REGIONS FINANCIAL CORP
Form 10-Q
November 05, 2012
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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, 2012

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: 001-34034

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

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

(800) 734-4667

(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 1,413,003,000 shares of common stock, par value $.01, outstanding as of October 24, 2012.

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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 in July 2010, and a number of legislative, regulatory and tax proposals remain pending. Additionally, the U.S. Treasury Department 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. Future and proposed rules, including those that are part of the Basel III process, are expected to 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.

- 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.

- Possible regulations issued by the Consumer Financial Protection Bureau or other regulators which might adversely impact Regions business model or products and services.

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

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

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

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

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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, reputational 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.

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, 2011 and the Forward-Looking Statements section of Regions Quarterly Report on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012, 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 2012	December 31 2011
	(In millions, except share data)	
Assets		
Cash and due from banks	$ 1,738	$ 2,132
Interest-bearing deposits in other banks	2,192	4,913
Federal funds sold and securities purchased under agreements to resell		200
Trading account assets	114	1,266
Securities available for sale	27,603	24,471
Securities held to maturity	12	16
Loans held for sale (includes $1,130 and $844 measured at fair value, respectively)	1,265	1,193
Loans, net of unearned income	75,259	77,594
Allowance for loan losses	(2,062)	(2,745)
Net loans	73,197	74,849
Other interest-earning assets	881	1,085
Premises and equipment, net	2,274	2,375
Interest receivable	362	361
Goodwill	4,816	4,816
Mortgage servicing rights	176	182
Other identifiable intangible assets	365	449
Other assets	6,803	8,742
Total assets	$ 121,798	$ 127,050
Liabilities and Stockholders Equity		
Deposits:		
Non-interest-bearing	$ 30,345	$ 28,209
Interest-bearing	64,536	67,418
Total deposits	94,881	95,627
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,866	2,333
Other short-term borrowings	70	734
Total short-term borrowings	1,936	3,067
Long-term borrowings	6,224	8,110
Total borrowed funds	8,160	11,177
Other liabilities	3,856	3,747
Total liabilities	106,897	110,551
Stockholders equity:		
Preferred stock, authorized 10 million shares		
		3,419

Series A, cumulative perpetual participating, par value $1.00 (liquidation preference $1,000.00) per share, net of discount;		
Issued 0 and 3,500,000 shares, respectively		
Common stock, par value $.01 per share:		
Authorized 3 billion shares		
Issued including treasury stock 1,454,291,608 and 1,301,230,838 shares, respectively	15	13
Additional paid-in capital	19,910	19,060
Retained earnings (deficit)	(3,849)	(4,527)
Treasury stock, at cost 41,289,074 and 42,414,444 shares, respectively	(1,377)	(1,397)
Accumulated other comprehensive income (loss), net	202	(69)
Total stockholders equity	14,901	16,499
Total liabilities and stockholders equity	$ 121,798	$ 127,050

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions, except per share data)			
Interest income on:				
Loans, including fees	$ 783	$ 867	$ 2,401	$ 2,590
Securities:				
Taxable	170	177	523	592
Tax-exempt				
Total securities	170	177	523	592
Loans held for sale	9	7	23	29
Trading account assets			1	
Other interest-earning assets	2	4	7	10
Total interest income	964	1,055	2,955	3,221
Interest expense on:				
Deposits	67	112	231	377
Short-term borrowings	1		1	1
Long-term borrowings	79	93	241	282
Total interest expense	147	205	473	660
Net interest income	817	850	2,482	2,561
Provision for loan losses	33	355	176	1,235
Net interest income after provision for loan losses	784	495	2,306	1,326
Non-interest income:				
Service charges on deposit accounts	244	310	731	905
Investment fee income (loss)	34	(5)	79	45
Mortgage income	106	68	273	163
Trust department income	48	49	147	150
Securities gains (losses), net	12	(1)	36	105
Leveraged lease termination gains (losses), net		(2)	14	(2)
Other	89	94	284	270
Total non-interest income	533	513	1,564	1,636
Non-interest expense:				
Salaries and employee benefits	449	383	1,325	1,212
Net occupancy expense	99	95	285	293
Furniture and equipment expense	65	70	196	212
Other	256	302	818	1,021
Total non-interest expense	869	850	2,624	2,738
Income from continuing operations before income taxes	448	158	1,246	224
Income tax expense (benefit)	136	17	344	(46)
Income from continuing operations	312	141	902	270
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	(19)	24	(80)	64
Income tax expense (benefit)	(8)	10	(33)	1
Income (loss) from discontinued operations, net of tax	(11)	14	(47)	63

Net income	$ 301	$ 155	$ 855	$ 333
Net income from continuing operations available to common shareholders	$ 312	$ 87	$ 777	$ 110
Net income available to common shareholders	$ 301	$ 101	$ 730	$ 173
Weighted-average number of shares outstanding:				
Basic	1,414	1,259	1,370	1,258
Diluted	1,423	1,261	1,375	1,260
Earnings per common share from continuing operations:				
Basic	$ 0.22	$ 0.07	$ 0.57	$ 0.09
Diluted	0.22	0.07	0.57	0.09
Earnings per common share:				
Basic	$ 0.21	$ 0.08	$ 0.53	$ 0.14
Diluted	0.21	0.08	0.53	0.14
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 COMPREHENSIVE INCOME

	Three Months Ended September 30	
	2012	2011
	(In millions)	
Net income	$ 301	$ 155
Other comprehensive income, net of tax:*		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period (net of $93 and $104 tax effect for the three months ended September 30, 2012 and 2011, respectively)	150	166
Less: reclassification adjustments for securities gains realized in net income (net of $5 and zero tax effect for the three months ended September 30, 2012 and 2011, respectively)	7	(1)
Net change in unrealized gains on securities available for sale	143	167
Unrealized gains on derivative instruments designated as cash flow hedges:		
Unrealized holding gains on derivatives arising during the period (net of $2 and $74 tax effect for the three months ended September 30, 2012 and 2011, respectively)	4	124
Less: reclassification adjustments for gains realized in net income (net of $6 and $17 tax effect for the three months ended September 30, 2012 and 2011, respectively)	10	29
Net change in unrealized gains (losses) on derivative instruments	(6)	95
Defined benefit pension plans and other post employment benefits:		
Amortization of actuarial loss and prior service cost realized in net income, and other (net of $7 and $5 tax effect for the three months ended September 30, 2012 and 2011, respectively)	11	7
Net change from defined benefit pension plans	11	7
Other comprehensive income, net of tax*	$ 148	$ 269
Comprehensive income	$ 449	$ 424

	Nine Months Ended September 30	
	2012	2011
	(In millions)	
Net income	$ 855	$ 333
Other comprehensive income, net of tax:*		
Unrealized gains on securities available for sale:		
Unrealized holding gains arising during the period (net of $145 and $185 tax effect for the nine months ended September 30, 2012 and 2011, respectively)	238	310
Less: reclassification adjustments for securities gains realized in net income (net of $13 and $37 tax effect for the nine months ended September 30, 2012 and 2011, respectively)	23	68
Net change in unrealized gains on securities available for sale	215	242
Unrealized gains on derivative instruments designated as cash flow hedges:		
Unrealized holding gains on derivatives arising during the period (net of $31 and $109 tax effect for the nine months ended September 30, 2012 and 2011, respectively)	51	180
Less: reclassification adjustments for gains realized in net income (net of $19 and $54 tax effect for the nine months ended September 30, 2012 and 2011, respectively)	31	89
Net change in unrealized gains on derivative instruments	20	91
Defined benefit pension plans and other post employment benefits:		
Amortization of actuarial loss and prior service cost realized in net income, and other (net of $22 and $13 tax effect for the nine months ended September 30, 2012 and 2011, respectively)	36	19

Net change from defined benefit pension plans	36	19
Other comprehensive income, net of tax*	$ 271	$ 352
Comprehensive income	$ 1,126	$ 685

* All other comprehensive amounts are shown net of tax.

