REGIONS FINANCIAL CORP
Form 10-Q
November 03, 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 September 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 1,258,877,000 shares of common stock, par value $.01, outstanding as of October 25, 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 (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. 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.

Regions ability to mitigate the impact of the Dodd-Frank Act on debit interchange fees through revenue enhancements and other revenue measures, which will depend on various factors, including the acceptance by customers of modified fee structures for Regions products and services.

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.

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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.

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 Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 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

	September 30 2011	December 31 2010
	(In millions, except share and per share data)	
Assets		
Cash and due from banks	$ 2,000	$ 1,643
Interest-bearing deposits in other banks	6,009	4,880
Federal funds sold and securities purchased under agreements to resell	254	396
Trading account assets	1,462	1,116
Securities available for sale	24,635	23,289
Securities held to maturity	18	24
Loans held for sale (includes $647 and $1,174 measured at fair value, at September 30, 2011 and December 31, 2010, respectively)	1,012	1,485
Loans, net of unearned income	79,447	82,864
Allowance for loan losses	(2,964)	(3,185)
Net loans	76,483	79,679
Other interest-earning assets	1,081	1,219
Premises and equipment, net	2,399	2,569
Interest receivable	422	421
Goodwill	5,561	5,561
Mortgage servicing rights	182	267
Other identifiable intangible assets	478	385
Other assets	7,766	9,417
Total assets	$ 129,762	$ 132,351
Liabilities and Stockholders Equity		
Deposits:		
Non-interest-bearing	$ 28,296	$ 25,733
Interest-bearing	67,642	68,881
Total deposits	95,938	94,614
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,969	2,716
Other short-term borrowings	974	1,221
Total short-term borrowings	2,943	3,937
Long-term borrowings	10,140	13,190
Total borrowed funds	13,083	17,127
Other liabilities	3,478	3,876
Total liabilities	112,499	115,617
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	3,409	3,380
Common stock, par value $.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,301,329,413 and 1,299,000,755 shares, respectively	13	13
Additional paid-in capital	19,059	19,050
Retained earnings (deficit)	(3,913)	(4,047)
Treasury stock, at cost 42,451,925 and 42,764,258 shares, respectively	(1,397)	(1,402)
Accumulated other comprehensive income (loss), net	92	(260)
Total stockholders equity	17,263	16,734
Total liabilities and stockholders equity	$ 129,762	$ 132,351

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$ 867	$ 919	$ 2,590	$ 2,794
Securities:				
Taxable	177	214	592	680
Tax-exempt				1
Total securities	177	214	592	681
Loans held for sale	7	10	29	27
Trading account assets	6	8	19	29
Other interest-earning assets	7	7	20	22
Total interest income	1,064	1,158	3,250	3,553
Interest expense on:				
Deposits	112	167	377	603
Short-term borrowings	1	3	6	8
Long-term borrowings	93	120	282	387
Total interest expense	206	290	665	998
Net interest income	858	868	2,585	2,555
Provision for loan losses	355	760	1,235	2,181
Net interest income after provision for loan losses	503	108	1,350	374
Non-interest income:				
Service charges on deposit accounts	310	294	905	884
Brokerage, investment banking and capital markets	217	257	732	747
Mortgage income	68	66	163	196
Trust department income	49	49	150	146
Securities gains (losses), net	(1)	2	105	61
Leveraged lease termination gains (losses), net	(2)		(2)	19
Other	104	82	316	265
Total non-interest income	745	750	2,369	2,318
Non-interest expense:				
Salaries and employee benefits	529	582	1,684	1,717
Net occupancy expense	104	110	320	340
Furniture and equipment expense	77	75	233	228
Regulatory charge				200
Other	356	396	1,194	1,234
Total non-interest expense	1,066	1,163	3,431	3,719
Income (loss) before income taxes	182	(305)	288	(1,027)
Income tax expense (benefit)	27	(150)	(45)	(399)
Net income (loss)	$ 155	$ (155)	$ 333	$ (628)

Net income (loss) available to common shareholders	$ 101	$ (209)	$ 173	$ (799)
Weighted-average number of shares outstanding:				
Basic	1,259	1,257	1,258	1,217
Diluted	1,261	1,257	1,260	1,217
Earnings (loss) per common share:				
Basic	$ 0.08	$ (0.17)	$ 0.14	$ (0.66)
Diluted	0.08	(0.17)	0.14	(0.66)
Cash dividends declared per common share	0.01	0.01	0.03	0.03

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Total
				(In millions, except 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)						(628)			(628)
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								144	144
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								(83)	(83)
Net change from defined benefit pension plans, net of tax*								17	17
Comprehensive income (loss)									(550)
Cash dividends declared $0.03 per share						(36)			(36)
Preferred dividends					3	(144)			(141)
Preferred stock transactions:									
Conversion of mandatorily convertible preferred stock into 63 million shares of common stock		(259)	63	1	258				
Discount accretion		27				(27)			
Common stock transactions:									
Impact of stock transactions under compensation plans, net					5		4		9
BALANCE AT SEPTEMBER 30, 2010	4	$ 3,370	1,256	$ 13	$ 19,047	$ (4,070)	$ (1,405)	$ 208	$ 17,163
BALANCE AT JANUARY 1, 2011	4	$ 3,380	1,256	$ 13	$ 19,050	$ (4,047)	$ (1,402)	$ (260)	$ 16,734
Comprehensive income:									
Net income						333			333
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								242	242
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								91	91
Net change from defined benefit pension plans, net of tax*								19	19
Comprehensive income									685
Cash dividends declared $0.03 per share						(39)			(39)
Preferred dividends						(131)			(131)
Preferred stock transactions:									
Discount accretion		29				(29)			
Common stock transactions:									
Impact of stock transactions under compensation plans, net			3		9		5		14
BALANCE AT SEPTEMBER 30, 2011	4	$ 3,409	1,259	$ 13	$ 19,059	$ (3,913)	$ (1,397)	$ 92	$ 17,263

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

	Nine Months Ended September 30	
	2011	2010
	(In millions)	
Operating activities:		
Net income (loss)	$ 333	$ (628)
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	1,235	2,181
Depreciation and amortization of premises and equipment	205	216
Provision for losses on other real estate, net	97	121
Net amortization of securities	144	151
Net amortization of loans and other assets	152	167
Net amortization (accretion) of deposits and borrowings	3	(4)
Net securities gains	(105)	(61)
Loss on early extinguishment of debt		53
Deferred income tax benefit	(57)	(216)
Originations and purchases of loans held for sale	(3,314)	(3,744)
Proceeds from sales of loans held for sale	4,602	4,167
Gain on sale of loans, net	(69)	(59)
Valuation charges on loans held for sale	8	24
Branch consolidation and property and equipment charges	77	
(Increase) decrease in trading account assets	(346)	1,459
Decrease (increase) in other interest-earning assets	138	(309)
Increase in interest receivable	(1)	(44)
Decrease in other assets	1,931	51
Decrease in other liabilities	(379)	(244)
Other	(38)	53
Net cash from operating activities	4,616	3,334
Investing activities:		
Proceeds from sales of securities available for sale	6,531	1,610
Proceeds from maturities of securities available for sale	3,630	5,617
Proceeds from maturities of securities held to maturity	7	4
Purchases of securities available for sale	(11,156)	(6,572)
Proceeds from sales of loans	1,294	966
Purchases of loans	(1,718)	
Net decrease in loans	1,145	2,168
Net purchases of premises and equipment	(163)	(118)
Net cash from investing activities	(430)	3,675
Financing activities:		
Net increase (decrease) in deposits	1,324	(3,702)
Net decrease in short-term borrowings	(994)	(7)
Proceeds from long-term borrowings	1,001	743
Payments on long-term borrowings	(4,003)	(4,990)
Cash dividends on common stock	(39)	(36)
Cash dividends on preferred stock	(131)	(141)
Net cash from financing activities	(2,842)	(8,133)

Increase (decrease) in cash and cash equivalents	1,344	(1,124)
Cash and cash equivalents at beginning of year	6,919	8,011
Cash and cash equivalents at end of period	$ 8,263	$ 6,887

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and Nine Months Ended September 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:

	September 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Securities available for sale:				
U.S. Treasury securities	$ 99	$ 1	$	$ 100
Federal agency securities	616	2		618
Obligations of states and political subdivisions	24	8		32
Mortgage-backed securities:				
Residential agency	21,527	503	(3)	22,027
Residential non-agency	15	1		16
Commercial agency	230	7		237
Commercial non-agency	290	2	(2)	290
Other debt securities	468	1	(7)	462
Equity securities	856	1	(4)	853
	$ 24,125	$ 526	$ (16)	$ 24,635
Securities held to maturity:				
U.S. Treasury securities	$ 5	$	$	$ 5
Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	10	1		11
	$ 18	$ 1	$	$ 19

	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.

	September 30 2011	December 31 2010
	(In millions)	
Federal Reserve Bank	$ 460	$ 471
Federal Home Loan Bank	282	419

Securities with carrying values of $13.6 billion and $15.4 billion at September 30, 2011 and December 31, 2010, 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 September 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.

	September 30, 2011	
	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities available for sale:		
Due in one year or less	$ 71	$ 71
Due after one year through five years	760	761
Due after five years through ten years	305	302
Due after ten years	71	78
Mortgage-backed securities:		
Residential agency	21,527	22,027
Residential non-agency	15	16
Commercial agency	230	237
Commercial non-agency	290	290
Equity securities	856	853
	$ 24,125	$ 24,635
Securities held to maturity:		
Due in one year or less	$ 3	$ 3
Due after one year through five years	5	5
Due after five years through ten years		
Due after ten years		
Mortgage-backed securities:		
Residential agency	10	11
	$ 18	$ 19

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The following tables present gross unrealized losses and estimated fair value of securities available for sale at September 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.

September 30, 2011	Less Than Twelve Months Estimated Fair Value	Less Than Twelve Months Gross Unrealized Losses	Twelve Months or More Estimated Fair Value	Twelve Months or More Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
	(In millions)					
Mortgage-backed securities:						
Residential agency	$ 1,256	$ (3)	$	$	$ 1,256	$ (3)
Commercial non-agency	120	(2)			120	(2)
All other securities	353	(8)	5	(3)	358	(11)
	$ 1,729	$ (13)	$ 5	$ (3)	$ 1,734	$ (16)

December 31, 2010	Less Than Twelve Months Estimated Fair Value	Less Than Twelve Months Gross Unrealized Losses	Twelve Months or More Estimated Fair Value	Twelve Months or More Gross Unrealized Losses	Total Estimated Fair Value	Total 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 September 30, 2011 or December 31, 2010.

