

REGIONS FINANCIAL CORP  
Form 10-Q/A  
June 09, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q/A**

(Amendment No. 2)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2009

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 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).  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  Smaller reporting company

(Do not check if a 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 695,030,000 shares of common stock, par value \$.01, outstanding as of April 30, 2009.

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**EXPLANATORY NOTE**

This Amendment No. 2 on Form 10-Q/A (this Amendment ) amends our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 as filed with the Securities and Exchange Commission on May 11, 2009 as previously amended by Amendment No. 1 filed on Form 10-Q/A on May 13, 2009 ( Amendment No. 1 ). This Amendment is being made solely for the purpose of filing as Exhibit 32 the certification pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

This Quarterly Report on Form 10-Q/A has not been updated to reflect other events occurring after the filing date of the original Quarterly Report on Form 10-Q or Amendment No. 1 or to modify or update those disclosures affected by subsequent events.

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**REGIONS FINANCIAL CORPORATION**

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

<i>(In millions, except share data)</i>	<b>March 31 2009</b>	<b>December 31 2008</b>	<b>March 31 2008</b>
<b>Assets</b>			
Cash and due from banks	\$ 2,429	\$ 2,643	\$ 3,061
Interest-bearing deposits in other banks	2,288	7,540	48
Federal funds sold and securities purchased under agreements to resell	418	790	852
Trading account assets	1,348	1,050	1,519
Securities available for sale	20,970	18,850	17,766
Securities held to maturity	45	47	50
Loans held for sale (includes \$1,365 measured at fair value at March 31, 2009)	1,956	1,282	757
Loans, net of unearned income	95,686	97,419	96,385
Allowance for loan losses	(1,861)	(1,826)	(1,376)
Net loans	93,825	95,593	95,009
Other interest-earnings assets	849	897	617
Premises and equipment, net	2,808	2,786	2,666
Interest receivable	426	458	549
Goodwill	5,551	5,548	11,510
Mortgage servicing rights	161	161	269
Other identifiable intangible assets	603	638	746
Other assets	8,303	7,965	8,830
<b>Total assets</b>	<b>\$ 141,980</b>	<b>\$ 146,248</b>	<b>\$ 144,249</b>
<b>Liabilities and Stockholders Equity</b>			
<b>Deposits:</b>			
Non-interest-bearing	\$ 19,988	\$ 18,457	\$ 18,182
Interest-bearing	73,548	72,447	71,005
<b>Total deposits</b>	<b>93,536</b>	<b>90,904</b>	<b>89,187</b>
<b>Borrowed funds:</b>			
<b>Short-term borrowings:</b>			
Federal funds purchased and securities sold under agreements to repurchase	2,828	3,143	8,451
Other short-term borrowings	6,525	12,679	8,717
<b>Total short-term borrowings</b>	<b>9,353</b>	<b>15,822</b>	<b>17,168</b>
Long-term borrowings	18,762	19,231	12,357
<b>Total borrowed funds</b>	<b>28,115</b>	<b>35,053</b>	<b>29,525</b>
Other liabilities	3,512	3,478	5,515
<b>Total liabilities</b>	<b>125,163</b>	<b>129,435</b>	<b>124,227</b>
<b>Stockholders equity:</b>			
<b>Preferred stock, cumulative perpetual participating, par value \$1.00 (liquidation preference \$1,000.00) per share, net of discount:</b>			
Authorized 10,000,000 shares			
Issued 3,500,000 shares in 2008	3,316	3,307	

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Common stock, par value \$.01 per share:

Authorized 1,500,000,000 shares			
Issued including treasury stock 738,570,609; 735,667,650 and 735,775,383 shares, respectively	7	7	7
Additional paid-in capital	16,828	16,815	16,560
Retained earnings (deficit)	(1,913)	(1,869)	4,495
Treasury stock, at cost 43,676,701; 44,301,693 and 41,054,113 shares, respectively	(1,415)	(1,425)	(1,371)
Accumulated other comprehensive income (loss), net	(6)	(22)	331
<b>Total stockholders' equity</b>	<b>16,817</b>	<b>16,813</b>	<b>20,022</b>
Total liabilities and stockholders' equity	\$ 141,980	\$ 146,248	\$ 144,249

See notes to consolidated financial statements.

