

REGIONS FINANCIAL CORP
Form 10-Q
August 07, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 000-50831

Regions Financial Corporation

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

63-0589368
(IRS Employer

Identification Number)

1900 Fifth Avenue North

Birmingham, Alabama
(Address of principal executive offices)

35203
(Zip code)

(205) 944-1300

(Registrant's telephone number, including area code)

NOT APPLICABLE

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock was 694,800,000 shares of common stock, par value \$.01, outstanding as of July 31, 2008.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation (Regions) under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Regions may include forward-looking statements. The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements which are identified as such and are accompanied by the identification of important factors that could cause actual results to differ materially from the forward-looking statements. For these statements, we, together with our subsidiaries, unless the context implies otherwise, claim the protection afforded by the safe harbor in the Act. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management's expectations as well as certain assumptions and estimates made by, and information available to, management at the time the statements are made. Those statements are based on general assumptions and are subject to various risks, uncertainties and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to, those described below:

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

Regions' ability to achieve the earnings expectations related to businesses that have been acquired, including its merger with AmSouth Bancorporation (AmSouth), or that may be acquired in the future.

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

Regions' ability to keep pace with technological changes.

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

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

The current stresses in the financial and residential real estate markets, including possible continued deterioration in residential property values.

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

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

Possible changes in interest rates may increase funding costs and reduce earning asset yields, thus reducing margins.

Possible changes in general economic and business conditions in the United States in general and in the communities Regions serves in particular.

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

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

Possible changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies, and similar organizations, including changes in accounting standards, may have an adverse effect on business.

Possible changes in consumer and business spending and saving habits could affect Regions' ability to increase assets and to attract deposits.

The effects of weather and natural disasters such as droughts and hurricanes.

The words believe, expect, anticipate, project, and similar expressions often signify forward-looking statements. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

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

<i>(In thousands, except share data)</i>	June 30 2008	December 31 2007	June 30 2007
Assets			
Cash and due from banks	\$ 3,160,519	\$ 3,720,365	\$ 2,796,196
Interest-bearing deposits in other banks	46,257	31,706	73,963
Federal funds sold and securities purchased under agreements to resell	977,579	1,177,170	1,158,771
Trading account assets	1,454,502	907,300	1,606,130
Securities available for sale	17,724,907	17,318,074	17,414,407
Securities held to maturity	48,244	50,935	44,452
Loans held for sale (includes \$621,784 measured at fair value at June 30, 2008)	677,098	720,924	1,596,425
Margin receivables	533,635	504,614	590,811
Loans, net of unearned income	98,266,579	95,378,847	94,014,488
Allowance for loan losses	(1,471,524)	(1,321,244)	(1,061,873)
Net loans	96,795,055	94,057,603	92,952,615
Premises and equipment, net	2,726,249	2,610,851	2,422,256
Interest receivable	510,895	615,711	626,514
Goodwill	11,515,095	11,491,673	11,243,287
Mortgage servicing rights	271,392	321,308	400,056
Other identifiable intangible assets	693,423	759,832	809,827
Other assets	7,301,445	6,753,651	3,886,762
Total assets	\$ 144,436,295	\$ 141,041,717	\$ 137,622,472
Liabilities and Stockholders Equity			
Deposits:			
Non-interest-bearing	\$ 18,334,239	\$ 18,417,266	\$ 19,136,419
Interest-bearing	71,569,410	76,357,702	75,919,972
Total deposits	89,903,649	94,774,968	95,056,391
Borrowed funds:			
Short-term borrowings:			
Federal funds purchased and securities sold under agreements to repurchase	8,663,628	8,820,235	8,207,250
Other short-term borrowings	8,926,603	2,299,887	1,882,114
Total short-term borrowings	17,590,231	11,120,122	10,089,364
Long-term borrowings	13,318,656	11,324,790	9,287,926
Total borrowed funds	30,908,887	22,444,912	19,377,290
Other liabilities	3,915,265	3,998,808	3,492,404
Total liabilities	124,727,801	121,218,688	117,926,085
Stockholders equity:			

