

REGIONS FINANCIAL CORP  
Form 10-Q  
May 07, 2008  
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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 March 31, 2008

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**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**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 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 694,808,000 shares of common stock, par value \$.01, outstanding as of April 30, 2008.

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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:

Regions' ability to achieve the earnings expectations related to businesses that have been acquired, including its merger with AmSouth Bancorporation ( AmSouth ), or that may be acquired in the future, which in turn depends on a variety of factors, including:

Regions' ability to achieve the anticipated cost savings and revenue enhancements with respect to the acquired operations, or lower than expected revenues from continuing operations;

The assimilation of the combined companies' corporate cultures;

The continued growth of the markets that the acquired entities serve, consistent with recent historical experience;

Difficulties related to the integration of the businesses.

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

Regions' ability to keep pace with technological changes.

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

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.

The current stresses in the financial markets.

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

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

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.

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

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

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.

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.

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

<i>(In thousands, except share data)</i>	<b>March 31 2008</b>	<b>December 31 2007</b>	<b>March 31 2007</b>
<b>Assets</b>			
Cash and due from banks	\$ 3,061,324	\$ 3,720,365	\$ 2,991,232
Interest-bearing deposits in other banks	47,850	31,706	37,365
Federal funds sold and securities purchased under agreements to resell	1,071,806	1,177,170	1,154,994
Trading account assets	1,299,460	907,300	1,490,374
Securities available for sale	17,766,260	17,318,074	18,361,050
Securities held to maturity	49,790	50,935	46,008
Loans held for sale (includes \$695,338 measured at fair value at March 31, 2008)	756,500	720,924	1,175,650
Margin receivables	616,732	504,614	555,580
Loans, net of unearned income	96,385,431	95,378,847	94,168,260
Allowance for loan losses	(1,376,486)	(1,321,244)	(1,056,260)
Net loans	95,008,945	94,057,603	93,112,000
Premises and equipment, net	2,665,813	2,610,851	2,372,800
Interest receivable	550,117	615,711	627,918
Excess purchase price	11,510,096	11,491,673	11,191,675
Mortgage servicing rights	268,784	321,308	367,222
Other identifiable intangible assets	729,835	759,832	914,410
Other assets	8,845,659	6,753,651	3,669,790
<b>Total assets</b>	<b>\$ 144,248,971</b>	<b>\$ 141,041,717</b>	<b>\$ 138,068,068</b>
<b>Liabilities and Stockholders Equity</b>			
<b>Deposits:</b>			
Non-interest-bearing	\$ 18,182,582	\$ 18,417,266	\$ 19,942,928
Interest-bearing	71,004,827	76,357,702	75,393,720
<b>Total deposits</b>	<b>89,187,409</b>	<b>94,774,968</b>	<b>95,336,648</b>
<b>Borrowed funds:</b>			
<b>Short-term borrowings:</b>			
Federal funds purchased and securities sold under agreements to repurchase	8,450,346	8,820,235	8,159,929
Other short-term borrowings	8,716,951	2,299,887	2,356,205
<b>Total short-term borrowings</b>	<b>17,167,297</b>	<b>11,120,122</b>	<b>10,516,134</b>
Long-term borrowings	12,357,225	11,324,790	8,593,117
<b>Total borrowed funds</b>	<b>29,524,522</b>	<b>22,444,912</b>	<b>19,109,251</b>
Other liabilities	5,515,119	3,998,808	3,308,003
<b>Total liabilities</b>	<b>124,227,050</b>	<b>121,218,688</b>	<b>117,753,902</b>
<b>Stockholders equity:</b>			

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Common stock, par value \$.01 per share:				
Authorized 1,500,000,000 shares				
Issued including treasury stock	735,775,383; 734,689,800 and 732,036,345 shares, respectively	7,358	7,347	7,320
Additional paid-in capital		16,560,302	16,544,651	16,447,358
Retained earnings		4,494,573	4,439,505	4,289,354
Treasury stock, at cost	41,054,113; 41,054,113 and 10,211,100 shares, respectively	(1,370,761)	(1,370,761)	(368,837)
Accumulated other comprehensive income (loss), net		330,449	202,287	(61,029)
Total stockholders' equity		20,021,921	19,823,029	20,314,166
Total liabilities and stockholders' equity		\$ 144,248,971	\$ 141,041,717	\$ 138,068,068

See notes to consolidated financial statements.



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<i>(In thousands, except per share data)</i>	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Interest income on:		
Loans, including fees	\$ 1,528,883	\$ 1,773,404
Securities:		
Taxable	200,117	224,319
Tax-exempt	9,721	11,048
Total securities	209,838	235,367
Loans held for sale	8,998	48,342
Federal funds sold and securities purchased under agreements to resell	13,533	16,373
Trading account assets	14,153	15,620
Margin receivables	6,783	9,610
Time deposits in other banks	616	1,179
Total interest income	1,782,804	2,099,895
Interest expense on:		
Deposits	503,190	687,459
Short-term borrowings	113,008	120,661
Long-term borrowings	149,126	122,737
Total interest expense	765,324	930,857
Net interest income	1,017,480	1,169,038
Provision for loan losses	181,000	47,000
Net interest income after provision for loan losses	836,480	1,122,038
Non-interest income:		
Service charges on deposit accounts	271,613	284,097
Brokerage and investment banking	229,203	186,195
Trust department income	56,938	63,482
Mortgage income	45,620	37,021
Securities gains, net	91,643	304
Other	213,286	125,813
Total non-interest income	908,303	696,912
Non-interest expense:		
Salaries and employee benefits	643,487	608,939
Net occupancy expense	106,665	93,531
Furniture and equipment expense	79,236	72,809
Other	420,871	333,687
Total non-interest expense	1,250,259	1,108,966
Income from continuing operations before income taxes	494,524	709,984
Income taxes	157,814	235,908
Income from continuing operations	336,710	474,076
Discontinued operations (Note 11):		
Loss from discontinued operations before income taxes	(67)	(215,818)
Income tax benefit	(25)	(74,723)

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Loss from discontinued operations, net of tax	(42)	(141,095)
Net income	\$ 336,668	\$ 332,981
Weighted-average number of shares outstanding:		
Basic	695,098	726,921
Diluted	695,548	734,534
Earnings per share from continuing operations(1):		
Basic	\$ 0.48	\$ 0.65
Diluted	0.48	0.65
Earnings per share from discontinued operations(1):		
Basic		(0.19)
Diluted		