

REGIONS FINANCIAL CORP

Form 10-Q

May 03, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2012

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 1,412,429,000 shares of common stock, par value \$.01, outstanding as of April 26, 2012.

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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. Future and 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.

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.

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

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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.

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

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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.

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.

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.

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

With regard to the sale of Morgan Keegan, the possibility of business disruption following the transaction, reputational risks and the reaction of customers and counterparties to the transaction; and occurrences which could cause post-closing adjustments to the purchase price.

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, 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**

	March 31 2012	December 31 2011
	(In millions, except share data)	
Assets		
Cash and due from banks	\$ 2,036	\$ 2,132
Interest-bearing deposits in other banks	5,270	4,913
Federal funds sold and securities purchased under agreements to resell	167	200
Trading account assets	1,127	1,266
Securities available for sale	27,177	24,471
Securities held to maturity	15	16
Loans held for sale (includes \$752 and \$844 measured at fair value, respectively)	1,054	1,193
Loans, net of unearned income	76,720	77,594
Allowance for loan losses	(2,530)	(2,745)
Net loans	74,190	74,849
Other interest-earning assets	1,054	1,085
Premises and equipment, net	2,350	2,375
Interest receivable	397	361
Goodwill	4,816	4,816
Mortgage servicing rights	199	182
Other identifiable intangible assets	420	449
Other assets	8,010	8,742
Total assets	\$ 128,282	\$ 127,050
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	\$ 29,707	\$ 28,266
Interest-bearing	67,431	67,361
Total deposits	97,138	95,627
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	2,287	2,333
Other short-term borrowings	621	734
Total short-term borrowings	2,908	3,067
Long-term borrowings	7,196	8,110
Total borrowed funds	10,104	11,177
Other liabilities	3,506	3,747
Total liabilities	110,748	110,551

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Stockholders' equity:

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	3,429	3,419
Common stock, par value \$.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,454,644,205 and 1,301,230,838 shares, respectively	15	13
Additional paid-in capital	19,939	19,060
Retained earnings (deficit)	(4,395)	(4,527)
Treasury stock, at cost 42,215,194 and 42,414,444 shares, respectively	(1,394)	(1,397)
Accumulated other comprehensive income (loss), net	(60)	(69)
Total stockholders' equity	17,534	16,499
Total liabilities and stockholders' equity	\$ 128,282	\$ 127,050

See notes to consolidated financial statements.

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

	Three Months Ended March 31	
	2012	2011
	(In millions, except per share data)	
Interest income on:		
Loans, including fees	\$ 812	\$ 867
Securities:		
Taxable	174	207
Tax-exempt		
Total securities	174	207
Loans held for sale	7	13
Trading account assets	1	
Other interest-earning assets	3	3
Total interest income	997	1,090
Interest expense on:		
Deposits	88	139
Short-term borrowings		1
Long-term borrowings	82	95
Total interest expense	170	235
Net interest income	827	855
Provision for loan losses	117	482
Net interest income after provision for loan losses	710	373
Non-interest income:		
Service charges on deposit accounts	254	287
Capital markets and investment income	28	31
Mortgage income	77	45
Trust department income	49	50
Securities gains, net	12	82
Other	104	85
Total non-interest income	524	580
Non-interest expense:		
Salaries and employee benefits	442	428
Net occupancy expense	94	100
Furniture and equipment expense	64	70
Other	313	334
Total non-interest expense	913	932
Income from continuing operations before income taxes	321	21
Income tax expense (benefit)	82	(29)
Income from continuing operations	\$ 239	\$ 50
Discontinued operations:		
Income (loss) from discontinued operations before income taxes	(65)	36
Income tax expense (benefit)	(25)	17
Income (loss) from discontinued operations, net of tax	(40)	19
Net income	\$ 199	\$ 69

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Net income (loss) from continuing operations available to common shareholders	\$ 185	\$ (2)
Net income available to common shareholders	\$ 145	\$ 17
Weighted-average number of shares outstanding:		
Basic	1,282	1,257
Diluted	1,283	1,259
Earnings (loss) per common share from continuing operations:		
Basic	\$ 0.14	\$ (0.00)
Diluted	0.14	(0.00)
Earnings per common share:		
Basic	\$ 0.11	\$ 0.01
Diluted	0.11	0.01
Cash dividends declared per common share	0.01	0.01
See notes to consolidated financial statements.		

Table of Contents**REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Net income	\$ 199	\$ 69
Other comprehensive income (loss), net of tax:*		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of zero and \$33 tax effect for the three months ended March 31, 2012 and 2011, respectively)	2	(48)
Less: reclassification adjustments for securities gains realized in net income (net of \$4 and \$29 tax effect for the three months ended March 31, 2012 and 2011, respectively)	8	53
Net change in unrealized gains (losses) on securities available for sale	(6)	(101)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of \$6 and zero tax effect for the three months ended March 31, 2012 and 2011, respectively)	10	1
Less: reclassification adjustments for gains realized in net income (net of \$6 and \$19 tax effect for the three months ended March 31, 2012 and 2011, respectively)	10	31
Net change in unrealized gains (losses) on derivative instruments		(30)
Defined benefit pension plans and other post employment benefits:		
Amortization of actuarial loss and prior service cost realized in net income, and other (net of \$8 and \$4 tax effect for the three months ended March 31, 2012 and 2011, respectively)	15	4
Net change from defined benefit pension plans	15	4
Other comprehensive income (loss), net of tax*	\$ 9	\$ (127)
Comprehensive income (loss)	\$ 208	\$ (58)

See notes to consolidated financial statements.

* All other comprehensive amounts are shown net of tax.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Paid-In Capital	Earnings (Deficit)	Stock, At Cost	Income (Loss)	Total
(In millions, except share and per share data)									
BALANCE AT JANUARY 1, 2011	4	\$ 3,380	1,256	\$ 13	\$ 19,050	\$ (4,047)	\$ (1,402)	\$ (260)	\$ 16,734
Net income						69			69
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment								(101)	(101)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment								(30)	(30)
Net change from defined benefit pension plans, net of tax								4	4
Cash dividends declared \$0.01 per share						(13)			(13)
Preferred dividends						(43)			(43)
Preferred stock transactions:									
Discount accretion		9				(9)			
Common stock transactions:									
Impact of stock transactions under compensation plans, net					(3)		2		(1)
BALANCE AT MARCH 31, 2011	4	\$ 3,389	1,256	\$ 13	\$ 19,047	\$ (4,043)	\$ (1,400)	\$ (387)	\$ 16,619
BALANCE AT JANUARY 1, 2012	4	\$ 3,419	1,259	\$ 13	\$ 19,060	\$ (4,527)	\$ (1,397)	\$ (69)	\$ 16,499
Net income						199			199
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment								(6)	(6)
Net change from defined benefit pension plans, net of tax								15	15
Cash dividends declared \$0.01 per share						(13)			(13)
Preferred dividends						(44)			(44)
Preferred stock transactions:									
Discount accretion		10				(10)			
Common stock transactions:									
Net proceeds from issuance of 153 million shares of common stock			153	2	873				875
Impact of stock transactions under compensation plans, net					6		3		9
BALANCE AT MARCH 31, 2012	4	\$ 3,429	1,412	\$ 15	\$ 19,939	\$ (4,395)	\$ (1,394)	\$ (60)	\$ 17,534

See notes to consolidated financial statements.

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

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Operating activities:		
Net income	\$ 199	\$ 69
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	117	482
Depreciation and amortization of premises and equipment	62	68
Provision for losses on other real estate, net	15	30
Net amortization of securities	68	50
Net amortization of loans and other assets	40	47
Net amortization of borrowings	1	
Net securities gains	(12)	(82)
Deferred income tax expense (benefit)	55	(14)
Originations and purchases of loans held for sale	(1,029)	(1,450)
Proceeds from sales of loans held for sale	1,313	1,591
Gain on sale of loans, net	(38)	(20)
Valuation charges on loans held for sale	1	2
Decrease (increase) in trading account assets	139	(168)
Decrease in other interest-earning assets	31	5
Increase in interest receivable	(36)	(20)
Decrease in other assets	48	1,272
Decrease in other liabilities	(218)	(483)
Other	(1)	(47)
Net cash from operating activities	755	1,332
Investing activities:		
Proceeds from sales of securities available for sale	1,398	2,419
Proceeds from maturities of securities available for sale	1,594	1,363
Proceeds from maturities of securities held to maturity	1	2
Purchases of securities available for sale	(5,075)	(5,323)
Proceeds from sales of loans	159	602
Purchases of loans	(174)	(162)
Net decrease in loans	337	202
Net purchases of premises and equipment	(37)	(28)
Net cash from investing activities	(1,797)	(925)
Financing activities:		
Net increase in deposits	1,511	1,755
Net decrease in short-term borrowings	(159)	(755)
Proceeds from long-term borrowings		601
Payments on long-term borrowings	(900)	(1,551)
Cash dividends on common stock	(13)	(13)
Cash dividends on preferred stock	(44)	(43)
Net proceeds from issuance of common stock	875	
Net cash from financing activities	1,270	(6)
Increase in cash and cash equivalents	228	401

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Cash and cash equivalents at beginning of year	7,245	6,919
Cash and cash equivalents at end of period	\$ 7,473	\$ 7,320

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three Months Ended March 31, 2012 and 2011

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, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions Form 10-K for the year ended December 31, 2011. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q. See Note 16.

Beginning with first quarter 2012 financial reporting, as required by new accounting literature, Regions began presenting a separate consolidated statement of comprehensive income. Comprehensive income (loss) is the total of net income and all other non-owner changes in equity. Items are recognized as components of comprehensive income (loss) and are displayed net of tax in the consolidated statements of comprehensive income (loss). In the calculation of comprehensive income (loss), certain reclassification adjustments are made to avoid double-counting items that are displayed as part of net income (loss) for a period that also had been displayed as part of other comprehensive income (loss) in that period or earlier periods. The prior period is also shown for comparability.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. (Morgan Keegan) and related affiliates. The transaction closed on April 2, 2012. See Note 2, Note 14 and Note 16 for further details. Results of operations for the entities being sold are presented separately as discontinued operations for all periods presented on the consolidated statements of operations because the pending sale met all of the criteria for reporting as discontinued operations at March 31, 2012. Other expenses related to the transaction are also included in discontinued operations. This presentation is consistent with the consolidated financial statements included in the 2011 Form 10-K.

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, comprehensive income, total assets or stockholders' equity.

NOTE 2 Discontinued Operations

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. (Raymond James). The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust

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were not included in the sale. In connection with the closing, the Company and Raymond James agreed that in lieu of the \$250 million pre-closing dividend from Morgan Keegan to the Company as contemplated in the original agreement, the parties would increase the purchase price by the same amount. The total purchase price received by the Company was approximately \$1.2 billion.

The transaction purchase price is subject to post-closing adjustment based on the closing tangible book value of the entities being sold and retention of Morgan Keegan associates as of 90 days post-closing. Regions believes any adjustments to the sales price will not have a material impact to the consolidated financial statements. Regions has agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. See Note 14 and Note 16 for related disclosure.

