REGIONS FINANCIAL CORP
Form 10-Q
August 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

or

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

Commission File Number: 000-50831

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

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

(205) 944-1300

(Registrant s telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

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

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Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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.

Regions ability to keep pace with technological changes.

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

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

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

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

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

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

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

Possible downgrades in ratings issued by rating agencies.

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

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

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

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

Regions ability to receive dividends from its subsidiaries.

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

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

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

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

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

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

Series A, cumulative perpetual participating, par value $1.00 (liquidation preference $1,000.00) per share, net of discount; Issued 3,500,000 shares			
Common stock, par value $.01 per share:			
Authorized 3 billion shares at June 30, 2011 and December 31, 2010, and 1.5 billion shares at June 30, 2010			
Issued including treasury stock 1,301,331,383; 1,299,000,755 and 1,298,911,598 shares, respectively	13	13	13
Additional paid-in capital	19,052	19,050	19,038
Retained earnings (deficit)	(4,000)	(4,047)	(3,849)
Treasury stock, at cost 42,533,753; 42,764,258 and 42,969,345 shares, respectively	(1,399)	(1,402)	(1,405)
Accumulated other comprehensive income (loss), net	(177)	(260)	306
Total stockholders equity	16,888	16,734	17,463
Total liabilities and stockholders equity	$ 130,908	$ 132,351	$ 135,340

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

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

See notes to consolidated financial statements.

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

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and Six Months Ended June 30, 2011 and 2010

NOTE 1 Basis of Presentation

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

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

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

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

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NOTE 2 Securities

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

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

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

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

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

	June 30 2011	December 31 2010
	(In millions)	
Federal Reserve Bank	$ 460	$ 471
Federal Home Loan Bank	340	419

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

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

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

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

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

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

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

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

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

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

Net securities gains	$ 24	$	$ 106	$ 59

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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	
	2011	2010	2011	2010
	(In millions)		(In millions)	
Total net gains (losses)	$ 10	$ (5)	$ 31	$ 9
Unrealized portion	(1)	(12)	13	4

NOTE 3 Loans and the Allowance for Credit Losses

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

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

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

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

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

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

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

	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 for unfunded credit commitments	(5)	11		6
Reserve for unfunded credit commitments, June 30, 2011	32	28	24	84
Allowance for credit losses, June 30, 2011	$ 1,159	$ 1,181	$ 864	$ 3,204

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

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

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

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

Consumer The consumer loan portfolio segment includes residential first mortgage, home equity, indirect, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended

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

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

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

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

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

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

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

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

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

	Accrual	Non-accrual (In millions)	Total
Residential first mortgage	$ 14,018	$ 288	$ 14,306
Home equity	13,528	65	13,593
Indirect	1,704		1,704
Consumer credit card	1,134		1,134
Other consumer	1,190		1,190
Total consumer	$ 31,574	$ 353	$ 31,927
			$ 81,176

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

	Accrual	Non-accrual (In millions)	Total
Residential first mortgage	$ 14,613	$ 285	$ 14,898
Home equity	14,170	56	14,226
Indirect	1,592		1,592
Other consumer	1,184		1,184
Total consumer	$ 31,559	$ 341	$ 31,900
			$ 82,864

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	June 30, 2010				
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	$ 19,224	$ 497	$ 896	$ 479	$ 21,096
Commercial real estate mortgage owner occupied	10,259	323	705	680	11,967
Commercial real estate construction owner occupied	456	28	26	37	547
Total commercial	$ 29,939	$ 848	$ 1,627	$ 1,196	$ 33,610
Commercial investor real estate mortgage	9,607	1,723	2,536	1,286	15,152
Commercial investor real estate construction	1,605	570	849	754	3,778
Total investor real estate	$ 11,212	$ 2,293	$ 3,385	$ 2,040	$ 18,930

	Accrual	Non-accrual (In millions)	Total
Residential first mortgage	$ 15,355	$ 212	$ 15,567
Home equity	14,777	25	14,802
Indirect	1,900		1,900
Other consumer	1,136		1,136
Total consumer	$ 33,168	$ 237	$ 33,405
			$ 85,945

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

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

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

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