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

<i>(In millions, except per share data)</i>	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Interest income on:		
Loans, including fees	\$ 1,099	\$ 1,529
Securities:		
Taxable	239	200
Tax-exempt	7	10
Total securities	246	210
Loans held for sale	15	9
Federal funds sold and securities purchased under agreements to resell	1	7
Trading account assets	12	21
Other interest-earning assets	6	7
Total interest income	1,379	1,783
Interest expense on:		
Deposits	366	503
Short-term borrowings	20	113
Long-term borrowings	184	149
Total interest expense	570	765
Net interest income	809	1,018
Provision for loan losses	425	181
Net interest income after provision for loan losses	384	837
Non-interest income:		
Service charges on deposit accounts	269	272
Brokerage, investment banking and capital markets	217	273
Mortgage income	73	46
Trust department income	46	57
Securities gains, net	53	91
SILO termination gains	323	
Other	85	169
Total non-interest income	1,066	908
Non-interest expense:		
Salaries and employee benefits	539	643
Net occupancy expense	107	107
Furniture and equipment expense	76	80
Impairment of mortgage servicing rights		42
Other	336	378
Total non-interest expense	1,058	1,250
Income before income taxes	392	495
Income taxes	315	158
Net income	\$ 77	\$ 337

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Net income available to common shareholders	\$ 26	\$ 337
Weighted-average number of shares outstanding:		
Basic	693	695
Diluted	694	696
Earnings per common share:		
Basic	0.04	0.48
Diluted	0.04	0.48
Cash dividends declared per common share	0.10	0.38

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					
<i>(In millions, except per share data)</i>									
<b>BALANCE AT JANUARY 1, 2008</b>		\$	694	\$ 7	\$ 16,545	\$ 4,439	\$ (1,371)	\$ 203	\$ 19,823
Cumulative effect of changes in accounting principles due to adoption of EITF 06-4, EITF 06-10 and FAS 158 (see Note 12)							(17)		(17)
Comprehensive income:									
Net income						337			337
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								24	24
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								104	104
Comprehensive income									465
Cash dividends declared \$0.38 per share						(264)			(264)
Common stock transactions:									
Stock transactions with employees under compensation plans, net			1		(1)				(1)
Stock options exercised, net					3				3
Amortization of unearned restricted stock					13				13
<b>BALANCE AT MARCH 31, 2008</b>		\$	695	\$ 7	\$ 16,560	\$ 4,495	\$ (1,371)	\$ 331	\$ 20,022
<b>BALANCE AT JANUARY 1, 2009</b>	4	\$ 3,307	691	\$ 7	\$ 16,815	\$ (1,869)	\$ (1,425)	\$ (22)	\$ 16,813
Comprehensive income:									
Net income						77			77
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment*								52	52
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment*								(35)	(35)
Net change from defined benefit pension plans, net of tax*								(1)	(1)
Comprehensive income									93
Cash dividends declared \$0.10 per share						(70)			(70)
Preferred dividends						(42)			(42)
Preferred stock transactions:									
Discount accretion			9			(9)			
Common stock transactions:									
Stock transactions with employees under compensation plans, net			4				10		10
Stock options exercised, net					5				5
Amortization of unearned restricted stock					8				8
<b>BALANCE AT MARCH 31, 2009</b>	4	\$ 3,316	695	\$ 7	\$ 16,828	\$ (1,913)	\$ (1,415)	\$ (6)	\$ 16,817

\* 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 millions)</i>	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Operating activities:		
Net income	\$ 77	\$ 337
Adjustments to reconcile net cash provided by operating activities:		
Provision for loan losses	425	181
Depreciation and amortization of premises and equipment	68	66
Impairment of mortgage servicing rights		42
Provision for losses on other real estate, net	19	4
Net accretion of securities	(5)	(4)
Net amortization of loans and other assets	64	48
Net accretion of deposits and borrowings	(4)	(5)
Net securities gains	(53)	(91)
Loss on early extinguishment of debt		66
Deferred income tax benefit	(139)	(22)
Excess tax benefits from share-based payments		(1)
Originations and purchases of loans held for sale	(2,787)	(1,458)
Proceeds from sales of loans held for sale	2,210	1,445
Gain on sale of loans, net	(37)	(23)
Increase in trading account assets	(298)	(428)
Decrease (increase) in other interest-earning assets	48	(112)
Decrease in interest receivable	32	65
Increase in other assets	(285)	(1,040)
Increase in other liabilities	32	339
Other	12	12
Net cash used in operating activities	(621)	(579)
Investing activities:		
Proceeds from sale of securities available for sale	795	2,011
Proceeds from maturity of:		
Securities available for sale	1,089	888
Securities held to maturity	2	1
Purchases of:		
Securities available for sale	(3,865)	(3,106)
Proceeds from sales of loans		81
Net decrease (increase) in loans	1,255	(1,196)
Net purchases of premises and equipment	(90)	(121)
Net cash received from deposits assumed	279	
Net cash used in investing activities	(535)	(1,442)
Financing activities:		
Net increase (decrease) in deposits	2,354	(5,585)
Net (decrease) increase in short-term borrowings	(6,469)	6,047
Proceeds from long-term borrowings	100	1,841
Payments on long-term borrowings	(560)	(806)
Cash dividends on common stock	(70)	(264)
Cash dividends on preferred stock	(42)	
Proceeds from exercise of stock options	5	3
Excess tax benefits from share-based payments		1

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Net cash (used in) provided by financing activities	(4,682)	1,237
Decrease in cash and cash equivalents	(5,838)	(784)
Cash and cash equivalents at beginning of year	10,973	4,745
Cash and cash equivalents at end of period	\$ 5,135	\$ 3,961

See notes to consolidated financial statements.

