CITIZENS FINANCIAL GROUP INC/RI
Form 10-Q
May 08, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended
March 31, 2015

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From
(Not Applicable)
Commission File Number 001-36636
CITIZENS FINANCIAL GROUP, INC.
(Exact name of the registrant as specified in its charter)

Delaware	05-0412693
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

One Citizens Plaza, Providence, RI 02903
(Address of principal executive offices, including zip code)

(401) 456-7000
(Registrant's telephone number, including area code)

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 and (2) has been subject to such filing requirements for the past 90 days.
[X] 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).
[X] 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:

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer (Do not check if a smaller reporting company) [X] 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 [X] No

There were 537,022,384 shares of Registrant’s common stock ($0.01 par value) outstanding on May 1, 2015.

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CITIZENS FINANCIAL GROUP, INC.

GLOSSARY OF ACRONYMS AND TERMS

The following listing provides a comprehensive reference of common acronyms and terms we regularly use in our financial reporting:

AFS	Available for Sale
ALLL	Allowance for Loan and Lease Losses
AOCI	Accumulated Other Comprehensive Income
ASU	Accounting Standards Update
ATM	Automatic Teller Machine
BHC	Bank Holding Company
bps	Basis Points
C&I	Commercial and Industrial
Capital Plan Rule	Federal Reserve's Regulation Y Capital Plan Rule
CBNA	Citizens Bank, N.A.
CBPA	Citizens Bank of Pennsylvania
CCAR	Comprehensive Capital Analysis and Review
CCO	Chief Credit Officer
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Citizens or CFG or the Company	Citizens Financial Group, Inc. and its Subsidiaries
CLTV	Combined Loan-to-Value
CMO	Collateralized Mortgage Obligation
CRE	Commercial Real Estate
CRO	Chief Risk Officer
DFAST	Dodd-Frank Act Stress Test
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	Earnings Per Share
ESPP	Employee Stock Purchase Program
ERISA	Employee Retirement Income Security Act of 1974
Fannie Mae (FNMA)	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit rating)
FRB	Federal Reserve Bank
FRBG	Federal Reserve Board of Governors
Freddie Mac (FHLMC)	Federal Home Loan Mortgage Corporation
FTP	Funds Transfer Pricing
GAAP	Accounting Principles Generally Accepted in the United States of America
GDP	Gross Domestic Product
Ginnie Mae (GNMA)	Government National Mortgage Association
HELOC	Home Equity Line of Credit
HTM	Held To Maturity
IPO	Initial Public Offering
LCR	Liquidity Coverage Ratio

CITIZENS FINANCIAL GROUP, INC.

LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LIHTC	Low Income Housing Tax Credit
LTV	Loan-to-Value
MBS	Mortgage-Backed Securities
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MSR	Mortgage Servicing Rights
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income
OIS	Overnight Index Swap
OTC	Over the Counter
PD	Probability of Default
peers or peer banks or peer regional banks	BB&T, Comerica, Fifth Third, KeyCorp, M&T, PNC, Regions, SunTrust and U.S. Bancorp
RBS	The Royal Bank of Scotland Group plc or any of its subsidiaries
RPA	Risk Participation Agreement
RWA	Risk-weighted Assets
SBO	Serviced by Others loan portfolio
SVaR	Stress Value-at-Risk
TDR	Troubled Debt Restructuring
VaR	Value-at-Risk

