

REGIONS FINANCIAL CORP  
Form 10-Q  
August 04, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

or

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

Commission File Number: 000-50831

**Regions Financial Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**63-0589368**  
(IRS Employer

incorporation or organization)

Identification No.)

**1900 Fifth Avenue North**

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

**35203**  
(Zip Code)

**(205) 944-1300**

(Registrant's telephone number, including area code)

**NOT APPLICABLE**

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,258,798,000 shares of common stock, par value \$.01, outstanding as of July 29, 2011.

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

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

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

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

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

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

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

The current 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.

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.

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Regions' ability to keep pace with technological changes.

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

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

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

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

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

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

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

Possible downgrades in ratings issued by rating agencies.

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

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

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

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

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.

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

See also the "Forward-Looking Statements" and "Risk Factors" sections of Regions' Annual Report on Form 10-K for the year ended December 31, 2010 and the "Forward-Looking Statements" section of Regions' Quarterly Report on Form 10-Q for the quarter ended March 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**

|   | June 30<br>2011                                   | December 31<br>2010 | June 30<br>2010   |
|---|---|---------------------|-------------------|
|   | (In millions, except share<br>and per share data) |                     |                   |
| <b>Assets</b>   |   |                     |                   |
| Cash and due from banks   | \$ 2,271  | \$ 1,643            | \$ 2,097          |
| Interest-bearing deposits in other banks  | 5,452   | 4,880               | 4,562             |
| Federal funds sold and securities purchased under agreements to resell  | 251   | 396                 | 752               |
| Trading account assets  | 1,223   | 1,116               | 1,261             |
| Securities available for sale   | 23,828  | 23,289              | 24,166            |
| Securities held to maturity   | 21  | 24                  | 28                |
| Loans held for sale (includes \$585, \$1,174 and \$819 measured at fair value, at June 30, 2011, December 31, 2010 and June 30, 2010, respectively) | 1,141   | 1,485               | 1,162             |
| Loans, net of unearned income   | 81,176  | 82,864              | 85,945            |
| Allowance for loan losses   | (3,120)   | (3,185)             | (3,185)           |
| Net loans   | 78,056  | 79,679              | 82,760            |
| Other interest-earning assets   | 1,207   | 1,219               | 1,082             |
| Premises and equipment, net   | 2,481   | 2,569               | 2,588             |
| Interest receivable   | 354   | 421                 | 466               |
| Goodwill  | 5,561   | 5,561               | 5,561             |
| Mortgage servicing rights   | 268   | 267                 | 220               |
| Other identifiable intangible assets  | 420   | 385                 | 443               |
| Other assets  | 8,374   | 9,417               | 8,192             |
| <b>Total assets</b>   | <b>\$ 130,908</b>                                 | <b>\$ 132,351</b>   | <b>\$ 135,340</b> |
| <b>Liabilities and Stockholders Equity</b>  |   |                     |                   |
| <b>Deposits:</b>  |   |                     |                   |
| Non-interest-bearing  | \$ 28,148   | \$ 25,733           | \$ 22,993         |
| Interest-bearing  | 68,183  | 68,881              | 73,257            |
| Total deposits  | 96,331  | 94,614              | 96,250            |
| <b>Borrowed funds:</b>  |   |                     |                   |
| <b>Short-term borrowings:</b>   |   |                     |                   |
| Federal funds purchased and securities sold under agreements to repurchase  | 1,740   | 2,716               | 1,929             |
| Other short-term borrowings   | 982   | 1,221               | 1,035             |
| Total short-term borrowings   | 2,722   | 3,937               | 2,964             |
| Long-term borrowings  | 11,646  | 13,190              | 15,415            |
| Total borrowed funds  | 14,368  | 17,127              | 18,379            |
| Other liabilities   | 3,321   | 3,876               | 3,248             |
| Total liabilities   | 114,020   | 115,617             | 117,877           |
| <b>Stockholders equity:</b>   |   |                     |                   |
| Preferred stock, authorized 10 million shares   | 3,399   | 3,380               | 3,360             |



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Series A, cumulative perpetual participating, par value \$1.00 (liquidation preference \$1,000.00) per share,

net of discount; Issued 3,500,000 shares

Common stock, par value \$.01 per share:

Authorized 3 billion shares at June 30, 2011 and December 31, 2010, and 1.5 billion shares at June 30, 2010

|   |                |                |                |
|---|----------------|----------------|----------------|
| Issued including treasury stock 1,301,331,383; 1,299,000,755 and 1,298,911,598 shares, respectively | 13             | 13             | 13             |
| Additional paid-in capital  | 19,052         | 19,050         | 19,038         |
| Retained earnings (deficit)   | (4,000)        | (4,047)        | (3,849)        |
| Treasury stock, at cost 42,533,753; 42,764,258 and 42,969,345 shares, respectively                  | (1,399)        | (1,402)        | (1,405)        |
| Accumulated other comprehensive income (loss), net  | (177)          | (260)          | 306            |
| <br>Total stockholders' equity  | <br>16,888     | <br>16,734     | <br>17,463     |
| <br>Total liabilities and stockholders' equity  | <br>\$ 130,908 | <br>\$ 132,351 | <br>\$ 135,340 |

See notes to consolidated financial statements.

