

REGIONS FINANCIAL CORP  
Form 10-Q  
November 03, 2011  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2011

or

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

Commission File Number: 000-50831

**Regions Financial Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**63-0589368**  
(IRS Employer

incorporation or organization)

Identification No.)

**1900 Fifth Avenue North**

**Birmingham, Alabama**  
(Address of principal executive offices)

**35203**  
(Zip Code)

**(205) 944-1300**

(Registrant's telephone number, including area code)

**NOT APPLICABLE**

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,258,877,000 shares of common stock, par value \$.01, outstanding as of October 25, 2011.

**Table of Contents**

**REGIONS FINANCIAL CORPORATION**

**FORM 10-Q**

**INDEX**

	<b>Page</b>
<b><u>Part I. Financial Information</u></b>	
Item 1. <b><u>Financial Statements (Unaudited)</u></b>	
<b><u>Consolidated Balance Sheets September 30, 2011 and December 31, 2010</u></b>	5
<b><u>Consolidated Statements of Operations Three and nine months ended September 30, 2011 and 2010</u></b>	6
<b><u>Consolidated Statements of Changes in Stockholders' Equity Nine months ended September 30, 2011 and 2010</u></b>	7
<b><u>Consolidated Statements of Cash Flows Nine months ended September 30, 2011 and 2010</u></b>	8
<b><u>Notes to Consolidated Financial Statements</u></b>	9
Item 2. <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	61
Item 3. <b><u>Quantitative and Qualitative Disclosures about Market Risk</u></b>	106
Item 4. <b><u>Controls and Procedures</u></b>	106
<b><u>Part II. Other Information</u></b>	
Item 1. <b><u>Legal Proceedings</u></b>	107
Item 2. <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	107
Item 6. <b><u>Exhibits</u></b>	108
<b><u>Signatures</u></b>	109

**Table of Contents**

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation ( 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. The Private Securities Litigation Reform Act of 1995 (the Act ) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) became law on July 21, 2010, and a number of legislative, regulatory and tax proposals remain pending. Additionally, the U.S. Treasury and federal banking regulators continue to implement, but are also beginning to wind down, a number of programs to address capital and liquidity in the banking system. Proposed rules, including those that are part of the Basel III process, could require banking institutions to increase levels of capital. All of the foregoing may have significant effects on Regions and the financial services industry, the exact nature and extent of which cannot be determined at this time.

Regions' ability to mitigate the impact of the Dodd-Frank Act on debit interchange fees through revenue enhancements and other revenue measures, which will depend on various factors, including the acceptance by customers of modified fee structures for Regions' products and services.

The impact of compensation and other restrictions imposed under the Troubled Asset Relief Program ( TARP ) until Regions repays the outstanding preferred stock and warrant issued under the TARP, including restrictions on Regions' ability to attract and retain talented executives and associates.

Possible additional loan losses, impairment of goodwill and other intangibles, and adjustment of valuation allowances on deferred tax assets and the impact on earnings and capital.

Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins. Increases in benchmark interest rates would also increase debt service requirements for customers whose terms include a variable interest rate, which may negatively impact the ability of borrowers to pay as contractually obligated.

Possible changes in general economic and business conditions in the United States in general and in the communities Regions serves in particular, including any prolonging or worsening of the current unfavorable economic conditions, including unemployment levels.

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

Possible changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies, and similar organizations, may have an adverse effect on business.

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The current stresses in the financial and real estate markets, including possible continued deterioration in property values.

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.

**Table of Contents**

Regions' ability to expand into new markets and to maintain profit margins in the face of competitive pressures.

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 keep pace with technological changes.

Regions' ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk, and regulatory and compliance risk.

Regions' ability to ensure adequate capitalization which is impacted by inherent uncertainties in forecasting credit losses.

The cost and other effects of material contingencies, including litigation contingencies, and any adverse judicial, administrative, or arbitral rulings or proceedings.

The effects of increased competition from both banks and non-banks.

The effects of geopolitical instability and risks such as terrorist attacks.

Possible changes in consumer and business spending and saving habits could affect Regions' ability to increase assets and to attract deposits.

The effects of weather and natural disasters such as floods, droughts, wind, tornadoes and hurricanes, and the effects of man-made disasters.

Possible downgrades in ratings issued by rating agencies.

