backed securities.....	90,716	3,491,552	500,240	172,925	4,255,433
Other securities.....	456	450	208	180	1,294
Total.....	\$153,763	\$4,224,515	\$ 613,072	\$192,987	\$5,184,337
Weighted average yield.....	6.50%	6.41%	6.57%	6.98%	6.61
Taxable equivalent adjustment for calculation of yield.....	\$ 1,167	\$ 4,606	\$ 6,917	\$ 6,795	\$ 19,485

Note: The weighted average yields are calculated on the basis of the yield to maturity based on the book value of each security. Weighted average yields on tax-exempt obligations have been computed on a fully taxable equivalent basis using a tax rate of 35%. Yields on tax-exempt obligations have not been adjusted for the non-deductible portion of interest expense used to finance the purchase of tax-exempt obligations.

### LIQUIDITY

Liquidity is an important factor in the financial condition of Regions and affects Regions' ability to meet the borrowing needs and deposit withdrawal requirements of its customers. Assets, consisting principally of loans and securities, are funded by customer deposits, purchased funds, borrowed funds and

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stockholders' equity.

The securities portfolio is one of Regions' primary sources of liquidity. Maturities of securities provide a constant flow of funds which are available for cash needs (see previous table on Securities Maturing). Maturities in the loan portfolio also provide a steady flow of funds (see previous table on Loans Maturing). At December 31, 2000, commercial loans, real estate construction loans and commercial mortgage loans with an aggregate balance of \$6.3 billion, as well as securities of \$217 million, were due to mature in one year or less. Additional funds are provided from payments on consumer loans and one-to-four family residential mortgage loans. Historically, the Company's high levels of net operating earnings have also contributed to cash flow. In addition, liquidity needs can be met by the purchase of funds in state and national money markets. Regions' liquidity also continues to be enhanced by a relatively stable deposit base.

The loan to deposit ratio increased from 85.95% at December 31, 1998, to 93.85% at December 31, 1999, and 97.98% at December 31, 2000, due to strong internal loan growth and acquisitions.

As shown in the Consolidated Statement of Cash Flows, operating activities provided significant levels of funds in 1999 and 2000, due primarily to high levels of net income. Operating activities were a net user of funds in 1998 as net income, mortgage loans held for sale and other assets increased and other liabilities decreased. Investing activities, primarily in loans and securities, were a net user of funds in all three years. Strong loan growth over the last three years has required a significant amount of funds for investing activities. Funds needed for investing activities were provided primarily by deposits, purchased funds, and borrowings. Financing activities provided more funds in 1999 due to more reliance on short and long-term borrowings. In 2000, a significant portion of the short-term borrowings were repaid using proceeds from the sale of securities available for sale and from deposit growth. Cash dividends and the open-market purchase of the Company's common stock, a portion of which was reissued in connection with specific purchase acquisitions, also required funds in 1998, 1999 and 2000. Funds needed for the pending acquisition as of December 31, 2000, are expected to be provided by short-term and long-term borrowings.

Standard & Poor's Corporation has assigned high quality ratings to Regions Bank's certificates of deposit. Regions Bank's short-term certificates of deposit are rated "A-1" by Standard & Poor's Corporation and long-term certificates of deposit are rated "A+".

Moody's Investors Service has also given similar quality ratings to Regions Bank's short- and long-term debt and certificates of deposit. Short-term debt and certificates of deposit are rated "P-1" and long-term debt and certificates of deposit are rated "Aa3".

Fitch IBCA has rated Regions Bank's short-term debt and certificates of deposits "F1+" and Regions Bank's long-term debt and certificates of deposits "AA-".

The \$200 million in subordinated debt issued by Regions and outstanding at December 31, 2000, is rated "A-" by Standard & Poor's Corporation, "A2" by Moody's Investors Service, and "A" by Fitch IBCA.

Regions' and its banking subsidiary's high quality ratings from nationally recognized rating agencies enhance the Company's ability to raise funds in national money markets. The high ratings also help to attract both loan and deposit customers in local markets.

Historically, Regions has found short- and intermediate-term credit readily

available on reasonable terms from money center or regional banks. Regions' management places constant emphasis on the maintenance of adequate liquidity to meet conditions which might reasonably be expected to occur.

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## DEPOSITS

Deposits are Regions' primary source of funds, providing funding for 79% of average earning assets in 2000 and 1999. During the last four years, average total deposits grew at a compound annual rate of 11%. Average deposits grew \$2.7 billion or 11% in 1998, \$2.1 billion or 8% in 1999 and \$2.9 billion or 10% in 2000. Acquisitions contributed average deposit growth of \$1.5 billion in 1998, \$495 million in 1999 and \$427 million in 2000.

Regions faces stiff competition from other banking and financial services companies for a share of the deposit market. Regions' ability to compete in the deposit market depends heavily on how effectively the company meets customers' needs. Regions employs both traditional and non-traditional means to meet customers' needs and enhance competitiveness. The traditional means include: providing well-designed products, providing a high level of customer service, providing attractive pricing and expanding the traditional branch network to provide convenient branch locations for customers throughout the Southern United States. Regions also employs non-traditional approaches to enhance its competitiveness. These include: providing centralized, high quality telephone banking services and alternative product delivery channels like internet banking. Regions' success at competing for deposits is discussed below.

Average non-interest bearing deposits have grown at a compound growth rate of 9% since 1997. This category of deposits grew 7% in 1998 and 19% in 1999 but only 1% in 2000. Despite minimal growth in 2000, non-interest bearing deposits continue to be a significant funding source for Regions, accounting for 14%, 16% and 14% of average total deposits in 1998, 1999 and 2000 respectively.

During 1998, 1999 and 2000, the rate paid on savings accounts was less attractive to customers, relative to other investment alternatives. As a result, savings accounts have decreased at a 4% compound growth rate since 1997. Savings increased 3% in 1998, but declined 4% in 1999 and 10% in 2000. Management expects savings accounts to continue to be a stable funding source, but does not expect any significant growth given the current interest rate environment. In 2000, savings accounts accounted for 4% of average total deposits.

During 1998, 1999 and 2000, interest-bearing transaction accounts decreased 3%, 49% and 12%, respectively due to less attractive rates relative to other investment alternatives. During 1999 and 2000, interest-bearing transaction accounts accounted for 2% and 1%, respectively, of average total deposits.

Money market savings products continue to be Regions' fastest growing deposits, increasing at a compound annual rate of 20% since 1997. Customers have responded to Regions' competitive money market savings products by continuing to invest in these accounts. The results are increases in average balances of 28% in 1998, 20% in 1999 and 12% in 2000. Money market savings products are one of Regions' most significant funding sources, accounting for 28% of average total deposits in 1998, 31% of average total deposits in 1999 and 32% of average total deposits in 2000.

Certificates of deposit of \$100,000 or more increased only 2% in 1998, but increased 20% in 1999 due to their increased use as a funding source. In 2000, certificates of deposit of \$100,000 or more increased 6%. Since 1997, certificates of deposit of \$100,000 or more have increased at a compound annual rate of 9%, and in 2000 accounted for 14% of average total deposits.

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Other interest-bearing deposits (certificates of deposit of less than \$100,000 and time open accounts) increased 8% in 1998, declined 3% in 1999 but increased 18% in 2000. This category of deposits continues to be one of Regions' primary funding sources; it accounted for 34% of average total deposits in 2000, up from 32% of average total deposits in 1999. Wider pricing spreads in 1998 made this category of deposits attractive relative to other investment alternatives; however, those spreads narrowed in 1999 resulting in a balance decline. In 2000, new deposit products and higher rates resulted in higher balances in this category.

The sensitivity of Regions' deposit rates to changes in market interest rates is reflected in the Company's average interest rate paid on interest-bearing deposits (see table following on Average Rates Paid). During 1998 and early 1999, market interest rates generally declined but increased in the last half of 1999 and throughout 2000. While Regions' average interest rate paid on interest-bearing deposits follows these trends, a lag period exists between the change in market rates and the repricing of the deposits. The rate paid on

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interest-bearing deposits decreased from 4.63% in 1997, to 4.61% in 1998 and 4.32% in 1999 but increased to 5.03% in 2000.

A detail of interest-bearing deposit balances at December 31, 2000 and 1999, and the interest expense on these deposits for the three years ended December 31, 2000, is presented in Note H to the consolidated financial statements.

The following table presents the detail of interest-bearing deposits and maturities of the larger time deposits:

	DECEMBER 31,	
	2000	1999
	(IN THOUSANDS)	
Interest-bearing deposits of less than \$100,000.....	\$22,848,236	\$20,341,509
Time deposits of \$100,000 or more, maturing in:		
3 months or less.....	1,116,456	2,079,337
over 3 through 6 months.....	704,118	1,012,082
over 6 through 12 months.....	1,700,906	1,523,715
over 12 months.....	1,139,892	612,758
Total.....	4,661,372	5,227,892
Total.....	\$27,509,608	\$25,569,401

The following table presents the average amounts of deposits outstanding by category for the three years ended December 31, 2000:

AVERAGE AMOUNTS OUTSTANDING

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	2000	1999	1998
	-----	-----	-----
	(IN THOUSANDS)		
Non-interest-bearing demand deposits.....	\$ 4,561,900	\$ 4,520,405	\$ 3,812,177
Interest-bearing transaction accounts.....	405,404	458,094	890,911
Savings accounts.....	1,329,580	1,477,688	1,546,737
Money market savings accounts.....	10,160,829	9,095,569	7,590,604
Certificates of deposit of \$100,000 or more.....	4,464,330	4,218,828	3,524,889
Other interest-bearing deposits.....	10,918,949	9,215,075	9,528,586
	-----	-----	-----
Total interest-bearing deposits.....	27,279,092	24,465,254	23,081,727
	-----	-----	-----
Total deposits.....	\$31,840,992	\$28,985,659	\$26,893,904
	=====	=====	=====

The following table presents the average rates paid on deposits by category for the three years ended December 31, 2000:

	AVERAGE RATES PAID		
	2000	1999	1998
	-----	-----	-----
Interest-bearing transaction accounts.....	4.04%	4.22%	3.47%
Savings accounts.....	1.51	1.61	2.17
Money market savings accounts.....	4.20	3.27	3.48
Certificates of deposit of \$100,000 or more.....	6.08	5.36	5.70
Other interest-bearing deposits.....	5.84	5.32	5.62
Total interest-bearing deposits.....	5.03%	4.32%	4.61%

BORROWED FUNDS

Regions' short-term borrowings consist of federal funds purchased and security repurchase agreements, commercial paper, Federal Home Loan Bank borrowings and other short-term borrowings.

Federal funds purchased and security repurchase agreements are used to satisfy daily funding needs and, when advantageous, for rate arbitrage. Federal funds purchased and security repurchase agreements totaled \$2.0 billion and \$5.6 billion at December 31, 2000 and 1999, respectively. Balances in these accounts can fluctuate significantly on a day-to-day basis. The average daily balance of federal funds purchased and security repurchase agreements, net of federal funds sold and security reverse repurchase agreements, increased \$2.2 billion in 1999 but decreased \$456 million in 2000. The 1999 increase resulted from increased reliance on purchased funds to support earning asset growth. The decline in 2000 resulted from paydowns of purchased fund positions funded by the sale of the credit card portfolio, the sale of available for sale securities and increased utilization of alternative longer term funding.

Throughout 1999 and 2000, Regions utilized Federal Home Loan Bank structured notes as a short-term funding source, primarily due to their favorable interest rate. These structured notes have a stated ten year maturity but are callable, at the option of the Federal Home Loan Bank, at various times less than one year. Because of the call feature, the structured notes are

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considered short term. As of December 31, 2000, \$1.1 billion of structured notes were outstanding compared to \$950 million as of December 31, 1999.

Historically, Regions has utilized traditional Federal Home Loan Bank advances as a short-term funding source, in addition to the structured notes. As of December 31, 1999, \$600 million of Federal Home Loan Bank advances were outstanding. The average rate on these borrowings in 1999, was 6.1%. No advances were outstanding as of December 31, 2000.

During 1999, Regions' mortgage banking affiliate established a line of credit with an unaffiliated bank. As of December 31, 1999, \$400 million was outstanding under this agreement with an interest rate of 8.5%. This line of credit expired in 2000 and thus no balance was outstanding as of December 31, 2000. Regions' broker/dealer subsidiary maintains a line of credit with an unaffiliated bank. As of December 31, 2000, \$7.8 million was outstanding under this agreement with an interest rate of 6.9%.

At December 31, 2000, \$27.8 million in commercial paper was outstanding, compared to \$56.8 million at December 31, 1999 and 1998. The Company issues commercial paper through its private placement commercial paper program. Company policy limits total commercial paper outstanding, at any time, to \$75 million. The level of commercial paper outstanding depends on the funding requirements of the Company and the cost of commercial paper compared to alternative borrowing sources.

Other short-term borrowings decreased \$2.8 million from December 31, 1999 to December 31, 2000, primarily due to a decline in Treasury tax and loan notes. The remaining balance in other short-term borrowings consists of a short sale liability, which is frequently used by Regions' broker/dealer subsidiary to offset other market risks, which are undertaken in the normal course of business.

Regions' long-term borrowings consist primarily of subordinated notes, Federal Home Loan Bank borrowings and other long-term notes payable.

Federal Home Loan Bank long-term advances increased \$344 million in 2000 due to favorable rates as compared to other funding sources with similar terms. Membership in the Federal Home Loan Bank system provides access to an additional source of lower-cost funds.

During 1999 and 2000, Regions utilized Federal Home Loan Bank structured notes with call periods in excess of one year. These structured notes have a stated ten year maturity but are callable, at the option of the Federal Home Loan Bank, between one and two years. As of December 31, 2000, \$3.6 billion of long-term Federal Home Loan Bank advances were outstanding as compared to \$1.2 billion in 1999

Other long-term notes payable consist of notes payable on certain of the Company's low-income housing partnership investments, redeemable trust preferred securities, notes issued to former stockholders of acquired banks, notes for equipment financing, and miscellaneous notes payable. Other long-term borrowings declined \$17.0 million in 2000 as certain notes payable of acquired companies matured.

### STOCKHOLDERS' EQUITY

Over the past three years, stockholders' equity has increased at a compound annual growth rate of 8.9%. Stockholders' equity has grown from \$2.7 billion at the beginning of 1998 to \$3.5 billion at year-end 2000. Internally generated

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retained earnings contributed \$823 million of this growth and \$58 million was attributable to the exercise of stock options and to the issuance of stock for employee incentive plans. Offsetting these increases were treasury stock repurchases net of equity issued in connection with acquisitions totaling \$88 million and \$14 million attributable to decreases in other components of equity. The internal capital generation rate (net income less dividends as a percentage of average stockholders' equity) was 8.9% in 2000, compared to 9.9% in 1999 and 8.0% in 1998.

Regions' ratio of stockholders' equity to total assets was 7.92% at December 31, 2000, compared to 7.18% at December 31, 1999, and 8.15% at December 31, 1998. Regions' capital level is a source of strength and provides flexibility for future growth.

Regions and its bank subsidiary are required to comply with capital adequacy standards established by banking regulatory agencies. Currently, there are two basic measures of capital adequacy: a risk-based measure and a leverage measure.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and interest rate risk, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with specified risk-weighting factors. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. Banking organizations that are considered to have excessive interest rate risk exposure are required to hold additional capital.

The minimum standard for the ratio of total capital to risk-weighted assets is 8%. At least 50% of that capital level must consist of common equity, undivided profits and non-cumulative perpetual preferred stock, less goodwill and certain other intangibles ("Tier 1 capital"). The remainder ("Tier 2 capital") may consist of a limited amount of other preferred stock, mandatory convertible securities, subordinated debt and a limited amount of the allowance for loan losses. The sum of Tier 1 capital and Tier 2 capital is "total risk-based capital."

The banking regulatory agencies also have adopted regulations which supplement the risk-based guidelines to include a minimum ratio of 3% of Tier 1 capital to average assets less goodwill (the "leverage ratio"). Depending upon the risk profile of the institution and other factors, the regulatory agencies may require a leverage ratio of 1% to 2% above the minimum 3% level.

The following chart summarizes the applicable bank regulatory capital requirements. Regions' capital ratios at December 31, 2000, substantially exceeded all regulatory requirements.

### BANK REGULATORY CAPITAL REQUIREMENTS

	MINIMUM REGULATORY REQUIREMENT	REGIONS AT DECEMBER 31, 2000
	-----	-----
Tier 1 capital to risk-adjusted assets.....	4.00%	9.14%
Total risk-based capital to risk-adjusted assets.....	8.00	11.44
Tier 1 leverage ratio.....	3.00	6.90

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At December 31, 2000, Tier 1 capital totaled \$3.0 billion, total risk-based capital totaled \$3.7 billion, and risk-adjusted assets totaled \$32.6 billion.

Total capital at the bank affiliate also has an important effect on the amount of FDIC insurance premiums paid. Institutions not considered well capitalized can be subject to higher rates for FDIC insurance. As of December 31, 2000, Regions' banking affiliate had the requisite capital levels to qualify as well capitalized.

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Regions attempts to balance the return to stockholders through the payment of dividends, with the need to maintain strong capital levels for future growth opportunities. In 2000, Regions returned 45% of earnings to its stockholders in the form of dividends. Total dividends declared by Regions in 2000 were \$238.4 million or \$1.08 per share, an increase of 8% from the \$1.00 per share in 1999.

