REGIONS FINANCIAL CORP
Form 10-Q
May 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2014
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 001-34034

Regions Financial Corporation
(Exact name of registrant as specified in its charter)

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

(800) 734-4667
(Registrant's telephone number, including area code)
NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ý Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

The number of shares outstanding of each of the issuer's classes of common stock was 1,379,007,243 shares of common stock, par value $.01, outstanding as of May 2, 2014.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, other periodic reports filed by Regions Financial Corporation under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The terms “Regions,” the “Company,” “we,” “us” and “our” mean Regions Financial Corporation, a Delaware corporation, and its subsidiaries when appropriate. The words “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “target “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should,” “can,” and similar expressions often signify forward-lookin statements. Forward-looking statements are not based on historical information, but rather are related to future operations, strategies, financial results or other developments. Forward-looking statements are based on management’s 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:

- Current and future economic and market conditions in the United States generally or in the communities we serve, including the effects of declines in property values, unemployment rates and potential reduction of economic growth.
- Possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations.
- The effects of a possible downgrade in the U.S. government’s sovereign credit rating or outlook.
- Possible changes in market interest rates.
- Any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors.
- Possible changes in the creditworthiness of customers and the possible impairment of the collectability of loans.
- Changes in the speed of loan prepayments, loan origination and sale volumes, charge-offs, loan loss provisions or actual loan losses.
- Possible acceleration of prepayments on mortgage-backed securities due to low interest rates, and the related acceleration of premium amortization on those securities.
- Our ability to effectively compete with other financial services companies, some of whom possess greater financial resources than we do and are subject to different regulatory standards than we are.
- Loss of customer checking and savings account deposits as customers pursue other, higher-yield investments.
- Our ability to develop and gain acceptance from current and prospective customers for new products and services in a timely manner.
- Changes in laws and regulations affecting our businesses, including changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies.
- Our ability to obtain regulatory approval (as part of the CCAR process or otherwise) to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or issue or redeem preferred stock or other regulatory capital instruments.
- Our ability to comply with applicable capital and liquidity requirements (including finalized Basel III capital standards), including our ability to generate capital internally or raise capital on favorable terms.
- The costs and other effects (including reputational harm) of any adverse judicial, administrative, or arbitral rulings or proceedings, regulatory enforcement actions, or other legal actions to which we or any of our subsidiaries are a party.
- Any adverse change to our ability to collect interchange fees in a profitable manner, whether such change is the result of regulation, litigation, legislation, or other governmental action.
- Our ability to manage fluctuations in the value of assets and liabilities and off-balance sheet exposure so as to maintain sufficient capital and liquidity to support our business.
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Possible changes in consumer and business spending and saving habits and the related effect on our ability to increase assets and to attract deposits.

- Any inaccurate or incomplete information provided to us by our customers or counterparties.
- Inability of our framework to manage risks associated with our business, including operational risk and credit risk.
- The inability of our internal disclosure controls and procedures to prevent, detect or mitigate any material errors or fraudulent acts.
- The effects of geopolitical instability, including wars, conflicts and terrorist attacks.
- The effects of man-made and natural disasters, including fires, floods, droughts, tornadoes, hurricanes and environmental damage.
- Our ability to keep pace with technological changes.
- Our ability to identify and address cyber-security risks such as data security breaches, “denial of service” attacks, “hacking” and identity theft.

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- Possible downgrades in our credit ratings or outlook.
- The effects of problems encountered by other financial institutions that adversely affect us or the banking industry generally.
- The effects of the failure of any component of our business infrastructure which is provided by a third party.
- Our ability to receive dividends from our subsidiaries.
- Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.
- The effects of any damage to our reputation resulting from developments related to any of the items identified above.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no obligation to update or revise any forward-looking statements that are made from time to time.

See also the “Forward-Looking Statements” and “Risk Factors” sections of Regions’ Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission.

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

	March 31, 2014	December 31, 2013
	(In millions, except share data)	
Assets		
Cash and due from banks	$2,072	$1,661
Interest-bearing deposits in other banks	3,114	3,612
Federal funds sold and securities purchased under agreements to resell	10	—
Trading account securities	117	111
Securities held to maturity (estimated fair value of $2,294 and $2,307, respectively)	2,317	2,353
Securities available for sale	21,615	21,485
Loans held for sale (includes $344 and $429 measured at fair value, respectively)	395	1,055
Loans, net of unearned income	75,680	74,609
Allowance for loan losses	(1,261)	(1,341)
Net loans	74,419	73,268
Other interest-earning assets	86	86
Premises and equipment, net	2,194	2,216
Interest receivable	316	313
Goodwill	4,816	4,816
Mortgage servicing rights at fair value	288	297
Other identifiable intangible assets	294	295
Other assets	5,880	5,828
Total assets	$117,933	$117,396
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest-bearing	$31,154	$30,083
Interest-bearing	62,239	62,370
Total deposits	93,393	92,453
Borrowed funds:		
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	1,981	2,182
Long-term borrowings	4,226	4,830
Total borrowed funds	6,207	7,012
Other liabilities	2,201	2,163
Total liabilities	101,801	101,628
Stockholders' equity:		
Preferred stock, authorized 10 million shares:		
Series A, non-cumulative perpetual, par value $1.00 (liquidation preference $1,000.00) per share, including related surplus, net of discount; Issued—500,000 shares	442	450
Common stock, par value $.01 per share:		
Authorized 3 billion shares		
	14	14

