REGIONS FINANCIAL CORP
Form 10-Q
August 06, 2012
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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 June 30, 2012

or

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

Commission File Number: 000-50831

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

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 1,413,343,477 shares of common stock, par value $.01, outstanding as of July 25, 2012.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation (Regions) under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management s expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) became law on July 21, 2010, and a number of legislative, regulatory and tax proposals remain pending. Additionally, the U.S. Treasury and federal banking regulators continue to implement, but are also beginning to wind down, a number of programs to address capital and liquidity in the banking system. Future and proposed rules, including those that are part of the Basel III process, are expected to 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.

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

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

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

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

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

Possible regulations issued by the Consumer Financial Protection Bureau or other regulators which might adversely impact Regions business model or products and services.

Possible 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.

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, reputational risk, and regulatory and compliance risk.

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

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

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

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

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

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

Possible downgrades in ratings issued by rating agencies.

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

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

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

Regions ability to receive dividends from its subsidiaries.

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

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, 2011 and the Forward-Looking Statements section of Regions Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, 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

	June 30 2012	December 31 2011
	(In millions, except share data)	
Assets		
Cash and due from banks	$ 2,000	$ 2,132
Interest-bearing deposits in other banks	1,766	4,913
Federal funds sold and securities purchased under agreements to resell		200
Trading account assets	110	1,266
Securities available for sale	27,232	24,471
Securities held to maturity	13	16
Loans held for sale (includes $950 and $844 measured at fair value, respectively)	1,187	1,193
Loans, net of unearned income	76,202	77,594
Allowance for loan losses	(2,291)	(2,745)
Net loans	73,911	74,849
Other interest-earning assets	901	1,085
Premises and equipment, net	2,300	2,375
Interest receivable	341	361
Goodwill	4,816	4,816
Mortgage servicing rights	179	182
Other identifiable intangible assets	391	449
Other assets	7,198	8,742
Total assets	$ 122,345	$ 127,050
Liabilities and Stockholders Equity		
Deposits:		
Non-interest-bearing	$ 29,694	$ 28,266
Interest-bearing	65,404	67,361
Total deposits	95,098	95,627
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	2,746	2,333
Other short-term borrowings	560	734
Total short-term borrowings	3,306	3,067
Long-term borrowings	6,230	8,110
Total borrowed funds	9,536	11,177
Other liabilities	3,256	3,747
Total liabilities	107,890	110,551
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 0 and 3,500,000 shares, respectively		3,419

Common stock, par value $.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,454,542,017 and 1,301,230,838 shares, respectively	15	13
Additional paid-in capital	19,898	19,060
Retained earnings (deficit)	(4,136)	(4,527)
Treasury stock, at cost 41,198,540 and 42,414,444 shares, respectively	(1,376)	(1,397)
Accumulated other comprehensive income (loss), net	54	(69)
Total stockholders equity	14,455	16,499
Total liabilities and stockholders equity	$ 122,345	$ 127,050

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$ 806	$ 856	$ 1,618	$ 1,723
Securities:				
Taxable	179	208	353	415
Tax-exempt				
Total securities	179	208	353	415
Loans held for sale	7	9	14	22
Trading account assets			1	
Other interest-earning assets	2	3	5	6
Total interest income	994	1,076	1,991	2,166
Interest expense on:				
Deposits	76	126	164	265
Short-term borrowings				1
Long-term borrowings	80	94	162	189
Total interest expense	156	220	326	455
Net interest income	838	856	1,665	1,711
Provision for loan losses	26	398	143	880
Net interest income after provision for loan losses	812	458	1,522	831
Non-interest income:				
Service charges on deposit accounts	233	308	487	595
Capital markets and investment income	17	19	45	50
Mortgage income	90	50	167	95
Trust department income	50	51	99	101
Securities gains, net	12	24	24	106
Other	105	91	209	176
Total non-interest income	507	543	1,031	1,123
Non-interest expense:				
Salaries and employee benefits	434	401	876	829
Net occupancy expense	92	98	186	198
Furniture and equipment expense	67	72	131	142
Other	249	385	562	719
Total non-interest expense	842	956	1,755	1,888
Income from continuing operations before income taxes	477	45	798	66
Income tax expense (benefit)	126	(34)	208	(63)
Income from continuing operations	$ 351	$ 79	$ 590	$ 129
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	4	4	(61)	40
Income tax benefit		(26)	(25)	(9)
Income (loss) from discontinued operations, net of tax	4	30	(36)	49
Net income	$ 355	$ 109	$ 554	$ 178

Net income from continuing operations available to common shareholders	$ 280	$ 25	$ 465	$ 23
Net income available to common shareholders	$ 284	$ 55	$ 429	$ 72
Weighted-average number of shares outstanding:				
Basic	1,414	1,258	1,348	1,257
Diluted	1,418	1,260	1,350	1,259
Earnings per common share from continuing operations:				
Basic	$ 0.20	$ 0.02	$ 0.34	$ 0.02
Diluted	0.20	0.02	0.34	0.02
Earnings per common share:				
Basic	$ 0.20	$ 0.04	$ 0.32	$ 0.06
Diluted	0.20	0.04	0.32	0.06
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 COMPREHENSIVE INCOME

	Three Months Ended June 30	
	2012	2011
	(In millions)	
Net income	$ 355	$ 109
Other comprehensive income, net of tax:*		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period (net of $52 and $114 tax effect for the three months ended June 30, 2012 and 2011, respectively)	86	192
Less: reclassification adjustments for securities gains realized in net income (net of $4 and $8 tax effect for the three months ended June 30, 2012 and 2011, respectively)	8	16
Net change in unrealized gains on securities available for sale	78	176
Unrealized gains on derivative instruments designated as cash flow hedges:		
Unrealized holding gains on derivatives arising during the period (net of $23 and $35 tax effect for the three months ended June 30, 2012 and 2011, respectively)	37	55
Less: reclassification adjustments for gains realized in net income (net of $7 and $18 tax effect for the three months ended June 30, 2012 and 2011, respectively)	11	29
Net change in unrealized gains on derivative instruments	26	26
Defined benefit pension plans and other post employment benefits:		
Amortization of actuarial loss and prior service cost realized in net income, and other (net of $7 and $4 tax effect for the three months ended June 30, 2012 and 2011, respectively)	10	8
Net change from defined benefit pension plans	10	8
Other comprehensive income, net of tax*	$ 114	$ 210
Comprehensive income	$ 469	$ 319

	Six Months Ended June 30	
	2012	2011
	(In millions)	
Net income	$ 554	$ 178
Other comprehensive income, net of tax:*		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period (net of $52 and $81 tax effect for the six months ended June 30, 2012 and 2011, respectively)	88	144
Less: reclassification adjustments for securities gains realized in net income (net of $8 and $37 tax effect for the six months ended June 30, 2012 and 2011, respectively)	16	69
Net change in unrealized gains on securities available for sale	72	75
Unrealized gains on derivative instruments designated as cash flow hedges:		
Unrealized holding gains on derivatives arising during the period (net of $29 and $35 tax effect for the six months ended June 30, 2012 and 2011, respectively)	47	56
Less: reclassification adjustments for gains realized in net income (net of $13 and $37 tax effect for the six months ended June 30, 2012 and 2011, respectively)	21	60
Net change in unrealized gains (losses) on derivative instruments	26	(4)
Defined benefit pension plans and other post employment benefits:		

Amortization of actuarial loss and prior service cost realized in net income, and other (net of $15 and $8 tax effect for the six months ended June 30, 2012 and 2011, respectively)	25	12
Net change from defined benefit pension plans	25	12
Other comprehensive income, net of tax*	$ 123	$ 83
Comprehensive income	$ 677	$ 261

* All other comprehensive amounts are shown net of tax.