Potential dilution of holders of shares of Regions' common stock resulting from the U.S. Treasury's investment in TARP.

Possible changes in the speed of loan prepayments by Regions' customers and loan origination or sales volumes.

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

The effects of problems encountered by larger or similar financial institutions that adversely affect Regions or the banking industry generally.

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Regions' ability to receive dividends from its subsidiaries.

The effects of the failure of any component of Regions' business infrastructure which is provided by a third party.

Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

The effects of any damage to Regions' reputation resulting from developments related to any of the items identified above.

The words "believe," "expect," "anticipate," "project," and similar expressions often signify forward-looking statements. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

See also the "Forward-Looking Statements" and "Risk Factors" sections of Regions' Annual Report on Form 10-K for the year ended December 31, 2010 and the "Forward-Looking Statements" section of Regions' Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, as filed with the Securities and Exchange Commission.

**Table of Contents****PART I****FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	September 30 2011	December 31 2010
	(In millions, except share and per share data)	
<b>Assets</b>		
Cash and due from banks	\$ 2,000	\$ 1,643
Interest-bearing deposits in other banks	6,009	4,880
Federal funds sold and securities purchased under agreements to resell	254	396
Trading account assets	1,462	1,116
Securities available for sale	24,635	23,289
Securities held to maturity	18	24
Loans held for sale (includes \$647 and \$1,174 measured at fair value, at September 30, 2011 and December 31, 2010, respectively)	1,012	1,485
Loans, net of unearned income	79,447	82,864
Allowance for loan losses	(2,964)	(3,185)
Net loans	76,483	79,679
Other interest-earning assets	1,081	1,219
Premises and equipment, net	2,399	2,569
Interest receivable	422	421
Goodwill	5,561	5,561
Mortgage servicing rights	182	267
Other identifiable intangible assets	478	385
Other assets	7,766	9,417
<b>Total assets</b>	<b>\$ 129,762</b>	<b>\$ 132,351</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Deposits:</b>		
Non-interest-bearing	\$ 28,296	\$ 25,733
Interest-bearing	67,642	68,881
Total deposits	95,938	94,614
<b>Borrowed funds:</b>		
<b>Short-term borrowings:</b>		
Federal funds purchased and securities sold under agreements to repurchase	1,969	2,716
Other short-term borrowings	974	1,221
Total short-term borrowings	2,943	3,937
Long-term borrowings	10,140	13,190
Total borrowed funds	13,083	17,127
Other liabilities	3,478	3,876
Total liabilities	112,499	115,617
<b>Stockholders equity:</b>		



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Preferred stock, authorized 10 million shares		
Series A, cumulative perpetual participating, par value \$1.00 (liquidation preference \$1,000.00) per share, net of discount;		
Issued 3,500,000 shares	3,409	3,380
Common stock, par value \$.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,301,329,413 and 1,299,000,755 shares, respectively	13	13
Additional paid-in capital	19,059	19,050
Retained earnings (deficit)	(3,913)	(4,047)
Treasury stock, at cost 42,451,925 and 42,764,258 shares, respectively	(1,397)	(1,402)
Accumulated other comprehensive income (loss), net	92	(260)
Total stockholders' equity	17,263	16,734
Total liabilities and stockholders' equity	\$ 129,762	\$ 132,351

See notes to consolidated financial statements.

**Table of Contents****REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	\$ 867	\$ 919	\$ 2,590	\$ 2,794
Securities:				
Taxable	177	214	592	680
Tax-exempt				1
Total securities	177	214	592	681
Loans held for sale	7	10	29	27
Trading account assets	6	8	19	29
Other interest-earning assets	7	7	20	22
Total interest income	1,064	1,158	3,250	3,553
Interest expense on:				
Deposits	112	167	377	603
Short-term borrowings	1	3	6	8
Long-term borrowings	93	120	282	387
Total interest expense	206	290	665	998
Net interest income	858	868	2,585	2,555
Provision for loan losses	355	760	1,235	2,181
Net interest income after provision for loan losses	503	108	1,350	374
Non-interest income:				
Service charges on deposit accounts	310	294	905	884
Brokerage, investment banking and capital markets	217	257	732	747
Mortgage income	68	66	163	196
Trust department income	49	49	150	146
Securities gains (losses), net	(1)	2	105	61
Leveraged lease termination gains (losses), net	(2)		(2)	19
Other	104	82	316	265
Total non-interest income	745	750	2,369	2,318
Non-interest expense:				
Salaries and employee benefits	529	582	1,684	1,717
Net occupancy expense	104	110	320	340
Furniture and equipment expense	77	75	233	228
Regulatory charge				200
Other	356	396	1,194	1,234
Total non-interest expense	1,066	1,163	3,431	3,719
Income (loss) before income taxes	182	(305)	288	(1,027)
Income tax expense (benefit)	27	(150)	(45)	(399)
Net income (loss)	\$ 155	\$ (155)	\$ 333	\$ (628)