CITIZENS FINANCIAL GROUP, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS:		
Cash and due from banks	$954	$1,171
Interest-bearing cash and due from banks	4,050	2,105
Interest-bearing deposits in banks	615	370
Securities available for sale, at fair value	19,041	18,656
Securities held to maturity (fair value of $5,281 and $5,193, respectively)	5,178	5,148
Other investment securities	867	872
Loans held for sale, at fair value	322	256
Other loans held for sale	54	25
Loans and leases	94,494	93,410
Less: Allowance for loan and lease losses	1,202	1,195
Net loans and leases	93,292	92,215
Derivative assets (related party balances of $14 and $1, respectively)	742	629
Premises and equipment, net	584	595
Bank-owned life insurance	1,535	1,527
Goodwill	6,876	6,876
Other assets (related party balances of $8 and $7, respectively)	2,425	2,412
TOTAL ASSETS	$136,535	$132,857
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$26,670	$26,086
Interest-bearing (related party balances of $5 and $5, respectively)	72,320	69,621
Total deposits	98,990	95,707
Federal funds purchased and securities sold under agreements to repurchase	4,421	4,276
Other short-term borrowed funds	7,004	6,253
Derivative liabilities (related party balances of $276 and $387, respectively)	616	612
Deferred taxes, net	586	493
Long-term borrowed funds (related party balances of $2,000 and $2,000, respectively)	3,904	4,642
Due to broker	61	—
Other liabilities (related party balances of $33 and $30, respectively)	1,389	1,606
TOTAL LIABILITIES	$116,971	$113,589
Contingencies (refer to Note 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock:		
$25.00 par value, 100,000,000 shares authorized and no shares outstanding at March 31, 2015 and December 31, 2014	$—	$—
Common stock:		
$0.01 par value, 1,000,000,000 shares authorized, 562,673,438 shares issued and 547,490,812 shares outstanding at March 31, 2015, and 1,000,000,000 shares authorized, 560,262,638 shares issued and 545,884,519 shares outstanding at December 31, 2014	6	6

Additional paid-in capital	18,707	18,676
Retained earnings	1,448	1,294
Treasury stock, at cost, 15,182,626 and 14,378,119 shares at March 31, 2015 and December 31, 2014, respectively	(357)	(336)
Accumulated other comprehensive loss	(240)	(372)
TOTAL STOCKHOLDERS' EQUITY	$19,564	$19,268
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$136,535	$132,857

The accompanying Notes to unaudited interim Consolidated Financial Statements are an integral part of these statements.

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
(in millions, except share and per-share data)	2015	2014
INTEREST INCOME:		
Interest and fees on loans and leases (related party balances of $18 and $18, respectively)	$779	$730
Interest and fees on loans held for sale	1	1
Interest and fees on other loans held for sale	2	12
Investment securities	159	149
Interest-bearing deposits in banks	1	1
Total interest income	942	893
INTEREST EXPENSE:		
Deposits	52	33
Deposits held for sale	—	2
Federal funds purchased and securities sold under agreements to repurchase (related party balances of $5 and $13, respectively)	7	15
Other short-term borrowed funds (related party balances of $10 and $16, respectively)	15	19
Long-term borrowed funds (related party balances of $20 and $12, respectively)	32	16
Total interest expense	106	85
Net interest income	836	808
Provision for credit losses	58	121
Net interest income after provision for credit losses	778	687
NONINTEREST INCOME:		
Service charges and fees (related party balances of $1 and $2, respectively)	135	139
Card fees	52	56
Trust and investment services fees	36	39
Foreign exchange and trade finance fees (related party balances of $35 and ($6), respectively)	23	22
Capital markets fees (related party balances of $3 and $3, respectively)	22	18
Mortgage banking fees	33	20
Bank-owned life insurance income	12	11
Securities gains, net	8	25
Other-than-temporary impairment:		
Total other-than-temporary impairment losses	(31)	(34)
Portions of loss recognized in other comprehensive income (before taxes)	30	30
Net impairment losses recognized in earnings	(1)	(4)
Other income (related party balances of ($68) and ($53), respectively)	27	32
Total noninterest income	347	358
NONINTEREST EXPENSE:		
Salaries and employee benefits	419	405
Outside services (related party balances of $2 and $8, respectively)	79	83
Occupancy	80	81
Equipment expense	63	64
Amortization of software	36	31
Other operating expense	133	146
Total noninterest expense	810	810
Income before income tax expense	315	235
Income tax expense	106	69

NET INCOME	$209	$166
Weighted-average common shares outstanding:		
Basic	546,291,363	559,998,324
Diluted	549,798,717	559,998,324
Per common share information:		
Basic earnings	$0.38	$0.30
Diluted earnings	0.38	0.30
Dividends declared and paid	0.10	0.04

The accompanying Notes to unaudited interim Consolidated Financial Statements are an integral part of these statements.

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
(in millions)	2015	2014
Net income	$209	$166
Other comprehensive income (loss):		
Net unrealized derivative instrument gains (losses) arising during the periods, net of income taxes of $39 and $34, respectively	65	59
Reclassification adjustment for net derivative losses included in net income, net of income taxes of ($1) and $4, respectively	(2)	7
Net unrealized available for sale securities gains (losses) arising during the periods, net of income taxes of $54 and $41, respectively	90	71
Other-than-temporary impairment not recognized in earnings on securities, net of income taxes of ($11) and ($11), respectively	(19)	(19)
Reclassification of net securities gains to net income, net of income taxes of ($3) and ($7), respectively	(4)	(14)
Defined benefit pension plans:		
Amortization of actuarial loss, net of income taxes $1 and $1, respectively	2	1
Total other comprehensive income, net of income taxes	132	105
Total comprehensive income	$341	$271

The accompanying Notes to unaudited interim Consolidated Financial Statements are an integral part of these statements.