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Common stock, par value \$.01 per share:				
Authorized 1,500,000,000 shares				
Issued including treasury stock	735,783,594; 734,689,800 and 734,358,539 shares, respectively	7,358	7,347	7,344
Additional paid-in capital		16,588,382	16,544,651	16,500,425
Retained earnings		4,436,660	4,439,505	4,489,078
Treasury stock, at cost	41,054,113; 41,054,113 and 29,960,879 shares, respectively	(1,370,761)	(1,370,761)	(1,063,779)
Accumulated other comprehensive income (loss), net		46,855	202,287	(236,681)
Total stockholders' equity		19,708,494	19,823,029	19,696,387
Total liabilities and stockholders' equity		\$ 144,436,295	\$ 141,041,717	\$ 137,622,472

See notes to consolidated financial statements.

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

<i>(In thousands, except per share data)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Interest income on:				
Loans, including fees	\$ 1,374,705	\$ 1,734,278	\$ 2,903,588	\$ 3,507,682
Securities:				
Taxable	208,134	218,123	408,251	442,442
Tax-exempt	9,952	10,831	19,673	21,879
Total securities	218,086	228,954	427,924	464,321
Loans held for sale	9,598	21,363	18,596	69,705
Federal funds sold and securities purchased under agreements to resell	10,202	17,162	23,735	33,535
Trading account assets	12,362	15,785	26,515	31,405
Margin receivables	5,541	9,289	12,324	18,899
Time deposits in other banks	168	649	784	1,828
Total interest income	1,630,662	2,027,480	3,413,466	4,127,375
Interest expense on:				
Deposits	422,151	677,239	925,341	1,364,698
Short-term borrowings	85,294	116,637	198,302	237,298
Long-term borrowings	143,509	128,269	292,635	251,006
Total interest expense	650,954	922,145	1,416,278	1,853,002
Net interest income	979,708	1,105,335	1,997,188	2,274,373
Provision for loan losses	309,000	60,000	490,000	107,000
Net interest income after provision for loan losses	670,708	1,045,335	1,507,188	2,167,373
Non-interest income:				
Service charges on deposit accounts	294,182	297,638	565,795	581,735
Brokerage and investment banking	256,863	207,372	486,066	393,567
Trust department income	58,537	64,590	115,475	128,072
Mortgage income	24,926	40,830	70,546	77,851
Securities (losses) gains, net	(28)	(32,806)	91,615	(32,502)
Other	108,740	119,177	322,026	244,990
Total non-interest income	743,220	696,801	1,651,523	1,393,713
Non-interest expense:				
Salaries and employee benefits	598,844	602,646	1,242,331	1,211,585
Net occupancy expense	111,457	93,175	218,122	186,706
Furniture and equipment expense	85,122	74,048	164,358	146,857
Recapture of mortgage servicing rights	(67,000)	(38,000)	(25,000)	(37,000)
Other	411,951	325,866	790,822	658,553
Total non-interest expense	1,140,374	1,057,735	2,390,633	2,166,701
Income from continuing operations before income taxes	273,554	684,401	768,078	1,394,385
Income taxes	66,908	230,669	224,722	466,577
Income from continuing operations	206,646	453,732	543,356	927,808
Discontinued operations (Note 11):				
Loss from discontinued operations before income taxes	(406)	(682)	(473)	(216,500)
Income tax benefit	(153)	(259)	(178)	(74,982)

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Loss from discontinued operations, net of tax	(253)	(423)	(295)	(141,518)
Net income	\$ 206,393	\$ 453,309	\$ 543,061	\$ 786,290
Weighted-average number of shares outstanding:				
Basic	695,978	709,332	695,538	718,073
Diluted	696,346	715,564	695,947	724,997
Earnings per share from continuing operations(1):				
Basic	\$ 0.30	\$ 0.64	\$ 0.78	\$ 1.29
Diluted	0.30	0.63	0.78	1.28
Earnings per share from discontinued operations(1):				
Basic				(0.20)
Diluted				(0.20)
Earnings per share(1):				
Basic	0.30	0.64	0.78	1.10
Diluted	0.30	0.63	0.78	1.08
Cash dividends declared per share	0.38	0.36	0.76	0.72