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

|   | Three Months<br>Ended June 30        |          | Six Months Ended<br>June 30 |          |
|---|--------------------------------------|----------|-----------------------------|----------|
|   | 2011                                 | 2010     | 2011                        | 2010     |
|   | (In millions, except per share data) |          |                             |          |
| Interest income on:                                 |                                      |          |                             |          |
| Loans, including fees                               | \$ 856                               | \$ 930   | \$ 1,723                    | \$ 1,875 |
| Securities:   |                                      |          |                             |          |
| Taxable   | 208                                  | 224      | 415                         | 466      |
| Tax-exempt  |                                      |          |                             | 1        |
| Total securities                                    | 208                                  | 224      | 415                         | 467      |
| Loans held for sale                                 | 9                                    | 9        | 22                          | 17       |
| Trading account assets                              | 6                                    | 9        | 13                          | 21       |
| Other interest-earning assets                       | 7                                    | 8        | 13                          | 15       |
| Total interest income                               | 1,086                                | 1,180    | 2,186                       | 2,395    |
| Interest expense on:                                |                                      |          |                             |          |
| Deposits  | 126                                  | 194      | 265                         | 436      |
| Short-term borrowings                               | 2                                    | 2        | 5                           | 5        |
| Long-term borrowings                                | 94                                   | 128      | 189                         | 267      |
| Total interest expense                              | 222                                  | 324      | 459                         | 708      |
| Net interest income                                 | 864                                  | 856      | 1,727                       | 1,687    |
| Provision for loan losses                           | 398                                  | 651      | 880                         | 1,421    |
| Net interest income after provision for loan losses | 466                                  | 205      | 847                         | 266      |
| Non-interest income:                                |                                      |          |                             |          |
| Service charges on deposit accounts                 | 308                                  | 302      | 595                         | 590      |
| Brokerage, investment banking and capital markets   | 248                                  | 254      | 515                         | 490      |
| Mortgage income                                     | 50                                   | 63       | 95                          | 130      |
| Trust department income                             | 51                                   | 49       | 101                         | 97       |
| Securities gains, net                               | 24                                   |          | 106                         | 59       |
| Leveraged lease termination gains                   |                                      |          |                             | 19       |
| Other   | 100                                  | 88       | 212                         | 183      |
| Total non-interest income                           | 781                                  | 756      | 1,624                       | 1,568    |
| Non-interest expense:                               |                                      |          |                             |          |
| Salaries and employee benefits                      | 561                                  | 560      | 1,155                       | 1,135    |
| Net occupancy expense                               | 107                                  | 110      | 216                         | 230      |
| Furniture and equipment expense                     | 79                                   | 79       | 156                         | 153      |
| Regulatory charge                                   |                                      | 200      |                             | 200      |
| Other   | 451                                  | 377      | 838                         | 838      |
| Total non-interest expense                          | 1,198                                | 1,326    | 2,365                       | 2,556    |
| Income (loss) before income taxes                   | 49                                   | (365)    | 106                         | (722)    |
| Income tax benefit                                  | (60)                                 | (88)     | (72)                        | (249)    |
| Net income (loss)                                   | \$ 109                               | \$ (277) | \$ 178                      | \$ (473) |

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|   |         |           |         |           |
|---|---------|-----------|---------|-----------|
| Net income (loss) available to common shareholders    | \$ 55   | \$ (335)  | \$ 72   | \$ (590)  |
| <b>Weighted-average number of shares outstanding:</b> |         |           |         |           |
| Basic   | 1,258   | 1,200     | 1,257   | 1,197     |
| Diluted   | 1,260   | 1,200     | 1,259   | 1,197     |
| <b>Earnings (loss) per common share:</b>              |         |           |         |           |
| Basic   | \$ 0.04 | \$ (0.28) | \$ 0.06 | \$ (0.49) |
| Diluted   | 0.04    | (0.28)    | 0.06    | (0.49)    |
| Cash dividends declared per common share              | 0.01    | 0.01      | 0.02    | 0.02      |

See notes to consolidated financial statements.