**Table of Contents****REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Three Months Ended March 31, 2009 and 2008****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, 2008.

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.

**NOTE 2 Earnings per Common Share**

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

<i>(In millions, except per share amounts)</i>	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Numerator:</b>		
Net income	\$ 77	\$ 337
Preferred stock dividends	(51)	
Net income available to common shareholders	\$ 26	\$ 337
<b>Denominator:</b>		
Weighted-average common shares outstanding basic	693	695
Common stock equivalents	1	1
Weighted-average common shares outstanding diluted	694	696
<b>Earnings per common share:</b>		
Basic	\$ 0.04	\$ 0.48
Diluted	0.04	0.48

The effect from the assumed exercise of 52.6 million and 53.3 million stock options for the three months ended March 31, 2009 and 2008, 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.



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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.

The disclosure of the reclassification amount is as follows:

<i>(In millions)</i>	<b>Three Months Ended March 31, 2009</b>		
	<b>Before Tax</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
Net income	\$ 392	\$ (315)	\$ 77
Net unrealized holding gains and losses on securities available for sale arising during the period	134	(48)	86
Less: reclassification adjustments for net securities gains realized in net income	53	(19)	34
Net change in unrealized gains and losses on securities available for sale	81	(29)	52
Net unrealized holding gains and losses on derivatives arising during the period	39	(15)	24
Less: reclassification adjustments for net gains realized in net income	95	(36)	59
Net change in unrealized gains and losses on derivative instruments	(56)	21	(35)
Net actuarial gains and losses arising during the period	9	(3)	6
Less: amortization of actuarial loss and prior service credit realized in net income	11	(4)	7
Net change from defined benefit plans	(2)	1	(1)
Comprehensive income	\$ 415	\$ (322)	\$ 93

<i>(In millions)</i>	<b>Three Months Ended March 31, 2008</b>		
	<b>Before Tax</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
Net income	\$ 495	\$ (158)	\$ 337
Net unrealized holding gains and losses on securities available for sale arising during the period	126	(43)	83
Less: reclassification adjustments for net securities gains realized in net income	91	(32)	59
Net change in unrealized gains and losses on securities available for sale	35	(11)	24
Net unrealized holding gains and losses on derivatives arising during the period	181	(69)	112
Less: reclassification adjustments for net losses realized in net income	13	(5)	8
Net change in unrealized gains and losses on derivative instruments	168	(64)	104
Net actuarial gains and losses arising during the period	1		1
Less: amortization of actuarial loss and prior service credit realized in net income	1		1
Net change from defined benefit plans			
Comprehensive income	\$ 698	\$ (233)	\$ 465



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Net periodic pension and other postretirement benefits cost included the following components for the three months ended March 31:

<i>(In millions)</i>	Pension		Other Postretirement Benefits	
	2009	2008	2009	2008
Service cost	\$ 1	\$ 10	\$	\$
Interest cost	22	22		1
Expected return on plan assets	(22)	(30)		
Amortization of prior service cost		1		
Amortization of actuarial loss	11			
	\$ 12	\$ 3	\$	\$ 1

For 2009, benefit accruals in the Regions Financial Corporation Retirement Plan have been temporarily suspended. Matching contributions in the 401(k) plans will be temporarily suspended beginning in the second quarter of 2009.

**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 awards and units, 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. The number of remaining share equivalents authorized for future issuance under long-term compensation plans was approximately 6.2 million share equivalents at March 31, 2009. Refer to Regions' Annual Report on Form 10-K for the year ended December 31, 2008 for further disclosures related to share-based payments issued by Regions.

During the first quarter of 2009, Regions made a stock option grant that vests based upon a service condition and a market condition. The fair value of these stock options was estimated on the date of the grant using a Monte-Carlo simulation. The simulation generates a defined number of stock price paths in order to develop a reasonable estimate of the range of future expected stock prices and minimize standard error. For all other grants that vest solely upon a service condition, the fair value of stock options is estimated at the date of the grant using a Black-Scholes option pricing model and related assumptions.

The following table summarizes the weighted-average assumptions used and the estimated fair values related to stock options granted during the three months ended March 31:

	March 31	
	2009	2008
Expected dividend yield	1.85%	6.93%
Expected volatility	67.15%	26.40%
Risk-free interest rate	2.80%	2.90%
Expected option life	6.8 yrs.	5.8 yrs.
Fair value	\$ 1.78	\$ 2.48

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During 2009, 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 stock. The expected option life increased due to changes in the employee grant base and employee exercise behavior. The expected dividend yield decreased based upon the market's expectation of reduced dividends in the near term.