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 Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
				(In millions, except share and per share data)					
BALANCE AT JANUARY 1, 2011	4	$ 3,380	1,256	$ 13	$ 19,050	$ (4,047)	$ (1,402)	$ (260)	$ 16,734
Net income						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
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
BALANCE AT JUNE 30, 2011	4	$ 3,399	1,259	$ 13	$ 19,052	$ (4,000)	$ (1,399)	$ (177)	$ 16,888
BALANCE AT JANUARY 1, 2012	4	$ 3,419	1,259	$ 13	$ 19,060	$ (4,527)	$ (1,397)	$ (69)	$ 16,499
Net income						554			554
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment								72	72
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment								26	26
Net change from defined benefit pension plans, net of tax								25	25
Cash dividends declared $0.02 per share						(27)			(27)
Preferred dividends						(44)			(44)
Preferred stock transactions:									
Discount accretion		10				(10)			
Repurchase of Series A preferred stock issued to the U.S. Treasury and associated accelerated accretion	(4)	(3,429)				(71)			(3,500)
Repurchase of warrant from the U.S. Treasury					(45)				(45)
Common stock transactions:									
Net proceeds from issuance of 153 million shares of common stock			153	2	873				875
Impact of stock transactions under compensation plans, net			1		10	(11)	21		20

BALANCE AT JUNE 30, 2012	$ 1,413	$ 15	$ 19,898	$ (4,136)	$ (1,376)	$ 54	$ 14,455

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2012	2011
	(In millions)	
Operating activities:		
Net income	$ 554	$ 178
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	143	880
Depreciation and amortization of premises and equipment	125	138
Provision for losses on other real estate, net	18	58
Net amortization of securities	144	92
Net amortization of loans and other assets	77	98
Net amortization of borrowings	2	1
Net securities gains	(24)	(106)
Gain on disposition of business	(15)	
Deferred income tax expense (benefit)	201	(81)
Excess tax benefits from share-based payments	(1)	
Originations and purchases of loans held for sale	(2,834)	(2,624)
Proceeds from sales of loans held for sale	2,732	3,525
Gain on sale of loans, net	(62)	(37)
Valuation charges on loans held for sale	8	6
Branch consolidation and property and equipment charges		77
Decrease (increase) in trading account assets	193	(107)
(Increase) decrease in other interest-earning assets	(182)	12
Decrease in interest receivable	17	67
(Increase) decrease in other assets	(102)	1,246
Increase (decrease) in other liabilities	39	(543)
Other	4	(38)
Net cash from operating activities	1,037	2,842
Investing activities:		
Proceeds from sales of securities available for sale	1,670	6,479
Proceeds from maturities of securities available for sale	3,209	2,291
Proceeds from maturities of securities held to maturity	3	4
Purchases of securities available for sale	(6,970)	(9,178)
Proceeds from sales of loans	411	816
Purchases of loans	(407)	(1,545)
Net decrease in loans	746	585
Net purchases of premises and equipment	(79)	(128)
Proceeds from disposition of business, net of cash transferred	855	
Net cash from investing activities	(562)	(676)
Financing activities:		
Net (decrease) increase in deposits	(529)	1,717
Net increase (decrease) in short-term borrowings	1,168	(1,215)
Proceeds from long-term borrowings		1,001
Payments on long-term borrowings	(1,853)	(2,502)
Cash dividends on common stock	(27)	(25)
Cash dividends on preferred stock	(44)	(87)
Net proceeds from issuance of common stock	875	

Repurchase of Series A preferred stock	(3,500)	
Repurchase of warrant	(45)	
Excess tax benefits from share-based payments	1	
Net cash from financing activities	(3,954)	(1,111)
(Decrease) increase in cash and cash equivalents	(3,479)	1,055
Cash and cash equivalents at beginning of year	7,245	6,919
Cash and cash equivalents at end of period	$ 3,766	$ 7,974

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, 2012 and 2011

NOTE 1 Basis of Presentation

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

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States (GAAP) and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions Form 10-K for the year ended December 31, 2011. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

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

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. (Morgan Keegan) and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 15 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income because the sale met all of the criteria for reporting as discontinued operations at June 30, 2012. Other expenses related to the transaction are also included in discontinued operations. This presentation is consistent with the consolidated financial statements included in the 2011 Form 10-K.

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

NOTE 2 Discontinued Operations

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

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were not included in the sale. The total purchase price received by the Company was $1.2 billion. An estimated $15 million pre-tax gain on sale, which includes a $256 million adjustment of liabilities to record the legal indemnification at fair value as discussed in the next paragraph, was recorded in the second quarter of 2012 as a component of discontinued operations. In order to estimate the gain on sale, Regions made assumptions regarding the finalization of elections for income tax purposes to be made by Raymond James and Regions. Any adjustment to the gain, if needed, will be presented within discontinued operations on the consolidated statements of income and would have no impact on results from continuing operations. Regions does not expect any adjustment to the gain on sale to have a material impact on the Company s financial position or regulatory capital.

In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. See Note 15 for related disclosure. Losses under the indemnification include legal and other expenses, such as costs for defense, judgments, settlements and awards associated with the resolution of litigation related to pre-closing activities. Regions increased existing liabilities on the consolidated balance sheet by approximately $256 million, such that the resulting amount of $385 million reflected the fair value of the indemnification at the close of the transaction.

The following table represents the condensed results of operations for discontinued operations for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions, except per share data)			
Interest income	$	$ 10	$ 8	$ 20
Interest expense		2	1	4
Net interest income		8	7	16
Non-interest income:				
Brokerage, investment banking and capital markets		229	233	465
Gain on sale	15		15	
Other		9	7	36
Total non-interest income	15	238	255	501
Non-interest expense:				
Salaries and employee benefits		160	171	326
Net occupancy expense		9	9	18
Furniture and equipment expense		7	8	14
Professional and legal expenses	10	23	106	48
Other	1	43	29	71
Total non-interest expense	11	242	323	477
Income (loss) from discontinued operations before income taxes	4	4	(61)	40
Income tax benefit		(26)	(25)	(9)
Income (loss) from discontinued operations, net of tax	$ 4	$ 30	$ (36)	$ 49
Earnings (loss) per common share from discontinued operations:				
Basic	$ 0.00	$ 0.02	$ (0.03)	$ 0.04
Diluted	$ 0.00	$ 0.02	$ (0.03)	$ 0.04

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NOTE 3 Securities

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

	June 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Securities available for sale:				
U.S. Treasury securities	$ 48	$ 3	$	$ 51
Federal agency securities	232	3		235
Obligations of states and political subdivisions	14			14
Mortgage-backed securities:				
Residential agency	22,923	578	(7)	23,494
Residential non-agency	13	1		14
Commercial agency	499	15		514
Commercial non-agency	619	18		637
Corporate and other debt securities	1,527	29	(5)	1,551
Equity securities	722	2	(2)	722
	$ 26,597	$ 649	$ (14)	$ 27,232
Securities held to maturity:				
U.S. Treasury securities	$ 2	$ 1	$	$ 3
Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	8			8
	$ 13	$ 1	$	$ 14

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

Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	9	1		10
	$ 16	$ 1	$	$ 17

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Entities included with the sale of Morgan Keegan and related affiliates had approximately $2 million in securities available for sale at December 31, 2011, which are included in the table above. There were no such securities at June 30, 2012 as these entities were sold during the second quarter as discussed in Note 2.

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 2012	December 31 2011
	(In millions)	
Federal Reserve Bank	$ 480	$ 481
Federal Home Loan Bank	135	219

Securities with carrying values of $14.0 billion and $14.3 billion at June 30, 2012 and December 31, 2011, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at June 30, 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities available for sale:		
Due in one year or less	$ 27	$ 27
Due after one year through five years	636	641
Due after five years through ten years	910	928
Due after ten years	248	255
Mortgage-backed securities:		
Residential agency	22,923	23,494
Residential non-agency	13	14
Commercial agency	499	514
Commercial non-agency	619	637
Equity securities	722	722
	$ 26,597	$ 27,232
Securities held to maturity:		
Due in one year or less	$ 3	$ 3
Due after one year through five years	2	3
Due after five years through ten years		
Due after ten years		
Mortgage-backed securities:		
Residential agency	8	8
	$ 13	$ 14

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The following tables present gross unrealized losses and estimated fair value of securities available for sale at June 30, 2012 and December 31, 2011. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more.

	June 30, 2012					
	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	$ 950	$ (8)	$	$	$ 950	$ (8)
Commercial agency						
Commercial non-agency						
All other securities	413	(5)	18	(1)	431	(6)
	$ 1,363	$ (13)	$ 18	$ (1)	$ 1,381	$ (14)

	December 31, 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)					
Mortgage-backed securities:						
Residential agency	$ 1,778	$ (7)	$	$	$ 1,778	$ (7)
All other securities	291	(9)	5	(2)	296	(11)
	$ 2,069	$ (16)	$ 5	$ (2)	$ 2,074	$ (18)

There was no gross unrealized loss on debt securities held to maturity at either June 30, 2012 or December 31, 2011.

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 410 securities and 524 securities at June 30, 2012 and December 31, 2011, respectively, represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not likely that the Company will be required to sell, the securities before the recovery of their amortized cost basis, which may be at maturity.

For both the three and six months ended June 30, 2012, Regions recorded a credit-related impairment charge of approximately $2 million. Regions did not record any credit-related impairment charges during the three or six months ended June 30, 2011.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions)			
Proceeds	$ 272	$ 4,060	$ 1,670	$ 6,479
Gross realized gains	12	24	24	106

Gross realized losses				
Net securities gains	$ 12	$ 24	$ 24	$ 106

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(in millions)		(in millions)	
Total net gains (losses)	$ (1)	$ 10	$ 29	$ 31
Unrealized portion	(1)	(1)	24	13

Included in the table above are amounts related to activities of Morgan Keegan. The totals include net gains related to Morgan Keegan of zero for the three months ended June 30, 2012 and approximately $10 million for the three months ended June 30, 2011. There were approximately $25 million of total net gains for both the six months ended June 30, 2012 and 2011 related to Morgan Keegan activities. These amounts are included within results from discontinued operations.