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 229 securities and 292 securities at September 30, 2011 and December 31, 2010, 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.

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 September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
	(In millions)			
Proceeds	$ 52	$ 149	$ 6,531	$ 1,610
Gross securities gains		2	105	61
Gross securities losses	(1)			
Net securities gains (losses)	$ (1)	$ 2	$ 105	$ 61

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Total net gains (losses)	$ (21)	$ 18	$ 10	$ 27
Unrealized portion	(35)	6	(21)	10

NOTE 3 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:

	September 30 2011	December 31 2010	September 30 2010
	(In millions, net of unearned income)		
Commercial and industrial	$ 24,273	$ 22,540	$ 21,501
Commercial real estate mortgage owner occupied	11,537	12,046	11,850
Commercial real estate construction owner occupied	356	470	522
Total commercial	36,166	35,056	33,873
Commercial investor real estate mortgage	10,696	13,621	14,489
Commercial investor real estate construction	1,188	2,287	2,975
Total investor real estate	11,884	15,908	17,464
Residential first mortgage	14,083	14,898	15,723
Home equity	13,316	14,226	14,534
Indirect	1,774	1,592	1,657
Consumer credit card	1,024		
Other consumer	1,200	1,184	1,169
Total consumer	31,397	31,900	33,083
	$ 79,447	$ 82,864	$ 84,420

In June 2011, Regions completed the purchase of approximately $1.2 billion of Regions-branded credit card accounts from FIA Card Services. The purchase included approximately $1.1 billion in consumer credit card accounts and approximately $0.1 billion in small business credit card accounts, which are included in the commercial and industrial portfolio class. During the third quarter of 2011, the allocation to the purchased credit card relationship intangibles was adjusted to approximately $170 million. Approximately $84 million was allocated to the allowance for loan losses.

During the three and nine months ended September 30, 2011, Regions purchased approximately $173 million and $509 million, respectively, in indirect loans from a third party.

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.

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 non-accrual, 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. Additionally, beginning in the third quarter of 2011, for accruing impaired commercial and investor real estate loans (i.e., troubled debt restructurings, or TDRs, which carry an accruing risk rating) and for non-accrual commercial and investor real estate loans less than $2.5 million, Regions based the allowance for loan losses on a discounted cash flow analysis performed at the note level, where projected cash flows reflect credit losses based on statistical information derived from loans with similar risk characteristics (e.g., risk rating and product type). The changes 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.

The components of the calculation of the allowance for credit losses related to non-accrual commercial and investor real estate loans equal to or greater than $2.5 million, unfunded commitments, and all consumer loans were calculated in 2011 in the same manner as before. For non-accrual commercial and investor real estate loans equal to or greater than $2.5 million, the allowance for loan losses is based on a specific evaluation, considering the facts and circumstances specific to each obligation.

Except for the changes to the calculation of the allowance for loan losses for commercial and investor real estate loans 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.

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ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present an analysis of the allowance for credit losses by portfolio segment for the three and nine months ended September 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 equal to or greater than $2.5 million. The allowance for credit losses related to collectively evaluated loans includes the remainder of the loan portfolio.

	Three Months Ended September 30, 2011			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2011	$ 1,127	$ 1,153	$ 840	$ 3,120
Provision for loan losses	41	206	108	355
Loan losses:				
Charge-offs	(149)	(229)	(169)	(547)
Recoveries	13	10	13	36
Net loan losses	(136)	(219)	(156)	(511)
Allowance for loan losses, September 30, 2011	1,032	1,140	792	2,964
Reserve for unfunded credit commitments, July 1, 2011	32	28	24	84
Provision for unfunded credit commitments	3	1	(2)	2
Reserve for unfunded credit commitments, September 30, 2011	35	29	22	86
Allowance for credit losses, September 30, 2011	$ 1,067	$ 1,169	$ 814	$ 3,050

	Nine Months Ended September 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	338	466	431	1,235
Loan losses:				
Charge-offs	(407)	(716)	(515)	(1,638)
Recoveries	36	20	42	98
Net loan losses	(371)	(696)	(473)	(1,540)
Allowance for loan losses, September 30, 2011	1,032	1,140	792	2,964
Reserve for unfunded credit commitments, January 1, 2011	32	16	23	71
Provision for unfunded credit commitments	3	13	(1)	15
Reserve for unfunded credit commitments, September 30, 2011	35	29	22	86
Allowance for credit losses, September 30, 2011	$ 1,067	$ 1,169	$ 814	$ 3,050

Portion of allowance ending balance:				
Individually evaluated for impairment	$ 124	$ 227	$ 3	$ 354
Collectively evaluated for impairment	943	942	811	2,696
Total allowance evaluated for impairment	$ 1,067	$ 1,169	$ 814	$ 3,050
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$ 562	$ 772	$ 13	$ 1,347
Collectively evaluated for impairment	35,604	11,112	31,384	78,100
Total loans evaluated for impairment	$ 36,166	$ 11,884	$ 31,397	$ 79,447

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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 educational 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 September 30, 2011, December 31, 2010 and September 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 effect 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.

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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.

	September 30, 2011				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
			(In millions)		
Commercial and industrial	$ 22,671	$ 477	$ 627	$ 498	$ 24,273
Commercial real estate mortgage owner occupied	10,053	259	557	668	11,537
Commercial real estate construction owner occupied	303	18	8	27	356
Total commercial	$ 33,027	$ 754	$ 1,192	$ 1,193	$ 36,166
Commercial investor real estate mortgage	7,188	1,011	1,668	829	10,696
Commercial investor real estate construction	530	132	230	296	1,188
Total investor real estate	$ 7,718	$ 1,143	$ 1,898	$ 1,125	$ 11,884

	Accrual	Non-accrual	Total
		(In millions)	
Residential first mortgage	$ 13,822	$ 261	$ 14,083
Home equity	13,185	131	13,316
Indirect	1,774		1,774
Consumer credit card	1,024		1,024
Other consumer	1,200		1,200
Total consumer	$ 31,005	$ 392	$ 31,397
			$ 79,447

	December 31, 2010				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
			(In millions)		
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
Commerical 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	Total

		(In millions)	
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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	September 30, 2010				
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial and industrial	$ 19,626	$ 463	$ 910	$ 502	$ 21,501
Commercial real estate mortgage owner occupied	10,152	327	755	616	11,850
Commercial real estate construction owner occupied	434	28	25	35	522
Total commercial	$ 30,212	$ 818	$ 1,690	$ 1,153	$ 33,873
Commercial investor real estate mortgage	9,255	1,469	2,418	1,347	14,489
Commercial investor real estate construction	1,277	377	760	561	2,975
Total investor real estate	$ 10,532	$ 1,846	$ 3,178	$ 1,908	$ 17,464

	Accrual	Non-accrual (In millions)	Total
Residential first mortgage	$ 15,456	$ 267	$ 15,723
Home equity	14,490	44	14,534
Indirect	1,657		1,657
Other consumer	1,169		1,169
Total consumer	$ 32,772	$ 311	$ 33,083
			$ 84,420

AGING ANALYSIS

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

	September 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	$ 61	$ 26	$ 10	$ 97	$ 23,775	$ 498	$ 24,273
Commercial real estate mortgage owner occupied	56	31	6	93	10,869	668	11,537
Commercial real estate construction owner occupied		1		1	329	27	356
Total commercial	117	58	16	191	34,973	1,193	36,166
Commercial investor real estate mortgage	54	72	9	135	9,867	829	10,696
Commercial investor real estate construction	15	2		17	892	296	1,188
Total investor real estate	69	74	9	152	10,759	1,125	11,884
Residential first mortgage	168	101	291	560	13,822	261	14,083
Home equity	110	70	81	261	13,185	131	13,316
Indirect	24	6	1	31	1,774		1,774

Consumer credit card	9	4	11	24	1,024		1,024
Other consumer	20	5	3	28	1,200		1,200
Total consumer	331	186	387	904	31,005	392	31,397
	$ 517	$ 318	$ 412	$ 1,247	$ 76,737	$ 2,710	$ 79,447

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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

	September 30, 2010						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$ 88	$ 41	$ 5	$ 134	$ 20,999	$ 502	$ 21,501
Commercial real estate mortgage owner occupied	67	39	6	112	11,234	616	11,850
Commercial real estate construction owner occupied	1	1		2	487	35	522
Total commercial	156	81	11	248	32,720	1,153	33,873
Commercial investor real estate mortgage	178	94	6	278	13,142	1,347	14,489
Commercial investor real estate construction	35	12	2	49	2,414	561	2,975
Total investor real estate	213	106	8	327	15,556	1,908	17,464
Residential first mortgage	212	117	369	698	15,456	267	15,723
Home equity	136	86	198	420	14,490	44	14,534
Indirect	27	7	2	36	1,657		1,657
Other consumer	22	5	5	32	1,169		1,169
Total consumer	397	215	574	1,186	32,772	311	33,083

	$ 766	$ 402	$ 593	$ 1,761	$ 81,048	$ 3,372	$ 84,420

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IMPAIRED LOANS

The following tables present details related to the Company s impaired loans as of September 30, 2011 and December 31, 2010. Loans deemed to be impaired include non-accrual commercial and investor real estate loans, excluding leasing, 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. The related allowance represents the following components which correspond to impaired loans:

Individually evaluated impaired loans (non-accrual commercial and investor real estate loans equal to or greater than $2.5 million): the allowance for loan losses is based on a specific evaluation, considering the facts and circumstances specific to each obligation,

Accruing impaired commercial and investor real estate loans (i.e., TDRs which carry an accrual risk rating) and non-accrual loans less than $2.5 million: the allowance for loan losses is based on a discounted cash flow analysis performed at the note level, where projected cash flows reflect credit losses based on statistical information derived from loans with similar risk characteristics (e.g., risk rating and product type),

Consumer TDRs: the allowance for loan losses for residential first mortgage TDRs is calculated based on a discounted cash flow analysis on pools of homogeneous loans. Cash flows are projected using the restructured terms and then discounted at the original note rate. The projected cash flows assume a default rate, which is based on historical performance of residential first mortgage TDRs. For home equity TDRs, a historical loss model is used to determine the allowance for loan losses. The default rate for all types of consumer TDRs is a measure of delinquency, which is considered in both the allowance for loan loss calculation related to consumer TDRs and in the accrual status decisions of TDRs after the modification, for which it is a key determinant along with collateral valuation.