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Net income (loss) available to common shareholders	\$ 101	\$ (209)	\$ 173	\$ (799)
<b>Weighted-average number of shares outstanding:</b>				
Basic	1,259	1,257	1,258	1,217
Diluted	1,261	1,257	1,260	1,217
<b>Earnings (loss) per common share:</b>				
Basic	\$ 0.08	\$ (0.17)	\$ 0.14	\$ (0.66)
Diluted	0.08	(0.17)	0.14	(0.66)
Cash dividends declared per common share	0.01	0.01	0.03	0.03

See notes to consolidated financial statements.

Table of Contents

**REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
(In millions, except per share data)									
<b>BALANCE AT JANUARY 1, 2010</b>	4	\$ 3,602	1,193	\$ 12	\$ 18,781	\$ (3,235)	\$ (1,409)	\$ 130	\$ 17,881
Comprehensive income (loss):									
Net income (loss)						(628)			(628)
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								144	144
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								(83)	(83)
Net change from defined benefit pension plans, net of tax*								17	17
Comprehensive income (loss)									(550)
Cash dividends declared \$0.03 per share						(36)			(36)
Preferred dividends					3	(144)			(141)
Preferred stock transactions:									
Conversion of mandatorily convertible preferred stock into 63 million shares of common stock		(259)	63	1	258				
Discount accretion		27				(27)			
Common stock transactions:									
Impact of stock transactions under compensation plans, net					5		4		9
<b>BALANCE AT SEPTEMBER 30, 2010</b>	4	\$ 3,370	1,256	\$ 13	\$ 19,047	\$ (4,070)	\$ (1,405)	\$ 208	\$ 17,163
<b>BALANCE AT JANUARY 1, 2011</b>	4	\$ 3,380	1,256	\$ 13	\$ 19,050	\$ (4,047)	\$ (1,402)	\$ (260)	\$ 16,734
Comprehensive income:									
Net income						333			333
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								242	242
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								91	91
Net change from defined benefit pension plans, net of tax*								19	19
Comprehensive income									685
Cash dividends declared \$0.03 per share						(39)			(39)
Preferred dividends						(131)			(131)
Preferred stock transactions:									
Discount accretion		29				(29)			
Common stock transactions:									
Impact of stock transactions under compensation plans, net			3		9		5		14
<b>BALANCE AT SEPTEMBER 30, 2011</b>	4	\$ 3,409	1,259	\$ 13	\$ 19,059	\$ (3,913)	\$ (1,397)	\$ 92	\$ 17,263

See notes to consolidated financial statements.

\* See disclosure of reclassification adjustment amount and tax effect, as applicable, in Note 6 to the consolidated financial statements.