The following table represents the condensed results of operations for discontinued operations for the three months ended March 31:

	Three Months Ended March 31	
	2012	2011
	(In millions, except per share data)	
Interest income	\$ 8	\$ 10
Interest expense	1	2
Net interest income	7	8
Non-interest income:		
Brokerage, investment banking and capital markets	233	236
Other	7	27
Total non-interest income	240	263
Non-interest expense:		
Salaries and employee benefits	171	166
Net occupancy expense	9	9
Furniture and equipment expense	8	7
Professional and legal expenses	96	25
Other	28	28
Total non-interest expense	312	235
Income (loss) from discontinued operations before income taxes	(65)	36
Income tax expense (benefit)	(25)	17
Income (loss) from discontinued operations, net of tax	\$ (40)	\$ 19
Earnings (loss) per common share from discontinued operations:		
Basic	\$ (0.03)	\$ 0.01
Diluted	\$ (0.03)	\$ 0.01

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A summary of the major categories of assets and liabilities (including related deferred taxes) related to the entities being sold as of March 31, 2012 and December 31, 2011 is as follows:

	March 31, 2012	December 31, 2011 (In millions)
Assets:		
Cash and due from banks	\$ 165	\$ 232
Securities purchased under agreements to resell	167	200
Trading account assets	963	1,088
Other interest-earning assets	373	340
Other assets	1,016	944
Total assets	\$ 2,684	\$ 2,804
Liabilities:		
Securities sold under agreements to repurchase	\$ 369	\$ 253
Other short-term borrowings	560	678
Other liabilities	836	914
Total liabilities	\$ 1,765	\$ 1,845

NOTE 3 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	March 31, 2012 Gross Unrealized Gains (In millions)	Gross Unrealized Losses (In millions)	Estimated Fair Value
Securities available for sale:				
U.S. Treasury securities	\$ 44	\$ 3	\$	\$ 47
Federal agency securities	336	3		339
Obligations of states and political subdivisions	21	10		31
Mortgage-backed securities:				
Residential agency	22,992	489	(25)	23,456
Residential non-agency	14	1		15
Commercial agency	427	9	(1)	435
Commercial non-agency	479	13	(1)	491
Corporate and other debt securities	1,538	17	(12)	1,543
Equity securities	818	3	(1)	820
	\$ 26,669	\$ 548	\$ (40)	\$ 27,177
Securities held to maturity:				
U.S. Treasury securities	\$ 4	\$	\$	\$ 4
Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	8	1		9
	\$ 15	\$ 1	\$	\$ 16

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	Amortized Cost	December 31, 2011 Gross Unrealized Gains (In millions)	Gross Unrealized Losses (In millions)	Estimated Fair Value
Securities available for sale:				
U.S. Treasury securities	\$ 95	\$ 3	\$	\$ 98
Federal agency securities	147			147
Obligations of states and political subdivisions	24	12		36
Mortgage-backed securities:				
Residential agency	21,688	494	(7)	22,175
Residential non-agency	15	1		16
Commercial agency	318	8		326
Commercial non-agency	314	7		321
Corporate and other debt securities	539	5	(7)	537
Equity securities	817	2	(4)	815
	\$ 23,957	\$ 532	\$ (18)	\$ 24,471
Securities held to maturity:				
U.S. Treasury securities	\$ 4	\$	\$	\$ 4
Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	9	1		10
	\$ 16	\$ 1	\$	\$ 17

Entities included with the sale of Morgan Keegan and related affiliates had approximately \$7 million and \$2 million in securities available for sale at March 31, 2012 and December 31, 2011, respectively, which are included in the tables above. Morgan Keegan and related affiliates had no securities held to maturity at March 31, 2012 or December 31, 2011.

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.

	March 31 2012	December 31 2011
	(In millions)	
Federal Reserve Bank	\$ 481	\$ 481
Federal Home Loan Bank	219	219

Securities with carrying values of \$14.4 billion and \$14.3 billion at March 31, 2012 and December 31, 2011, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

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The amortized cost and estimated fair value of securities available for sale and securities held to maturity at March 31, 2012, 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.

	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities available for sale:		
Due in one year or less	\$ 15	\$ 15
Due after one year through five years	762	769
Due after five years through ten years	938	946
Due after ten years	224	230
Mortgage-backed securities:		
Residential agency	22,992	23,456
Residential non-agency	14	15
Commercial agency	427	435
Commercial non-agency	479	491
Equity securities	818	820
	\$ 26,669	\$ 27,177
Securities held to maturity:		
Due in one year or less	\$ 4	\$ 4
Due after one year through five years	3	3
Due after five years through ten years		
Due after ten years		
Mortgage-backed securities:		
Residential agency	8	9
	\$ 15	\$ 16

The following tables present gross unrealized losses and estimated fair value of securities available for sale at March 31, 2012 and December 31, 2011. 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		March 31, 2012 Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Mortgage-backed securities:						
Residential agency	\$ 3,797	\$ (25)	\$	\$	\$ 3,797	\$ (25)
Commercial agency	67	(1)			67	(1)
Commercial non-agency	134	(1)			134	(1)
All other securities	733	(11)	5	(2)	738	(13)
	\$ 4,731	\$ (38)	\$ 5	\$ (2)	\$ 4,736	\$ (40)

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	Less Than Twelve Months		December 31, 2011 Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Mortgage-backed securities:						
Residential agency	\$ 1,778	\$ (7)	\$	\$	\$ 1,778	\$ (7)
All other securities	291	(9)	5	(2)	296	(11)
	\$ 2,069	\$ (16)	\$ 5	\$ (2)	\$ 2,074	\$ (18)

There was no gross unrealized loss on debt securities held to maturity at either March 31, 2012 or December 31, 2011.

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 537 securities and 524 securities at March 31, 2012 and December 31, 2011, 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 realized gains and gross realized losses from continuing operations 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.

	For the Three Months Ended March 31	
	2012	2011
	(In millions)	
Proceeds	\$ 1,398	\$ 2,419
Gross realized gains	12	82
Gross realized losses		
Net securities gains (losses)	\$ 12	\$ 82

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

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Total net gains (losses)	\$ 30	\$ 21
Unrealized portion	25	14

Included in the table above are amounts related to activities of Morgan Keegan of approximately \$25 million and \$15 million of total net gains for the three months ended March 31, 2012 and 2011, respectively. These amounts are included with results from discontinued operations.

Table of Contents**NOTE 4 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:

	March 31 2012	December 31 2011
	(In millions, net of unearned income)	
Commercial and industrial	\$ 25,098	\$ 24,522
Commercial real estate mortgage owner occupied	10,931	11,166
Commercial real estate construction owner occupied	281	337
Total commercial	36,310	36,025
Commercial investor real estate mortgage	9,156	9,702
Commercial investor real estate construction	955	1,025
Total investor real estate	10,111	10,727
Residential first mortgage	13,611	13,784
Home equity	12,642	13,021
Indirect	1,938	1,848
Consumer credit card	939	987
Other consumer	1,169	1,202
Total consumer	30,299	30,842
	\$ 76,720	\$ 77,594

During the three months ended March 31, 2012 and 2011, Regions purchased approximately \$174 million and \$162 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.

CALCULATION OF ALLOWANCE FOR CREDIT LOSSES

As part of the Company's ongoing efforts to enhance the allowance calculation, and in response to regulatory guidance issued during the first quarter of 2012, the home equity portfolio was segmented at a more granular level. Loss rates for home equity products are now developed based on lien position, status as a troubled debt restructuring (TDR), geography, past due status, and refreshed FICO scores for non-past due loans. The enhancement had the impact of reducing the component of the allowance for loan losses related to home equity loans by an estimate of approximately \$30 million.

Except for the enhancement to home equity segmentation described above, during the first quarter of 2012 there were no changes in methodology for the calculation of the allowance for credit losses or policies for identification of non-accrual or for charge-offs. A detailed description of the Company's methodology is included in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

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

The following tables present analyses of the allowance for credit losses by portfolio segment for the three months ended March 31, 2012 and 2011. The total allowance for credit losses as of March 31, 2012 and 2011 is then disaggregated to detail 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 portfolio.

	Three Months Ended March 31, 2012			
	Commercial	Investor Real	Consumer	Total
		Estate (In millions)		
Allowance for loan losses, January 1, 2012	\$ 1,030	\$ 991	\$ 724	\$ 2,745
Provision for loan losses	61	(10)	66	117
Loan losses:				
Charge-offs	(125)	(95)	(156)	(376)
Recoveries	16	12	16	44
Net loan losses	(109)	(83)	(140)	(332)
Allowance for loan losses, March 31, 2012	982	898	650	2,530
Reserve for unfunded credit commitments, January 1, 2012	\$ 30	\$ 26	\$ 22	\$ 78
Provision (credit) for unfunded credit commitments	14		(1)	13
Reserve for unfunded credit commitments, March 31, 2012	44	26	21	91
Allowance for credit losses, March 31, 2012	\$ 1,026	\$ 924	\$ 671	\$ 2,621
Portion of ending allowance for credit losses:				
Individually evaluated for impairment	\$ 105	\$ 146	\$ 2	\$ 253
Collectively evaluated for impairment	921	778	669	2,368
Total allowance for credit losses	\$ 1,026	\$ 924	\$ 671	\$ 2,621
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$ 475	\$ 532	\$ 7	\$ 1,014
Collectively evaluated for impairment	35,835	9,579	30,292	75,706
Total loans evaluated for impairment	\$ 36,310	\$ 10,111	\$ 30,299	\$ 76,720

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	Three Months Ended March 31, 2011			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2011	\$ 1,055	\$ 1,370	\$ 760	\$ 3,185
Provision for loan losses	225	89	168	482
Loan losses:				
Charge-offs	(151)	(181)	(180)	(512)
Recoveries	9	7	15	31
Net loan losses	(142)	(174)	(165)	(481)
Allowance for loan losses, March 31, 2011	1,138	1,285	763	3,186
Reserve for unfunded credit commitments, January 1, 2011	\$ 32	\$ 16	\$ 23	\$ 71
Provision for unfunded credit commitments	5	1	1	7
Reserve for unfunded credit commitments, March 31, 2011	37	17	24	78
Allowance for credit losses, March 31, 2011	\$ 1,175	\$ 1,302	\$ 787	\$ 3,264
Portion of ending allowance for credit losses:				
Individually evaluated for impairment	\$ 113	\$ 340	\$ 3	\$ 456
Collectively evaluated for impairment	1,062	962	784	2,808
Total allowance for credit losses	\$ 1,175	\$ 1,302	\$ 787	\$ 3,264
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	\$ 469	\$ 1,248	\$ 19	\$ 1,736
Collectively evaluated for impairment	34,999	13,579	31,057	79,635
Total loans evaluated for impairment	\$ 35,468	\$ 14,827	\$ 31,076	\$ 81,371

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

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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 other revolving 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 March 31, 2012 and December 31, 2011. 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. Substandard accrual and non-accrual loans are often collectively referred to as criticized. Special mention, substandard accrual, and non-accrual loans are often collectively referred to as criticized and classified.

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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. For home equity products, loss rates are based on lien position, TDR status, geography, past due status, and refreshed FICO scores for current loans.