IMPAIRED LOANS ON NON-ACCRUAL STATUS	**Non-accrual Impaired Loans As of September 30, 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	$ 519	$ 86	$ 433	$ 73	$ 360	$ 139	43.4%
Commercial real estate mortgage owner occupied	774	106	668	44	624	190	38.2
Commercial real estate construction owner occupied	41	14	27	2	25	8	53.0
Total commercial	1,334	206	1,128	119	1,009	337	40.7
Commercial investor real estate mortgage	999	170	829	105	724	271	44.1
Commercial investor real estate construction	407	111	296	43	253	87	48.7
Total investor real estate	1,406	281	1,125	148	977	358	45.5
Residential first mortgage	145	51	94		94	14	44.8
Home equity	27	10	17		17	2	46.5
Indirect							

Other consumer							1.2
Total consumer	172	61	111		111	16	45.1
Total	$ 2,912	$ 548	$ 2,364	$ 267	$ 2,097	$ 711	43.2%

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IMPAIRED LOANS ON ACCRUAL STATUS	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Book Value (3)	Related Allowance for Loan Losses	Coverage % (4)
	Accruing Impaired Loans As of September 30, 2011 (Dollars in millions)				
Commercial and industrial	$ 293	$	$ 293	$ 58	19.8%
Commercial real estate mortgage owner occupied	186	2	184	26	14.9
Commercial real estate construction owner occupied	2	1	1		100.5
Total commercial	481	3	478	84	18.1
Commercial investor real estate mortgage	848	2	846	168	20.0
Commercial investor real estate construction	145		145	84	58.2
Total investor real estate	993	2	991	252	25.6
Residential first mortgage	1,023	15	1,008	144	15.5
Home equity	420	4	416	59	14.9
Indirect	2		2		0.9
Other consumer	59		59	1	1.4
Total consumer	1,504	19	1,485	204	14.8
Total	$ 2,978	$ 24	$ 2,954	$ 540	18.9%

A significant majority of the accruing loans in the table above are considered impaired due to their status as a TDR. Approximately 93 percent of consumer TDRs were accruing at September 30, 2011.

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TOTAL IMPAIRED LOANS	Total Impaired Loans As of September 30, 2011							Three Months Ended September 30, 2011		Nine Months Ended September 30, 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)	Average Balance	Interest Income Recognized (5)	Average Balance	Interest Income Recognized (5)
	(Dollars in millions)										
Commercial and industrial	$ 812	$ 86	$ 726	$ 73	$ 653	$ 197	34.8%	$ 649	$ 3	$ 512	$ 3
Commercial real estate mortgage owner occupied	960	108	852	44	808	216	33.7	813		736	2
Commercial real estate construction owner occupied	43	15	28	2	26	8	54.2	30		31	
Total commercial	1,815	209	1,606	119	1,487	421	34.7	1,492	3	1,279	5
Commercial investor real estate mortgage	1,847	172	1,675	105	1,570	439	33.1	1,498	7	1,366	12
Commercial investor real estate construction	552	111	441	43	398	171	51.2	460	2	466	2
Total investor real estate	2,399	283	2,116	148	1,968	610	37.3	1,958	9	1,832	14
Residential first mortgage	1,168	66	1,102		1,102	158	19.1	1,097	11	1,080	31
Home equity	447	14	433		433	61	16.8	423	5	401	15
Indirect	2		2		2		0.9	2		2	
Other consumer	59		59		59	1	1.4	60	1	62	3
Total consumer	1,676	80	1,596		1,596	220	17.9	1,582	17	1,545	49
Total impaired loans	$ 5,890	$ 572	$ 5,318	$ 267	$ 5,051	$ 1,251	30.9%	$ 5,032	$ 29	$ 4,656	$ 68

(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.
(5) Interest income recognized represents interest income on loans modified in a TDR, and are therefore considered impaired, which are on accruing status.

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	Impaired Loans As of December 31, 2010				
	Unpaid Principal Balance (1)	Charge-offs and Payments Applied (2)	Book Value (3)	Related Allowance for Loan Losses	Coverage % (4)
	(Dollars in millions)				
Commercial and industrial	$ 545	$ 124	$ 421	$ 102	41.5%
Commercial real estate mortgage owner occupied	746	96	650	167	35.3
Commercial real estate construction owner occupied	47	16	31	10	55.3
Total commercial	1,338	236	1,102	279	38.5
Commercial investor real estate mortgage	1,693	273	1,420	319	35.0
Commercial investor real estate construction	638	150	488	154	47.6
Total investor real estate	2,331	423	1,908	473	38.4
Residential first mortgage	1,113	60	1,053	126	16.7
Home equity	378	13	365	46	15.6
Indirect	2		2		
Other consumer	65		65	1	1.5
Total consumer	1,558	73	1,485	173	15.8
Total impaired loans	$ 5,227	$ 732	$ 4,495	$ 925	31.7%

(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.

In addition to the impaired loans detailed in the tables above, there were approximately $344 million in non-performing loans classified as held for sale at September 30, 2011, compared to $304 million at December 31, 2010. 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 September 30, 2011, approximately $206 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $156 million recorded upon transfer. During the nine months ended September 30, 2011, approximately $570 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $375 million recorded upon transfer. At September 30, 2011 and December 31, 2010, non-accrual loans including loans held for sale totaled $3.1 billion and $3.5 billion, respectively.

TROUBLED DEBT RESTRUCTURINGS (TDRs)

Clarified Accounting Literature

In January 2011, the FASB issued accounting guidance temporarily deferring the effective date for public-entity creditors to provide new disclosures, which were addressed in previously issued guidance regarding receivables, for TDRs. The deferred effective date coincided with the effective date for clarified guidance about what constitutes a TDR for creditors, which was issued in April 2011 by the FASB. Regions applied the clarified definition beginning with third quarter financial reporting to all loans modified after January 1, 2011 (see Note 14 to the consolidated financial statements).

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For consumer loans, as described below, Regions already considered loans modified under the Customer Assistance Program (CAP) to be TDRs. 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. Because such modifications clearly are concessionary in nature, and because the customer documents a hardship in order to participate in the program, Regions concluded that these loans met the TDR definition before the clarified guidance was issued. Accordingly, the guidance did not have a material impact on TDR balances for the consumer portfolio segment.

For Regions, the focus of the evaluation of the clarified TDR definition was on workout accommodations, such as renewals and forbearances, for criticized and classified commercial and investor real estate loans. 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). Therefore, under pre-existing accounting guidance, such modifications were not considered by Regions to be concessionary, and were not considered TDRs. However, the new clarification places more emphasis on whether the terms of the modified loan are at a market rate in order to determine if a concession has been made. Under the clarified guidance, a modification is refutably considered by Regions to be a concession 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. Therefore, the amount of accruing TDRs increased as a result of the new clarification. As noted above, the original maturities of the notes being modified are relatively short (for example 2-3 years), and the renewed term is typically comparable to the original maturity. Accordingly, Regions considers these modifications to be significant delays in payment. Therefore, extensions must be considered for the TDR determination because the renewed term is significant to the term of the original note.

As a result of the TDR designation, all loans modified in a TDR are considered to be impaired, even if they carry an accruing risk rating. Beginning in the third quarter of 2011, for accruing commercial and investor real estate TDRs (as well as for non-accrual commercial and investor real estate loans less than $2.5 million), Regions based the allowance for loan losses on a discounted cash flow analysis performed at the note level, where projected cash flows reflect credit losses based on statistical information derived from loans with similar risk characteristics (e.g., risk rating and product type). For all commercial and investor real estate non-accrual loans equal to or greater than $2.5 million, consistent with historical practice, the allowance for loan losses is based on a specific evaluation, considering the facts and circumstances specific to each obligation. Because Regions past practice was to base the allowance for losses for commercial and investor real estate loans on loss content based on risk rating and product type, either through specific evaluation of larger loans, or groups of smaller loans with similar risk characteristics, the adoption of the clarification and the corresponding increase in commercial and investor real estate TDRs did not materially impact the overall level of the allowance for loan losses. As noted above, the clarification did not materially impact the level of TDRs in the consumer portfolio segment, or the related allowance for loan losses.

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The following table presents modified commercial and investor real estate loans which are now considered TDRs as a result of the clarified definition as of September 30, 2011, as well as the associated allowance for loan losses. These loans were modified during 2011, largely due to the renewal process discussed above. Comparative June 30, 2011 data is included for reference, and further indicates the categories where the new guidance impacted TDR identification. The allowance for loan losses associated with the TDRs newly identified under the clarification represents the end of period allowance for these loans. Because the majority of these loans already carried a criticized or classified risk rating, the inherent losses were incorporated in the calculation of the allowance for loan losses in prior periods.

			September 30, 2011		
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial					
TDRs newly identified under policy change	$ 5	$ 52	$ 333	$ 220	$ 610
TDRs under previously existing policy	11	6	71	151	239
All other (not TDRs)	33,011	696	788	822	35,317
	$ 33,027	$ 754	$ 1,192	$ 1,193	$ 36,166
Investor real estate					
TDRs newly identified under policy change	$ 22	$ 46	$ 751	$ 270	$ 1,089
TDRs under previously existing policy	45	9	118	204	376
All other (not TDRs)	7,651	1,088	1,029	651	10,419
	$ 7,718	$ 1,143	$ 1,898	$ 1,125	$ 11,884

Consumer	Accrual	Non-accrual	Total
TDRs newly identified under policy change	$ 6	$ 9	$ 15
TDRs under previously existing policy	1,479	102	1,581
All other (not TDRs)	29,520	281	29,801
	$ 31,005	$ 392	$ 31,397
			$ 79,447

Allowance for loan losses associated with TDRs newly identified under policy change	$ 1	$ 13	$ 266	$ 154	$ 434

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	June 30, 2011				
	Pass	Special Mention	Substandard Accrual (In millions)	Non-accrual	Total
Commercial					
TDRs newly identified under policy change	$	$	$	$	$
TDRs under previously existing policy	10	5	55	163	233
All other (not TDRs)	32,537	714	1,257	1,077	35,585
	$ 32,547	$ 719	$ 1,312	$ 1,240	$ 35,818
Investor real estate					
TDRs newly identified under policy change	$	$	$	$	$
TDRs under previously existing policy	50	21	203	199	473
All other (not TDRs)	8,753	1,335	1,878	992	12,958
	$ 8,803	$ 1,356	$ 2,081	$ 1,191	$ 13,431

Consumer	Accrual	Non-accrual	Total
TDRs newly identified under policy change	$	$	$
TDRs under previously existing policy	1,461	97	1,558
All other (not TDRs)	30,113	256	30,369
	$ 31,574	$ 353	$ 31,927
			$ 81,176

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. The discussion under Clarified Accounting Literature above includes additional information related to the business purposes of such modifications. This discussion also includes a description of the impact of the clarification on conclusions regarding TDR designation for these modifications, as well as the impact on the allowance for loan losses.