**Table of Contents****REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30	
	2011	2010
	(In millions)	
Operating activities:		
Net income (loss)	\$ 333	\$ (628)
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	1,235	2,181
Depreciation and amortization of premises and equipment	205	216
Provision for losses on other real estate, net	97	121
Net amortization of securities	144	151
Net amortization of loans and other assets	152	167
Net amortization (accretion) of deposits and borrowings	3	(4)
Net securities gains	(105)	(61)
Loss on early extinguishment of debt		53
Deferred income tax benefit	(57)	(216)
Originations and purchases of loans held for sale	(3,314)	(3,744)
Proceeds from sales of loans held for sale	4,602	4,167
Gain on sale of loans, net	(69)	(59)
Valuation charges on loans held for sale	8	24
Branch consolidation and property and equipment charges	77	
(Increase) decrease in trading account assets	(346)	1,459
Decrease (increase) in other interest-earning assets	138	(309)
Increase in interest receivable	(1)	(44)
Decrease in other assets	1,931	51
Decrease in other liabilities	(379)	(244)
Other	(38)	53
Net cash from operating activities	4,616	3,334
Investing activities:		
Proceeds from sales of securities available for sale	6,531	1,610
Proceeds from maturities of securities available for sale	3,630	5,617
Proceeds from maturities of securities held to maturity	7	4
Purchases of securities available for sale	(11,156)	(6,572)
Proceeds from sales of loans	1,294	966
Purchases of loans	(1,718)	
Net decrease in loans	1,145	2,168
Net purchases of premises and equipment	(163)	(118)
Net cash from investing activities	(430)	3,675
Financing activities:		
Net increase (decrease) in deposits	1,324	(3,702)
Net decrease in short-term borrowings	(994)	(7)
Proceeds from long-term borrowings	1,001	743
Payments on long-term borrowings	(4,003)	(4,990)
Cash dividends on common stock	(39)	(36)
Cash dividends on preferred stock	(131)	(141)
Net cash from financing activities	(2,842)	(8,133)

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Increase (decrease) in cash and cash equivalents	1,344	(1,124)
Cash and cash equivalents at beginning of year	6,919	8,011
Cash and cash equivalents at end of period	\$ 8,263	\$ 6,887

See notes to consolidated financial statements.

**Table of Contents**

**REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Three and Nine Months Ended September 30, 2011 and 2010**

**NOTE 1 Basis of Presentation**

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

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States ( GAAP ) and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions Form 10-K for the year ended December 31, 2010.

Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications are immaterial and have no effect on net income, total assets or stockholders equity.



**Table of Contents****NOTE 2 Securities**

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

	Amortized Cost	September 30, 2011		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In millions)				
<b>Securities available for sale:</b>				
U.S. Treasury securities	\$ 99	\$ 1	\$	\$ 100
Federal agency securities	616	2		618
Obligations of states and political subdivisions	24	8		32
Mortgage-backed securities:				
Residential agency	21,527	503	(3)	22,027
Residential non-agency	15	1		16
Commercial agency	230	7		237
Commercial non-agency	290	2	(2)	290
Other debt securities	468	1	(7)	462
Equity securities	856	1	(4)	853
	\$ 24,125	\$ 526	\$ (16)	\$ 24,635

**Securities held to maturity:**

U.S. Treasury securities	\$ 5	\$	\$	\$ 5
Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	10	1		11
	\$ 18	\$ 1	\$	\$ 19

	Amortized Cost	December 31, 2010		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(In millions)				
<b>Securities available for sale:</b>				
U.S. Treasury securities	\$ 85	\$ 6	\$	\$ 91
Federal agency securities	16			16
Obligations of states and political subdivisions	23	7		30
Mortgage-backed securities:				
Residential agency	21,735	265	(155)	21,845
Residential non-agency	20	2		22
Commercial agency	113	2	(3)	112
Commercial non-agency	103		(3)	100
Other debt securities	27		(2)	25
Equity securities	1,047	1		1,048
	\$ 23,169	\$ 283	\$ (163)	\$ 23,289

**Securities held to maturity:**

U.S. Treasury securities	\$ 5	\$ 1	\$	\$ 6
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Federal agency securities	5			5
Mortgage-backed securities:				
Residential agency	12	1		13
Other debt securities	2			2
	\$ 24	\$ 2	\$	\$ 26

**Table of Contents**

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

	September 30 2011	December 31 2010
	(In millions)	
Federal Reserve Bank	\$ 460	\$ 471
Federal Home Loan Bank	282	419

Securities with carrying values of \$13.6 billion and \$15.4 billion at September 30, 2011 and December 31, 2010, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at September 30, 2011, 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.

	September 30, 2011 Amortized Cost	September 30, 2011 Estimated Fair Value
	(In millions)	
<b>Securities available for sale:</b>		
Due in one year or less	\$ 71	\$ 71
Due after one year through five years	760	761
Due after five years through ten years	305	302
Due after ten years	71	78
Mortgage-backed securities:		
Residential agency	21,527	22,027
Residential non-agency	15	16
Commercial agency	230	237
Commercial non-agency	290	290
Equity securities	856	853
	\$ 24,125	\$ 24,635
<b>Securities held to maturity:</b>		
Due in one year or less	\$ 3	\$ 3
Due after one year through five years	5	5
Due after five years through ten years		
Due after ten years		
Mortgage-backed securities:		
Residential agency	10	11
	\$ 18	\$ 19

**Table of Contents**

The following tables present gross unrealized losses and estimated fair value of securities available for sale at September 30, 2011 and December 31, 2010. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more.