In January 2001, the Board of Directors declared a 4% increase in the quarterly cash dividend from \$.27 to \$.28 per share. This is the 30th consecutive year that Regions has increased cash dividends.

The following table shows the percentage distribution of Regions' consolidated average balances of assets, liabilities and stockholders' equity for the five years ended December 31, 2000:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
<b>ASSETS</b>					
Earning assets:					
Taxable securities.....	20.1%	20.8%	19.0%	18.4%	20.3%
Non-taxable securities.....	1.9	1.9	2.1	2.6	2.6
Federal funds sold.....	0.2	0.2	0.9	1.0	0.8
Loans (net of unearned income):					
Commercial.....	20.5	19.3	20.7	15.4	14.2
Real estate.....	36.4	33.2	30.8	36.5	36.6
Installment.....	13.3	14.4	17.1	17.7	17.4
	-----	-----	-----	-----	-----
Total loans.....	70.2	66.9	68.6	69.6	68.2
Allowance for loan losses.....	(0.8)	(0.8)	(0.9)	(1.0)	(1.0)
	-----	-----	-----	-----	-----
Net loans.....	69.4	66.1	67.7	68.6	67.2
Other earning assets.....	1.0	3.0	2.3	1.1	1.1
	-----	-----	-----	-----	-----
Total earning assets.....	92.6	92.0	92.0	91.7	92.0
Cash and due from banks.....	2.6	3.1	3.0	3.4	3.2
Other non-earning assets.....	4.8	4.9	5.0	4.9	4.8
	-----	-----	-----	-----	-----
Total assets.....	100.0%	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Deposits:					
Non-interest-bearing.....	10.6%	11.4%	11.2%	12.1%	11.7%
Interest-bearing.....	63.6	61.8	67.8	69.8	71.0
	-----	-----	-----	-----	-----
Total deposits.....	74.2	73.2	79.0	81.9	82.7
Borrowed funds:					
Short-term.....	10.3	16.4	9.9	6.5	5.5
Long-term.....	7.2	1.7	1.3	1.7	2.3

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Total borrowed funds.....	17.5	18.1	11.2	8.2	7.8
Other liabilities.....	0.8	1.0	1.3	1.2	1.0
Total liabilities.....	92.5	92.3	91.5	91.3	91.5
Stockholders' equity.....	7.5	7.7	8.5	8.7	8.5
Total liabilities and stockholders' equity...	100.0%	100.0%	100.0%	100.0%	100.0%

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OPERATING RESULTS

Net income increased less than 1% in 2000 but increased 25% in 1999. Operating income, net income excluding the merger and consolidation expenses incurred in 1998 (see Note U to the consolidated financial statements) and the net gain recognized on the sale of the credit card portfolio and available for sale securities (see Notes D and C to the consolidated financial statements) in 2000, increased 5% in 1999 but declined 3% in 2000. The accompanying table presents the dollar amount and percentage change in the important components of income that occurred in 1999 and 2000.

SUMMARY OF CHANGES IN OPERATING RESULTS

	INCREASE (DECREASE)			
	2000 COMPARED TO 1999		1999 COMPARED TO 1998	
	AMOUNT	%	AMOUNT	%
	(DOLLAR AMOUNTS IN THOUSANDS)			
Net interest income.....	\$ (37,058)	(3)%	\$ 101,037	8%
Provision for loan losses.....	13,441	12	53,153	88
Net interest income after provision for loan losses...	(50,499)	(4)	47,884	4
Non-interest income:				
Trust department income.....	4,241	8	(1,784)	(3)
Service charges on deposit accounts.....	36,686	19	23,640	14
Mortgage servicing and origination fees.....	(20,386)	(20)	(8,437)	(8)
Securities transactions.....	(40,088)	NM	(6,842)	NM
Other.....	83,616	45	55,867	43
Total non-interest income.....	64,069	12	62,444	13
Non-interest expense:				
Salaries and employee benefits.....	37,288	7	23,160	4
Net occupancy expense.....	9,040	15	(1,252)	(2)
Furniture and equipment expense.....	2,200	3	3,418	5
FDIC insurance expense.....	(1,487)	(23)	740	13
Merger and consolidation expenses.....	-0-	NM	(121,438)	NM
Other.....	9,829	3	55,976	18
Total non-interest expense.....	56,870	5	(39,396)	(4)
Income before income taxes.....	(43,300)	(6)	149,724	24
Applicable income taxes.....	(45,437)	(18)	46,050	22

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Net income.....	\$ 2,137	0%	\$ 103,674	25%
	=====		=====	
Operating income.....	\$ (15,665)	(3)%	\$ 22,962	5%
	=====		=====	

### NET INTEREST INCOME

Net interest income (interest income less interest expense) is Regions' principal source of income. Net interest income decreased 3% in 2000 but increased 8% in 1999. On a taxable equivalent basis, net interest income decreased 2% in 2000 but increased 8% in 1999. The table on page 39 provides additional information to analyze the changes in net interest income.

In 1999, growth in interest-earning assets and interest-bearing liabilities contributed to the increase in net interest income. During 1999, average interest-earning assets grew 16% and average interest-bearing liabilities grew 18%. Growth in earning assets typically increases net interest income due to the positive spread between earning asset yields and interest-bearing liability rates. However in 2000, with earning asset growth of only 2%, unfavorable changes in interest-bearing liability rates resulted in lower net interest income.

Regions measures its ability to produce net interest income with a ratio called the interest margin. The interest margin is net interest income (on a taxable equivalent basis) as a percentage of average earning assets.

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The interest margin decreased from 4.25% in 1998 to 3.94% in 1999 and to 3.55% in 2000. Changes in the interest margin occur primarily due to two factors: (1) the interest rate spread (the difference between the taxable equivalent yield on earning assets and the rate on interest-bearing liabilities) and (2) the percentage of earning assets funded by interest-bearing liabilities.

The first factor affecting Regions' interest margin is the interest rate spread. Regions' average interest rate spread was 3.54% in 1998, 3.31% in 1999 and 2.84% in 2000. Market interest rates, both the level of rates and the slope of the yield curve (the spread between short-term rates and longer-term rates), affect the interest rate spread by influencing the pricing on most categories of Regions' interest-earning assets and interest-bearing liabilities.

In 1998, the Fed reduced the Federal Funds rate to 4.75% in a series of rate reductions in the second half of the year. There were three 25 basis point rate increases by the Fed in the last half of 1999 resulting in a 5.50% Federal funds rate at the end of 1999. Throughout the first six months of 2000, the Fed raised the Federal Funds rate three times totaling 100 basis points resulting in a rate of 6.50%.

Regions' interest-earning asset yields and interest-bearing liability rates were both higher in 2000 compared to 1999 reflecting the rising market interest rates experienced in 2000. As market interest rates rose in 2000, Regions' interest-bearing liabilities rates increased faster than did interest-earning assets yields. The interest rate spread contracted in 2000 because interest-earning asset yields increased 47 basis points less than did interest-bearing liability rates.

The mix of earning assets can also affect the interest rate spread. During 2000, loans, which are typically Regions' highest yielding earning asset, increased as a percentage of earning assets partially mitigating the effects of

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changing earning asset yields and interest-bearing liability rates. Average loans as a percentage of earning assets were 72% in 1999 and 75% in 2000.

The second factor affecting the interest margin is the percentage of earning assets funded by interest-bearing liabilities. Funding for Regions' earning assets comes from interest-bearing liabilities, non-interest-bearing liabilities and stockholders' equity. The net spread on earning assets funded by non-interest-bearing liabilities and stockholders' equity is higher than the net spread on earning assets funded by interest-bearing liabilities. The percentage of earning assets funded by interest-bearing liabilities was 85% in 1998, 86% in 1999 and 87% in 2000. The changes in the percentage of earning assets funded by interest-bearing liabilities had a negative effect on net interest income in 1999 and 2000. The trend has been for a greater percentage of new funding for earning assets to come from interest-bearing sources. Management expects this trend to continue.

### MARKET RISK -- INTEREST RATE SENSITIVITY

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to a change in interest rates, exchange rates and equity prices. Regions' primary market risk is interest rate risk.

The primary objective of Asset/Liability Management at Regions is to manage interest rate risk and achieve reasonable stability in net interest income throughout interest rate cycles. This is achieved by maintaining the proper balance of rate sensitive earning assets, rate sensitive liabilities and off-balance sheet interest rate hedges. The relationship of rate sensitive earning assets to rate sensitive liabilities, adjusted for the effect of off-balance sheet hedges (interest rate sensitivity), is the principal factor in projecting the effect that fluctuating interest rates will have on future net interest income. Rate sensitive earning assets and interest-bearing liabilities are those that can be repriced to current market rates within a relatively short time period. Management monitors the rate sensitivity of earning assets and interest-bearing liabilities over the entire life of these instruments, but places particular emphasis on the first year. At December 31, 2000, approximately 52% of earning assets and 60% of the funding for these earning assets are scheduled to be repriced to current market rates at least once during 2001.

The accompanying table shows Regions' rate sensitive position at December 31, 2000, as measured by gap analysis (the difference between the earning asset and interest-bearing liability amounts scheduled to be repriced to current market rates in subsequent periods). Over the next 12 months approximately \$3.3 billion more interest-bearing liabilities than earning assets can be repriced to current market rates at least once. As a

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result, the one-year cumulative gap (the ratio of rate sensitive assets to rate sensitive liabilities) at December 31, 2000, was 0.86, indicating a "liability sensitive" position. However, this ratio is only one of the tools that management uses to measure rate sensitivity.

Historically, Regions has not experienced the level of net interest income volatility indicated by gap analysis. The primary reason for the lack of volatility is that Regions has a relatively large base of core deposits that do not reprice on a contractual basis. These deposit products include regular savings, interest-bearing transaction accounts and a portion of money market savings accounts. Balances for these accounts are reported in the one to three month repricing category. However, the rates paid are typically not directly related to market interest rates, since management exercises some discretion in adjusting these rates as market rates change.

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Another reason for the lack of volatility in net interest income is that Regions' loan and security portfolios contain fixed-rate mortgage-related products, including whole loans, mortgage-backed securities and collateralized mortgage obligations having amortization and cash flow characteristics that vary with the level of market interest rates. These earning assets are generally reported in the non-sensitive category. In fact, a portion of these earning assets may pay-off within one year or less because their cash flow characteristics are materially impacted by mortgage refinancing activity. If deposit accounts that are not sensitive to market interest rate changes were redistributed based on expected cash flows and probable repricing intervals, Regions' one-year cumulative gap ratio would be approximately 1.00 -- indicating a balanced position.

Regions uses additional tools to monitor and manage interest rate sensitivity. One of the primary tools used is simulation analysis. Simulation analysis is the primary method of estimating earnings at risk and capital at risk under varying interest rate conditions. Simulation analysis is used to test the sensitivity of Regions' net interest income and stockholders' equity to both the level of interest rates and the slope of the yield curve. Simulation analysis uses a more detailed version of the information shown in the accompanying table and adds adjustments for the expected timing and magnitude of asset and liability cash flows, as well as the expected timing and magnitude of repricings of deposits that do not reprice on a contractual basis. In addition, simulation analysis includes adjustments for the lag between movements in market interest rates and the movement of administered rates on prime rate loans, interest-bearing transaction accounts, regular savings and money market savings accounts. These adjustments are made to reflect more accurately possible future cash flows, repricing behavior and ultimately net interest income. Simulation analysis indicates that Regions is slightly "liability sensitive" given modest movements in interest rates.

### FORWARD-LOOKING STATEMENTS

The section that follows, "Exposure to Interest Rate Shifts", contains certain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). These forward-looking statements may involve significant risk and uncertainties. Although Regions believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements.

**Exposure to Interest Rate Shifts.** Based on the aforementioned discussion, management can estimate the effect shifts in interest rates may have upon the Company's net interest income, Regions' principal source of income.

The following table demonstrates the expected effect a given parallel interest rate shift would have on Regions net interest income.

CHANGE IN INTEREST RATES (IN BASIS POINTS)	\$ CHANGE IN NET INTEREST INCOME	% CHANGE IN NET INTEREST INCOME
-----	-----	-----
	(DOLLAR AMOUNTS IN THOUSANDS)	
+200.....	\$(95,162)	(6.7)%
+100.....	(39,750)	(2.8)
--100.....	(729)	(0.1)
--200.....	(47,620)	(3.4)

In the event of a shift in interest rates, management would attempt to take certain actions to mitigate the negative impact to net interest income. These actions include but are not limited to, restructuring of interest-earning assets, seeking alternative funding sources and entering into interest rate swap agreements.

## INTEREST RATE SENSITIVITY ANALYSIS

	DECEMBER 31, 2000					
	RATE SENSITIVE PERIOD					
	1-3 MONTHS	4-6 MONTHS	7-12 MONTHS	TOTAL	OVER 1 YEAR OR NON- SENSITIVE	TOTAL
(DOLLAR AMOUNTS IN MILLIONS)						
<b>Earning Assets:</b>						
Loans, net of unearned income.....	\$11,484.3	\$2,571.5	\$ 4,029.7	\$18,085.5	\$13,291.0	\$31,376.5
Investment securities.....	228.6	477.5	103.5	809.6	2,729.6	3,539.2
Securities available for sale.....	696.4	380.3	789.7	1,866.4	3,588.6	5,455.0
Interest bearing deposits in other banks.....	3.2	--	--	3.2	--	3.2
Federal funds sold and securities purchased under agreements to resell.....	95.6	--	--	95.6	--	95.6
Mortgage loans held for sale.....	222.9	--	--	222.9	--	222.9
Trading account assets....	13.4	--	--	13.4	--	13.4
<b>Total earning assets.....</b>	<b>\$12,744.4</b>	<b>\$3,429.3</b>	<b>\$ 4,922.9</b>	<b>\$21,096.6</b>	<b>\$19,609.2</b>	<b>\$40,705.5</b>
<b>Percent of total earning assets.....</b>	<b>31.3%</b>	<b>8.4%</b>	<b>12.1%</b>	<b>51.8%</b>	<b>48.2%</b>	<b>100%</b>
<b>Funding Sources:</b>						
Non-interest-bearing deposits.....	--	--	--	--	\$ 4,512.9	\$ 4,512.9
Savings deposits.....	\$ 1,239.7	--	--	\$ 1,239.7	--	1,239.7
Other time deposits.....	8,312.6	\$2,885.4	\$ 6,919.5	18,117.5	8,152.5	26,270.0
Short-term borrowings.....	2,304.2	800.0	28.9	3,133.1	--	3,133.1
Long-term borrowings.....	1,224.8	100.2	627.1	1,952.1	2,525.9	4,478.0
<b>Total interest-bearing liabilities.....</b>	<b>13,081.3</b>	<b>3,785.6</b>	<b>7,575.5</b>	<b>24,442.4</b>	<b>10,678.4</b>	<b>35,120.0</b>
Stockholders' equity.....	--	--	--	--	1,072.1	1,072.1
<b>Total funding sources.....</b>	<b>\$13,081.3</b>	<b>\$3,785.6</b>	<b>\$ 7,575.5</b>	<b>\$24,442.4</b>	<b>\$16,263.4</b>	<b>\$40,705.5</b>
<b>Percent of total</b>						

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funding sources.....	32.1%	9.3%	18.6%	60.0%	40.0%	100.
Interest sensitive gap.....	\$ (336.9)	\$ (356.3)	\$ (2,652.6)	\$ (3,345.8)	\$ 3,345.8	-
Cumulative interest sensitive gap.....	\$ (336.9)	\$ (693.2)	\$ (3,345.8)	\$ (3,345.8)	--	-
As percent of total earning assets.....	(0.8)%	(1.7)%	(8.2)%	(8.2)%	--	-
Ratio of earning assets to funding sources.....	0.97	0.91	0.65	0.86	1.21	1.0
Cumulative ratio.....	0.97	0.96	0.86	0.86	1.00	1.0

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ANALYSIS OF CHANGES IN NET INTEREST INCOME

	YEAR ENDED DECEMBER 31,					
	2000 OVER 1999			1999 OVER 1998		
	VOLUME	YIELD/RATE	TOTAL	VOLUME	YIELD/RATE	TO
	(IN THOUSANDS)					
Increase (decrease) in:						
Interest income on:						
Loans.....	\$311,802	\$ 74,555	\$386,357	\$263,099	\$ (133,517)	\$12
Federal funds sold.....	(309)	1,590	1,281	(10,685)	(2,669)	(1
Taxable securities.....	26,250	10,789	37,039	112,830	(5,016)	10
Non-taxable securities.....	2,940	(698)	2,242	896	(1,393)	
Other earning assets.....	(65,500)	18,138	(47,362)	29,547	3,808	3
Total.....	275,183	104,374	379,557	395,687	(138,787)	25
Interest expense on:						
Savings deposits.....	(2,289)	(1,403)	(3,692)	(1,439)	(8,336)	(
Other interest-bearing deposits.....	142,597	176,556	319,153	67,334	(65,814)	
Borrowed funds.....	16,303	84,851	101,154	173,422	(9,304)	16
Total.....	156,611	260,004	416,615	239,317	(83,454)	15
Increase (decrease) in net interest income.....	\$118,572	\$ (155,630)	\$ (37,058)	\$156,370	\$ (55,333)	\$10

Note: The change in interest due to both rate and volume has been allocated to change due to volume and change due to rate in proportion to the absolute dollar amounts of the change in each.