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). Also, for smaller-dollar commercial customers, Regions may periodically grant interest rate and other term concessions, similar to those under the CAP program as described below.

Regions generally expects commercial and investor real estate TDRs to remain identified as TDRs for the remainder of the term of the loan. However, if a borrower s financial condition improves such that the borrower is no longer in financial difficulty, and the loan is subsequently renewed, the modified loan would not be considered a TDR.

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

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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 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 September 30, 2011, approximately $137 million in residential first mortgage TDRs and approximately $10 million in home equity TDRs were in excess of 180 days past due and are considered collateral-dependent.

If loans characterized as TDRs perform according to the restructured terms for a satisfactory period of time, the TDR designation may be removed in a new calendar year if the loan yields a market rate. A minimum of six months consecutive payments is required in order to demonstrate a performance history sufficient to remove the TDR designation. The market rate assessment must be made at the date of the modification considering the terms that would be offered to a new borrower with a similar credit profile. Given the types of concessions currently being granted under the CAP as described above, Regions does not expect that the market rate condition will be widely achieved; accordingly, Regions expects loans modified through the CAP to remain identified as TDRs.

Modifications Considered TDRs and Financial Impact

As the majority of Regions 2011 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, the financial impact of the modifications is best illustrated by the change in the allowance calculation as a result of the loans being considered impaired due to their status as a TDR.

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The following tables present loans by class modified in a TDR, and the financial impact of those modifications, for the periods presented. In addition to loans modified during each period presented, both tables include loans newly reported as TDRs in the third quarter of 2011 due to the new accounting literature discussed above.

	Three Months Ended September 30, 2011		Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
		(In millions)	
Commercial and industrial	369	$ 461	$ 2
Commercial real estate mortgage owner occupied	201	220	4
Commercial real estate construction owner occupied	7	7	
Total commercial	577	688	6
Commercial investor real estate mortgage	368	943	7
Commercial investor real estate construction	177	231	1
Total investor real estate	545	1,174	8
Residential first mortgage	352	82	10
Home equity	534	43	5
Indirect and other consumer	232	4	
Total consumer	1,118	129	15
	2,240	$ 1,991	$ 29

	Nine Months Ended September 30, 2011		Financial Impact of Modifications Considered TDRs
	Number of Obligors	Recorded Investment	Increase in Allowance at Modification
		(In millions)	
Commercial and industrial	423	$ 501	$ 2
Commercial real estate mortgage owner occupied	266	263	6
Commercial real estate construction owner occupied	12	9	
Total commercial	701	773	8
Commercial investor real estate mortgage	444	1,046	8
Commercial investor real estate construction	202	262	2
Total investor real estate	646	1,308	10
Residential first mortgage	1,186	264	33
Home equity	1,698	121	13
Indirect and other consumer	778	11	
Total consumer	3,662	396	46

5,009	$ 2,477	$	64

The consumer modifications granted by Regions generally do not include 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 nine months ended September 30, 2011 were less than $10 million.

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Defaulted TDRs

The following tables present TDRs which defaulted during the applicable period, 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 previously in the description of modifications in each portfolio segment.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(In millions)	
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default		
Commercial and industrial	$ 20	$ 21
Commercial real estate mortgage owner occupied	11	22
Commercial real estate construction owner occupied		1
Total commercial	31	44
Commercial investor real estate mortgage	44	46
Commercial investor real estate construction	4	5
Total investor real estate	48	51
Residential first mortgage	27	38
Home equity	7	10
Total consumer	34	48
	$ 113	$ 143

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 September 30, 2011, Regions had restructured binding unfunded commitments totaling $168 million where a concession was granted and the borrower was in financial difficulty.

NOTE 4 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 for the three and nine months ended September 30, 2011 and 2010, under the fair value measurement method:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Carrying value, beginning of period	$ 268	$ 220	$ 267	$ 247
Additions	13	23	48	53
Increase (decrease) in fair value:				
Due to change in valuation inputs or assumptions	(93)	(31)	(116)	(77)
Other changes (1)	(6)	(8)	(17)	(19)
Carrying value, end of period	$ 182	$ 204	$ 182	$ 204

(1) Represents economic amortization associated with borrower repayments.

Data and assumptions used in the fair value calculation related to mortgage servicing rights (excluding related derivative instruments) as of September 30, 2011 and 2010 are as follows:

	September 30	
	2011	2010
	(Dollars in millions)	
Unpaid principal balance	$ 26,426	$ 24,378
Weighted-average prepayment speed (CPR; percentage)	26.6%	21.6%
Estimated impact on fair value of a 10% increase	$ (16)	$ (16)
Estimated impact on fair value of a 20% increase	$ (30)	$ (31)
Option-adjusted spread (basis points)	448	529
Estimated impact on fair value of a 10% increase	$ (2)	$ (4)
Estimated impact on fair value of a 20% increase	$ (5)	$ (7)
Weighted-average coupon interest rate	5.29%	5.63%
Weighted-average remaining maturity (months)	282	290
Weighted-average servicing fee (basis points)	28.7	29.0

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.

Regions uses various derivative instruments and/or trading securities to mitigate the effect of changes in the fair value of its mortgage servicing rights in the statements of operations. The table below presents the impact on the statements of operations associated with changes in mortgage servicing rights and related derivative and/or trading securities for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Net interest income	$	$	$	$ 3

Brokerage, investment banking and capital markets income				4
Mortgage income		2	(13)	30
Total	$	$ 2	$ (13)	$ 37

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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 for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Servicing related fees and other ancillary income	$ 21	$ 20	$ 63	$ 60

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 on 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.

Regions maintains a repurchase liability related to mortgage loans sold with representations and warranty provisions. This repurchase liability 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. The table below presents an analysis of Regions repurchase liability, related to mortgage loans sold with representations and warranty provisions, for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Balance, beginning of period	$ 32	$ 30	$ 32	$ 29
Additions/(Reductions), net	4	6	17	15
Losses	(4)	(4)	(17)	(12)
Balance, end of period	$ 32	$ 32	$ 32	$ 32

During 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 5 Goodwill

Goodwill allocated to each reportable segment is presented as follows:

	September 30 2011	December 31 2010
	(In millions)	
Banking/Treasury	$ 4,691	$ 4,691
Investment Banking/Brokerage/Trust	745	745
Insurance	125	125
	$ 5,561	$ 5,561

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

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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 third quarter of 2011, Regions assessed the indicators of goodwill impairment as of August 31, 2011, and through the date of the filing of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2011. The indicators assessed included:

- Recent operating performance,
- Changes in market capitalization,
- Regulatory actions and assessments,
- 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.

Based on the assessment of the indicators above, quantitative testing of goodwill was required for all of Regions reporting units for the September 30, 2011 interim period.

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 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 deprecation, 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 saves. 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 below are tables of assumptions used in estimating the fair value of each reporting unit for the September 30, 2011 interim period and the December 31, 2010 annual test. 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 Third Quarter 2011	Banking/ Treasury	Investment Banking/ Brokerage/Trust	Insurance
Discount rate used in income approach	15%	13%	11%
Public company method market multiplier (1)	0.7x	1.6x	15.3x
Transaction method market multiplier (2)	1.0x	2.1x	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 60 percent control premium is assumed for the Banking/Treasury reporting unit and a 30 percent control premium is assumed for the Investment Banking/Brokerage/Trust and Insurance reporting units.

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

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As of Fourth Quarter 2010	Banking/ Treasury	Investment Banking/ Brokerage/Trust	Insurance
Discount rate used in income approach	15%	14%	11%
Public company method market multiplier (1)	1.0x	1.6x	17.3x
Transaction method market multiplier (2)	1.3x	2.1x	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 30 percent control premium is assumed for each reporting unit.

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

During the third quarter of 2011, Regions experienced a significant decline in market capitalization relative to the second quarter of 2011. The large-cap banking sector also experienced a decline in market capitalization albeit not as significant as that of Regions. This resulted in price-to-tangible book values declining and resulted in an overall value conclusion for the Banking/Treasury reporting unit that would be indicative of a distressed sale in the public company method. Accordingly, Regions increased the control premium utilized in that method from 30 percent to 60 percent.

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. The table below summarizes the discount rate used in the goodwill impairment tests of the Banking/Treasury reporting unit for the reporting periods indicated:

	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011	4th Quarter 2010	3rd Quarter 2010
Discount Rate	15%	15%	15%	15%	16%

In estimating future cash flows, a balance sheet as of the test date and an income statement for the last twelve months of activity for the reporting unit are compiled. From that point, future balance sheets and income statements are projected based on the inputs discussed below. Cash flows are based on expected future capitalization requirements due to balance sheet growth and anticipated changes in regulatory capital requirements. The baseline cash flows utilized in all models correspond to the most recent internal forecasts and/or budgets that range from 1 to 5 years. These internal forecasts are based on inputs developed in the Company s capital planning process.

Specific factors as of the date of filing the financial statements that could negatively impact the assumptions used in assessing goodwill for impairment include: disparities in the level of fair value changes in net assets compared to equity; adverse business trends resulting from litigation and/or regulatory actions; higher loan losses; lengthened forecasts of higher unemployment relative to pre-crisis levels beyond 2013; future increased minimum regulatory capital requirements above current thresholds (refer to Note 13 Regulatory Capital Requirements and Restrictions to the 2010 consolidated financial statements filed on Form 10-K for the year ended December 31, 2010 for a discussion of current minimum regulatory requirements); future federal rules and regulations resulting from the Dodd-Frank Act; and/or a protraction in the current low level of interest rates beyond 2013.