	Pass	Special Mention	March 31, 2012 Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	\$ 23,417	\$ 636	\$ 606	\$ 439	\$ 25,098
Commercial real estate mortgage owner occupied	9,613	215	558	545	10,931
Commercial real estate construction owner occupied	229	14	15	23	281
Total commercial	\$ 33,259	\$ 865	\$ 1,179	\$ 1,007	\$ 36,310
Commercial investor real estate mortgage	6,627	693	1,196	640	9,156
Commercial investor real estate construction	556	94	178	127	955
Total investor real estate	\$ 7,183	\$ 787	\$ 1,374	\$ 767	\$ 10,111
			Accrual	Non-accrual (In millions)	Total
Residential first mortgage			\$ 13,370	\$ 241	\$ 13,611
Home equity			12,506	136	12,642
Indirect			1,938		1,938
Consumer credit card			939		939
Other consumer			1,169		1,169
Total consumer			\$ 29,922	\$ 377	\$ 30,299
					\$ 76,720

	Pass	Special Mention	December 31, 2011 Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	\$ 22,952	\$ 479	\$ 634	\$ 457	\$ 24,522
Commercial real estate mortgage owner occupied	9,773	262	541	590	11,166
Commercial real estate construction owner occupied	275	27	10	25	337
Total commercial	\$ 33,000	\$ 768	\$ 1,185	\$ 1,072	\$ 36,025
Commercial investor real estate mortgage	6,851	756	1,361	734	9,702
Commercial investor real estate construction	531	113	201	180	1,025
Total investor real estate	\$ 7,382	\$ 869	\$ 1,562	\$ 914	\$ 10,727
			Accrual	Non-accrual (In millions)	Total
Residential first mortgage			\$ 13,534	\$ 250	\$ 13,784
Home equity			12,885	136	13,021

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Indirect	1,848		1,848
Consumer credit card	987		987
Other consumer	1,202		1,202
Total consumer	\$ 30,456	\$ 386	\$ 30,842
			\$ 77,594

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The following tables include an aging analysis of days past due (DPD) for each portfolio class as of March 31, 2012 and December 31, 2011:

	March 31, 2012							
	Accrual Loans				Total 30+ DPD (In millions)	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD					
Commercial and industrial	\$ 25	\$ 18	\$ 9	\$ 52	\$ 24,659	\$ 439	\$ 25,098	
Commercial real estate mortgage owner occupied	40	28	9	77	10,386	545	10,931	
Commercial real estate construction owner occupied	1			1	258	23	281	
Total commercial	66	46	18	130	35,303	1,007	36,310	
Commercial investor real estate mortgage	69	53	2	124	8,516	640	9,156	
Commercial investor real estate construction	1	2		3	828	127	955	
Total investor real estate	70	55	2	127	9,344	767	10,111	
Residential first mortgage	158	100	300	558	13,370	241	13,611	
Home equity	96	62	87	245	12,506	136	12,642	
Indirect	19	6	2	27	1,938		1,938	
Consumer credit card	7	5	14	26	939		939	
Other consumer	14	4	4	22	1,169		1,169	
Total consumer	294	177	407	878	29,922	377	30,299	
	\$ 430	\$ 278	\$ 427	\$ 1,135	\$ 74,569	\$ 2,151	\$ 76,720	

	December 31, 2011						
	Accrual Loans			Total 30+ DPD (In millions)	Total Accrual	Non-accrual	Total
	30-59 DPD	60-89 DPD	90+ DPD				
Commercial and industrial	\$ 38	\$ 23	\$ 28	\$ 89	\$ 24,065	\$ 457	\$ 24,522
Commercial real estate mortgage owner occupied	47	23	9	79	10,576	590	11,166
Commercial real estate construction owner occupied	3	1		4	312	25	337
Total commercial	88	47	37	172	34,953	1,072	36,025
Commercial investor real estate mortgage	34	42	13	89	8,968	734	9,702
Commercial investor real estate construction	23	5		28	845	180	1,025
Total investor real estate	57	47	13	117	9,813	914	10,727
Residential first mortgage	187	100	284	571	13,534	250	13,784
Home equity	121	77	93	291	12,885	136	13,021
Indirect	26	7	2	35	1,848		1,848
Consumer credit card	8	5	14	27	987		987

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Other consumer	20	6	4	30	1,202		1,202
Total consumer	362	195	397	954	30,456	386	30,842
	\$ 507	\$ 289	\$ 447	\$ 1,243	\$ 75,222	\$ 2,372	\$ 77,594

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The following tables present details related to the Company's impaired loans as of March 31, 2012 and December 31, 2011. Loans deemed to be impaired include non-accrual commercial and investor real estate loans, excluding leases, and all TDRs (including accruing commercial, investor real estate, and consumer TDRs). Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of March 31, 2012						
				Book Value (3)			
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % (4)
Commercial and industrial	\$ 516	\$ 89	\$ 427	\$ 104	\$ 323	\$ 130	42.4%
Commercial real estate mortgage owner occupied	632	88	544	37	507	187	43.5
Commercial real estate construction owner occupied	35	12	23	1	22	10	62.9
Total commercial	1,183	189	994	142	852	327	43.6
Commercial investor real estate mortgage	774	134	640	59	581	201	43.3
Commercial investor real estate construction	172	46	126	9	117	44	52.3
Total investor real estate	946	180	766	68	698	245	44.9
Residential first mortgage	149	52	97		97	15	45.0
Home equity	29	10	19		19	2	41.4
Total consumer	178	62	116		116	17	44.4
Total	\$ 2,307	\$ 431	\$ 1,876	\$ 210	\$ 1,666	\$ 589	44.2%

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	Accruing Impaired Loans As of March 31, 2012				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Book Value (Dollars in millions)	Related Allowance for Loan Losses	Coverage % (4)
Commercial and industrial	\$ 268	\$ 2	\$ 266	\$ 56	21.6%
Commercial real estate mortgage owner occupied	223	2	221	34	16.1
Commercial real estate construction owner occupied	4		4	1	25.0
Total commercial	495	4	491	91	19.2
Commercial investor real estate mortgage	930	6	924	186	20.6
Commercial investor real estate construction	133		133	79	59.4
Total investor real estate	1,063	6	1,057	265	25.5
Residential first mortgage	1,054	13	1,041	146	15.1
Home equity	429	4	425	42	10.7
Indirect	2		2		
Other consumer	51		51	1	2.0
Total consumer	1,536	17	1,519	189	13.4
Total	\$ 3,094	\$ 27	\$ 3,067	\$ 545	18.5%

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	Total Impaired Loans As of March 31, 2012 Book Value (3)							Three Months Ended March 31, 2012	
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses (Dollars in millions)	Coverage % (4)	Average Balance	Interest Income Recognized (5)
Commercial and industrial	\$ 784	\$ 91	\$ 693	\$ 104	\$ 589	\$ 186	35.3%	\$ 730	\$ 4
Commercial real estate mortgage owner occupied	855	90	765	37	728	221	36.4	785	3
Commercial real estate construction owner occupied	39	12	27	1	26	11	59.0	28	
Total commercial	1,678	193	1,485	142	1,343	418	36.4	1,543	7
Commercial investor real estate mortgage	1,704	140	1,564	59	1,505	387	30.9	1,636	10
Commercial investor real estate construction	305	46	259	9	250	123	55.4	294	2
Total investor real estate	2,009	186	1,823	68	1,755	510	34.6	1,930	12
Residential first mortgage	1,203	65	1,138		1,138	161	18.8	1,131	10
Home equity	458	14	444		444	44	12.7	444	5
Indirect	2		2		2			1	
Other consumer	51		51		51	1	2.0	52	
Total consumer	1,714	79	1,635		1,635	206	16.6	1,628	15
Total impaired loans	\$ 5,401	\$ 458	\$ 4,943	\$ 210	\$ 4,733	\$ 1,134	29.5%	\$ 5,101	\$ 34

- (1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.
- (2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.
- (3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.
- (4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.
- (5) Interest income recognized represents interest income on loans modified in a TDR, and are therefore considered impaired, which are on accruing status.

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Non-accrual Impaired Loans As of December 31, 2011							
			Book Value (3)				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance (Dollars in millions)	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % (4)
Commercial and industrial	\$ 468	\$ 88	\$ 380	\$ 61	\$ 319	\$ 129	46.4%
Commercial real estate mortgage owner occupied	679	88	591	34	557	192	41.2
Commercial real estate construction owner occupied	37	12	25	1	24	10	59.5
Total commercial	1,184	188	996	96	900	331	43.8
Commercial investor real estate mortgage	870	136	734	63	671	223	41.3
Commercial investor real estate construction	236	56	180	23	157	62	50.0
Total investor real estate	1,106	192	914	86	828	285	43.1
Residential first mortgage	146	49	97		97	15	43.8
Home equity	26	10	16		16	2	46.2
Total consumer	172	59	113		113	17	44.2
Total	\$ 2,462	\$ 439	\$ 2,023	\$ 182	\$ 1,841	\$ 633	43.5%

Accruing Impaired Loans As of December 31, 2011					
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Book Value (3)	Related Allowance for Loan Losses	Coverage % (4)
	(Dollars in millions)				
Commercial and industrial	\$ 290	\$ 1	\$ 289	\$ 60	21.0%
Commercial real estate mortgage owner occupied	205	3	202	30	16.1
Commercial real estate construction owner occupied	2		2		
Total commercial	497	4	493	90	18.9
Commercial investor real estate mortgage	862	7	855	174	21.0
Commercial investor real estate construction	140		140	81	57.9
Total investor real estate	1,002	7	995	255	26.1
Residential first mortgage	1,025	12	1,013	148	15.6
Home equity	428	4	424	60	15.0
Indirect	1		1		
Other consumer	55		55	1	1.8
Total consumer	1,509	16	1,493	209	14.9

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Total	\$ 3,008	\$ 27	\$ 2,981	\$ 554	19.3%
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	Total Impaired Loans As of December 31, 2011							Three Months Ended March 31, 2011	
	Book Value (3)							Average Balance	Interest Income Recognized (5)
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans	Impaired Loans with Related Allowance	No Loans with Related Allowance	Related Allowance for Loan Losses	Coverage % (4)		
	(Dollars in millions)								
Commercial and industrial	\$ 758	\$ 89	\$ 669	\$ 61	\$ 608	\$ 189	36.7%	\$ 436	\$
Commercial real estate mortgage owner occupied	884	91	793	34	759	222	35.4	705	1
Commercial real estate construction owner occupied	39	12	27	1	26	10	56.4	32	
Total commercial	1,681	192	1,489	96	1,393	421	36.5	1,173	1
Commercial investor real estate mortgage	1,732	143	1,589	63	1,526	397	31.2	1,367	2
Commercial investor real estate construction	376	56	320	23	297	143	52.9	496	
Total investor real estate	2,108	199	1,909	86	1,823	540	35.1	1,863	2
Residential first mortgage	1,171	61	1,110		1,110	163	19.1	1,061	9
Home equity	454	14	440		440	62	16.7	379	5
Indirect	1		1		1			2	
Other consumer	55		55		55	1	1.8	63	1
Total consumer	1,681	75	1,606		1,606	226	17.9	1,505	15
Total impaired loans	\$ 5,470	\$ 466	\$ 5,004	\$ 182	\$ 4,822	\$ 1,187	30.2%	\$ 4,541	\$ 18

- (1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.
- (2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.
- (3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.
- (4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.
- (5) Interest income recognized represents interest income on loans modified in a TDR, and are therefore considered impaired, which are on accruing status.

In addition to the impaired loans detailed in the tables above, there were approximately \$249 million in non-performing loans classified as held for sale at March 31, 2012, compared to \$328 million at December 31, 2011. These loans are larger balance credits, primarily investor real estate, where management does not have the intent to hold the loans for the foreseeable future. The loans are carried at an amount approximating a price which will be recoverable through the loan sale market. During the three months ended March 31, 2012, approximately \$93 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of \$53 million recorded upon transfer. During the three months ended March 31, 2011, approximately \$188 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of \$105 million recorded upon transfer. At March 31, 2012 and December 31, 2011, non-accrual loans including loans held for sale totaled \$2.4 billion and \$2.7 billion, respectively.

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Modification Activity: Commercial and Investor Real Estate Portfolio Segments

Regions regularly modifies commercial and investor real estate loans in order to facilitate a workout strategy. Typical modifications include workout accommodations, such as renewals and forbearances. Regions' business strategy to keep loan maturities short, particularly in the investor real estate portfolio segment, in order to maintain leverage in negotiating with customers drove the renewal activity. Regions often increases or at least maintains the same interest rate, and often receives consideration in exchange for such modifications (e.g., principal paydowns, additional collateral, or additional guarantor support). However, these modifications are refutably considered by Regions to be concessions if the borrower could not access similar financing at market terms, even if Regions concludes that the borrower will ultimately pay all contractual amounts owed. Additionally, as another workout alternative, Regions periodically uses A/B note restructurings when the underlying assets (primarily investor real estate) have a stabilized level of cash flow. An appropriately underwritten A-note will allow for upgraded risk rating, with ultimate return to accrual status upon charge-off of the B-note, and a satisfactory period of performance of the A-note (generally, six months). Regions continues to report A-notes as TDRs, even if upgraded to accrual status. Also, for smaller-dollar commercial customers, Regions may periodically grant interest rate and other term concessions, similar to those under the Customer Assistance Program (CAP) program as described below.