Issued including treasury stock—1,419,451,253 and 1,419,006,360 shares, respectively		
Additional paid-in capital	19,179	19,216
Retained earnings (deficit)	(1,897)	(2,216)
Treasury stock, at cost—41,264,356 and 41,285,676 shares, respectively	(1,377)	(1,377)
Accumulated other comprehensive income (loss), net	(229)	(319)
Total stockholders' equity	16,132	15,768
Total liabilities and stockholders' equity	$117,933	$117,396

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31	
	2014	2013
	(In millions, except per share data)	
Interest income on:		
Loans, including fees	$732	$743
Securities - taxable	154	156
Loans held for sale	8	9
Trading account securities	2	1
Other interest-earning assets	2	2
Total interest income	898	911
Interest expense on:		
Deposits	27	42
Long-term borrowings	55	71
Total interest expense	82	113
Net interest income	816	798
Provision for loan losses	2	10
Net interest income after provision for loan losses	814	788
Non-interest income:		
Service charges on deposit accounts	173	184
Card and ATM fees	79	76
Mortgage income	40	72
Securities gains (losses), net	2	15
Other	144	154
Total non-interest income	438	501
Non-interest expense:		
Salaries and employee benefits	455	447
Net occupancy expense	93	90
Furniture and equipment expense	70	69
Other	199	236
Total non-interest expense	817	842
Income from continuing operations before income taxes	435	447
Income tax expense	128	114
Income from continuing operations	307	333
Discontinued operations:		
Income from discontinued operations before income taxes	19	4
Income tax expense	7	2
Income from discontinued operations, net of tax	12	2
Net income	$319	$335
Net income from continuing operations available to common shareholders	$299	$325
Net income available to common shareholders	$311	$327
Weighted-average number of shares outstanding:		
Basic	1,378	1,413
Diluted	1,390	1,423
Earnings per common share from continuing operations:		
Basic	$0.22	$0.23

Diluted	0.21	0.23
Earnings per common share:		
Basic	$0.23	$0.23
Diluted	0.22	0.23
Cash dividends declared per common share	0.03	0.01

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2014	2013
	(In millions)	
Net income	$319	$335
Other comprehensive income (loss), net of tax:		
Unrealized losses on securities transferred to held to maturity:		
Unrealized losses on securities transferred to held for maturity during the period (net of zero and zero tax effect, respectively)	—	—
Less: reclassification adjustments for amortization of unrealized losses on securities transferred to held to maturity (net of ($1) and zero tax effect, respectively)	(2)	—
Net change in unrealized losses on securities transferred to held to maturity	2	—
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of $49 and ($43) tax effect, respectively)	79	(68)
Less: reclassification adjustments for securities gains (losses) realized in net income (net of $1 and $5 tax effect, respectively)	1	10
Net change in unrealized gains (losses) on securities available for sale, net of tax	78	(78)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:		
Unrealized holding gains (losses) on derivatives arising during the period (net of $14 and $1 tax effect, respectively)	23	1
Less: reclassification adjustments for gains (losses) realized in net income (net of $11 and $6 tax effect, respectively)	17	9
Net change in unrealized gains (losses) on derivative instruments, net of tax	6	(8)
Defined benefit pension plans and other post employment benefits:		
Net actuarial gains (losses) arising during the period (net of zero and zero tax effect, respectively)	—	(1)
Less: reclassification adjustments for amortization of actuarial loss and prior service cost realized in net income, and other (net of ($2) and ($6) tax effect, respectively)	(4)	(10)
Net change from defined benefit pension plans, net of tax	4	9
Other comprehensive income (loss), net of tax	90	(77)
Comprehensive income	$409	$258

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						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss), Net	Total
	(In millions, except share and per share data)								
BALANCE AT JANUARY 1, 2013	1	$ 482	1,413	$ 15	$ 19,652	$ (3,338)	$ (1,377)	$ 65	$ 15,499
Net income	—	—	—	—	—	335	—	—	335
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(78)	(78)
Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment	—	—	—	—	—	—	—	(8)	(8)
Net change from defined benefit pension plans, net of tax	—	—	—	—	—	—	—	9	9
Cash dividends declared—$0.01 per share	—	—	—	—	(14)	—	—	—	(14)
Series A preferred stock dividends	—	(8)	—	—	—	—	—	—	(8)
Common stock transactions:									
Impact of stock transactions under compensation plans, net	—	—	—	—	5	—	—	—	5
BALANCE AT MARCH 31, 2013	1	$ 474	1,413	$ 15	$ 19,643	$ (3,003)	$ (1,377)	$ (12)	$ 15,740
BALANCE AT JANUARY 1, 2014	1	$ 450	1,378	$ 14	$ 19,216	$ (2,216)	$ (1,377)	$ (319)	$ 15,768
Net income	—	—	—	—	—	319	—	—	319
Amortization of unrealized losses on securities transferred to held to maturity, net of tax	—	—	—	—	—	—	—	2	2
Net change in unrealized gains and losses on securities available for sale, net of tax and reclassification adjustment	—	—	—	—	—	—	—	78	78
	—	—	—	—	—	—	—	6	6