The Step One analyses performed for the Investment Banking/Brokerage/Trust and Insurance reporting units during the third quarter of 2011 indicated that their estimated fair values exceeded their carrying values (including goodwill). Therefore, a Step Two analysis was not required for these reporting units.

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The Step One analysis performed for the Banking/Treasury reporting unit during the third quarter of 2011 indicated that the carrying value (including goodwill) of the reporting unit exceeded its estimated fair value. Therefore, Step Two was performed for the Banking/Treasury reporting unit. For purposes of performing Step Two of the goodwill impairment test, Regions compared the implied estimated fair value of the Banking/Treasury reporting unit goodwill with the carrying amount of that goodwill. In order to determine the implied estimated fair value, a full purchase price allocation was performed in the same manner as if a business combination had occurred. As part of the Step Two analysis, Regions estimated the fair value of all of the assets and liabilities of the reporting unit, including unrecognized assets and liabilities. The fair values of certain material financial assets and liabilities and the valuation methodologies are discussed in Note 11 Fair Value Measurements. Based on the results of the Step Two analysis performed, Regions concluded the Banking/Treasury reporting unit s goodwill was not impaired for the September 30, 2011 interim period.

NOTE 6 Stockholders Equity and Comprehensive Income (Loss)

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). Regions will 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 unless Regions redeems the shares. 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. Accrued dividends on the preferred shares reduced retained earnings by $131 million during the first nine months of both 2011 and 2010. The unamortized discount on the preferred shares was $91 million at September 30, 2011 and $120 million at December 31, 2010. Discount accretion on the preferred shares reduced retained earnings by $29 million and $27 million during the first nine months of 2011 and 2010, respectively. Both the preferred securities and the warrant are accounted for as components of Regions regulatory Tier 1 capital.

On May 20, 2009, the Company issued 287,500 shares of mandatorily convertible preferred stock, Series B (Series B shares), generating net proceeds of approximately $278 million. By June 2010, all Series B shares had been converted to common shares as allowed by their terms. Accrued dividends on the Series B shares reduced retained earnings by $12 million for the first nine months of 2010.

At September 30, 2011, 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 nine months of 2011 or 2010. The Company s ability to repurchase its common stock is limited by the terms of the CPP mentioned above.

The Board of Directors declared a $0.01 cash dividend for the third quarter of both 2011 and 2010. Regions does not expect to increase its quarterly dividend above $0.01 for the foreseeable future.

Comprehensive income (loss) is the total of net income (loss) and all other non-owner changes in equity. Items are recognized as components of comprehensive income (loss) and are displayed in the consolidated statements of changes in stockholders equity. 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.

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The following disclosure reflects the components of comprehensive income (loss) and any associated reclassification amounts:

	Three Months Ended September 30, 2011		
	Before Tax	Tax Effect (In millions)	Net of Tax
Net income	$ 182	$ (27)	$ 155
Net unrealized holding gains and losses on securities available for sale arising during the period	270	(104)	166
Less: reclassification adjustments for net securities gains (losses) realized in net income	(1)		(1)
Net change in unrealized gains and losses on securities available for sale	271	(104)	167
Net unrealized holding gains and losses on derivatives arising during the period	198	(74)	124
Less: reclassification adjustments for net gains realized in net income	46	(17)	29
Net change in unrealized gains and losses on derivative instruments	152	(57)	95
Net actuarial gains and losses arising during the period	24	(9)	15
Less: amortization of actuarial loss and prior service credit realized in net income	12	(4)	8
Net change from defined benefit plans	12	(5)	7
Comprehensive income	$ 617	$ (193)	$ 424

	Three Months Ended September 30, 2010		
	Before Tax	Tax Effect (In millions)	Net of Tax
Net income (loss)	$ (305)	$ 150	$ (155)
Net unrealized holding gains and losses on securities available for sale arising during the period	(144)	56	(88)
Less: reclassification adjustments for net securities gains realized in net income (loss)	2		2
Net change in unrealized gains and losses on securities available for sale	(146)	56	(90)
Net unrealized holding gains and losses on derivatives arising during the period	34	(13)	21
Less: reclassification adjustments for net gains realized in net income (loss)	60	(23)	37
Net change in unrealized gains and losses on derivative instruments	(26)	10	(16)
Net actuarial gains and losses arising during the period	23	(8)	15
Less: amortization of actuarial loss and prior service credit realized in net income (loss)	11	(4)	7
Net change from defined benefit plans	12	(4)	8
Comprehensive income (loss)	$ (465)	$ 212	$ (253)

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	Nine Months Ended September 30, 2011		
	Before Tax	Tax Effect (In millions)	Net of Tax
Net income	$ 288	$ 45	$ 333
Net unrealized holding gains and losses on securities available for sale arising during the period	495	(185)	310
Less: reclassification adjustments for net securities gains realized in net income	105	(37)	68
Net change in unrealized gains and losses on securities available for sale	390	(148)	242
Net unrealized holding gains and losses on derivatives arising during the period	289	(109)	180
Less: reclassification adjustments for net gains realized in net income	143	(54)	89
Net change in unrealized gains and losses on derivative instruments	146	(55)	91
Net actuarial gains and losses arising during the period	66	(25)	41
Less: amortization of actuarial loss and prior service credit realized in net income	34	(12)	22
Net change from defined benefit plans	32	(13)	19
Comprehensive income	$ 856	$ (171)	$ 685

	Nine Months Ended September 30, 2010		
	Before Tax	Tax Effect (In millions)	Net of Tax
Net income (loss)	$ (1,027)	$ 399	$ (628)
Net unrealized holding gains and losses on securities available for sale arising during the period	293	(109)	184
Less: reclassification adjustments for net securities gains realized in net income (loss)	61	(21)	40
Net change in unrealized gains and losses on securities available for sale	232	(88)	144
Net unrealized holding gains and losses on derivatives arising during the period	52	(20)	32
Less: reclassification adjustments for net gains realized in net income (loss)	186	(71)	115
Net change in unrealized gains and losses on derivative instruments	(134)	51	(83)
Net actuarial gains and losses arising during the period	62	(24)	38
Less: amortization of actuarial loss and prior service credit realized in net income (loss)	33	(12)	21
Net change from defined benefit plans	29	(12)	17
Comprehensive income (loss)	$ (900)	$ 350	$ (550)

NOTE 7 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 September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions, except per share amounts)			
Numerator:				
Net income (loss)	$ 155	$ (155)	$ 333	$ (628)
Preferred stock dividends and accretion	(54)	(54)	(160)	(171)
Net income (loss) available to common shareholders	$ 101	$ (209)	$ 173	$ (799)
Denominator:				
Weighted-average common shares outstanding basic	1,259	1,257	1,258	1,217
Potential common shares	2		2	
Weighted-average common shares outstanding diluted	1,261	1,257	1,260	1,217
Earnings (loss) per common share (1):				
Basic	$ 0.08	$ (0.17)	$ 0.14	$ (0.66)
Diluted	0.08	(0.17)	0.14	(0.66)

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

The effect from the assumed exercise of 46 million and 43 million stock options for the three months and nine months ended September 30, 2011, respectively, 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.

Basic and diluted weighted-average common shares outstanding are the same for the three and nine months ended September 30, 2010 due to the net loss.

NOTE 8 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, 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. Options and restricted stock 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,

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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 84 million at September 30, 2011.

STOCK OPTIONS

During the first nine months of 2011, Regions made stock option grants that vest based upon a service condition. The fair value of these stock options was estimated on the date of the grant using a Black-Scholes option pricing model and related assumptions. The stock options vest ratably over a 3-year term.

The following table summarizes the weighted-average assumptions used and the estimated fair values related to stock options granted:

	Nine Months Ended September 30	
	2011	2010
Expected option life	5.8yrs.	5.8yrs.
Expected volatility	75.5%	74.0%
Expected dividend yield	2.3%	2.2%
Risk-free interest rate	2.0%	2.2%
Fair value	$ 3.66	$ 3.86

The following table details the activity related to stock options:

	Nine Months Ended September 30			
	2011		2010	
	Number of Options	Wtd. Avg. Exercise Price	Number of Options	Wtd. Avg. Exercise Price
Outstanding at beginning of period	54,999,626	$ 24.41	52,968,560	$ 26.34
Granted	1,451,200	6.59	7,173,667	7.00
Exercised	(18,442)	3.29	(137,736)	3.29
Canceled/Forfeited	(7,368,266)	23.59	(3,610,699)	20.07
Outstanding at end of period	49,064,118	$ 23.97	56,393,792	$ 24.34
Exercisable at end of period	42,654,135	$ 26.59	45,537,603	$ 27.85

RESTRICTED STOCK AWARDS

During the first nine months of 2011 and 2010, Regions made restricted share grants that vest based upon a service condition. Dividend payments during the vesting period are deferred to the end of the vesting term. The fair value of these restricted shares 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 share awards and units:

	Nine Months Ended September 30			
	2011		2010	
	Number of Shares	Wtd. Avg. Grant Date Fair Value	Number of Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at beginning of period	4,930,444	$ 12.13	5,964,594	$ 17.15

Granted	2,696,349		6.67	1,151,968		6.96
Vested	(1,179,250)		23.65	(873,383)		34.35
Forfeited	(144,744)		13.13	(1,049,924)		16.57
Non-vested at end of period	6,302,799	$	7.62	5,193,255	$	12.39

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NOTE 9 Pension and Other Postretirement Benefits

Net periodic pension and other postretirement benefits cost included the following components:

	For The Three Months Ended September 30			
	Pension		Other Postretirement Benefits	
	2011	2010	2011	2010
	(In millions)			
Service cost	$ 8	$ 8	$	$
Interest cost	23	23	1	
Expected return on plan assets	(30)	(28)		
Amortization of prior service cost (credit)			(1)	
Amortization of actuarial loss	11	12		
	$ 12	$ 15	$	$

	For The Nine Months Ended September 30			
	Pension		Other Postretirement Benefits	
	2011	2010	2011	2010
	(In millions)			
Service cost	$ 27	$ 27	$	$
Interest cost	69	69	2	2
Expected return on plan assets	(91)	(78)		
Amortization of prior service cost (credit)	1	1	(1)	(1)
Amortization of actuarial loss	34	33		
	$ 40	$ 52	$ 1	$ 1

NOTE 10 Derivative Financial Instruments and Hedging Activities

Regions enters into derivative financial instruments to manage interest rate risk, facilitate asset/liability management strategies and manage other exposures. These derivative instruments primarily include interest rate swaps, options on interest rate swaps, interest rate caps and floors, Eurodollar futures, forward rate contracts and forward sale commitments. All derivative financial instruments are recognized on the consolidated balance sheets as other assets or other liabilities at fair value. Regions enters into master netting agreements with counterparties and/or requires collateral to cover exposures. In at least some cases, counterparties post at a zero threshold regardless of rating.