	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
<b>September 30, 2011</b>						
	(In millions)					
Mortgage-backed securities:						
Residential agency	\$ 1,256	\$ (3)	\$	\$	\$ 1,256	\$ (3)
Commercial non-agency	120	(2)			120	(2)
All other securities	353	(8)	5	(3)	358	(11)
	\$ 1,729	\$ (13)	\$ 5	\$ (3)	\$ 1,734	\$ (16)

	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
<b>December 31, 2010</b>						
	(In millions)					
Mortgage-backed securities:						
Residential agency	\$ 11,023	\$ (155)	\$	\$	\$ 11,023	\$ (155)
Commercial agency	94	(3)			94	(3)
Commercial non-agency	100	(3)			100	(3)
All other securities			5	(2)	5	(2)
	\$ 11,217	\$ (161)	\$ 5	\$ (2)	\$ 11,222	\$ (163)

There was no gross unrealized loss on debt securities held to maturity at either September 30, 2011 or December 31, 2010.

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 229 securities and 292 securities at September 30, 2011 and December 31, 2010, respectively, represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not likely that the Company will be required to sell, the securities before the recovery of their amortized cost basis, which may be at maturity.

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

	Three Months Ended		Nine Months Ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	(In millions)			
Proceeds	\$ 52	\$ 149	\$ 6,531	\$ 1,610
Gross securities gains		2	105	61
Gross securities losses	(1)			
Net securities gains (losses)	\$ (1)	\$ 2	\$ 105	\$ 61



**Table of Contents**

The following table details net gains (losses) for trading account securities:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Total net gains (losses)	\$ (21)	\$ 18	\$ 10	\$ 27
Unrealized portion	(35)	6	(21)	10

**NOTE 3 Loans and the Allowance for Credit Losses****LOANS**

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

	September 30	December 31	September 30
	2011	2010	2010
	(In millions, net of unearned income)		
Commercial and industrial	\$ 24,273	\$ 22,540	\$ 21,501
Commercial real estate mortgage owner occupied	11,537	12,046	11,850
Commercial real estate construction owner occupied	356	470	522
Total commercial	36,166	35,056	33,873
Commercial investor real estate mortgage	10,696	13,621	14,489
Commercial investor real estate construction	1,188	2,287	2,975
Total investor real estate	11,884	15,908	17,464
Residential first mortgage	14,083	14,898	15,723
Home equity	13,316	14,226	14,534
Indirect	1,774	1,592	1,657
Consumer credit card	1,024		
Other consumer	1,200	1,184	1,169
Total consumer	31,397	31,900	33,083
	\$ 79,447	\$ 82,864	\$ 84,420

In June 2011, Regions completed the purchase of approximately \$1.2 billion of Regions-branded credit card accounts from FIA Card Services. The purchase included approximately \$1.1 billion in consumer credit card accounts and approximately \$0.1 billion in small business credit card accounts, which are included in the commercial and industrial portfolio class. During the third quarter of 2011, the allocation to the purchased credit card relationship intangibles was adjusted to approximately \$170 million. Approximately \$84 million was allocated to the allowance for loan losses.

During the three and nine months ended September 30, 2011, Regions purchased approximately \$173 million and \$509 million, respectively, in indirect loans from a third party.

**ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses represents management's estimate of credit losses inherent in the loan and credit commitment portfolios as of period-end. The allowance for credit losses consists of two components: the allowance for loan and lease losses and the reserve for unfunded credit commitments. Management's assessment of the appropriateness of the allowance for credit losses is based on a combination of both of these components. Regions determines its allowance for credit losses in accordance with applicable accounting literature as well as regulatory guidance related to receivables and contingencies. Binding unfunded credit commitments include items such as letters of credit, financial

guarantees and binding unfunded loan commitments.