PROVISION FOR LOAN LOSSES

The provision for loan losses is used to fund the allowance for loan losses. Actual loan losses, net of recoveries, are charged directly to the allowance. The expense recorded each year is a reflection of management's judgment as to the adequacy of the allowance. For an analysis and discussion of the allowance for loan losses, refer to the section entitled "Loans and Allowance for Loan Losses." In 1998, the provision for loan losses totaled \$60.5

million and acquisition activity added \$17.1 million to the allowance for loan losses. The provision for loan losses declined \$29.2 million in 1998, even with higher net charge-offs, because a significant portion of the 1998 charge-offs had been identified and provided for in the prior years. The 1999 provision for loan losses increased to \$113.7 million due to higher charge-offs, primarily consumer and commercial, and strong internal loan growth. During 2000, the provision for loan losses increased to \$127.1 million (.42% of average loans) due to inherent losses associated with the loan portfolio and management's evaluation of current economic factors. The resulting year-end allowance for loan losses increased \$38.1 million to \$376.5 million. Unfavorable changes in the previously discussed factors considered by management in determining the adequacy of the provision for loan losses and the resulting allowance could require significantly higher provisions for loan losses in the future.

#### TRUST INCOME

Trust income increased 25% in 1998 and 8% in 2000 but declined 3% in 1999. The strength of the securities markets during recent years particularly 1998, had a favorable impact on trust income. Regions has in place an aggressive sales program as a means of increasing trust revenue. Trust sales efforts are promoted throughout the company by strong sales goals and cash incentives. In addition to increased sales efforts, trust income is also affected by the securities markets, because most trust fees are calculated as a percentage of trust asset values. However in 1999, these sales initiatives were offset by a decrease in trust fees due to customer attrition in certain newly entered markets.

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#### SERVICE CHARGES ON DEPOSIT ACCOUNTS

Service charge income increased 13% in 1998, 14% in 1999 and 19% in 2000, due to increases in the number of deposit accounts, improved management initiatives and standardization in the pricing of certain deposit accounts and related services. In addition, several strategies have been put in place to improve the collection rate of fees charged for deposit services.

#### MORTGAGE SERVICING AND ORIGINATION FEES

The primary source of this category of income is Regions' mortgage banking affiliate -- Regions Mortgage, Inc. (RMI). RMI's primary business and source of income is the origination and servicing of mortgage loans for long-term investors.

In 2000, mortgage servicing and origination fees decreased 20%, from \$103.1 million in 1999 to \$82.7 million in 2000. Origination fees were lower due to a decrease in the number of loans closed as the result of higher interest rates. Servicing fees were also lower in 2000 as compared to 1999 due to lower number of loans serviced. At December 31, 2000, Regions' servicing portfolio totaled \$21.6 billion and included approximately 277,000 loans. At December 31, 1999 and 1998, the servicing portfolio totaled \$24.1 billion and \$22.3 billion, respectively. The decline in the servicing portfolio during 2000 resulted from reduced mortgages originated in-house and the sale of servicing rights to mortgages that were not a proper strategic fit with Regions long-term mortgage servicing operations.

In 1999, mortgage servicing and origination fees decreased 8%, from \$111.6 million in 1998 to \$103.1 million in 1999. Origination fees were lower due to a decrease in the number of loans closed as a result of an increase in interest rates. Servicing fees were also lower due to narrowing servicing margins on 1999 loan production.

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In 1998, mortgage servicing and origination fees increased 20%, from \$93.3 million in 1997 to \$111.6 million in 1998. Origination fees were significantly higher due to an increase in the number of loans closed and the dollar amount of loans closed. Servicing fees were also higher in 1998 than in 1997.

RMI, through its retail and correspondent lending operations, produced mortgage loans totaling \$2.4 billion, \$5.6 billion, and \$5.0 billion in 2000, 1999 and 1998, respectively. RMI produces loans from 73 offices in Alabama, Arkansas, Florida, Georgia, Louisiana, South Carolina, and Tennessee, and from other correspondent offices located throughout the United States.

A summary of mortgage servicing rights, which are included in other assets in the consolidated statement of condition, is presented as follows. The balances shown represent the original amounts capitalized, less accumulated amortization and valuation adjustments, for the right to service mortgage loans that are owned by other investors. The carrying values of mortgage servicing rights are affected by various factors, including prepayments of the underlying mortgages. A significant change in prepayments of mortgages in the servicing portfolio could result in significant changes in the valuation adjustments.

	MORTGAGE SERVICING RIGHTS		
	2000	1999	1998
	(IN THOUSANDS)		
Balance at beginning of year.....	\$144,276	\$141,926	\$124,087
Net additions.....	18,912	37,545	49,671
Amortization.....	(33,620)	(35,195)	(31,832)
	-----	-----	-----
Balance at end of year.....	\$129,568	\$144,276	\$141,926
	=====	=====	=====

### SECURITIES GAINS (LOSSES)

The \$7.0 million in net gains recognized in 1998 from the sale of available for sale securities were the result, primarily, of the sale of odd-lot high coupon mortgage-backed securities and odd-lot municipal securities obtained through various acquisitions. These securities had characteristics which were not consistent with Regions overall securities portfolio management strategy.

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In 1999, net gains of \$160,000 were reported from sale of available for sale securities. These gains were primarily related to the sale of government and agency securities.

During 2000, Regions recognized net losses of \$39.9 million related to the disposition of securities available for sale. This loss primarily related to the sale of \$1.2 billion in lower-yielding mortgage related securities as part of a first quarter balance sheet repositioning.

### OTHER INCOME

Refer to Note O to the consolidated financial statements for an analysis of the significant components of other income. Increases in fee and commission income during 2000 and 1998 resulted primarily from revisions in charges for certain services, an increased emphasis on charging customers for services

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performed and an increased customer base due to internal growth and acquisitions. During 1999, fee and commission income was lower than the prior year due to lower safe deposit fees and credit card fees. These decreases were partially offset by higher international department income, brokerage fees and automated teller machine fees.

Insurance premium and commission income increased in 2000, 1999, and 1998. This income originates primarily from the sale of credit life and accident and health insurance to consumer loan customers. Increased consumer loan volumes resulted in increased income in 2000, 1999 and 1998.

Trading account income increased in 2000, 1999 and 1998 due to expanded trading activities, increased underwriting fees, and larger profits from trading in the portfolio.

During 2000, Regions recognized a pre-tax gain of \$67.2 million in connection with the sale of its \$278 million credit card portfolio.

In 2000 and 1999, Regions sold blocks of mortgage servicing assets that did not fit into Regions' long-term strategy for mortgage servicing operations. These sales resulted in pre-tax gains of \$19.9 and \$7.5 million, respectively.

Also during 1999, Regions sold its joint venture banking interests, which was acquired in connection with an acquisition and was not a strategic fit.

### SALARIES AND EMPLOYEE BENEFITS

Total salaries and benefits increased 10% in 1998, 4% in 1999 and 7% in 2000. These increases resulted from normal merit and promotional adjustments, increased incentive payments tied to performance, the effects of inflation and higher benefit costs.

At December 31, 2000, Regions had 14,390 full-time equivalent employees, compared to 14,606 at December 31, 1999 and 14,632 at December 31, 1998. The decline in employees in 2000 resulted primarily from reduced staffing needs at Regions' mortgage subsidiary due to lower levels of mortgage activity.

Salaries, excluding benefits, totaled \$382.4 million in 1998, compared to \$410.1 million in 1999 and \$433.0 million in 2000. Higher employment levels in 1999, due to acquisitions and increased business activity, resulted in higher salaries. Increased salaries in 2000 were primarily the result of normal merit and promotional adjustments.

Regions provides employees who meet established employment requirements with a benefits package which includes pension, profit sharing, stock purchase, and medical, life and disability insurance plans. The total cost to Regions for fringe benefits, including payroll taxes, equals approximately 25% of salaries.

The contribution to the profit sharing plan was equal to approximately 6% of after-tax income in 1998 and 5% in 1999 and 2000.

The contribution to the employee stock ownership plan (ESOP) equaled approximately 1% of after-tax income in each of the last three years.

Commissions and incentives expense decreased to \$46.3 million in 2000, compared to \$53.2 million in 1999 and \$47.0 million in 1998. The decline in commissions and incentives were primarily the result of

decreased commissions paid at Regions' mortgage subsidiary due to lower levels of personnel and decreased mortgage activity and lower expense levels associated

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with Regions long-term incentive plan. In general, incentives continue to be used to reward employees for selling products and services, for productivity improvements and for achievement of other corporate goals. Regions' long-term incentive plan provides for the granting of stock options, restricted stock and performance shares (see Note R to the consolidated financial statements). The long-term incentive plan is intended to assist the Company in attracting, retaining, motivating and rewarding employees who make a significant contribution to the Company's long-term success, and to encourage employees to acquire and maintain an equity interest in the Company. Regions also uses cash incentive plans to reward employees for achievement of various goals.

Payroll taxes increased 18% in 1998, 5% in 1999 and 4% in 2000. Increases in the Social Security tax base, combined with increased salary levels were the primary reasons for increased payroll taxes.

Group insurance expense increased 54% and 17% in 2000 and 1998, respectively. These increases were the result of higher claims cost. In 1999, as a result of reduced claims costs, group insurance expense decreased 13%.

### NET OCCUPANCY EXPENSE

Net occupancy expense includes rents, depreciation and amortization, utilities, maintenance, insurance, taxes and other expenses of premises occupied by Regions and its affiliates. Regions' affiliates operate offices throughout Alabama, Arkansas and parts of Texas, Louisiana, Florida, Georgia, Tennessee and South Carolina.

Net occupancy expense increased 2% in 1998 and 15% in 2000 due to new and acquired branch offices, rising price levels, and increased business activity. In 1999, occupancy expense declined as costs savings were realized from certain 1998 acquisitions.

### FURNITURE AND EQUIPMENT EXPENSE

Furniture and equipment expense increased 22% in 1998, 5% in 1999, and 3% in 2000. These increases resulted from acquisitions, rising price levels, expenses related to equipment for new branch offices, and increased depreciation and service contract expenses associated with other new back office and branch equipment.

### FDIC INSURANCE EXPENSE

FDIC insurance expense decreased 23% in 2000. In 2000, the FDIC issued a refund of a portion of the premiums on Savings Association Insurance Fund (SAIF) deposits assessed in prior years. FDIC insurance expense increased 13% in 1999 and 1998, respectively, as a result of increased deposits from acquisitions and growth.

### MERGER AND CONSOLIDATION EXPENSES

In 1998, Regions incurred a pre-tax, non-recurring merger and consolidation charge of \$121.4 million related primarily to the merger of First Commercial and four other institutions with Regions. The charge, recognized in the third (\$114.7 million) and fourth (\$6.7 million) quarters, consisted primarily of employee-related obligations (\$33.6 million), elimination of duplicate facilities, obsolete equipment and other assets (\$47.6 million), contract terminations (\$6.0 million), cost to exit certain lines of business (\$5.1 million), and professional fees and contractual payments associated with the mergers (\$29.1 million). During 1998, merger-and consolidation-related costs incurred or charged against the accrual totaled \$117.0 million, resulting in a balance in the merger and consolidation accrual of \$4.4 million at December 31, 1998, which was primarily associated with certain employee related obligations.

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These employee-related obligations were paid out in early 1999, resulting in the merger and consolidation accrual being reduced to zero.

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### OTHER EXPENSES

Refer to Note O to the consolidated financial statements for an analysis of the significant components of other expense. Increases in this category of expense generally resulted from acquisitions, expanded programs, increased business activity and rising price levels.

Other non-credit losses increased in 2000 as well as in 1998 but declined in 1999. Other non-credit losses primarily include charges for items unrelated to the extension of credit such as fraud losses, litigation losses, write-downs of other real estate and insurance claims.

Amortization of mortgage servicing rights increased in 1998 and 1999, but declined in 2000. The retention of servicing rights on much of Regions mortgage subsidiary's production resulted in additional amortization expense in 1998 and 1999. Mortgage servicing rights amortization expense declined in 2000 due to slower prepayment activity on the underlying mortgages than in other years.

Gains or losses on sales of mortgages result from changes in the fair market value of mortgages held in inventory while awaiting sale to long-term investors. Purchased commitments covering the sale of mortgages held in inventory are used to mitigate market losses. (See Note M to the consolidated financial statements for additional information.)

The increase in other miscellaneous expenses in 2000 resulted primarily from increases in regulatory fees, sales and use taxes, and equity asset line fees paid to third parties.

### APPLICABLE INCOME TAX

Regions' provision for income taxes decreased 18% in 2000. This decrease was caused primarily by a 6% decrease in income before taxes and the realization of tax benefits related to the recapitalization of a subsidiary. The Company's effective income tax rates for 2000, 1999, and 1998 were 28.9%, 33.1%, and 33.6%, respectively. The effective tax rate declined in 2000, primarily due to realization of a portion of the tax benefits associated with the recapitalization of one of Regions' subsidiaries. During the fourth quarter of 2000, Regions recapitalized this subsidiary, raising Tier 2 capital, which resulted in a reduction in taxable income of this subsidiary attributable to Regions. The benefit to Regions of reduced taxable income of this subsidiary attributable to Regions is expected to result in a lower effective tax rate applicable to consolidated income before taxes of Regions for future periods. Regions' effective tax rate applicable to consolidated income before taxes for future periods will be dependent upon a number of factors, including, but not limited to, the amount of assets in the subsidiary, the yield of the assets in the subsidiary, the cost of funding the subsidiary, possible loan losses in the subsidiary, the level of expenses of the subsidiary, the level of income attributable to obligations of states and political subdivisions, and various other factors. Note P to the consolidated financial statements provides additional information about the provision for income taxes.

Regions' 1997, 1998, 1999 and 2000 consolidated federal income tax returns are open for examination. The Company believes adequate provisions for income tax have been recorded for all years open for review.

Management's determination of the realization of the deferred tax asset is

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based upon management's judgment of various future events and uncertainties, including the timing and amount of future income earned by certain subsidiaries and the implementation of various tax planning strategies to maximize realization of the deferred tax asset. Management believes that the subsidiaries will generate sufficient operating earnings to realize the deferred tax benefits.

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### EFFECTS OF INFLATION

The majority of assets and liabilities of a financial institution are monetary in nature; therefore, a financial institution differs greatly from most commercial and industrial companies, which have significant investments in fixed assets or inventories. However, inflation does have an important impact on the growth of total assets in the banking industry and the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation also affects other expenses which tend to rise during periods of general inflation.

Management believes the most significant impact of inflation on financial results is the Company's ability to react to changes in interest rates. As discussed previously, management is attempting to maintain an essentially balanced position between rate sensitive assets and liabilities in order to protect net interest income from being affected by wide interest rate fluctuations.

### ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to page 36 through 37 "Market Risk -- Interest Rate Sensitivity" and to pages 37 through 38 "Forward Looking Statements" included in Management's Discussion and Analysis under Item 7 of this Annual Report on Form 10-K.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and report of independent auditors of Regions Financial Corporation and subsidiaries are set forth in the pages listed below.

Report of Independent Auditors.....	45
Consolidated Statements of Condition -- December 31, 2000 and 1999.....	46
Consolidated Statements of Income -- Years ended December 31, 2000, 1999 and 1998.....	47
Consolidated Statements of Cash Flows -- Years ended December 31, 2000, 1999 and 1998.....	48
Consolidated Statements of Changes in Stockholders' Equity -- Years ended December 31, 2000, 1999 and 1998....	49
Notes to Consolidated Financial Statements -- December 31, 2000.....	51

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors  
Regions Financial Corporation

We have audited the accompanying consolidated statements of condition of Regions Financial Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Regions Financial Corporation and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Birmingham, Alabama  
January 24, 2001, except for Note Y  
as to which the date is March 5, 2001

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## REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CONDITION

	DECEMBER 31,	
	2000	1999
	(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)	
<b>ASSETS</b>		
Cash and due from banks.....	\$ 1,210,872	\$ 1,393,418
Interest-bearing deposits in other banks.....	3,246	9,653
Investment securities (aggregate estimated market value of \$3,536,283 in 2000 and \$3,934,047 in 1999).....	3,539,202	4,054,279
Securities available for sale.....	5,454,969	6,858,765
Trading account assets.....	13,437	14,543
Mortgage loans held for sale.....	222,902	567,131
Federal funds sold and securities purchased under agreements		

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to resell.....	95,550	66,078
Loans.....	31,472,656	28,221,240
Unearned income.....	(96,193)	(76,565)
	-----	-----
Loans, net of unearned income.....	31,376,463	28,144,675
Allowance for loan losses.....	(376,508)	(338,375)
	-----	-----
Net loans.....	30,999,955	27,806,300
Premises and equipment.....	598,632	580,707
Interest receivable.....	349,637	306,707
Due from customers on acceptances.....	107,912	72,098
Other assets.....	1,091,979	984,716
	-----	-----
	\$43,688,293	\$42,714,395
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:		
Non-interest-bearing.....	\$ 4,512,883	\$ 4,419,693
Interest-bearing.....	27,509,608	25,569,401
	-----	-----
Total deposits.....	32,022,491	29,989,094
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase.....	1,996,812	5,614,613
Commercial paper.....	27,750	56,750
Other short-term borrowings.....	1,108,580	1,953,622
	-----	-----
Total short-term borrowings.....	3,133,142	7,624,985
Long-term borrowings.....	4,478,027	1,750,861
	-----	-----
Total borrowed funds.....	7,611,169	9,375,846
Bank acceptances outstanding.....	107,912	72,098
Other liabilities.....	488,777	212,245
	-----	-----
Total liabilities.....	40,230,349	39,649,283
Stockholders' equity:		
Preferred stock, par value \$1.00 a share:		
Authorized 5,000,000 shares.....	-0-	-0-
Common stock, par value \$.625 a share:		
Authorized 500,000,000 shares, issued 222,567,831 shares in 2000 and 220,635,661 shares in 1999.....	139,105	137,897
Surplus.....	1,058,733	1,022,825
Undivided profits.....	2,333,285	2,044,209
Treasury stock, at cost -- 2,798,813 shares in 2000 and 0 shares in 1999.....	(67,135)	-0-
Unearned restricted stock.....	(6,952)	(4,719)
Accumulated other comprehensive income (loss).....	908	(135,100)
	-----	-----
Total stockholders' equity.....	3,457,944	3,065,112
	-----	-----
	\$43,688,293	\$42,714,395
	=====	=====

( ) Indicates deduction.