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

|   | Preferred Stock |          | Common Stock |        |                  | Additional<br>Paid-In<br>Capital | Retained<br>Earnings<br>(Deficit) | Treasury<br>Stock,<br>At Cost | Accumulated<br>Other<br>Comprehensive | Total |
|---|-----------------|----------|--------------|--------|------------------|----------------------------------|-----------------------------------|-------------------------------|---------------------------------------|-------|
|   | Shares          | Amount   | Shares       | Amount | Income<br>(Loss) |                                  |                                   |                               |                                       |       |
| <b>BALANCE AT JANUARY 1, 2010</b>   | 4               | \$ 3,602 | 1,193        | \$ 12  | \$ 18,781        | \$ (3,235)                       | \$ (1,409)                        | \$ 130                        | \$ 17,881                             |       |
| (In millions, except share and per share data)  |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Comprehensive income (loss):  |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Net income (loss)   |                 |          |              |        |                  | (473)                            |                                   |                               | (473)                                 |       |
| Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment* |                 |          |              |        |                  |                                  |                                   | 234                           | 234                                   |       |
| Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*        |                 |          |              |        |                  |                                  |                                   | (67)                          | (67)                                  |       |
| Net change from defined benefit pension plans, net of tax*  |                 |          |              |        |                  |                                  |                                   | 9                             | 9                                     |       |
| Comprehensive income (loss)   |                 |          |              |        |                  |                                  |                                   |                               |                                       | (297) |
| Cash dividends declared \$0.02 per share  |                 |          |              |        |                  |                                  | (24)                              |                               |                                       | (24)  |
| Preferred dividends   |                 |          |              |        |                  | 3                                | (100)                             |                               |                                       | (97)  |
| Preferred stock transactions:   |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Conversion of mandatorily convertible preferred stock into 63 million shares of common stock                            |                 | (259)    | 63           | 1      | 258              |                                  |                                   |                               |                                       |       |
| Discount accretion  |                 | 17       |              |        |                  |                                  | (17)                              |                               |                                       |       |
| Common stock transactions:  |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Impact of stock transactions under compensation plans, net  |                 |          |              |        |                  | (4)                              |                                   | 4                             |                                       |       |
| <b>BALANCE AT JUNE 30, 2010</b>   | 4               | \$ 3,360 | 1,256        | \$ 13  | \$ 19,038        | \$ (3,849)                       | \$ (1,405)                        | \$ 306                        | \$ 17,463                             |       |
| <b>BALANCE AT JANUARY 1, 2011</b>   | 4               | \$ 3,380 | 1,256        | \$ 13  | \$ 19,050        | \$ (4,047)                       | \$ (1,402)                        | \$ (260)                      | \$ 16,734                             |       |
| Comprehensive income (loss):  |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Net income  |                 |          |              |        |                  | 178                              |                                   |                               | 178                                   |       |
| Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment* |                 |          |              |        |                  |                                  |                                   | 75                            | 75                                    |       |
| Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*        |                 |          |              |        |                  |                                  |                                   | (4)                           | (4)                                   |       |
| Net change from defined benefit pension plans, net of tax*  |                 |          |              |        |                  |                                  |                                   | 12                            | 12                                    |       |
| Comprehensive income  |                 |          |              |        |                  |                                  |                                   |                               |                                       | 261   |
| Cash dividends declared \$0.02 per share  |                 |          |              |        |                  |                                  | (25)                              |                               |                                       | (25)  |
| Preferred dividends   |                 |          |              |        |                  |                                  | (87)                              |                               |                                       | (87)  |
| Preferred stock transactions:   |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Discount accretion  |                 | 19       |              |        |                  |                                  | (19)                              |                               |                                       |       |
| Common stock transactions:  |                 |          |              |        |                  |                                  |                                   |                               |                                       |       |
| Impact of stock transactions under compensation plans, net  |                 |          | 3            |        | 2                |                                  |                                   | 3                             |                                       | 5     |
| <b>BALANCE AT JUNE 30, 2011</b>   | 4               | \$ 3,399 | 1,259        | \$ 13  | \$ 19,052        | \$ (4,000)                       | \$ (1,399)                        | \$ (177)                      | \$ 16,888                             |       |

See notes to consolidated financial statements.