The following table details the activity during the first three months of 2009 and 2008 related to stock options:

	For the Three Months Ended March 31 2009		For the Three Months Ended March 31 2008	
	Number of Options	Wtd. Avg. Exercise Price	Number of Options	Wtd. Avg. Exercise Price
Outstanding at beginning of period	52,955,298	\$ 28.22	48,044,207	\$ 29.71
Granted	4,063,209	3.29	9,100,305	21.94
Exercised			(28,108)	17.79
Forfeited or cancelled	(1,179,861)	31.87	(1,041,864)	31.45
Outstanding at end of period	55,838,646	\$ 26.34	56,074,540	\$ 28.42
Exercisable at end of period	43,097,681	\$ 28.72	42,628,182	\$ 29.20

During the first quarter of 2009, Regions granted restricted shares that vest based upon a service condition and a market condition. The fair value of these restricted shares was estimated on the date of the grant using a Monte-Carlo simulation. The assumptions related to this grant included expected volatility of 84.81%, expected dividend yield of 1.00%, and an expected term of 4.0 years based on the vesting term of the market condition. The risk-free rate is consistent with the assumption used to value stock options. For all other grants that vest solely upon a service condition, the fair value of the awards is estimated based upon the fair value of the underlying shares on the date of the grant.

The following table details the activity during the first three months of 2009 and 2008 related to restricted share awards and units:

	For the Three Months Ended March 31 2009		For the Three Months Ended March 31 2008	
	Shares	Wtd. Avg. Grant Date Fair Value	Shares	Wtd. Avg. Grant Date Fair Value
Non-vested at beginning of period	4,123,911	\$ 27.67	3,651,054	\$ 32.60
Granted	2,939,701	2.76	1,440,598	22.04
Vested	(200,102)	33.50	(112,451)	34.03
Forfeited	(78,068)	27.67	(242,175)	32.48
Non-vested at end of period	6,785,442	\$ 16.71	4,737,026	\$ 29.36

**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. Prior to year-end 2008, Regions had reported an Other segment that

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included merger charges and the parent company. Regions realigned to include the parent company with General Banking/Treasury as parent company transactions essentially support the Treasury function. The 2008 amounts presented below have been adjusted to conform to the 2009 presentation.

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 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 Merger Charges includes merger charges related to the AmSouth acquisition for the periods presented. These amounts are excluded from other reportable segments because management reviews the results of the other reportable segments excluding these items.

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

<i>(In millions)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Merger Charges	Total Company
<b>Three months ended March 31, 2009</b>					
Net interest income	\$ 792	\$ 16	\$ 1	\$	\$ 809
Provision for loan losses	425				425
Non-interest income	784	253	29		1,066
Non-interest expense	787	248	23		1,058
Income tax expense	305	8	2		315
<b>Net income</b>	<b>\$ 59</b>	<b>\$ 13</b>	<b>\$ 5</b>	<b>\$</b>	<b>\$ 77</b>
Average assets	\$ 139,534	\$ 3,549	\$ 480	\$	\$ 143,563

<i>(In millions)</i>	General Banking/ Treasury	Investment Banking/ Brokerage/ Trust	Insurance	Merger Charges	Total Company
<b>Three months ended March 31, 2008</b>					
Net interest income	\$ 997	\$ 20	\$ 1	\$	\$ 1,018
Provision for loan losses	181				181
Non-interest income	571	305	32		908
Non-interest expense	875	276	23	76	1,250
Income tax expense (benefit)	166	18	3	(29)	158
<b>Net income (loss)</b>	<b>\$ 346</b>	<b>\$ 31</b>	<b>\$ 7</b>	<b>\$ (47)</b>	<b>\$ 337</b>
Average assets	\$ 137,870	\$ 3,677	\$ 328	\$	\$ 141,875

**NOTE 7 Goodwill**

Goodwill allocated to each reportable segment as of March 31, 2009, December 31, 2008, and March 31, 2008 is presented as follows:

<i>(In millions)</i>	March 31 2009	December 31 2008	March 31 2008
General Banking/Treasury	\$ 4,691	\$ 4,691	\$ 10,668

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Investment Banking/Brokerage/Trust	740	740	728
Insurance	120	117	114
Balance at end of period	\$ 5,551	\$ 5,548	\$ 11,510

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In December 2008, Regions evaluated each reporting unit's goodwill for impairment. As a result, Regions recorded a goodwill impairment charge of \$6.0 billion in the General Banking/Treasury reporting unit. During the first quarter of 2009, Regions assessed the indicators of impairment noting there had been no significant changes since the year-end evaluation. Thus, Regions concluded that goodwill was not impaired as of March 31, 2009. Regions will continue to monitor and test goodwill as appropriate.