NOTE 4 Loans and the Allowance for Credit Losses

LOANS

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

	June 30	December 31
	2012	2011
	(In millions, net of unearned income)	
Commercial and industrial	$ 25,990	$ 24,522
Commercial real estate mortgage owner-occupied	10,626	11,166
Commercial real estate construction owner-occupied	261	337
Total commercial	36,877	36,025
Commercial investor real estate mortgage	8,598	9,702
Commercial investor real estate construction	849	1,025
Total investor real estate	9,447	10,727
Residential first mortgage	13,394	13,784
Home equity	12,321	13,021
Indirect	2,060	1,848
Consumer credit card	922	987
Other consumer	1,181	1,202
Total consumer	29,878	30,842
	$ 76,202	$ 77,594

During the three months ended June 30, 2012 and 2011, Regions purchased approximately $233 million and $174 million, respectively, in indirect loans from a third party. During the six months ended June 30, 2012 and 2011, the comparable loan purchase amounts were approximately $407 million and $336 million, respectively. Additionally, during the second quarter of 2011, Regions purchased approximately $1.1 billion of Regions-branded credit card amounts from FIA Card Services. The purchase included approximately $1.0 billion in consumer credit card accounts with the remainder in small business credit card accounts, which are included in the commercial and industrial portfolio class.

ALLOWANCE FOR CREDIT LOSSES

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

CALCULATION OF ALLOWANCE FOR CREDIT LOSSES

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

In addition to the home equity enhancement, in the second quarter of 2012, the Company refined the methodology for estimation of the reserve for unfunded credit commitments. Before the change, the Company based the reserve for unfunded credit commitments on an analysis of the overall probability of funding and historical losses. Beginning with the second quarter of 2012, the reserve is based on an exposure at default (EAD) multiplied by a probability of default (PD) multiplied by a loss-given default (LGD). The EAD is estimated based on an analysis of historical funding patterns for defaulted loans in various categories. The PD and LGD align with the statistically-calculated parameters used to calculate the allowance for loan losses for various pools, which are based on credit quality indicators and product type. The methodology applies to commercial and investor real estate credit commitments and standby letters of credit. The Company made this change to enhance portfolio segmentation within the calculation of the reserve for unfunded credit commitments and to improve overall consistency within the calculation of the allowance for credit losses. The change did not have a material impact on the allowance for credit losses or the provision for unfunded credit commitments.

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

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and six months ended June 30, 2012 and 2011. The total allowance for credit losses as of June 30, 2012 and 2011 is then disaggregated to detail the amounts derived through individual evaluation and the amounts calculated through collective evaluation. The allowance for credit losses related to individually evaluated loans includes reserves for non-accrual loans and leases equal to or greater than $2.5 million. The allowance for credit losses related to collectively evaluated loans includes the remainder of the portfolio.

	Three Months Ended June 30, 2012			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, April 1, 2012	$ 982	$ 898	$ 650	$ 2,530
Provision (credit) for loan losses	(16)	(80)	122	26
Loan losses:				
Charge-offs	(107)	(62)	(146)	(315)
Recoveries	25	10	15	50
Net loan losses	(82)	(52)	(131)	(265)
Allowance for loan losses, June 30, 2012	884	766	641	2,291
Reserve for unfunded credit commitments, April 1, 2012	$ 44	$ 26	$ 21	$ 91
Provision (credit) for unfunded credit commitments	17		(17)	
Reserve for unfunded credit commitments, June 30, 2012	61	26	4	91
Allowance for credit losses, June 30, 2012	$ 945	$ 792	$ 645	$ 2,382

	Three Months Ended June 30, 2011			
	Commercial	Investor Real Estate	Consumer	Total
	(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 (credit) 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, 2012			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2012	$ 1,030	$ 991	$ 724	$ 2,745
Provision (credit) for loan losses	45	(90)	188	143
Loan losses:				
Charge-offs	(232)	(157)	(302)	(691)
Recoveries	41	22	31	94
Net loan losses	(191)	(135)	(271)	(597)
Allowance for loan losses, June 30, 2012	884	766	641	2,291
Reserve for unfunded credit commitments, January 1, 2012	$ 30	$ 26	$ 22	$ 78
Provision (credit) for unfunded credit commitments	31		(18)	13
Reserve for unfunded credit commitments, June 30, 2012	61	26	4	91
Allowance for credit losses, June 30, 2012	$ 945	$ 792	$ 645	$ 2,382
Portion of ending allowance for credit losses:				
Individually evaluated for impairment	$ 93	$ 117	$	$ 210
Collectively evaluated for impairment	852	675	645	2,172
Total allowance for credit losses	$ 945	$ 792	$ 645	$ 2,382
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$ 428	$ 483	$	$ 911
Collectively evaluated for impairment	36,449	8,964	29,878	75,291
Total loans evaluated for impairment	$ 36,877	$ 9,447	$ 29,878	$ 76,202

	Six Months Ended June 30, 2011			
	Commercial	Investor Real 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 (credit) 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 ending allowance for credit losses:				
Individually evaluated for impairment	$ 128	$ 163	$ 4	$ 295
Collectively evaluated for impairment	1,031	1,018	860	2,909
Total allowance for credit losses	$ 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

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During the second quarter of 2011, Regions purchased a credit card portfolio for approximately $1.1 billion and recorded an allowance for loan losses and related premium of approximately $84 million. Upon finalization of the purchase price in the fourth quarter of 2011, Regions reclassified the $84 million allowance and premium. The impact of these reclassification entries was not material to the financial results of any of the quarters of 2011.

PORTFOLIO SEGMENT RISK FACTORS

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

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

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

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

CREDIT QUALITY INDICATORS

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of June 30, 2012 and December 31, 2011. Commercial and investor real estate loan classes are detailed by categories related to underlying credit quality and probability of default. These categories are utilized to develop the associated allowance for credit losses.

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

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

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

			June 30, 2012		
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
			(In millions)		
Commercial and industrial	$ 24,433	$ 590	$601	$ 366	$ 25,990
Commercial real estate mortgage owner-occupied	9,346	262	514	504	10,626
Commercial real estate construction owner-occupied	211	18	12	20	261
Total commercial	$ 33,990	$ 870	$1,127	$ 890	$ 36,877
Commercial investor real estate mortgage	6,304	567	1,128	599	8,598
Commercial investor real estate construction	594	111	70	74	849
Total investor real estate	$ 6,898	$ 678	$1,198	$ 673	$ 9,447

	Accrual	Non-accrual	Total
		(In millions)	
Residential first mortgage	$ 13,165	$ 229	$ 13,394
Home equity	12,198	123	12,321
Indirect	2,060		2,060
Consumer credit card	922		922
Other consumer	1,181		1,181
Total consumer	$ 29,526	$ 352	$ 29,878
			$ 76,202

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

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$ 13,534	$ 250	$ 13,784
Home equity	12,885	136	13,021
Indirect	1,848		1,848
Consumer credit card	987		987
Other consumer	1,202		1,202
Total consumer	$ 30,456	$ 386	$ 30,842
			$ 77,594

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio class as of June 30, 2012 and December 31, 2011:

	June 30, 2012						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$ 39	$ 25	$ 5	$ 69	$ 25,624	$ 366	$ 25,990
Commercial real estate mortgage owner-occupied	60	30	9	99	10,122	504	10,626
Commercial real estate construction owner-occupied	1	1		2	241	20	261
Total commercial	100	56	14	170	35,987	890	36,877
Commercial investor real estate mortgage	70	33	16	119	7,999	599	8,598
Commercial investor real estate construction	2	1		3	775	74	849
Total investor real estate	72	34	16	122	8,774	673	9,447
Residential first mortgage	138	83	281	502	13,165	229	13,394
Home equity	99	54	74	227	12,198	123	12,321
Indirect	22	5	2	29	2,060		2,060
Consumer credit card	7	5	13	25	922		922
Other consumer	17	6	3	26	1,181		1,181

Total consumer	283	153	373	809	29,526	352	29,878
	$ 455	$ 243	$ 403	$ 1,101	$ 74,287	$ 1,915	$ 76,202

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	December 31, 2011						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$ 38	$ 23	$ 28	$ 89	$ 24,065	$ 457	$ 24,522
Commercial real estate mortgage owner-occupied	47	23	9	79	10,576	590	11,166
Commercial real estate construction owner-occupied	3	1		4	312	25	337
Total commercial	88	47	37	172	34,953	1,072	36,025
Commercial investor real estate mortgage	34	42	13	89	8,968	734	9,702
Commercial investor real estate construction	23	5		28	845	180	1,025
Total investor real estate	57	47	13	117	9,813	914	10,727
Residential first mortgage	187	100	284	571	13,534	250	13,784
Home equity	121	77	93	291	12,885	136	13,021
Indirect	26	7	2	35	1,848		1,848
Consumer credit card	8	5	14	27	987		987
Other consumer	20	6	4	30	1,202		1,202
Total consumer	362	195	397	954	30,456	386	30,842
	$ 507	$ 289	$ 447	$ 1,243	$ 75,222	$ 2,372	$ 77,594