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

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

|   | <b>Six Months Ended<br/>June 30</b> |                |
|---|-------------------------------------|----------------|
|   | <b>2011</b>                         | <b>2010</b>    |
|   | <b>(In millions)</b>                |                |
| <b>Operating activities:</b>  |                                     |                |
| Net income (loss)   | \$ 178                              | \$ (473)       |
| Adjustments to reconcile net cash provided by operating activities: |                                     |                |
| Provision for loan losses   | 880                                 | 1,421          |
| Depreciation and amortization of premises and equipment             | 138                                 | 145            |
| Provision for losses on other real estate, net                      | 58                                  | 64             |
| Net amortization of securities                                      | 92                                  | 92             |
| Net amortization of loans and other assets                          | 98                                  | 109            |
| Net accretion of deposits and borrowings                            | 1                                   | (3)            |
| Net securities gains  | (106)                               | (59)           |
| Loss on early extinguishment of debt                                |                                     | 53             |
| Deferred income tax benefit   | (81)                                | (146)          |
| Originations and purchases of loans held for sale                   | (2,624)                             | (2,294)        |
| Proceeds from sales of loans held for sale                          | 3,525                               | 2,853          |
| Gain on sale of loans, net  | (37)                                | (33)           |
| Valuation charges on loans held for sale                            | 6                                   | 16             |
| Branch consolidation and property and equipment charges             | 77                                  |                |
| (Increase) decrease in trading account assets                       | (107)                               | 1,778          |
| Decrease (increase) in other interest-earning assets                | 12                                  | (348)          |
| Decrease in interest receivable                                     | 67                                  | 2              |
| Decrease (increase) in other assets                                 | 1,246                               | (58)           |
| Decrease in other liabilities                                       | (543)                               | (365)          |
| Other   | (38)                                | 41             |
| <b>Net cash from operating activities</b>                           | <b>2,842</b>                        | <b>2,795</b>   |
| <b>Investing activities:</b>  |                                     |                |
| Proceeds from sales of securities available for sale                | 6,479                               | 1,460          |
| Proceeds from maturities of:  |                                     |                |
| Securities available for sale                                       | 2,291                               | 3,686          |
| Securities held to maturity   | 4                                   | 3              |
| Purchases of securities available for sale                          | (9,178)                             | (4,899)        |
| Proceeds from sales of loans  | 816                                 | 630            |
| Purchases of loans  | (1,545)                             |                |
| Net decrease in loans   | 585                                 | 2,209          |
| Net purchases of premises and equipment                             | (128)                               | (71)           |
| <b>Net cash from investing activities</b>                           | <b>(676)</b>                        | <b>3,018</b>   |
| <b>Financing activities:</b>  |                                     |                |
| Net increase (decrease) in deposits                                 | 1,717                               | (2,430)        |
| Net decrease in short-term borrowings                               | (1,215)                             | (704)          |
| Proceeds from long-term borrowings                                  | 1,001                               | 743            |
| Payments on long-term borrowings                                    | (2,502)                             | (3,901)        |
| Cash dividends on common stock                                      | (25)                                | (24)           |
| Cash dividends on preferred stock                                   | (87)                                | (97)           |
| <b>Net cash from financing activities</b>                           | <b>(1,111)</b>                      | <b>(6,413)</b> |

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|  |          |          |
|--|----------|----------|
| Increase (decrease) in cash and cash equivalents | 1,055    | (600)    |
| Cash and cash equivalents at beginning of year   | 6,919    | 8,011    |
| Cash and cash equivalents at end of period       | \$ 7,974 | \$ 7,411 |

See notes to consolidated financial statements.

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**REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Three and Six Months Ended June 30, 2011 and 2010**

**NOTE 1 Basis of Presentation**

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

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

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

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



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

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

|  | Amortized<br>Cost | June 30, 2011                |                               | Estimated<br>Fair<br>Value |
|--|-------------------|------------------------------|-------------------------------|----------------------------|
|  |                   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses |                            |
| (In millions)                                    |                   |                              |                               |                            |
| <b>Securities available for sale:</b>            |                   |                              |                               |                            |
| U.S. Treasury securities                         | \$ 85             | \$ 2                         | \$                            | \$ 87                      |
| Federal agency securities                        | 773               | 2                            | (1)                           | 774                        |
| Obligations of states and political subdivisions | 25                | 8                            |                               | 33                         |
| Mortgage-backed securities:                      |                   |                              |                               |                            |
| Residential agency                               | 21,297            | 274                          | (45)                          | 21,526                     |
| Residential non-agency                           | 16                | 1                            |                               | 17                         |
| Commercial agency                                | 155               | 2                            | (1)                           | 156                        |
| Commercial non-agency                            | 253               | 1                            | (2)                           | 252                        |
| Other debt securities                            | 24                |                              | (2)                           | 22                         |
| Equity securities                                | 961               |                              |                               | 961                        |
|  | \$ 23,589         | \$ 290                       | \$ (51)                       | \$ 23,828                  |
| <b>Securities held to maturity:</b>              |                   |                              |                               |                            |
| U.S. Treasury securities                         | \$ 5              | \$                           | \$                            | \$ 5                       |
| Federal agency securities                        | 3                 |                              |                               | 3                          |
| Mortgage-backed securities:                      |                   |                              |                               |                            |
| Residential agency                               | 11                |                              |                               | 11                         |
| Other debt securities                            | 2                 |                              |                               | 2                          |
|  | \$ 21             | \$                           | \$                            | \$ 21                      |