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Interest income:			
Interest and fees on loans.....	\$2,588,143	\$2,201,786	\$2,072,204
Interest on securities:			
Taxable interest income.....	561,974	524,935	417,121
Tax-exempt interest income.....	41,726	39,484	39,981
Total interest on securities.....	603,700	564,419	457,102
Interest on mortgage loans held for sale.....	34,511	81,002	44,954
Income on federal funds sold and securities purchased under agreements to resell.....	5,537	4,256	17,610
Interest on time deposits in other banks.....	1,096	1,741	4,804
Interest on trading account assets.....	1,256	1,482	1,112
Total interest income.....	3,234,243	2,854,686	2,597,786
Interest expense:			
Interest on deposits.....	1,372,260	1,056,799	1,065,054
Interest on short-term borrowings.....	276,243	329,518	174,906
Interest on long-term borrowings.....	196,943	42,514	33,008
Total interest expense.....	1,845,446	1,428,831	1,272,968
Net interest income.....	1,388,797	1,425,855	1,324,818
Provision for loan losses.....	127,099	113,658	60,505
Net interest income after provision for loan losses.....	1,261,698	1,312,197	1,264,313
Non-interest income:			
Trust department income.....	57,675	53,434	55,218
Service charges on deposit accounts.....	231,670	194,984	171,344
Mortgage servicing and origination fees.....	82,732	103,118	111,555
Securities (losses) gains.....	(39,928)	160	7,002
Other.....	269,061	185,445	129,578
Total non-interest income.....	601,210	537,141	474,697
Non-interest expense:			
Salaries and employee benefits.....	588,857	551,569	528,409
Net occupancy expense.....	70,675	61,635	62,887
Furniture and equipment expense.....	74,213	72,013	68,595
FDIC insurance expense.....	5,059	6,546	5,806
Merger and consolidation expenses.....	-0-	-0-	121,438
Other.....	382,378	372,549	316,573
Total non-interest expense.....	1,121,182	1,064,312	1,103,708
Income before income taxes.....	741,726	785,026	635,302
Applicable income taxes.....	214,203	259,640	213,590

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Net income.....	\$ 527,523	\$ 525,386	\$ 421,712
	=====	=====	=====
Average number of shares outstanding.....	220,762	221,617	220,114
Average number of shares outstanding, diluted.....	221,989	223,967	223,781
Per share:			
Net income.....	\$ 2.39	\$ 2.37	\$ 1.92
Net income, diluted.....	2.38	2.35	1.88
Cash dividends declared.....	1.08	1.00	0.92

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(AMOUNTS IN THOUSANDS)		
Operating activities:			
Net income.....	\$ 527,523	\$ 525,386	\$ 421,712
Adjustments to reconcile net cash provided by operating activities:			
Gain from divestiture of banking interests.....	-0-	(18,399)	
Gain on sale of credit card portfolio.....	(67,220)	-0-	
Gain on sale of specialty finance division.....	(4,113)	-0-	
Depreciation and amortization of premises and equipment.....	63,838	60,424	78,114
Provision for loan losses.....	127,099	113,658	60,424
Net (accretion) amortization of securities.....	(3,729)	(775)	
Amortization of loans and other assets.....	78,218	71,148	58,114
Accretion of deposits and borrowings.....	714	725	
Provision for losses on other real estate.....	1,184	507	2,114
Deferred income taxes.....	95,094	10,217	5,114
(Gain) on sale of premises and equipment.....	(1,165)	(1,416)	
Realized security losses (gains).....	39,928	(160)	(7,114)
Decrease (increase) in trading account assets.....	1,106	34,844	1,114
Decrease (increase) in mortgages held for sale.....	344,229	360,537	(525,114)
(Increase) in interest receivable.....	(34,804)	(5,648)	(42,114)
(Increase) in other assets.....	(160,253)	(72,157)	(209,114)
(Decrease) in other liabilities.....	(59,715)	(86,591)	(170,114)
Stock issued to employees under incentive plan.....	3,088	4,959	14,114
Other.....	3,026	2,259	7,114
Net cash provided (used) by operating activities...	954,048	999,518	(303,114)
Investing activities:			
Net (increase) in loans.....	(3,112,075)	(3,302,893)	(1,228,114)
Proceeds from sale of credit card portfolio.....	344,785	-0-	
Proceeds from sale of specialty finance division.....	8,063	-0-	
Proceeds from sale of securities available for sale.....	1,332,916	6,711	628,114
Proceeds from maturity of investment securities.....	588,846	454,979	3,649
Proceeds from maturity of securities available for sale...	883,401	1,924,258	2,440
Purchase of investment securities.....	(42,467)	(1,529,850)	(3,361)
Purchase of securities available for sale.....	(484,469)	(3,828,310)	(4,588)

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Net decrease (increase) in interest-bearing deposits in other banks.....	13,056	158,521	(94)
Proceeds from sale of premises and equipment.....	86,093	25,625	74
Purchase of premises and equipment.....	(150,044)	(111,143)	(177)
Net (increase) decrease in customers' acceptance liability.....	(35,814)	(15,052)	100
Net cash received in acquisitions.....	218,764	195,485	333
	-----	-----	-----
Net cash (used) by investing activities.....	(348,945)	(6,021,669)	(2,224)
Financing activities:			
Net increase in deposits.....	1,279,720	794,881	1,515
Net (decrease) increase in short-term borrowings.....	(4,565,755)	3,111,469	1,786
Proceeds from long-term borrowings.....	3,644,077	3,154,206	159
Payments on long-term borrowings.....	(917,074)	(1,983,385)	(86)
Proceeds from recapitalization of subsidiary.....	150,000	-0-	
Net increase (decrease) in bank acceptance liability.....	35,814	15,052	(100)
Cash dividends.....	(238,447)	(221,928)	(191)
Purchase of treasury stock.....	(149,119)	(255,271)	(181)
Proceeds from exercise of stock options.....	2,607	13,676	8
	-----	-----	-----
Net cash (used) provided by financing activities...	(758,177)	4,628,700	2,910
	-----	-----	-----
(Decrease) increase in cash and cash equivalents...	(153,074)	(393,451)	383
Cash and cash equivalents at beginning of year.....	1,459,496	1,852,947	1,469
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 1,306,422	\$ 1,459,496	\$ 1,852
	=====	=====	=====

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK	SURPLUS	UNDIVIDED PROFITS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK AT END
	-----	-----	-----	-----	-----
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE)					
BALANCE AT JANUARY 1, 1998.....	\$131,623	\$1,089,089	\$1,466,431	\$ 15,943	\$ ( )
Comprehensive income:					
Net income.....			421,712		
Other comprehensive income, net of tax:					
Unrealized gains on available for sale securities, net of reclassification adjustment.....				9,009	
			-----	-----	
Comprehensive income.....			421,712	9,009	
Equity from immaterial poolings of interests.....	6,050	69,005	32,834		
Cash dividends declared:					
Regions-\$ .92 per share.....			(170,059)		
Pooled companies.....			(21,584)		

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Purchase of treasury stock.....					(1
Treasury stock retired and reissued relating to acquisitions accounted for as purchases.....	(1,422)	(114,987)			1
Retirement of treasury stock of pooled company.....	(10)	(595)			
Buyout of minority interest of pooled company.....			(320)		
Stock issued for acquisitions.....	1,221	76,211			
Stock issued to employees under incentive plan, net.....	337	21,055			
Stock options exercised.....	517	7,899			
Amortization of unearned restricted stock.....					
BALANCE AT DECEMBER 31, 1998.....	\$138,316	\$1,147,357	\$1,729,334	\$ 24,952	\$ (
Comprehensive income:					
Net income.....			525,386		
Other comprehensive income, net of tax:					
Unrealized losses on available for sale securities, net of reclassification adjustment.....				(160,052)	
Comprehensive income.....			525,386	(160,052)	
Equity from immaterial poolings of interests.....	1,085	12,410	11,417		
Cash dividends declared:					
Regions-\$1.00 per share.....			(221,928)		
Purchase of treasury stock.....					(2
Treasury stock retired relating to acquisitions accounted for as purchases.....	(2,786)	(156,685)			1
Stock issued for acquisitions.....	2,786	128,735			
Retirement of treasury stock.....	(2,331)	(126,072)			1
Stock issued to employees under incentive plan, net.....	68	4,163			
Stock options exercised.....	759	12,917			
Amortization of unearned restricted stock.....					
BALANCE AT DECEMBER 31, 1999.....	\$137,897	\$1,022,825	\$2,044,209	\$ (135,100)	\$
Comprehensive income:					
Net income.....			527,523		
Other comprehensive income, net of tax:					
Unrealized gains on available for sale securities, net of reclassification adjustment.....				136,008	

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REGIONS FINANCIAL CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY -- (CONTINUED)

	COMMON	UNDIVIDED	ACCUMULATED OTHER COMPREHENSIVE	TREASURY STOCK
--	--------	-----------	---------------------------------------	-------------------

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	STOCK	SURPLUS	PROFITS	INCOME	AT
	-----	-----	-----	-----	---
	(AMOUNTS IN THOUSANDS, EXCEPT PER S				
Comprehensive income.....			527,523	136,008	
Cash dividends declared:					
Regions-\$1.08 per share.....			(238,447)		
Purchase of treasury stock.....					(1
Treasury stock retired relating to acquisitions accounted for as purchases.....	(2,342)	(79,642)			
Stock issued for acquisitions.....	3,112	108,545			
Stock issued to employees under incentive plan, net.....	198	4,638			
Stock options exercised.....	240	2,367			
Amortization of unearned restricted stock.....					
BALANCE AT DECEMBER 31, 2000.....	\$139,105	\$1,058,733	\$2,333,285	\$ 908	\$ (
	=====	=====	=====	=====	=====
DISCLOSURE OF 2000 RECLASSIFICATION					
AMOUNT:					
Unrealized holding gains on available for sale securities arising during the period.....				\$ 110,055	
Plus: Reclassification adjustment, net of tax, for net losses realized in net income.....				25,953	
				-----	
Net unrealized gains on available for sale securities, net of taxes of \$78,318.....				\$ 136,008	
				=====	

( ) Indicates deduction.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Regions Financial Corporation (Regions or the Company), conform with accounting principles generally accepted in the United States and with general financial service industry practices. Regions 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, Louisiana, South Carolina, Tennessee and Texas. The Company is subject to intense competition from other financial institutions and is also subject to the regulations of certain government agencies and undergoes periodic examinations by those regulatory authorities.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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The consolidated financial statements include the accounts of Regions and its subsidiaries. Significant intercompany balances and transactions have been eliminated. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the statement of condition dates and revenues and expenses for the periods shown. Actual results could differ from the estimates and assumptions used in the consolidated financial statements.

Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation.

### SECURITIES

The Company's policies for investments in debt and equity securities are as follows. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designations as of the date of each statement of condition.

Debt securities are classified as investment securities when the Company has the positive intent and ability to hold the securities to maturity. Investment securities are stated at amortized cost.

Debt securities not classified as investment securities or trading account assets, and marketable equity securities not classified as trading account assets, are classified as securities available for sale. Securities available for sale are stated at estimated fair value, with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income.

The amortized cost of debt securities classified as investment securities or securities available for sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security, using the effective yield method. Such amortization or accretion is included in interest on securities. Realized gains and losses are included in securities gains (losses). The cost of the securities sold is based on the specific identification method.

Trading account assets, which are held for the purpose of selling at a profit, consist of debt and marketable equity securities and are carried at estimated market value. Gains and losses, both realized and unrealized, are included in other income.

### MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale are carried at the lower of aggregate cost or estimated market value. Gains and losses on mortgages held for sale are included in other expense.

### SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities purchased under agreements to resell and securities sold under agreements to repurchase are generally treated as collateralized financing transactions and are recorded at market value plus accrued interest. It is Regions' policy to take possession of securities purchased under resell agreements.

### LOANS

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Interest on loans is generally accrued based upon the principal amount outstanding.

Through provisions charged directly to operating expense, Regions has established an allowance for loan losses. This allowance is reduced by actual loan losses and increased by subsequent recoveries, if any.

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, historical loan loss experience, current economic conditions, collateral values of properties securing loans, volume, growth, quality and composition of the loan portfolio and other relevant factors. Unfavorable changes in any of these, or other factors, or the availability of new information, could require that the allowance for loan losses be increased in future periods. The method used to determine the amount of loss inherent in the loan portfolio and thereby assess the adequacy of the recorded balance of the allowance for loan losses involves identifying portfolios of loans with similar characteristics for which estimates of inherent probable losses can be made. The estimates are based on historical loss factors as adjusted for current business and economic conditions. The loss factors are applied to the respective portfolios in order to determine the overall allowance adequacy.

On loans which are considered impaired, it is Regions' policy to reverse interest previously accrued on the loan against interest income. Interest on such loans is thereafter recorded on a "cash basis" and is included in earnings only when actually received in cash and when full payment of principal is no longer doubtful.

### PREMISES AND EQUIPMENT

Premises and equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. The provision for depreciation is computed using the straight-line and declining-balance methods over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements (or the terms of the leases if shorter).

Estimated useful lives generally are as follows:

Premises and leasehold improvements.....	10-40 years
Furniture and equipment.....	3-12 years

### INTANGIBLE ASSETS

Intangible assets, consisting of (1) the excess of cost over the fair value of net assets of acquired businesses and (2) amounts capitalized for the right to service mortgage loans, are included in other assets. The excess of cost over the fair value of net assets of acquired businesses, which totaled \$473,807,000 (net of accumulated amortization of \$145.7 million) at December 31, 2000, and \$409,371,000 (net of accumulated amortization of \$116.5 million) at December 31, 1999, is being amortized over periods of 12 to 25 years, principally using the straight-line method of amortization. Amounts capitalized for the right to service mortgage loans, which totaled \$129,568,000 at December 31, 2000 and \$144,276,000 at December 31, 1999, are being amortized over the estimated remaining servicing life of the loans, considering appropriate prepayment assumptions. The estimated fair values of capitalized mortgage servicing rights were \$266 million and \$250 million at December 31, 2000 and 1999, respectively. The fair value of mortgage servicing rights is calculated by discounting estimated future cash flows from the servicing assets, using market discount

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rates, and using expected future prepayment rates. In 2000, 1999 and 1998, Regions capitalized \$26.9 million, \$37.5 million and \$49.7 million in mortgage servicing rights, respectively. In 2000, 1999 and 1998, Regions' amortization of mortgage servicing rights was \$33.6 million, \$35.2 million and \$31.8 million, respectively. Intangible assets are evaluated periodically for impairment. For purposes of evaluating impairment, the Company stratifies its mortgage servicing portfolio on the basis of certain risk characteristics including loan type and note rate. The Company's unamortized excess purchase price is periodically reviewed to ensure that

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

there have been no events or circumstances to indicate that the recorded amount is not recoverable from projected undiscounted net operating cash flows. If the projected undiscounted net operating cash flows are less than the carrying amount, a loss would be recognized to reduce the carrying amount to fair value.

#### PENSION, PROFIT-SHARING AND EMPLOYEE STOCK OWNERSHIP PLANS

Regions has pension, profit-sharing and employee stock ownership plans covering substantially all employees. Annual contributions to the profit-sharing and employee stock ownership plans are determined at the discretion of the Board of Directors. Pension expense is computed using the projected unit credit (service prorate) actuarial cost method and the pension plan is funded using the aggregate actuarial cost method. Annual contributions to all the plans do not exceed the maximum amounts allowable for federal income tax purposes.

#### INCOME TAXES

Regions and its subsidiaries file a consolidated federal income tax return. Regions accounts for income taxes using the liability method pursuant to Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes." Under this method, the Company's deferred tax assets and liabilities were determined by applying federal and state tax rates currently in effect to its cumulative temporary book/tax differences. Temporary differences occur when income and expenses are recognized in different periods for financial reporting purposes and for purposes of computing income taxes currently payable. Deferred taxes are provided as a result of such temporary differences.

#### PER SHARE AMOUNTS

Earnings per share computations are based upon the weighted average number of shares outstanding during the periods. Diluted earnings per share computations are based upon the weighted average number of shares outstanding during the period plus the dilutive effect of outstanding stock options and stock performance awards.

#### TREASURY STOCK

The purchase of the Company's common stock is recorded at cost. At the date of retirement or subsequent reissue, the treasury stock account is reduced by the cost of such stock.

#### INSURANCE SUBSIDIARIES

Insurance premium and commission income and acquisition costs are recognized over the terms of the related policies. Losses are recognized as incurred.