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
	(In millions, except share and per share data)								
BALANCE AT JANUARY 1, 2011	4	$ 3,380	1,256	$ 13	$ 19,050	$ (4,047)	$ (1,402)	$ (260)	$ 16,734
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
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
BALANCE AT JANUARY 1, 2012	4	$ 3,419	1,259	$ 13	$ 19,060	$ (4,527)	$ (1,397)	$ (69)	$ 16,499
Net income						855			855
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment								215	215
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment								20	20
Net change from defined benefit pension plans, net of tax								36	36
Cash dividends declared $0.03 per share						(41)			(41)
Preferred dividends						(44)			(44)
Preferred stock transactions:									
Discount accretion		10				(10)			
Repurchase of Series A preferred stock issued to the U.S. Treasury and associated accelerated accretion	(4)	(3,429)				(71)			(3,500)
Repurchase of warrant from the U.S. Treasury					(45)				(45)
Common stock transactions:									
Net proceeds from issuance of 153 million shares of common stock			153	2	873				875
Impact of stock transactions under compensation plans, net			1		22	(11)	20		31

BALANCE AT SEPTEMBER 30, 2012	$ 1,413	$ 15	$ 19,910	$ (3,849)	$ (1,377)	$ 202	$ 14,901

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30	
	2012	2011
	(In millions)	
Operating activities:		
Net income	$ 855	$ 333
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	176	1,235
Depreciation, amortization and accretion	530	504
Provision for losses on other real estate, net	24	97
Net securities gains	(36)	(105)
Gain on disposition of business	(16)	
Deferred income tax expense (benefit)	299	(57)
Excess tax benefits from share-based payments	(1)	
Originations and purchases of loans held for sale	(4,598)	(3,314)
Proceeds from sales of loans held for sale	4,393	4,602
Gain on sale of loans, net	(117)	(69)
Valuation charges on loans held for sale	8	8
Branch consolidation and property and equipment charges		77
Decrease (increase) in trading account assets	189	(346)
(Increase) decrease in other interest-earning assets	(162)	138
Increase in interest receivable	(4)	(1)
Decrease in other assets	42	1,931
Increase (decrease) in other liabilities	628	(379)
Other	5	(38)
Net cash from operating activities	2,215	4,616
Investing activities:		
Proceeds from sales of securities available for sale	1,745	6,531
Proceeds from maturities of securities available for sale	4,923	3,630
Proceeds from maturities of securities held to maturity	4	7
Purchases of securities available for sale	(8,812)	(11,156)
Proceeds from sales of loans	764	1,294
Purchases of loans	(661)	(1,718)
Net decrease in loans	1,321	1,145
Net purchases of premises and equipment	(114)	(163)
Proceeds from disposition of business, net of cash transferred	855	
Net cash from investing activities	25	(430)
Financing activities:		
Net (decrease) increase in deposits	(746)	1,324
Net decrease in short-term borrowings	(202)	(994)
Proceeds from long-term borrowings		1,001
Payments on long-term borrowings	(1,853)	(4,003)
Cash dividends on common stock	(41)	(39)
Cash dividends on preferred stock	(44)	(131)
Net proceeds from issuance of common stock	875	
Repurchase of Series A preferred stock	(3,500)	
Repurchase of warrant	(45)	
Excess tax benefits from share-based payments	1	

Net cash from financing activities	(5,555)	(2,842)
(Decrease) increase in cash and cash equivalents	(3,315)	1,344
Cash and cash equivalents at beginning of year	7,245	6,919
Cash and cash equivalents at end of period	$ 3,930	$ 8,263

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, 2012 and 2011

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, comprehensive income 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, 2011. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q. See Note 17.

Beginning with first quarter 2012 financial reporting, as required by new accounting literature, Regions began presenting separate consolidated statements of comprehensive income. Comprehensive income is the total of net income and all other non-owner changes in equity. Items are recognized as components of comprehensive income and are displayed net of tax in the consolidated statements of comprehensive income. In the calculation of comprehensive income, certain reclassification adjustments are made to avoid double-counting items that are displayed as part of net income for a period that also had been displayed as part of other comprehensive income in that period or earlier periods. The prior period is also shown for comparability.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. (Morgan Keegan) and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 15 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. Other expenses related to the transaction are also included in discontinued operations. This presentation is consistent with the consolidated financial statements included in the 2011 Form 10-K.

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, comprehensive income, total assets or stockholders equity as previously reported.

NOTE 2 Discontinued Operations

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. (Raymond James). The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust were not included in the sale. The total purchase price received by the Company was $1.2 billion.

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An estimated $15 million pre-tax gain on sale, which included a $256 million adjustment of liabilities to record the legal indemnification at fair value as discussed in the next paragraph, was recorded in the second quarter of 2012 as a component of discontinued operations. In order to estimate the gain on sale, Regions made assumptions regarding the finalization of elections for income tax purposes to be made by Raymond James and Regions. A pre-tax adjustment to increase the gain by $1 million was made in the third quarter based upon adjustments required by the terms of the sale.

In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. Losses under the indemnification include legal and other expenses, such as costs for defense, judgments, settlements and awards associated with the resolution of litigation related to pre-closing activities. Regions increased existing liabilities on the consolidated balance sheet in the second quarter by approximately $256 million such that the resulting amount of $385 million reflected the fair value of the indemnification at the close of the transaction. See Note 15 for related disclosure.

The following table represents the condensed results of operations for discontinued operations for the three and nine months ended September 30:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions, except per share data)			
Interest income	$	$ 9	$ 8	$ 29
Interest expense		1	1	5
Net interest income		8	7	24
Non-interest income:				
Brokerage, investment banking and capital markets		222	233	688
Gain on sale	1		16	
Other		10	7	45
Total non-interest income	1	232	256	733
Non-interest expense:				
Salaries and employee benefits		146	171	472
Net occupancy expense		9	9	27
Furniture and equipment expense		7	8	21
Professional and legal expenses	19	22	125	70
Other	1	32	30	103
Total non-interest expense	20	216	343	693
Income (loss) from discontinued operations before income taxes	(19)	24	(80)	64
Income tax expense (benefit)	(8)	10	(33)	1
Income (loss) from discontinued operations, net of tax	$ (11)	$ 14	$ (47)	$ 63
Earnings (loss) per common share from discontinued operations:				
Basic	$ (0.01)	$ 0.01	$ (0.04)	$ 0.05
Diluted	$ (0.01)	$ 0.01	$ (0.04)	$ 0.05

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NOTE 3 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, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Securities available for sale:				
U.S. Treasury securities	$ 49	$ 2	$	$ 51
Federal agency securities	617	3		620
Obligations of states and political subdivisions	12			12
Mortgage-backed securities:				
Residential agency	22,213	734	(11)	22,936
Residential non-agency	12	1		13
Commercial agency	703	21		724
Commercial non-agency	916	42		958
Corporate and other debt securities	1,526	71	(2)	1,595
Equity securities	692	3	(1)	694
	$ 26,740	$ 877	$ (14)	$ 27,603
Securities held to maturity:				
U.S. Treasury securities	$ 2	$ 1	$	$ 3
Federal agency securities	2			2
Mortgage-backed securities:				
Residential agency	8			8
	$ 12	$ 1	$	$ 13

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)			
Securities available for sale:				
U.S. Treasury securities	$ 95	$ 3	$	$ 98
Federal agency securities	147			147
Obligations of states and political subdivisions	24	12		36
Mortgage-backed securities:				
Residential agency	21,688	494	(7)	22,175
Residential non-agency	15	1		16
Commercial agency	318	8		326
Commercial non-agency	314	7		321
Corporate and other debt securities	539	5	(7)	537
Equity securities	817	2	(4)	815
	$ 23,957	$ 532	$ (18)	$ 24,471
Securities held to maturity:				
U.S. Treasury securities	$ 4	$	$	$ 4

Federal agency securities	3			3
Mortgage-backed securities:				
Residential agency	9	1		10
	$ 16	$ 1	$	$ 17

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Entities included with the sale of Morgan Keegan and related affiliates had approximately $2 million in securities available for sale at December 31, 2011, which are included in the table above. There were no such securities at September 30, 2012 as these entities were sold during the second quarter as discussed in Note 2.

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 2012	December 31 2011
	(In millions)	
Federal Reserve Bank	$ 480	$ 481
Federal Home Loan Bank	100	219

Securities with carrying values of $12.4 billion and $14.3 billion at September 30, 2012 and December 31, 2011, 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, 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities available for sale:		
Due in one year or less	$ 30	$ 30
Due after one year through five years	655	671
Due after five years through ten years	1,255	1,296
Due after ten years	264	281
Mortgage-backed securities:		
Residential agency	22,213	22,936
Residential non-agency	12	13
Commercial agency	703	724
Commercial non-agency	916	958
Equity securities	692	694
	$ 26,740	$ 27,603
Securities held to maturity:		
Due in one year or less	$ 2	$ 3
Due after one year through five years	2	2
Due after five years through ten years		
Due after ten years		
Mortgage-backed securities:		
Residential agency	8	8
	$ 12	$ 13

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The following tables present gross unrealized losses and the related estimated fair value of securities available for sale at September 30, 2012 and December 31, 2011. 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, 2012					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Mortgage-backed securities:						
Residential agency	$ 1,368	$ (10)	$ 70	$ (1)	$ 1,438	$ (11)
All other securities	60	(3)			60	(3)
	$ 1,428	$ (13)	$ 70	$ (1)	$ 1,498	$ (14)

	December 31, 2011					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Mortgage-backed securities:						
Residential agency	$ 1,778	$ (7)	$	$	$ 1,778	$ (7)
All other securities	291	(9)	5	(2)	296	(11)
	$ 2,069	$ (16)	$ 5	$ (2)	$ 2,074	$ (18)

There was no gross unrealized loss on debt securities held to maturity at either September 30, 2012 or December 31, 2011.

For the securities included in the tables above, management does not believe any individual unrealized loss, which was comprised of 179 securities and 524 securities at September 30, 2012 and December 31, 2011, 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.

For the three and nine months ended September 30, 2012, Regions recorded a credit-related impairment charge of approximately zero and $2 million, respectively. Regions did not record any credit-related impairment charges during the three or nine months ended September 30, 2011.