Net change in unrealized gains and losses on derivative instruments, net of tax and reclassification adjustment									
Net change from defined benefit pension plans, net of tax	—	—	—	—	—	—	—	4	4
Cash dividends declared—$0.03 per share	—	—	—	—	(41)	—	—	—	(41)
Series A preferred stock dividends	—	(8)	—	—	—	—	—	—	(8)
Common stock transactions:									
Impact of share repurchase	—	—	(1)	—	(8)	—	—	—	(8)
Impact of stock transactions under compensation plans, net	—	—	1	—	12	—	—	—	12
BALANCE AT MARCH 31, 2014	1	$ 442	1,378	$ 14	$ 19,179	$(1,897)	$(1,377)	$ (229)	$16,132

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2014	2013
	(In millions)	
Operating activities:		
Net income	$319	$335
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	2	10
Depreciation, amortization and accretion, net	122	171
Provision for losses on other real estate, net	—	3
Securities (gains) losses, net	(2)	(15)
Deferred income tax expense	115	121
Originations and purchases of loans held for sale	(511)	(1,247)
Proceeds from sales of loans held for sale	640	1,567
Gain on TDRs held for sale, net	(35)	—
(Gain) loss on sale of loans, net	(7)	(43)
Net change in operating assets and liabilities:		
Trading account securities	(6)	(5)
Other interest-earning assets	—	798
Interest receivable	(3)	(22)
Other assets	(250)	226
Other liabilities	36	(758)
Other	1	(11)
Net cash from operating activities	421	1,130
Investing activities:		
Proceeds from sales of securities available for sale	185	388
Proceeds from maturities of securities held to maturity	36	2
Proceeds from maturities of securities available for sale	711	1,765
Purchases of securities available for sale	(846)	(2,527)
Proceeds from sales of loans	580	48
Purchases of loans	(246)	(220)
Net change in loans	(963)	(2)
Net purchases of premises and equipment	(37)	(33)
Net cash from investing activities	(580)	(579)
Financing activities:		
Net change in deposits	940	(1,341)
Net change in short-term borrowings	(201)	256
Payments on long-term borrowings	(600)	—
Cash dividends on common stock	(41)	(14)
Cash dividends on preferred stock	(8)	(8)
Repurchase of common stock	(8)	—
Net cash from financing activities	82	(1,107)
Net change in cash and cash equivalents	(77)	(556)
Cash and cash equivalents at beginning of year	5,273	5,489
Cash and cash equivalents at end of period	$5,196	$4,933

See notes to consolidated financial statements.

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REGIONS FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three Months Ended March 31, 2014 and 2013

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 certain of those regulatory authorities.

The accounting and reporting policies of Regions and the methods of applying those policies that materially affect the consolidated financial statements conform with accounting principles generally accepted in the United States ("GAAP") and with general financial services industry practices. The accompanying interim financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes to the consolidated financial statements necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows in conformity with GAAP. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the consolidated financial statements have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Regions' Form 10-K for the year ended December 31, 2013. Regions has evaluated all subsequent events for potential recognition and disclosure through the filing date of this Form 10-Q.

On January 11, 2012, Regions entered into an agreement to sell Morgan Keegan & Company, Inc. ("Morgan Keegan") and related affiliates. The transaction closed on April 2, 2012. See Note 2 and Note 14 for further details. Results of operations for the entities sold are presented separately as discontinued operations for all periods presented on the consolidated statements of income. This presentation is consistent with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2013.

Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation. For example, the "card and ATM fees" line item on the consolidated statements of income represents the combined amounts of credit card/bank card income and debit card and ATM related revenue. Debit card and ATM related revenue was previously included in the "service charges on deposit accounts" line item. Credit card/bank card income was previously included in the "other" non-interest income line item. These reclassifications are immaterial and have no effect on net income, comprehensive income, total assets or total stockholders' equity as previously reported.

NOTE 2. DISCONTINUED OPERATIONS

On January 11, 2012, Regions entered into a stock purchase agreement to sell Morgan Keegan and related affiliates to Raymond James Financial, Inc. ("Raymond James"). The transaction closed on April 2, 2012. Regions Investment Management, Inc. (formerly known as Morgan Asset Management, Inc.) and Regions Trust were not included in the sale. In connection with the closing of the sale, Regions agreed to indemnify Raymond James for all litigation matters related to pre-closing activities. See Note 14 for related disclosure.

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The following table represents the condensed results of operations for discontinued operations:

	Three Months Ended March 31 2014	2013
	(In millions, except per share data)	
Non-interest expense:		
Professional and legal expenses	$(19)	$(5)
Other	—	1
Total non-interest expense	(19)	(4)
Income from discontinued operations before income taxes	19	4
Income tax expense	7	2
Income from discontinued operations, net of tax	$12	$2
Earnings per common share from discontinued operations:		
Basic	$0.01	$0.00
Diluted	$0.01	$0.00

NOTE 3. SECURITIES

The amortized cost, gross unrealized gains and losses, and estimated fair value of securities held to maturity and securities available for sale are as follows:

	March 31, 2014						
		Recognized in OCI [1]			Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$—	$1	$—	$—	$1
Federal agency securities	351	—	(14)	337	—	—	337
Mortgage-backed securities:							
Residential agency	1,840	—	(79)	1,761	—	(17)	1,744
Commercial agency	226	—	(8)	218	—	(6)	212
	$2,418	$—	$(101)	$2,317	$—	$(23)	$2,294
Securities available for sale:							
U.S. Treasury securities	$57	$—	$—	$57			$57
Federal agency securities	81	1	—	82			82
Obligations of states and political subdivisions	4	—	—	4			4
Mortgage-backed securities:							
Residential agency	15,498	209	(121)	15,586			15,586
Residential non-agency	8	1	—	9			9
Commercial agency	1,125	6	(13)	1,118			1,118
Commercial non-agency	1,264	13	(23)	1,254			1,254
Corporate and other debt securities	2,838	51	(44)	2,845			2,845
Equity securities	648	12	—	660			660
	$21,523	$293	$(201)	$21,615			$21,615

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(1) The gross unrealized losses recognized in other comprehensive income (OCI) on held to maturity securities resulted from a transfer of available for sale securities to held to maturity in the second quarter of 2013.

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	December 31, 2013						
		Recognized in OCI (1)			Not recognized in OCI		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In millions)						
Securities held to maturity:							
U.S. Treasury securities	$1	$—	$—	$1	$—	$—	$1
Federal agency securities	351	—	(15)	336	—	(3)	333
Mortgage-backed securities:							
Residential agency	1,878	—	(81)	1,797	—	(37)	1,760
Commercial agency	227	—	(8)	219	—	(6)	213
	$2,457	$—	$(104)	$2,353	$—	$(46)	$2,307
Securities available for sale:							
U.S. Treasury securities	$56	$—	$—	$56			$56
Federal agency securities	88	1	—	89			89
Obligations of states and political subdivisions	5	—	—	5			5
Mortgage-backed securities:							
Residential agency	15,664	183	(170)	15,677			15,677
Residential non-agency	8	1	—	9			9
Commercial agency	947	4	(16)	935			935
Commercial non-agency	1,232	12	(33)	1,211			1,211
Corporate and other debt securities	2,855	44	(72)	2,827			2,827
Equity securities	664	12	—	676			676
	$21,519	$257	$(291)	$21,485			$21,485

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(1) The gross unrealized losses recognized in other comprehensive income (OCI) on held to maturity securities resulted from a transfer of available for sale securities to held to maturity in the second quarter of 2013.

During the second quarter of 2013, Regions transferred securities with a fair value of $2.4 billion from available for sale to held to maturity. Management determined it has both the positive intent and ability to hold these securities to maturity. The securities were reclassified at fair value at the time of transfer and represented a non-cash transaction. Accumulated other comprehensive income included net pre-tax unrealized losses of $111 million on the securities at the date of transfer. These unrealized losses and the offsetting OCI components are being amortized into net interest income over the remaining life of the related securities as a yield adjustment, resulting in no impact on future net income.

Equity securities in the tables above included the following amortized cost related to Federal Reserve Bank stock and Federal Home Loan Bank ("FHLB") stock. Shares in the Federal Reserve Bank and FHLB are accounted for at amortized cost, which approximates fair value.

	March 31, 2014	December 31, 2013
	(In millions)	
Federal Reserve Bank	$472	$472
Federal Home Loan Bank	34	67

Securities with carrying values of $12.7 billion and $12.5 billion at March 31, 2014 and December 31, 2013, respectively, were pledged to secure public funds, trust deposits and certain borrowing arrangements.

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at March 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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	Amortized Cost	Estimated Fair Value
	(In millions)	
Securities held to maturity:		
Due in one year or less	$1	$1
Due after one year through five years	1	1
Due after five years through ten years	350	336
Mortgage-backed securities:		
Residential agency	1,840	1,744
Commercial agency	226	212
	$2,418	$2,294
Securities available for sale:		
Due in one year or less	$74	$75
Due after one year through five years	1,080	1,098
Due after five years through ten years	1,440	1,421
Due after ten years	386	394
Mortgage-backed securities:		
Residential agency	15,498	15,586
Residential non-agency	8	9
Commercial agency	1,125	1,118
Commercial non-agency	1,264	1,254
Equity securities	648	660
	$21,523	$21,615

The following tables present gross unrealized losses and the related estimated fair value of securities available for sale and held to maturity at March 31, 2014 and December 31, 2013. For securities transferred to held to maturity from available for sale, the analysis in the tables below is comparing the securities' original amortized cost to its current estimated fair value. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more.

	March 31, 2014					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	$192	$(8)	$144	$(6)	$336	$(14)
Mortgage-backed securities:						
Residential agency	941	(50)	801	(45)	1,742	(95)
Commercial agency	165	(11)	46	(4)	211	(15)
	$1,298	$(69)	$991	$(55)	$2,289	$(124)
Securities available for sale:						
U.S. Treasury securities	$11	$—	$4	$—	$15	$—
Federal agency securities	—	—	10	—	10	—
Mortgage-backed securities:						
Residential agency	5,825	(114)	291	(8)	6,116	(122)
Commercial agency	635	(12)	—	—	635	(12)

Commercial non-agency	546	(17)	146	(6)	692	(23)
All other securities	1,087	(30)	262	(14)	1,349	(44)
	$8,104	$(173)	$713	$(28)	$8,817	$(201)