Modification Activity: Consumer Portfolio Segment

Regions continues to work to meet the individual needs of consumer borrowers to stem foreclosure through the CAP. Regions designed the program to allow for customer-tailored modifications with the goal of keeping customers in their homes and avoiding foreclosure where possible. Modification may be offered to any borrower experiencing financial hardship regardless of the borrower's payment status. Under the CAP, Regions may offer a short-term deferral, a term extension, an interest rate reduction, a new loan product, or a combination of these options. For loans restructured under the CAP, Regions expects to collect the original contractually due principal. The gross original contractual interest may be collectible, depending on the terms modified. The length of the CAP modifications ranges from temporary payment deferrals of three months to term extensions for the life of the loan. All such modifications are considered TDRs regardless of the term if there is a concession to a borrower experiencing financial difficulty. Modified loans are subject to policies governing accrual/non-accrual evaluation consistent with all other loans of the same product type. Consumer loans are subject to objective accrual/non-accrual decisions. Under these policies, loans subject to the CAP are charged down to estimated value on or before the month in which the loan becomes 180 days past due. Beginning in the third quarter of 2011, home equity second liens are charged down to estimated value by the end of the month in which the loan becomes 120 days past due. If a partial charge-off is necessary as a result of this evaluation, the loan is placed on non-accrual at that time. Because the program was designed to evaluate potential CAP participants as early as possible in the life cycle of the troubled loan, many of the modifications are finalized without the borrower ever reaching 180 days past due, and with the loans having never been placed on non-accrual. Accordingly, given the positive impact of the restructuring on the likelihood of recovery of cash flows due under the modified terms, accrual status continues to be appropriate for these loans. None of the modified consumer loans listed in the following TDR disclosures were collateral-dependent at the time of modification. At March 31, 2012, approximately \$134 million in residential first mortgage TDRs were in excess of 180 days past due and are considered collateral-dependent. At March 31, 2012, approximately \$11 million in home equity first lien TDRs were in excess of 180 days past due and \$9 million in home equity second lien TDRs were in excess of 120 days past due and are considered collateral dependent.

Further discussion related to TDRs, including the impact of recently issued accounting literature, impact on allowance for loan losses, and designation of TDRs in periods subsequent to the modification is included in the Annual Report on Form 10-K for the year ended December 31, 2011.

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Modifications Considered TDRs and Financial Impact

The majority of Regions' 2012 commercial and investor real estate TDRs are the result of renewals where the only concession is that the interest rate at renewal is not considered to be a market rate. Consumer TDRs generally involve an interest rate concession. Accordingly, the financial impact of the modifications is best illustrated by the impact to the allowance calculation at the loan or pool level as a result of the loans being considered impaired due to their status as a TDR.

The following table presents loans by class modified in a TDR, and the financial impact of those modifications, for the period presented.

	Three Months Ended March 31, 2012		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
			(Dollars in millions)
Commercial and industrial	199	\$ 151	\$ 1
Commercial real estate mortgage owner occupied	145	116	1
Commercial real estate construction owner occupied	6	4	
Total commercial	350	271	2
Commercial investor real estate mortgage	187	450	4
Commercial investor real estate construction	70	42	1
Total investor real estate	257	492	5
Residential first mortgage	352	67	8
Home equity	309	23	2
Indirect and other consumer	161	3	
Total consumer	822	93	10
	1,429	\$ 856	\$ 17

As described previously, the consumer modifications granted by Regions are rate concessions, and not forgiveness of principal. The majority of the commercial and investor real estate modifications are renewals where there is no reduction in interest rate or forgiveness of principal. Accordingly, Regions most often does not record a charge-off at the modification date. A limited number of modifications included above are A/B note restructurings, where the B-note is charged off. The total charge-offs recorded for all modifications for the three months ended March 31, 2012 were approximately \$5 million.

Table of Contents**Defaulted TDRs**

The following table presents TDRs which defaulted during the three months ended March 31, 2012, and which were modified in the previous twelve months (i.e., the twelve months prior to the default). For purposes of this disclosure, default is defined as 90 days past due and still accruing for the consumer portfolio segment, and placement on non-accrual status for the commercial and investor real estate portfolio segments. Consideration of defaults in the calculation of the allowance for loan losses is described in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

	Three Months Ended March 31, 2012 (In millions)
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default	
Commercial and industrial	\$ 36
Commercial real estate mortgage owner occupied	11
Commercial real estate construction owner occupied	1
Total commercial	48
Commercial investor real estate mortgage	60
Commercial investor real estate construction	7
Total investor real estate	67
Residential first mortgage	21
Home equity	6
Total consumer	27
	\$ 142

Commercial and investor real estate loans which were on non-accrual status at the time of the latest modification are not included in the default table above, as they are already considered to be in default at the time of the restructuring. At March 31, 2012, approximately \$181 million of commercial and investor real estate loans modified in a TDR during the three months ended March 31, 2012 were on non-accrual status. Approximately 2 percent of this amount was 90 days past due.

At March 31, 2012, Regions had restructured binding unfunded commitments totaling \$226 million where a concession was granted and the borrower was in financial difficulty.

NOTE 5 Loan Servicing

The fair value of mortgage servicing rights is calculated using various assumptions including future cash flows, market discount rates, expected prepayment rates, servicing costs and other factors. A significant change in prepayments of mortgages in the servicing portfolio could result in significant changes in the valuation adjustments, thus creating potential volatility in the carrying amount of mortgage servicing rights.

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The tables below present an analysis of mortgage servicing rights under the fair value measurement method:

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Carrying value, beginning of period	\$ 182	\$ 267
Additions	14	16
Increase (decrease) in fair value:		
Due to change in valuation inputs or assumptions	9	5
Other changes (1)	(6)	(6)
Carrying value, end of period	\$ 199	\$ 282

(1) Represents economic amortization associated with borrower repayments.

Data and assumptions used in the fair value calculation, as well as the valuation's sensitivity to rate fluctuations, related to mortgage servicing rights (excluding related derivative instruments) are as follows:

	March 31	
	2012	2011
	(Dollars in millions)	
Unpaid principal balance	\$ 26,163	\$ 25,767
Weighted-average prepayment speed (CPR; percentage)	16.3%	12.2%
Estimated impact on fair value of a 10% increase	\$ (12)	\$ (14)
Estimated impact on fair value of a 20% increase	\$ (23)	\$ (27)
Option-adjusted spread (basis points)	1,171	633
Estimated impact on fair value of a 10% increase	\$ (6)	\$ (6)
Estimated impact on fair value of a 20% increase	\$ (13)	\$ (13)
Weighted-average coupon interest rate	5.2%	5.4%
Weighted-average remaining maturity (months)	279	283
Weighted-average servicing fee (basis points)	28.6	28.7

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. Changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on the fair value of the mortgage servicing rights is calculated without changing any other assumption, while in reality changes in one factor may result in changes in another, which may either magnify or counteract the effect of the change. The derivative instruments utilized by Regions would serve to reduce the estimated impacts to fair value included in the table above.

The following table presents servicing related fees, which includes contractually specified servicing fees, late fees and other ancillary income resulting from the servicing of mortgage loans:

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Servicing related fees and other ancillary income	\$ 21	\$ 21

Loans are sold in the secondary market with standard representations and warranties regarding certain characteristics such as the quality of the loan, the absence of fraud, the eligibility of the loan for sale and the future servicing associated with the loan. Regions may be required to repurchase these loans at par, or make-whole or indemnify the purchasers for losses incurred when representations and warranties are breached.

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Regions maintains a repurchase liability related to mortgage loans sold with representations and warranty provisions. This repurchase liability is reported as other liabilities on the consolidated balance sheets and reflects management's estimate of losses based on historical repurchase and loss trends, as well as other factors that may result in anticipated losses different from historical loss trends. Adjustments to this reserve are recorded in other non-interest expense on the consolidated statements of operations. The table below presents an analysis of Regions' repurchase liability related to mortgage loans sold with representations and warranty provisions:

	Three Months Ended March 31	
	2012	2011
	(In millions)	
Beginning balance	\$ 32	\$ 32
Additions/(reductions), net	9	7
Losses	(8)	(7)
Ending balance	\$ 33	\$ 32

During the first quarter of 2012 and 2011, settled repurchase claims were related to one of the following alleged breaches: 1) underwriting guideline violations; 2) misrepresentation of income, assets or employment; or 3) property valuation not supported. These claims stem primarily from the 2006-2008 vintages.

NOTE 6 Goodwill

Goodwill allocated to each reportable segment is presented as follows:

	March 31 2012	December 31 2011
	(In millions)	
Banking/Treasury	\$ 4,691	\$ 4,691
Insurance	125	125
	\$ 4,816	\$ 4,816

Regions evaluates each reporting unit's goodwill for impairment on an annual basis in the fourth quarter, or more often if events or circumstances indicate that there may be impairment. Adverse changes in the economic environment, declining operations, or other factors could result in a decline in the implied fair value of goodwill. A goodwill impairment test includes two steps. Step One, used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. Step Two of the goodwill impairment test compares the implied estimated fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill for that reporting unit exceeds the implied fair value of that unit's goodwill, an impairment loss is recognized in an amount equal to that excess.

During the first quarter of 2012, Regions assessed the indicators of goodwill impairment as of February 29, 2012, and through the date of the filing of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2012. The indicators assessed included:

Recent operating performance,

Changes in market capitalization,

Regulatory actions and assessments,

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Changes in the business climate (including legislation, legal factors and competition),

Company-specific factors (including changes in key personnel, asset impairments, and business dispositions), and

Trends in the banking industry.

While the assessment of these indicators did not indicate impairment, Regions determined that quantitative testing of goodwill was required for all of Regions' reporting units for the March 31, 2012 interim period due to the shortfall between Regions' market capitalization and book value. The results of the interim test indicated that goodwill was not impaired as of the test date.

For purposes of performing Step One of the goodwill impairment test, Regions uses both the income and market approaches to value its reporting units. The income approach, which is the primary valuation approach, consists of discounting projected long-term future cash flows, which are derived from internal forecasts and economic expectations for the respective reporting units. The significant inputs to the income approach include expected future cash flows, the long-term target tangible equity to tangible assets ratio, and the discount rate.

Regions utilizes the capital asset pricing model (CAPM) in order to derive the base discount rate. The inputs to the CAPM include the 20-year risk-free rate, 5-year beta for a select peer set, and the market risk premium based on published data. Once the output of the CAPM is determined, a size premium is added (also based on a published source) as well as a company-specific risk premium, which is an estimate determined by the Company and meant to compensate for the risk inherent in the future cash flow projections and inherent differences (such as business model and market perception of risk) between Regions and the peer set.

Regions uses the public company method and the transaction method as the two market approaches. The public company method applies a value multiplier derived from each reporting unit's peer group to a financial metric of the reporting unit (e.g. last twelve months of earnings before interest, taxes and depreciation, tangible book value, etc.) and an implied control premium to the respective reporting unit. The control premium is evaluated and compared to similar financial services transactions considering the absolute and relative potential revenue synergies and cost savings. The transaction method applies a value multiplier to a financial metric of the reporting unit based on comparable observed purchase transactions in the financial services industry for the reporting unit (where available).