Interest rate swaps are agreements to exchange interest payments based upon notional amounts. Interest rate swaps subject Regions to market risk associated with changes in interest rates, as well as the credit risk that the counterparty will fail to perform. Option contracts involve rights to buy or sell financial instruments on a specified date or over a period at a specified price. These rights do not have to be exercised. Some option contracts such as interest rate floors, involve the exchange of cash based on changes in specified indices. Interest rate floors are contracts to hedge interest rate declines based on a notional amount. Interest rate floors subject Regions to market risk associated with changes in interest rates, as well as the credit risk that the counterparty will fail to perform. Forward rate contracts are commitments to buy or sell financial instruments at a future date at a specified price or yield. Regions primarily enters into forward rate contracts on market instruments, which expose Regions to market risk associated with changes in the value of the underlying financial instrument, as well as the credit risk that the counterparty will fail to perform. Eurodollar futures are futures contracts on Eurodollar deposits. Eurodollar futures subject Regions to market risk associated with changes in interest rates. Because futures contracts are cash settled daily, there is minimal credit risk associated with Eurodollar futures.

The following tables present the notional and fair value of derivative instruments on a gross basis:

September 30, 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	$ 6,699	Other assets	$ 184	Other liabilities	$
Derivatives in cash flow hedging relationships:					
Interest rate swaps	12,250	Other assets	197	Other liabilities	2
Total derivatives designated as hedging instruments	$ 18,949		$ 381		$ 2
Derivatives not designated as hedging instruments:					
Interest rate swaps	$ 55,995	Other assets	$ 2,285	Other liabilities	$ 2,301
Interest rate options	4,029	Other assets	47	Other liabilities	27
Interest rate futures and forward commitments	76,952	Other assets	10	Other liabilities	26
Other contracts	1,330	Other assets	43	Other liabilities	38
Total derivatives not designated as hedging instruments	$ 138,306		$ 2,385		$ 2,392
Total derivatives	$ 157,255		$ 2,766		$ 2,394

December 31, 2010

		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	$ 9,230	Other assets	$ 226	Other liabilities	$
Derivatives in cash flow hedging relationships:					
Interest rate swaps	15,680	Other assets	43	Other liabilities	127
Interest rate options	2,000	Other assets	5	Other liabilities	
Total	17,680		48		127
Total derivatives designated as hedging instruments	$ 26,910		$ 274		$ 127
Derivatives not designated as hedging instruments:					
Interest rate swaps	$ 51,238	Other assets	$ 1,778	Other liabilities	$ 1,823
Interest rate options	3,883	Other assets	40	Other liabilities	29
Interest rate futures and forward commitments	34,965	Other assets	35	Other liabilities	10
Other contracts	1,331	Other assets	21	Other liabilities	19
Total derivatives not designated as hedging instruments	$ 91,417		$ 1,874		$ 1,881
Total derivatives	$ 118,327		$ 2,148		$ 2,008

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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 fair value or cash flow hedges. The Company formally documents all hedging relationships between hedging instruments and the 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 sheets 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.

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 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 period or 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.

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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 realized an after-tax expense of $41 million and an after-tax benefit of $47 million in accumulated other comprehensive income at September 30, 2011 and 2010, 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 $16 million and $12 million during the three months ended September 30, 2011 and 2010, respectively, and $41 million and $25 million during the nine months ended September 30, 2011 and 2010, respectively, related to the amortization of cash flow hedges of loan and debt instruments.

Regions expects to reclassify out of other comprehensive income and into earnings approximately $64 million in pre-tax income due to the receipt or payment of interest payments on all cash flow hedges within the next twelve months. Included in this amount is $5 million in pre-tax net losses related to the amortization of discontinued cash flow hedges. The maximum length of time over which Regions is hedging its exposure to the variability in future cash flows for forecasted transactions is approximately six years as of September 30, 2011.

The following tables present the effect of derivative instruments on the statements of operations for the periods indicated:

Three Months Ended September 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	$ (2)	Debt/CDs	Other non-interest expense	$ 11
Interest rate swaps	Interest expense	42	Debt	Interest expense	4
Forward commitments	Other non-interest expense		Securities available for sale	Other non-interest expense	
Total		$ 40			$ 15

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	$ 92	Interest income on loans	$ 49	Other non-interest expense	$ (1)
Forward starting swaps	3	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	$ 95		$ 45		$ (1)

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

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Three Months Ended September 30, 2010

Derivatives in Fair Value Hedging Relationships	Location of Gain(Loss) Recognized in Income on Derivatives	Amount of Gain(Loss) Recognized in Income on Derivatives (In millions)	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
Interest rate swaps	Other non-interest expense	$ 38	Debt/CDs	Other non-interest expense	$ (31)
Interest rate swaps	Interest expense	63	Debt	Interest expense	4
Total		$ 101			$ (27)

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	$ 8	Interest income on loans	$ 40	Other non-interest expense	$ 1
Interest rate swaps	(14)	Interest expense on debt		Other non-interest expense	
Interest rate options	(5)	Interest income on loans	11	Interest income on loans	
Eurodollar futures	(5)	Interest income on loans	9	Other non-interest expense	
Total	$ (16)		$ 60		$ 1

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

Nine Months Ended September 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 (In millions)	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
Interest rate swaps	Other non-interest expense	$ (42)	Debt/CDs	Other non-interest expense	$ 55
Interest rate swaps	Interest expense	136	Debt	Interest expense	12
Forward commitments	Other non-interest expense	(35)	Securities available for sale	Other non-interest expense	35

Total	$ 59			$ 102

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	$ 92	Interest income on loans	$ 147	Other non-interest expense	$
Forward starting swaps		Interest expense on debt	(7)	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	$ 91		$ 142		$ (1)

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

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Nine Months Ended September 30, 2010

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	$ 140	Debt/CDs	Other non-interest expense	$ (145)
Interest rate swaps	Interest expense	184	Debt	Interest expense	6
Total		$ 324			$ (139)

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	$ 131	Other non-interest expense	$ 3
Interest rate swaps	(42)	Interest expense on debt		Other non-interest expense	
Interest rate options	(15)	Interest income on loans	33	Interest income on loans	
Eurodollar futures	(4)	Interest income on loans	20	Other non-interest expense	(7)
Total	$ (83)		$ 184		$ (4)

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

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.

In the normal course of business, Morgan Keegan enters into underwriting and forward and future commitments on U.S. Government and municipal securities. As of September 30, 2011 and 2010, the total notional amount related to forward and future commitments was approximately $1.5 billion and $535 million, respectively. The brokerage subsidiary typically settles its position by entering into equal but opposite contracts and, as such, the contract amounts do not necessarily represent future cash requirements. Settlement of the transactions relating to such commitments is not expected to have a material effect on the subsidiary s financial position. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

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 September 30, 2011 and 2010, Regions had $887 million and $1.2 billion, 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. As of September 30, 2011 and 2010, Regions had $1.3 billion and $2.1 billion, respectively, in total absolute notional amount related to these forward rate commitments.

The following tables present the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the statement of operations for the three and nine months ended September 30, 2011 and 2010, respectively:

Derivatives Not Designated as Hedging Instruments	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
	(In millions)			
Brokerage income				
Interest rate swaps	$ (1)	$ (7)	$ 4	$ (12)
Interest rate options	(4)	1	(3)	3
Interest rate futures and forward commitments		(1)		(4)
Other contracts	2	2	7	7
Total brokerage income	(3)	(5)	8	(6)
Mortgage income				
Interest rate swaps	63	31	75	31
Interest rate options	(14)	9	(43)	(11)
Interest rate futures and forward commitments	47	17	65	100
Total mortgage income	96	57	97	120
	$ 93	$ 52	$ 105	$ 114

Credit risk, defined as all positive exposures not collateralized with cash or other financial instruments, at September 30, 2011 and 2010, totaled approximately $962 million and $1.3 billion, respectively. This amount represents the net credit risk on all trading and other derivative positions held by Regions.

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 2011 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 September 30, 2011 was approximately $31 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 September 30, 2011 and 2010 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.

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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 September 30, 2011, Moody s Investor Service (Moody s) and Standard & Poor s (S&P) credit ratings for Regions Financial Corporation were below investment grade. For Regions Bank, Moody s credit ratings were below investment grade. As a result of these ratings, certain of Regions Bank s 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 $206 million to these counterparties as of September 30, 2011.

Some of these contracts with broker-dealers still contain credit-related termination provisions and/or credit-related provisions regarding the posting of collateral. At September 30, 2011, the net fair value of such contracts containing credit-related termination provisions that were in a liability position was $307 million, for which Regions had posted collateral of $424 million. At September 30, 2011, the net fair value of contracts that do not contain credit-related termination provisions that were in a liability position was $238 million, for which Regions had posted collateral of $234 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 September 30, 2011 and December 31, 2010, was $401 million and $508 million, respectively, for which Regions had posted collateral of $519 million and $652 million, respectively, in the normal course of business.

NOTE 11 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.

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ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Trading account assets, securities available for sale, mortgage loans held for sale, mortgage servicing rights, derivative assets, trading account liabilities and derivative liabilities were recorded at fair value on a recurring basis during 2011 and 2010. Below is a description of valuation methodologies for these assets and liabilities.

Trading account assets and liabilities and securities available for sale consist of U.S. Treasuries, obligations of states and political subdivisions, mortgage-backed securities (including agency securities), other debt securities and equity securities.