#### STATEMENT OF CASH FLOWS

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Cash equivalents include cash and due from banks and federal funds sold and securities purchased under agreements to resell. Regions paid \$1.8 billion in 2000, \$1.4 billion in 1999, and \$1.3 billion in 1998 for interest on deposits and borrowings. Income tax payments totaled \$278 million for 2000, \$216 million for 1999, and \$187 million for 1998. Loans transferred to other real estate totaled \$58 million in 2000, \$30 million in 1999, and \$19 million in 1998. The securitization of loans during 1999 and 1998 resulted in the transfer of \$1.3 billion and \$533.7 million, respectively, from loans to securities available for sale. In December 1999, Regions retired 6.2 million shares of treasury stock, with a cost of \$212.5 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE B. RESTRICTIONS ON CASH AND DUE FROM BANKS

Regions' subsidiary banks are required to maintain reserve balances with the Federal Reserve Bank. The average amount of the reserve balances maintained for the year ended December 31, 2000 and 1999 was approximately \$7,554,000 and \$414,245,000, respectively.

NOTE C. SECURITIES

The amortized cost and estimated fair value of investment securities and securities available for sale at December 31, 2000, are as follows:

	DECEMBER 31, 2000			
COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE	
-----	-----	-----	-----	
(IN THOUSANDS)				
<b>INVESTMENT SECURITIES:</b>				
U.S. Treasury and Federal agency securities.....	\$2,573,461	\$ 507	\$ (12,733)	\$2,561,235
Obligations of states and political subdivisions.....	670,252	11,220	-0-	681,472
Mortgage backed securities.....	295,477	656	(2,569)	293,564
Other securities.....	12	-0-	-0-	12
Total.....	\$3,539,202	\$12,383	\$ (15,302)	\$3,536,283
	=====	=====	=====	=====
<b>SECURITIES AVAILABLE FOR SALE:</b>				
U.S. Treasury and Federal agency securities.....	\$ 766,079	\$19,466	\$ (8)	\$ 785,537
Obligations of states and political subdivisions.....	139,814	2,374	(115)	142,073
Mortgage backed securities.....	4,276,363	1,651	(22,581)	4,255,433
Other securities.....	1,262	34	(2)	1,294
Equity securities.....	270,018	614	-0-	270,632
Total.....	\$5,453,536	\$24,139	\$ (22,706)	\$5,454,969
	=====	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The cost and estimated fair value of investment securities and securities available for sale at December 31, 2000 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.

	DECEMBER 31, 2000	
	COST	ESTIMATED FAIR VALUE
(IN THOUSANDS)		
INVESTMENT SECURITIES:		
Due in one year or less.....	\$ 57,085	\$ 57,207
Due after one year through five years.....	2,067,436	2,062,220
Due after five years through ten years.....	855,591	856,334
Due after ten years.....	263,613	266,958
Mortgage backed securities.....	295,477	293,564
	-----	-----
Total.....	\$3,539,202	\$3,536,283
	=====	=====
SECURITIES AVAILABLE FOR SALE:		
Due in one year or less.....	\$ 62,849	\$ 63,048
Due after one year through five years.....	714,700	732,963
Due after five years through ten years.....	109,714	112,831
Due after ten years.....	19,890	20,063
Mortgage backed securities.....	4,276,364	4,255,433
Equity securities.....	270,019	270,631
	-----	-----
Total.....	\$5,453,536	\$5,454,969
	=====	=====

Proceeds from sales of securities available for sale in 2000, were \$1.3 billion. Gross realized gains and losses were \$768,000 and \$40.7 million, respectively. Proceeds from sales of securities available for sale in 1999 were \$6.7 million, with gross realized gains and losses of \$167,000 and \$7,000, respectively. Proceeds from sales of securities available for sale in 1998 were \$628.2 million with gross realized gains and losses of \$9.5 million and \$2.5 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The amortized cost and estimated fair value of investment securities and securities available for sale at December 31, 1999, are as follows:

	DECEMBER 31, 1999		
COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMA FAI VALU

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	(IN THOUSANDS)			
<b>INVESTMENT SECURITIES:</b>				
U.S. Treasury and Federal agency securities.....	\$2,639,214	\$ 258	\$ (105,032)	\$2,534
Obligations of states and political subdivisions.....	635,034	228	(4,656)	630
Mortgage backed securities.....	380,677	303	(11,333)	369
Other securities.....	399,354	-0-	-0-	399
<b>Total.....</b>	<b>\$4,054,279</b>	<b>\$ 789</b>	<b>\$ (121,021)</b>	<b>\$3,934</b>
<b>SECURITIES AVAILABLE FOR SALE:</b>				
U.S. Treasury and Federal agency securities.....	\$ 578,906	\$ 232	\$ (10,577)	\$ 568
Obligations of states and political subdivisions.....	158,203	769	(712)	158
Mortgage backed securities.....	6,175,090	1,423	(202,518)	5,973
Other securities.....	3,396	26	(86)	3
Equity securities.....	154,258	355	-0-	154
<b>Total.....</b>	<b>\$7,069,853</b>	<b>\$2,805</b>	<b>\$ (213,893)</b>	<b>\$6,858</b>

Securities with carrying values of \$6,108,564,000 and \$7,202,976,000 at December 31, 2000, and 1999, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

NOTE D. LOANS

The loan portfolio at December 31, 2000 and 1999, consisted of the following:

	DECEMBER 31,	
	2000	1999
	(IN THOUSANDS)	
Commercial.....	\$ 9,070,249	\$ 8,229,565
Real estate-construction.....	3,279,037	2,439,104
Real estate-mortgage.....	13,129,200	11,749,914
Consumer.....	5,994,170	5,802,657
	31,472,656	28,221,240
Unearned income.....	(96,193)	(76,565)
<b>Total.....</b>	<b>\$31,376,463</b>	<b>\$28,144,675</b>

Directors and executive officers of Regions and its principal subsidiaries, including the directors' and officers' families and affiliated companies, are loan and deposit customers and have other transactions with Regions in the ordinary course of business. Total loans to these persons (excluding loans which in the aggregate do not exceed \$60,000 to any such person) at December 31, 2000, and 1999, were approximately \$220 million and \$182 million respectively. During 2000, \$148 million of new loans were made, repayments totaled \$113 million and increases for changes in the composition of related parties totaled \$3 million. These loans were made in the ordinary course of business and on substantially

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the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and involve no unusual risk of collectibility.

Loans sold with recourse totaled \$1.5 billion and \$1.4 billion at December 31, 2000, and 1999, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The loan portfolio is diversified geographically, primarily within Alabama, Arkansas, Louisiana, Georgia, South Carolina, northwest and central Florida, eastern Texas, and western and middle Tennessee.

The recorded investment in impaired loans was \$129 million at December 31, 2000, and \$120 million at December 31, 1999. The average amount of impaired loans during 2000 was \$138 million.

In March 2000, Regions completed the sale of its \$278 million credit card portfolio. As a result of the transaction, Regions recognized a \$67.2 million pre-tax gain (\$44.0 million after tax), which is included in other non-interest income on the consolidated statement of income. For a summary of non-interest income, refer to Note O of the consolidated financial statements.

NOTE E. ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses follows:

	2000	1999	1998
	-----	-----	-----
	(IN THOUSANDS)		
Balance at beginning of year.....	\$ 338,375	\$ 315,412	\$304,223
Allowance of purchased institutions at acquisition date...	5,142	8,493	17,094
Provision charged to operating expense.....	127,099	113,658	60,505
Loan losses:			
Charge-offs.....	(131,746)	(129,237)	(93,739)
Recoveries.....	37,638	30,049	27,329
	-----	-----	-----
Net loan losses.....	(94,108)	(99,188)	(66,410)
	-----	-----	-----
Balance at end of year.....	\$ 376,508	\$ 338,375	\$315,412
	=====	=====	=====

NOTE F. PREMISES AND EQUIPMENT

A summary of premises and equipment follows:

	DECEMBER 31,	
	-----	-----
	2000	1999
	-----	-----
	(IN THOUSANDS)	
Land.....	\$ 122,862	\$ 110,997
Premises.....	556,355	528,634

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Furniture and equipment.....	393,716	434,399
Leasehold improvements.....	55,668	56,225
	-----	-----
	1,128,601	1,130,255
Allowances for depreciation and amortization.....	(529,969)	(549,548)
	-----	-----
Total.....	\$ 598,632	\$ 580,707
	=====	=====

Net occupancy expense is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
	(IN THOUSANDS)		
Gross occupancy expense.....	\$79,245	\$69,853	\$72,221
Less rental income.....	8,570	8,218	9,334
	-----	-----	-----
Net occupancy expense.....	\$70,675	\$61,635	\$62,887
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE G. OTHER REAL ESTATE

Other real estate acquired in satisfaction of indebtedness ("foreclosure") is carried in other assets at the lower of the recorded investment in the loan or the estimated net realizable value of the collateral. Other real estate totaled \$28,443,000 at December 31, 2000, and \$12,662,000 at December 31, 1999. Gain or loss on the sale of other real estate is included in other expense.

NOTE H. DEPOSITS

The following schedule presents the detail of interest-bearing deposits:

	DECEMBER 31,	
	2000	1999
	-----	-----
	(IN THOUSANDS)	
Interest-bearing transaction accounts.....	\$ 438,644	\$ 462,863
Interest-bearing accounts in foreign office.....	3,627,365	1,882,024
Savings accounts.....	1,239,748	1,384,326
Money market savings accounts.....	7,469,967	7,704,243
Certificates of deposit (\$100,000 or more).....	4,153,204	4,695,432
Time deposits (\$100,000 or more).....	508,168	532,460
Other interest-bearing deposits.....	10,072,512	8,908,053
	-----	-----
Total.....	\$27,509,608	\$25,569,401
	=====	=====

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The following schedule details interest expense on deposits:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Interest-bearing transaction accounts.....	\$ 16,388	\$ 19,343	\$ 30,888
Interest-bearing accounts in foreign office.....	207,822	71,920	42,319
Savings accounts.....	20,051	23,743	33,518
Money market savings accounts.....	219,133	225,327	221,774
Certificates of deposit (\$100,000 or more).....	271,605	226,146	200,819
Other interest-bearing deposits.....	637,261	490,320	535,736
Total.....	<u>\$1,372,260</u>	<u>\$1,056,799</u>	<u>\$1,065,054</u>

The aggregate amount of maturities of all time deposits in each of the next five years is as follows: 2001-\$8.6 billion; 2002-\$1.9 billion; 2003-\$1.9 billion; 2004-\$76.3 million; and 2005-\$431 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE I. BORROWED FUNDS

Following is a summary of short-term borrowings:

	DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Federal funds purchased.....	\$1,906,781	\$4,596,540	\$1,929,202
Securities sold under agreements to repurchase.....	90,031	1,018,073	138,076
Federal Home Loan Bank structured notes.....	1,100,000	950,000	2,350,000
Federal Home Loan Bank advances.....	-0-	600,000	5,001
Notes payable to unaffiliated banks.....	7,800	400,000	-0-
Commercial paper.....	27,750	56,750	56,750
Treasury tax and loan note.....	-0-	2,229	15,988
Short sale liability.....	780	1,393	1,711
Total.....	<u>\$3,133,142</u>	<u>\$7,624,985</u>	<u>\$4,496,728</u>

DECEMBER 31,

2000	1999	1998
(IN THOUSANDS)		

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Maximum amount outstanding at any month-end:

Federal funds purchased and securities sold under agreements to repurchase.....	\$4,460,134	\$5,614,613	\$2,067,278
Aggregate short-term borrowings.....	5,722,597	8,475,717	4,496,728
Average amount outstanding (based on average of daily balances).....	4,408,689	6,502,860	3,386,392
Weighted average interest rate at year end.....	6.5%	5.6%	5.1%
Weighted average interest rate on amounts outstanding during the year (based on average of daily balances).....	6.3%	5.1%	5.2%

Federal funds purchased and securities sold under agreements to repurchase had weighted average maturities of two, ten and six days at December 31, 2000, 1999 and 1998, respectively. Weighted average rates on these dates were 6.5%, 5.4%, and 5.4%, respectively.

Federal Home Loan Bank structured notes have a stated maturity ranging from two to five years but are callable within one year. The structured notes had weighted average rates of 6.4%, 5.0% and 4.8% at December 31, 2000, 1999 and 1998, respectively.

The Federal Home Loan Bank advances represent borrowings with original stated maturities of less than one year. These notes had weighted average interest rates on December 31, 1999, and 1998, of 6.1%, and 6.1%, respectively. No Federal Home Loan Bank advances were outstanding as of December 31, 2000.

Regions has an unsecured short-term credit agreement with an unaffiliated bank that provides for maximum borrowings of \$100 million. As of December 31, 1999, no borrowings were outstanding under this agreement. No compensating balances or commitment fees are required by this agreement. In addition to this short-term credit agreement, a subsidiary of Regions has, as of December 31, 2000, a \$50 million revolving credit line with an unaffiliated bank of which \$7.8 million was outstanding with a stated rate of 6.9%. No borrowings were outstanding under this agreement as of December 31, 1999 or 1998.

Commercial paper maturities ranged from 218 to 718 days at December 31, 2000, from 4 to 689 days at December 31, 1999 and from 53 to 1,054 days at December 31, 1998. Weighted average maturities were 422, 481 and 811 days at December 31, 2000, 1999 and 1998, respectively. The weighted average interest rates on these dates were 6.5%, 5.8% and 5.8%, respectively.

The short-sale liability represents Regions' trading obligation to deliver certain government securities at a predetermined date and price. These securities had weighted average interest rates of 5.4%, 4.4% and 5.0% at December 31, 2000, 1999 and 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Long-term borrowings consist of the following:

	DECEMBER 31,	
	----- 2000	1999 -----
	(IN THOUSANDS)	
7.80% subordinated notes.....	\$ 75,000	\$ 75,000

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7.65% subordinated notes.....	25,000	25,000
7.75% subordinated notes.....	100,000	100,000
Federal Home Loan Bank structured notes.....	3,555,000	1,155,000
Federal Home Loan Bank advances.....	656,382	311,997
Industrial development revenue bonds.....	2,600	2,800
Other notes payable.....	64,045	81,064
	-----	-----
Total.....	\$4,478,027	\$1,750,861
	=====	=====

In July 1994, Regions issued \$25 million of 7.65% subordinated notes, due August 15, 2001, and in September 1994, Regions issued \$100 million of 7.75% subordinated notes, due September 15, 2024. The \$100 million of 7.75% subordinated notes may be redeemed in whole or in part at the option of the holders thereof on September 15, 2004, at 100% of the principal amount to be redeemed, together with accrued interest. In December 1992, Regions issued \$75 million of 7.80% subordinated notes, due December 1, 2002. All issues of these notes are subordinated and subject in right of payment of principal and interest to the prior payment in full of all senior indebtedness of the Company, generally defined as all indebtedness and other obligations of the Company to its creditors, except subordinated indebtedness. Payment of the principal of the notes may be accelerated only in the case of certain events involving bankruptcy, insolvency proceedings or reorganization of the Company. The subordinated notes described above, qualify as "Tier 2 capital" under Federal Reserve guidelines.

Federal Home Loan Bank structured notes have a stated ten year maturity but are callable within one to two years. The structured notes had a weighted average interest rate of 6.3% at December 31, 2000.

Federal Home Loan Bank advances represent borrowings with fixed interest rates ranging from 5.4% to 7.7% and with maturities of one to seventeen years. These borrowings, as well as the short-term borrowings from the Federal Home Loan Bank, are secured by Federal Home Loan Bank stock (carried at cost of \$269.0 million) and by first mortgage loans on one-to-four family dwellings held by the bank subsidiary (approximately \$5.7 billion at December 31, 2000). The maximum amount that could be borrowed from Federal Home Loan Banks under the current borrowing agreements and without further investment in Federal Home Loan Bank stock is approximately \$7 billion.

The industrial development revenue bonds mature on July 1, 2008, with principal of \$200,000 payable annually and interest at a tax effected prime rate payable monthly.

Other notes payable at December 31, 2000, had a weighted average interest rate of 7.7% and a weighted average maturity of 12.4 years.

The aggregate amount of maturities of all long-term debt in each of the next five years is as follows: 2001 -- \$559,064,373; 2002 -- \$179,536,113; 2003 -- \$76,132,911; 2004 -- \$101,619,721; 2005 -- \$1,396,407.

Substantially all of the consolidated net assets are owned by the subsidiaries and dividends paid by Regions are substantially provided by dividends from the subsidiaries. Statutory limits are placed on the amount of dividends the subsidiary bank can pay without prior regulatory approval. In addition, regulatory authorities require the maintenance of minimum capital to asset ratios at banking subsidiaries. At December 31, 2000, the banking subsidiary could pay approximately \$298 million in dividends without prior approval.

Management believes that none of these dividend restrictions will

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materially affect Regions' dividend policy. In addition to dividend restrictions, federal statutes also prohibit unsecured loans from banking subsidiaries to the parent company. Because of these limitations, substantially all of the net assets of Regions' subsidiaries are restricted, except for the amount which can be paid to the parent in the form of dividends.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### NOTE J. EMPLOYEE BENEFIT PLANS

Regions has a defined benefit pension plan covering substantially all employees employed at or before December 31, 2000. Beginning January 1, 2001, no new entrants will be admitted into the plan. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. Regions' funding policy is to contribute annually at least the amount required by IRS minimum funding standards. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

The Company also sponsors a supplemental executive retirement program, which is a non-qualified plan that provides certain senior executive officers defined pension benefits in relation to their compensation.