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(in millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	560	$6	$18,603	$1,235	$—	($648)	$19,196
Dividend to RBS	—	—	—	(25)	—	—	(25)
Total comprehensive income:							
Net income	—	—	—	166	—	—	166
Other comprehensive income	—	—	—	—	—	105	105
Total comprehensive income	—	—	—	166	—	105	271
Balance at March 31, 2014	560	$6	$18,603	$1,376	$—	($543)	$19,442
Balance at January 1, 2015	546	$6	$18,676	$1,294	($336)	($372)	$19,268
Dividend to common stockholders	—	—	—	(16)	—	—	(16)
Dividend to RBS	—	—	—	(39)	—	—	(39)
Share-based compensation plans	1	—	29	—	(21)	—	8
Employee stock purchase plan shares purchased	—	—	2	—	—	—	2
Total comprehensive income:							
Net income	—	—	—	209	—	—	209
Other comprehensive income	—	—	—	—	—	132	132
Total comprehensive income	—	—	—	209	—	132	341
Balance at March 31, 2015	547	$6	$18,707	$1,448	($357)	($240)	$19,564

The accompanying Notes to unaudited interim Consolidated Financial Statements are an integral part of these statements.

CITIZENS FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended March 31, 2015	2014
OPERATING ACTIVITIES		
Net income	$209	$166
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	58	121
Originations of mortgage loans held for sale	(495)	(307)
Proceeds from sales of mortgage loans held for sale	462	352
Purchases of commercial loans held for sale	(288)	—
Proceeds from sales of commercial loans held for sale	262	—
Amortization of terminated cash flow hedges (related party balances of $4 and $12, respectively)	4	12
Depreciation, amortization and accretion	113	96
Mortgage servicing rights valuation recovery	(1)	(4)
Securities impairment	1	4
Deferred income taxes	14	58
Share-based compensation	6	19
Loss on disposal/impairment of premises and equipment	—	1
Gain on sales of:		
Debt securities available for sale	(8)	(25)
Marketable equity securities available for sale	(2)	—
(Increase) decrease in other assets (related party balances of ($13) and $61, respectively)	(136)	280
Decrease in other liabilities (related party balances of ($109) and ($38), respectively)	(101)	(73)
Net cash provided by operating activities	98	700
INVESTING ACTIVITIES		
Investment securities:		
Purchases of securities available for sale	(2,190)	(3,697)
Proceeds from maturities and paydowns of securities available for sale	865	694
Proceeds from sales of securities available for sale	1,101	711
Purchases of other investment securities	(6)	—
Proceeds from sales of other investment securities	11	—
Purchases of securities held to maturity	(181)	(1,174)
Proceeds from maturities and paydowns of securities held to maturity	150	40
Net decrease in interest-bearing deposits in banks	(245)	(66)
Net increase in loans and leases	(1,183)	(1,486)
Net increase in bank-owned life insurance	(8)	(11)
Premises and equipment:		
Purchases	(18)	(7)
Proceeds from sales	11	—
Capitalization of software	(47)	(40)
Net cash used in investing activities	(1,740)	(5,036)
FINANCING ACTIVITIES		
Net increase in deposits	3,283	470
Net increase in federal funds purchased and securities sold under agreements to repurchase	145	1,289
Net increase in other short-term borrowed funds	—	2,700

Repayments of long-term borrowed funds	(3)	(3)
Dividends declared and paid to common stockholders	(16)	—
Dividends declared and paid to RBS	(39)	(25)
Net cash provided by financing activities	3,370	4,431
Increase in cash and cash equivalents	1,728	95
Cash and cash equivalents at beginning of period	3,276	2,757
Cash and cash equivalents at end of period	$5,004	$2,852

The accompanying Notes to unaudited interim Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION
Basis of Presentation

The unaudited interim Consolidated Financial Statements, including the Notes thereto of Citizens Financial Group, Inc., have been prepared in accordance with GAAP interim reporting requirements, and therefore do not include all information and Notes included in the audited Consolidated Financial Statements in conformity with GAAP. These unaudited interim Consolidated Financial Statements and Notes thereto should be read in conjunction with the Company’s audited Consolidated Financial Statements and accompanying Notes included in the Company’s Form 10-K for the year ended December 31, 2014. The Company is an indirect subsidiary of The Royal Bank of Scotland Group plc. The Company’s principal business activity is banking, conducted through its subsidiaries, Citizens Bank, N.A. and Citizens Bank of Pennsylvania.