## **Table of Contents**

Prior to 2011, the allowance for accruing commercial and investor real estate loans, as well as non-accrual loans in those portfolio segments below \$2.5 million, was determined using categories of pools of loans with similar risk characteristics (i.e., pass, special mention, substandard accrual, and non-accrual, as defined below). These categories were utilized to develop the associated allowance for loan losses using historical losses adjusted for current economic conditions. Beginning in 2011, these pools of loans were compiled at a more granular level. A probability of default and a loss given default were statistically calculated for each pool. These parameters, in combination with other account data and assumptions, were used to calculate the estimate of incurred loss. The Company made the change to provide enhanced segmentation, process controls, transparency, governance and information technology controls. Additionally, beginning in the third quarter of 2011, for accruing impaired commercial and investor real estate loans (i.e., troubled debt restructurings, or TDRs, which carry an accruing risk rating) and for non-accrual commercial and investor real estate loans less than \$2.5 million, Regions based the allowance for loan losses on a discounted cash flow analysis performed at the note level, where projected cash flows reflect credit losses based on statistical information derived from loans with similar risk characteristics (e.g., risk rating and product type). The changes did not have a material impact on the overall allowance for credit losses. The credit quality indicators for commercial and investor real estate loans disclosed in the tables below provide additional information regarding the underlying credit quality of Regions' portfolio segments and classes, and the corresponding impact on the allowance for credit losses.

The components of the calculation of the allowance for credit losses related to non-accrual commercial and investor real estate loans equal to or greater than \$2.5 million, unfunded commitments, and all consumer loans were calculated in 2011 in the same manner as before. For non-accrual commercial and investor real estate loans equal to or greater than \$2.5 million, the allowance for loan losses is based on a specific evaluation, considering the facts and circumstances specific to each obligation.

Except for the changes to the calculation of the allowance for loan losses for commercial and investor real estate loans as described above, there were no changes to Regions' allowance process or accounting policies related to the allowance for credit losses from those described in the Annual Report on Form 10-K for the year ended December 31, 2010.

Management considers the current level of allowance for credit losses appropriate to absorb losses inherent in the loan portfolio and unfunded commitments. Management's determination of the appropriateness of the allowance for credit 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. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance for credit losses to be adjusted in future periods.



**Table of Contents****ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES**

The following tables present an analysis of the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2011. The total allowance for credit losses is then disaggregated to show the amounts derived through individual evaluation and the amounts calculated through collective evaluation. The allowance for credit losses related to individually evaluated loans includes reserves for non-accrual loans and leases equal to or greater than \$2.5 million. The allowance for credit losses related to collectively evaluated loans includes the remainder of the loan portfolio.

	<b>Three Months Ended September 30, 2011</b>			
	<b>Investor Real</b>			<b>Total</b>
	<b>Commercial</b>	<b>Estate</b>	<b>Consumer</b>	
	(In millions)			
Allowance for loan losses, July 1, 2011	\$ 1,127	\$ 1,153	\$ 840	\$ 3,120
Provision for loan losses	41	206	108	355
Loan losses:				
Charge-offs	(149)	(229)	(169)	(547)
Recoveries	13	10	13	36
Net loan losses	(136)	(219)	(156)	(511)
Allowance for loan losses, September 30, 2011	1,032	1,140	792	2,964
Reserve for unfunded credit commitments, July 1, 2011	32	28	24	84
Provision for unfunded credit commitments	3	1	(2)	2
Reserve for unfunded credit commitments, September 30, 2011	35	29	22	86
Allowance for credit losses, September 30, 2011	\$ 1,067	\$ 1,169	\$ 814	\$ 3,050

	<b>Nine Months Ended September 30, 2011</b>			
	<b>Investor Real</b>			<b>Total</b>
	<b>Commercial</b>	<b>Estate</b>	<b>Consumer</b>	
	(In millions)			
Allowance for loan losses, January 1, 2011	\$ 1,055	\$ 1,370	\$ 760	\$ 3,185
Allowance allocated to purchased loans	10		74	84
Provision for loan losses	338	466	431	1,235
Loan losses:				
Charge-offs	(407)	(716)	(515)	(1,638)
Recoveries	36	20	42	98
Net loan losses	(371)	(696)	(473)	(1,540)
Allowance for loan losses, September 30, 2011	1,032	1,140	792	2,964
Reserve for unfunded credit commitments, January 1, 2011	32	16	23	71
Provision for unfunded credit commitments	3	13	(1)	15
Reserve for unfunded credit commitments, September 30, 2011	35	29	22	86
Allowance for credit losses, September 30, 2011	\$ 1,067	\$ 1,169	\$ 814	\$ 3,050