Cash proceeds from sale, gross realized gains and gross realized losses from continuing operations 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		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Proceeds	$ 75	$ 52	$ 1,745	$ 6,531
Gross realized gains	13		37	105
Gross realized losses	(1)	(1)	(1)	

Net securities gains (losses)	$ 12	$ (1)	$ 36	$ 105

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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	
	2012	2011	2012	2011
	(In millions)			
Total net gains (losses)	$ 3	$ (21)	$ 32	$ 10
Unrealized portion	3	(35)	27	(21)

Included in the table above are amounts related to activities of Morgan Keegan. The totals include no impact related to Morgan Keegan for the three months ended September 30, 2012 and net losses of approximately $9 million for the three months ended September 30, 2011. There were approximately $25 million and $16 million of total net gains for the nine months ended September 30, 2012 and 2011, respectively, related to Morgan Keegan activities. These amounts are included within results from discontinued operations.

NOTE 4 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 2012	December 31 2011
	(In millions, net of unearned income)	
Commercial and industrial	$ 26,375	$ 24,522
Commercial real estate mortgage owner-occupied	10,325	11,166
Commercial real estate construction owner-occupied	292	337
Total commercial	36,992	36,025
Commercial investor real estate mortgage	7,866	9,702
Commercial investor real estate construction	847	1,025
Total investor real estate	8,713	10,727
Residential first mortgage	13,225	13,784
Home equity	12,025	13,021
Indirect	2,220	1,848
Consumer credit card	901	987
Other consumer	1,183	1,202
Total consumer	29,554	30,842
	$ 75,259	$ 77,594

During the three months ended September 30, 2012 and 2011, Regions purchased approximately $254 million and $173 million, respectively, in indirect loans from a third party. During the nine months ended September 30, 2012 and 2011, the comparable loan purchase amounts were approximately $661 million and $509 million, respectively. Additionally, during the second quarter of 2011, Regions purchased approximately $1.1 billion of Regions-branded credit card amounts from FIA Card Services. The purchase included approximately $1.0 billion in consumer credit card accounts with the remainder in small business credit card accounts, which are included in the commercial and industrial portfolio class. During the three months ended September 30, 2012, Regions sold approximately $184 million of securities-based commercial and industrial loans to Raymond James pursuant to the Morgan Keegan sale (see Note 2). These loans were made by Regions, but were originally referred through Morgan Keegan and were secured by customer assets held in custody at Morgan Keegan.

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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.

CALCULATION OF ALLOWANCE FOR CREDIT LOSSES

As part of the Company s ongoing efforts to enhance the allowance calculation, and in response to regulatory guidance, the home equity portfolio was segmented at a more granular level during the first quarter of 2012. Loss rates for home equity products are now developed based on lien position, status as a troubled debt restructuring (TDR), geography, past due status, and refreshed FICO scores for non-past due loans. The enhancement had the impact of reducing the component of the allowance for loan losses related to home equity loans by an estimate of approximately $30 million.

In addition to the home equity enhancement, in the second quarter of 2012, the Company refined the methodology for estimation of the reserve for unfunded credit commitments. Before the change, the Company based the reserve for unfunded credit commitments on an analysis of the overall probability of funding and historical losses. Beginning with the second quarter of 2012, the reserve is based on an exposure at default (EAD) multiplied by a probability of default (PD) multiplied by a loss-given default (LGD). The EAD is estimated based on an analysis of historical funding patterns for defaulted loans in various categories. The PD and LGD align with the statistically-calculated parameters used to calculate the allowance for loan losses for various pools, which are based on credit quality indicators and product type. The methodology applies to commercial and investor real estate credit commitments and standby letters of credit. The Company made this change to enhance portfolio segmentation within the calculation of the reserve for unfunded credit commitments and to improve overall consistency within the calculation of the allowance for credit losses. The change did not have a material impact on the allowance for credit losses or the reserve for unfunded credit commitments.

Except for the enhancements to home equity segmentation and to the reserve for unfunded credit commitments described above, during the first nine months of 2012 there were no changes in methodology for the calculation of the allowance for credit losses or policies for identification of non-accrual loans or for charge-offs. A detailed description of the Company s methodology is included in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three and nine months ended September 30, 2012 and 2011. The total allowance for credit losses as of September 30, 2012 and 2011 is then disaggregated to detail 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 portfolio.

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	Three Months Ended September 30, 2012			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, July 1, 2012	$ 884	$ 766	$ 641	$ 2,291
Provision (credit) for loan losses	37	(112)	108	33
Loan losses:				
Charge-offs	(91)	(74)	(133)	(298)
Recoveries	17	4	15	36
Net loan losses	(74)	(70)	(118)	(262)
Allowance for loan losses, September 30, 2012	847	584	631	2,062
Reserve for unfunded credit commitments, July 1, 2012	$ 61	$ 26	$ 4	$ 91
Provision (credit) for unfunded credit commitments	(3)	(12)		(15)
Reserve for unfunded credit commitments, September 30, 2012	58	14	4	76
Allowance for credit losses, September 30, 2012	$ 905	$ 598	$ 635	$ 2,138

	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 (credit) 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, 2012			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2012	$ 1,030	$ 991	$ 724	$ 2,745
Provision (credit) for loan losses	82	(202)	296	176
Loan losses:				
Charge-offs	(323)	(231)	(435)	(989)
Recoveries	58	26	46	130
Net loan losses	(265)	(205)	(389)	(859)

Allowance for loan losses, September 30, 2012		847		584		631		2,062
Reserve for unfunded credit commitments, January 1, 2012	$	30	$	26	$	22	$	78
Provision (credit) for unfunded credit commitments		28		(12)		(18)		(2)
Reserve for unfunded credit commitments, September 30, 2012		58		14		4		76
Allowance for credit losses, September 30, 2012	$	905	$	598	$	635	$	2,138
Portion of ending allowance for credit losses:								
Individually evaluated for impairment	$	93	$	94	$		$	187
Collectively evaluated for impairment		812		504		635		1,951
Total allowance for credit losses	$	905	$	598	$	635	$	2,138
Portion of loan portfolio ending balance:								
Individually evaluated for impairment	$	475	$	440	$		$	915
Collectively evaluated for impairment		36,517		8,273		29,554		74,344
Total loans evaluated for impairment	$	36,992	$	8,713	$	29,554	$	75,259

	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 (credit) 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 ending allowance for credit losses:				
Individually evaluated for impairment	$ 124	$ 227	$ 3	$ 354
Collectively evaluated for impairment	943	942	811	2,696
Total allowance for credit losses	$ 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

During the second quarter of 2011, Regions purchased a credit card portfolio for approximately $1.1 billion and recorded an allowance for loan losses and related premium of approximately $84 million. Upon finalization of the purchase price in the fourth quarter of 2011, Regions reclassified the $84 million allowance and premium. The impact of these reclassification entries was not material to the financial results of any of the quarters of 2011.

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

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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, for which servicing was brought in-house in the third quarter of 2012. Other consumer loans include direct consumer installment loans, overdrafts and other revolving 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, 2012 and December 31, 2011. 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.

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.

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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. For home equity products, loss rates are based on lien position, TDR status, geography, past due status, and refreshed FICO scores for current loans.

	September 30, 2012				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
			(In millions)		
Commercial and industrial	$ 24,739	$ 745	$ 498	$ 393	$ 26,375
Commercial real estate mortgage owner-occupied	9,104	231	486	504	10,325
Commercial real estate construction owner-occupied	263	3	11	15	292
Total commercial	$ 34,106	$ 979	$ 995	$ 912	$ 36,992
Commercial investor real estate mortgage	5,859	602	845	560	7,866
Commercial investor real estate construction	609	126	60	52	847
Total investor real estate	$ 6,468	$ 728	$ 905	$ 612	$ 8,713

	Accrual	Non-accrual	Total
		(In millions)	
Residential first mortgage	$ 13,001	$ 224	$ 13,225
Home equity	11,889	136	12,025
Indirect	2,220		2,220
Consumer credit card	901		901
Other consumer	1,183		1,183
Total consumer	$ 29,194	$ 360	$ 29,554
			$ 75,259

	December 31, 2011				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
			(In millions)		
Commercial and industrial	$ 22,952	$ 479	$ 634	$ 457	$ 24,522
Commercial real estate mortgage owner-occupied	9,773	262	541	590	11,166
Commercial real estate construction owner-occupied	275	27	10	25	337
Total commercial	$ 33,000	$ 768	$ 1,185	$ 1,072	$ 36,025
Commercial investor real estate mortgage	6,851	756	1,361	734	9,702
Commercial investor real estate construction	531	113	201	180	1,025
Total investor real estate	$ 7,382	$ 869	$ 1,562	$ 914	$ 10,727

	Accrual	Non-accrual	Total
		(In millions)	
Residential first mortgage	$ 13,534	$ 250	$ 13,784

Home equity	12,885	136	13,021
Indirect	1,848		1,848
Consumer credit card	987		987
Other consumer	1,202		1,202
Total consumer	$ 30,456	$ 386	$ 30,842
			$ 77,594

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio class as of September 30, 2012 and December 31, 2011:

	September 30, 2012						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$ 69	$ 19	$ 6	$ 94	$ 25,982	$ 393	$ 26,375
Commercial real estate mortgage owner-occupied	56	13	8	77	9,821	504	10,325
Commercial real estate construction owner-occupied	2			2	277	15	292
Total commercial	127	32	14	173	36,080	912	36,992
Commercial investor real estate mortgage	51	29	7	87	7,306	560	7,866
Commercial investor real estate construction	16	24	1	41	795	52	847
Total investor real estate	67	53	8	128	8,101	612	8,713
Residential first mortgage	168	86	297	551	13,001	224	13,225
Home equity	102	53	69	224	11,889	136	12,025
Indirect	29	7	2	38	2,220		2,220
Consumer credit card	9	5	12	26	901		901
Other consumer	20	5	3	28	1,183		1,183
Total consumer	328	156	383	867	29,194	360	29,554
	$ 522	$ 241	$ 405	$ 1,168	$ 73,375	$ 1,884	$ 75,259