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

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(In thousands, except share and per share data)</i>	Common Stock		Additional	Retained Earnings	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Paid-In Capital				
BALANCE AT JANUARY 1, 2007	730,076	\$ 7,303	\$ 16,339,726	\$ 4,493,245	\$ (7,548)	\$ (131,272)	\$ 20,701,454
Cumulative effect of changes in accounting principles due to adoption of FIN 48 and FSP 13-2				(269,403)			(269,403)
Comprehensive income:							
Net income				786,290			786,290
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*						(77,467)	(77,467)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*						(30,225)	(30,225)
Net change from defined benefit pension plans, net of tax*						2,283	2,283
Comprehensive income							680,881
Cash dividends declared \$0.72 per share				(521,054)			(521,054)
Purchase of treasury stock	(29,761)				(1,056,231)		(1,056,231)
Common stock transactions:							
Stock issued to employees under incentive plans, net	1,000	10	(10,017)				(10,007)
Stock options exercised, net	3,083	31	131,607				131,638
Amortization of unearned restricted stock			39,109				39,109
BALANCE AT JUNE 30, 2007	704,398	\$ 7,344	\$ 16,500,425	\$ 4,489,078	\$ (1,063,779)	\$ (236,681)	\$ 19,696,387
BALANCE AT JANUARY 1, 2008	693,636	\$ 7,347	\$ 16,544,651	\$ 4,439,505	\$ (1,370,761)	\$ 202,287	\$ 19,823,029
Cumulative effect of changes in accounting principles due to adoption of EITF 06-4, EITF 06-10 and FAS 158 (see Note 12)				(17,246)			(17,246)
Comprehensive income:							
Net income				543,061			543,061
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*						(129,708)	(129,708)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*						(26,532)	(26,532)
Net change from defined benefit pension plans, net of tax*						808	808
Comprehensive income							387,629
Cash dividends declared \$0.76 per share				(528,660)			(528,660)
Common stock transactions:							
Stock issued to employees under incentive plans, net	979	10	(2,439)				(2,429)
Stock options exercised, net	114	1	19,343				19,344
Amortization of unearned restricted stock			26,827				26,827
BALANCE AT JUNE 30, 2008	694,729	\$ 7,358	\$ 16,588,382	\$ 4,436,660	\$ (1,370,761)	\$ 46,855	\$ 19,708,494

* See disclosure of reclassification adjustment amount and tax effect, as applicable, in Note 3 to the consolidated financial statements.
See notes to consolidated financial statements.

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

<i>(In thousands)</i>	Six Months Ended June 30	
	2008	2007
Operating activities:		
Net income	\$ 543,061	\$ 786,290
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	490,000	107,000
Depreciation and amortization of premises and equipment	135,834	130,125
Recapture of impairment of mortgage servicing rights	(25,000)	(37,000)
Provision for losses on other real estate, net	21,727	1,850
Net accretion of securities	(7,793)	(13,265)
Net amortization of loans and other assets	82,005	134,459
Net accretion of deposits and borrowings	(7,864)	(22,516)
Net securities (gains) losses	(91,615)	32,502
Net loss on sale of premises and equipment	1,622	599
Loss on early extinguishment of debt	65,405	
Deferred income tax benefit	(23,070)	(193,913)
Excess tax benefits from share-based payments	(618)	(2,501)
Originations and purchases of loans held for sale	(3,151,134)	(5,135,010)
Proceeds from sales of loans held for sale	3,222,021	7,476,290
(Gain) loss on sale of loans, net	(27,061)	126,861
Loss from sale of mortgage servicing rights	14,857	
Increase in trading account assets	(547,202)	(163,136)
Increase in margin receivables	(29,021)	(20,748)
Decrease in interest receivable	104,816	34,096
(Increase) decrease in other assets	(806,650)	49,034
(Decrease) increase in other liabilities	(69,354)	685,590
Other	24,398	26,274
Net cash (used in) provided by operating activities	(80,636)	4,002,881
Investing activities:		
Proceeds from sale of securities available for sale	2,010,474	1,008,231
Proceeds from maturity of:		
Securities available for sale	1,693,501	1,130,824
Securities held to maturity	3,728	2,790
Purchases of:		
Securities available for sale	(4,111,395)	(1,178,415)
Securities held to maturity	(1,036)	(257)
Proceeds from sales of loans	315,976	958,722
Proceeds from sales of mortgage servicing rights	43,763	
Net (increase) decrease in loans	(3,458,229)	70,973
Net purchase of premises and equipment	(252,854)	(165,298)
Net cash received from disposition of business		5,700
Net cash (used in) provided by investing activities	(3,756,072)	1,833,270
Financing activities:		
Net decrease in deposits	(4,866,833)	(6,149,063)
Net increase in short-term borrowings	6,470,109	422,293
Proceeds from long-term borrowings	4,205,130	1,967,821
Payments on long-term borrowings	(2,207,886)	(1,322,544)
Cash dividends	(528,660)	(521,054)

