

REGIONS FINANCIAL CORP
Form 11-K
June 27, 2014
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 001-34034

Regions Financial Corporation 401(k) Plan
Regions Center
1900 Fifth Avenue North
Birmingham, Alabama 35203

(Full title of plan and the address of plan)

Regions Financial Corporation
Regions Center
1900 Fifth Avenue North
Birmingham, Alabama 35203

(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

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Financial Statements and Supplemental Schedule
(Modified Cash Basis)

Regions Financial Corporation 401(k) Plan
For the Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

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Regions Financial Corporation 401(k) Plan
Financial Statements and Supplemental Schedule
(Modified Cash Basis)

For the Years Ended December 31, 2013 and 2012

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Report of Independent Registered Public Accounting Firm

The Benefits Management Committee

Regions Financial Corporation 401(k) Plan

We have audited the accompanying statements of net assets available for benefits (modified cash basis) of the Regions Financial Corporation 401(k) Plan as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits (modified cash basis) for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the financial statements and supplemental schedule have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits (modified cash basis) of the Regions Financial Corporation 401(k) Plan at December 31, 2013 and 2012, and the changes in its net assets available for benefits (modified cash basis) for the years then ended, on the basis of accounting as described in Note 2.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule (modified cash basis) of assets (held at end of year) as of December 31, 2013, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Birmingham, Alabama

June 26, 2014

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Regions Financial Corporation 401(k) Plan

Statements of Net Assets Available for Benefits
(Modified Cash Basis)

	December 31	
	2013	2012
Assets		
Investments, at fair value	\$ 1,318,334,205	\$ 1,039,554,102
Dividends receivable	1,084,489	358,501
Notes receivable from participants	18,421,872	15,494,683
Net assets reflecting investments, at fair value	1,337,840,566	1,055,407,286
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit responsive investment contracts	(1,157,131)	(6,056,084)
Net assets available for benefits	\$ 1,336,683,435	\$ 1,049,351,202

See accompanying notes.

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Regions Financial Corporation 401(k) Plan

Statements of Net Assets Available for Benefits
(Modified Cash Basis)

	Year Ended December 31	
	2013	2012
Additions		
Contributions from employer	\$46,955,475	\$31,236,718
Contributions from participants	66,315,425	59,329,348
Rollovers	8,121,563	4,605,081
Dividend and interest income	26,332,523	39,823,055
Net appreciation in fair value of investments	240,651,058	142,177,348
Total additions, net of investment gains	388,376,044	277,171,550
Deductions		
Payments to participants	100,176,998	83,241,207
Administrative expenses	866,813	667,849
Total deductions	101,043,811	83,909,056
Net increase	287,332,233	193,262,494
Net assets available for benefits:		
Beginning of year	1,049,351,202	856,088,708
End of year	\$1,336,683,435	\$1,049,351,202

See accompanying notes.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements

December 31, 2013 and 2012

1. Description of the Plan

The following description of the Regions Financial Corporation 401(k) Plan (the Plan) provides only general information about the Plan's provisions. Regions Financial Corporation (the Company) is the Plan Sponsor and the Benefits Management Committee is the Plan Administrator. Participants should refer to the Plan document and the Summary Plan Description for a more complete description of the Plan's provisions, copies of which may be obtained from the Plan Sponsor.

General

The Plan is a defined contribution plan covering certain employees of the Company and affiliates. Employees are eligible to participate in the Plan the first day of the payroll period following completion of the enrollment process by the Company. Prior to January 1, 2013, highly compensated employees were required to have one year of service before entering the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Contributions

Each year, participants may contribute up to a total of 80 percent of eligible compensation on a pre-tax and/or Roth after-tax basis, as defined in the Plan document, subject to Internal Revenue Service (IRS) limitations. Participants may also rollover amounts representing distributions from other qualified plans. All employees who are eligible to make elective deferrals and who have attained age 50 before the close of the Plan year are eligible to make catch-up contributions.

The Company matches dollar for dollar on the participants' pre-tax contributions and Roth after-tax contributions, up to 4 percent of total eligible compensation. The matching contribution can be increased to a greater percentage applicable to a plan year at the discretion of the Board of Directors pursuant to a Plan amendment. One year of service is required to be eligible for the Company match.

The employer also contributes an additional employer contribution of 2 percent of eligible compensation for participants who have one year of service, are employed at the end of the year, have 1,000 hours of service in the Plan year, and are not eligible to accrue benefits in the Regions Financial Corporation Retirement Plan.

Upon enrollment, a participant may direct participant contributions and the additional 2 percent employer contribution in 1 percent increments to any of the Plan's fund options. Participants may change their investment elections at any time.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Company matching contributions are initially invested in the Regions Stock Fund and can be redirected by the participants at any time at their discretion.

Participant Accounts

Each participant account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings or losses, and is charged with an allocation of record-keeping expenses.

Allocations are based on participant earnings on account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account less record-keeping expenses (if any) which are charged per participant account. The Plan has an employee stock ownership plan component that allows participants to elect to receive a cash distribution of all of the dividends payable on the shares of Regions Financial Corporation stock allocated to the participants' stock accounts as of the record date. There are no non-participant directed investments within the Plan.

