

REGIONS FINANCIAL CORP
Form 10-Q
November 04, 2009
Table of Contents

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 September 30, 2009

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
incorporation or organization)

63-0589368
(IRS Employer
Identification Number)

1900 Fifth Avenue North

Birmingham, Alabama
(Address of principal executive offices)

35203
(Zip code)

(205) 944-1300

(Registrant's telephone number, including area code)

NOT APPLICABLE

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,188,032,000 shares of common stock, par value \$.01, outstanding as of October 29, 2009.

Table of Contents

REGIONS FINANCIAL CORPORATION

FORM 10-Q

INDEX

	Page
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	
<u>Consolidated Balance Sheets September 30, 2009, December 31, 2008 and September 30, 2008</u>	5
<u>Consolidated Statements of Operations Three and nine months ended September 30, 2009 and 2008</u>	6
<u>Consolidated Statements of Changes in Stockholders Equity Nine months ended September 30, 2009 and 2008</u>	8
<u>Consolidated Statements of Cash Flows Nine months ended September 30, 2009 and 2008</u>	9
<u>Notes to Consolidated Financial Statements</u>	10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	82
Item 4. <u>Controls and Procedures</u>	82
Part II. Other Information	
Item 1. <u>Legal Proceedings</u>	83
Item 1A. <u>Risk Factors</u>	84
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	85
Item 6. <u>Exhibits</u>	87
<u>Signatures</u>	88

Table of Contents

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:

In October 2008 Congress enacted and the President signed into law the Emergency Economic Stabilization Act of 2008, and on February 17, 2009 the American Recovery and Reinvestment Act of 2009 was signed into law. Additionally, the U.S. Treasury Department and federal banking regulators are implementing a number of programs to address capital and liquidity issues in the banking system, and may announce additional programs in the future, all of which 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 is able to repay the outstanding preferred stock issued under the TARP.

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

Possible changes in interest rates may affect 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.

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.

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

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

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

Regions' ability to keep pace with technological changes.

Table of Contents

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

The cost and other effects of material contingencies, including litigation contingencies.

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 droughts and hurricanes.

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 Regions' Annual Report on Form 10-K for the year ended December 31, 2008 and Quarterly Reports on Form 10-Q for the periods ended March 31, 2009 and June 30, 2009.

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

<i>(In millions, except share data)</i>	September 30 2009	December 31 2008	September 30 2008
Assets			
Cash and due from banks	\$ 2,101	\$ 2,643	\$ 2,986
Interest-bearing deposits in other banks	5,902	7,540	30
Federal funds sold and securities purchased under agreements to resell	366	790	542
Trading account assets	1,388	1,050	1,268
Securities available for sale	21,030	18,850	17,633
Securities held to maturity	39	47	50
Loans held for sale (includes \$726, \$506 and \$495 measured at fair value at September 30, 2009, December 31, 2008 and September 30, 2008, respectively)	1,470	1,282	1,054
Loans, net of unearned income	92,754	97,419	98,712
Allowance for loan losses	(2,627)	(1,826)	(1,472)
Net loans	90,127	95,593	97,240
Other interest-earning assets	839	897	587
Premises and equipment, net	2,694	2,786	2,730
Interest receivable	499	458	512
Goodwill	5,557	5,548	11,529
Mortgage servicing rights	216	161	263
Other identifiable intangible assets	535	638	675
Other assets	7,223	7,965	7,193
Total assets	\$ 139,986	\$ 146,248	\$ 144,292
Liabilities and Stockholders Equity			
Deposits:			
Non-interest-bearing	\$ 21,226	\$ 18,457	\$ 18,045
Interest-bearing	73,654	72,447	71,176
Total deposits	94,880	90,904	89,221
Borrowed funds:			
Short-term borrowings:			
Federal funds purchased and securities sold under agreements to repurchase	2,633	3,143	10,427
Other short-term borrowings	2,653	12,679	7,115
Total short-term borrowings	5,286	15,822	17,542
Long-term borrowings	18,093	19,231	14,168
Total borrowed funds	23,379	35,053	31,710
Other liabilities	3,235	3,478	3,656
Total liabilities	121,494	129,435	124,587
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	3,334	3,307	

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Series B, mandatorily convertible, cumulative perpetual participating, par value \$1,000.00 (liquidation preference \$1,000.00) per share;			
Issued 287,500 shares	278		
Common stock, par value \$.01 per share:			
Authorized 1.5 billion shares			
Issued including treasury stock 1,231,352,421; 735,667,650 and 735,769,666 shares, respectively	12	7	7
Additional paid-in capital	18,754	16,815	16,607
Retained earnings (deficit)	(2,618)	(1,869)	4,445
Treasury stock, at cost 43,316,136; 44,301,693 and 43,813,524 shares, respectively	(1,411)	(1,425)	(1,424)
Accumulated other comprehensive income (loss), net	143	(22)	70
Total stockholders' equity	18,492	16,813	19,705
 Total liabilities and stockholders' equity	 \$ 139,986	 \$ 146,248	 \$ 144,292

See notes to consolidated financial statements.