The unaudited interim Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results for interim periods are not necessarily indicative of results for a full year.

On August 22, 2014, the Company’s Board of Directors declared a 165,582-for-1 stock split. Except for the amount of authorized shares and par value, all references to share and per share amounts in the unaudited interim Consolidated Financial Statements and accompanying Notes have been retroactively adjusted to reflect the stock split.

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on net income, total comprehensive income, total assets or total stockholders’ equity as previously reported.

Recent Accounting Pronouncements

In February 2015, the FASB issued ASU No. 2015-02 “Consolidation (Topic 810): Amendments to the Consolidation Analysis”. This standard focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities such as limited partnerships, limited liability corporations, and securitization structures (e.g., collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). This new standard simplifies consolidation accounting by reducing the number of consolidation models. The ASU will be effective for the Company beginning on January 1, 2016. Early adoption is permitted, including adoption in an interim period. The potential impact the adoption of this guidance will have to the Company’s unaudited interim Consolidated Financial Statements in under review.

In January 2015, the FASB issued ASU No. 2015-01 “Income Statement: Extraordinary and Unusual Items.” This ASU eliminates from GAAP the concept of extraordinary items. Accounting Standards Codification Subtopic 225-20 required that an entity separately classify, present, and disclose extraordinary events and transactions that were unusual in nature and infrequent in occurrence. This ASU is effective for the Company, beginning on January 1, 2016. The adoption of this guidance is not expected to have a material impact on the Company’s unaudited interim Consolidated Financial Statements.

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SECURITIES

The following table provides the major components of securities at amortized cost and fair value:

	March 31, 2015				December 31, 2014			
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale								
U.S. Treasury	$15	$—	$—	$15	$15	$—	$—	$15
State and political subdivisions	10	—	—	10	10	—	—	10
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	17,999	382	(25)	18,356	17,683	301	(50)	17,934
Other/non-agency	667	4	(31)	640	703	4	(35)	672
Total mortgage-backed securities	18,666	386	(56)	18,996	18,386	305	(85)	18,606
Total debt securities available for sale	18,691	386	(56)	19,021	18,411	305	(85)	18,631
Marketable equity securities	7	1	—	8	10	3	—	13
Other equity securities	12	—	—	12	12	—	—	12
Total equity securities available for sale	19	1	—	20	22	3	—	25
Total securities available for sale	$18,710	$387	($56)	$19,041	$18,433	$308	($85)	$18,656
Securities Held to Maturity								
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	$3,799	$52	($4)	$3,847	$3,728	$22	($31)	$3,719
Other/non-agency	1,379	55	—	1,434	1,420	54	—	1,474
Total securities held to maturity	$5,178	$107	($4)	$5,281	$5,148	$76	($31)	$5,193
Other Investment Securities								
Federal Reserve Bank stock	$468	$—	$—	$468	$477	$—	$—	$477
Federal Home Loan Bank stock	393	—	—	393	390	—	—	390
Venture capital and other investments	6	—	—	6	5	—	—	5
Total other investment securities	$867	$—	$—	$867	$872	$—	$—	$872

The following tables summarize those securities whose fair values are below carrying values, segregated by those that have been in a continuous unrealized loss position for less than twelve months and those that have been in a continuous unrealized loss position for twelve months or longer:

	March 31, 2015								
	Less than 12 Months			12 Months or Longer			Total		
(dollars in millions)	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses
State and political subdivisions	1	$10	$—	—	$—	$—	1	$10	$—
Mortgage-backed securities:									
	14	561	(2)	40	1,292	(27)	54	1,853	(29)

Federal agencies and U.S. government sponsored entities												
Other/non-agency	6	75	(2	)	17	385	(29	)	23	460	(31	)
Total mortgage-backed securities	20	636	(4	)	57	1,677	(56	)	77	2,313	(60	)
Total	21	$646	($4	)	57	$1,677	($56	)	78	$2,323	($60	)