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Purchase of treasury stock		(1,056,231)
Proceeds from exercise of stock options	19,344	131,638
Excess tax benefits from share-based payments	618	2,501
Net cash provided by (used in) financing activities	3,091,822	(6,524,639)
Decrease in cash and cash equivalents	(744,886)	(688,488)
Cash and cash equivalents at beginning of year	4,929,241	4,717,418
Cash and cash equivalents at end of period	\$ 4,184,355	\$ 4,028,930

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and Six Months Ended June 30, 2008 and 2007

NOTE 1 Basis of Presentation

Regions Financial Corporation (Regions or the Company) provides a full range of banking and bank-related services to individual and corporate customers through its subsidiaries and branch offices located primarily in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia. The Company is subject to competition from other financial institutions, is subject to the regulations of certain government agencies and undergoes periodic examinations by those regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States (GAAP) and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of only 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, 2007.

Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications are immaterial and have no effect on net income, total assets or stockholders equity.

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The following table sets forth the computation of basic earnings per share and diluted earnings per share:

<i>(In thousands, except per share amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Numerator:				
For earnings per share basic and diluted				
Income from continuing operations	\$ 206,646	\$ 453,732	\$ 543,356	\$ 927,808
Loss from discontinued operations, net of tax	(253)	(423)	(295)	(141,518)
Net income	\$ 206,393	\$ 453,309	\$ 543,061	\$ 786,290
Denominator:				
For earnings per share basic Weighted-average shares outstanding	695,978	709,322	695,538	718,073
Effect of dilutive securities:				
Common stock equivalents	368	6,242	409	6,924
For earnings per share diluted	696,346	715,564	695,947	724,997
Earnings per share from continuing operations(1):				
Basic	\$ 0.30	\$ 0.64	\$ 0.78	\$ 1.29
Diluted	0.30	0.63	0.78	1.28
Earnings per share from discontinued operations(1):				
Basic				(0.20)
Diluted				(0.20)
Earnings per share(1):				
Basic	0.30	0.64	0.78	1.10
Diluted	0.30	0.63	0.78	1.08

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

The effect from the assumed exercise of 54,191,000 and 6,617,000 stock options for the three months ended and 54,174,000 and 1,733,000 stock options for the six months ended June 30, 2008 and 2007, 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 3 Comprehensive Income

Comprehensive income is the total of net income and all other non-owner changes in equity. Items that are to be recognized under accounting standards as components of comprehensive income are displayed in the consolidated statements of changes in stockholders' equity.

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.

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The disclosure of the reclassification amount is as follows:

<i>(In thousands)</i>	Three Months Ended June 30, 2008		
	Before Tax	Tax Effect	Net of Tax
Net income	\$ 273,148	\$ (66,755)	\$ 206,393
Net unrealized holding gains and losses on securities available for sale arising during the period	(245,145)	91,316	(153,829)
Less: reclassification adjustments for net securities losses realized in net income	(28)	10	(18)
Net change in unrealized gains and losses on securities available for sale	(245,117)	91,306	(153,811)
Net unrealized holding gains and losses on derivatives arising during the period	(186,004)	71,490	(114,514)
Less: reclassification adjustments for net gains realized in net income	24,762	(8,667)	16,095
Net change in unrealized gains and losses on derivative instruments	(210,766)	80,157	(130,609)
Net actuarial gains and losses arising during the period	2,888	(1,605)	1,283
Less: amortization of actuarial loss and prior service credit realized in net income	702	(245)	457
Net change from defined benefit plans	2,186	(1,360)	826
Comprehensive income	\$ (180,549)	\$ 103,348	\$ (77,201)