Regions uses the output from these approaches to determine the estimated fair value of each reporting unit. Listed in the tables below are assumptions used in estimating the fair value of each reporting unit for the March 31, 2012 interim period and the December 31, 2011 annual test. First quarter 2012 includes testing for only the Banking/Treasury and Insurance reporting units, as the goodwill impairment charge taken on the Investment Banking/Brokerage/Trust reporting unit in the fourth quarter of 2011 reduced the net carrying value of goodwill in that reporting unit to zero. The tables include the discount rate used in the income approach, the market multiplier used in the market approaches, and the public company method control premium applied to all reporting units.

As of First Quarter 2012	Banking/ Treasury	Insurance
Discount rate used in income approach	14%	11%
Public company method market multiplier (1)	1.1x	17.4x
Transaction method market multiplier (2)	1.4x	n/a

- (1) For the Banking/Treasury reporting unit, this multiplier is applied to tangible book value. For the Insurance reporting unit, this multiplier is applied to the last twelve months of net income. In addition to the multipliers, a 30 percent control premium is assumed for the Banking/Treasury reporting unit and for the Insurance reporting unit.
- (2) For the Banking/Treasury reporting unit, this multiplier is applied to tangible book value.

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As of Fourth Quarter 2011	Banking/ Treasury	Investment Banking/ Brokerage/Trust	Insurance
Discount rate used in income approach	15%	15%	11%
Public company method market multiplier (1)	0.7x	1.4x	13.0x
Transaction method market multiplier (2)	1.1x	1.5x	n/a

- (1) For the Banking/Treasury and Investment Banking/Brokerage/Trust reporting units, these multipliers are applied to tangible book value. For the Insurance reporting unit, this multiplier is applied to the last twelve months of net income. In addition to the multipliers, a 55 percent control premium is assumed for the Banking/Treasury reporting unit. A 20 percent control premium is assumed for the Investment Banking/Brokerage/Trust reporting unit and a 30 percent control premium for the Insurance reporting unit.
- (2) For the Banking/Treasury and Investment Banking/Brokerage/Trust reporting units, these multipliers are applied to tangible book value. Regions' capital plan, which was required under the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR), was submitted in early January of 2012. The Federal Reserve responded with no objections to the capital actions set forth in the capital plan on March 13, 2012. Shortly thereafter, Regions issued and sold 152.9 million shares of its common stock, par value \$0.01 per share, at a price to the public of \$5.90 per share, a premium above the closing price. The Company received approximately \$875 million in net proceeds from the offering after underwriting discounts and commissions and other expenses. Additionally, in connection with the CCAR on March 13, 2012, the Federal Reserve disclosed its projections of pro-forma, post stress pre-provision income and losses and pro-forma, post stress capital ratios under the Federal Reserve's Supervisory Stress Scenario for the nineteen institutions, including Regions, that participated in the 2011 CCAR. Regions exceeded the minimum required capital level over the entire review period through year-end 2013. Regions also received an upgrade to its debt ratings from Standard & Poor's rating agency on March 15, 2012. These positive factors led to a reduction in the discount rate applied to the Banking/Treasury reporting unit in the first quarter of 2012.

The change in the public company market method control premium in the Banking/Treasury reporting unit from 55 percent in the fourth quarter 2011 to 30 percent in the first quarter 2012 reflects improved peer valuations which align with observable transactions.

NOTE 7 Stockholders' Equity and Comprehensive Income (Loss)

On March 19, 2012, the Company issued 152.9 million shares of common stock at \$5.90 per share, generating proceeds of approximately \$875 million, net of issuance costs.

On November 14, 2008, Regions completed the sale of 3.5 million shares of its Fixed Rate Cumulative Perpetual Preferred Stock, Series A, to the U.S. Treasury as part of the Capital Purchase Program (CPP). Under this agreement, Regions was required to pay the U.S. Treasury on a quarterly basis a 5 percent dividend, or \$175 million annually, for each of the first five years of the investment, and 9 percent thereafter or until redemption. As part of its purchase of the preferred securities, the U.S. Treasury also received a warrant to purchase 48.3 million shares of Regions' common stock at an exercise price of \$10.88 per share, subject to anti-dilution and other adjustments. Regions received \$3.5 billion from issuance of the Series A preferred shares and the warrant. The fair value allocation of the \$3.5 billion between the preferred shares and the warrant resulted in \$3.304 billion allocated to the preferred shares and \$196 million allocated to the warrant. Accrued dividends on the preferred shares reduced retained earnings by \$44 million during the first three months of 2012 compared to \$43 million for the same period in 2011. The unamortized discount on the preferred shares was \$71 million at March 31, 2012 and \$81 million at December 31, 2011. Discount accretion on the preferred shares reduced retained earnings by \$10 million and \$9 million during the first three months of 2012 and 2011, respectively.

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Both the preferred securities and the warrant are accounted for as components of Regions' regulatory Tier 1 capital. As discussed in Note 16, on April 4, 2012 Regions repurchased the Series A shares at par. In May of 2012, Regions repurchased the warrant for \$45 million.

At March 31, 2012, Regions had 23.1 million common shares available for repurchase through open market transactions under an existing share repurchase authorization. There were no treasury stock purchases through open market transactions during the first three months of 2012 or 2011. The Company's ability to repurchase its common stock was limited by the terms of the CPP mentioned above and is subject to review and approval currently by the Federal Reserve.

The Board of Directors declared a \$0.01 per share cash dividend for the first quarter of both 2012 and 2011.

NOTE 8 Earnings (Loss) per Common Share

The following table sets forth the computation of basic earnings (loss) per common share and diluted earnings (loss) per common share:

	Three Months Ended March 31	
	2012	2011
	(In millions, except per share amounts)	
Numerator:		
Income from continuing operations	\$ 239	\$ 50
Less: Preferred stock dividends and accretion	(54)	(52)
Income (loss) from continuing operations available to common shareholders	185	(2)
Income (loss) from discontinued operations, net of tax	(40)	19
Net income available to common shareholders	\$ 145	\$ 17
Denominator:		
Weighted-average common shares outstanding basic	1,282	1,257
Potential common shares	1	2
Weighted-average common shares outstanding diluted	1,283	1,259
Earnings (loss) per common share from continuing operations (1):		
Basic	\$ 0.14	\$ (0.00)
Diluted	0.14	(0.00)
Earnings (loss) per common share from discontinued operations (1):		
Basic	(0.03)	0.01
Diluted	(0.03)	0.01
Earnings per common share (1):		
Basic	0.11	0.01
Diluted	0.11	0.01

(1) Certain per share amounts may not appear to reconcile due to rounding.

The effect from the assumed exercise of 39 million stock options for both the three months ended March 31, 2012 and 2011 was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share.

The weighted average common share balances above include the issuance of 152.9 million shares on March 19, 2012 as discussed in Note 7.

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Regions has long-term incentive compensation plans that permit the granting of incentive awards in the form of stock options, restricted stock, restricted stock awards and units, and/or stock appreciation rights. While Regions has the ability to issue stock appreciation rights, none have been issued to date. The terms of all awards issued under these plans are determined by the Compensation Committee of the Board of Directors; however, no awards may be granted after the tenth anniversary from the date the plans were initially approved by shareholders. Options and restricted stock usually vest based on employee service, generally within three years from the date of the grant. The contractual lives of options granted under these plans range from seven to ten years from the date of grant.

On May 13, 2010, the shareholders of the Company approved the Regions Financial Corporation 2010 Long-Term Incentive Plan (2010 LTIP), which permits the Company to grant to employees and directors various forms of incentive compensation. These forms of incentive compensation are similar to the types of compensation approved in prior plans. The 2010 LTIP authorizes 100 million common share equivalents available for grant, where grants of options count as one share equivalent and grants of full value awards (e.g., shares of restricted stock and restricted stock units) count as 2.25 share equivalents. Unless otherwise determined by the Compensation Committee of the Board of Directors, grants of restricted stock and restricted stock units accrue dividends as they are declared by the Board of Directors, and the dividends are paid upon vesting of the award. The 2010 LTIP closed all prior long-term incentive plans to new grants, and, accordingly, prospective grants must be made under the 2010 LTIP or a successor plan. All existing grants under prior long-term incentive plans were unaffected by this amendment. The number of remaining share equivalents available for future issuance under the 2010 LTIP was approximately 83 million at March 31, 2012.

STOCK OPTIONS

No stock option grants were made during the first quarter of 2012. The following table details the activity related to stock options during the first three months of 2012 and 2011:

The following table details the activity related to stock options:

	Three Months Ended March 31			
	2012		2011	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of period	46,351,349	\$ 23.62	54,999,626	\$ 24.41
Granted			114,065	7.43
Exercised	(177,892)	3.29	(18,442)	3.29
Canceled/Forfeited	(3,931,244)	25.91	(5,911,560)	23.62
Outstanding at end of period	42,242,213	\$ 23.50	49,183,689	\$ 24.47
Exercisable at end of period	36,593,195	\$ 26.06	41,491,421	\$ 27.72

RESTRICTED STOCK AWARDS

During the first three months of 2012 and 2011, Regions made restricted share grants that vest based upon a service condition. Dividend payments during the vesting period are deferred to the end of the vesting term. The fair value of these restricted shares was estimated based upon the fair value of the underlying shares on the date of the grant. The valuation was not adjusted for the deferral of dividends.

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The following table details the activity related to restricted share awards and units:

	Three Months Ended March 31			
	2012	Weighted-Average		2011
	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value
Non-vested at beginning of period	6,280,360	\$ 7.60	4,930,444	\$ 12.13
Granted	465,080	5.72	425,013	7.38
Vested	(16,437)	23.15	(1,079,779)	24.50
Forfeited	(137,615)	4.52	(6,817)	14.90
Non-vested at end of period	6,591,388	\$ 7.50	4,268,861	\$ 8.52

NOTE 10 Pension and Other Postretirement Benefits

Net periodic pension cost included the following components:

	For The Three Months Ended March 31	
	2012	2011
	(In millions)	
Service cost	\$ 11	\$ 10
Interest cost	22	23
Expected return on plan assets	(29)	(30)
Amortization of actuarial loss	17	11
Amortization of prior service cost	1	
	\$ 22	\$ 14

There was no material impact from other postretirement benefits on the consolidated financial statements for the three month periods ended March 31, 2012 or 2011.

