REGIONS FINANCIAL CORP
Form 10-Q
November 03, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

or

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

Commission File Number: 000-50831

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

Delaware	**63-0589368**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
1900 Fifth Avenue North Birmingham, Alabama	**35203**
(Address of principal executive offices)	**(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. x 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). x 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 x 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 x No

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

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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. Proposed rules, including those that are part of the Basel III process, could require banking institutions to increase levels of capital. All of the foregoing may have significant effects on Regions and the financial services industry, the exact nature and extent of which cannot be determined at this time.

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

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

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

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

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

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

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

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

Regions ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support Regions business.

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

Regions ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by Regions customers and potential customers.

Regions ability to keep pace with technological changes.

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

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

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

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

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

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

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

Possible downgrades in ratings issued by rating agencies.

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

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

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

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

Regions ability to receive dividends from its subsidiaries.

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

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

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

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

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

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30 2011	December 31 2010
	(In millions, except share and per share data)	
Assets		
Cash and due from banks	$ 2,000	$ 1,643
Interest-bearing deposits in other banks	6,009	4,880
Federal funds sold and securities purchased under agreements to resell	254	396
Trading account assets	1,462	1,116
Securities available for sale	24,635	23,289
Securities held to maturity	18	24
Loans held for sale (includes $647 and $1,174 measured at fair value, at September 30, 2011 and December 31, 2010, respectively)	1,012	1,485
Loans, net of unearned income	79,447	82,864
Allowance for loan losses	(2,964)	(3,185)
Net loans	76,483	79,679
Other interest-earning assets	1,081	1,219
Premises and equipment, net	2,399	2,569
Interest receivable	422	421
Goodwill	5,561	5,561
Mortgage servicing rights	182	267
Other identifiable intangible assets	478	385
Other assets	7,766	9,417
Total assets	$ 129,762	$ 132,351
Liabilities and Stockholders Equity		
Deposits:		
Non-interest-bearing	$ 28,296	$ 25,733
Interest-bearing	67,642	68,881
Total deposits	95,938	94,614
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,969	2,716
Other short-term borrowings	974	1,221
Total short-term borrowings	2,943	3,937
Long-term borrowings	10,140	13,190
Total borrowed funds	13,083	17,127
Other liabilities	3,478	3,876
Total liabilities	112,499	115,617
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	3,409	3,380
Common stock, par value $.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,301,329,413 and 1,299,000,755 shares, respectively	13	13
Additional paid-in capital	19,059	19,050
Retained earnings (deficit)	(3,913)	(4,047)
Treasury stock, at cost 42,451,925 and 42,764,258 shares, respectively	(1,397)	(1,402)
Accumulated other comprehensive income (loss), net	92	(260)
Total stockholders equity	17,263	16,734
Total liabilities and stockholders equity	$ 129,762	$ 132,351

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$ 867	$ 919	$ 2,590	$ 2,794
Securities:				
Taxable	177	214	592	680
Tax-exempt				1
Total securities	177	214	592	681
Loans held for sale	7	10	29	27
Trading account assets	6	8	19	29
Other interest-earning assets	7	7	20	22
Total interest income	1,064	1,158	3,250	3,553
Interest expense on:				
Deposits	112	167	377	603
Short-term borrowings	1	3	6	8
Long-term borrowings	93	120	282	387
Total interest expense	206	290	665	998
Net interest income	858	868	2,585	2,555
Provision for loan losses	355	760	1,235	2,181
Net interest income after provision for loan losses	503	108	1,350	374
Non-interest income:				
Service charges on deposit accounts	310	294	905	884
Brokerage, investment banking and capital markets	217	257	732	747
Mortgage income	68	66	163	196