	December 31, 2011						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$ 38	$ 23	$ 28	$ 89	$ 24,065	$ 457	$ 24,522
Commercial real estate mortgage owner-occupied	47	23	9	79	10,576	590	11,166
Commercial real estate construction owner-occupied	3	1		4	312	25	337
Total commercial	88	47	37	172	34,953	1,072	36,025
Commercial investor real estate mortgage	34	42	13	89	8,968	734	9,702
Commercial investor real estate construction	23	5		28	845	180	1,025
Total investor real estate	57	47	13	117	9,813	914	10,727
Residential first mortgage	187	100	284	571	13,534	250	13,784
Home equity	121	77	93	291	12,885	136	13,021

Indirect	26	7	2	35	1,848		1,848
Consumer credit card	8	5	14	27	987		987
Other consumer	20	6	4	30	1,202		1,202
Total consumer	362	195	397	954	30,456	386	30,842
	$ 507	$ 289	$ 447	$ 1,243	$ 75,222	$ 2,372	$ 77,594

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IMPAIRED LOANS

The following tables present details related to the Company s impaired loans as of September 30, 2012 and December 31, 2011. Loans deemed to be impaired include non-accrual commercial and investor real estate loans, excluding leases, 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.

	Non-accrual Impaired Loans As of September 30, 2012						
				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	$ 462	$ 74	$ 388	$ 123	$ 265	$ 106	39.0%
Commercial real estate mortgage owner-occupied	571	67	504	46	458	163	40.3
Commercial real estate construction owner-occupied	20	5	15	4	11	4	45.0
Total commercial	1,053	146	907	173	734	273	39.8
Commercial investor real estate mortgage	701	140	561	65	496	152	41.7
Commercial investor real estate construction	62	10	52	9	43	12	35.5
Total investor real estate	763	150	613	74	539	164	41.2
Residential first mortgage	148	54	94		94	13	45.3
Home equity	28	9	19		19	2	39.3
Total consumer	176	63	113		113	15	44.3
Total	$ 1,992	$ 359	$ 1,633	$ 247	$ 1,386	$ 452	40.7%

	Accruing Impaired Loans As of September 30, 2012				
	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	$ 347	$ 6	$ 341	$ 53	17.0%
Commercial real estate mortgage owner-occupied	208	4	204	25	13.9
Commercial real estate construction owner-occupied	3		3	1	33.3
Total commercial	558	10	548	79	15.9
Commercial investor real estate mortgage	855	9	846	118	14.9
Commercial investor real estate construction	111	1	110	38	35.1

Total investor real estate	966	10	956	156	17.2
Residential first mortgage	1,093	13	1,080	150	14.9
Home equity	423	5	418	37	9.9
Indirect	2		2		
Other consumer	44		44	1	2.3
Total consumer	1,562	18	1,544	188	13.2
Total	$ 3,086	$ 38	$ 3,048	$ 423	14.9%

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	Total Impaired Loans As of September 30, 2012						
			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)
	(Dollars in millions)						
Commercial and industrial	$ 809	$ 80	$ 729	$ 123	$ 606	$ 159	29.5%
Commercial real estate mortgage owner-occupied	779	71	708	46	662	188	33.2
Commercial real estate construction owner-occupied	23	5	18	4	14	5	43.5
Total commercial	1,611	156	1,455	173	1,282	352	31.5
Commercial investor real estate mortgage	1,556	149	1,407	65	1,342	270	26.9
Commercial investor real estate construction	173	11	162	9	153	50	35.3
Total investor real estate	1,729	160	1,569	74	1,495	320	27.8
Residential first mortgage	1,241	67	1,174		1,174	163	18.5
Home equity	451	14	437		437	39	11.8
Indirect	2		2		2		
Other consumer	44		44		44	1	2.3
Total consumer	1,738	81	1,657		1,657	203	16.3
Total impaired loans	$ 5,078	$ 397	$ 4,681	$ 247	$ 4,434	$ 875	25.0%

(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.

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	Non-accrual Impaired Loans As of December 31, 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	$ 468	$ 88	$ 380	$ 61	$ 319	$ 129	46.4%
Commercial real estate mortgage owner-occupied	679	88	591	34	557	192	41.2
Commercial real estate construction owner- occupied	37	12	25	1	24	10	59.5
Total commercial	1,184	188	996	96	900	331	43.8
Commercial investor real estate mortgage	870	136	734	63	671	223	41.3
Commercial investor real estate construction	236	56	180	23	157	62	50.0
Total investor real estate	1,106	192	914	86	828	285	43.1
Residential first mortgage	146	49	97		97	15	43.8
Home equity	26	10	16		16	2	46.2
Total consumer	172	59	113		113	17	44.2
Total	$ 2,462	$ 439	$ 2,023	$ 182	$ 1,841	$ 633	43.5%

	Accruing Impaired Loans As of December 31, 2011				
	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	$ 290	$ 1	$ 289	$ 60	21.0%
Commercial real estate mortgage owner-occupied	205	3	202	30	16.1
Commercial real estate construction owner-occupied	2		2		
Total commercial	497	4	493	90	18.9
Commercial investor real estate mortgage	862	7	855	174	21.0
Commercial investor real estate construction	140		140	81	57.9
Total investor real estate	1,002	7	995	255	26.1
Residential first mortgage	1,025	12	1,013	148	15.6
Home equity	428	4	424	60	15.0
Indirect	1		1		
Other consumer	55		55	1	1.8

Total consumer	1,509	16	1,493	209	14.9
Total	$ 3,008	$ 27	$ 2,981	$ 554	19.3%

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	Total Impaired Loans As of December 31, 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)
	(Dollars in millions)						
Commercial and industrial	$ 758	$ 89	$ 669	$ 61	$ 608	$ 189	36.7%
Commercial real estate mortgage owner-occupied	884	91	793	34	759	222	35.4
Commercial real estate construction owner-occupied	39	12	27	1	26	10	56.4
Total commercial	1,681	192	1,489	96	1,393	421	36.5
Commercial investor real estate mortgage	1,732	143	1,589	63	1,526	397	31.2
Commercial investor real estate construction	376	56	320	23	297	143	52.9
Total investor real estate	2,108	199	1,909	86	1,823	540	35.1
Residential first mortgage	1,171	61	1,110		1,110	163	19.1
Home equity	454	14	440		440	62	16.7
Indirect	1		1		1		
Other consumer	55		55		55	1	1.8
Total consumer	1,681	75	1,606		1,606	226	17.9
Total impaired loans	$ 5,470	$ 466	$ 5,004	$ 182	$ 4,822	$ 1,187	30.2%

(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.

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The following table presents the average balances of total impaired loans and interest income for the three and nine months ended September 30, 2012 and 2011. Interest income recognized represents interest recognized on loans modified in a TDR, and are therefore considered impaired, which are on accruing status.

	Three Months Ended September 30				Nine Months Ended September 30			
	2012		2011		2012		2011	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)							
Commercial and industrial	$ 721	$ 4	$ 649	$ 3	$ 707	$ 12	$ 512	$ 3
Commercial real estate mortgage owner-occupied	714	3	813		752	8	736	2
Commercial real estate construction owner-occupied	22		30		26		31	
Total commercial	1,457	7	1,492	3	1,485	20	1,279	5
Commercial investor real estate mortgage	1,520	10	1,498	7	1,572	31	1,366	12
Commercial investor real estate construction	178	2	460	2	230	5	466	2
Total investor real estate	1,698	12	1,958	9	1,802	36	1,832	14
Residential first mortgage	1,169	10	1,097	11	1,148	29	1,080	31
Home equity	435	5	423	5	441	17	401	15
Indirect	2		2		2		2	
Other consumer	45	1	60	1	49	2	62	3
Total consumer	1,651	16	1,582	17	1,640	48	1,545	49
Total impaired loans	$ 4,806	$ 35	$ 5,032	$ 29	$ 4,927	$ 104	$ 4,656	$ 68

In addition to the impaired loans detailed in the tables above, there were approximately $134 million in non-performing loans classified as held for sale at September 30, 2012, compared to $328 million at December 31, 2011. 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, 2012, approximately $81 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $43 million recorded upon transfer. During the nine months ended September 30, 2012, approximately $251 million in non-performing loans were transferred to held for sale; this amount is net of charge-offs of $135 million recorded upon transfer. 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, 2012 and December 31, 2011, non-accrual loans including loans held for sale totaled $2.0 billion and $2.7 billion, respectively.

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

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. 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). However, these modifications are refutably considered by Regions to be concessions 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. 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). Regions continues to report A-notes as TDRs, even if upgraded to accrual status. Also, for smaller-dollar commercial customers, Regions may periodically grant interest rate and other term concessions, similar to those under the Customer Assistance Program (CAP) program as described below.