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IMPAIRED LOANS

The following tables present details related to the Company s impaired loans as of June 30, 2012 and December 31, 2011. Loans deemed to be impaired include non-accrual commercial and investor real estate loans, excluding leases, and all TDRs (including accruing commercial, investor real estate, and consumer TDRs). Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of June 30, 2012						
			Book Value (3)				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage % (4)
	(Dollars in millions)						
Commercial and industrial	$ 437	$ 80	$ 357	$ 51	$ 306	$ 109	43.2%
Commercial real estate mortgage owner-occupied	587	82	505	48	457	162	41.6
Commercial real estate construction owner-occupied	33	14	19	3	16	6	60.6
Total commercial	1,057	176	881	102	779	277	42.9
Commercial investor real estate mortgage	740	141	599	79	520	177	43.0
Commercial investor real estate construction	88	14	74	12	62	18	36.4
Total investor real estate	828	155	673	91	582	195	42.3
Residential first mortgage	141	51	90		90	13	45.4
Home equity	27	9	18		18	2	40.7
Total consumer	168	60	108		108	15	44.6
Total	$ 2,053	$ 391	$ 1,662	$ 193	$ 1,469	$ 487	42.8%

	Accruing Impaired Loans As of June 30, 2012				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Book Value	Related Allowance for Loan Losses	Coverage % (4)
	(Dollars in millions)				
Commercial and industrial	$ 318	$ 7	$ 311	$ 51	18.2%
Commercial real estate mortgage owner-occupied	212	4	208	28	15.1
Commercial real estate construction owner-occupied	3		3	1	33.3
Total commercial	533	11	522	80	17.1
Commercial investor real estate mortgage	928	8	920	175	19.7
Commercial investor real estate construction	120	1	119	55	46.7

Total investor real estate	1,048	9	1,039	230	22.8
Residential first mortgage	1,079	13	1,066	158	15.8
Home equity	430	5	425	39	10.2
Indirect	2		2		
Other consumer	48		48	1	2.1
Total consumer	1,559	18	1,541	198	13.9
Total	$ 3,140	$ 38	$ 3,102	$ 508	17.4%

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	Total Impaired Loans As of June 30, 2012						
			Book Value (3)				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage % (4)
	(Dollars in millions)						
Commercial and industrial	$ 755	$ 87	$ 668	$ 51	$ 617	$ 160	32.7%
Commercial real estate mortgage owner-occupied	799	86	713	48	665	190	34.5
Commercial real estate construction owner-occupied	36	14	22	3	19	7	58.3
Total commercial	1,590	187	1,403	102	1,301	357	34.2
Commercial investor real estate mortgage	1,668	149	1,519	79	1,440	352	30.0
Commercial investor real estate construction	208	15	193	12	181	73	42.3
Total investor real estate	1,876	164	1,712	91	1,621	425	31.4
Residential first mortgage	1,220	64	1,156		1,156	171	19.3
Home equity	457	14	443		443	41	12.0
Indirect	2		2		2		
Other consumer	48		48		48	1	2.1
Total consumer	1,727	78	1,649		1,649	213	16.9
Total impaired loans	$ 5,193	$ 429	$ 4,764	$ 193	$ 4,571	$ 995	27.4%

(1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.

(2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.

(3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.

(4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.

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

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

Total consumer	1,509		16	1,493		209	14.9
Total	$ 3,008	$	27	$ 2,981	$	554	19.3%

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

(1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.
(2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.
(3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.
(4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.

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The following table presents the average balances of total impaired loans and interest income for the three and six months ended June 30, 2012 and 2011. Interest income recognized represents interest recognized on loans modified in a TDR, and are therefore considered impaired, which are on accruing status.

	Three Months Ended June 30				Six Months Ended June 30			
	2012		2011		2012		2011	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)							
Commercial and industrial	$ 669	$ 4	$ 452	$	$ 699	$ 8	$ 444	$
Commercial real estate mortgage owner-occupied	756	2	690	1	771	5	697	2
Commercial real estate construction owner-occupied	26		30		27		31	
Total commercial	1,451	6	1,172	1	1,497	13	1,172	2
Commercial investor real estate mortgage	1,560	11	1,234	3	1,598	21	1,301	5
Commercial investor real estate construction	220	2	442		257	4	469	
Total investor real estate	1,780	13	1,676	3	1,855	25	1,770	5
Residential first mortgage	1,147	9	1,083	11	1,139	19	1,072	20
Home equity	444	6	401	5	443	11	390	10
Indirect	2		2		2		2	
Other consumer	49	2	62	1	51	2	63	2
Total consumer	1,642	17	1,548	17	1,635	32	1,527	32
Total impaired loans	$ 4,873	$ 36	$ 4,396	$ 21	$ 4,987	$ 70	$ 4,469	$ 39

In addition to the impaired loans detailed in the tables above, there were approximately $202 million in non-performing loans classified as held for sale at June 30, 2012, compared to $328 million at December 31, 2011. These loans are larger balance credits, primarily investor real estate, where management does not have the intent to hold the loans for the foreseeable future. The loans are carried at an amount approximating a price which will be recoverable through the loan sale market. During the three months ended June 30, 2012, approximately $77 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $39 million recorded upon transfer. During the six months ended June 30, 2012, approximately $170 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $92 million recorded upon transfer. During the three months ended June 30, 2011, approximately $176 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $114 million recorded upon transfer. During the six months ended June 30, 2011, approximately $364 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $219 million recorded upon transfer. At June 30, 2012 and December 31, 2011, non-accrual loans including loans held for sale totaled $2.1 billion and $2.7 billion, respectively.

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Modification Activity: Commercial and Investor Real Estate Portfolio Segments

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

Modification Activity: Consumer Portfolio Segment

Regions continues to work to meet the individual needs of consumer borrowers to stem foreclosure through the CAP. Regions designed the program to allow for customer-tailored modifications with the goal of keeping customers in their homes and avoiding foreclosure where possible. Modification may be offered to any borrower experiencing financial hardship regardless of the borrower s payment status. Under the CAP, Regions may offer a short-term deferral, a term extension, an interest rate reduction, a new loan product, or a combination of these options. For loans restructured under the CAP, Regions expects to collect the original contractually due principal. The gross original contractual interest may be collectible, depending on the terms modified. The length of the CAP modifications ranges from temporary payment deferrals of three months to term extensions for the life of the loan. All such modifications are considered TDRs regardless of the term if there is a concession to a borrower experiencing financial difficulty. Modified loans are subject to policies governing accrual/non-accrual evaluation consistent with all other loans of the same product type. Consumer loans are subject to objective accrual/non-accrual decisions. Under these policies, loans subject to the CAP are charged down to estimated value on or before the month in which the loan becomes 180 days past due. Beginning in the third quarter of 2011, home equity second liens are charged down to estimated value by the end of the month in which the loan becomes 120 days past due. If a partial charge-off is necessary as a result of this evaluation, the loan is placed on non-accrual at that time. Because the program was designed to evaluate potential CAP participants as early as possible in the life cycle of the troubled loan, many of the modifications are finalized without the borrower ever reaching the applicable number of days past due, and with the loans having never been placed on non-accrual. Accordingly, given the positive impact of the restructuring on the likelihood of recovery of cash flows due under the modified terms, accrual status continues to be appropriate for these loans. None of the modified consumer loans listed in the following TDR disclosures were collateral-dependent at the time of modification. At June 30, 2012, approximately $126 million in residential first mortgage TDRs were in excess of 180 days past due and are considered collateral-dependent. At June 30, 2012, approximately $9.5 million in home equity first lien TDRs were in excess of 180 days past due and $7.8 million in home equity second lien TDRs were in excess of 120 days past due and are considered collateral-dependent.

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

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Modifications Considered TDRs and Financial Impact

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

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

	Three Months Ended June 30, 2012		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	160	$ 185	$ 1
Commercial real estate mortgage owner-occupied	91	94	1
Commercial real estate construction owner-occupied	1	2	
Total commercial	252	281	2
Commercial investor real estate mortgage	160	287	2
Commercial investor real estate construction	59	34	
Total investor real estate	219	321	2
Residential first mortgage	416	92	12
Home equity	277	21	1
Indirect and other consumer	141	3	
Total consumer	834	116	13
	1,305	$ 718	$ 17

	Six Months Ended June 30, 2012		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	359	$ 336	$ 2
Commercial real estate mortgage owner-occupied	236	210	2
Commercial real estate construction owner-occupied	7	6	
Total commercial	602	552	4
Commercial investor real estate mortgage	347	737	6
Commercial investor real estate construction	129	76	1
Total investor real estate	476	813	7

Residential first mortgage	768	159		20
Home equity	586	44		3
Indirect and other consumer	302	6		
Total consumer	1,656	209		23
	2,734	$ 1,574	$	34

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As described previously, the consumer modifications granted by Regions are rate concessions, and not forgiveness of principal. The majority of the commercial and investor real estate modifications are renewals where there is no reduction in interest rate or forgiveness of principal. Accordingly, Regions most often does not record a charge-off at the modification date. A limited number of modifications included above are A/B note restructurings, where the B-note is charged off. The total charge-offs recorded for all modifications for the six months ended June 30, 2012 were approximately $5 million, all of which were recorded during the first quarter of 2012.