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The following tables present the notional and fair value of derivative instruments on a gross basis as of March 31:

	March 31, 2012				
	Notional Value	Asset Derivatives		Liability Derivatives	
		Balance Sheet Location	Fair Value (In millions)	Balance Sheet Location	Fair Value
Derivatives in fair value hedging relationships:					
Interest rate swaps	\$ 5,661	Other assets	\$ 137	Other liabilities	\$ 1
Forward commitments					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	11,500	Other assets	204	Other liabilities	
Total derivatives designated as hedging instruments	\$ 17,161		\$ 341		\$ 1
Derivatives not designated as hedging instruments:					
Interest rate swaps (1)	\$ 59,196	Other assets	\$ 2,061	Other liabilities	\$ 2,089
Interest rate options (2)	3,833	Other assets	44	Other liabilities	26
Interest rate futures and forward commitments	68,273	Other assets	13	Other liabilities	13
Other contracts	1,579	Other assets	53	Other liabilities	48
Total derivatives not designated as hedging instruments	\$ 132,881		\$ 2,171		\$ 2,176
Total derivatives	\$ 150,042		\$ 2,512		\$ 2,177

(1) Includes Morgan Keegan amounts of \$4.2 billion in notional value and \$382 million in other assets/other liabilities

(2) Includes Morgan Keegan amounts of \$364 million in notional value and \$21 million in other assets/other liabilities

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	December 31, 2011				
	Asset Derivatives		Liability Derivatives		
	Notional Value	Balance Sheet Location	Fair Value (In millions)	Balance Sheet Location	Fair Value
Derivatives in fair value hedging relationships:					
Interest rate swaps	\$ 5,535	Other assets	\$ 153	Other liabilities	\$ 1
Forward commitments	640				11
Total					
Derivatives in cash flow hedging relationships:					
Interest rate swaps	11,500	Other assets	209	Other liabilities	1
Total derivatives designated as hedging instruments	\$ 17,675		\$ 362		\$ 13
Derivatives not designated as hedging instruments:					
Interest rate swaps (1)	\$ 59,293	Other assets	\$ 2,396	Other liabilities	\$ 2,414
Interest rate options (2)	4,018	Other assets	41	Other liabilities	28
Interest rate futures and forward commitments	90,607	Other assets	11	Other liabilities	23
Other contracts	1,276	Other assets	43	Other liabilities	36
Total derivatives not designated as hedging instruments	\$ 155,194		\$ 2,491		\$ 2,501
Total derivatives	\$ 172,869		\$ 2,853		\$ 2,514

(1) Includes Morgan Keegan amounts of \$4.2 billion in notional value and \$454 million in other assets/other liabilities

(2) Includes Morgan Keegan amounts of \$364 million in notional value and \$23 million in other assets/other liabilities

HEDGING DERIVATIVES

Derivatives entered into to manage interest rate risk and facilitate asset/liability management strategies are designated as hedging derivatives. Derivative financial instruments that qualify in a hedging relationship are classified, based on the exposure being hedged, as either a fair value hedge or a cash flow hedge. The Company formally documents all hedging relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for entering into various hedge transactions. The Company performs periodic assessments to determine whether the hedging relationship has been highly effective in offsetting changes in fair values or cash flows of hedged items and whether the relationship is expected to continue to be highly effective in the future.

When a hedge is terminated or hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, or because it is probable that the forecasted transaction will not occur by the end of the specified time period, the derivative will continue to be recorded in the consolidated balance sheet at its fair value, with changes in fair value recognized currently in other non-interest income. Any asset or liability that was recorded pursuant to recognition of the firm commitment is removed from the consolidated balance sheets and recognized currently in other non-interest expense. Gains and losses that were accumulated in other comprehensive income pursuant to the hedge of a forecasted transaction are recognized immediately in other non-interest expense.

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FAIR VALUE HEDGES

Fair value hedge relationships mitigate exposure to the change in fair value of an asset, liability or firm commitment. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative instrument, as well as the gains and losses attributable to the change in fair value of the hedged item, are recognized in earnings in the period in which the change in fair value occurs. The corresponding adjustment to the hedged asset or liability is included in the basis of the hedged item, while the corresponding change in the fair value of the derivative instrument is recorded as an adjustment to other assets or other liabilities, as applicable. Hedge ineffectiveness exists to the extent that the changes in fair value of the derivative do not offset the changes in fair value of the hedged item and is recorded as other non-interest expense.

Regions enters into interest rate swap agreements to manage interest rate exposure on the Company's fixed-rate borrowings, which includes long-term debt and certificates of deposit. These agreements involve the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreements. Regions also enters into forward sale commitments to hedge changes in the fair value of available-for-sale securities.

CASH FLOW HEDGES

Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. For cash flow hedge relationships, the effective portion of the gain or loss related to the derivative instrument is recognized as a component of other comprehensive income. Ineffectiveness is measured by comparing the change in fair value of the respective derivative instrument and the change in fair value of a perfectly effective hypothetical derivative instrument. Ineffectiveness will be recognized in earnings only if it results from an overhedge. The ineffective portion of the gain or loss related to the derivative instrument, if any, is recognized in earnings as other non-interest expense during the period of change. Amounts recorded in other comprehensive income are recognized in earnings in the periods during which the hedged item impacts earnings.

Regions enters into interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure on LIBOR-based loans. The agreements effectively modify the Company's exposure to interest rate risk by utilizing receive fixed/pay LIBOR interest rate swaps.

Regions issues long-term fixed-rate debt for various funding needs. Regions enters into receive LIBOR/pay fixed forward starting swaps to hedge risks of changes in the projected quarterly interest payments attributable to changes in the benchmark interest rate (LIBOR) during the time leading up to the probable issuance date of the new long term fixed-rate debt.

Regions enters into interest rate option contracts to protect cash flows through the maturity date of the hedging instrument on designated one-month LIBOR floating-rate loans from adverse extreme market interest rate changes. Regions purchases Eurodollar futures to hedge the variability in future cash flows based on forecasted resets of one-month LIBOR-based floating rate loans due to changes in the benchmark interest rate. Regions recognized an unrealized after-tax loss of \$43 million and an unrealized after-tax gain of \$17 million in accumulated other comprehensive income at March 31, 2012 and 2011, respectively, related to terminated cash flow hedges of loan and debt instruments which will be amortized into earnings in conjunction with the recognition of interest payments through 2017. Regions recognized a pre-tax loss of \$4 million and pre-tax income of \$9 million during the three months ended March 31, 2012 and 2011, respectively, related to the amortization of cash flow hedges of loan and debt instruments.

Regions expects to reclassify out of other comprehensive income and into earnings approximately \$54 million in pre-tax income due to the receipt or payment of interest payments on all cash flow hedges within the next twelve months. Included in this amount is \$18 million in pre-tax net losses related to the amortization of discontinued cash flow hedges. The maximum length of time over which Regions is hedging its exposure to the variability in future cash flows for forecasted transactions is approximately six years as of March 31, 2012.

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The following tables present the effect of derivative instruments on the statements of operations:

Three Months Ended March 31, 2012

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss)		Hedged Items in Fair Value Hedge Relationships	Amount of Gain(Loss) Recognized in Income on Related Hedged Item	
	Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives (In millions)		Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
Interest rate swaps	Other non-interest expense	\$ (15)	Debt/CDs	Other non-interest expense	\$ 12
Interest rate swaps	Interest expense	31	Debt/CDs	Interest expense	3
Forward commitments	Other non-interest expense	(3)	Securities available for sale	Other non-interest expense	3
Total		\$ 13			\$ 18

Derivatives in Cash Flow Hedging Relationships	Amount of Gain(Loss)		Amount of Gain(Loss)	Location of Gain(Loss)	Amount of Gain(Loss)
	Recognized in	Location of Gain(Loss)	Reclassified from	Recognized in Income	on
	Accumulated	Reclassified from	Accumulated OCI	on Derivatives	Derivatives
	OCI on	Accumulated OCI into	into Income	(Ineffective Portion and	(Ineffective Portion and
	Derivatives	Income (Effective	(Effective	Amount Excluded from	Amount Excluded
	(Effective	Portion)	Portion) (2)	Effectiveness Testing)	from
	Portion) (1)				Effectiveness Testing) (2)
(In millions)					
Interest rate swaps	\$ (3)	Interest income		Other non-interest	
		on loans	\$ 20	expense	\$
Forward starting swaps	2	Interest expense		Other non-interest	
		on debt	(4)	expense	
Interest rate options		Interest income		Interest income	
		on loans		on loans	
Eurodollar futures		Interest income		Other non-interest	
		on loans		expense	
Total	\$ (1)		\$ 16		\$

(1) After-tax

(2) Pre-tax

Three Months Ended March 31, 2011

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives (In millions)	Hedged Items in Fair Value Hedge Relationships	Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
Interest rate swaps	Other non-interest expense	\$ (49)	Debt/CDs	Other non-interest expense	\$ 48
Interest rate swaps	Interest expense	51	Debt/CDs	Interest expense	4

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Total	\$	2	\$	52
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Derivatives in Cash Flow Hedging Relationships	Amount of Gain(Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) (1)	Location of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (2)	Location of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (2)
	(In millions)				
Interest rate swaps	\$ (30)	Interest income on loans	\$ 48	Other non-interest expense	\$ 1
Interest rate swaps	1	Interest expense on debt		Other non-interest expense	(1)
Interest rate options	(2)	Interest income on loans	4	Interest income on loans	
Eurodollar futures	1	Interest income on loans	(2)	Other non-interest expense	
Total	\$ (30)		\$ 50		\$

(1) After-tax

(2) Pre-tax

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DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Company maintains a derivatives trading portfolio of interest rate swaps, option contracts, and futures and forward commitments used to meet the needs of its customers. The portfolio is used to generate trading profit and to help clients manage market risk. The Company is subject to the credit risk that a counterparty will fail to perform. The Company is also subject to market risk, which is evaluated by the Company and monitored by the asset/liability management process. Separate derivative contracts are entered into to reduce overall market exposure to pre-defined limits. The contracts in this portfolio do not qualify for hedge accounting and are marked-to-market through earnings and included in other assets and other liabilities.

In the normal course of business, Morgan Keegan enters into underwriting and forward and future commitments on U.S. Government and municipal securities. As of March 31, 2012 and 2011, the total notional amount related to forward and future commitments was approximately \$879 million and \$389 million, respectively. The brokerage subsidiary typically settles its position by entering into equal but opposite contracts and, as such, the contract amounts do not necessarily represent future cash requirements. Settlement of the transactions relating to such commitments is not expected to have a material effect on the subsidiary's financial position. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. At March 31, 2012 and 2011, Regions had \$993 million and \$464 million, respectively, in total notional amount of interest rate lock commitments. Regions manages market risk on interest rate lock commitments and mortgage loans held for sale with corresponding forward sale commitments, which are recorded at fair value with changes in fair value recorded in mortgage income. For both March 31, 2012 and 2011, Regions had \$1.5 billion in total notional amount related to these forward rate commitments.

Regions has elected to account for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments, in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the statement of operations effect of changes in the fair value of its mortgage servicing rights. As of March 31, 2012 and 2011, the total notional amount related to these contracts was \$5.1 billion and \$1.5 billion, respectively.

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The following tables present the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the statement of operations for the three months ended March 31, 2012 and 2011, respectively:

Derivatives Not Designated as Hedging Instruments	Three Months Ended March 31	
	2012	2011
	(In millions)	
Capital markets and investment income		
Interest rate swaps	\$ 4	\$ 8
Other contracts	3	3
Total capital markets and investment income	7	11
Mortgage income		
Interest rate swaps	(3)	(5)
Interest rate options	5	(28)
Interest rate futures and forward commitments	16	2
Total mortgage income	18	(31)
	\$ 25	\$ (20)

Credit risk, defined as all positive exposures not collateralized with cash or other financial instruments, at March 31, 2012 and 2011, totaled approximately \$849 million and \$846 million, respectively. This amount represents the net credit risk on all trading and other derivative positions held by Regions.

CREDIT DERIVATIVES

Regions has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty when the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction and have maturities between 2012 and 2026. Credit derivatives whereby Regions has sold credit protection have maturities between 2012 and 2018. For contracts where Regions sold credit protection, Regions would be required to make payment to the counterparty when the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction. Regions bases the current status of the prepayment/performance risk on bought and sold credit derivatives on recently issued internal risk ratings consistent with the risk management practices of unfunded commitments.

Regions' maximum potential amount of future payments under these contracts as of March 31, 2012 was approximately \$34 million. This scenario would only occur if variable interest rates were at zero percent and all counterparties defaulted with zero recovery. The fair value of sold protection at March 31, 2012 and 2011 was immaterial. In transactions where Regions has sold credit protection, recourse to collateral associated with the original swap transaction is available to offset some or all of Regions' obligation.