<i>(In thousands)</i>	Three Months Ended June 30, 2007		
	Before Tax	Tax Effect	Net of Tax
Net income	\$ 683,719	\$ (230,410)	\$ 453,309
Net unrealized holding gains and losses on securities available for sale arising during the period	(220,715)	80,057	(140,658)
Less: reclassification adjustments for net securities losses realized in net income	(32,806)	11,482	(21,324)
Net change in unrealized gains and losses on securities available for sale	(187,909)	68,575	(119,334)
Net unrealized holding gains and losses on derivatives arising during the period	(79,024)	28,827	(50,197)
Less: reclassification adjustments for net gains realized in net income	7,395	(2,588)	4,807
Net change in unrealized gains and losses on derivative instruments	(86,419)	31,415	(55,004)
Net actuarial gains and losses arising during the period	1,200	(1,346)	(146)
Less: amortization of actuarial loss and prior service credit realized in net income	1,796	(628)	1,168
Net change from defined benefit plans	(596)	(718)	(1,314)
Comprehensive income	\$ 408,795	\$ (131,138)	\$ 277,657

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<i>(In thousands)</i>	Six Months Ended June 30, 2008		
	Before Tax	Tax Effect	Net of Tax
Net income	\$ 767,605	\$ (224,544)	\$ 543,061
Net unrealized holding gains and losses on securities available for sale arising during the period	(117,833)	47,675	(70,158)
Less: reclassification adjustments for net securities gains realized in net income	91,615	(32,065)	59,550
Net change in unrealized gains and losses on securities available for sale	(209,448)	79,740	(129,708)
Net unrealized holding gains and losses on derivatives arising during the period	(5,315)	3,163	(2,152)
Less: reclassification adjustments for net gains realized in net income	37,509	(13,129)	24,380
Net change in unrealized gains and losses on derivative instruments	(42,824)	16,292	(26,532)
Net actuarial gains and losses arising during the period	3,575	(1,845)	1,730
Less: amortization of actuarial loss and prior service credit realized in net income	1,418	(496)	922
Net change from defined benefit plans	2,157	(1,349)	808
Comprehensive income	\$ 517,490	\$ (129,861)	\$ 387,629

<i>(In thousands)</i>	Six Months Ended June 30, 2007		
	Before Tax	Tax Effect	Net of Tax
Net income	\$ 1,177,885	\$ (391,595)	\$ 786,290
Net unrealized holding gains and losses on securities available for sale arising during the period	(154,279)	55,686	(98,593)
Less: reclassification adjustments for net securities losses realized in net income	(32,502)	11,376	(21,126)
Net change in unrealized gains and losses on securities available for sale	(121,777)	44,310	(77,467)
Net unrealized holding gains and losses on derivatives arising during the period	(43,852)	18,630	(25,222)
Less: reclassification adjustments for net gains realized in net income	7,696	(2,693)	5,003
Net change in unrealized gains and losses on derivative instruments	(51,548)	21,323	(30,225)
Net actuarial gains and losses arising during the period	7,001	(2,383)	4,618
Less: amortization of actuarial loss and prior service credit realized in net income	3,592	(1,257)	2,335
Net change from defined benefit plans	3,409	(1,126)	2,283
Comprehensive income	\$ 1,007,969	\$ (327,088)	\$ 680,881

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Net periodic pension and other postretirement benefits cost (benefit) included the following components for the three months ended June 30:

<i>(In thousands)</i>	Pension		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 10,156	\$ 9,942	\$ 103	\$ 235
Interest cost	22,151	20,444	684	766
Expected return on plan assets	(29,613)	(27,749)	(48)	(68)
Amortization of prior service cost (credit)	1,040	(66)	(183)	(104)
Amortization of actuarial loss	29	1,862		12
Curtailement gains	(4,383)			
	\$ (620)	\$ 4,433	\$ 556	\$ 841

Net periodic pension and other postretirement benefits cost included the following components for the six months ended June 30:

<i>(In thousands)</i>	Pension		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 20,313	\$ 20,584	\$ 206	\$ 469
Interest cost	44,048	40,704	1,369	1,531
Expected return on plan assets	(59,227)	(54,474)	(96)	(135)
Amortization of prior service cost (credit)	1,728	(133)	(367)	(208)
Amortization of actuarial loss	57	3,725		24
Settlement charge		2,300		
Curtailement gains	(4,383)	(7,052)		
	\$ 2,536	\$ 5,654	\$ 1,112	\$ 1,681

The curtailment gains recognized during the second quarter of 2008 and the first six months of 2007 resulted from merger-related employment terminations. The settlement charge during the first six months of 2007 relates to the settlement of a liability under the Regions supplemental executive retirement plan for a certain executive officer.