Defaulted TDRs

The following table presents TDRs which defaulted during the three months and six months ended June 30, 2012, and which were modified in the previous twelve months (i.e., the twelve months prior to the default). For purposes of this disclosure, default is defined as 90 days past due and still accruing for the consumer portfolio segment, and placement on non-accrual status for the commercial and investor real estate portfolio segments. Consideration of defaults in the calculation of the allowance for loan losses is described in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

	Three Months Ended June 30, 2012 (In millions)	Six Months Ended June 30, 2012 (In millions)
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default		
Commercial and industrial	$ 23	$ 59
Commercial real estate mortgage owner-occupied	23	34
Commercial real estate construction owner-occupied		1
Total commercial	46	94
Commercial investor real estate mortgage	51	111
Commercial investor real estate construction	12	19
Total investor real estate	63	130
Residential first mortgage	12	33
Home equity	6	12
Total consumer	18	45
	$ 127	$ 269

Commercial and investor real estate loans which were on non-accrual status at the time of the latest modification are not included in the default table above, as they are already considered to be in default at the time of the restructuring. At June 30, 2012, approximately $167 million of commercial and investor real estate loans modified in a TDR during the three months ended June 30, 2012 were on non-accrual status. Approximately 7.8 percent of this amount was 90 days past due.

At June 30, 2012, Regions had restructured binding unfunded commitments totaling $265 million where a concession was granted and the borrower was in financial difficulty.

NOTE 5 Loan Servicing

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions)			
Carrying value, beginning of period	$ 199	$ 282	$ 182	$ 267
Additions	14	19	28	35
Decrease in fair value:				
Due to change in valuation inputs or assumptions	(26)	(28)	(17)	(23)
Other changes (1)	(8)	(5)	(14)	(11)
Carrying value, end of period	$ 179	$ 268	$ 179	$ 268

(1) Represents economic amortization associated with borrower repayments.

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

	June 30	
	2012	2011
	(Dollars in millions)	
Unpaid principal balance	$ 26,066	$ 26,421
Weighted-average prepayment speed (CPR; percentage)	18.4%	13.6%
Estimated impact on fair value of a 10% increase	$ (12)	$ (15)
Estimated impact on fair value of a 20% increase	$ (22)	$ (29)
Option-adjusted spread (basis points)	1,332	714
Estimated impact on fair value of a 10% increase	$ (6)	$ (7)
Estimated impact on fair value of a 20% increase	$ (12)	$ (14)
Weighted-average coupon interest rate	5.1%	5.3%
Weighted-average remaining maturity (months)	278	283
Weighted-average servicing fee (basis points)	28.5	28.6

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions)			
Servicing related fees and other ancillary income	$ 21	$ 21	$ 42	$ 42

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions)			
Beginning balance	$ 32	$ 32	$ 32	$ 32
Additions/(reductions), net	14	5	23	13
Losses	(9)	(5)	(18)	(13)
Ending balance	$ 37	$ 32	$ 37	$ 32

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

NOTE 6 Goodwill

Goodwill allocated to each reportable segment (each a reporting unit) is presented as follows:

	June 30 2012	December 31 2011
	(In millions)	
Banking/Treasury	$ 4,691	$ 4,691
Insurance	125	125
	$ 4,816	$ 4,816

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

During the second quarter of 2012, Regions assessed the indicators of goodwill impairment as of May 31, 2012, and through the date of the filing of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. The indicators assessed included:

- Recent operating performance,

- Changes in market capitalization,

Regulatory actions and assessments,

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

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

- Trends in the banking industry.

While the assessment of these indicators did not indicate impairment, Regions determined that quantitative testing of goodwill was required for all of Regions reporting units for the June 30, 2012 interim period due to the shortfall between Regions market capitalization and book value. The results of the interim test indicated that goodwill was not impaired as of the test date.

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

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

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

Regions uses the output from these approaches to determine the estimated fair value of each reporting unit. Listed in the tables below are assumptions used in estimating the fair value of each reporting unit for the June 30, 2012 interim period and the December 31, 2011 annual test. Second quarter 2012 includes testing for only the Banking/Treasury and Insurance reporting units, as the goodwill impairment charge taken on the Investment Banking/Brokerage/Trust reporting unit in the fourth quarter of 2011 reduced the net carrying value of goodwill in that reporting unit to zero. The tables include the discount rate used in the income approach, the market multiplier used in the market approaches, and the public company method control premium applied to all reporting units.

As of Second Quarter 2012	Banking/ Treasury	Insurance
Discount rate used in income approach	14%	11%
Public company method market multiplier (1)	1.0x	15.6x
Transaction method market multiplier (2)	1.4x	n/a

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

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

(1) For the Banking/Treasury and Investment Banking/Brokerage/Trust reporting units, these multipliers are applied to tangible book value. For the Insurance reporting unit, this multiplier is applied to the last twelve months of net income. In addition to the multipliers, a 55 percent control premium is assumed for the Banking/Treasury reporting unit. A 20 percent control premium is assumed for the Investment Banking/Brokerage/Trust reporting unit and a 30 percent control premium is assumed for the Insurance reporting unit.

(2) For the Banking/Treasury and Investment Banking/Brokerage/Trust reporting units, these multipliers are applied to tangible book value.

Regions capital plan, which was required under the Federal Reserve s Comprehensive Capital Analysis and Review (CCAR), was submitted in early January of 2012. The Federal Reserve responded with no objections to the capital actions set forth in the capital plan on March 13, 2012. Shortly thereafter, as discussed in Note 7, Regions issued and sold 153 million shares of its common stock at $5.90 per share, generating proceeds of approximately $875 million, net of issuance costs. Additionally, in connection with the CCAR on March 13, 2012, the Federal Reserve disclosed its projections of pro-forma, post stress pre-provision income and losses and pro-forma, post stress capital ratios under the Federal Reserve s Supervisory Stress Scenario for the nineteen institutions, including Regions, that participated in the 2011 CCAR. Regions exceeded the minimum required capital level over the entire review period through year-end 2013. Regions also received an upgrade to its debt ratings from Standard & Poor s rating agency on March 15, 2012. These positive factors led to a reduction in the discount rate applied to the Banking/Treasury reporting unit in the first quarter of 2012. The discount rate remained the same as first quarter for second quarter 2012.

NOTE 7 Stockholders Equity and Accumulated Other Comprehensive Income (Loss)

On March 19, 2012, the Company issued 153 million shares of common stock at $5.90 per share, generating proceeds of approximately $875 million, net of issuance costs.

On November 14, 2008, Regions completed the sale of 3.5 million shares of its Fixed Rate Cumulative Perpetual Preferred Stock, Series A, to the U.S. Treasury as part of the Capital Purchase Program (CPP). Under this agreement, Regions was required to pay the U.S. Treasury on a quarterly basis a 5 percent dividend, or $175 million annually, for each of the first five years of the investment, and 9 percent thereafter or until redemption. As part of its purchase of the preferred securities, the U.S. Treasury also received a warrant to purchase 48.3 million shares of Regions common stock at an exercise price of $10.88 per share, subject to anti-dilution and other adjustments. Regions received $3.5 billion from issuance of the Series A preferred shares and the warrant. The fair value allocation of the $3.5 billion between the preferred shares and the warrant resulted in $3.304 billion allocated to the preferred shares and $196 million allocated to the warrant. On April 4, 2012, Regions repurchased all 3.5 million shares of the Series A preferred stock issued to the U.S. Treasury Department under the CPP. Therefore, during the second quarter of 2012, Regions derecognized the carrying value of the Series A shares in the amount of approximately $3.4 billion and recorded approximately $71 million of amortization related to the remaining unaccreted discount, which reduced net income available to common shareholders. The total reduction to shareholders equity was $3.5 billion. In early May of 2012, Regions repurchased the warrant from the U.S. Treasury Department for $45 million. The transaction reduced additional paid-in capital within stockholders equity by $45 million. The warrant repurchase did not impact results of operations.

At June 30, 2012, Regions had 23.1 million common shares available for repurchase through open market transactions under an existing share repurchase authorization. There were no treasury stock purchases through open market transactions during the first six months of 2012 or 2011.

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

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for the three and six months ended June 30, 2012 and 2011.