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CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2014								
	Less than 12 Months			12 Months or Longer			Total		
(dollars in millions)	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses	Number of Issues	Fair Value	Gross Unrealized Losses
State and political subdivisions	—	$—	$—	1	$10	$—	1	$10	$—
Mortgage-backed securities:									
Federal agencies and U.S. government sponsored entities	75	3,282	(24)	52	1,766	(57)	127	5,048	(81)
Other/non-agency	6	80	(2)	17	397	(33)	23	477	(35)
Total mortgage-backed securities	81	3,362	(26)	69	2,163	(90)	150	5,525	(116)
Total	81	$3,362	($26)	70	$2,173	($90)	151	$5,535	($116)

For each debt security identified with an unrealized loss, the Company reviews the expected cash flows to determine if the impairment in value is temporary or other-than-temporary. If the Company has determined that the present value of the debt security’s expected cash flows is less than its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. The amount of impairment loss that is recognized in current period earnings is dependent on the Company’s intent to sell (or not sell) the debt security.

If the Company intends to sell the impaired debt security, the impairment loss recognized in current period earnings equals the difference between the debt security’s fair value and its amortized cost. If the Company does not intend to sell the impaired debt security, and it is not likely that the Company will be required to sell the impaired security, the credit-related impairment loss is recognized in current period earnings and equals the difference between the amortized cost of the debt security and the present value of the expected cash flows that have currently been projected.

In addition to these cash flow projections, several other characteristics of each debt security are reviewed when determining whether a credit loss exists and the period over which the debt security is expected to recover. These characteristics include: (1) the type of investment, (2) various market factors affecting the fair value of the security (e.g., interest rates, spread levels, liquidity in the sector, etc.), (3) the length and severity of impairment, and (4) the public credit rating of the instrument.

The Company estimates the portion of loss attributable to credit using a cash flow model. The inputs to this model include prepayment, default and loss severity assumptions that are based on industry research and observed data. The loss projections generated by the model are reviewed on a quarterly basis by a cross-functional governance committee. This governance committee determines whether security impairments are other-than-temporary based on this review.

The following table presents the cumulative credit related losses recognized in earnings on debt securities held by the Company:

	Three Months Ended March 31,

(in millions)	2015	2014
Cumulative balance at beginning of period	$62	$56
Credit impairments recognized in earnings on securities that have been previously impaired	1	4
Reductions due to increases in cash flow expectations on impaired securities	(1)	(1)
Cumulative balance at end of period	$62	$59

Cumulative credit losses recognized in earnings for impaired AFS debt securities held as of March 31, 2015 and 2014 were $62 million and $59 million, respectively. There were no credit losses recognized in earnings for the Company's HTM portfolio as of March 31, 2015 and 2014. In the three months ended March 31, 2015 and 2014, the Company recognized credit related other-than-temporary impairment losses in earnings of $1 million and $4 million, respectively, related to non-agency MBS in the AFS portfolio. There were no impaired debt securities sold during the three months ended March 31, 2015 and 2014. Reductions in credit losses due to increases in cash flow expectations were $1 million for the three months ended March 31, 2015 and 2014, and were presented in investment securities interest income on the Consolidated Statements of Operations. The Company does not currently have the intent to sell these debt securities, and it is not likely that the Company will be required to sell these debt securities prior to the recovery of their amortized cost bases.

The Company has determined that credit losses are not expected to be incurred on the remaining agency and non-agency MBS identified with unrealized losses as of the current reporting date. The unrealized losses on these debt securities reflect the reduced liquidity in the MBS market and the increased risk spreads due to the uncertainty of the U.S. macroeconomic environment. Therefore, the Company has determined that these debt securities are not other-than-temporarily impaired because the Company does not currently have the intent to sell these debt securities, and it is not likely that the Company will be required to sell these debt securities prior to the recovery of their amortized cost bases. Any subsequent increases in the valuation of impaired debt securities do not impact their recorded cost bases. As of March 31, 2015 and 2014, $30 million of pre-tax non-credit related losses were deferred in OCI.