The following table sets forth the plans' funded status and amounts recognized in the consolidated statement of condition:

	DECEMBER 31,	
	2000	1999
	(IN THOUSANDS)	
<b>CHANGE IN BENEFIT OBLIGATION</b>		
Projected benefit obligation, beginning of year.....	\$199,116	\$209,552
Service cost.....	8,861	10,572
Interest cost.....	15,557	14,791
Actuarial losses (gains).....	1,166	(29,274)
Obligations assumed through acquisitions.....	-0-	5,276
Benefit payments.....	(10,520)	(11,801)
Projected benefit obligation, end of year.....	\$214,180	\$199,116
<b>CHANGE IN PLAN ASSETS</b>		
Fair value of plan assets, beginning of year.....	\$257,180	\$226,823
Actual return on plan assets.....	30,017	30,059
Assets assumed through acquisitions.....	-0-	7,465
Company contributions.....	399	4,634
Benefit payments.....	(10,520)	(11,801)
Fair value of plan assets, end of year.....	\$277,076	\$257,180
Funded status of plan.....	\$ 62,896	\$ 58,064
Unrecognized net actuarial (gain).....	(25,168)	(20,872)
Unamortized prior service cost.....	(3,875)	(4,406)
Prepaid pension cost.....	\$ 33,853	\$ 32,786

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Net pension cost included the following components:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Service cost-benefits earned during the period.....	\$ 8,861	\$ 10,572	\$ 8,861
Interest cost on projected benefit obligation.....	15,557	14,791	13,058
Expected (return) on plan assets.....	(24,003)	(22,026)	(17,455)
Net (deferral).....	(1,083)	(1,146)	(844)
Net periodic pension (benefit) expense.....	\$ (668)	\$ 2,191	\$ 3,620

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.25% and 4.50%, respectively, at December 31, 2000; 8.00% and 4.50%, respectively, at December 31, 1999; and 7.00% and 4.50%,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

respectively, at December 31, 1998. The expected long-term rate of return on plan assets was 9.5% at December 31, 2000 and 1999 and 9.0% in 1998.

Contributions to employee profit sharing plans totaled \$28,125,000, \$24,300,000 and \$23,764,000 for 2000, 1999 and 1998, respectively.

The 2000 contribution to the employee stock ownership plan totaled \$3,125,000, compared to \$2,700,000 in 1999, and \$2,650,000 in 1998. Contributions are used to purchase Regions common stock for the benefit of participating employees.

Contributions to the employee stock purchase plan in 2000, 1999 and 1998 were \$2,197,000, \$2,171,000 and \$1,838,000, respectively.

Regions sponsors a defined benefit postretirement health care plan that covers certain retired employees. Currently the Company pays a portion of the costs of certain health care benefits for all eligible employees that retired before January 1, 1989. No health care benefits are provided for employees retiring at normal retirement age after December 31, 1988. For employees retiring before normal retirement age, the Company currently pays a portion (based upon length of active service at the time of retirement) of the costs of certain health care benefits until the retired employee becomes eligible for Medicare. The plan is contributory and contains other cost-sharing features such as deductibles and co-payments. Retiree health care benefits, as well as similar benefits for active employees, are provided through a group insurance program in which premiums are based on the amount of benefits paid. The Company's policy is to fund the Company's share of the cost of health care benefits in amounts determined at the discretion of management.

The following table sets forth the plan's funded status and amounts recognized in the consolidated statement of condition:

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	DECEMBER 31,	
	----- 2000	1999 -----
	(IN THOUSANDS)	
CHANGE IN BENEFIT OBLIGATION		
Projected benefit obligation, beginning of year.....	\$ 15,494	\$ 16,944
Service cost.....	1,106	1,234
Interest cost.....	1,208	1,219
Actuarial losses (gains).....	1,446	(4,037)
Acquisitions.....	-0-	839
Benefit payments.....	(989)	(705)
	-----	-----
Projected benefit obligation, end of year.....	\$ 18,265	\$ 15,494
	=====	=====
CHANGE IN PLAN ASSETS		
Fair value of plan assets, beginning of year.....	\$ 182	\$ 159
Actual return on plan assets.....	-0-	-0-
Company contributions.....	1,054	729
Benefit payments.....	(989)	(706)
	-----	-----
Fair value of plan assets, end of year.....	\$ 247	\$ 182
	=====	=====
Funded status of plan.....	\$ (18,018)	\$ (15,312)
Recognized net actuarial loss.....	5,774	4,856
	-----	-----
Accrued postretirement benefit cost.....	\$ (12,244)	\$ (10,456)
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Net periodic postretirement benefit cost included the following components:

	YEAR ENDED DECEMBER 31,		
	----- 2000	1999	1998 -----
	(IN THOUSANDS)		
Service cost-benefits earned during the period.....	\$1,106	\$1,234	\$ 892
Interest cost on benefit obligation.....	1,208	1,219	962
Net amortization.....	590	591	590
Recognized (gain).....	(126)	-0-	(114)
	-----	-----	-----
Net periodic postretirement benefit cost.....	\$2,778	\$3,044	\$2,330
	=====	=====	=====

The assumed health care cost trend rate was 8.1% for 2001 and is assumed to decrease gradually to 5.1% by 2007 and remain at that level thereafter. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2000, by \$1,754,415 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2000 by \$292,269. Decreasing the assumed health care cost trend rates by one percentage

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in each year would decrease the accumulated postretirement benefit obligation at December 31, 2000, by \$1,549,328 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2000 by \$252,654. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.25% at December 31, 2000, and 8.00% at December 31, 1999.

### NOTE K. LEASES

Rental expense for all leases amounted to approximately \$19,241,000, \$16,523,000 and \$19,537,000 for 2000, 1999 and 1998, respectively. The approximate future minimum rental commitments as of December 31, 2000, for all noncancelable leases with initial or remaining terms of one year or more are shown in the following table. Included in these amounts are all renewal options reasonably assured of being exercised.

	EQUIPMENT	PREMISES	TOTAL
	-----	-----	-----
	(IN THOUSANDS)		
2001.....	\$ 601	\$12,901	\$13,502
2002.....	483	11,081	11,564
2003.....	383	9,779	10,162
2004.....	245	7,745	7,990
2005.....	123	6,608	6,731
2006-2010.....	69	16,654	16,723
2011-2015.....	67	9,101	9,168
2016-2020.....	67	5,222	5,289
2021-End.....	67	3,988	4,055
	-----	-----	-----
Total.....	\$2,105	\$83,079	\$85,184
	=====	=====	=====

### NOTE L. COMMITMENTS AND CONTINGENCIES

To accommodate the financial needs of its customers, Regions makes commitments under various terms to lend funds to consumers, businesses and other entities. These commitments include (among others) revolving credit agreements, term loan commitments and short-term borrowing agreements. Many of these loan commitments have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of these commitments are expected to expire without being funded, the total commitment amounts do not necessarily represent future liquidity requirements. Standby letters of credit are also issued, which commit Regions to make payments on behalf of customers if certain specified future events occur. Historically, a large percentage of standby letters of credit also expire without being funded.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Both loan commitments and standby letters of credit have credit risk essentially the same as that involved in extending loans to customers and are subject to normal credit approval procedures and policies. Collateral is obtained based on management's assessment of the customer's credit.

Loan commitments totaled \$6.3 billion at December 31, 2000, and \$7.4 billion at December 31, 1999. Standby letters of credit were \$762.7 million at December 31, 2000, and \$602.6 million at December 31, 1999. Commitments under

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commercial letters of credit used to facilitate customers' trade transactions were \$48.1 million at December 31, 2000, and \$46.6 million at December 31, 1999.

The Company and its affiliates are defendants in litigation and claims arising from the normal course of business. Based on consultation with legal counsel, management is of the opinion that the outcome of pending and threatened litigation will not have a material effect on Regions' consolidated financial statements.

### NOTE M. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of business, Regions enters into financial instrument transactions with off-balance sheet risk. These financial instrument agreements help the Company manage its exposure to interest rate fluctuations and help customers manage exposure to foreign currency fluctuations.

Forward contracts represent commitments to sell money market instruments at a future date at a specified price or yield. These contracts are utilized by the Company to hedge interest rate risk positions associated with the origination of mortgage loans held for sale. The amount of hedging gains and losses deferred, which is reflected in gains and losses on mortgage loans held for sale as realized, was not material to the results of operations for the years ended December 31, 2000, 1999 or 1998. The Company is subject to the market risk associated with changes in the value of the underlying financial instrument as well as the risk that the other party will fail to perform. The gross contract amount of forward contracts, which totaled \$157 million and \$158 million at December 31, 2000, and 1999, respectively, represents the extent of Regions' involvement. However, those amounts significantly exceed the future cash requirements, as the Company intends to close out open positions prior to settlement, and thus is subject only to the change in the value of the instruments. The gross amount of contracts represents the Company's maximum exposure to off-balance sheet credit risk.

The Company utilizes put and call option contracts to hedge mortgage loan originations in process. Option contracts represent rights to purchase or sell securities or other money market instruments at a specified price and within a specified period of time at the option of the holder. There were no option contracts outstanding as of December 31, 2000 or December 31, 1999. The commitment fees paid for option contracts reflect the maximum exposure to the Company.

Foreign currency exchange contracts involve the trading of one currency for another on a specified date and at a specified rate. These contracts are executed on behalf of the Company's customers and are used to facilitate the management of fluctuations in foreign exchange rates. The notional amount of forward foreign exchange contracts totaled \$44 million and \$24 million at December 31, 2000 and 1999, respectively. The Company is subject to the risk that another party will fail to perform and the gross amount of the contracts represents the Company's maximum exposure to credit risk.

Regions operates a broker-dealer subsidiary, which in the normal course of trading inventory and clearing customers' securities transactions, is a party to certain financial instruments with off-balance-sheet risk. The aggregate off-balance-sheet risk from these financial instruments is not material to the consolidated financial statements.

### NOTE N. FAIR VALUE OF FINANCIAL INSTRUMENTS

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The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

**Cash and cash equivalents:** The carrying amount reported in the consolidated statements of condition and cash flows approximates the estimated fair value.

**Interest-bearing deposits in other banks:** The carrying amount reported in the consolidated statement of condition approximates the estimated fair value.

**Investment securities:** Estimated fair values are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

**Securities available for sale:** Estimated fair values, which are the amounts recognized in the consolidated statements of condition, are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

**Trading account assets:** Estimated fair values, which are the amounts recognized in the consolidated statements of condition, are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

**Mortgage loans held for sale:** Estimated fair values, which are the amounts recognized in the consolidated statements of condition, are based on quoted market prices of comparable instruments.

**Loans:** Estimated fair values for variable rate loans, which reprice frequently and have no significant credit risk, are based on carrying value. Estimated fair values for all other loans are estimated using discounted cash flow analyses, based on interest rates currently offered on loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest reported in the consolidated statements of condition approximates the fair value.

**Deposit liabilities:** The fair value of non-interest bearing demand accounts, interest-bearing transaction accounts, savings accounts, money market accounts and certain other time open accounts is the amount payable on demand at the reporting date (i.e., the carrying amount). Fair values for certificates of deposit are estimated by using discounted cash flow analyses, using the interest rates currently offered for deposits of similar maturities.

**Short-term borrowings:** The carrying amount reported in the consolidated statements of condition approximates the estimated fair value.

**Long-term borrowings:** Fair values are estimated using discounted cash flow analyses, based on the current rates offered for similar borrowing arrangements.

**Loan commitments, standby and commercial letters of credit:** Estimated fair values for these off-balance-sheet instruments are based on standard fees currently charged to enter into similar agreements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

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	DECEMBER 31, 2000		DECEMBER 31, 1999	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(IN THOUSANDS)			
Financial assets:				
Cash and cash equivalents.....	\$ 1,306,422	\$ 1,306,422	\$ 1,459,496	\$ 1,459,496
Interest-bearing deposits in other banks.....	3,246	3,246	9,653	9,653
Investment securities.....	3,539,202	3,536,283	4,054,279	3,934,047
Securities available for sale.....	5,454,969	5,454,969	6,858,765	6,858,765
Trading account assets.....	13,437	13,437	14,543	14,543
Mortgage loans held for sale.....	222,902	222,902	567,131	567,131
Loans, net (excluding leases).....	30,496,577	31,036,366	27,448,765	27,531,111
Financial liabilities:				
Deposits.....	32,022,491	32,134,570	29,989,094	29,929,116
Short-term borrowings.....	3,133,142	3,133,142	7,624,985	7,624,985
Long-term borrowings.....	4,478,027	4,707,750	1,750,861	1,635,304
Off-balance-sheet instruments:				
Loan commitments.....	-0-	(59,358)	-0-	(69,176)
Standby letters of credit.....	-0-	(11,440)	-0-	(9,039)
Commercial letters of credit.....	-0-	(120)	-0-	(117)

NOTE O. OTHER INCOME AND EXPENSE

Other income consists of the following:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Fees and commissions.....	\$ 59,376	\$ 49,357	\$ 52,073
Insurance premiums and commissions.....	14,505	13,432	10,231
Trading account income.....	32,843	29,977	21,915
Gain on sale of credit card portfolio.....	67,220	-0-	-0-
Gain on sale of mortgage servicing rights.....	19,888	7,526	839
Divestiture of banking interest.....	-0-	18,399	-0-
Other miscellaneous income.....	75,229	66,754	44,520
Total.....	\$269,061	\$185,445	\$129,578

Other expense consists of the following:

Stationery, printing and supplies.....	\$ 14,415	\$ 20,533	\$ 20,625
Advertising and business development.....	20,762	22,052	20,084
Postage and freight.....	17,846	20,503	18,727
Telephone.....	34,243	26,951	24,480
Legal and other professional fees.....	29,741	32,374	20,423

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Other non-credit losses.....	43,520	30,872	34,426
Outside computer services.....	19,942	24,078	17,433
Amortization of mortgage servicing rights.....	33,619	35,195	31,832
Amortization of excess purchase price.....	29,164	23,995	19,776
Loss on sale of mortgages by affiliate mortgage companies...	3,991	9,521	13,981
Other miscellaneous expenses.....	135,135	126,475	94,786
	-----	-----	-----
Total.....	\$382,378	\$372,549	\$316,573
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE P. INCOME TAXES

At December 31, 2000, Regions has net operating loss carryforwards for federal tax purposes of \$7.1 million that expire in years 2003 through 2013. These carryforwards resulted from various acquired financial institutions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Regions' deferred tax assets and liabilities as of December 31, 2000 and 1999 are listed below.

	DECEMBER 31,	
	2000	1999
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Loan loss allowance.....	\$136,316	\$120,405
Net operating loss carryforwards.....	2,498	3,825
Mark to market securities available for sale.....	-0-	75,988
Other.....	56,925	64,097
	-----	-----
Total deferred tax assets.....	195,739	264,315
Deferred tax liabilities:		
Tax over book depreciation.....	8,503	9,481
Accretion of bond discount.....	12,704	10,631
Direct lease financing.....	63,663	44,187
Pension.....	13,692	13,172
Mark to market securities available for sale.....	525	-0-
Originated mortgage servicing rights.....	17,391	16,771
Other.....	18,468	19,081
	-----	-----
Total deferred tax liabilities.....	134,946	113,323
Net deferred tax assets before valuation allowance.....	60,793	150,992
Valuation allowance.....	-0-	(2,802)
	-----	-----
Net deferred tax asset.....	\$ 60,793	\$148,190
	=====	=====

Applicable income taxes for financial reporting purposes differs from the amount computed by applying the statutory federal income tax rate of 35% for the

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reasons below:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Tax on income computed at statutory federal income tax rate.....	\$259,604	\$274,759	\$222,356
Increases (decreases) in taxes resulting from:			
Tax exempt income from obligations of states and political subdivisions.....	(17,082)	(15,634)	(15,571)
State income tax, net of federal tax benefit.....	2,291	2,605	7,818
Effect of recapitalization of subsidiary.....	(24,000)	-0-	-0-
Other, net.....	(6,610)	(2,090)	(1,013)
Total.....	\$214,203	\$259,640	\$213,590
Effective tax rate.....	28.9%	33.1%	33.6%

During the fourth quarter of 2000, Regions recapitalized one of its subsidiaries by raising Tier 2 capital through issuance of a new class of preferred stock of this subsidiary. Regions is not subject to tax on the portion of the subsidiary's income allocated to the holders of the preferred stock for federal income tax purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The provisions for income taxes in the consolidated statements of income are summarized below. Included in these amounts are income taxes of (\$13,975,000) \$56,000, and \$2,644,000 in 2000, 1999 and 1998, respectively, related to securities transactions.

	CURRENT	DEFERRED	TOTAL
	(IN THOUSANDS)		
2000			
Federal.....	\$199,974	\$10,705	\$210,679
State.....	3,345	179	3,524
Total.....	\$203,319	\$10,884	\$214,203
1999			
Federal.....	\$259,422	\$ (3,790)	\$255,632
State.....	4,067	(59)	4,008
Total.....	\$263,489	\$ (3,849)	\$259,640
1998			
Federal.....	\$196,296	\$ 5,267	\$201,563
State.....	11,713	314	12,027
Total.....	\$208,009	\$ 5,581	\$213,590

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NOTE Q. BUSINESS COMBINATIONS

During 2000 Regions completed the following business combinations:

DATE	COMPANY	HEADQUARTERS LOCATION	TOTAL ASSETS	
----	-----	-----	-----	
			(IN THOUSANDS)	
January	LCB Corporation	Fayetteville, Tennessee	\$173,157	P
May	Branches of Amsouth Bank	Fort Smith, Arkansas	186,361	P
August	Heritage Bancorp, Inc.	Hutto, Texas	114,370	P
August	First National Bancshares of Louisiana, Inc.	Alexandria, Louisiana	303,793	P
September	East Coast Bank Corporation	Ormond Beach, Florida	107,779	P

The total consideration paid for these business combinations was approximately 5.0 million shares of Regions' common stock (including treasury stock reissued) valued at \$112 million. Total intangible assets recorded in connection with the purchase transactions totaled approximately \$85 million.

