REGIONS FINANCIAL CORP
Form 10-Q
May 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2015
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 (State or other jurisdiction of incorporation or organization)	63-0589368 (I.R.S. Employer Identification No.)
1900 Fifth Avenue North Birmingham, Alabama (Address of principal executive offices)	35203 (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. ý 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). ý 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 ý 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 ý No

The number of shares outstanding of each of the issuer's classes of common stock was 1,340,355,251 shares of common stock, par value $.01, outstanding as of May 1, 2015.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by us or on our behalf to analysts, investors, the media and others, may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when or where appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “targets,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “shou expressions often signify forward-looking statements. 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 current 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, and because they also relate to the future they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. Therefore, we caution you against relying on any of these forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reductions of economic growth, which may adversely affect our lending and other businesses and our financial results and conditions.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations, which could have a material adverse effect on our earnings.
- The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook, which could result in risks to us and general economic conditions that we are not able to predict.
- Possible changes in market interest rates or capital markets could adversely affect our revenue and expense, the value of assets and obligations, and the availability and cost of capital and liquidity.
- Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses where our allowance for loan losses may not be adequate to cover our eventual losses.
- Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments, which could increase our funding costs.
- Our inability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner could have a negative impact on our revenue.
- Changes in laws and regulations affecting our businesses, such as the Dodd-Frank Act and other legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- Our ability to obtain no regulatory objection (as part of the comprehensive capital analysis and review ("CCAR") process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or redeem preferred stock or other regulatory capital instruments, may impact our ability to return capital to stockholders and market perceptions of us.

- Our ability to comply with applicable capital and liquidity requirements (including the finalized Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms, and if we fail to meet requirements, our financial condition could be negatively impacted.
- The costs, including possibly incurring fines, penalties, or other negative effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party, and which may adversely affect our results.
- Our 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 our business.
- Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits, which could adversely affect our net income.
- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- Inability of our framework to manage risks associated with our business such as credit risk and operational risk, including third-party vendors and other service providers, which could, among other things, result in a breach of operating or security systems as a result of a cyber attack or similar act.

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- The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.
- The effects of geopolitical instability, including wars, conflicts and terrorist attacks and the potential impact, directly or indirectly on our businesses.
- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes, and environmental damage, which may negatively affect our operations and/or our loan portfolios and increase our cost of conducting business.
- Our inability to keep pace with technological changes could result in losing business to competitors.
- Our ability to identify and address cyber-security risks such as data security breaches, "denial of service" attacks, "hacking" and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information; increased costs; losses; or adverse effects to our reputation.
- Possible downgrades in our credit ratings or outlook could increase the costs of funding from capital markets.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally could require us to change certain business practices, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.
- The effects of the failure of any component of our business infrastructure provided by a third party could disrupt our businesses; result in the disclosure of and/or misuse of confidential information or proprietary information; increase our costs; negatively affect our reputation; and cause losses.
- Our ability to receive dividends from our subsidiaries could affect our liquidity and ability to pay dividends to stockholders.
- Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies could materially affect how we report our financial results.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible to predict all of them. We assume no obligation to update or revise any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.

See also the reports filed with the Securities and Exchange Commission, including the discussion under the “Risk Factors” section of Regions’ Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

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

	March 31, 2015	December 31, 2014
	(In millions, except share data)	
Assets		
Cash and due from banks	$1,737	$1,601
Interest-bearing deposits in other banks	4,224	2,303
Federal funds sold and securities purchased under agreements to resell	65	100
Trading account securities	107	106
Securities held to maturity (estimated fair value of $2,186 and $2,209, respectively)	2,129	2,175
Securities available for sale	22,879	22,580
Loans held for sale (includes $396 and $440 measured at fair value, respectively)	491	541
Loans, net of unearned income	78,243	77,307
Allowance for loan losses	(1,098)	(1,103)
Net loans	77,145	76,204
Other interest-earning assets	83	89
Premises and equipment, net	2,174	2,193
Interest receivable	313	310
Goodwill	4,816	4,816
Residential mortgage servicing rights at fair value	239	257
Other identifiable intangible assets	272	275
Other assets	5,773	6,013
Total assets	$122,447	$119,563
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$33,553	$31,747
Interest-bearing	63,924	62,453
Total deposits	97,477	94,200
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	2,085	1,753
Other short-term borrowings	—	500
Total short-term borrowings	2,085	2,253
Long-term borrowings	3,208	3,462
Total borrowed funds	5,293	5,715
Other liabilities	2,626	2,775
Total liabilities	105,396	102,690
Stockholders' equity:		
Preferred stock, authorized 10 million shares, par value $1.00 per share		
Non-cumulative perpetual, liquidation preference $1,000.00 per share, including related surplus, net of issuance costs; issued—1,000,000 shares	868	884
Common stock, authorized 3 billion shares, par value $.01 per share:		
	14	14