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

<i>(In millions, except per share data)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Interest income on:				
Loans, including fees	\$ 1,047	\$ 1,318	\$ 3,218	\$ 4,222
Securities:				
Taxable	232	208	710	616
Tax-exempt	6	11	18	31
Total securities	238	219	728	647
Loans held for sale	12	9	43	27
Federal funds sold and securities purchased under agreements to resell		5	2	16
Trading account assets	10	13	32	52
Other interest-earning assets	7	5	21	18
Total interest income	1,314	1,569	4,044	4,982
Interest expense on:				
Deposits	301	391	997	1,316
Short-term borrowings	9	102	45	300
Long-term borrowings	159	154	517	447
Total interest expense	469	647	1,559	2,063
Net interest income	845	922	2,485	2,919
Provision for loan losses	1,025	417	2,362	907
Net interest income (loss) after provision for loan losses	(180)	505	123	2,012
Non-interest income:				
Service charges on deposit accounts	300	294	857	860
Brokerage, investment banking and capital markets	252	241	732	786
Mortgage income	76	33	213	104
Trust department income	49	66	143	182
Securities gains, net	4		165	92
Other	91	85	927	347
Total non-interest income	772	719	3,037	2,371
Non-interest expense:				
Salaries and employee benefits	578	552	1,703	1,794
Net occupancy expense	121	110	340	328
Furniture and equipment expense	83	88	237	255
Impairment (recapture) of mortgage servicing rights		11		(14)
Other-than-temporary impairments(1)	3	9	75	10
Other	458	358	1,177	1,146
Total non-interest expense	1,243	1,128	3,532	3,519
Income (loss) from continuing operations before income taxes	(651)	96	(372)	864
Income taxes	(274)	6	116	231

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Income (loss) from continuing operations	(377)	90	(488)	633
Discontinued operations (Note 13):				
Loss from discontinued operations before income taxes		(18)		(18)
Income tax benefit		(7)		(7)
Loss from discontinued operations, net of tax		(11)		(11)
Net income (loss)	\$ (377)	\$ 79	\$ (488)	\$ 622
Net income (loss) available to common shareholders	\$ (437)	\$ 79	\$ (655)	\$ 622

Table of Contents

REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

<i>(In millions, except per share data)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Weighted-average number of shares outstanding:				
Basic	1,189	696	921	696
Diluted	1,189	696	921	696
Earnings (loss) per common share from continuing operations:				
Basic	(0.37)	0.13	(0.71)	0.91
Diluted	(0.37)	0.13	(0.71)	0.91
Earnings (loss) per common share from discontinued operations:				
Basic		(0.02)		(0.02)
Diluted		(0.02)		(0.02)
Earnings (loss) per common share:				
Basic	(0.37)	0.11	(0.71)	0.89
Diluted	(0.37)	0.11	(0.71)	0.89
Cash dividends declared per common share	0.01	0.10	0.12	0.86

- (1) Includes \$3 million for the three months ended and \$266 million for the nine months ended September 30, 2009, respectively, of gross charges, net of \$0 for the three months ended and \$191 million for the nine months ended September 30, 2009, respectively, of non-credit portion reported in other comprehensive income (loss).

See notes to consolidated financial statements.

Table of Contents**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					
<i>(In millions, except share and per share data)</i>									
BALANCE AT JANUARY 1, 2008		\$	694	\$ 7	\$ 16,545	\$ 4,439	\$ (1,371)	\$ 203	\$ 19,823
Cumulative effect of changes in accounting principles due to adoption of new accounting literature						(17)			(17)
Comprehensive income:									
Net income						622			622
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								(116)	(116)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								(18)	(18)
Net change from defined benefit pension plans, net of tax*								1	1
Comprehensive income									489
Cash dividends declared \$0.86 per share						(599)			(599)
Common stock transactions:									
Stock transactions with employees under compensation plans, net			(2)		(2)		(53)		(55)
Stock options exercised and related activity, net					24				24
Amortization of unearned restricted stock					40				40
BALANCE AT SEPTEMBER 30, 2008		\$	692	\$ 7	\$ 16,607	\$ 4,445	\$ (1,424)	\$ 70	\$ 19,705
BALANCE AT JANUARY 1, 2009	4	\$ 3,307	691	\$ 7	\$ 16,815	\$ (1,869)	\$ (1,425)	\$ (22)	\$ 16,813
Comprehensive income:									
Net income (loss)						(488)			(488)
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment, excluding non-credit portion of other-than-temporary impairments*								389	389
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income, net of tax*								(124)	(124)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								(120)	(120)
Net change from defined benefit pension plans, net of tax*								20	20
Comprehensive income (loss)									