During 1999 Regions completed the following additional business combinations:

DATE	COMPANY	HEADQUARTERS LOCATION	TOTAL ASSETS	ACCOU
----	-----	-----	-----	TREAT
			(IN THOUSANDS)	
January	Meigs County Bancshares, Inc.	Decatur, Tennessee	\$114,407	Pooli
January	VB&T Bancshares Corporation	Valdosta, Georgia	75,733	Pooli
January	Bullsboro BancShares, Inc.	Newnan, Georgia	100,682	Pooli
March	Arkansas Banking Company	Jonesboro, Arkansas	354,981	Purch
December	Minden Bancshares, Inc.	Minden, Louisiana	318,955	Purch

Because certain of the 2000 and 1999 business combinations were accounted for as purchases, Regions' consolidated financial statements include the results of operations of those companies only from their respective dates of acquisition. The following unaudited summary information presents the consolidated results of operations of Regions on a pro forma basis, as if all the above companies had been acquired on

January 1, 1999. The pro forma summary information does not necessarily reflect the results of operations that would have occurred, if the acquisitions had occurred at the beginning of the periods presented, or of results which may occur in the future.

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	2000	1999
	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	
Interest income.....	\$3,253,082	\$2,920,835
Interest expense.....	1,854,115	1,460,418
	-----	-----
Net interest income.....	1,398,967	1,460,417
Provision for loan losses.....	127,434	116,265
Non-interest income.....	604,345	547,117
Non-interest expense.....	1,142,669	1,106,548
	-----	-----
Income before income taxes.....	733,209	784,721
Applicable income taxes.....	213,189	261,415
	-----	-----
Net income.....	\$ 520,020	\$ 523,306
	=====	=====
Net income per share.....	\$2.36	\$2.36
Net income per share, diluted.....	2.34	2.34

The following chart summarizes the assets acquired and liabilities assumed in connection with business combinations in 2000 and 1999.

	2000	1999
	-----	-----
	(IN THOUSANDS)	
Cash and due from banks.....	\$156,263	\$114,549
Investment securities.....	31,084	5,982
Securities available for sale.....	150,086	213,672
Loans, net.....	490,403	566,821
Other assets.....	32,852	63,734
Deposits.....	752,963	843,422
Borrowings.....	74,074	25,788
Other liabilities.....	9,269	5,598

As of December 31, 2000, Regions' had the following pending business combination:

INSTITUTION	APPROXIMATE		CONSIDERATION	ANTICIPATED ACCOUNTING TREATMENT
	ASSET SIZE	VALUE (1)		
-----	-----	-----	-----	-----
	(IN MILLIONS)			
Morgan Keegan, Inc., headquartered in Memphis, Tennessee.....	\$2,058	\$789	Cash/Regions Common Stock	Purchase
-----				

(1) Computed as of the date of announcement of the transaction.

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NOTE R. STOCK OPTION AND LONG-TERM INCENTIVE PLANS

Regions has stock option plans for certain key employees that provide for the granting of options to purchase up to 5,720,000 (excluding options assumed in connection with acquisitions) shares of Regions' common stock. The terms of options granted are determined by the personnel committee of the Board of Directors; however, no options may be granted after ten years from the plans' adoption and no options may be exercised beyond ten years from the date granted. The option price per share of incentive stock options can not be less than the fair market value of the common stock on the date of the grant; however, the option price of non-qualified options may be less than the fair market value of the common stock on the date of the grant. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

plans also permit the granting of stock appreciation rights to holders of stock options. Stock appreciation rights were attached to 24,694; 81,755 and 116,713 of the shares under option at December 31, 2000, 1999 and 1998, respectively.

Regions' long-term incentive plan provides for the granting of up to 10,000,000 shares of common stock in the form of stock options, stock appreciation rights, performance awards or restricted stock awards. The terms of stock options granted under the long-term incentive plan are generally subject to the same terms as options granted under Regions' stock option plans. A maximum of 3,000,000 shares of restricted stock and 5,000,000 shares of performance awards may be granted. During 2000 and 1999, Regions granted 256,042 and 700 shares, respectively, as restricted stock and during 1999 and 1998, granted 411,372 and 311,393 shares, respectively, as performance awards. No performance awards were granted in 2000. Grantees of restricted stock must remain employed with Regions for certain periods from the date of the grant at the same or a higher level in order for the shares to be released. However, during this period the grantee is eligible to receive dividends and exercise voting privileges on such restricted shares. In 2000, 1999, and 1998, 59,216; 150,384 and 99,013 restricted shares, respectively, were released. Issuance of performance awards is dependent upon achievement of certain performance criteria and is, therefore, deferred until the end of the performance period. In 1999, 199,091 performance awards were issued. No performance awards were issued in 2000. Total expense for restricted stock was \$2,753,000 in 2000, \$2,117,000 in 1999, and \$2,693,000 in 1998. Total expense for performance shares was \$3,274,000 in 1999 and \$18,424,000 in 1998. In 2000, a decline in Regions' common stock price resulted in a benefit of \$1,212,000.

In connection with the business combinations in 2000, Regions assumed stock options, which were previously granted by those companies and converted those options, based on the appropriate exchange ratio, into options to acquire Regions' common stock. The common stock for such options has been registered under the Securities Act of 1933 by Regions and is not included in the maximum number of shares that may be granted by Regions under its existing stock option plans.

Stock option activity (including assumed options) over the last three years is summarized as follows:

SHARES UNDER OPTION	OPTION PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICES
-----	-----	-----

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Balance at January 1, 1998.....	6,582,676	\$3.39 --	\$38.75	\$17.44
Options assumed through acquisitions.....	281,891	5.50 --	33.72	11.77
Granted.....	1,150,257	39.47 --	41.38	41.17
Exercised.....	(1,166,575)	3.39 --	36.42	12.17
Canceled.....	(64,797)	9.03 --	41.34	28.82
	-----			
Outstanding at December 31, 1998.....	6,783,452	\$3.39 --	\$41.38	\$22.05
Options assumed through acquisitions.....	498,625	6.06 --	17.81	9.83
Granted.....	1,242,172	34.66 --	37.47	35.67
Exercised.....	(1,292,088)	3.39 --	37.85	12.61
Canceled.....	(94,632)	8.01 --	41.34	29.47
	-----			
Outstanding at December 31, 1999.....	7,137,529	\$4.35 --	\$41.38	\$25.16
Options assumed through acquisitions.....	21,133		10.00	10.00
Granted.....	2,283,354	20.09 --	24.26	20.14
Exercised.....	(450,865)	4.35 --	20.88	10.22
Canceled.....	(200,718)	4.81 --	41.38	33.28
	-----			
Outstanding at December 31, 2000.....	8,790,433	\$4.35 --	\$41.38	\$24.40
	=====			
Exercisable at December 31, 2000.....	6,482,350	\$4.35 --	\$41.38	\$25.80

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting and Disclosure of Stock-Based Compensation" (Statement 123). Statement 123 is effective for fiscal years beginning after December 15, 1995, and allows for the option of continuing to follow Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees", and the related Interpretations, or selecting the fair value method of expense recognition as described in Statement 123. The Company has elected to follow APB 25 in accounting for its employee stock options. Pro forma net income and net income per share data as if the fair-value method had been applied in measuring compensation costs is presented below for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Pro forma net income (\$000's).....	\$517,931	\$520,625	\$412,701
Pro forma net income per share.....	\$2.35	\$2.35	\$1.87
Pro forma net income per share, diluted.....	2.33	2.32	1.84

Regions' options outstanding have a weighted average contractual life of 6.6 years. The weighted average fair value of options granted was \$3.52 in 2000, \$6.63 in 1999 and \$8.77 in 1998. The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2000: expected dividend yield of 3.9%; expected option life of 5 years; expected volatility of 22.2%; and a risk free interest rate of 5.0%. The 1999 assumptions used in the model included: expected dividend yield of 4.0%; expected option life of 5 years; expected volatility of 20.7%; and a risk free interest rate of 6.3%. The 1998 assumptions were: expected dividend yield of 2.3%; expected option life of 5 years; expected volatility of 19.3%; and a risk free interest rate of 4.5%.

Since the exercise price of the Company's employee stock options equals the

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market price of underlying stock on the date of grant, no compensation expense is recognized.

The effects of applying Statement 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income for future years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE S. PARENT COMPANY ONLY FINANCIAL STATEMENTS

Presented below are condensed financial statements of Regions Financial Corporation:

STATEMENTS OF CONDITION

	DECEMBER 31,	
	2000	1999
	(IN THOUSANDS)	
ASSETS		
Cash and due from banks.....	\$ 314,911	\$ 122,457
Loans to subsidiaries.....	-0-	6,200
Investment securities.....	3,121	3,914
Securities available for sale.....	179	56
Premises and equipment.....	12,095	13,183
Investment in subsidiaries:		
Banks.....	3,419,775	3,124,962
Non-banks.....	15,749	112,382
	3,435,524	3,237,344
Other assets.....	47,121	36,257
	\$3,812,951	\$3,419,411
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Commercial paper.....	\$ 27,750	\$ 56,750
Long-term borrowings.....	219,839	213,446
Other liabilities.....	107,418	84,103
	355,007	354,299
Stockholders' equity:		
Common stock.....	139,105	137,897
Surplus.....	1,058,733	1,022,825
Undivided profits.....	2,334,193	1,909,109
Treasury stock.....	(67,135)	-0-
Unearned restricted stock.....	(6,952)	(4,719)
	3,457,944	3,065,112
	\$3,812,951	\$3,419,411
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Income:			
Dividends received from subsidiaries:			
Banks.....	\$568,533	\$392,749	\$246,164
Non-banks.....	-0-	3,000	-0-
	-----	-----	-----
	568,533	395,749	246,164
Service fees from subsidiaries.....	47,049	32,826	91,647
Interest from subsidiaries.....	4,144	3,694	3,622
Other.....	6,213	19,345	7,161
	-----	-----	-----
	625,939	451,614	348,594
Expenses:			
Salaries and employee benefits.....	16,936	14,216	54,794
Interest.....	19,557	21,556	20,783
Net occupancy expense.....	1,322	1,167	1,946
Furniture and equipment expense.....	784	1,339	4,111
Legal and other professional fees.....	11,976	7,326	8,979
Amortization of excess purchase price.....	18,683	15,098	11,412
Other expenses.....	8,502	8,757	7,286
	-----	-----	-----
	77,760	69,459	109,311
Income before income taxes and equity in undistributed earnings of subsidiaries.....	548,179	382,155	239,283
Applicable income taxes (credit).....	(7,022)	(694)	(1,804)
	-----	-----	-----
Income before equity in undistributed earnings of subsidiaries.....	555,201	382,849	241,087
Equity in undistributed earnings of subsidiaries:			
Banks.....	(32,230)	138,787	169,689
Non-banks.....	4,552	3,750	10,936
	-----	-----	-----
	(27,678)	142,537	180,625
	-----	-----	-----
Net Income.....	\$527,523	\$525,386	\$421,712
	=====	=====	=====

Aggregate maturities of long-term borrowings in each of the next five years for the parent company only are as follows: \$25,660,000 in 2001; \$75,690,000 in 2002; \$710,000 in 2003; \$100,850,000 in 2004; and \$870,000 in 2005. Standby letters of credit issued by the parent company totaled \$6.4 million at December 31, 2000. This amount is included in total standby letters of credit disclosed in Note L.

STATEMENTS OF CASH FLOWS

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	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	(IN THOUSANDS)		
Operating activities:			
Net income.....	\$ 527,523	\$ 525,386	\$ 421,712
Adjustments to reconcile net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries.....	27,678	(142,537)	(180,625)
Provision for depreciation and amortization.....	22,661	18,636	17,409
(Decrease) increase in other liabilities.....	(58,569)	104,491	(32,424)
Loss on sale of premises and equipment.....	2	93	44
(Increase) in other assets.....	(29,547)	(3,417)	(17,069)
Stock issued to employees under incentive plan.....	3,088	4,959	14,717
Net cash provided by operating activities.....	492,836	507,611	223,764
Investing activities:			
Investment in subsidiaries.....	100,181	18,525	103,138
Principal payments (advances) on loans to subsidiaries....	6,200	54,900	(1,103)
Sale and purchases of premises and equipment.....	134	(3,778)	3,368
Maturity of investment securities.....	793	15	34,519
Purchase of available for sale securities.....	(123)	(56)	-0-
Net cash provided by investing activities.....	107,185	69,606	139,922
Financing activities:			
(Decrease) increase in commercial paper borrowings.....	(29,000)	-0-	4,000
Cash dividends.....	(238,447)	(221,928)	(191,643)
Purchase of treasury stock.....	(149,119)	(255,271)	(181,651)
Proceeds from long-term borrowings.....	8,122	6,701	4,500
Principal payments on long-term borrowings.....	(1,730)	(13,428)	(10,120)
Exercise of stock options.....	2,607	13,676	8,416
Net cash (used) by financing activities.....	(407,567)	(470,250)	(366,498)
Increase (decrease) in cash and cash equivalents.....	192,454	106,967	(2,812)
Cash and cash equivalents at beginning of year.....	122,457	15,490	18,302
Cash and cash equivalents at end of year.....	\$ 314,911	\$ 122,457	\$ 15,490

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE T. REGULATORY CAPITAL REQUIREMENTS

Regions and its bank subsidiary are subject to regulatory capital requirements administered by federal banking agencies. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, and also qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject the Company to a series of increasingly restrictive regulatory actions. As of December 31, 2000, the most recent notification from federal banking agencies categorized Regions and its significant subsidiary as "well capitalized" under the regulatory framework.

Minimum capital requirements for all banks are Tier 1 Capital of at least

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4% of risk-weighted assets, Total Capital of at least 8% of risk-weighted assets and a Leverage Ratio of 3%, plus an additional 100 to 200 basis point cushion in certain circumstances, of adjusted quarterly average assets. Tier 1 Capital consists principally of stockholders' equity, excluding unrealized gains and losses on securities available for sale, less excess purchase price and certain other intangibles. Total Capital consists of Tier 1 Capital plus certain debt instruments and the allowance for loan losses, subject to limitation.

Regions' and its most significant subsidiary's capital levels at December 31, 2000 and 1999, exceeded the "well capitalized" levels, as shown below:

	DECEMBER 31, 2000		TO BE WELL CAPITALIZED
	AMOUNT	RATIO	
	(IN THOUSANDS)		
Tier 1 Capital:			
Regions Financial Corporation.....	\$2,982,652	9.14%	6.00%
Regions Bank.....	2,951,565	9.27	6.00
Total Capital:			
Regions Financial Corporation.....	\$3,730,852	11.44%	10.00%
Regions Bank.....	3,524,765	11.07	10.00
Leverage:			
Regions Financial Corporation.....	\$2,982,652	6.90%	5.00%
Regions Bank.....	2,951,565	6.96	5.00

	DECEMBER 31, 1999		TO BE WELL CAPITALIZED
	AMOUNT	RATIO	
	(IN THOUSANDS)		
Tier 1 Capital:			
Regions Financial Corporation.....	\$2,791,191	9.51%	6.00%
Regions Bank.....	2,917,543	9.79	6.00
Total Capital:			
Regions Financial Corporation.....	\$3,351,098	11.42%	10.00%
Regions Bank.....	3,298,864	11.07	10.00
Leverage:			
Regions Financial Corporation.....	\$2,791,191	6.95%	5.00%
Regions Bank.....	2,917,543	7.11	5.00

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### NOTE U. MERGER AND CONSOLIDATION EXPENSES

In 1998, Regions incurred a pre-tax, non-recurring merger and consolidation charge of \$121.4 million related primarily to the merger of First Commercial and four other institutions with Regions. The charge, recognized in the third (\$114.7 million) and fourth (\$6.7 million) quarters, consisted primarily of employee-related obligations (\$33.6 million), elimination of duplicate facilities, obsolete equipment and other assets (\$47.6 million), contract terminations (\$6.0 million), costs to exit certain lines of business (\$5.1

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million), and professional fees and contractual payments associated with the mergers (\$29.1 million). During 1998, merger-and consolidation-related costs incurred or charged against the accrual totaled \$117.0 million, resulting in a balance in merger and consolidation accrual of \$4.4 million at December 31, 1998, which is primarily associated with certain employee-related obligations. These employee-related obligations were paid out in early 1999, resulting in the merger and consolidation accrual being reduced to zero.

The employee-related obligations primarily relates to termination payments and payments under change of control provisions. The termination payments related to the elimination of back office and administrative personnel. Excess personnel were terminated during 1998 and all employee obligations were paid during 1998, with the exception of the \$4.4 million referred to above.

Regions recorded \$47.6 million of write-downs related to facilities, equipment and other assets that were impaired as a result of Regions' consolidation of bank charters, consolidations of back office and certain branch operations, and instituting efficiencies through alteration and elimination of activities of the combining enterprises.