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

**Securities held to maturity:**

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

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

|                        | June 30<br>2011 | December 31<br>2010 |
|------------------------|-----------------|---------------------|
|                        | (In millions)   |                     |
| Federal Reserve Bank   | \$ 460          | \$ 471              |
| Federal Home Loan Bank | 340             | 419                 |

Securities with carrying values of \$13.4 billion and \$15.4 billion at June 30, 2011 and December 31, 2010, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

The cost and estimated fair value of securities available for sale and securities held to maturity at June 30, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

|  | Amortized<br>Cost | Estimated<br>Fair<br>Value |
|--|-------------------|----------------------------|
|  | (In millions)     |                            |
| <b>Securities available for sale:</b>  |                   |                            |
| Due in one year or less                | \$ 64             | \$ 64                      |
| Due after one year through five years  | 800               | 803                        |
| Due after five years through ten years | 15                | 15                         |
| Due after ten years                    | 28                | 34                         |
| Mortgage-backed securities:            |                   |                            |
| Residential agency                     | 21,297            | 21,526                     |
| Residential non-agency                 | 16                | 17                         |
| Commercial agency                      | 155               | 156                        |
| Commercial non-agency                  | 253               | 252                        |
| Equity securities                      | 961               | 961                        |
|  | \$ 23,589         | \$ 23,828                  |
| <b>Securities held to maturity:</b>    |                   |                            |
| Due in one year or less                | \$ 2              | \$ 2                       |
| Due after one year through five years  | 6                 | 6                          |
| Due after five years through ten years | 2                 | 2                          |
| Due after ten years                    |                   |                            |
| Mortgage-backed securities:            |                   |                            |
| Residential agency                     | 11                | 11                         |
|  | \$ 21             | \$ 21                      |

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

| June 30, 2011               | Less Than Twelve Months |                         | Twelve Months or More |                         | Total                |                         |
|-----------------------------|-------------------------|-------------------------|-----------------------|-------------------------|----------------------|-------------------------|
|                             | Estimated Fair Value    | Gross Unrealized Losses | Estimated Fair Value  | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
|                             |                         |                         |                       |                         |                      |                         |
|                             |                         |                         | (In millions)         |                         |                      |                         |
| Federal agency securities   | \$ 220                  | \$ (1)                  | \$                    | \$                      | \$ 220               | \$ (1)                  |
| Mortgage-backed securities: |                         |                         |                       |                         |                      |                         |
| Residential agency          | 6,090                   | (45)                    |                       |                         | 6,090                | (45)                    |
| Commercial agency           | 65                      | (1)                     |                       |                         | 65                   | (1)                     |
| Commercial non-agency       | 129                     | (2)                     |                       |                         | 129                  | (2)                     |
| All other securities        |                         |                         | 6                     | (2)                     | 6                    | (2)                     |
|                             | \$ 6,504                | \$ (49)                 | \$ 6                  | \$ (2)                  | \$ 6,510             | \$ (51)                 |

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

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

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 253 securities and 292 securities at June 30, 2011 and December 31, 2010, respectively, represented an other-than-temporary impairment as of those dates. The unrealized losses are related primarily to the impact of higher interest rates and their impact on mortgage-backed securities. The Company does not intend to sell, and it is not likely that the Company will be required to sell, the securities before the recovery of their amortized cost basis, which may be at maturity.

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

|                   | Three Months Ended June 30 |       | Six Months Ended June 30 |          |
|-------------------|----------------------------|-------|--------------------------|----------|
|                   | 2011                       | 2010  | 2011                     | 2010     |
|                   |                            |       |                          |          |
|                   | (In millions)              |       | (In millions)            |          |
| Proceeds          | \$ 4,060                   | \$ 17 | \$ 6,479                 | \$ 1,460 |
| Securities gains  | 24                         |       | 106                      | 59       |
| Securities losses |                            |       |                          |          |

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|                      |    |    |    |    |     |    |    |
|----------------------|----|----|----|----|-----|----|----|
| Net securities gains | \$ | 24 | \$ | \$ | 106 | \$ | 59 |
|----------------------|----|----|----|----|-----|----|----|