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Portion of allowance ending balance:				
Individually evaluated for impairment	\$ 124	\$ 227	\$ 3	\$ 354
Collectively evaluated for impairment	943	942	811	2,696
Total allowance evaluated for impairment	\$ 1,067	\$ 1,169	\$ 814	\$ 3,050
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$ 562	\$ 772	\$ 13	\$ 1,347
Collectively evaluated for impairment	35,604	11,112	31,384	78,100
Total loans evaluated for impairment	\$ 36,166	\$ 11,884	\$ 31,397	\$ 79,447

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## **Table of Contents**

### **PORTFOLIO SEGMENT RISK FACTORS**

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

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

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

*Consumer* The consumer loan portfolio segment includes residential first mortgage, home equity, indirect, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact the depth of potential losses. Indirect lending, which is lending initiated through third-party business partners, is largely comprised of loans made through automotive dealerships. Consumer credit card includes approximately 500,000 Regions branded consumer credit card accounts purchased late in the second quarter of 2011 from FIA Card Services. Other consumer loans include direct consumer installment loans, overdrafts and educational loans. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

### **CREDIT QUALITY INDICATORS**

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of September 30, 2011, December 31, 2010 and September 30, 2010. Commercial and investor real estate loan classes are detailed by categories related to underlying credit quality and probability of default. These categories are utilized to develop the associated allowance for credit losses.

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

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

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

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

**Table of Contents**

Substandard accrual and non-accrual loans are often collectively referred to as classified. Special mention, substandard accrual, and non-accrual loans are often collectively referred to as criticized and classified.

Classes in the consumer portfolio segment are disaggregated by accrual status. The associated allowance for credit losses is generally based on historical losses of the various classes adjusted for current economic conditions.

	September 30, 2011				
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	\$ 22,671	\$ 477	\$ 627	\$ 498	\$ 24,273
Commercial real estate mortgage owner occupied	10,053	259	557	668	11,537
Commercial real estate construction owner occupied	303	18	8	27	356
<b>Total commercial</b>	<b>\$ 33,027</b>	<b>\$ 754</b>	<b>\$ 1,192</b>	<b>\$ 1,193</b>	<b>\$ 36,166</b>
Commercial investor real estate mortgage	7,188	1,011	1,668	829	10,696
Commercial investor real estate construction	530	132	230	296	1,188
<b>Total investor real estate</b>	<b>\$ 7,718</b>	<b>\$ 1,143</b>	<b>\$ 1,898</b>	<b>\$ 1,125</b>	<b>\$ 11,884</b>
			Accrual	Non-accrual (In millions)	Total
Residential first mortgage			\$ 13,822	\$ 261	\$ 14,083
Home equity			13,185	131	13,316
Indirect			1,774		1,774
Consumer credit card			1,024		1,024
Other consumer			1,200		1,200
<b>Total consumer</b>			<b>\$ 31,005</b>	<b>\$ 392</b>	<b>\$ 31,397</b>
					<b>\$ 79,447</b>

	December 31, 2010				
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	\$ 20,764	\$ 517	\$ 792	\$ 467	\$ 22,540
Commercial real estate mortgage owner occupied	10,344	283	813	606	12,046
Commercial real estate construction owner occupied	393	25	23	29	470
<b>Total commercial</b>	<b>\$ 31,501</b>	<b>\$ 825</b>	<b>\$ 1,628</b>	<b>\$ 1,102</b>	<b>\$ 35,056</b>
Commercial investor real estate mortgage	8,755	1,300	2,301	1,265	13,621
Commercial investor real estate construction	904	342	589	452	2,287
<b>Total investor real estate</b>	<b>\$ 9,659</b>	<b>\$ 1,642</b>	<b>\$ 2,890</b>	<b>\$ 1,717</b>	<b>\$ 15,908</b>
			Accrual	Non-accrual	Total

