

REGIONS FINANCIAL CORP
Form 10-Q
August 04, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2010

or

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

Commission File Number: 000-50831

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

63-0589368
(IRS Employer

incorporation or organization)

Identification No.)

1900 Fifth Avenue North

Birmingham, Alabama
(Address of principal executive offices)

35203
(Zip Code)

(205) 326-5807

(Registrant's telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,255,941,000 shares of common stock, par value \$.01, outstanding as of July 31, 2010.

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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, 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. 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.

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, including changes in accounting standards, may have an adverse effect on business.

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

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

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Regions ability to achieve the earnings expectations related to businesses that have been acquired or that may be acquired in the future.

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.

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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 and hurricanes, and the effects of the Gulf of Mexico oil spill.

Regions' ability to maintain favorable ratings from 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.

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.

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

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

See also Item 1A. Risk Factors of this Form 10-Q and of Regions' Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	June 30 2010	December 31 2009	June 30 2009
	(In millions, except share data)		
Assets			
Cash and due from banks	\$ 2,097	\$ 2,052	\$ 2,363
Interest-bearing deposits in other banks	4,562	5,580	2,846
Federal funds sold and securities purchased under agreements to resell	752	379	3,221
Trading account assets	1,261	3,039	1,109
Securities available for sale	24,166	24,069	19,681
Securities held to maturity	28	31	43
Loans held for sale (includes \$819, \$780 and \$1,373 measured at fair value, respectively)	1,162	1,511	1,932
Loans, net of unearned income	85,945	90,674	96,149
Allowance for loan losses	(3,185)	(3,114)	(2,282)
Net loans	82,760	87,560	93,867
Other interest-earning assets	1,082	734	829
Premises and equipment, net	2,588	2,668	2,789
Interest receivable	466	468	501
Goodwill	5,561	5,557	5,556
Mortgage servicing rights	220	247	202
Other identifiable intangible assets	443	503	568
Other assets	8,192	7,920	7,304
Total assets	\$ 135,340	\$ 142,318	\$ 142,811
Liabilities and Stockholders Equity			
Deposits:			
Non-interest-bearing	\$ 22,993	\$ 23,204	\$ 20,995
Interest-bearing	73,257	75,476	73,731
Total deposits	96,250	98,680	94,726
Borrowed funds:			
Short-term borrowings:			
Federal funds purchased and securities sold under agreements to repurchase	1,929	1,893	2,265
Other short-term borrowings	1,035	1,775	4,927
Total short-term borrowings	2,964	3,668	7,192
Long-term borrowings	15,415	18,464	18,238
Total borrowed funds	18,379	22,132	25,430
Other liabilities	3,248	3,625	3,918
Total liabilities	117,877	124,437	124,074
Stockholders equity:			
Preferred stock, authorized 10 million shares			
Series A, cumulative perpetual participating, par value \$1.00 (liquidation preference \$1,000.00) per share, net of discount;			
Issued 3,500,000 shares	3,360	3,343	3,325

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Series B, mandatorily convertible, cumulative perpetual participating, par value \$1,000.00 (liquidation preference \$1,000.00) per share;			
Issued 0; 267,665 and 287,500 shares, respectively		259	278
Common stock, par value \$.01 per share:			
Authorized 1.5 billion shares			
Issued including treasury stock 1,298,911,598; 1,235,850,589 and 1,231,643,211 shares, respectively	13	12	12
Additional paid-in capital	19,038	18,781	18,740
Retained earnings (deficit)	(3,849)	(3,235)	(2,169)
Treasury stock, at cost 42,969,345; 43,241,020 and 43,439,788 shares, respectively	(1,405)	(1,409)	(1,413)
Accumulated other comprehensive income (loss), net	306	130	(36)
Total stockholders' equity	17,463	17,881	18,737
Total liabilities and stockholders' equity	\$ 135,340	\$ 142,318	\$ 142,811

See notes to consolidated financial statements.

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	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	\$ 930	\$ 1,073	\$ 1,875	\$ 2,171
Securities:				
Taxable	224	239	466	478
Tax-exempt		5	1	12
Total securities	224	244	467	490
Loans held for sale	9	15	17	31
Federal funds sold and securities purchased under agreements to resell	1	1	1	2
Trading account assets	9	10	21	22
Other interest-earning assets	7	8	14	14
Total interest income	1,180	1,351	2,395	2,730
Interest expense on:				
Deposits	194	330	436	696
Short-term borrowings	2	16	5	36
Long-term borrowings	128	174	267	358