U.S. Treasuries are valued based on quoted market prices of identical assets on active exchanges (Level 1 measurements as described above) and also using data from third-party pricing services for similar securities as applicable. Pricing from these third-party services is generally based on quoted market prices of similar instruments (including matrix pricing); these valuations are Level 2 measurements.

Mortgage-backed securities are valued primarily using data from third-party pricing services for similar securities as applicable. Pricing from these third-party services is generally based on quoted market prices of similar instruments (including matrix pricing); these valuations are Level 2 measurements. Where such comparable data is not available, the Company develops valuations based on assumptions that are not readily observable in the market place; these valuations are Level 3 measurements.

Obligations of states and political subdivisions are generally based on data from third party pricing services for similar securities (Level 2 measurements as described above). Where such comparable data is not available, the Company develops valuations based on assumptions that are not readily observable in the market place; these valuations are Level 3 measurements. For example, auction-rate securities fall into this category. For these instruments, internal pricing models assume converting the securities into fixed-rate debt securities with similar credit ratings and maturity dates based on management s estimates of the term of the securities. Assumed terms generally fall within a range of one to four years.

Other debt securities are valued based on Level 1, 2 and 3 measurements, depending on pricing methodology selected.

Equity securities are valued based on quoted market prices of identical assets on active exchanges; these valuations are Level 1 measurements.

A portion of Regions trading account assets and the majority of liabilities and securities available for sale are valued using third-party pricing services. To validate pricing related to investment securities held in the trading account assets and liabilities portfolios, pricing received from third-party pricing services is compared to available market data for reasonableness and/or pricing information from other third-party pricing services. Insignificant pricing adjustments may be made by traders to individual securities based upon the trader s opinion of value. When such adjustments are made, Regions classifies the measurement as a Level 3 measurement.

To validate pricing related to liquid investment securities, which represent the vast majority of the available for sale portfolio (e.g. mortgage-backed securities), Regions compares price changes received from the pricing service to overall changes in market factors in order to validate the pricing received. To validate pricing received on less liquid investment securities in the available for sale portfolio, Regions receives pricing from third-party brokers/dealers on a sample of securities that are then compared to the pricing received.

Mortgage loans held for sale consist of residential first mortgage loans held for sale that are valued based on traded market prices of similar assets where available and/or discounted cash flows at market interest rates, adjusted for securitization activities that include servicing value and market conditions, a Level 2 measurement. Regions has elected to measure mortgage loans held for sale at fair value by applying the fair value option (see additional discussion under the Fair Value Option section below).

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Mortgage servicing rights consist of residential mortgage servicing rights and are valued using an option-adjusted spread valuation approach, a Level 3 measurement. See Note 4 for information regarding the servicing of financial assets and additional details regarding the assumptions relevant to this valuation.

Derivative assets and liabilities, which primarily consist of interest rate contracts that include futures, options and swaps, are included in other assets and other liabilities (as applicable) on the consolidated balance sheets. Interest rate swaps are predominantly traded in over-the-counter markets and, as such, values are determined using widely accepted discounted cash flow models, or Level 2 measurements. These discounted cash flow models use projections of future cash payments/receipts that are discounted at mid-market rates. The assumed cash flows are sourced from an assumed yield curve, which is consistent with industry standards and conventions. These valuations are adjusted for the unsecured credit risk at the reporting date, which considers collateral posted and the impact of master netting agreements. For options and futures contracts traded in over-the-counter markets, values are determined using discounted cash flow analyses and option pricing models based on market rates and volatilities, or Level 2 measurements. Interest rate lock commitments on loans intended for sale, treasury locks and credit derivatives are valued using option pricing models that incorporate significant unobservable inputs, and therefore are Level 3 measurements.

Regions rarely transfers assets and liabilities measured at fair value between Level 1 and Level 2 measurements. There were no such transfers during the nine month periods ended September 30, 2011 and 2010. Trading account assets are periodically transferred to or from 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 as of September 30, 2011 and December 31, 2010:

	September 30, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
(In millions)								
Trading account assets								
U.S. Treasury securities	$ 208	$ 4	$	$ 212	$ 157	$ 14	$	$ 171
Obligations of states and political subdivisions		203	143	346		190	165	355
Mortgage-backed securities:								
Residential agency		444		444		145		145
Residential non-agency		1		1				
Commercial agency			52	52			54	54
Other securities		52	5	57		58	10	68
Equity securities	350			350	323			323
Total trading account assets	$ 558	$ 704	$ 200	$ 1,462	$ 480	$ 407	$ 229	$ 1,116
Securities available for sale								
U.S. Treasury securities	$ 100	$	$	$ 100	$ 91	$	$	$ 91
Federal agency securities		618		618		16		16
Obligations of states and political subdivisions		15	17	32		13	17	30
Mortgage-backed securities:								
Residential agency		22,027		22,027		21,845		21,845
Residential non-agency			16	16			22	22
Commercial agency		237		237		112		112
Commercial non-agency		290		290		100		100
Other debt securities		462		462		25		25
Equity securities (1)	112			112	158			158
Total securities available for sale	$ 212	$ 23,649	$ 33	$ 23,894	$ 249	$ 22,111	$ 39	$ 22,399
Mortgage loans held for sale	$	$ 647	$	$ 647	$	$ 1,174	$	$ 1,174
Mortgage servicing rights	$	$	$ 182	$ 182	$	$	$ 267	$ 267
Derivative assets								
Interest rate swaps	$	$ 2,666	$	$ 2,666	$	$ 2,047	$	$ 2,047
Interest rate options		28	19	47		39	6	45
Interest rate futures and forward commitments		10		10		29	6	35
Other contracts		43		43		21		21
Total derivative assets (2)	$	$ 2,747	$ 19	$ 2,766	$	2,136	12	2,148
Trading account liabilities								
U.S. Treasury securities	$	$ 196	$	$ 196	$	$ 95	$	$ 95
Mortgage-backed securities:								
Residential agency		107		107		46		46
Commercial agency							6	6
Other securities		17	11	28		23	4	27
Equity securities	3			3				
	$ 3	$ 320	$ 11	$ 334	$	$ 164	$ 10	$ 174
Derivative liabilities								
Interest rate swaps	$	$ 2,303	$	$ 2,303	$	$ 1,950	$	$ 1,950
Interest rate options		27		27		26	3	29
Interest rate futures and forward commitments		26		26		9	1	10

Other contracts		38		38		19		19
Total derivative liabilities (2)	$	$ 2,394	$	$ 2,394	$	$ 2,004	$ 4	$ 2,008

(1) Excludes Federal Reserve Bank and Federal Home Loan Bank Stock totaling $460 million and $281 million, respectively, at September 30, 2011 and $471 million and $419 million, respectively, at December 31, 2010.

(2) At September 30, 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 $63 million and cash collateral posted of $699 million with counterparties. At December 31, 2010, derivatives include approximately $1.0 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 $11 million and cash collateral posted of $810 million with counterparties.

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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, net trading account assets and net 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.

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 and nine months ended September 30, 2011 and 2010, 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 September 30, 2011										
		Total Realized / Unrealized Gains or Losses									
	Balance July 1, 2011	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance September 30, 2011	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2011
					(In millions)						
Level 3 Instruments Only											
Trading account assets: (c)											
Obligations of states and political subdivisions	$ 148	$ (15)	$	$ 44	$	$	$ (34)	$	$	$ 143	$
Commercial agency MBS	61	3		463			(475)			52	
Other securities	5	4		2,037			(2,041)			5	
Total trading account assets (c)	214	(8)(a)		2,544			(2,550)			200	
Securities available for sale:											
Obligations of states and political subdivisions	17		2				(2)			17	
Residential non-agency MBS	17						(1)			16	
Total securities available for sale	34		2				(3)			33	
Mortgage servicing rights	268	(99)(b)		13						182	(93)(b)
Trading account liabilities:											
Mortgage-backed securities:											
Commercial agency	16						(16)				
Other securities	5			(8)			14			11	
Total trading account liabilities	21			(8)			(2)			11	
Derivatives, net:											
Interest rate options	5	53					(39)			19	19(b)
Interest rate futures and forward commitments	4						(4)				
Total derivatives, net	9	53(b)					(43)			19	19(b)

(a) Included in brokerage, investment banking and capital markets income.
(b) Included in mortgage income.
(c) Brokerage income from trading account assets primarily represents gains/(losses) on disposition, which, inherently includes commissions on security transactions during the period.

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Three Months Ended September 30, 2010

	Balance July 1, 2010	Total Realized / Unrealized Gains or Losses Included in Earnings	 Included in Other Compre-hensive Income (Loss)	Purchases	Issuances (In millions)	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance September 30, 2010	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2010
Level 3 Instruments Only										
Trading account assets, net (c):										
Obligations of states and political subdivisions	$ 185	$ (4)		$ 60	$	$ (19)	$	$	$ 222	$
Commercial agency MBS	28	1		120		(106)			43	
Other securities	(4)	10		2,838		(2,841)			3	
Total trading account assets, net (c)	209	7(a)		3,018		(2,966)			268	
Securities available for sale:										
Obligations of states and political subdivisions	17								17	
Residential non-agency MBS	25					(2)			23	
Total securities available for sale	42					(2)			40	
Mortgage servicing rights	220	(39)(b)		23					204	(31)(b)
Derivatives, net:										
Interest rate options	13	46(b)				(42)			17	17
Interest rate futures and forward commitments	3			2					5	
Total derivatives, net	16	46		2		(42)			22	17(b)

(a) Included in brokerage, investment banking and capital markets income.
(b) Included in mortgage income.
(c) Brokerage income from trading account assets primarily represents gains/(losses) on disposition, which, inherently includes commissions on security transactions during the period.