**NOTE 8 Loan Servicing**

Effective January 1, 2009, the Company made an election allowed by Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets, an Amendment of FASB Statement No. 140 (FAS 156) to prospectively change the policy for accounting for residential mortgage servicing rights from the amortization method to the fair value measurement method. Under the fair value measurement method, servicing assets are measured at fair value each period with changes in fair value recorded as a component of mortgage banking income. The adoption did not have a material impact on the consolidated financial statements.

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. Concurrent with the election to use the fair value measurement method, Regions began using various derivative instruments to mitigate the income statement effect of changes in the fair value of its mortgage servicing rights. During the first three months of 2009, Regions recognized a \$1.0 million loss associated with changes in mortgage servicing rights and the aforementioned derivatives, which is included in mortgage income.

An analysis of mortgage servicing rights for the three months ended March 31, 2009, is presented below:

*(In millions)*

Carrying value, January 1, 2009	\$ 161
Additions	19
Increase (decrease) in fair value:	
Due to change in valuation inputs or assumptions	(9)
Other changes(1)	(10)
Carrying value, March 31, 2009	\$ 161

(1) Represents economic amortization associated with borrower repayments.

Data and assumptions used in the fair value calculation related to residential mortgage servicing rights (excluding related derivative instruments) for the three months ended March 31, 2009 are as follows:

*(Dollars in millions)*

Unpaid principal balance	\$ 22,341
Weighted-average prepayment speed (CPR)	37.33
Estimated impact on fair value of a 10% increase	\$ (9)
Estimated impact on fair value of a 20% increase	\$ (18)
Weighted-average discount rate	10.63%
Estimated impact on fair value of a 10% increase	\$ (3)
Estimated impact on fair value of a 20% increase	\$ (6)
Weighted-average coupon interest rate	6.06%
Weighted-average remaining maturity (months)	278
Weighted-average servicing fee (basis points)	28.8

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



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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 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.

**NOTE 9 Derivative Financial Instruments and Hedging Activities**

Regions enters into derivative financial instruments to manage interest rate risk, facilitate asset/liability management strategies and manage other exposures. These derivative instruments primarily include interest rate swaps, options on interest rate swaps, interest rate caps and floors, Eurodollar futures, forward rate contracts and forward sale commitments. All derivative financial instruments are recognized on the consolidated balance sheets as other assets or other liabilities at fair value as required by Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities as amended ( FAS 133 ). Regions enters into master netting agreements with counterparties and/or requires collateral based on counterparty credit ratings to cover exposures.

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

The following table presents the fair value of derivative instruments on a gross basis as of March 31, 2009:

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<i>(In millions)</i>				
Derivatives designated as hedging instruments under FAS 133:				
Interest rate swaps	Other assets	\$ 575	Other liabilities	\$ 2
Interest rate options	Other assets	97	Other liabilities	
Eurodollar futures(1)	Other assets		Other liabilities	
Total derivatives designated as hedging instruments under FAS 133		\$ 672		\$ 2
Derivatives not designated as hedging instruments under FAS 133:				
Interest rate swaps	Other assets	\$ 2,373	Other liabilities	\$ 2,264
Interest rate options	Other assets	56	Other liabilities	35
Interest rate futures and forward commitments	Other assets	40	Other liabilities	26
Other contracts	Other assets	5	Other liabilities	4
Total derivatives not designated as hedging instruments under FAS 133		\$ 2,474		\$ 2,329
Total derivatives		\$ 3,146		\$ 2,331

(1) Changes in fair value are cash-settled daily.



**Table of Contents****HEDGING DERIVATIVES**

Derivatives entered into to manage interest rate risk and facilitate asset/liability management strategies are designated as hedging derivatives under FAS 133. Derivative financial instruments that qualify under FAS 133 in a hedging relationship are classified, based on the exposure being hedged, as either fair value or cash flow hedges. The Company formally documents all hedging relationships between hedging instruments and the hedged items, as well as its risk management objective and strategy for entering into various hedge transactions. The Company performs periodic assessments to determine whether the hedging relationship has been highly effective in offsetting changes in fair values or cash flows of hedged items and whether the relationship is expected to continue to be highly effective in the future.

When a hedge is terminated or hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, or because it is probable that the forecasted transaction will not occur by the end of the specified time period, the derivative will continue to be recorded in the consolidated balance sheets at its fair value, with changes in fair value recognized currently in other non-interest income. Any asset or liability that was recorded pursuant to recognition of the firm commitment is removed from the consolidated balance sheets and recognized currently in other non-interest income. 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 income.