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

|                          | Three Months Ended<br>June 30 |        | Six Months Ended<br>June 30 |      |
|--------------------------|-------------------------------|--------|-----------------------------|------|
|                          | 2011                          | 2010   | 2011                        | 2010 |
|                          | (In millions)                 |        | (In millions)               |      |
| Total net gains (losses) | \$ 10                         | \$ (5) | \$ 31                       | \$ 9 |
| Unrealized portion       | (1)                           | (12)   | 13                          | 4    |

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

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

|  | June 30<br>2011                       | December 31<br>2010 | June 30<br>2010 |
|--|---------------------------------------|---------------------|-----------------|
|  | (In millions, net of unearned income) |                     |                 |
| Commercial and industrial                          | \$ 23,644                             | \$ 22,540           | \$ 21,096       |
| Commercial real estate mortgage owner occupied     | 11,797                                | 12,046              | 11,967          |
| Commercial real estate construction owner occupied | 377                                   | 470                 | 547             |
| Total commercial                                   | 35,818                                | 35,056              | 33,610          |
| Commercial investor real estate mortgage           | 11,836                                | 13,621              | 15,152          |
| Commercial investor real estate construction       | 1,595                                 | 2,287               | 3,778           |
| Total investor real estate                         | 13,431                                | 15,908              | 18,930          |
| Residential first mortgage                         | 14,306                                | 14,898              | 15,567          |
| Home equity  | 13,593                                | 14,226              | 14,802          |
| Indirect   | 1,704                                 | 1,592               | 1,900           |
| Consumer credit card                               | 1,134                                 |                     |                 |
| Other consumer                                     | 1,190                                 | 1,184               | 1,136           |
| Total consumer                                     | 31,927                                | 31,900              | 33,405          |
|  | \$ 81,176                             | \$ 82,864           | \$ 85,945       |

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.

Prior to 2011, the allowance for accruing commercial and investor real estate loans, as well as non-accrual loans in those portfolio segments below \$2.5 million, was determined using categories of pools of loans with similar risk characteristics (i.e., pass, special mention, substandard accrual, and nonaccrual, as defined below). These categories were utilized to develop the associated allowance for loan losses using historical losses adjusted for current economic conditions. Beginning in 2011, these pools of loans were compiled at a more granular level. A probability of default and a loss given default were statistically calculated for each pool. These parameters, in combination with other account data and assumptions, were used to calculate the estimate of incurred loss. The Company made the change to provide enhanced segmentation, process controls, transparency, governance and information technology controls. The change did not have a material impact on the overall allowance for credit losses. The credit quality indicators for commercial and investor real estate loans disclosed in the tables below provide additional information regarding the underlying credit quality of Regions' portfolio segments and classes, and the corresponding impact on the allowance for credit losses.



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The components of the calculation of the allowance for credit losses related to non-accrual commercial and investor real estate loans over \$2.5 million, troubled debt restructurings ( TDRs ), unfunded commitments, and all consumer loans were calculated in 2011 in the same manner as before. Except for the changes to the calculation of the allowance for loan losses for accruing commercial and investor real estate loans and non-accrual loans in these portfolio segments below \$2.5 million as described above, there were no changes to Regions' allowance process or accounting policies related to the allowance for credit losses from those described in the Annual Report on Form 10-K for the year ended December 31, 2010.

Management considers the current level of allowance for credit losses appropriate to absorb losses inherent in the loan portfolio and unfunded commitments. Management's determination of the appropriateness of the allowance for credit losses, which is based on the factors and risk identification procedures previously discussed, requires the use of judgments and estimations that may change in the future. Changes in the factors used by management to determine the appropriateness of the allowance or the availability of new information could cause the allowance for credit losses to be adjusted in future periods.

The following tables present an analysis of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2011. The total allowance for credit losses is then disaggregated to show the amounts derived through individual evaluation and the amounts calculated through collective evaluation. The allowance for credit losses related to individually evaluated loans includes reserves for non-accrual loans and leases, as well as TDRs, equal to or greater than \$2.5 million. The allowance for credit losses related to collectively evaluated loans includes reserves for pools of loans with common risk characteristics.