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Nine Months Ended September 30, 2011

	Balance January 1, 2011	Total Realized / Unrealized Gains or Losses: Included in Earnings	Total Realized / Unrealized Gains or Losses: Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance September 30, 2011	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2011
	(In millions)										
Level 3 Instruments Only											
Trading account assets: (c)											
Obligations of states and political subdivisions	$ 165	$ (13)	$	$ 52	$	$	$ (61)	$	$	143	$
Commercial agency MBS	54	6		940			(949)	1		52	
Other securities	10	15		6,315			(6,335)			5	
Total trading account assets (c)	229	8(a)		7,307			(7,345)	1		200	
Securities available for sale:											
Obligations of states and political subdivisions	17		2				(2)			17	
Residential non-agency MBS	22	1	(1)		(2)		(4)			16	
Total securities available for sale	39	1	1		(2)		(6)			33	
Mortgage servicing rights	267	(133)(b)		48						182	(116)(b)
Trading account liabilities:											
Mortgage-backed securities:											
Commercial agency	6						(6)				
Other securities	4			(35)			42			11	
Total trading account liabilities	10			(35)			36			11	
Derivatives, net:											
Interest rate options	3	93					(77)			19	19(b)
Interest rate futures and forward commitments	5						(5)				
Total derivatives, net	8	93(b)					(82)			19	19(b)

(a) Included in brokerage, investment banking and capital markets income.

(b) Included in mortgage income.

(c) Brokerage income from trading account assets primarily represents gains/(losses) on disposition, which, inherently includes commissions on security transactions during the period.

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	Nine Months Ended September 30, 2010									
		Total Realized / Unrealized Gains or Losses								
	Balance January 1, 2010	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Issuances	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance September 30, 2010	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2010
	(In millions)									
Level 3 Instruments Only										
Trading account assets, net (c):										
Obligations of states and political subdivisions	$ 171	$ (7)	$	$ 190	$	$ (132)	$	$	$ 222	$
Commercial agency MBS	39	2		626		(634)	10		43	
Other securities	4	22		9,853		(9,882)	6		3	
Total trading account assets, net (c)	214	17(a)		10,669		(10,648)	16		268	
Securities available for sale:										
Obligations of states and political subdivisions	17		5			(5)			17	
Residential non-agency MBS	36					(13)			23	
Total securities available for sale	53		5			(18)			40	
Mortgage servicing rights	247	(96)(b)		53					204	(77)(b)
Derivatives, net:										
Interest rate options		106(b)				(89)			17	17(b)
Interest rate futures and forward commitments	3			2					5	
Total derivatives, net	3	106		2		(89)			22	17

(a) Included in brokerage, investment banking and capital markets income.

(b) Included in mortgage income.

(c) Brokerage income from trading account assets primarily represents gains/(losses) on disposition, which, inherently includes commissions on security transactions during the period.

ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

From time to time, certain assets may be recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down occurring during the period. For example, if the fair value of an asset in these categories falls below its cost basis, it is considered to be at fair value at the end of the period of the adjustment. In periods where there is no adjustment, the asset is generally not considered to be at fair value. The following is a description of the valuation methodologies used for certain assets that are recorded at fair value.

Loans held for sale for which the fair value option has not been elected are recorded at the lower of cost or fair value and therefore are reported at fair value on a non-recurring basis. The fair values for loans held for sale that are based on formally committed loan sale prices or valuations performed using observable inputs are classified as a Level 2 measurement. If no formally committed sales price is available, a professional valuation is obtained, consistent with the process described above for foreclosed property and other real estate. Alternatively, management may base the estimate of fair value on knowledge of pricing that the note sale market will bear, considering sales of similar properties and experience with the potential buyer. Such estimates are considered Level 3 measurements.

Foreclosed property, other real estate and equipment is carried in other assets at the lower of the recorded investment in the loan or fair value less estimated costs to sell the property. The fair value for foreclosed property that is based on either observable transactions of similar instruments or formally committed sale prices is classified as a Level 2 measurement. If no formally committed sale price is available, a professional valuation is obtained. Updated valuations are obtained on at least an annual basis. Foreclosed property exceeding established dollar thresholds are valued based on appraisals. Appraisals are performed by third parties with appropriate professional certifications and conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP). Regions policies related to appraisals conform to regulations established by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and other regulatory guidance. Professional valuations are considered Level 2 measurements because they are based largely on observable inputs. Regions has a centralized appraisal review function that is responsible for reviewing all appraisals for compliance with banking regulations and guidelines as well as appraisal standards. Based on these reviews, Regions may make adjustments to the market value conclusions determined in the appraisals of real estate (either as other real estate or loans held for sale) when the appraisal review function determines that the valuation is based on inappropriate assumptions or where the conclusion is not sufficiently supported by the market data presented in the appraisal. In either event adjustments, if made, must be based on sufficient information available to support an alternate opinion of market value. Internally adjusted valuations are considered Level 3 measurements as management uses assumptions that may not be observable in the market.

The following table presents the carrying value and the level of valuation assumptions of those assets measured at fair value on a non-recurring basis:

	September 30, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In millions)							
Loans held for sale	$	$ 3	$ 206	$ 209	$	$ 238	$ 31	$ 269
Foreclosed property, other real estate and equipment		104	76	180		201	152	353

The following table presents the fair value adjustments related to non-recurring fair value measurements:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Loans held for sale	$ (161)	$ (2)	$ (466)	$ (28)
Foreclosed property, other real estate and equipment	(46)	(67)	(183)	(167)

FAIR VALUE OPTION

Regions elected the fair value option for FNMA and FHLMC eligible thirty-year residential mortgage loans held for sale originated on or after January 1, 2008. Additionally, Regions elected the fair value option for FNMA and FHLMC eligible fifteen-year residential mortgage loans originated on or after November 22, 2010. These elections allow for a more effective offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. Regions has not elected the fair value option for other loans held for sale primarily because they are not economically hedged using derivative instruments. Fair values of mortgage loans held for sale are based on traded market prices of similar assets where available and/or discounted cash flows at market interest rates, adjusted for securitization activities that include servicing values and market conditions, and were recorded in loans held for sale in the consolidated balance sheets.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for mortgage loans held for sale measured at fair value:

	September 30, 2011			December 31, 2010		
	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
	(In millions)					
Mortgage loans held for sale, at fair value	$ 647	$ 618	$ 29	$ 1,174	$ 1,181	$ (7)

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Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest income on loans held for sale in the consolidated statements of operations. The following table details net gains (losses) resulting from changes in fair value of these loans which were recorded in mortgage income in the consolidated statements of operations during the three and nine months ended September 30, 2011 and 2010, respectively. These changes in fair value are mostly offset by economic hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

	Mortgage loans held for sale, at fair value			
	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	(In millions)			
Net gains (losses) resulting from changes in fair value	$ 13	$ (3)	$ 36	$ 24

FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used by the Company in estimating fair values of financial instruments are disclosed in Regions Form 10-K for the year ended December 31, 2010. The carrying amounts and estimated fair values of the Company s financial instruments as of September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value (1)	Carrying Amount	Estimated Fair Value (1)
	(In millions)			
Financial assets:				
Cash and cash equivalents	$ 8,263	$ 8,263	$ 6,919	$ 6,919
Trading account assets	1,462	1,462	1,116	1,116
Securities available for sale	24,635	24,635	23,289	23,289
Securities held to maturity	18	19	24	26
Loans held for sale	1,012	1,012	1,485	1,485
Loans (excluding leases), net of unearned income and allowance for loan losses (2), (3)	74,889	65,248	77,864	69,775
Other interest-earning assets	1,081	1,081	1,219	1,219
Derivatives, net	372	372	140	140
Financial liabilities:				
Deposits	95,938	96,161	94,614	94,883
Short-term borrowings	2,943	2,943	3,937	3,937
Long-term borrowings	10,140	10,138	13,190	13,115
Loan commitments and letters of credit	128	1,003	125	899

(1) Estimated fair values are consistent with an exit price concept. The assumptions used to estimate the fair values are intended to approximate those that a market participant would use in a hypothetical orderly transaction. In estimating fair value, the Company makes adjustments for interest rates, market liquidity and credit spreads as appropriate.

(2) The estimated fair value of portfolio loans assumes sale of the loans to a third-party financial investor. Accordingly, the value to the Company if the loans were held to maturity is not reflected in the fair value estimate. In the current whole loan market, financial investors are generally requiring a higher rate of return than the return inherent in loans if held to maturity. The fair value discount at September 30, 2011 was $9.6 billion or 12.9%.

(3) Excluded from this table is the lease carrying amount of $1.6 billion at September 30, 2011 and $1.8 billion at December 31, 2010.

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NOTE 12 Business Segment Information

Regions segment information is presented based on Regions key segments of business. Each segment is a strategic business unit that serves specific needs of Regions customers. The Company s primary segment is Banking/Treasury, which represents the Company s branch network, including consumer and commercial banking functions, and has separate management that is responsible for the operation of that business unit. This segment also includes the Company s Treasury function, including the Company s securities portfolio and other wholesale funding activities.

In addition to Banking/Treasury, Regions has designated as distinct reportable segments the activity of its Investment Banking/Brokerage/Trust and Insurance divisions. Investment Banking/Brokerage/Trust includes trust activities and all brokerage and investment activities associated with Morgan Keegan. Insurance includes all business associated with commercial insurance and credit life products sold to consumer customers.

During the third quarter of 2010 and again in the first quarter of 2011, minor reclassifications were made from the Banking/Treasury segment to the Insurance segment to more appropriately present management s current view of the segments. The amounts related to the three and nine months ended September 30, 2010 below have been adjusted to conform to the 2011 presentation.

The following tables present financial information for each reportable segment for the period indicated.

Three months ended September 30, 2011	Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Total Company
		(In millions)		
Net interest income	$ 841	$ 16	$ 1	$ 858
Provision for loan losses	355			355
Non-interest income	431	280	34	745
Non-interest expense	787	254	25	1,066
Income tax expense	8	16	3	27
Net income	$ 122	$ 26	$ 7	$ 155
Average assets	$ 122,419	$ 6,809	$ 531	$ 129,759

Three months ended September 30, 2010	Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Total Company
		(In millions)		
Net interest income	$ 852	$ 16	$	$ 868
Provision for loan losses	760			760
Non-interest income	407	310	33	750
Non-interest expense	849	292	22	1,163
Income tax expense (benefit)	(165)	11	4	(150)
Net income (loss)	$ (185)	$ 23	$ 7	$ (155)
Average assets	$ 127,082	$ 6,127	$ 520	$ 133,729

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Nine months ended September 30, 2011	Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Total Company
		(In millions)		
Net interest income	$ 2,536	$ 47	$ 2	$ 2,585
Provision for loan losses	1,235			1,235
Non-interest income	1,375	890	104	2,369
Non-interest expense	2,544	813	74	3,431
Income tax expense (benefit)	(63)	7	11	(45)
Net income	$ 195	$ 117	$ 21	$ 333