NOTE 5 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 and stock appreciation rights. The terms of all awards issued under these plans are determined by the Compensation Committee of the Board of Directors, but no options may be granted after the tenth anniversary of the plans' adoption. Options and restricted stock usually vest based on employee service, generally within three years from the date of the grant. The contractual life of options granted under these plans ranges from seven to ten years from the date of grant. Upon adoption of a new long-term incentive plan in 2006, Regions amended all other open stock and long-term incentive plans, such that no new awards may be granted under those plans subsequent to the amendment date. The outstanding awards were unaffected by this plan amendment. Additionally, in connection with the AmSouth Bancorporation (AmSouth) merger, Regions assumed AmSouth's long-term incentive plans. Refer to Regions' Annual Report on Form 10-K for the year ended December 31, 2007 for further disclosures related to share-based payments issued by Regions.

The fair value of stock options is estimated at the date of the grant using a Black-Scholes option pricing model and related assumptions. During 2008, expected volatility increased based upon increases in the historical volatility of Regions' stock price and the implied volatility measurements from traded options on the Company's

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stock. The expected option life increased based upon the increase in the contractual life on new grants. The following table summarizes the weighted-average assumptions used and the estimated fair values related to stock options granted:

	June 30	
	2008	2007
Expected dividend yield	6.94%	4.10%
Expected volatility	26.40%	19.50%
Risk-free interest rate	2.90%	4.52%
Expected option life	5.8 yrs.	4.0 yrs
Fair value	\$ 2.47	\$ 4.82

The following table details the activity during the first six months of 2008 and 2007 related to stock options:

	For the Six Months Ended June 30			
	2008		2007	
	Number of Options	Wtd. Avg. Exercise Price	Number of Options	Wtd. Avg. Exercise Price
Outstanding at beginning of period	48,044,207	\$ 29.71	48,805,147	\$ 28.97
Granted	9,672,751	21.87	4,870,093	35.10
Exercised	(90,801)	17.94	(3,326,419)	27.22
Forfeited or cancelled	(3,025,808)	29.77	(793,077)	28.96
Outstanding at end of period	54,600,349	\$ 28.34	49,555,744	\$ 29.69
Exercisable at end of period	42,363,726	\$ 29.34	44,193,431	\$ 29.04

The following table details the activity during the first six months of 2008 and 2007 related to restricted shares awarded by Regions:

	For the Six Months Ended June 30			
	2008		2007	
	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at beginning of period	3,651,054	\$ 32.60	3,290,589	\$ 33.34
Granted	1,543,144	22.00	1,511,596	35.57
Vested	(397,971)	33.17	(905,743)	31.71
Forfeited	(242,468)	32.16	(232,362)	34.84
Non-vested at end of period	4,553,759	\$ 28.98	3,664,080	\$ 34.57

NOTE 6 Business Segment Information

Regions' segment information is presented based on Regions' key segments of business. Each segment is a strategic business unit that serves specific needs of Regions' customers. The Company's primary segment is General Banking/Treasury, which represents the Company's branch network, including consumer and commercial banking functions, and has separate management that is responsible for the operation of that business unit. This segment also includes the Company's Treasury function, including the Company's securities portfolio and other wholesale funding activities. EquiFirst is presented separately as a discontinued operation in the consolidated statements of income. See Note 11 to the consolidated financial statements for further discussion.

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In addition to General Banking/Treasury, Regions has designated as distinct reportable segments the activity of its Investment Banking/Brokerage/Trust and Insurance divisions. Investment Banking/Brokerage/Trust

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includes trust activities and all brokerage and investment activities associated with Morgan Keegan. Insurance includes all business associated with commercial insurance and credit life products sold to consumer customers. The reportable segment designated Other primarily includes merger charges and the parent company.