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 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 without the borrower ever reaching the applicable number of days past due, and 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, 2012, approximately $131 million in residential first mortgage TDRs were in excess of 180 days past due and are considered collateral-dependent. At September 30, 2012, approximately $9.8 million in home equity first lien TDRs were in excess of 180 days past due and $8.0 million in home equity second lien TDRs were in excess of 120 days past due and are considered collateral-dependent.

Further discussion related to TDRs, including the impact of recently issued accounting literature, impact on allowance for loan losses, and designation of TDRs in periods subsequent to the modification is included in the Annual Report on Form 10-K for the year ended December 31, 2011.

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Modifications Considered TDRs and Financial Impact

The majority of Regions 2012 commercial and investor real estate 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. Consumer TDRs generally involve an interest rate concession. Accordingly, the financial impact of the modifications is best illustrated by the impact to the allowance calculation at the loan or pool level as a result of the loans being considered impaired due to their status as a TDR.

The following table presents loans by class modified in a TDR, and the financial impact of those modifications, for the periods presented.

	Three Months Ended September 30, 2012		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	148	$ 223	$ 1
Commercial real estate mortgage owner-occupied	95	91	1
Commercial real estate construction owner-occupied			
Total commercial	243	314	2
Commercial investor real estate mortgage	138	312	2
Commercial investor real estate construction	47	26	
Total investor real estate	185	338	2
Residential first mortgage	355	75	10
Home equity	222	14	1
Indirect and other consumer	94	1	
Total consumer	671	90	11
	1,099	$ 742	$ 15

	Three Months Ended September 30, 2011		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars 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

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	Nine Months Ended September 30, 2012		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars in millions)		
Commercial and industrial	507	$ 559	$ 3
Commercial real estate mortgage owner-occupied	331	301	3
Commercial real estate construction owner-occupied	7	6	
Total commercial	845	866	6
Commercial investor real estate mortgage	485	1,049	8
Commercial investor real estate construction	176	102	1
Total investor real estate	661	1,151	9
Residential first mortgage	1,123	234	30
Home equity	808	58	4
Indirect and other consumer	396	7	
Total consumer	2,327	299	34
	3,833	$ 2,316	$ 49

	Nine Months Ended September 30, 2011		
	Number of Obligors	Recorded Investment	Financial Impact of Modifications Considered TDRs Increase in Allowance at Modification
	(Dollars 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

As described previously, the consumer modifications granted by Regions are rate concessions, and not 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, 2012 were approximately $5 million, all of which were recorded during the first quarter of 2012.

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Defaulted TDRs

The following table presents TDRs which defaulted during the three months and nine months ended September 30, 2012 and 2011, 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 in detail in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011.

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Defaulted During the Period, Where Modified in a TDR Twelve Months Prior to Default				
Commercial and industrial	$ 23	$ 20	$ 82	$ 21
Commercial real estate mortgage owner-occupied	13	11	47	22
Commercial real estate construction owner-occupied			1	1
Total commercial	36	31	130	44
Commercial investor real estate mortgage	50	44	161	46
Commercial investor real estate construction	2	4	21	5
Total investor real estate	52	48	182	51
Residential first mortgage	15	27	48	38
Home equity	4	7	16	10
Total consumer	19	34	64	48
	$ 107	$ 113	$ 376	$ 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, 2012, approximately $126 million of commercial and investor real estate loans modified in a TDR during the three months ended September 30, 2012 were on non-accrual status. Approximately 1.4 percent of this amount was 90 days past due.

At September 30, 2012, Regions had restructured binding unfunded commitments totaling $243 million where a concession was granted and the borrower was in financial difficulty.

NOTE 5 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 under the fair value measurement method:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Carrying value, beginning of period	$ 179	$ 268	$ 182	$ 267
Additions	16	13	44	48
Decrease in fair value:				
Due to change in valuation inputs or assumptions	(11)	(93)	(28)	(116)
Other changes (1)	(8)	(6)	(22)	(17)
Carrying value, end of period	$ 176	$ 182	$ 176	$ 182

(1) Represents economic amortization associated with borrower repayments.

Data and assumptions used in the fair value calculation, as well as the valuation s sensitivity to rate fluctuations, related to mortgage servicing rights (excluding related derivative instruments) are as follows:

	September 30	
	2012	2011
	(Dollars in millions)	
Unpaid principal balance	$ 26,005	$ 26,426
Weighted-average prepayment speed (CPR; percentage)	20.1%	26.6%
Estimated impact on fair value of a 10% increase	$ (13)	$ (16)
Estimated impact on fair value of a 20% increase	$ (23)	$ (30)
Option-adjusted spread (basis points)	1,035	448
Estimated impact on fair value of a 10% increase	$ (5)	$ (2)
Estimated impact on fair value of a 20% increase	$ (10)	$ (5)
Weighted-average coupon interest rate	5.0%	5.3%
Weighted-average remaining maturity (months)	277	282
Weighted-average servicing fee (basis points)	28.3	28.7

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.

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:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Servicing related fees and other ancillary income	$ 21	$ 21	$ 63	$ 63

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 with 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.

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Regions maintains a repurchase liability related to mortgage loans sold with representations and warranty provisions. This repurchase liability is reported as other liabilities on the consolidated balance sheets and 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. Adjustments to this reserve are recorded in other non-interest expense on the consolidated statements of income. The table below presents an analysis of Regions repurchase liability related to mortgage loans sold with representations and warranty provisions:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Beginning balance	$ 37	$ 32	$ 32	$ 32
Additions	7	4	30	17
Losses	(6)	(4)	(24)	(17)
Ending balance	$ 38	$ 32	$ 38	$ 32

During the third quarter of 2012 and 2011, settled repurchase claims were related to one or more 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 6 Goodwill

As further discussed in Note 14, Regions reorganized its management reporting structure during the third quarter 2012 and, accordingly, its segment reporting structure and goodwill reporting units. In connection with the reorganization, management reallocated goodwill to the new reporting units using a relative fair value approach, resulting in amounts detailed as follows:

	September 30 2012 (In millions)
Business Services	$ 2,552
Consumer Services	1,797
Wealth Management	467
	$ 4,816

As of year-end and the second quarter of 2012, goodwill was allocated to the former reporting unit of Banking/Treasury at $4.7 billion and the former unit of Insurance at $125 million.

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 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.

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During the third quarter of 2012, Regions assessed the indicators of goodwill impairment as of July 31, 2012, and through the date of the filing of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2012. 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.

While the assessment of these indicators did not indicate impairment, Regions determined that quantitative testing of goodwill was required for all of Regions reporting units for the September 30, 2012 interim period due to the shortfall between Regions market capitalization and book value, as well as the goodwill reallocation discussed above. The results of the interim test indicated that goodwill was not impaired as of the test date.

For purposes of performing Step One of the goodwill impairment test, Regions uses both 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 equity capitalization ratios, and the discount rate.

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 (based on business model and market perception of risk) for each reporting unit.

Regions uses the guideline public company method and the guideline transaction method as the two market approaches. The public company method applies a value multiplier derived from each reporting unit s peer group to tangible book value or price to earnings ratios (for Wealth Management) 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 savings. 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 in the table below are assumptions used in estimating the fair value of all reporting units for the September 30, 2012 interim period. The table includes the discount rates used in the income approach, the market multipliers used in the market approaches, and the public company method control premium applied to all reporting units.

As of Third Quarter 2012	Business Services	Consumer Services	Wealth Management
Discount rate used in income approach	14%	13%	12%
Public company method market multiplier (1)	1.09x	1.03x	13.5x

Transaction method market multiplier (2)	1.4x	1.4x	22.6x

(1) For the Business Services and Consumer Services reporting units, these multipliers are applied to tangible book value. For the Wealth Management reporting unit, this multiplier is applied to three year average earnings. In addition to the multipliers, a 30 percent control premium is assumed for the Business Services and Wealth Management reporting units. A 40 percent control premium is assumed for the Consumer Services reporting unit.

(2) For the Business Services and Consumer Services reporting units, these multipliers are applied to tangible book value. For the Wealth Management reporting unit, this multiplier is applied to three year average earnings.

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NOTE 7 Stockholders Equity and Accumulated Other Comprehensive Income (Loss)

On March 19, 2012, the Company issued 153 million shares of common stock at $5.90 per share, generating proceeds of approximately $875 million, net of issuance costs.

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). Under this agreement, Regions was required to 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 or until redemption. 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. On April 4, 2012, Regions repurchased all 3.5 million shares of the Series A preferred stock issued to the U.S. Treasury Department under the CPP. Therefore, during the second quarter of 2012, Regions derecognized the carrying value of the Series A shares in the amount of approximately $3.4 billion and recorded approximately $71 million of amortization related to the remaining unaccreted discount, which reduced net income available to common shareholders. The total reduction to shareholders equity was $3.5 billion. In early May of 2012, Regions repurchased the warrant from the U.S. Treasury Department for $45 million. The transaction reduced additional paid-in capital within stockholders equity by $45 million. The warrant repurchase did not impact results of operations.

At September 30, 2012, Regions had 23 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 2012 or 2011.

The Board of Directors declared a $0.01 per share cash dividend for the first, second and third quarters of both 2012 and 2011.