|  | <b>Three Months Ended June 30, 2011</b> |                      |                 |              |
|--|---|----------------------|-----------------|--------------|
|  | <b>Commercial</b>                       | <b>Investor Real</b> | <b>Consumer</b> | <b>Total</b> |
|  |   | <b>Estate</b>        |                 |              |
|  | (In millions)                           |                      |                 |              |
| Allowance for loan losses, April 1, 2011               | \$ 1,138                                | \$ 1,285             | \$ 763          | \$ 3,186     |
| Allowance allocated to purchased loans                 | 10                                      |                      | 74              | 84           |
| Provision for loan losses                              | 72                                      | 171                  | 155             | 398          |
| Loan losses:   |   |                      |                 |              |
| Charge-offs  | (107)                                   | (306)                | (166)           | (579)        |
| Recoveries   | 14                                      | 3                    | 14              | 31           |
| Net loan losses  | (93)                                    | (303)                | (152)           | (548)        |
| Allowance for loan losses, June 30, 2011               | 1,127                                   | 1,153                | 840             | 3,120        |
| Reserve for unfunded credit commitments, April 1, 2011 | 37                                      | 17                   | 24              | 78           |
| Provision for unfunded credit commitments              | (5)                                     | 11                   |                 | 6            |
| Reserve for unfunded credit commitments, June 30, 2011 | 32                                      | 28                   | 24              | 84           |
| Allowance for credit losses, June 30, 2011             | \$ 1,159                                | \$ 1,181             | \$ 864          | \$ 3,204     |



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|  | Six Months Ended June 30, 2011 |                         |           |           |
|--|--------------------------------|-------------------------|-----------|-----------|
|  | Commercial                     | Investor Real<br>Estate | Consumer  | Total     |
|  | (In millions)                  |                         |           |           |
| Allowance for loan losses, January 1, 2011               | \$ 1,055                       | \$ 1,370                | \$ 760    | \$ 3,185  |
| Allowance allocated to purchased loans                   | 10                             |                         | 74        | 84        |
| Provision for loan losses                                | 297                            | 260                     | 323       | 880       |
| Loan losses:   |                                |                         |           |           |
| Charge-offs  | (258)                          | (487)                   | (346)     | (1,091)   |
| Recoveries   | 23                             | 10                      | 29        | 62        |
| Net loan losses  | (235)                          | (477)                   | (317)     | (1,029)   |
| Allowance for loan losses, June 30, 2011                 | 1,127                          | 1,153                   | 840       | 3,120     |
| Reserve for unfunded credit commitments, January 1, 2011 | 32                             | 16                      | 23        | 71        |
| Provision for unfunded credit commitments                |                                | 12                      | 1         | 13        |
| Reserve for unfunded credit commitments, June 30, 2011   | 32                             | 28                      | 24        | 84        |
| Allowance for credit losses, June 30, 2011               | \$ 1,159                       | \$ 1,181                | \$ 864    | \$ 3,204  |
| Portion of allowance ending balance:                     |                                |                         |           |           |
| Individually evaluated for impairment                    | \$ 128                         | \$ 163                  | \$ 4      | \$ 295    |
| Collectively evaluated for impairment                    | 1,031                          | 1,018                   | 860       | 2,909     |
| Total allowance evaluated for impairment                 | \$ 1,159                       | \$ 1,181                | \$ 864    | \$ 3,204  |
| Portion of loan portfolio ending balance:                |                                |                         |           |           |
| Individually evaluated for impairment                    | \$ 599                         | \$ 989                  | \$ 18     | \$ 1,606  |
| Collectively evaluated for impairment                    | 35,219                         | 12,442                  | 31,909    | 79,570    |
| Total loans evaluated for impairment                     | \$ 35,818                      | \$ 13,431               | \$ 31,927 | \$ 81,176 |

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

*Commercial* The commercial loan portfolio segment includes commercial and industrial, representing 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



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

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

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

Special Mention includes obligations that have potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. Obligations in this category may also be subject to economic or market conditions which may, in the future, have an adverse affect 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 classified. Special mention, substandard accrual, and non-accrual loans are often collectively referred to as criticized and classified.

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

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|  | Pass      | Special Mention | June 30, 2011<br>Substandard<br>Accrual<br>(In millions) | Non-accrual | Total     |
|--|-----------|-----------------|--|-------------|-----------|
| Commercial and industrial                          | \$ 21,990 | \$ 445          | \$ 684   | \$ 525      | \$ 23,644 |
| Commercial real estate mortgage owner occupied     | 10,235    | 257             | 618  | 687         | 11,797    |
| Commercial real estate construction owner occupied | 322       | 17              | 10   | 28          | 377       |
| Total commercial                                   | \$ 32,547 | \$ 719          | \$ 1,312   | \$ 1,240    | \$ 35,818 |
| Commercial investor real estate mortgage           | 8,143     | 1,162           | 1,711  | 820         | 11,836    |
| Commercial investor real estate construction       | 660       | 194             | 370  | 371         | 1,595     |
| Total investor real estate                         | \$ 8,803  | \$ 1,356        | \$ 2,081   | \$ 1,191    | \$ 13,431 |

|                            | Accrual   | Non-accrual<br>(In millions) | Total     |
|----------------------------|-----------|------------------------------|-----------|
| Residential first mortgage | \$ 14,018 | \$ 288                       | \$ 14,306 |
| Home equity                | 13,528    | 65                           | 13,593    |
| Indirect                   | 1,704     |                              | 1,704     |
| Consumer credit card       | 1,134     |                              | 1,134     |
| Other consumer             | 1,190     |                              | 1,190     |
| Total consumer             | \$ 31,574 | \$ 353                       | \$ 31,927 |