Eligibility and Vesting

All employees other than seasonal or leased employees are eligible to participate in the Plan. Generally, participants are immediately vested in their contributions, the Company contributions and the earnings thereon.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of 50 percent of eligible employee contributions or \$50,000 reduced by the highest outstanding loan balance during the prior twelve-month period. Eligible participant contributions are pre-tax participant contributions, regular after-tax participant contributions, rollover contributions, grandfathered qualified non-elective contributions and Roth after-tax contributions. All loans must be repaid within 5 years. A participant may not have more than one loan outstanding at any point in time. Effective February 15, 2012, participants with a tax levy or garnishment against their wages are not eligible for a Plan loan. The loans are secured by the balance in the participant's account and bear a fixed interest rate of 1 percent above the prime rate, as quoted in The Wall Street Journal. Principal and interest are paid ratably through semi-monthly payroll deductions. Upon termination of employment, a participant has up to 60 days from date of termination to repay the outstanding loan amount. If the loan is not repaid after 60 days, it will automatically be treated as a distribution to the participant.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Payment of Benefits

Upon termination of service, death, disability or retirement, a participant (or his/her beneficiaries) may receive a lump sum amount equal to the vested value of his or her account, or an annual withdrawal. If a participant's vested account balance is \$1,000 or less, it will be paid in the form of a lump sum only. There were no benefit payments requested, approved and processed for payment but not yet disbursed as of December 31, 2013 and 2012, respectively.

In-service withdrawals are available in certain limited circumstances, as defined by the Plan document. Hardship withdrawals are allowed for participants incurring an immediate and heavy financial need, as defined by the Plan document. Hardship withdrawals are strictly regulated by the IRS and a participant must exhaust all available loan options and available distributions prior to requesting a hardship withdrawal.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and the Plan document. In the event of plan termination, non-vested participants become 100 percent vested in their accounts.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The modified cash basis of accounting is an acceptable alternative method of reporting under regulations issued by the Department of Labor. Income on securities is recorded on the accrual basis and investments are recorded at fair value as stated below. All other transactions are recorded on the cash basis.

Payment of Benefits

Benefits are recorded when paid.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be a distribution, the participant's loan balance is reduced and a benefit payment is recorded.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). See Note 4, Fair Value of Financial Instruments, for further discussion and disclosures related to fair value measurements. The shares of mutual funds and common stock in the Regions Stock Fund are valued at quoted market prices in an active market on the last business day of the plan year. The Regions Stock Fund may also hold cash or other short-term securities, although these are expected to be a small percentage of the fund. The Company has implemented a dividend pass through election for its participants.

The Company's Benefits Management Committee is responsible for determining the Plan's valuation policies and analyzing information provided by the investment custodians and issuers that is used to determine the fair value of the Plan's investments. The Benefits Management Committee is comprised of nine voting members and five non-voting members appointed by the Compensation Committee and reports to the Compensation Committee of the Company's Board of Directors.

The Plan's collective investment trust funds include the Pioneer Large Cap Core Equity Trust, the Pioneer US Balanced Trust, multiple T. Rowe Price Retirement Active Trusts, the EB US Small-Mid Cap Growth Equity Fund and the Regions Stable Principal Fund. The fair value of the investments in these collective trust funds is estimated using their net asset value (NAV) per unit.

The Regions Stable Principal Fund distributes income in the form of units, and provides a constant unit redemption value. The Regions Stable Principal Fund invests in fully benefit-responsive investment contracts and is presented at fair value based on its NAV; however, since the investee contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present this Regions Stable Principal Fund at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value represents contributions plus earnings, less participant withdrawals and administrative expenses.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Use of Estimates

The preparation of the financial statements in conformity with the basis of accounting described above requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Legal Contingencies

The Plan is subject to litigation and claims arising during the ordinary course of business and Plan activities. The Plan evaluates these contingencies based on information currently available, including advice of counsel and assessment of available insurance coverage. Although it is not possible to predict the ultimate resolution with respect to these litigation contingencies, management is currently of the opinion that the outcome of pending and threatened litigation would not have a material effect on the Plan's statement of net assets available for benefits or its changes in net assets available for benefits. In pending litigation, the costs of defense are not being borne by the Plan and therefore are not expected to impact the Plan's net assets.

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan's provisions. The Company pays for all legal, accounting and other services on behalf of participants, other than record-keeping fees which are paid for by the Plan. Expenses relating to purchases, sales or transfers of the Plan's investments, if any, are charged to the particular investment fund to which the expenses relate. Fees incurred by the Plan for the investment management services are included in net appreciation in fair value of the investment, as they are paid through revenue sharing, rather than a direct payment. The Plan Sponsor pays directly any other fees related to the Plan's operations.

Subsequent Events

The Plan has evaluated subsequent events through June 26, 2014, the date the financial statements were available to be issued.

3. Investments

During 2013 and 2012, the Plan's investments (including investments purchased, sold, and held during the year) appreciated (depreciated) in fair value as follows:

	Year Ended December 31	
	2013	2012
Regions Stock Fund	\$100,572,530	\$96,859,546
Collective Investment Trust Funds	42,873,464	(16,797)
Mutual Funds	97,205,064	45,334,599
Total	\$240,651,058	\$142,177,348

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Regions Financial Corporation 401(k) Plan

Notes to Financial Statements (continued)

3. Investments (continued)

Individual investments that represent 5 percent or more of the Plan's net assets available for benefits are as follows:

	December 31	
	2013	2012
Regions Stable Principal Fund (at contract value) ^(a)	\$192,855,180	\$180,377,619
Regions Stock Fund	360,585,356	256,238,847
T. Rowe Price Institutional Large Cap Fund	110,980,722	—
Pioneer US Balanced Trust Fund	126,296,901	—