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	December 31, 2013					
	Less Than Twelve Months		Twelve Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Securities held to maturity:						
Federal agency securities	$190	$(9)	$142	$(8)	$332	$(17)
Mortgage-backed securities:						
Residential agency	1,236	(77)	521	(41)	1,757	(118)
Commercial agency	212	(15)	—	—	212	(15)
	$1,638	$(101)	$663	$(49)	$2,301	$(150)
Securities available for sale:						
U.S. Treasury securities	$15	$—	$1	$—	$16	$—
Federal agency securities	3	—	9	—	12	—
Mortgage-backed securities:						
Residential agency	6,153	(161)	270	(9)	6,423	(170)
Commercial agency	610	(17)	—	—	610	(17)
Commercial non-agency	711	(30)	62	(3)	773	(33)
All other securities	1,422	(58)	209	(13)	1,631	(71)
	$8,914	$(266)	$551	$(25)	$9,465	$(291)

The number of individual securities in an unrealized loss position in the tables above decreased from 1,052 at December 31, 2013 to 936 at March 31, 2014. The decrease in the number of securities and the total amount of unrealized losses from year-end 2013 was primarily due to changes in interest rates. In the instances where an unrealized loss did occur, there was no indication of an adverse change in credit on any of the underlying securities in the tables above. Management believes no individual unrealized loss represented an other-than-temporary impairment as of those dates. The Company does not intend to sell, and it is not more likely than not that the Company will be required to sell, the securities before the recovery of their amortized cost basis, which may be at maturity.

Gross realized gains and gross realized losses on sales of securities available for sale are shown in the table below. The cost of securities sold is based on the specific identification method.

	Three Months Ended March 31	
	2014	2013
	(In millions)	
Gross realized gains	$3	$16
Gross realized losses	(1)	(1)
Securities gains, net	$2	$15

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NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

LOANS

The following table presents the distribution of Regions' loan portfolio by segment and class, net of unearned income:

	March 31, 2014	December 31, 2013
	(In millions, net of unearned income)	
Commercial and industrial	$30,466	$29,413
Commercial real estate mortgage—owner-occupied	9,257	9,495
Commercial real estate construction—owner-occupied	375	310
Total commercial	40,098	39,218
Commercial investor real estate mortgage	5,338	5,318
Commercial investor real estate construction	1,654	1,432
Total investor real estate	6,992	6,750
Residential first mortgage	12,136	12,163
Home equity	11,148	11,294
Indirect	3,253	3,075
Consumer credit card	917	948
Other consumer	1,136	1,161
Total consumer	28,590	28,641
	$75,680	$74,609

During the three months ended March 31, 2014 and 2013, Regions purchased approximately $246 million and $220 million, respectively, in indirect loans from a third party.

At March 31, 2014, $13.6 billion in loans held by Regions were pledged to secure borrowings from the FHLB. At March 31, 2014, an additional $29.1 billion of loans held by Regions were pledged to the Federal Reserve Bank.

ALLOWANCE FOR CREDIT LOSSES

Regions determines the appropriate level of the allowance on at least a quarterly basis. Refer to Note 1 “Summary of Significant Accounting Policies” to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2013, for a description of the methodology.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

The following tables present analyses of the allowance for credit losses by portfolio segment for the three months ended March 31, 2014 and 2013. The total allowance for loan losses and the related loan portfolio ending balances as of March 31, 2014 and 2013 are disaggregated to detail the amounts derived through individual evaluation and collective evaluation for impairment. Prior to the second quarter of 2013, only impaired loans with the amount of impairment measured at a note-level (i.e. non-accrual commercial and investor real-estate loans greater than or equal to $2.5 million) were reported as individually evaluated in the tables below. In the second quarter of 2013, Regions revised its presentation to also reflect all TDRs as individually evaluated for impairment. The allowance for loan losses and the loan portfolio ending balances related to collectively evaluated loans included the remainder of the portfolio. Prior period amounts were reclassified to conform to this presentation.

Beginning in the third quarter of 2013, Regions revised its estimation process for non-accrual commercial and investor real-estate loans less than $2.5 million to utilize the same discounted cash flow analysis used for accruing and non-accruing TDRs less than $2.5 million described in Note 1 “Summary of Significant Accounting Policies” to the Annual Report on Form 10-K for the year ended December 31, 2013. This change in the estimation process did not have a material impact to the overall level of the allowance for loan losses or the provision for loan losses. As a result, the March 31, 2014 allowance for loan losses and the loan portfolio ending balances for loans individually evaluated for impairment reflect this revision in the tables below.

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	Three Months Ended March 31, 2014			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2014	$711	$236	$394	$1,341
Provision (credit) for loan losses	5	(27)	24	2
Loan losses:				
Charge-offs	(41)	(9)	(74)	(124)
Recoveries	17	8	17	42
Net loan losses	(24)	(1)	(57)	(82)
Allowance for loan losses, March 31, 2014	692	208	361	1,261
Reserve for unfunded credit commitments, January 1, 2014	63	12	3	78
Provision (credit) for unfunded credit losses	—	(1)	1	—
Reserve for unfunded credit commitments, March 31, 2014	63	11	4	78
Allowance for credit losses, March 31, 2014	$755	$219	$365	$1,339
Portion of ending allowance for loan losses:				
Individually evaluated for impairment	$223	$98	$90	$411
Collectively evaluated for impairment	469	110	271	850
Total allowance for loan losses	$692	$208	$361	$1,261
Portion of loan portfolio ending balance:				
Individually evaluated for impairment	$1,006	$676	$869	$2,551
Collectively evaluated for impairment	39,092	6,316	27,721	73,129
Total loans evaluated for impairment	$40,098	$6,992	$28,590	$75,680