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	(In millions)		
Residential first mortgage	\$ 14,613	\$ 285	\$ 14,898
Home equity	14,170	56	14,226
Indirect	1,592		1,592
Other consumer	1,184		1,184
<b>Total consumer</b>	<b>\$ 31,559</b>	<b>\$ 341</b>	<b>\$ 31,900</b>
			\$ 82,864

**Table of Contents**

	Pass	Special Mention	September 30, 2010		Total
			Substandard Accrual (In millions)	Non-accrual	
Commercial and industrial	\$ 19,626	\$ 463	\$ 910	\$ 502	\$ 21,501
Commercial real estate mortgage owner occupied	10,152	327	755	616	11,850
Commercial real estate construction owner occupied	434	28	25	35	522
Total commercial	\$ 30,212	\$ 818	\$ 1,690	\$ 1,153	\$ 33,873
Commercial investor real estate mortgage	9,255	1,469	2,418	1,347	14,489
Commercial investor real estate construction	1,277	377	760	561	2,975
Total investor real estate	\$ 10,532	\$ 1,846	\$ 3,178	\$ 1,908	\$ 17,464
			Accrual	Non-accrual (In millions)	Total
Residential first mortgage			\$ 15,456	\$ 267	\$ 15,723
Home equity			14,490	44	14,534
Indirect			1,657		1,657
Other consumer			1,169		1,169
Total consumer			\$ 32,772	\$ 311	\$ 33,083
					\$ 84,420

**AGING ANALYSIS**

The following tables include an aging analysis of days past due (DPD) for each portfolio class as of September 30, 2011, December 31, 2010 and September 30, 2010:

	September 30, 2011						
	Accrual Loans			Total 30+ DPD (In millions)	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD				
Commercial and industrial	\$ 61	\$ 26	\$ 10	\$ 97	\$ 23,775	\$ 498	\$ 24,273
Commercial real estate mortgage owner occupied	56	31	6	93	10,869	668	11,537
Commercial real estate construction owner occupied		1		1	329	27	356
Total commercial	117	58	16	191	34,973	1,193	36,166
Commercial investor real estate mortgage	54	72	9	135	9,867	829	10,696
Commercial investor real estate construction	15	2		17	892	296	1,188
Total investor real estate	69	74	9	152	10,759	1,125	11,884
Residential first mortgage	168	101	291	560	13,822	261	14,083
Home equity	110	70	81	261	13,185	131	13,316
Indirect	24	6	1	31	1,774		1,774

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Consumer credit card	9	4	11	24	1,024		1,024
Other consumer	20	5	3	28	1,200		1,200
<b>Total consumer</b>	<b>331</b>	<b>186</b>	<b>387</b>	<b>904</b>	<b>31,005</b>	<b>392</b>	<b>31,397</b>
	\$ 517	\$ 318	\$ 412	\$ 1,247	\$ 76,737	\$ 2,710	\$ 79,447

**Table of Contents**

	December 31, 2010						
	Accrual Loans			Total 30+ DPD (In millions)	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD				
Commercial and industrial	\$ 60	\$ 43	\$ 9	\$ 112	\$ 22,073	\$ 467	\$ 22,540
Commercial real estate mortgage owner occupied	47	54	6	107	11,440	606	12,046
Commercial real estate construction owner occupied	3		1	4	441	29	470
Total commercial	110	97	16	223	33,954	1,102	35,056
Commercial investor real estate mortgage	120	91	5	216	12,356	1,265	13,621
Commercial investor real estate construction	30	12	1	43	1,835	452	2,287
Total investor real estate	150	103	6	259	14,191	1,717	15,908
Residential first mortgage	185	118	359	662	14,613	285	14,898
Home equity	146	78	198	422	14,170	56	14,226
Indirect	29	8	2	39	1,592		1,592
Other consumer	22	6	4	32	1,184		1,184
Total consumer	382	210	563	1,155	31,559	341	31,900
	\$ 642	\$ 410	\$ 585	\$ 1,637	\$ 79,704	\$ 3,160	\$ 82,864

	September 30, 2010						
	Accrual Loans			Total 30+ DPD (In millions)	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD				
Commercial and industrial	\$ 88	\$ 41	\$ 5	\$ 134	\$ 20,999	\$ 502	\$ 21,501
Commercial real estate mortgage owner occupied	67	39	6	112	11,234	616	11,850
Commercial real estate construction owner occupied	1	1		2	487	35	522