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended							
	September 30, 2012				September 30, 2011			
	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax
	(In millions)							
Beginning of period	$ 394	$ 110	$ (450)	$ 54	$ 152	$ (13)	$ (316)	$ (177)
Net change	143	(6)	11	148	167	95	7	269
End of period	$ 537	$ 104	$ (439)	$ 202	$ 319	$ 82	$ (309)	$ 92

	Nine Months Ended							
	September 30, 2012				September 30, 2011			
	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax	Unrealized gains on securities available for sale	Unrealized gains on derivative instruments designated as cash flow hedges	Defined benefit pension plans and other post employment benefits	Accumulated other comprehensive income (loss), net of tax

				(In millions)				
Beginning of period	$ 322	$ 84	$ (475)	$ (69)	$ 77	$ (9)	$ (328)	$ (260)
Net change	215	20	36	271	242	91	19	352
End of period	$ 537	$ 104	$ (439)	$ 202	$ 319	$ 82	$ (309)	$ 92

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NOTE 8 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	
	2012	2011	2012	2011
	(In millions, except per share amounts)			
Numerator:				
Income from continuing operations	$ 312	$ 141	$ 902	$ 270
Preferred stock dividends and accretion		(54)	(125)	(160)
Income from continuing operations available to common shareholders	312	87	777	110
Income (loss) from discontinued operations, net of tax	(11)	14	(47)	63
Net income available to common shareholders	$ 301	$ 101	$ 730	$ 173
Denominator:				
Weighted-average common shares outstanding basic	1,414	1,259	1,370	1,258
Potential common shares	9	2	5	2
Weighted-average common shares outstanding diluted	1,423	1,261	1,375	1,260
Earnings per common share from continuing operations (1):				
Basic	$ 0.22	$ 0.07	$ 0.57	$ 0.09
Diluted	0.22	0.07	0.57	0.09
Earnings (loss) per common share from discontinued operations (1):				
Basic	(0.01)	0.01	(0.04)	0.05
Diluted	(0.01)	0.01	(0.04)	0.05
Earnings per common share (1) :				
Basic	0.21	0.08	0.53	0.14
Diluted	0.21	0.08	0.53	0.14

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

The effect from the assumed exercise of 32 million and 37 million stock options for the three months and nine months ended September 30, 2012, 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. 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 share because such amounts would have had an antidilutive effect on earnings per share.

NOTE 9 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, performance awards, 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. Incentive awards 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, 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 66 million at September 30, 2012.

STOCK OPTIONS

No stock option grants were made during the first nine months of 2012. The following table details the activity related to stock options during the first nine months of 2012 and 2011:

	Nine Months Ended September 30			
	2012		2011	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of period	46,351,349	$ 23.62	54,999,626	$ 24.41
Granted			1,451,200	6.59
Exercised	(338,182)	4.07	(18,442)	3.29
Canceled/Forfeited	(5,911,118)	25.60	(7,368,266)	23.59
Outstanding at end of period	40,102,049	$ 23.49	49,064,118	$ 23.97
Exercisable at end of period	37,108,726	$ 24.83	42,654,135	$ 26.59

RESTRICTED STOCK AWARDS AND PERFORMANCE STOCK AWARDS

During the first nine months of 2012 and 2011, Regions made restricted stock grants that vest based upon a service condition. During the second and third quarters of 2012, the Company also made restricted stock unit and performance stock unit grants; restricted stock units vest based upon a service condition and performance stock units vest based upon service and performance conditions. Dividend payments during the vesting period are deferred to the end of the vesting term. The fair value of these restricted shares, restricted stock units and performance stock units 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 and performance stock awards and units:

	Nine Months Ended September 30			
	2012		2011	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of period	6,280,360	$ 7.60	4,930,444	$ 12.13
Granted	8,426,987	5.86	2,696,349	6.67
Vested	(1,521,360)	4.58	(1,179,250)	23.65
Forfeited	(671,288)	4.15	(144,744)	13.13

Non-vested at end of period	12,514,699	$	6.98	6,302,799	$	7.62

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NOTE 10 Pension and Other Postretirement Benefits

Net periodic pension cost included the following components:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
	(In millions)			
Service cost	$ 8	$ 8	$ 30	$ 27
Interest cost	24	23	68	69
Expected return on plan assets	(28)	(30)	(85)	(91)
Amortization of actuarial loss	18		53	1
Amortization of prior service cost		11	1	34
	$ 22	$ 12	$ 67	$ 40

During the third quarter of 2012, Regions made a $41 million contribution to its pension plan for the 2011 plan year. There was no material impact from other postretirement benefits on the consolidated financial statements for the three and nine month periods ended September 30, 2012 or 2011.

NOTE 11 Income Taxes

At September 30, 2012 and December 31, 2011, the Company s net deferred tax asset balance was $0.8 billion and $1.3 billion, respectively. The decrease in the net deferred tax asset was due to the reduction in the allowance for loan losses, an increase in unrealized gains on securities available for sale and positive consolidated pre-tax earnings.

During 2010, the Internal Revenue Service (IRS) completed the field examination for the tax years 2007, 2008 and 2009. Included within the Revenue Agent s Reports was a proposed adjustment to the timing of deductions related to certain expenses. In 2011, the Company filed a protest with the IRS Appeals Division. During 2012, the Company reached an agreement with the IRS that effectively settled this examination. At this time, the Company has no expectation that the settlement related to any of the protested positions will be reexamined. All years subsequent to the above years are open to examination.

The Company has established a valuation allowance against certain state net operating loss and credit carryforwards in the amount of $65 million and $32 million at September 30, 2012 and December 31, 2011, respectively. The valuation allowance increase of $33 million is primarily due to uncertainties in the timing of certain tax planning strategies that impacted the ability to utilize state net operating losses before the prescribed expiration dates.

At September 30, 2012 and December 31, 2011, the balance of the Company s unrecognized tax benefits (UTBs) was $54 million and $39 million, respectively. The increase is primarily related to tax positions taken in the current year related to a realignment within the corporate organization structure. As of September 30, 2012 and December 31, 2011, the balance of the UTBs that would reduce the effective tax rate, if recognized, was $39 million and $25 million, respectively.

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NOTE 12 Derivative Financial Instruments and Hedging Activities

The following tables present the notional and fair value of derivative instruments on a gross basis as of September 30, 2012 and December 31, 2011:

	September 30, 2012				
		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	$ 5,107	Other assets	$ 124	Other liabilities	$
Derivatives in cash flow hedging relationships:					
Interest rate swaps	1,000	Other assets	4	Other liabilities	
Total derivatives designated as hedging instruments	$ 6,107		$ 128		$
Derivatives not designated as hedging instruments:					
Interest rate swaps	$ 46,461	Other assets	$ 1,841	Other liabilities	$ 1,854
Interest rate options	3,637	Other assets	44	Other liabilities	5
Interest rate futures and forward commitments	49,931	Other assets	18	Other liabilities	45
Other contracts	1,895	Other assets	35	Other liabilities	34
Total derivatives not designated as hedging instruments	$ 101,924		$ 1,938		$ 1,938
Total derivatives	$ 108,031		$ 2,066		$ 1,938

	December 31, 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	$ 5,535	Other assets	$ 153	Other liabilities	$ 1
Forward commitments	640	Other assets		Other liabilities	11
Derivatives in cash flow hedging relationships:					
Interest rate swaps	11,500	Other assets	209	Other liabilities	1
Total derivatives designated as hedging instruments	$ 17,675		$ 362		$ 13
Derivatives not designated as hedging instruments:					
Interest rate swaps (1)	$ 59,293	Other assets	$ 2,396	Other liabilities	$ 2,414
Interest rate options (2)	4,018	Other assets	41	Other liabilities	28
Interest rate futures and forward commitments (3)	70,607	Other assets	11	Other liabilities	23
Other contracts	1,276	Other assets	43	Other liabilities	36
Total derivatives not designated as hedging instruments (3)	$ 135,194		$ 2,491		$ 2,501
Total derivatives (3)	$ 152,869		$ 2,853		$ 2,514

(1) Includes Morgan Keegan amounts of $4.2 billion in Notional Value and $454 million in Other Assets/Other Liabilities

(2) Includes Morgan Keegan amounts of $364 million in Notional Value and $23 million in Other Assets/Other Liabilities

(3) During the third quarter of 2012, the Company discovered an error in the preparation of its derivative footnote as of December 31, 2011. The error resulted in an overstatement in the disclosed notional value of derivatives not designated as hedging instruments, specifically interest rate futures and forward commitments. Management has determined that the effect of this item is immaterial to prior periods and adjusted the applicable 2011 notional amounts in the derivative footnote.

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 a fair value hedge or a cash flow hedge. The Company formally documents all hedging relationships between hedging instruments and 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 sheet 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 that 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 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. During the quarter ended September 30, 2012, Regions entered into interest rate swaps with notional amounts of $1 billion. 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.

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 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 recognized an unrealized after-tax gain of $101 million and an unrealized after-tax loss of $41 million in accumulated other comprehensive income at September 30, 2012 and 2011, 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 $15 million and $16 million during the three months ended September 30, 2012 and 2011, respectively, and Regions recognized pre-tax income of $14 million and $41 million during the nine months ended September 30, 2012 and 2011, respectively, related to the amortization of cash flow hedges of loan and debt instruments.