### NOTE V. EARNINGS PER SHARE

The following table sets forth the computation of basic net income per share and diluted net income per share.

	2000	1999	1998
	-----	-----	-----
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Numerator:			
For basic net income per share and diluted net income per share, net income.....	\$527,523	\$525,386	\$421,712
	=====	=====	=====
Denominator:			
For basic net income per share --			
Weighted average shares outstanding.....	220,762	221,617	220,114
Effect of dilutive securities:			
Stock options.....	1,015	2,138	2,951
Performance shares.....	212	212	716
	-----	-----	-----
	1,227	2,350	3,667
	-----	-----	-----
For diluted net income per share.....	221,989	223,967	223,781
	=====	=====	=====
Basic net income per share.....	\$ 2.39	\$ 2.37	\$ 1.92
	=====	=====	=====
Diluted net income per share.....	2.38	2.35	1.88
	=====	=====	=====

### NOTE W. BUSINESS SEGMENT INFORMATION

Regions' segment information is presented geographically, based on Regions' three operating regions in the Southeastern United States. Each region is a strategic business unit that serves a particular group of customers in a

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specified area. The Company's three reportable regions are West, Central, and East. These regions represent the Company's branch banking functions and have separate managements that are responsible for the operation of each business unit. The West region consists of the states of Arkansas, Louisiana, and east Texas. The Central region is made up of Alabama and Tennessee. Georgia, South Carolina, and Florida comprise the East region. In addition, Regions has included the activity of its treasury division, which includes its bond portfolio, indirect mortgage lending division, and other wholesale activities. The other reportable segments include activity of Regions' broker dealer and insurance subsidiaries, the indirect consumer lending division, and the parent company.

The accounting policies used by each reportable segment are the same as those discussed in Note A (summary of significant accounting policies). The following table presents financial information for each reportable segment.

	WEST	CENTRAL	EAST	TREASURY	OTHER	TO COM
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
2000						
Net interest income.....	\$ 380,978	\$ 431,248	\$ 417,642	\$ (63,888)	\$ 222,817	\$ 1,3
Provision for loan loss.....	27,788	32,770	32,651	27,126	6,764	1
Non-interest income.....	100,164	128,929	85,434	108	286,575	6
Non-interest expense....	235,308	218,521	220,080	22,903	424,370	1,1
Income taxes (benefit).....	86,583	123,421	101,406	(42,678)	(54,529)	2
Net income (loss).....	\$ 131,463	\$ 185,465	\$ 148,939	\$ (71,131)	\$ 132,787	\$ 5
Average assets.....	\$6,946,972	\$8,135,218	\$7,978,958	\$17,970,601	\$1,857,588	\$42,8
1999						
Net interest income.....	\$ 375,296	\$ 405,542	\$ 392,586	\$ 107,190	\$ 145,241	\$ 1,4
Provision for loan loss.....	25,474	29,317	29,017	21,576	8,274	1
Non-interest income.....	88,683	114,094	79,987	6,999	247,378	5
Non-interest expense....	217,370	203,153	212,755	16,283	414,751	1,0
Income taxes (benefit).....	88,587	115,838	93,521	36,744	(75,050)	2
Net income.....	\$ 132,548	\$ 171,328	\$ 137,280	\$ 39,586	\$ 44,644	\$ 5
Average assets.....	\$6,311,658	\$7,137,094	\$7,081,779	\$14,352,431	\$4,724,970	\$39,6
1998						
Net interest income.....	\$ 362,885	\$ 395,874	\$ 340,892	\$ 100,832	124,335	\$ 1,3
Provision for loan loss.....	15,406	16,806	14,472	8,860	4,961	
Non-interest income.....	90,872	99,133	85,365	2,118	197,209	4
Non-interest expense....	203,971	222,513	191,609	8,458	477,157	1,1
Income taxes (benefit).....	88,718	96,783	83,341	12,181	(67,433)	2
Net income (loss).....	\$ 145,662	\$ 158,905	\$ 136,835	\$ 73,451	\$ (93,141)	\$ 4
Average assets.....	\$6,826,590	\$7,447,189	\$6,412,857	\$10,358,212	\$3,012,193	\$34,0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE X. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of Statement of Financial Accounting Standards No. 133" (Statement 138). Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (Statement 133) requires all derivatives to be recorded on the balance sheet at fair value and establishes "special accounting" for the following three different types of hedges: hedges of changes in the fair value of assets, liabilities or firm commitments (referred to as fair value hedges); hedges of the variable cash flows of forecasted transactions (cash flow hedges); and hedges of foreign currency exposures of net investments in foreign operations. Statement 133, deferred by Statement of Financial Accounting Standards No. 137, is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Regions expects the impact of Statement 133 and Statement 138 to be immaterial on its financial position and results of operations.

In September 2000, the FASB issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (Statement 140) that replaces, in its entirety, Financial Accounting Standards No. 125. Statement 140 provides guidance for determining whether a liability has been extinguished. Statement 140 also provides guidance for accounting for servicing of financial assets, the receipt or pledging of collateral, and requires certain disclosures. Statement 140 is effective for transfers occurring after March 31, 2001. Regions is currently evaluating the impact of Statement 140 on its financial statements.

NOTE Y. SUBSEQUENT EVENTS

In February 2001, Regions issued \$288 million of trust preferred securities at 8.00% with a 30 year life. In March 2001, Regions issued \$500 million of 7.00% subordinated notes due 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE Z. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS, COMMON STOCK MARKET PRICES AND DIVIDENDS (UNAUDITED)

	THREE MONTHS ENDED			
	MAR. 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
2000				
Total interest income.....	\$780,229	\$792,587	\$824,694	\$836,733
Total interest expense.....	426,113	443,896	482,575	492,862
Net interest income.....	354,116	348,691	342,119	343,871
Provision for loan losses.....	29,177	27,804	32,746	37,372
Net interest income after provision for loan losses...	324,939	320,887	309,373	306,499
Total non-interest income, excluding securities gains.....	206,810	137,583	146,719	150,026

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Securities (losses) gains.....	(40,018)	67	28	(5)
Total non-interest expense.....	271,135	272,787	273,339	303,921
Income taxes.....	74,591	60,457	54,922	24,233
	-----	-----	-----	-----
Net income.....	\$146,005	\$125,293	\$127,859	\$128,366
	=====	=====	=====	=====
Per share:				
Net income.....	\$ .66	\$ .57	\$ .58	\$ .58
Net income, diluted.....	.66	.57	.58	.58
Cash dividends declared.....	.27	.27	.27	.27
Market price:				
Low.....	18 5/16	19 1/8	19 7/8	20 1/16
High.....	25 1/4	25 1/2	25 1/4	28
1999				
Total interest income.....	\$666,441	\$698,136	\$731,986	\$758,123
Total interest expense.....	323,844	335,870	371,538	397,579
	-----	-----	-----	-----
Net interest income.....	342,597	362,266	360,448	360,544
Provision for loan losses.....	20,738	23,944	30,707	38,269
	-----	-----	-----	-----
Net interest income after provision for loan losses...	321,859	338,322	329,741	322,275
Total non-interest income, excluding securities gains.....	143,099	121,769	133,269	138,844
Securities gains.....	16	22	3	119
Total non-interest expense.....	262,575	260,224	265,220	276,293
Income taxes.....	73,019	63,900	66,835	55,886
	-----	-----	-----	-----
Net income.....	\$129,380	\$135,989	\$130,958	\$129,059
	=====	=====	=====	=====
Per share:				
Net income.....	\$ .58	\$ .61	\$ .59	\$ .59
Net income, diluted.....	.57	.60	.59	.59
Cash dividends declared.....	.25	.25	.25	.25
Market price:				
Low.....	34 9/16	34 3/8	29 5/8	23 3/16
High.....	41 5/8	39 1/8	39	31 13/16

Regions Common Stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol RGBK. Market prices shown represent sales prices as reported in the Nasdaq Monthly Summary of Activity Report. At December 31, 2000, there were 52,049 shareholders of record of Regions Financial Corporation Common Stock.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements on accounting and financial disclosure between Registrant and Ernst & Young LLP.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

All information presented under the captions "Information On Directors" and "Section 16 Transaction" of the Registrant's proxy statement to be dated approximately April 10, 2001, are incorporated by reference.

Executive officers of the Registrant as of December 31, 2000, are as

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follows:

EXECUTIVE OFFICER -----	AGE ---	POSITION AND OFFICES HELD WITH REGISTRANT AND SUBSIDIARIES -----
J. Stanley Mackin.....	68	Chairman and Director, Registrant and Regions Bank; Director Regions Mortgage, Inc.
Carl E. Jones, Jr.....	60	Director, President and Chief Executive Officer, Registrant and Regions Bank. Director Regions Mortgage, Inc., Regions Interstate Billing Service, Inc., and EFC Holdings Corporation.
Richard D. Horsley.....	58	Vice Chairman, Director and Executive Financial Officer, Registrant and Regions Bank; Director and Vice President, Regions Agency, Inc., Regions Asset Management Company, and RAMCO -- FL Holding, Inc.; Director, Regions Life Insurance Company, Regions Mortgage, Inc., and EFC Holdings Corporation.
John I. Fleischauer, Jr.....	52	President/West Region; Director, Regions Bank.
Wilbur B. Hufham.....	63	President/Central Region; Director, Regions Bank; Director Regions Mortgage, Inc.
Peter D. Miller.....	54	President/East Region; Director, Regions Bank.
William E. Askew.....	51	Executive Vice President -- Retail Banking Division, Registrant and Regions Bank.
D. Bryan Jordan.....	39	Executive Vice President and Comptroller, Registrant and Regions Bank; Director, Regions Asset Management Company, Inc.
E. Cris Stone.....	58	Executive Vice President -- Corporate Banking, Registrant and Regions Bank; Director and Vice President, Regions Financial Leasing, Inc.; Director Regions Interstate Billing Service, Inc.
David C. Gordon.....	52	Executive Vice President -- Bank Operations, Registrant and Regions Bank.

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EXECUTIVE OFFICER -----	AGE ---	POSITION AND OFFICES HELD WITH REGISTRANT AND SUBSIDIARIES -----
J. Kenneth Alderman.....	49	Executive Vice President -- Trust Group, Registrant and Regions Bank
Samuel E. Upchurch Jr.....	49	Executive Vice President, General Counsel and Corporate Secretary, Registrant and Regions Bank; Director Regions Investment Company, Inc., Regions Interstate Billing Service, Inc., and EFC Holdings Corporation; Director and Secretary, Regions Asset

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Holding Company, Inc., Regions Investment Management Holding Company, Inc., Regions Asset Company, Inc., Regions Licensing Company, Inc., and Regions Investment Management Company, Inc.

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\* The years indicated are those in which the individual was first deemed to be an executive officer of Registrant, although in every case the individual had been an executive officer of a subsidiary of Registrant for a number of years.

ITEM 11. EXECUTIVE COMPENSATION

All information presented under the caption "Executive Compensation and Other Transaction", excluding the information under the subheading "Compensation Committee Executive Compensation Report" of the Registrant's proxy statement to be dated approximately April 10, 2001, are incorporated herein by reference. All information presented under the caption "Executive Compensation Report" of the Registrant's proxy statement to be dated approximately April 10, 2000, are specifically not incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All information presented under the captions "Voting Securities and Principal Holders Thereof" and "Information on Directors" of the Registrant's proxy statement to be dated approximately April 10, 2001, are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All information presented under the caption "Other Transactions", of the Registrant's proxy statement to be dated approximately April 10, 2001, are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

14(a)(1) and (2) Financial Statement Schedules.

The following consolidated financial statements and report of independent auditors of Regions Financial Corporation and subsidiaries are included in Item 8 of this Annual Report on Form 10-K:

Report of Independent Auditors

Consolidated Statements of Condition -- December 31, 2000 and 1999

Consolidated Statements of Income -- Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows -- Years ended December 31, 2000, 1999 and 1998

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Consolidated Statements of Changes in Stockholders' Equity -- Years ended December 31, 2000, 1999 and 1998

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Notes to Consolidated Financial Statements -- December 31, 2000

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable, and therefore have been omitted.

14(a)(3) Listing of Exhibits:

SEC ASSIGNED EXHIBIT NUMBER -----		DESCRIPTION OF EXHIBIT -----
3.	--	Bylaws as last amended on March 17, 1999, incorporated herein by reference from the Exhibits to the Registration Statement filed with the Commission and assigned file number 333-86975. Certificate of Incorporation as last amended on June 18, 1999, incorporated herein by reference from the Exhibits to the Registration Statement filed with the Commission and assigned file number 333-86975.
4.	--	a. Subordinated Notes Indenture Agreement dated as of December 1, 1992, incorporated by reference from the Exhibits to the Registration Statement filed with the Commission and assigned registration number 33-45714.
10.	--	*a. Regions Amended and Restated 1991 Long-Term Incentive Plan incorporated by reference from Exhibit B to the Registrant's proxy statement filed with the Commission and dated March 16, 1995.
	--	*b. Regions Management Incentive Plan Amended and Restated as of January 1, 1999, incorporated by reference from Appendix B to the Registrant's proxy statement filed with the Commission and dated April 7, 1999.
	--	*c. Regions 1999 Long-Term Incentive Plan incorporated by reference from Appendix C to the Registrant's proxy statement filed with the Commission and dated April 7, 1999.
21.	--	List of Subsidiaries of the Registrant.
23.	--	Consent of Independent Auditors.
24.1	--	Power of Attorney

-----  
\* Represents a compensatory plan agreement that is required to be filed under this item.

14(b) Reports on Form 8-K filed in the fourth quarter of 2000:

Report on Form 8-K, dated October 19, 2000, was filed under items 5 and 7 and related to the Registrant's results of operations for the quarter and nine months ended September 30, 2000.

Report on Form 8-K, dated December 17, 2000, was filed under items 5 and 7 and related to the Registrant's proposal to acquire Morgan Keegan, Inc.

14(c) The Exhibits not incorporated herein by reference are submitted as a separate part of this report.

Note: Copies of the aforementioned exhibits are available to stockholders upon

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request to:

Stockholder Assistance  
 417 North 20th Street  
 P. O. Box 10247  
 Birmingham, Alabama 35202-10247

14(d) Financial statement schedules:

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGIONS FINANCIAL CORPORATION

By: /s/ Samuel E. Upchurch, Jr.

-----  
 Samuel E. Upchurch, Jr.  
 Executive Vice President, General  
 Counsel  
 and Corporate Secretary

Date: 3/21/01

By: /s/ D. Bryan Jordan

-----  
 D. Bryan Jordan  
 Executive Vice President and  
 Comptroller

Date: 3/21/01

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ---
* J. Stanley Mackin ----- J. Stanley Mackin	Chairman and Director	3/21/01
* Carl E. Jones, Jr. ----- Carl E. Jones, Jr.	Chief Executive Officer, President and Director	3/21/01
* Richard D. Horsley ----- Richard D. Horsley	Vice Chairman, Executive Financial Officer and Director	3/21/01
* Sheila S. Blair ----- Sheila S. Blair	Director	3/21/01

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* James B. Boone, Jr. ----- James B. Boone, Jr.	Director	3/2
* James S. M. French ----- James S. M. French	Director	3/2
* Olin B. King ----- Olin B. King	Director	3/2
* Michael W. Murphy ----- Michael W. Murphy	Director	3/2
* Henry E. Simpson ----- Henry E. Simpson	Director	3/2
* W. Woodrow Stewart ----- W. Woodrow Stewart	Director	3/2

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SIGNATURE -----	TITLE -----	DA ---
* Lee J. Styslinger, Jr. ----- Lee J. Styslinger, Jr.	Director	3/2
* John H. Watson ----- John H. Watson	Director	3/2
* C. Kemmons Wilson, Jr. ----- C. Kemmons Wilson, Jr.	Director	3/2
*By: /s/ Samuel E. Upchurch, Jr. ----- Samuel E. Upchurch, Jr.		3/2

as attorney-in-fact pursuant to a power of attorney

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ANNUAL REPORT ON FORM 10-K

ITEM 14 (C)

EXHIBITS

SEC ASSIGNED EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
3.	-- Bylaws as last amended on March 17, 1999, incorporated herein by reference from the Exhibits to the Registration Statement filed with the Commission and assigned file number 333-86975. Certificate of Incorporation as last amended on June 18, 1999, incorporated herein by reference from the Exhibits to the Registration Statement filed with the Commission and assigned file number 333-86975.
4.	-- a. Subordinated Notes Indenture Agreement dated as of December 1, 1992, incorporated by reference from the Exhibits to the Registration Statement filed with the Commission and assigned registration number 33-45714.
10.	-- *a. Regions Amended and Restated 1991 Long-Term Incentive Plan incorporated by reference from Exhibit B to the Registrant's proxy statement filed with the Commission and dated March 16, 1995. -- *b. Regions Management Incentive Plan Amended and Restated as of January 1, 1999, incorporated by reference from Appendix B to the Registrant's proxy statement filed with the Commission and dated April 7, 1999. -- *c. Regions 1999 Long-Term Incentive Plan incorporated by reference from Appendix C to the Registrant's proxy statement filed with the Commission and dated April 7, 1999.
21.	-- List of Subsidiaries of the Registrant.
23.	-- Consent of Independent Auditors.
24.1	-- Power of Attorney

-----  
\* Represents a compensatory plan agreement that is required to be filed under this item.