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	Three Months Ended March 31, 2013			
	Commercial	Investor Real Estate	Consumer	Total
	(In millions)			
Allowance for loan losses, January 1, 2013	$847	$469	$603	$1,919
Provision (credit) for loan losses	17	(31)	24	10
Loan losses:				
Charge-offs	(99)	(23)	(102)	(224)
Recoveries	17	9	18	44
Net loan losses	(82)	(14)	(84)	(180)
Allowance for loan losses, March 31, 2013	782	424	543	1,749
Reserve for unfunded credit commitments, January 1, 2013	69	10	4	83
Provision for unfunded credit losses	5	—	—	5
Reserve for unfunded credit commitments, March 31, 2013	74	10	4	88
Allowance for credit losses, March 31, 2013	$856	$434	$547	$1,837
Portion of ending allowance for loan losses:				
Individually evaluated for impairment*	$189	$185	$185	$559
Collectively evaluated for impairment*	593	239	358	1,190
Total allowance for loan losses	$782	$424	$543	$1,749
Portion of loan portfolio ending balance:				
Individually evaluated for impairment*	$1,001	$1,172	$1,642	$3,815
Collectively evaluated for impairment*	36,738	6,150	27,233	70,121
Total loans evaluated for impairment	$37,739	$7,322	$28,875	$73,936

*As discussed above, prior period amounts have been reclassified to conform to the current period classification.

PORTFOLIO SEGMENT RISK FACTORS

The following describe the risk characteristics relevant to each of the portfolio segments.

Commercial—The commercial loan portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases or other expansion projects. Commercial also includes owner-occupied commercial real estate loans to operating businesses, which are loans for long-term financing of land and buildings, and are repaid by cash flow generated by business operations. Owner-occupied construction loans are made to commercial businesses for the development of land or construction of a building where the repayment is derived from revenues generated from the business of the borrower. Collection risk in this portfolio is driven by the creditworthiness of underlying borrowers, particularly cash flow from customers' business operations.

Investor Real Estate—Loans for real estate development are repaid through cash flow related to the operation, sale or refinance of the property. This portfolio segment includes extensions of credit to real estate developers or investors where repayment is dependent on the sale of real estate or income generated from the real estate collateral. A portion of Regions' investor real estate portfolio segment is comprised of loans secured by residential product types (land, single-family and condominium loans) within Regions' markets. Additionally, these loans are made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail shopping centers. Loans in this portfolio segment are particularly sensitive to valuation of real estate.

Consumer—The consumer loan portfolio segment includes residential first mortgage, home equity, indirect, consumer credit card, and other consumer loans. Residential first mortgage loans represent loans to consumers to finance a residence. These loans are typically financed over a 15 to 30 year term and, in most cases, are extended to borrowers to finance their primary residence. Home equity lending includes both home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Real estate market values as of the time the loan or line is secured directly affect the amount of credit extended and, in addition, changes in these values impact the depth of potential losses. Indirect lending, which is lending initiated through third-party business partners, is largely comprised of loans made through automotive dealerships. Consumer credit card includes Regions branded consumer credit card accounts.

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Other consumer loans include direct consumer installment loans and overdrafts. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

CREDIT QUALITY INDICATORS

The following tables present credit quality indicators for the loan portfolio segments and classes, excluding loans held for sale, as of March 31, 2014 and December 31, 2013. Commercial and investor real estate loan portfolio segments are detailed by categories related to underlying credit quality and probability of default. Regions assigns these categories at loan origination and reviews the relationship utilizing a risk-based approach on, at minimum, an annual basis or at any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. Both quantitative and qualitative factors are considered in this review process. These categories are utilized to develop the associated allowance for credit losses.

- Pass—includes obligations where the probability of default is considered low;
- Special Mention—includes obligations that have potential weakness which may, if not reversed or corrected, weaken the credit or inadequately protect the Company's position at some future date. Obligations in this category may also be subject to economic or market conditions which may, in the future, have an adverse effect on debt service ability;
- Substandard Accrual—includes obligations that exhibit a well-defined weakness which presently jeopardizes debt repayment, even though they are currently performing. These obligations are characterized by the distinct possibility that the Company may incur a loss in the future if these weaknesses are not corrected;
- Non-accrual—includes obligations where management has determined that full payment of principal and interest is in doubt.

Substandard accrual and non-accrual loans are often collectively referred to as "classified." Special mention, substandard accrual, and non-accrual loans are often collectively referred to as "criticized and classified." Classes in the consumer portfolio segment are disaggregated by accrual status.