	Three Months Ended							
	June 30, 2012				June 30, 2011			
	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				(In millions)			
Beginning of period	$ 316	$ 84	$ (460)	$ (60)	$ (24)	$ (39)	$ (324)	$ (387)
Net change	78	26	10	114	176	26	8	210
End of period	$ 394	$ 110	$ (450)	$ 54	$ 152	$ (13)	$ (316)	$ (177)

	Six Months Ended							
	June 30, 2012				June 30, 2011			
	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)				(In millions)			
Beginning of period	$ 322	$ 84	$ (475)	$ (69)	$ 77	$ (9)	$ (328)	$ (260)
Net change	72	26	25	123	75	(4)	12	83
End of period	$ 394	$ 110	$ (450)	$ 54	$ 152	$ (13)	$ (316)	$ (177)

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NOTE 8 Earnings (Loss) per Common Share

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions, except per share amounts)			
Numerator:				
Income from continuing operations	$ 351	$ 79	$ 590	$ 129
Less: Preferred stock dividends and accretion	(71)	(54)	(125)	(106)
Income from continuing operations available to common shareholders	280	25	465	23
Income (loss) from discontinued operations, net of tax	4	30	(36)	49
Net income available to common shareholders	$ 284	$ 55	$ 429	$ 72
Denominator:				
Weighted-average common shares outstanding basic	1,414	1,258	1,348	1,257
Potential common shares	4	2	2	2
Weighted-average common shares outstanding diluted	1,418	1,260	1,350	1,259
Earnings per common share from continuing operations (1):				
Basic	$ 0.20	$ 0.02	$ 0.34	$ 0.02
Diluted	0.20	0.02	0.34	0.02
Earnings (loss) per common share from discontinued operations (1):				
Basic	0.00	0.02	(0.03)	0.04
Diluted	0.00	0.02	(0.03)	0.04
Earnings per common share (1):				
Basic	0.20	0.04	0.32	0.06
Diluted	0.20	0.04	0.32	0.06

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

The effect from the assumed exercise of 39 million stock options for both the three months and six months ended June 30, 2012 was not included in the above computations of diluted earnings per common share because such amounts would have had an antidilutive effect on earnings per common share. The effect from the assumed exercise of 41 million and 42 million stock options for the three months and six months ended June 30, 2011, respectively, was not included in the above computations of diluted earnings per share because such amounts would have had an antidilutive effect on earnings per share.

NOTE 9 Share-Based Payments

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

On May 13, 2010, the shareholders of the Company approved the Regions Financial Corporation 2010 Long-Term Incentive Plan (2010 LTIP), which permits the Company to grant to employees and directors

various forms of incentive compensation. These forms of incentive compensation are similar to the types of compensation approved in prior plans. The 2010 LTIP authorizes 100 million common share equivalents available for grant, where grants of options count as one share equivalent and grants of full value awards (e.g., shares of restricted stock and restricted stock units) count as 2.25 share equivalents. Unless otherwise determined by the Compensation Committee of the Board of Directors, grants of restricted stock and restricted stock units accrue dividends as they are declared by the Board of Directors, and the dividends are paid upon vesting of the award. The 2010 LTIP closed all prior long-term incentive plans to new grants, and, accordingly, prospective grants must be made under the 2010 LTIP or a successor plan. All existing grants under prior long-term incentive plans were unaffected by this amendment. The number of remaining share equivalents available for future issuance under the 2010 LTIP was approximately 66 million at June 30, 2012.

STOCK OPTIONS

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

	Six Months Ended June 30			
	2012		2011	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of period	46,351,349	$ 23.62	54,999,626	$ 24.41
Granted			1,316,677	6.62
Exercised	(200,092)	3.29	(18,442)	3.29
Canceled/Forfeited	(4,587,318)	24.90	(6,846,994)	24.10
Outstanding at end of period	41,563,939	$ 23.57	49,450,867	$ 23.98
Exercisable at end of period	38,447,853	$ 24.93	42,977,407	$ 26.61

RESTRICTED STOCK AWARDS AND PERFORMANCE STOCK AWARDS

During the first six months of 2012 and 2011, Regions made restricted stock grants that vest based upon a service condition. During the second quarter of 2012, the Company also made restricted stock unit and performance stock unit grants; restricted stock units vest based upon a service condition and performance stock units vest based upon service and performance conditions. Dividend payments during the vesting period are deferred to the end of the vesting term. The fair value of these restricted shares, restricted stock units and performance stock units was estimated based upon the fair value of the underlying shares on the date of the grant. The valuation was not adjusted for the deferral of dividends.

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

	Six Months Ended June 30			
	2012		2011	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	6,280,360	$ 7.60	4,930,444	$ 12.13
Granted	8,416,325	5.86	2,638,545	6.69
Vested	(1,508,397)	4.59	(1,110,945)	24.42
Forfeited	(528,514)	3.20	(24,384)	19.68
Non-vested at end of period	12,659,774	$ 6.99	6,433,660	$ 7.75

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NOTE 10 Pension and Other Postretirement Benefits

Net periodic pension cost included the following components:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
	(In millions)			
Service cost	$ 11	$ 9	$ 22	$ 19
Interest cost	22	23	44	46
Expected return on plan assets	(28)	(31)	(57)	(61)
Amortization of actuarial loss	18	12	35	23
Amortization of prior service cost		1	1	1
	$ 23	$ 14	$ 45	$ 28

There was no material impact from other postretirement benefits on the consolidated financial statements for the three and six month periods ended June 30, 2012 or 2011.

NOTE 11 Income Taxes

At June 30, 2012 and December 31, 2011, the Company s net deferred tax asset balance was $1.0 billion and $1.3 billion, respectively. The decrease in the net deferred tax asset was due to the reduction in the allowance for loan losses and an increase in unrealized gains on securities available for sale.

During 2010, the Internal Revenue Service (IRS) completed the field examination for the tax years 2007, 2008 and 2009. Included within the Revenue Agent s Reports was a proposed adjustment to the timing of deductions related to certain expenses. In 2011, the Company filed a protest with the IRS Appeals Division. During the quarter ended June 30, 2012, the Company reached an agreement with the IRS that effectively settled this examination. At this time, the Company has no expectation that the settlement related to any of the protested positions will be reexamined. All years subsequent to 2009 are open to examination.

The Company has established a valuation allowance against certain state net operating loss and credit carryforwards in the amount of $59 million and $32 million at June 30, 2012, and December 31, 2011, respectively. The valuation allowance increased $27 million during the three and six month periods ended June 30, 2012 due to uncertainties in the timing of certain tax planning strategies that affected the ability to utilize state net operating losses before the prescribed expiration dates.

At June 30, 2012 and December 31, 2011, the balance of the Company s unrecognized tax benefits (UTBs) was $56 million and $39 million, respectively. The increase is principally related to tax positions taken in the current year related to a realignment within the corporate organization structure**.** As of June 30, 2012 and December 31, 2011, the balance of the UTBs that would reduce the effective tax rate, if recognized, was $40 million and $25 million, respectively.

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NOTE 12 Derivative Financial Instruments and Hedging Activities

The following tables present the notional and fair value of derivative instruments on a gross basis as of June 30, 2012 and December 31, 2011:

	June 30, 2012				
		Asset Derivatives		Liability Derivatives	
	Notional Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
			(In millions)		
Derivatives in fair value hedging relationships:					
Interest rate swaps	$ 5,107	Other assets	$ 128	Other liabilities	$
Total derivatives designated as hedging instruments	$ 5,107		$ 128		$
Derivatives not designated as hedging instruments:					
Interest rate swaps	$ 53,020	Other assets	$ 1,931	Other liabilities	$ 1,953
Interest rate options	3,838	Other assets	34	Other liabilities	4
Interest rate futures and forward commitments	55,697	Other assets	8	Other liabilities	22
Other contracts	1,802	Other assets	48	Other liabilities	46
Total derivatives not designated as hedging instruments	$ 114,357		$ 2,021		$ 2,025
Total derivatives	$ 119,464		$ 2,149		$ 2,025

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

(1) Includes Morgan Keegan amounts of $4.2 billion in Notional Value and $454 million in Other Assets/Other Liabilities
(2) Includes Morgan Keegan amounts of $364 million in Notional Value and $23 million in Other Assets/Other Liabilities

HEDGING DERIVATIVES

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

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

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FAIR VALUE HEDGES

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

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

CASH FLOW HEDGES

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

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

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

Regions enters into interest rate option contracts to protect cash flows through the maturity date of the hedging instrument on designated one-month LIBOR floating-rate loans from adverse extreme market interest rate changes. Regions purchases Eurodollar futures to hedge the variability in future cash flows based on forecasted resets of one-month LIBOR-based floating rate loans due to changes in the benchmark interest rate. Regions recognized an unrealized after-tax gain of $110 million and an unrealized after-tax loss of $31 million in accumulated other comprehensive income at June 30, 2012 and 2011, respectively, related to terminated cash flow hedges of loan and debt instruments which will be amortized into earnings in conjunction with the recognition of interest payments through 2017. Regions recognized pre-tax income of $3 million and $16 million during the three months ended June 30, 2012 and 2011, respectively. Regions recognized a pre-tax loss of $1 million and pre-tax income of $25 million during the six months ended June 30, 2012 and 2011, respectively, related to the amortization of cash flow hedges of loan and debt instruments.

During the second quarter of 2012, all of Regions cash flow hedges either matured or were terminated. The total notional amount of the cash flow hedges that matured or terminated was $11.5 billion. As of June 30, 2012, the cumulative pre-tax gain recorded in accumulated other comprehensive income related to these terminated hedges was $243 million. During the next twelve months, Regions expects to reclassify out of other comprehensive income and into earnings approximately $53 million in pre-tax income due to the receipt or payment of interest payments related to the amortization of all discontinued cash flow hedges.