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The following tables present the effect of derivative instruments on the statements of income:

Three Months Ended September 30, 2012

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	$ (5)	Debt/CDs	Other non-interest expense	$ 1
Interest rate swaps	Interest expense	23	Debt/CDs	Interest expense	3
Forward commitments	Other non-interest expense		Securities available for sale	Other non-interest expense	
Total		$ 18			$ 4

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	$ (9)	Interest income on loans	$ 20	Other non-interest expense	$
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	$ (6)		$ 16		$

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

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/CDs	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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Nine Months Ended September 30, 2012

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	$ (25)	Debt/CDs	Other non-interest expense	$ 19
Interest rate swaps	Interest expense	81	Debt/CDs	Interest expense	9
Forward commitments	Other non-interest expense		Securities available for sale	Other non-interest expense	
Total		$ 56			$ 28

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	$ 13	Interest income on loans	$ 61	Other non-interest expense	$ 6
Forward starting swaps	7	Interest expense on debt	(11)	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	$ 20		$ 50		$ 6

(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	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	$ (42)	Debt/CDs	Other non-interest expense	$ 55
Interest rate swaps	Interest expense	136	Debt/CDs	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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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.

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, 2012 and 2011, Regions had $1.2 billion and $887 million, 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. For September 30, 2012 and 2011, Regions had $2.0 billion and $1.3 billion, respectively, in total notional amount related to these forward rate commitments.

Regions has elected to account for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments, in the form of forward rate commitments, futures contracts, swaps and swaptions to mitigate the statement of income effect of changes in the fair value of its mortgage servicing rights. As of September 30, 2012 and 2011, the total notional amount related to these contracts was $4.8 billion and $6.6 billion, respectively.

The following tables present the location and amount of gain or (loss) recognized in income on derivatives not designated as hedging instruments in the statements of income for the three and nine months ended September 30, 2012 and 2011, respectively:

Derivatives Not Designated as Hedging Instruments	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
	(In millions)			
Capital markets and investment income				
Interest rate swaps	$ 10	$ (1)	$ 21	$ 4
Interest rate options		(4)	(1)	(3)
Interest rate futures and forward commitments			(1)	
Other contracts	2	2	7	7
Total capital markets and investment income	12	(3)	26	8
Mortgage income				
Interest rate swaps	10	63	29	75
Interest rate options	10	(14)	27	(43)
Interest rate futures and forward commitments	(7)	47	6	65
Total mortgage income	13	96	62	97
	$ 25	$ 93	$ 88	$ 105

Credit risk, defined as all positive exposures not collateralized with cash or other financial instruments, at September 30, 2012 and 2011, totaled approximately $807 million and $962 million, 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 2013 and 2017. Credit derivatives whereby Regions has sold credit protection have maturities between 2013 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, 2012 was approximately $34 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, 2012 and 2011 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.

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, 2012, Moody s credit ratings for Regions Financial Corporation and Regions Bank were below investment grade. As a result of these ratings, certain Regions Bank 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 $186 million to these counterparties as of September 30, 2012.

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, 2012, the net fair value of such contracts containing credit-related termination provisions that were in a liability position was $437 million, for which Regions had posted collateral of $573 million. At September 30, 2012, the net fair value of contracts that do not contain credit-related termination provisions that were in a liability position was $290 million, for which Regions had posted collateral of $291 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, 2012 and December 31, 2011, was $526 million and $425 million, respectively, for which Regions had posted collateral of $661 million and $531 million, respectively, in the normal course of business.

NOTE 13 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.

See Note 1 Summary of Significant Accounting Policies to the consolidated financial statements of the 2011 Annual Report on Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis. 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, 2012 and 2011. Trading account assets are periodically transferred into or out of 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 and non-recurring basis as of September 30, 2012 and December 31, 2011:

	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
	(In millions)							
Recurring fair value measurements								
Trading account assets								
U.S. Treasury securities	$	$	$	$	$ 212	$ 3	$	$ 215
Obligations of states and political subdivisions						101	139	240
Mortgage-backed securities:								
Residential agency						359		359
Commercial agency							51	51
Other securities						35	1	36
Equity securities	114			114	365			365
Total trading account assets (1)	$ 114	$	$	$ 114	$ 577	$ 498	$ 191	$ 1,266
Securities available for sale								
U.S. Treasury securities	$ 51	$	$	$ 51	$ 98	$	$	$ 98
Federal agency securities		620		620		147		147
Obligations of states and political subdivisions		12		12		16	20	36
Mortgage-backed securities:								
Residential agency		22,936		22,936		22,175		22,175
Residential non-agency			13	13			16	16
Commercial agency		724		724		326		326
Commercial non-agency		854	104	958		321		321
Other debt securities		1,593	2	1,595		537		537
Equity securities (2)	114			114	115			115
Total securities available for sale	$ 165	$ 26,739	$ 119	$ 27,023	$ 213	$ 23,522	$ 36	$ 23,771
Mortgage loans held for sale	$	$ 1,130	$	$ 1,130	$	$ 844	$	$ 844
Mortgage servicing rights	$	$	$ 176	$ 176	$	$	$ 182	$ 182
Derivative assets								
Interest rate swaps	$	$ 1,969	$	$ 1,969	$	$ 2,758	$	$ 2,758
Interest rate options		3	41	44		28	13	41
Interest rate futures and forward commitments		18		18		11		11
Other contracts		35		35		43		43
Total derivative assets (3) (4)	$	$ 2,025	$ 41	$ 2,066	$	$ 2,840	$ 13	$ 2,853
Trading account liabilities								
U.S. Treasury securities	$	$	$	$	$	$ 97	$	$ 97
Obligations of states and political subdivisions						2		2
Mortgage-backed securities:								
Residential agency						133		133
Commercial agency							5	5
Other securities						16	2	18
Equity securities					1			1
Total trading account liabilities (5)	$	$	$	$	$ 1	$ 248	$ 7	$ 256

Derivative liabilities

Interest rate swaps	$	$ 1,854	$	$ 1,854	$	$ 2,416	$	$ 2,416
Interest rate options		5		5		28		28
Interest rate futures and forward commitments		45		45		34		34
Other contracts		34		34		36		36
Total derivative liabilities (3) (4)	$	$ 1,938	$	$ 1,938	$	$ 2,514	$	$ 2,514
Nonrecurring fair value measurements								
Loans held for sale	$	$	$ 90	$ 90	$	$ 36	$ 195	$ 231
Foreclosed property, other real estate and equipment		61	57	118		91	162	253

(1) All trading account assets at December 31, 2011 were related to Morgan Keegan (see Note 2 for further discussion regarding the sale of Morgan Keegan) with the exception of $178 million of which all were classified as Level 1 in the table. The Morgan Keegan items do not appear in the September 30, 2012 amounts, as the sale was closed during the second quarter of 2012.

(2) Excludes Federal Reserve Bank and Federal Home Loan Bank Stock totaling $480 million and $100 million at September 30, 2012 and $481 million and $219 million December 31, 2011, respectively.

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(3) At September 30, 2012, derivatives include approximately $1.1 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 $67 million and cash collateral posted of $870 million with counterparties. At December 31, 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 $55 million and cash collateral posted of $732 million with counterparties.

(4) Derivative assets and liabilities both include $454 million of interest rate swaps and $23 million of interest rate options at December 31, 2011 related to Morgan Keegan, all of which are classified as Level 2 in the table. These items do not appear in the September 30, 2012 amounts, as they were included with the sale of Morgan Keegan.

(5) All trading account liabilities are related to Morgan Keegan at December 31, 2011. These items do not appear in the September 30, 2012 amounts as they were included with the sale of Morgan Keegan.

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, trading account assets, trading account liabilities and 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.

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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 months and nine months ended September 30, 2012 and 2011, 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, 2012										
		Total Realized / Unrealized Gains or Losses									
	Opening Balance July 1, 2012	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing Balance September 30, 2012	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2012
	(In millions)										
Level 3 Instruments Only											
Trading account assets:											
Obligations of states and political subdivisions	$									$	$
Commercial agency MBS											
Other securities											
Total trading account assets	$									$	$
Securities available for sale:											
Obligations of states and political subdivisions	$									$	$
Residential non-agency MBS	14						(1)			13	
Commercial non-agency MBS			1	103						104	
Other debt securities	2									2	
Total securities available for sale	$ 16		1	103			(1)			$ 119	$
Mortgage servicing rights	$ 179	(19)(a)		16						$ 176	$ (11)(a)
Trading account liabilities:											
Mortgage-backed securities:											
Commercial agency	$									$	$
Other securities											
Total trading account liabilities	$									$	$
Derivatives, net:											
Interest rate options	$ 30	82(a)					(71)			$ 41	$ 41(a)
Total derivatives, net	$ 30	82					(71)			$ 41	$ 41

(a) Included in mortgage income.