The following table presents the effect of derivative instruments on the income statement for the three months ended March 31, 2009:

<b>Derivatives in</b>					
<b>FAS 133 Fair Value</b>			<b>Hedged Items in FAS 133 Fair Value Hedge Relationships</b>		<b>Amount of Gain (Loss) Recognized in Income on Related Hedged Item</b>
<b>Hedging Relationships</b>	<b>Location of Gain (Loss) Recognized in Income on Derivatives</b>	<b>Amount of Gain (Loss) Recognized in Income on Derivatives</b>		<b>Location of Gain (Loss) Recognized in Income on Related Hedged Item</b>	
<i>(In millions)</i>					
Interest rate swaps	Other non-interest expense	\$ (5)	Debt	Other non-interest expense	\$ 5
Interest rate swaps	Interest expense	34	Debt	Interest expense	1
<b>Total</b>		<b>\$ 29</b>			<b>\$ 6</b>

  

<b>Derivatives in FAS 133 Cash Flow Hedging Relationships</b>	<b>Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)(1)</b>	<b>Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</b>	<b>Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)(2)</b>	<b>Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)</b>	<b>Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)(2)</b>
<i>(In millions)</i>					
Interest rate swaps	\$ (17)	Interest income	\$ 64		\$
Interest rate options	(9)	Interest income	33	Interest income	(4)
Eurodollar futures	(3)	Interest income	2		
<b>Total</b>	<b>\$ (29)</b>		<b>\$ 99</b>		<b>\$ (4)</b>

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

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### **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. Hedge ineffectiveness is recognized to the extent the changes in fair value of the derivative do not offset the changes in fair value of the hedged item as other non-interest expense. 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.

Regions enters into interest rate swap agreements to manage interest rate exposure on the Company's fixed-rate borrowings. These agreements involve the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreements. As of March 31, 2009, the total notional amount of the Company's interest rate swaps designated in fair value hedges was \$5.6 billion.

### **CASH FLOW HEDGES**

Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. For cash flow hedge relationships, the effective portion of the gain or loss related to the derivative instrument is recognized as a component of other comprehensive income. Ineffectiveness is measured by comparing the change in fair value of the respective derivative instrument and the change in fair value of a perfectly effective hypothetical derivative instrument. Ineffectiveness will be recognized in earnings only if it results from an overhedge. The ineffective portion of the gain or loss related to the derivative instrument, if any, is recognized in earnings as other non-interest expense during the period of change. Amounts recorded in other comprehensive income are recognized in earnings in the period or periods during which the hedged item impacts earnings.

Regions enters into interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure on prime-based loans. The agreements effectively modify the Company's exposure to interest rate risk by utilizing receive fixed/pay prime interest rate swaps. As of March 31, 2009, the total notional amount of the Company's interest rate swaps designated in cash flow hedges on prime loans was \$3.1 billion.

Regions enters into interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure on LIBOR-based loans. The agreements effectively modify the Company's exposure to interest rate risk by utilizing receive fixed/pay LIBOR interest rate swaps. As of March 31, 2009, the total notional amount of the Company's interest rate swaps hedging cash flows on LIBOR loans was \$4.3 billion.

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. As of March 31, 2009, the total notional amount of the Company's forward-starting swaps was \$1.0 billion.

Regions enters into interest rate option contracts to protect cash flows through the maturity date of the hedging instrument on the designated one-month LIBOR floating-rate loans from adverse extreme market interest rate changes. As of March 31, 2009, the total notional amount of the Company's interest rate options was \$3.5 billion.

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. As of March 31, 2009, the total notional amount of the Company's Eurodollar futures was \$5.0 billion.

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Regions realized an after-tax benefit of \$20.1 million in accumulated other comprehensive income at March 31, 2009, 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 2011. Regions recognized pre-tax income of \$9.3 million during the first quarter of 2009 related to this amortization.

Regions expects to reclassify out of other comprehensive income and into earnings approximately \$242.3 million in pre-tax income due to the receipt of interest payments on all cash flow hedges within the next twelve months. Of this amount, \$24.9 million relates to the amortization of discontinued cash flow hedges. The maximum length of time over which Regions is hedging its exposure to the variability in future cash flows for forecasted transactions is approximately 3 years as of March 31, 2009.

## **TRADING DERIVATIVES**

Derivative contracts that do not qualify for hedge accounting are classified as trading with gains and losses related to the change in fair value recognized in earnings during the period.

The Company also 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 help clients manage market risk. The Company is subject to the credit risk that a counterparty will fail to perform. 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. As of March 31, 2009, the total notional amount of the Company's derivatives trading portfolio was \$67.3 billion.

In the normal course of business, Morgan Keegan enters into underwriting and forward and future commitments on U.S. Government and municipal securities. As of March 31, 2009, the contractual amounts of forward and future commitments was approximately \$8.4 million. The brokerage subsidiary typically settles its position by entering into equal but opposite contracts and, as such, the contract amounts do not necessarily represent future cash requirements. Settlement of the transactions relating to such commitments is not expected to have a material effect on the subsidiary's financial position. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

Regions enters into interest rate lock commitments, which are commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding and the customers have locked into that interest rate. Fair value is based on fees currently charged to enter into similar agreements and, for fixed-rate commitments, considers the difference between current levels of interest rates and the committed rates. At March 31, 2009, Regions had \$1.4 billion in notional amounts of 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. At March 31, 2009, Regions had \$2.5 billion in notional amounts related to these forward rate commitments.