\$ 81,176

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

|                            | Accrual   | Non-accrual<br>(In<br>millions) | Total     |
|----------------------------|-----------|---------------------------------|-----------|
| Residential first mortgage | \$ 14,613 | \$ 285                          | \$ 14,898 |
| Home equity                | 14,170    | 56                              | 14,226    |
| Indirect                   | 1,592     |                                 | 1,592     |
| Other consumer             | 1,184     |                                 | 1,184     |
| Total consumer             | \$ 31,559 | \$ 341                          | \$ 31,900 |

\$ 82,864



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|  | Pass      | Special Mention | June 30, 2010<br>Substandard<br>Accrual<br>(In millions) | Non-accrual | Total     |
|--|-----------|-----------------|--|-------------|-----------|
| Commercial and industrial                          | \$ 19,224 | \$ 497          | \$ 896   | \$ 479      | \$ 21,096 |
| Commercial real estate mortgage owner occupied     | 10,259    | 323             | 705  | 680         | 11,967    |
| Commercial real estate construction owner occupied | 456       | 28              | 26   | 37          | 547       |
| Total commercial                                   | \$ 29,939 | \$ 848          | \$ 1,627   | \$ 1,196    | \$ 33,610 |
| Commercial investor real estate mortgage           | 9,607     | 1,723           | 2,536  | 1,286       | 15,152    |
| Commercial investor real estate construction       | 1,605     | 570             | 849  | 754         | 3,778     |
| Total investor real estate                         | \$ 11,212 | \$ 2,293        | \$ 3,385   | \$ 2,040    | \$ 18,930 |
|  |           |                 | Accrual  | Non-accrual | Total     |
|  |           |                 | (In millions)  |             |           |
| Residential first mortgage                         |           |                 | \$ 15,355  | \$ 212      | \$ 15,567 |
| Home equity  |           |                 | 14,777   | 25          | 14,802    |
| Indirect   |           |                 | 1,900  |             | 1,900     |
| Other consumer                                     |           |                 | 1,136  |             | 1,136     |
| Total consumer                                     |           |                 | \$ 33,168  | \$ 237      | \$ 33,405 |
|  |           |                 |  |             | \$ 85,945 |

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

|  | Accrual Loans |           |         | June 30, 2011                     |                  |             |           |
|--|---------------|-----------|---------|-----------------------------------|------------------|-------------|-----------|
|  | 30-59 DPD     | 60-89 DPD | 90+ DPD | Total<br>30+ DPD<br>(In millions) | Total<br>Accrual | Non-accrual | Total     |
| Commercial and industrial                          | \$ 80         | \$ 38     | \$ 7    | \$ 125                            | \$ 23,119        | \$ 525      | \$ 23,644 |
| Commercial real estate mortgage owner occupied     | 49            | 22        | 11      | 82                                | 11,110           | 687         | 11,797    |
| Commercial real estate construction owner occupied | 2             |           |         | 2                                 | 349              | 28          | 377       |
| Total commercial                                   | 131           | 60        | 18      | 209                               | 34,578           | 1,240       | 35,818    |
| Commercial investor real estate mortgage           | 99            | 47        | 5       | 151                               | 11,016           | 820         | 11,836    |
| Commercial investor real estate construction       | 22            | 3         |         | 25                                | 1,224            | 371         | 1,595     |
| Total investor real estate                         | 121           | 50        | 5       | 176                               | 12,240           | 1,191       | 13,431    |
| Residential first mortgage                         | 172           | 93        | 296     | 561                               | 14,018           | 288         | 14,306    |
| Home equity  | 97            | 71        | 158     | 326                               | 13,528           | 65          | 13,593    |
| Indirect   | 20            | 5         | 2       | 27                                | 1,704            |             | 1,704     |
| Consumer credit card                               | 7             | 4         |         | 11                                | 1,134            |             | 1,134     |
| Other consumer                                     | 18            | 4         | 4       | 26                                | 1,190            |             | 1,190     |

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|                |        |        |        |          |           |          |           |
|----------------|--------|--------|--------|----------|-----------|----------|-----------|
| Total consumer | 314    | 177    | 460    | 951      | 31,574    | 353      | 31,927    |
|                | \$ 566 | \$ 287 | \$ 483 | \$ 1,336 | \$ 78,392 | \$ 2,784 | \$ 81,176 |

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