CONTINGENT FEATURES

Certain of Regions' derivative instrument contracts with broker-dealers contain provisions allowing those broker-dealers to terminate the contracts in the event that Regions' and/or Regions Bank's credit ratings falls below specified ratings from certain major credit rating agencies. At March 31, 2012, Moody's credit ratings for Regions Financial Corporation and Regions Bank were below investment grade. As a result of these ratings, certain Regions Bank broker-dealer counterparties could have terminated these contracts at their discretion. In

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lieu of terminating the contracts, Regions Bank and certain of its broker-dealer counterparties amended the contracts such that Regions Bank was required to post additional collateral in the cumulative amount of \$188 million to these counterparties as of March 31, 2012.

Some of these contracts with broker-dealers still contain credit-related termination provisions and/or credit-related provisions regarding the posting of collateral. At March 31, 2012, the net fair value of such contracts containing credit-related termination provisions that were in a liability position was \$289 million, for which Regions had posted collateral of \$401 million. At March 31, 2012, the net fair value of contracts that do not contain credit-related termination provisions that were in a liability position was \$234 million, for which Regions had posted collateral of \$236 million. Other derivative contracts with broker-dealers do not contain any credit-related provisions. These counterparties require complete overnight collateralization.

The aggregate fair value of all derivative instruments with any credit-risk-related contingent features that were in a liability position on March 31, 2012 and December 31, 2011, was \$377 million and \$425 million, respectively, for which Regions had posted collateral of \$490 million and \$531 million, respectively, in the normal course of business.

NOTE 12 Fair Value Measurements

Fair value guidance establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. Required disclosures include stratification of balance sheet amounts measured at fair value based on inputs the Company uses to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specific data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

See Note 1 Summary of Significant Accounting Policies to the consolidated financial statements of the 2011 Annual Report on Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. Regions rarely transfers assets and liabilities measured at fair value between Level 1 and Level 2 measurements. There were no such transfers during the three month periods ended March 31, 2012 and 2011. Trading account assets are periodically transferred into or out of Level 3 valuation based on management's conclusion regarding the best method of pricing for an individual security. Such transfers are accounted for as if they occur at the beginning of a reporting period.

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The following tables present assets and liabilities measured at fair value on a recurring basis and non-recurring basis as of March 31, 2012 and December 31, 2011:

	March 31, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value (In millions)	Level 1	Level 2	Level 3	Total Fair Value
Recurring fair value measurements								
Trading account assets								
U.S. Treasury securities	\$ 125	\$	\$	\$ 125	\$ 212	\$ 3	\$	\$ 215
Obligations of states and political subdivisions		164	124	288		101	139	240
Mortgage-backed securities:								
Residential agency		199		199		359		359
Commercial agency			104	104			51	51
Other securities		33	13	46		35	1	36
Equity securities	365			365	365			365
Total trading account assets (1)	\$ 490	\$ 396	\$ 241	\$ 1,127	\$ 577	\$ 498	\$ 191	\$ 1,266
Securities available for sale								
U.S. Treasury securities	\$ 47	\$	\$	\$ 47	\$ 98	\$	\$	\$ 98
Federal agency securities		339		339		147		147
Obligations of states and political subdivisions		15	16	31		16	20	36
Mortgage-backed securities:								
Residential agency		23,456		23,456		22,175		22,175
Residential non-agency			15	15			16	16
Commercial agency		435		435		326		326
Commercial non-agency		491		491		321		321
Other debt securities		1,540	3	1,543		537		537
Equity securities (2)	120			120	115			115
Total securities available for sale	\$ 167	\$ 26,276	\$ 34	\$ 26,477	\$ 213	\$ 23,522	\$ 36	\$ 23,771
Mortgage loans held for sale	\$	\$ 752	\$	\$ 752	\$	\$ 844	\$	\$ 844
Mortgage servicing rights	\$	\$	\$ 199	\$ 199	\$	\$	\$ 182	\$ 182
Derivative assets								
Interest rate swaps	\$	\$ 2,402	\$	\$ 2,402	\$	\$ 2,758	\$	\$ 2,758
Interest rate options		26	18	44		28	13	41
Interest rate futures and forward commitments		13		13		11		11
Other contracts		53		53		43		43
Total derivative assets (3) (4)	\$	\$ 2,494	\$ 18	\$ 2,512	\$	\$ 2,840	\$ 13	\$ 2,853
Trading account liabilities								
U.S. Treasury securities	\$	\$ 108	\$	\$ 108	\$	\$ 97	\$	\$ 97
Obligations of states and political subdivisions						2		2
Mortgage-backed securities:								
Residential agency		55		55		133		133
Commercial agency			42	42			5	5
Other securities		1	10	11		16	2	18
Equity securities					1			1
Total trading account liabilities (5)	\$	\$ 164	\$ 52	\$ 216	\$ 1	\$ 248	\$ 7	\$ 256
Derivative liabilities								
Interest rate swaps	\$	\$ 2,090	\$	\$ 2,090	\$	\$ 2,416	\$	\$ 2,416

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Interest rate options	26	26	28	28
Interest rate futures and forward commitments	13	13	34	34
Other contracts	48	48	36	36
Total derivative liabilities (3) (4)	\$ 2,177	\$ 2,177	\$ 2,514	\$ 2,514

Nonrecurring fair value measurements

Loans held for sale	\$ 35	\$ 93	\$ 128	\$ 36	\$ 195	\$ 231
Foreclosed property, other real estate and equipment	70	68	138	91	162	253

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- (1) All trading account assets are related to Morgan Keegan (see Note 2 for further discussion regarding the sale of Morgan Keegan) with the exception of \$164 million and \$178 million of equity securities at March 31, 2012 and December 31, 2011, respectively, of which all are classified as Level 1 in the table.
- (2) Excludes Federal Reserve Bank and Federal Home Loan Bank Stock totaling \$481 million and \$219 million, respectively, at both March 31, 2012 and December 31, 2011.
- (3) At March 31, 2012, derivatives include approximately \$1.2 billion related to legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivatives are also presented excluding cash collateral received of \$61 million and cash collateral posted of \$677 million with counterparties. At December 31, 2011, derivatives include approximately \$1.4 billion related to legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivatives are also presented excluding cash collateral received of \$55 million and cash collateral posted of \$732 million with counterparties.
- (4) Derivative assets and liabilities both include \$382 million of interest rate swaps and \$21 million of interest rate options at March 31, 2012 and \$454 million of interest rate swaps and \$23 million of interest rate options at December 31, 2011 related to Morgan Keegan, all of which are classified as Level 2 in the table.
- (5) All trading account liabilities are related to Morgan Keegan at March 31, 2012 and December 31, 2011.

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on Level 3 assets represent only a portion of the risk to market fluctuations in Regions' consolidated balance sheets. Further, trading account assets, trading account liabilities and derivatives included in Levels 1, 2 and 3 are used by the Asset and Liability Management Committee of the Company in a holistic approach to managing price fluctuation risks.

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The following tables illustrate a rollforward for all assets and (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2012 and 2011, respectively. The tables do not reflect the change in fair value attributable to any related economic hedges the Company used to mitigate the interest rate risk associated with these assets and (liabilities).

Three Months Ended March 31, 2012											Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at March 31, 2012
	Opening Balance January 1, 2012	Included in Other Compre- hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance March 31, 2012		
(In millions)											
Level 3 Instruments Only											
Trading account assets: (c)											
Obligations of states and political subdivisions	\$ 139	(3)	4			(16)			\$ 124	\$	
Commercial agency MBS	51	2	368			(317)			104		
Other securities	1	4	2,248			(2,240)			13		
Total trading account assets (d)	\$ 191	3(a)	2,620			(2,573)			\$ 241		
Securities available for sale:											
Obligations of states and political subdivisions	\$ 20	(2)				(2)			\$ 16		
Residential non-agency MBS	16					(1)			15		
Other debt securities							3		3		
Total securities available for sale	\$ 36	(2)				(3)	3		\$ 34		
Mortgage servicing rights	\$ 182	3(b)	14						\$ 199	9(b)	
Trading account liabilities: (c)											
Mortgage-backed securities:											
Commercial agency	\$ 5		37						\$ 42		
Other securities	2		12			(4)			10		
Total trading account liabilities (d)	\$ 7		49			(4)			\$ 52		
Derivatives, net:											
Interest rate options	\$ 13	41				(36)			\$ 18	18(b)	
Total derivatives, net	\$ 13	41(b)				(36)			\$ 18	18(b)	

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- (a) Included in discontinued operations, on a net basis.
- (b) Included in mortgage income.
- (c) Income from trading account assets primarily represents gains/(losses) on disposition, which inherently includes commissions on security transactions during the period.
- (d) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

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Three Months Ended March 31, 2011

	Total Realized / Unrealized Gains or Losses							Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at March 31, 2011	
	Opening Balance January 1, 2011	Included in Other Compre- hensive Income (Loss)	Purchases	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance March 31, 2011	
(In millions)									
Level 3 Instruments Only									
Trading account assets (c):									
Obligations of states and political subdivisions	\$ 165	(1)	6		(8)			\$ 162	\$
Commercial agency MBS	54	1	165		(137)	1		84	
Other securities	10	5	2,029		(2,038)			6	
Total trading account assets (d)	\$ 229	5(a)	2,200		(2,183)	1		\$ 252	
Securities available for sale:									
Obligations of states and political subdivisions	\$ 17	1			(1)			\$ 17	1
Residential non-agency MBS	22				(2)			20	
Total securities available for sale	\$ 39	1			(3)			\$ 37	1
Mortgage servicing rights	\$ 267	(1)(b)	16					\$ 282	5(b)
Trading account liabilities (c):									
Mortgage-backed securities:									
Commercial agency	\$ 6				7			\$ 13	
Other securities	4		(9)		17			12	
Total trading account liabilities (d)	\$ 10		(9)		24			\$ 25	
Derivatives, net:									
Interest rate options	\$ 3	15(b)			(13)			\$ 5	5(b)
Interest rate futures and forward commitments	5				(2)			3	
Total derivatives, net	\$ 8	15			(15)			\$ 8	5

(a) Included in discontinued operations, on a net basis.

(b) Included in mortgage income.

(c) Income from trading account assets primarily represents gains/(losses) on disposition, which inherently includes commissions on security transactions during the period.

(d) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

The following table presents the fair value adjustments related to non-recurring fair value measurements:

	Three Months Ended	
	March 31	
	2012	2011
	(In millions)	
Loans held for sale	\$ (56)	\$ (107)
Foreclosed property, other real estate and equipment	(19)	(40)

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The following table presents detailed information regarding assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of March 31, 2012. The table includes the valuation techniques and the significant unobservable inputs utilized. The range of each unobservable input as well as the weighted average within the range utilized at March 31, 2012 is included. Following the table is a description of the valuation technique and the sensitivity of the technique to changes in the significant unobservable input.