On January 1, 2009, Regions made an election allowed by FAS 156 and began accounting 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 to mitigate the income statement effect of changes in the fair value of its mortgage servicing rights. As of March 31, 2009, the total notional amount related to these forward rate commitments was \$2.1 billion.

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The following table presents information for derivatives not designated as hedging instruments under FAS 133 for the period ended March 31, 2009:

<b>Derivatives Not Designated as Hedging</b>	<b>Location of Gain (Loss) Recognized in Income on Derivatives</b>	<b>Amount of Gain (Loss) Recognized in Income on Derivatives (In millions)</b>
<b>Instruments under FAS 133</b>		
Interest rate swaps	Brokerage income	\$ 43
Interest rate options	Brokerage income	(37)
Interest rate options	Mortgage income	17
Interest rate futures and forward commitments	Brokerage income	(1)
Interest rate futures and forward commitments	Mortgage income	(6)
Other contracts	Brokerage income	1
		<b>\$ 17</b>

Credit risk, defined as all positive exposures not collateralized with cash or other assets, at March 31, 2009, totaled approximately \$1.5 billion. This amount represents the net credit risk on all trading and other derivative positions held by Regions.

**CREDIT DERIVATIVES**

Regions has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Credit derivatives, whereby Regions has purchased credit protection, entitle Regions to receive a payment from the counterparty when the customer fails to make payment on any amounts due to Regions upon early termination of the swap transaction and have maturities between 2012 and 2026. Credit derivatives whereby Regions has sold credit protection have maturities between 2009 and 2015. 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 is approximately \$64.3 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 March 31, 2009, 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 Regions' derivative instruments contain provisions that require Regions' debt to maintain an investment grade credit rating from each of the major credit rating agencies. If Regions' debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on March 31, 2009, was \$726.4 million, for which Regions had posted collateral of \$427.3 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on March 31, 2009, Regions would be required to post an additional \$299.1 million of collateral to its counterparties.

**Table of Contents****NOTE 10 Fair Value Measurements**

Regions adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ), as of January 1, 2008. FAS 157 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). Under FAS 157, 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. FAS 157 requires disclosures that stratify 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.

**ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS**

Trading account assets (net of certain short-term borrowings), securities available for sale, mortgage loans held for sale, mortgage servicing rights, and derivatives are recorded at fair value on a recurring basis.

The following tables present financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and 2008, respectively:

March 31, 2009	Level 1	Level 2	Level 3	Fair Value
	<i>(In millions)</i>			
<b>ASSETS:</b>				
Trading account assets, net	\$ 113	\$ 302	\$ 333	\$ 748
Securities available for sale	1,791	19,090	89	20,970
Mortgage loans held for sale		1,365		1,365
Mortgage servicing rights			161	161
Derivative assets(1)		1,820	30	1,850
<b>LIABILITIES:</b>				
Derivative liabilities(1)		899		899

- (1) Derivative assets and liabilities include approximately \$1.4 billion related to legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivative assets and liabilities are also presented excluding cash collateral received of \$427 million and cash collateral posted of \$100 million with counterparties.

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March 31, 2008	Level 1	Level 2	Level 3	Fair Value
	<i>(In millions)</i>			
<b>ASSETS:</b>				
Trading account assets, net	\$ (114)	\$ 598	\$ 158	\$ 642
Securities available for sale	3,225	14,430	111	17,766
Mortgage loans held for sale		695		695
Derivative assets(1)		2,508	18	2,526
<b>LIABILITIES:</b>				
Derivative liabilities(1)		1,754		1,754

(1) Derivative assets include portfolio netting adjustments of approximately \$3 million, which represent the credit risk resulting from derivative transactions and consider the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions. Derivative assets and liabilities are also presented excluding cash collateral held of \$280 million and cash collateral placed of \$170 million with counterparties.

Assets and liabilities in all levels could result in volatile and material price fluctuations. Realized and unrealized gains and losses on Level 3 assets represent only a portion of the risk to market fluctuations in Regions' consolidated balance sheets. Further, net trading account assets and net derivatives included in Levels 1, 2 and 3 are used by the Asset and Liability Management Committee of the Company in a holistic approach to managing price fluctuation risks.

The following tables illustrate a rollforward for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The table does 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.