Issued including treasury stock—1,383,848,685 and 1,395,204,638 shares, respectively		
Additional paid-in capital	18,604	18,767
Retained earnings (deficit)	(943)	(1,177)
Treasury stock, at cost—41,262,662 and 41,262,645 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	(115)	(238)
Total stockholders' equity	17,051	16,873
Total liabilities and stockholders' equity	$122,447	$119,563

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31	
	2015	2014
	(In millions, except per share data)	
Interest income on:		
Loans, including fees	$725	$732
Securities - taxable	153	154
Loans held for sale	3	8
Trading account securities	3	2
Other interest-earning assets	2	2
Total interest income	886	898
Interest expense on:		
Deposits	28	27
Long-term borrowings	43	55
Total interest expense	71	82
Net interest income	815	816
Provision for loan losses	49	2
Net interest income after provision for loan losses	766	814
Non-interest income:		
Service charges on deposit accounts	161	173
Card and ATM fees	85	79
Mortgage income	40	40
Securities gains (losses), net	5	2
Other	179	163
Total non-interest income	470	457
Non-interest expense:		
Salaries and employee benefits	458	455
Net occupancy expense	91	93
Furniture and equipment expense	71	70
Other	285	199
Total non-interest expense	905	817
Income from continuing operations before income taxes	331	454
Income tax expense	95	151
Income from continuing operations	236	303
Discontinued operations:		
Income (loss) from discontinued operations before income taxes	(4)	19
Income tax expense (benefit)	(2)	7
Income (loss) from discontinued operations, net of tax	(2)	12
Net income	$234	$315
Net income from continuing operations available to common shareholders	$220	$295
Net income available to common shareholders	$218	$307
Weighted-average number of shares outstanding:		
Basic	1,346	1,378
Diluted	1,358	1,390
Earnings per common share from continuing operations:		
Basic	$0.16	$0.21

Diluted	0.16	0.21
Earnings per common share:		
Basic	$0.16	$0.22
Diluted	0.16	0.22
Cash dividends declared per common share	0.05	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 March 31	
	2015	2014
	(In millions)	
Net income	$234	$315
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held to maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($1) and ($1) tax effect, respectively)	(2)	(2)
Net change in unrealized losses on securities transferred to held to maturity, net of tax	2	2
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of $49 and $49 tax effect, respectively)	80	79
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $2 and $1 tax effect, respectively)	3	1
Net change in unrealized gains (losses) on securities available for sale, net of tax	77	78
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $35 and $14 tax effect, respectively)	58	23
Less: reclassification adjustments for gains (losses) realized in net income (net of $12 and $11 tax effect, respectively)	21	17
Net change in unrealized gains (losses) on derivative instruments, net of tax	37	6
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	(1)	—
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income (net of ($4) and $(2) tax effect, respectively)	(8)	(4)
Net change from defined benefit pension plans and other post employment benefits, net of tax	7	4
Other comprehensive income (loss), net of tax	123	90
Comprehensive income	$357	$405

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					Accumulated Other	
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Comprehensive Income (Loss), Net	Total
	(In millions, except per share data)								
BALANCE AT JANUARY 1, 2014	1	$ 450	1,378	$ 14	$ 19,216	$ (2,324)	$ (1,377)	$ (319)	$ 15,660
Net income	—	—	—	—	—	315	—	—	315
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	2	2
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	78	78
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	6	6
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	4	4
Cash dividends declared—$0.03 per share	—	—	—	—	(41)	—	—	—	(41)
Preferred stock dividends	—	(8)	—	—	—	—	—	—	(8)
Common stock transactions:									
Impact of share repurchase	—	—	(1)	—	(8)	—	—	—	(8)
Impact of stock transactions under compensation plans, net	—	—	1	—	12	—	—	—	12
BALANCE AT MARCH 31, 2014	1	$ 442	1,378	$ 14	$ 19,179	$ (2,009)	$ (1,377)	$ (229)	$ 16,020
BALANCE AT JANUARY 1, 2015	1	$ 884	1,354	$ 14	$ 18,767	$ (1,177)	$ (1,377)	$ (238)	$ 16,873
Net income	—	—	—	—	—	234	—	—	234
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	2	2
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	77	77
Net change in unrealized gains and losses on derivative instruments, net of tax and	—	—	—	—	—	—	—	37	37

reclassification adjustment									
Net change from employee benefit plans, net of tax	—	—	—	—	—	—	—	7	7
Cash dividends declared—$0.05 per share	—	—	—	—	(67)	—	—	—	(67)
Preferred stock dividends	—	(16)	—	—	—	—	—	—	(16)
Common stock transactions:									
Impact of share repurchase	—	—	(11)	—	(102)	—	—	—	(102)
Impact of stock transactions under compensation plans, net	—	—	—	—	6	—	—	—	6
BALANCE AT MARCH 31, 2015	1	$ 868	1,343	$ 14	$ 18,604	$ (943)	$ (1,377)	$	