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

Three Months Ended June 30, 2012

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives	Hedged Items in Fair Value Hedge Relationships	Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
		(In millions)			
Interest rate swaps	Other non-interest expense	$ (5)	Debt/CDs	Other non-interest expense	$ 6
Interest rate swaps	Interest expense	27	Debt	Interest expense	3
Forward commitments	Other non-interest expense		Securities available for sale	Other non-interest expense	
Total		$ 22			$ 9

Derivatives in Cash Flow Hedging Relationships	Amount of Gain(Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) (1)	Location of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (2)	Location of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (2)
		(In millions)			
Interest rate swaps	$ 25	Interest income on loans	$ 21	Other non-interest expense	$ 5
Forward starting swaps	2	Interest expense on debt	(4)	Other non-interest expense	
Interest rate options		Interest income on loans		Interest income on loans	
Eurodollar futures		Interest income on loans		Other non-interest expense	
Total	$ 27		$ 17		$ 5

(1) After-tax
(2) Pre-tax

Six Months Ended June 30, 2012

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives	Hedged Items in Fair Value Hedge Relationships	Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
		(In millions)			
Interest rate swaps	Other non-interest expense	$ (21)	Debt/CDs	Other non-interest expense	$ 18

Interest rate swaps	Interest expense		58	Debt/CDs	Interest expense		6
Forward commitments	Other non-interest expense			Securities available for sale	Other non-interest expense		
Total		$	37			$	24

Derivatives in Cash Flow Hedging Relationships	Amount of Gain(Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) (1)	Location of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (2)	Location of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (2)
		(In millions)			
Interest rate swaps	$ 22	Interest income on loans	$ 41	Other non-interest expense	$ 6
Forward starting swaps	4	Interest expense on debt	(7)	Other non-interest expense	
Interest rate options		Interest income on loans		Interest income on loans	
Eurodollar futures		Interest income on loans		Other non-interest expense	
Total	$ 26		$ 34		$ 6

(1) After-tax
(2) Pre-tax

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Three Months Ended June 30, 2011

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives	Hedged Items in Fair Value Hedge Relationships	Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
		(In millions)			
Interest rate swaps	Other non-interest expense	$ 9	Debt/CDs	Other non-interest expense	$ (4)
Interest rate swaps	Interest expense	43	Debt	Interest expense	4
Forward commitments	Other non-interest expense	(35)	Securities available for sale	Other non-interest expense	35
Total		$ 17			$ 35

Derivatives in Cash Flow Hedging Relationships	Amount of Gain(Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) (1)	Location of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (2)	Location of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (2)
		(In millions)			
Interest rate swaps	$ 30	Interest income on loans	$ 50	Other non-interest expense	$
Forward starting swaps	(4)	Interest expense on debt	(3)	Other non-interest expense	
Interest rate options		Interest income on loans		Interest income on loans	
Eurodollar futures		Interest income on loans		Other non-interest expense	
Total	$ 26		$ 47		$

(1) After-tax
(2) Pre-tax

Six Months Ended June 30, 2011

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives	Hedged Items in Fair Value Hedge Relationships	Location of Gain(Loss) Recognized in Income on Related Hedged Item	Amount of Gain(Loss) Recognized in Income on Related Hedged Item
		(In millions)			
Interest rate swaps	Other non-interest expense	$ (40)	Debt/CDs	Other non-interest expense	$ 44

Interest rate swaps	Interest expense		94	Debt/CDs	Interest expense		8
Forward commitments	Other non-interest expense		(35)	Securities available for sale	Other non-interest expense		35
Total		$	19			$	87

Derivatives in Cash Flow Hedging Relationships		Amount of Gain(Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) (1)	Location of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Amount of Gain(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (2)	Location of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)		Amount of Gain(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (2)
			(In millions)					
Interest rate swaps	$		Interest income on loans	$	98	Other non-interest expense	$	1
Forward starting swaps		(3)	Interest expense on debt		(3)	Other non-interest expense		(1)
Interest rate options		(2)	Interest income on loans		4	Interest income on loans		
Eurodollar futures		1	Interest income on loans		(2)	Other non-interest expense		
Total	$	(4)		$	97		$	

(1) After-tax
(2) Pre-tax

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DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

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

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. At June 30, 2012 and 2011, Regions had $1.1 billion and $488 million, respectively, in total notional amount of interest rate lock commitments. Regions manages market risk on interest rate lock commitments and mortgage loans held for sale with corresponding forward sale commitments, which are recorded at fair value with changes in fair value recorded in mortgage income. For June 30, 2012 and 2011, Regions had $1.9 billion and $1.0 billion, respectively, in total notional amount related to these forward rate commitments.

Regions has elected to account for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments, in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the statement of income effect of changes in the fair value of its mortgage servicing rights. As of June 30, 2012 and 2011, the total notional amount related to these contracts was $5.5 billion and $3.6 billion, respectively.

The following tables present the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the statements of income for the three and six months ended June 30, 2012 and 2011, respectively:

	Three Months Ended June 30		Six Months Ended June 30	
Derivatives Not Designated as Hedging Instruments	**2012**	**2011**	**2012**	**2011**
		(In millions)		
Capital markets and investment income				
Interest rate swaps	$ 7	$ 3	$ 11	$ 5
Interest rate options	(1)		(1)	1
Interest rate futures and forward commitments	(1)		(1)	
Other contracts	2	2	5	5
Total capital markets and investment income	7	5	14	11
Mortgage income				
Interest rate swaps	22	17	19	12
Interest rate options	12	(1)	17	(29)
Interest rate futures and forward commitments	(3)	16	13	18
Total mortgage income	31	32	49	1
	$ 38	$ 37	$ 63	$ 12

Credit risk, defined as all positive exposures not collateralized with cash or other financial instruments, at June 30, 2012 and 2011, totaled approximately $850 million and $772 million, respectively. This amount represents the net credit risk on all trading and other derivative positions held by Regions.

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CREDIT DERIVATIVES

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

Regions maximum potential amount of future payments under these contracts as of June 30, 2012 was approximately $34 million. This scenario would only occur if variable interest rates were at zero percent and all counterparties defaulted with zero recovery. The fair value of sold protection at June 30, 2012 and 2011 was immaterial. In transactions where Regions has sold credit protection, recourse to collateral associated with the original swap transaction is available to offset some or all of Regions obligation.

CONTINGENT FEATURES

Certain of Regions derivative instrument contracts with broker-dealers contain provisions allowing those broker-dealers to terminate the contracts in the event that Regions and/or Regions Bank s credit ratings falls below specified ratings from certain major credit rating agencies. At June 30, 2012, Moody s credit ratings for Regions Financial Corporation and Regions Bank were below investment grade. As a result of these ratings, certain Regions Bank broker-dealer counterparties could have terminated these contracts at their discretion. In lieu of terminating the contracts, Regions Bank and certain of its broker-dealer counterparties amended the contracts such that Regions Bank was required to post additional collateral in the cumulative amount of $186 million to these counterparties as of June 30, 2012.

Some of these contracts with broker-dealers still contain credit-related termination provisions and/or credit-related provisions regarding the posting of collateral. At June 30, 2012, the net fair value of such contracts containing credit-related termination provisions that were in a liability position was $455 million, for which Regions had posted collateral of $581 million. At June 30, 2012, the net fair value of contracts that do not contain credit-related termination provisions that were in a liability position was $291 million, for which Regions had posted collateral of $281 million. Other derivative contracts with broker-dealers do not contain any credit-related provisions. These counterparties require complete overnight collateralization.

The aggregate fair value of all derivative instruments with any credit-risk-related contingent features that were in a liability position on June 30, 2012 and December 31, 2011, was $546 million and $425 million, respectively, for which Regions had posted collateral of $670 million and $531 million, respectively, in the normal course of business.

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NOTE 13 Fair Value Measurements

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

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

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

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

See Note 1 Summary of Significant Accounting Policies to the consolidated financial statements of the 2011 Annual Report on Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. Regions rarely transfers assets and liabilities measured at fair value between Level 1 and Level 2 measurements. There were no such transfers during the six month periods ended June 30, 2012 and 2011. Trading account assets are periodically transferred into or out of Level 3 valuation based on management s conclusion regarding the best method of pricing for an individual security. Such transfers are accounted for as if they occur at the beginning of a reporting period.