<i>(In millions)</i>	<b>Fair Value Measurements Using Significant Unobservable Inputs Three Months Ended March 31, 2009 (Level 3 measurements only)</b>			
	<b>Trading Account Assets, net</b>	<b>Securities Available for Sale</b>	<b>Mortgage Servicing Rights</b>	<b>Net Derivatives</b>
	Beginning balance, January 1, 2009	\$ 275	\$ 95	\$ 161
Total gains (losses) realized and unrealized:				
Included in earnings(1)	70		(19)	3
Included in other comprehensive income				
Purchases and issuances	(30,815)		19	
Settlements	30,719	(6)		(28)
Transfers in and/or out of Level 3, net	84			
Ending balance, March 31, 2009	\$ 333	\$ 89	\$ 161	\$ 30

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

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<i>(In millions)</i>	Fair Value Measurements Using Significant Unobservable Inputs Three Months Ended March 31, 2008 (Level 3 measurements only)		
	Trading Account Assets, net	Securities Available for Sale	Net Derivatives
Beginning balance, January 1, 2008	\$ 109	\$ 73	\$ 8
Total gains (losses) realized and unrealized:			
Included in earnings	(4)		11
Included in other comprehensive income		(8)	
Purchases and issuances	1,408	49	1
Settlements	(1,355)	(3)	(2)
Ending balance, March 31, 2008	\$ 158	\$ 111	\$ 18

The following tables detail the presentation of both realized and unrealized gains and losses recorded in earnings for Level 3 assets:

<i>(In millions)</i>	Total Gains and Losses (Level 3 measurements only) Three Months Ended March 31, 2009		
	Trading Account Assets, net(1)	Mortgage Servicing Rights	Net Derivatives
Classifications of gains (losses) both realized and unrealized included in earnings for the period:			
Brokerage, investment banking and capital markets	\$ 70	\$	\$ (37)
Mortgage income		(19)	40
Total realized and unrealized gains and (losses)	\$ 70	\$ (19)	\$ 3

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

<i>(In millions)</i>	Total Gains and Losses (Level 3 measurements only) Three Months Ended March 31, 2008		
	Trading Account Assets, net	Securities Available for Sale	Net Derivatives
Classifications of gains (losses) both realized and unrealized included in earnings for the period:			
Interest income	\$ 1	\$	\$
Brokerage and investment banking	(5)		
Mortgage income			3
Other income			8
Other comprehensive income		(8)	
Total realized and unrealized gains and (losses)	\$ (4)	\$ (8)	\$ 11



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The following tables detail the presentation of only unrealized gains and losses recorded in earnings for Level 3 assets:

<i>(In millions)</i>	Three Months Ended March 31, 2009		
	Trading Account Assets, net	Mortgage Servicing Rights	Net Derivatives
The amount of total gains and losses for the period included in earnings, attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at March 31, 2009:			
Brokerage, investment banking and capital markets	\$ (1)	\$	\$ 4
Mortgage income			40
Total unrealized gains and (losses)	\$ (1)	\$	\$ 44

<i>(In millions)</i>	Three Months Ended March 31, 2008		
	Trading Account Assets, net	Securities Available for Sale	Net Derivatives
The amount of total gains and losses for the period included in earnings, attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at March 31, 2008:			
Mortgage income	\$	\$	\$ 3
Other income			8
Other comprehensive income		(8)	
Total unrealized gains and (losses)	\$	\$ (8)	\$ 11

**ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS**

From time to time, certain assets may be recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down occurring during the period.

The following table presents the carrying value of those assets measured at fair value on a non-recurring basis, and gains and losses recognized during the period. The carrying values in this table represent only those assets marked to fair value during the quarter ended March 31, 2009. The table does 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.

<i>(In millions)</i>	Carrying Value as of March 31, 2009				Fair value adjustments for the three months ended March 31, 2009
	Level 1	Level 2	Level 3	Total	
Loans held for sale	\$	\$ 60	\$	\$ 60	\$ (31)
Foreclosed property and other real estate		164		164	(27)

**FAIR VALUE OPTION**

Regions adopted Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( FAS 159 ), as of January 1, 2008. FAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. FAS 159 requires the difference between the carrying value before



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election of the fair value option and the fair value of these financial instruments be recorded as an adjustment to beginning retained earnings in the period of adoption. There was no material effect of adoption on the consolidated financial statements.

Regions elected the fair value option for residential mortgage loans held for sale originated after January 1, 2008. This election allows 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 under FAS 133 (R). 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. At March 31, 2009 and 2008, loans held for sale for which the fair value option was elected had an aggregate fair value of \$1.4 billion and \$695 million, respectively, and an aggregate outstanding principal balance of \$1.3 billion and \$686 million, respectively, and were recorded in loans held for sale in the consolidated balance sheets. 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. Net gains (losses) resulting from changes in fair value of these loans of \$19.9 million and \$9.5 million was recorded in mortgage income in the consolidated statements of income during the first three months of 2009 and 2008, 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.

**NOTE 11 Commitments and Contingencies**

**COMMERCIAL COMMITMENTS**

Regions issues off-balance sheet financial instruments in connection with lending activities. The credit risk associated with these instruments is essentially the same as that involved in extending loans to customers and is subject to Regions' normal credit approval policies and procedures. Regions measures inherent risk associated with these instruments by recording a reserve for unf