The amortized cost and fair value of debt securities at March 31, 2015 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Distribution of Maturities				
(in millions)	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Total
Amortized Cost:					
Debt securities available for sale					
U.S. Treasury	$15	$—	$—	$—	$15
State and political subdivisions	—	—	—	10	10
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	2	53	2,196	15,748	17,999
Other/non-agency	—	54	44	569	667
Total debt securities available for sale	17	107	2,240	16,327	18,691
Debt securities held to maturity					
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	3,799	3,799
Other/non-agency	—	—	—	1,379	1,379
Total debt securities held to maturity	—	—	—	5,178	5,178
Total amortized cost of debt securities	$17	$107	$2,240	$21,505	$23,869
Fair Value:					
Debt securities available for sale					
U.S. Treasury	$15	$—	$—	$—	$15
State and political subdivisions	—	—	—	10	10
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	2	56	2,226	16,072	18,356
Other/non-agency	—	54	45	541	640
Total debt securities available for sale	17	110	2,271	16,623	19,021
Debt securities held to maturity					
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	3,847	3,847
Other/non-agency	—	—	—	1,434	1,434
Total debt securities held to maturity	—	—	—	5,281	5,281

Total fair value of debt securities	$17	$110	$2,271	$21,904	$24,302

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CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table reports the amounts recognized in interest income from investment securities on the Consolidated Statement of Operations:

	Three Months Ended March 31,	
(in millions)	2015	2014
Taxable	$159	$149
Non-taxable	—	—
Total interest income from investment securities	$159	$149

Realized gains and losses on AFS securities are shown below:

	Three Months Ended March 31,	
(in millions)	2015	2014
Gains on sale of debt securities	$12	$25
Losses on sale of debt securities	(4)	—
Debt securities gains, net	$8	$25
Equity securities gains	$2	$—

The amortized cost and fair value of securities pledged are shown below:

	March 31, 2015		December 31, 2014	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged against repurchase agreements	$4,334	$4,423	$3,650	$3,701
Pledged against FHLB borrowed funds	1,315	1,367	1,355	1,407
Pledged against derivatives, to qualify for fiduciary powers, and to secure public and other deposits as required by law	3,657	3,745	3,453	3,520

There were no loan securitizations for the three months ended March 31, 2015 and 2014.

The Company regularly enters into security repurchase agreements with unrelated counterparties. Repurchase agreements are financial transactions that involve the transfer of a security from one party to another and a subsequent transfer of the same (or "substantially the same") security back to the original party. The Company's repurchase agreements are typically short-term transactions, but they may be extended to longer terms to maturity. Such transactions are accounted for as secured borrowed funds on the Company's financial statements. When permitted by GAAP, the Company offsets the short-term receivables associated with its reverse repurchase agreements with the short-term payables associated with its repurchase agreements.

The effects of this offsetting on the Consolidated Balance Sheets are presented in the following table:

	March 31, 2015			December 31, 2014		
(in millions)	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts of Assets (Liabilities)	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts of Assets (Liabilities)
Securities sold under agreements to repurchase	($3,400)	$—	($3,400)	($2,600)	$—	($2,600)

Note: The Company also offsets certain derivative assets and derivative liabilities on the Consolidated Balance Sheets. For further information see Note 12 "Derivatives."

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Securities under the agreements to repurchase or resell are accounted for as secured borrowings. The following table presents the Company's related activity, by collateral type and remaining contractual maturity, at March 31, 2015:

	Remaining Contractual Maturity of the Agreements				
(in millions)	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
Securities sold under agreements to repurchase					
Mortgage-backed securities - Agency	$—	($350)	($1,000)	($2,050)	($3,400)

For these securities sold under the agreements to repurchase, the Company would be obligated to provide additional collateral in the event of a significant decline in fair value of the collateral pledged. The Company manages the risk by monitoring the liquidity and credit quality of the collateral, as well as the maturity profile of the transactions.

NOTE 3 - LOANS AND LEASES

A summary of the loans and leases portfolio follows:

(in millions)	March 31, 2015	December 31, 2014
Commercial	$32,249	$31,431
Commercial real estate	7,863	7,809
Leases	3,870	3,986
Total commercial	43,982	43,226
Residential mortgages	11,808	11,832
Home equity loans	3,212	3,424
Home equity lines of credit	15,127	15,423
Home equity loans serviced by others [1]	1,192	1,228
Home equity lines of credit serviced by others [1]	544	550
Automobile	13,179	12,706
Student	2,852	2,256
Credit cards	1,588	1,693
Other retail	1,010	1,072
Total retail	50,512	50,184
Total loans and leases [2] [3]	$94,494	$93,410

(1) The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.
(2) Excluded from the table above are loans held for sale totaling $376 million as of March 31, 2015 and $281 million as of December 31, 2014.
(3) Mortgage loans serviced for others by the Company’s subsidiaries are not included above, and amounted to $18.0 billion and $17.9 billion at March 31, 2015 and December 31, 2014, respectively.