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	Three Months Ended September 30, 2011										
		Total Realized / Unrealized Gains or Losses									
	Opening Balance July 1, 2011	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing 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 (d)	$ 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 (d)	$ 21			(8)			(2)			$ 11	$
Derivatives, net:											
Interest rate options	$ 5	53(b)					(39)			$ 19	$ 19(b)
Interest rate futures and forward commitments	4						(4)				
Total derivatives, net	$ 9	53					(43)			$ 19	$ 19

(a) Included in discontinued operations, on a net basis.
(b) Included in mortgage income.
(c) Income from trading account assets primarily represents gains/(losses) on disposition, which inherently includes commissions on security transactions during the period.
(d) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

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	Nine Months Ended September 30, 2012											
		Total Realized / Unrealized Gains or Losses										
	Opening Balance January 1, 2012	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Disposition of Morgan Keegan	Closing Balance September 30, 2012	Net change in unrealized gains (losses) included in earnings related to assets and liabilities held at September 30, 2012
	(In millions)											
Level 3 Instruments Only												
Trading account assets: (c)												
Obligations of states and political subdivisions	$ 139	(3)		4			(16)			(124)	$	$
Commercial agency MBS	51	2		368			(317)			(104)		
Other securities	1	4		2,248			(2,240)			(13)		
Total trading account assets (d)	$ 191	3(a)		2,620			(2,573)			(241)	$	$
Securities available for sale:												
Obligations of states and political subdivisions	$ 20		(2)		(16)		(2)				$	$
Residential non-agency MBS	16						(3)				13	
Commercial non-agency MBS			1	103							104	
Other debt securities								3	(1)		2	
Total securities available for sale	$ 36		(1)	103	(16)		(5)	3	(1)		$ 119	$
Mortgage servicing rights	$ 182	(50)(b)		44							$ 176	$ (28)(b)
Trading account liabilities:												
Mortgage-backed securities:												
Commercial agency	$ 5			37						(42)	$	$
Other securities	2			12			(4)			(10)		
Total trading account liabilities (d)	$ 7			49			(4)			(52)	$	$
Derivatives, net:												
Interest rate options	$ 13	193(b)					(165)				$ 41	$ 89(b)
Total derivatives, net	$ 13	193					(165)				$ 41	$ 89

(a) Included in discontinued operations, on a net basis.
(b) Included in mortgage income.

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

(d) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

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	Nine Months Ended September 30, 2011										
		Total Realized / Unrealized Gains or Losses									
	Opening Balance January 1, 2011	Included in Earnings	Included in Other Compre-hensive Income (Loss)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Closing 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 (d)	$ 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 (d)	$ 10			(35)			36			$ 11	$
Derivatives, net:											
Interest rate options	$ 3	93(b)					(77)			$ 19	$ 19(b)
Interest rate futures and forward commitments	5						(5)				
Total derivatives, net	$ 8	93					(82)			$ 19	$ 19

(a) Included in discontinued operations, on a net basis.
(b) Included in mortgage income.
(c) Income from trading account assets primarily represents gains/(losses) on disposition, which inherently includes commissions on security transactions during the period.
(d) All amounts related to trading account assets and trading account liabilities are related to Morgan Keegan (see Note 2 for discussion of sale of Morgan Keegan).

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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	
	2012	2011	2012	2011
	(In millions)			
Loans held for sale	$ (54)	$ (161)	$ (155)	$ (466)
Foreclosed property, other real estate and equipment	(18)	(46)	(56)	(183)

The following table presents detailed information regarding assets and liabilities measured at fair value using significant unobservable inputs (Level 3) as of September 30, 2012. The table includes the valuation techniques and the significant unobservable inputs utilized. The range of each significant unobservable input as well as the weighted average within the range utilized at September 30, 2012 is included. Following the table is a description of the valuation technique and the sensitivity of the technique to changes in the significant unobservable input.

	September 30, 2012			
	Level 3 Fair Value at September 30, 2012	Valuation Technique	Unobservable Input(s)	Quantitative Range of Unobservable Inputs and (Weighted-Average)
	(Dollars in millions)			
Recurring fair value measurements:				
Securities available for sale:				
Mortgage-backed securities:				
Residential non-agency	$ 13	Discounted cash flow	Spread to LIBOR	5.4% -69.9% (17.0%)
			Weighted-average prepayment speed (CPR; percentage)	7.3% -29.4% (11.3%)
			Probability of default	0.2% -1.2% (1.1%)
			Loss severity	40.7% -100.0% (49.4%)
Commercial non-agency	$ 104	Consensus pricing	Bid quotes - spreads	50 -88 (74.6 bps)
Other debt securities	$ 2	Market Comparable	Evaluated quote on same issuer/comparable bond	98.7% -100.0% (99.5%)
			Comparability adjustments	1.3% (1.3%)
Mortgage servicing rights (a)	$ 176	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	6.5% -32.1% (20.1%)
			Option-adjusted spread (basis points)	1.9% -20.9% (1,035)
Derivative assets:				
Interest rate options	$ 41	Discounted cash flow	Weighted-average prepayment speed (CPR; percentage)	6.5% -32.1% (20.1%)
			Option-adjusted spread (basis points)	1.9% -20.9% (1,035)
			Pull-through	55.5% -98.8% (75.4%)
Nonrecurring fair value measurements:				
Loans held for sale	$ 90	Multiple data points, including discount to appraised value of collateral based on recent market activity for sales of similar loans	Appraisal compatability adjustment (discount)	7.0% -99.0% (46.9%)
Foreclosed property and other real estate	$ 57	Discount to appraised value of property based	Appraisal compatability adjustment (discount)	

	on recent market activity for sales of similar properties	25.0% -100.0% (38.7%)

(a) See Note 5 for additional disclosures related to assumptions used in the fair value calculation for mortgage servicing rights.

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RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Securities available for sale

Mortgage-backed securities: residential non-agency The fair value reported in this category relates to retained interests in legacy securitizations. Significant unobservable inputs include the spread to LIBOR, constant prepayment rate, probability of default, and loss severity in the event of default. Significant increases in any of these inputs in isolation would result in significantly lower fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates.

Mortgage-backed securities: commercial non-agency The significant unobservable input is the nominal spread to swaps based on indicative bid quotes for the same security. Changes in the bid quote would result in a directionally inverse change in the fair value of the commercial non-agency securities.

Other debt securities Significant unobservable inputs include evaluated quotes on comparable bonds for the same issuer and management-determined comparability adjustments. Changes in the evaluated quote on comparable bonds would result in a directionally similar change in the fair value of the other debt securities.

Mortgage Servicing Rights

The significant unobservable inputs used in the fair value measurement of mortgage servicing rights are option adjusted spreads (OAS) and prepayment speed. This method requires generating cash flow projections over multiple interest rate scenarios and discounting those cash flows at a risk adjusted rate. Additionally, the impact of prepayments and changes in the OAS are based on a variety of underlying inputs such as servicing costs. Increases or decreases to the underlying cash flow inputs will have a corresponding impact on the value of the mortgage servicing right asset. See Note 5 for additional disclosures related to assumptions used in the fair value calculation for mortgage servicing rights.

Derivative assets

Interest rate options These instruments are interest rate lock agreements made in the normal course of originating residential mortgage loans. Significant unobservable inputs in the fair value measurement are OAS, prepayment speeds, and pull-through. The impact of OAS and prepayment speed inputs in the valuation of these derivative instruments are consistent with the MSR discussion above. Pull-through is an estimate of the number of interest rate lock commitments that will ultimately become funded loans. Increases or decreases in the pull-through assumption will have a corresponding impact on the value of these derivative assets.

NON-RECURRING FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS

Loans held for sale

Loans held for sale are valued based on multiple data points indicating the fair value for each loan. The primary data point for non-performing investor real estate loans is a discount to the appraised value of the underlying collateral, which considers the return required by potential buyers of the loans. Management establishes this discount or comparability adjustment based on recent sales of loans secured by similar property types. As liquidity in the market increases or decreases, the comparability adjustment and the resulting asset valuation are impacted.

Foreclosed property and other real estate

Foreclosed property and other real estate are valued based on offered quotes as available. If no sales contract is pending for a specific property, management establishes a comparability adjustment to the appraised value based on historical activity considering proceeds for properties sold versus the corresponding appraised value. Increases or decreases in realization for properties sold impact the comparability adjustment for similar assets remaining on the balance sheet.

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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 are 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, 2012			December 31, 2011		
	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	$ 1,130	$ 1,070	$ 60	$ 844	$ 815	$ 29

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 income. The following table details net gains resulting from changes in fair value of these loans which were recorded in mortgage income in the consolidated statements of income during the three months and nine months ended September 30, 2012 and 2011, 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	
	2012	2011	2012	2011
	(In millions)			
Net gains resulting from changes in fair value	$ 19	$ 13	$ 31	$ 36

FAIR VALUE OF FINANCIAL INSTRUMENTS

For items measured at fair value on either a recurring or non-recurring basis, a description of the valuation methodology as well as within which strata of the fair value hierarchy the measurement falls is detailed in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011. For financial instruments whose fair values are estimated for disclosure purposes only, the following methods and assumptions were used:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets and cash flows approximate the estimated fair values. Because these amounts generally relate to either currency or highly liquid assets, these are considered Level 1 valuations.

Securities held to maturity: The fair values of securities held to maturity are estimated in the same manner as the corresponding securities available for sale, which are measured at fair value on a recurring basis.

Loans (excluding leases), net of unearned income and allowance for loan losses: The fair values of loans, excluding leases, are estimated based on groupings of similar loans by type, interest rate, and borrower creditworthiness. Discounted future cash flow analyses are performed for the groupings incorporating assumptions of current and projected prepayment speeds and expected loss. Discount rates are determined using the Company s current origination rates on similar loans, adjusted for changes in current liquidity and credit spreads