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The following tables present assets and liabilities measured at fair value on a recurring basis and non-recurring basis as of June 30, 2012 and December 31, 2011:

	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
				(In millions)				
Recurring fair value measurements								
Trading account assets								
U.S. Treasury securities	$	$	$	$	$ 212	$ 3	$	$ 215
Obligations of states and political subdivisions						101	139	240
Mortgage-backed securities:								
Residential agency						359		359
Commercial agency							51	51
Other securities						35	1	36
Equity securities	110			110	365			365
Total trading account assets (1)	$ 110	$	$	$ 110	$ 577	$ 498	$ 191	$ 1,266
Securities available for sale								
U.S. Treasury securities	$ 51	$	$	$ 51	$ 98	$	$	$ 98
Federal agency securities		235		235		147		147
Obligations of states and political subdivisions		14		14		16	20	36
Mortgage-backed securities:								
Residential agency		23,494		23,494		22,175		22,175
Residential non-agency			14	14			16	16
Commercial agency		514		514		326		326
Commercial non-agency		637		637		321		321
Other debt securities		1,549	2	1,551		537		537
Equity securities (2)	107			107	115			115
Total securities available for sale	$ 158	$ 26,443	$ 16	$ 26,617	$ 213	$ 23,522	$ 36	$ 23,771
Mortgage loans held for sale	$	$ 950	$	$ 950	$	$ 844	$	$ 844
Mortgage servicing rights	$	$	$ 179	$ 179	$	$	$ 182	$ 182
Derivative assets								
Interest rate swaps	$	$ 2,059	$	$ 2,059	$	$ 2,758	$	$ 2,758
Interest rate options		4	30	34		28	13	41
Interest rate futures and forward commitments		8		8		11		11
Other contracts		48		48		43		43
Total derivative assets (3) (4)	$	$ 2,119	$ 30	$ 2,149	$	$ 2,840	$ 13	$ 2,853
Trading account liabilities								
U.S. Treasury securities	$	$	$	$	$	$ 97	$	$ 97
Obligations of states and political subdivisions						2		2
Mortgage-backed securities:								
Residential agency						133		133
Commercial agency							5	5
Other securities						16	2	18
Equity securities					1			1
Total trading account liabilities (5)	$	$	$	$	$ 1	$ 248	$ 7	$ 256
Derivative liabilities								
Interest rate swaps	$	$ 1,953	$	$ 1,953	$	$ 2,416	$	$ 2,416

Interest rate options		4		4		28		28
Interest rate futures and forward commitments		22		22		34		34
Other contracts		46		46		36		36
Total derivative liabilities (3) (4)	$	$ 2,025	$	$ 2,025	$	$ 2,514	$	$ 2,514
Nonrecurring fair value measurements								
Loans held for sale	$	$ 31	$ 77	$ 108	$	$ 36	$ 195	$ 231
Foreclosed property, other real estate and equipment		70	48	118		91	162	253

(1) All trading account assets at December 31, 2011 were related to Morgan Keegan (see Note 2 for further discussion regarding the sale of Morgan Keegan) with the exception of $178 million of which all were classified as Level 1 in the table. The Morgan Keegan items do not appear in the June 30, 2012 amounts, as the sale was closed during the second quarter of 2012.

(2) Excludes Federal Reserve Bank and Federal Home Loan Bank stock totaling $480 million and $135 million at June 30, 2012 and $481 million and $219 million December 31, 2011, respectively.

(3) At June 30, 2012, derivatives include approximately $1.2 billion related to legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivatives are also presented excluding cash collateral received of $57 million and cash collateral posted of $881 million with counterparties. At December 31, 2011, derivatives include approximately $1.4 billion related to legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivatives are also presented excluding cash collateral received of $55 million and cash collateral posted of $732 million with counterparties.

(4) Derivative assets and liabilities both include $454 million of interest rate swaps and $23 million of interest rate options at December 31, 2011 related to Morgan Keegan, all of which are classified as Level 2 in the table. These items do not appear in the June 30, 2012 amounts, as they were included with the sale of Morgan Keegan.

(5) All trading account liabilities are related to Morgan Keegan at December 31, 2011. These items do not appear in the June 30, 2012 amounts as they were included with the sale of Morgan Keegan.

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

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The following tables illustrate a rollforward for all assets and (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months and six ended June 30, 2012 and 2011, respectively. The tables do not reflect the change in fair value attributable to any related economic hedges the Company used to mitigate the interest rate risk associated with these assets and (liabilities).

	Three Months Ended June 30, 2012											
			Total Realized / Unrealized Gains or Losses									
	Opening Balance April 1, 2012	Disposition of Morgan Keegan	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2012	Net change in unrealized gains (losses) in included in earnings related to assets and liabilities held at June 30, 2012
	(In millions)											
Level 3 Instruments Only												
Trading account assets:												
Obligations of states and political subdivisions	$ 124	(124)									$	$
Commercial agency MBS	104	(104)										
Other securities	13	(13)										
Total trading account assets (b)	$ 241	(241)									$	$
Securities available for sale:												
Obligations of states and political subdivisions	$ 16					(16)					$	$
Residential non-agency MBS	15							(1)			14	
Other debt securities	3									(1)	2	
Total securities available for sale	$ 34					(16)		(1)		(1)	$ 16	$
Mortgage servicing rights	$ 199		(34)(a)		14						$ 179	$ (26)(a)
Trading account liabilities:												
Mortgage-backed securities:												
Commercial agency	$ 42	(42)									$	$
Other securities	10	(10)										
Total trading account liabilities (b)	$ 52	(52)									$	$
Derivatives, net:												
Interest rate options	$ 18		70					(58)			$ 30	$ 30(a)
Total derivatives, net	$ 18		70(a)					(58)			$ 30	$ 30(a)

(a) Included in mortgage income.
(b) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

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	Three Months Ended June 30, 2011										
		Total Realized / Unrealized Gains or Losses									
	Opening Balance April 1, 2011	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2011	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at June 30, 2011
	(In millions)										
Level 3 Instruments Only											
Trading account assets (c):											
Obligations of states and political subdivisions	$ 162	3		2			(19)			$ 148	$
Commercial agency MBS	84	2		312			(337)			61	
Other securities	6	6		2,249			(2,256)			5	
Total trading account assets (d)	$ 252	11(a)		2,563			(2,612)			$ 214	$
Securities available for sale:											
Obligations of states and political subdivisions	$ 17									$ 17	$
Residential non-agency MBS	20	1	(1)		(2)		(1)			17	
Total securities available for sale	$ 37	1	(1)		(2)		(1)			$ 34	$
Mortgage servicing rights	$ 282	(33)(b)		19						$ 268	$ (28)(b)
Trading account liabilities (c):											
Mortgage-backed securities:											
Commercial agency	$ 13						3			$ 16	$
Other securities	12			(18)			11			5	
Total trading account liabilities (d)	$ 25			(18)			14			$ 21	$
Derivatives, net:											
Interest rate options	$ 5	25(b)					(25)			$ 5	$ 5(b)
Interest rate futures and forward commitments	3						1			4	
Total derivatives, net	$ 8	25					(24)			$ 9	$ 5

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

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	Six Months Ended June 30, 2012											
		Total Realized / Unrealized Gains or Losses										
	Opening Balance January 1, 2012	Included in Earnings	Included in Other Compre- hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Disposition of Morgan Keegan	Closing Balance June 30, 2012	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at June 30, 2012
	(In millions)											
Level 3 Instruments Only												
Trading account assets: (c)												
Obligations of states and political subdivisions	$ 139	(3)		4			(16)			(124)	$	$
Commercial agency MBS	51	2		368			(317)			(104)		
Other securities	1	4		2,248			(2,240)			(13)		
Total trading account assets (d)	$ 191	3(a)		2,620			(2,573)			(241)	$	$
Securities available for sale:												
Obligations of states and political subdivisions	$ 20		(2)		(16)		(2)				$	$
Residential non-agency MBS	16						(2)				14	
Other debt securities								3	(1)		2	
Total securities available for sale	$ 36		(2)		(16)		(4)	3	(1)		$ 16	$
Mortgage servicing rights	$ 182	(31)(b)		28							$ 179	$ (17)(b)
Trading account liabilities: (c)												
Mortgage-backed securities:												
Commercial agency	$ 5			37						(42)	$	$
Other securities	2			12			(4)			(10)		
Total trading account liabilities (d)	$ 7			49			(4)			(52)	$	$
Derivatives, net:												
Interest rate options	$ 13	111					(94)				$ 30	$ 48(b)
Total derivatives, net	$ 13	111(b)					(94)				$ 30	$ 48(b)

(a) Included in discontinued operations, on a net basis.
(b) Included in mortgage income.
(c) Income from trading account assets primarily represents gains/(losses) on disposition, which inherently includes commissions on security transactions during the period.

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

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	Six Months Ended June 30, 2011									
		Total Realized / Unrealized Gains or Losses								
	Opening Balance January 1, 2011	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance June 30, 2011	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at June 30, 2011
	(In millions)										
Level 3 Instruments Only											
Trading account assets: (c)											
Obligations of states and political subdivisions	$ 165	2		8			(27)			$ 148	$
Commercial agency MBS	54	3		477			(474)	1		61	
Other securities	10	11		4,278			(4,294)			5	
Total trading account assets (d)	$ 229	16(a)		4,763			(4,795)	1		$ 214	$
Securities available for sale:											
Obligations of states and political subdivisions	$ 17									$ 17	$
Residential non-agency MBS	22	1	(1)		(2)		(3)			17	
Total securities available for sale	$ 39	1	(1)		(2)		(3)			$ 34	$
Mortgage servicing rights	$ 267	(34)(b)		35						$ 268	$ (23)(b)