	Level 3 Fair Value (b)	Valuation Technique	March 31, 2012 Unobservable Input(s) (Dollars in millions)	Quantitative Range of Unobservable Inputs and (Weighted-Average)
Recurring fair value measurements:				
<u>Securities available for sale:</u>				
Obligations of states and political subdivisions	\$ 16	(c)	(c)	(c)
<u>Mortgage-backed securities:</u>				
Residential non-agency	\$ 15	Discounted cash flow	Spread to LIBOR	5.3% - 69.8% (18.1%)
			Weighted-average prepayment speed (CPR; percentage)	12.2% - 22.1% (18.9%)
			Probability of default	0.2% - 1.2% (1.1%)
			Loss severity	35.0% - 100.0% (43.2%)
Other debt securities	\$ 3	Comparable quote	Evaluated quote on same issuer/comparable bond	99.5% (99.5%)
			Comparability adjustments	0.1% (0.1%)
Mortgage servicing rights (a)	\$ 199	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	0% - 65.6% (16.3%)
			Option-adjusted spread (basis points)	0 - 2,669 (1,171)
<u>Derivative assets</u>				
Interest rate options	\$ 18	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	0% - 65.6% (16.3%)
			Option-adjusted spread (basis points)	0 - 2,669 (1,171)
			Pull-through	22.6% - 98.8% (76.4%)
Nonrecurring fair value measurements:				
Loans held for sale	\$ 93	Multiple data points, including discount to appraised value of collateral based on recent market activity for sales of similar loans	Appraisal compatability adjustment (discount)	18.0% - 90.0% (45.4%)
Foreclosed property and other real estate	\$ 68	Discount to appraised value of property based on recent market activity for sales of similar properties	Appraisal compatability adjustment (discount)	7.0% - 93.4% (24.5%)

- (a) See Note 5 for additional disclosures related to assumptions used in the fair value calculation for mortgage servicing rights.
- (b) The data in the table above does not include \$241 million in trading assets and \$52 million in trading liabilities related to Morgan Keegan, which were valued using Level 3 measurements. As discussed in Note 2 and Note 16, the sale of Morgan Keegan, to Raymond James was closed on April 2, 2012. Accordingly, these assets and liabilities will be included in the calculation of the gain or loss on sale. Due to the closing of this transaction immediately following the close of the first quarter, the Level 3 detailed information is not considered relevant.
- (c) In April 2012, Regions sold these securities and received an amount approximating the fair value measurement at March 31, 2012. Due to this sale and the de-recognition of these assets following the close of the quarter, the Level 3 detailed information is not considered relevant.

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RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Securities available for sale

Mortgage backed securities: residential non-agency The fair value reported in this category relates to retained interests in legacy securitizations. Significant unobservable inputs include the spread to LIBOR, constant prepayment rate, probability of default, and loss severity in the event of default. Significant increases in any of these inputs in isolation would result in significantly lower fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates.

Other debt securities Significant unobservable inputs include evaluated quotes on comparable bonds for the same issuer and management-determined comparability adjustments. Changes in the evaluated quote on comparable bonds would result in a directionally similar change in the fair value of the other debt securities.

Mortgage Servicing Rights

The significant unobservable inputs used in the fair value measurement of mortgage servicing rights are option adjusted spreads (OAS) and prepayment speeds. This method requires generating cash flow projections over multiple interest rate scenarios and discounting those cash flows at a risk adjusted rate. Additionally, the impact of prepayments and changes in the option adjusted spread are based on a variety of underlying inputs such as servicing costs. Increases or decreases to the underlying cash flow inputs will have a corresponding impact on the value of the MSR asset. See Note 5 for additional disclosures related to assumptions used in the fair value calculation for mortgage servicing rights.

Derivative assets

Interest rate options These instruments are interest rate lock agreements made in the normal course of originating residential mortgage loans. Significant unobservable inputs in the fair value measurement are OAS, prepayment speeds, and pull-through. The impact of OAS and prepayment speed inputs in the valuation of these derivative instruments are consistent with the MSR discussion above. Pull-through is an estimate of the number of interest rate lock commitments that will ultimately become funded loans. Increases or decreases in the pull-through assumption will have a corresponding impact on the value of these derivative assets.

NON-RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Loans held for sale

Loans held for sale are valued based on multiple data points indicating the fair value for each loan. The primary data point for non-performing investor real estate loans is a discount to the appraised value of the underlying collateral, which considers the return required by potential buyers of the loans. Management establishes this discount or comparability adjustment based on recent sales of loans secured by similar property types. As liquidity in the market increases or decreases, the comparability adjustment and the resulting asset valuation are impacted.

Foreclosed property and other real estate

Foreclosed property and other real estate are valued based on offered quotes as available. If no sales contract is pending for a specific property, management establishes a comparability adjustment to the appraised value based on historical activity considering proceeds for properties sold versus the corresponding appraised value. Increases or decreases in realization for properties sold impact the comparability adjustment for similar assets remaining on the balance sheet.

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Regions elected the fair value option for FNMA and FHLMC eligible thirty-year residential mortgage loans held for sale originated on or after January 1, 2008. Additionally, Regions elected the fair value option for FNMA and FHLMC eligible fifteen-year residential mortgage loans originated on or after November 22, 2010. These elections allow for a more effective offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. Regions has not elected the fair value option for other loans held for sale primarily because they are not economically hedged using derivative instruments. Fair values of mortgage loans held for sale are based on traded market prices of similar assets where available and/or discounted cash flows at market interest rates, adjusted for securitization activities that include servicing values and market conditions, and are recorded in loans held for sale in the consolidated balance sheets.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for mortgage loans held for sale measured at fair value:

	March 31, 2012			December 31, 2011		
	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
			(In millions)			
Mortgage loans held for sale, at fair value	\$ 752	\$ 734	\$ 18	\$ 844	\$ 815	\$ 29

Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on loans held for sale in the consolidated statements of operations. The following table details net gains (losses) resulting from changes in fair value of these loans which were recorded in mortgage income in the consolidated statements of operations during the three months ended March 31, 2012 and 2011, respectively. These changes in fair value are mostly offset by economic hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

	Mortgage loans held for sale, at fair value Three Months Ended March 31	
	2012	2011
	(In millions)	
Net gains (losses) resulting from changes in fair value	\$ (10)	\$ 18

FAIR VALUE OF FINANCIAL INSTRUMENTS

For items measured at fair value on either a recurring or non-recurring basis, a description of the valuation methodology as well as within which strata of the fair value hierarchy the measurement falls is detailed in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011. For financial instruments whose fair values are estimated for disclosure purposes only, the following methods and assumptions were used:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets and cash flows approximate the estimated fair values. Because these amounts generally relate to either currency or highly liquid assets, these are considered a Level 1 valuation.

Securities held to maturity: The fair values of securities held to maturity are estimated in the same manner as the corresponding securities available for sale, which are measured at fair value on a recurring basis.

Loans (excluding leases), net of unearned income and allowance for loan losses: The fair values of loans, excluding leases, are estimated based on groupings of similar loans by type, interest rate, and borrower

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creditworthiness. Discounted future cash flow analyses are performed for the groupings incorporating assumptions of current and projected prepayment speeds and expected loss. Discount rates are determined using the Company's current origination rates on similar loans, adjusted for changes in current liquidity and credit spreads (if necessary). Because the current liquidity spreads are generally not observable in the market and the expected loss assumptions are based on the Company's experience, these are Level 3 valuations.

Other interest-earning assets: The carrying amounts reported in the consolidated balance sheets approximate the estimated fair values. While these instruments are not actively traded in the market, the majority of the inputs required to value them are actively quoted and can be validated through external sources. Accordingly, these are Level 2 valuations.

Deposits: The fair value of non-interest-bearing demand accounts, interest-bearing transaction accounts, savings accounts, money market accounts and certain other time deposit 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, based on market spreads to benchmark rates. These are Level 2 valuations.

Short-term and long-term borrowings: The carrying amounts of short-term borrowings reported in the consolidated balance sheets approximate the estimated fair values, and are considered Level 2 measurements as similar instruments are traded in active markets. The fair values of certain long-term borrowings are estimated using quoted market prices of identical instruments, and are considered Level 1 measurements. If identical instruments are not available, fair values are estimated using quoted market prices for similar instruments and are considered Level 2 valuations. Otherwise, valuations are based on current interest rates, liquidity and credit spreads and are considered Level 3 valuations.

Loan commitments and letters of credit: The estimated fair values for these off-balance sheet instruments are based on probabilities of funding to project future loan fundings, which are discounted using the loan methodology described above. The premiums/discounts are adjusted for the time value of money over the average remaining life of the commitments and the opportunity cost associated with regulatory requirements. Because the probabilities of funding and loan valuations are not observable in the market and considered company specific inputs, these are Level 3 valuations.

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The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments as of March 31, 2012 are as follows:

		March 31, 2012			
	Carrying Amount	Estimated Fair Value (1)	Level 1 (In millions)	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 7,473	\$ 7,473	\$ 7,473	\$	\$
Trading account assets	1,127	1,127	490	396	241
Securities available for sale	27,177	27,177	167	26,976	34
Securities held to maturity	15	16	4	12	
Loans held for sale	1,054	1,054		787	267
Loans (excluding leases), net of unearned income and allowance for loan losses (2), (3)	72,614	65,120			65,120
Other interest-earning assets	1,054	1,054		1,054	
Derivatives, net	335	335		317	18
Financial liabilities:					
Deposits	97,138	97,618		97,618	
Short-term borrowings	2,908	2,908		2,908	
Long-term borrowings	7,196	6,896	5,475	240	1,181
Loan commitments and letters of credit	128	715			715

- (1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for interest rates, market liquidity and credit spreads as appropriate.
- (2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at March 31, 2012 was \$7.5 billion or 10.3 percent.
- (3) Excluded from this table is the lease carrying amount of \$1.6 billion at March 31, 2012.

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The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2011 are as follows:

	December 31, 2011	
	Carrying Amount	Estimated Fair Value (1)
	(In millions)	
Financial assets:		
Cash and cash equivalents	\$ 7,245	\$ 7,245
Trading account assets	1,266	1,266
Securities available for sale	24,471	24,471
Securities held to maturity	16	17
Loans held for sale	1,193	1,193
Loans (excluding leases), net of unearned income and allowance for loan losses (2), (3)	73,284	65,224
Other interest-earning assets	1,085	1,085
Derivatives, net	339	339
Financial liabilities:		
Deposits	95,627	95,757
Short-term borrowings	3,067	3,067
Long-term borrowings	8,110	7,439
Loan commitments and letters of credit	117	756

- (1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for interest rates, market liquidity and credit spreads as appropriate.
- (2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity.
- (3) Excluded from this table is the lease carrying amount of \$1.6 billion at December 31, 2011.

NOTE 13 Business Segment Information

Regions' segment information is presented based on Regions' key segments of business. Each segment is a strategic business unit that serves specific needs of Regions' customers. The Company's primary segment is Banking/Treasury, which represents the Company's branch network, including consumer and commercial banking functions, and has separate management that is responsible for the operation of that business unit. This segment also includes the Company's Treasury function, including the Company's securities portfolio and other wholesale funding activities.

The Insurance segment includes all business associated with commercial insurance and credit life products sold to consumer customers.

The Investment Banking/Brokerage/Trust segment includes trust activities and all brokerage and investment activities associated with Morgan Keegan. As discussed in Note 2, in early 2012 Regions entered into an agreement to sell Morgan Keegan and related entities, which closed on April 2, 2012. The financial information related to these entities is shown in the tables below as discontinued operations, within the Investment Banking/Brokerage/Trust segment. The continuing operations information within this segment is primarily related to Regions' trust activities, which was not sold. See Note 2 and Note 16 for further details.

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The following tables present financial information for each reportable segment for the period indicated.

	Three Months Ended March 31, 2012				
	Banking/ Treasury	Insurance	Investment Banking/Brokerage/Trust Continuing Operations (In millions)	Discontinued Operations	Total Company
Net interest income	\$ 817	\$	\$ 10	\$ 7	\$ 834
Provision for loan losses	117				117
Non-interest income	441	34	49	240	764
Non-interest expense	848	25	40	312	1,225
Income tax expense (benefit)	72	3	7	(25)	57
Net income (loss)	\$ 221	\$ 6	\$ 12	\$ (40)	\$ 199
Average assets	\$ 118,982	\$ 547	\$ 4,227	\$ 2,776	\$ 126,532

	Three Months Ended March 31, 2011				
	Banking/ Treasury	Insurance	Investment Banking/Brokerage/Trust Continuing Operations (In millions)	Discontinued Operations	Total Company
Net interest income	\$ 847	\$ 1	\$		