The accounting policies used by each reportable segment are the same as those discussed in Note 1 to the consolidated financial statements included in the 2007 Annual Report on Form 10-K. Additionally, certain information that was previously reported in the Other segment has been moved to the General Banking/Treasury segment to better reflect the functions and the management of the General Banking/Treasury segment. Prior period information has been restated to reflect the current period classifications. The following tables present financial information for each reportable segment for the period indicated.

<i>(In thousands)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Other
Three months ended June 30, 2008				
Net interest income	\$ 1,011,109	\$ 15,499	\$ 1,079	\$ (47,979)
Provision for loan losses	309,000			
Non-interest income	400,431	312,142	27,675	2,972
Non-interest expense	712,114	266,937	22,652	138,671
Income taxes (benefit)	112,150	22,463	2,093	(69,798)
Net income (loss)	\$ 278,276	\$ 38,241	\$ 4,009	\$ (113,880)
Average assets	\$ 112,803,335	\$ 3,740,037	\$ 311,671	\$ 25,705,586

<i>(In thousands)</i>	Total Continuing Operations	Discontinued Operations (EquiFirst)	Total Company
Net interest income	\$ 979,708	\$	\$ 979,708
Provision for loan losses	309,000		309,000
Non-interest income	743,220		743,220
Non-interest expense	1,140,374	406	1,140,780
Income taxes (benefit)	66,908	(153)	66,755
Net income (loss)	\$ 206,646	\$ (253)	\$ 206,393
Average assets	\$ 142,560,629	\$	\$ 142,560,629

<i>(In thousands)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Other
Three months ended June 30, 2007				
Net interest income	\$ 1,138,667	\$ 14,774	\$ 1,557	\$ (49,663)
Provision for loan losses	60,000			
Non-interest income	371,504	289,014	25,908	10,375
Non-interest expense	722,609	225,074	20,467	89,585
Income taxes (benefit)	248,680	28,603	2,357	(48,971)
Net income (loss)	\$ 478,882	\$ 50,111	\$ 4,641	\$ (79,902)
Average assets	\$ 109,091,365	\$ 3,815,357	\$ 269,189	\$ 24,362,681

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<i>(In thousands)</i>	Total Continuing Operations	Discontinued Operations (EquiFirst)	Total Company
Net interest income	\$ 1,105,335	\$	\$ 1,105,335
Provision for loan losses	60,000		60,000
Non-interest income	696,801		696,801
Non-interest expense	1,057,735	682	1,058,417
Income taxes (benefit)	230,669	(259)	230,410
Net income (loss)	\$ 453,732	\$ (423)	\$ 453,309
Average assets	\$ 137,538,592	\$	\$ 137,538,592

<i>(In thousands)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Other
Six months ended June 30, 2008				
Net interest income	\$ 2,065,111	\$ 29,483	\$ 2,017	\$ (99,423)
Provision for loan losses	490,000			
Non-interest income	977,197	621,937	59,445	(7,056)
Non-interest expense	1,584,537	541,674	45,559	218,863
Income taxes (benefit)	303,173	40,532	4,647	(123,630)
Net income (loss)	\$ 664,598	\$ 69,214	\$ 11,256	\$ (201,712)
Average assets	\$ 112,624,341	\$ 3,739,520	\$ 319,779	\$ 25,534,264

<i>(In thousands)</i>	Total Continuing Operations	Discontinued Operations (EquiFirst)	Total Company
Net interest income	\$ 1,997,188	\$	\$ 1,997,188
Provision for loan losses	490,000		490,000
Non-interest income	1,651,523		1,651,523
Non-interest expense	2,390,633	473	2,391,106
Income taxes (benefit)	224,722	(178)	224,544
Net income (loss)	\$ 543,356	\$ (295)	\$ 543,061
Average assets	\$ 142,217,904	\$	\$ 142,217,904

<i>(In thousands)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Other
Six months ended June 30, 2007				
Net interest income	\$ 2,335,624	\$ 30,822	\$ 2,851	\$ (94,924)
Provision for loan losses	107,000			
Non-interest income	775,717	550,982	53,979	13,035
Non-interest expense	1,525,853	431,182	40,500	169,166
Income taxes (benefit)	501,197	54,970	5,811	(95,401)
Net income (loss)	\$			