	March 31, 2014				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$29,289	$501	$396	$280	$30,466
Commercial real estate mortgage—owner-occupied	8,356	237	357	307	9,257
Commercial real estate construction—owner-occupied	350	6	3	16	375
Total commercial	$37,995	$744	$756	$603	$40,098
Commercial investor real estate mortgage	$4,558	$269	$302	$209	$5,338
Commercial investor real estate construction	1,556	54	36	8	1,654
Total investor real estate	$6,114	$323	$338	$217	$6,992

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,000	$136	$12,136
Home equity	11,034	114	11,148
Indirect	3,253	—	3,253
Consumer credit card	917	—	917
Other consumer	1,136	—	1,136
Total consumer	$28,340	$250	$28,590
			$75,680

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	December 31, 2013				
	Pass	Special Mention	Substandard Accrual	Non-accrual	Total
	(In millions)				
Commercial and industrial	$28,282	$395	$479	$257	$29,413
Commercial real estate mortgage—owner-occupied	8,593	191	408	303	9,495
Commercial real estate construction—owner-occupied	264	25	4	17	310
Total commercial	$37,139	$611	$891	$577	$39,218
Commercial investor real estate mortgage	$4,479	$269	$332	$238	$5,318
Commercial investor real estate construction	1,335	47	40	10	1,432
Total investor real estate	$5,814	$316	$372	$248	$6,750

	Accrual	Non-accrual	Total
	(In millions)		
Residential first mortgage	$12,017	$146	$12,163
Home equity	11,183	111	11,294
Indirect	3,075	—	3,075
Consumer credit card	948	—	948
Other consumer	1,161	—	1,161
Total consumer	$28,384	$257	$28,641
			$74,609

AGING ANALYSIS

The following tables include an aging analysis of days past due (DPD) for each portfolio segment and class as of March 31, 2014 and December 31, 2013:

	March 31, 2014						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$17	$10	$7	$34	$30,186	$280	$30,466
Commercial real estate mortgage—owner-occupied	22	15	3	40	8,950	307	9,257
Commercial real estate construction—owner-occupied	—	—	—	—	359	16	375
Total commercial	39	25	10	74	39,495	603	40,098
Commercial investor real estate mortgage	53	22	2	77	5,129	209	5,338
Commercial investor real estate construction	2	—	—	2	1,646	8	1,654
Total investor real estate	55	22	2	79	6,775	217	6,992
Residential first mortgage	103	59	248	410	12,000	136	12,136
Home equity	78	45	71	194	11,034	114	11,148
Indirect	34	8	5	47	3,253	—	3,253
Consumer credit card	6	5	12	23	917	—	917

Other consumer	13	3	3	19	1,136	—	1,136
Total consumer	234	120	339	693	28,340	250	28,590
	$328	$167	$351	$846	$74,610	$1,070	$75,680

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	December 31, 2013						
	Accrual Loans						
	30-59 DPD	60-89 DPD	90+ DPD	Total 30+ DPD	Total Accrual	Non-accrual	Total
	(In millions)						
Commercial and industrial	$29	$14	$6	$49	$29,156	$257	$29,413
Commercial real estate mortgage—owner-occupied	30	26	6	62	9,192	303	9,495
Commercial real estate construction—owner-occupied	—	—	—	—	293	17	310
Total commercial	59	40	12	111	38,641	577	39,218
Commercial investor real estate mortgage	29	6	6	41	5,080	238	5,318
Commercial investor real estate construction	4	1	—	5	1,422	10	1,432
Total investor real estate	33	7	6	46	6,502	248	6,750
Residential first mortgage	130	74	248	452	12,017	146	12,163
Home equity	95	51	75	221	11,183	111	11,294
Indirect	39	11	5	55	3,075	—	3,075
Consumer credit card	8	5	12	25	948	—	948
Other consumer	14	5	4	23	1,161	—	1,161
Total consumer	286	146	344	776	28,384	257	28,641
	$378	$193	$362	$933	$73,527	$1,082	$74,609

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IMPAIRED LOANS

The following tables present details related to the Company's impaired loans as of March 31, 2014 and December 31, 2013. Loans deemed to be impaired include all non-accrual commercial and investor real estate loans (including those less than $2.5 million), excluding leases, and all troubled debt restructurings ("TDRs"). Loans which have been fully charged-off do not appear in the tables below.

	Non-accrual Impaired Loans As of March 31, 2014						
			Book Value[3]				
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]
	(Dollars in millions)						
Commercial and industrial	$286	$30	$256	$89	$167	$74	36.4 %
Commercial real estate mortgage—owner-occupied	346	39	307	42	265	93	38.2
Commercial real estate construction—owner-occupied	17	1	16	—	16	6	41.2
Total commercial	649	70	579	131	448	173	37.4
Commercial investor real estate mortgage	272	63	209	37	172	54	43.0
Commercial investor real estate construction	11	3	8	—	8	3	54.5
Total investor real estate	283	66	217	37	180	57	43.5
Residential first mortgage	103	34	69	—	69	11	43.7
Home equity	19	—	19	—	19	1	5.3
Total consumer	122	34	88	—	88	12	37.7
	$1,054	$170	$884	$168	$716	$242	39.1 %

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	Accruing Impaired Loans As of March 31, 2014					
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Book Value[3]	Related Allowance for Loan Losses	Coverage %[4]	
	(Dollars in millions)					
Commercial and industrial	$203	$3	$200	$27	14.8	%
Commercial real estate mortgage—owner-occupied	209	7	202	22	13.9	
Commercial real estate construction—owner-occupied	25	—	25	1	4.0	
Total commercial	437	10	427	50	13.7	
Commercial investor real estate mortgage	394	10	384	34	11.2	
Commercial investor real estate construction	75	—	75	7	9.3	
Total investor real estate	469	10	459	41	10.9	
Residential first mortgage	395	7	388	59	16.7	
Home equity	367	—	367	19	5.2	
Indirect	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	23	—	23	—	—	
Total consumer	788	7	781	78	10.8	
	$1,694	$27	$1,667	$169	11.6	%

	Total Impaired Loans As of March 31, 2014							
			Book Value[3]					
	Unpaid Principal Balance[1]	Charge-offs and Payments Applied[2]	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %[4]	
	(Dollars in millions)							
Commercial and industrial	$489	$33	$456	$89	$367	$101	27.4	%
Commercial real estate mortgage—owner-occupied	555	46	509	42	467	115	29.0	
Commercial real estate construction—owner-occupied	42	1	41	—	41	7	19.0	
Total commercial	1,086	80	1,006	131	875	223	27.9	
Commercial investor real estate mortgage	666	73	593	37	556	88	24.2	
Commercial investor real estate construction	86	3	83	—	83	10	15.1	
Total investor real estate	752	76	676	37	639	98	23.1	
Residential first mortgage	498	41	457	—	457	70	22.3	
Home equity	386	—	386	—	386	20	5.2	
Indirect	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	23	—	23	—	23	—	—	

Total consumer	910	41	869	—	869	90	14.4	
	$2,748	$ 197	$2,551	$ 168	$2,383	$411	22.1	%

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(1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.
(2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.
(3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.
(4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.

	Non-accrual Impaired Loans As of December 31, 2013							
			Book Value(3)					
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Total Impaired Loans on Non-accrual Status	Impaired Loans on Non-accrual Status with No Related Allowance	Impaired Loans on Non-accrual Status with Related Allowance	Related Allowance for Loan Losses	Coverage %(4)	
	(Dollars in millions)							
Commercial and industrial	$280	$48	$232	$45	$187	$72	42.9	%
Commercial real estate mortgage—owner-occupied	343	40	303	54	249	92	38.5	
Commercial real estate construction—owner-occupied	17	—	17	—	17	8	47.1	
Total commercial	640	88	552	99	453	172	40.6	
Commercial investor real estate mortgage	306	68	238	17	221	68	44.4	
Commercial investor real estate construction	15	5	10	—	10	3	53.3	
Total investor real estate	321	73	248	17	231	71	44.9	
Residential first mortgage	112	37	75	—	75	12	43.8	
Home equity	17	—	17	—	17	1	5.9	
Total consumer	129	37	92	—	92	13	38.8	
	$1,090	$198	$892	$116	$776	$256	41.7	%

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	Accruing Impaired Loans As of December 31, 2013					
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Book Value(3)	Related Allowance for Loan Losses	Coverage %(4)	
	(Dollars in millions)					
Commercial and industrial	$245	$2	$243	$34	14.7	%
Commercial real estate mortgage—owner-occupied	209	7	202	23	14.4	
Commercial real estate construction—owner-occupied	25	—	25	1	4.0	
Total commercial	479	9	470	58	14.0	
Commercial investor real estate mortgage	435	11	424	39	11.5	
Commercial investor real estate construction	89	—	89	8	9.0	
Total investor real estate	524	11	513	47	11.1	
Residential first mortgage	397	8	389	60	17.1	
Home equity	373	—	373	24	6.4	
Indirect	1	—	1	—	—	
Consumer credit card	2	—	2	—	—	
Other consumer	26	—	26	1	3.8	
Total consumer	799	8	791	85	11.6	
	$1,802	$28	$1,774	$190	12.1	%

	Total Impaired Loans As of December 31, 2013							
			Book Value(3)					
	Unpaid Principal Balance(1)	Charge-offs and Payments Applied(2)	Total Impaired Loans	Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Related Allowance for Loan Losses	Coverage %(4)	
	(Dollars in millions)							
Commercial and industrial	$525	$ 50	$475	$ 45	$430	$ 106	29.7	%
Commercial real estate mortgage—owner-occupied	552	47	505	54	451	115	29.3	
Commercial real estate construction—owner-occupied	42	—	42	—	42	9	21.4	
Total commercial	1,119	97	1,022	99	923	230	29.2	
Commercial investor real estate mortgage	741	79	662	17	645	107	25.1	
Commercial investor real estate construction	104	5	99	—	99	11	15.4	
Total investor real estate	845	84	761	17	744	118	23.9	
Residential first mortgage	509	45	464	—	464	72	23.0	
Home equity	390	—	390	—	390	25	6.4	
Indirect	1	—	1	—	1	—	—	
Consumer credit card	2	—	2	—	2	—	—	
Other consumer	26	—	26	—	26	1	3.8	
Total consumer	928	45	883	—	883	98	15.4	

$2,892	$226	$2,666	$116	$2,550	$446	23.2	%

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(1) Unpaid principal balance represents the contractual obligation due from the customer and includes the net book value plus charge-offs and payments applied.

(2) Charge-offs and payments applied represents cumulative partial charge-offs taken, as well as interest payments received that have been applied against the outstanding principal balance.

(3) Book value represents the unpaid principal balance less charge-offs and payments applied; it is shown before any allowance for loan losses.

(4) Coverage % represents charge-offs and payments applied plus the related allowance as a percent of the unpaid principal balance.

The following table presents the average balances of total impaired loans and interest income for the three months ended March 31, 2014 and 2013. Interest income recognized represents interest on accruing loans modified in a TDR. TDRs are considered impaired loans.

	Three Months Ended March 31			
	2014		2013	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
	(In millions)			
Commercial and industrial				