Loans held for sale totaled $322 million and $256 million at March 31, 2015 and December 31, 2014, respectively, and consisted of residential mortgages originated for sale and the commercial trading portfolio. Other loans held for sale totaled $54 million and $25 million at March 31, 2015 and December 31, 2014, respectively, and consisted of commercial loan syndications and a credit card portfolio transferred to held for sale. In March 2015, the Company transferred $41 million to loans held for sale associated with a terminated agent credit card services agreement consisting of $43 million of outstanding credit card balances and a $2 million valuation allowance. The terms of the agreement provided the agent the option, after a designated period of time, to purchase the credit card relationships covered under the agreement from Citizens or cause another financial institution to purchase the interests in these credit card relationships. The transaction is expected to close in mid-2015.

Loans pledged as collateral for FHLB borrowed funds totaled $22.8 billion and $22.0 billion at March 31, 2015 and December 31, 2014, respectively. This collateral consists primarily of residential mortgages and home equity loans. Loans pledged as collateral to support the contingent ability to borrow at the FRB discount window, if necessary, totaled $13.0 billion and $11.8 billion at March 31, 2015 and December 31, 2014, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the three months ended March 31, 2015, the Company purchased a portfolio of residential mortgages with an outstanding principal balance of $249 million, a portfolio of automobile loans with an outstanding principal balance of $393 million, and a portfolio of student loans with an outstanding principal balance of $261 million. The Company sold a portfolio of residential mortgages with an outstanding principal balance of $273 million as well as commercial leases with an outstanding principal balance of $111 million during the three months ended March 31, 2015.

In March 2014, the Company purchased a portfolio of residential mortgages with an outstanding principal balance of $483 million, a portfolio of automobile loans with an outstanding principal balance of $202 million and a portfolio of student loans with an outstanding principal balance of $40 million. The Company also sold a portfolio of residential mortgage loans with outstanding balances of $126 million in March 2014.

NOTE 4 - ALLOWANCE FOR CREDIT LOSSES, NONPERFORMING ASSETS, AND CONCENTRATIONS OF CREDIT RISK

The ALLL is increased through a provision for credit losses that is charged to earnings, based on the Company's quarterly evaluation of the loan portfolio, and is reduced by net charge-offs and the ALLL associated with sold loans. See Note 1 "Significant Accounting Policies" to the Company's audited Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2014, for a detailed discussion of ALLL methodologies and estimation techniques.

On a quarterly basis, the Company reviews and refines its estimate of the allowance for credit losses, taking into consideration changes in portfolio size and composition, historical loss experience, internal risk ratings, current economic conditions, industry performance trends and other pertinent information.

There were no material changes in assumptions or estimation techniques compared with prior periods that impacted the determination of the current period's ALLL and the reserve for unfunded lending commitments.

The following is a summary of changes in the allowance for credit losses:

	Three Months Ended March 31, 2015		
(in millions)	Commercial	Retail	Total
Allowance for loan and lease losses as of January 1, 2015	$544	$651	$1,195
Charge-offs	(6)	(109)	(115)
Recoveries	28	33	61
Net recoveries (charge-offs)	22	(76)	(54)
Sales/Other	—	(2)	(2)
Provision charged to income	12	51	63
Allowance for loan and lease losses as of March 31, 2015	578	624	1,202
Reserve for unfunded lending commitments as of January 1, 2015	61	—	61
Credit for unfunded lending commitments	(5)	—	(5)
Reserve for unfunded lending commitments as of March 31, 2015	56	—	56
Total allowance for credit losses as of March 31, 2015	$634	$624	$1,258

	Three Months Ended March 31, 2014		
(in millions)	Commercial	Retail	Total
Allowance for loan and lease losses as of January 1, 2014	$498	$723	$1,221
Charge-offs	(6)	(122)	(128)
Recoveries	14	27	41
Net recoveries (charge-offs)	8	(95)	(87)
Provision charged to income	21	104	125
Allowance for loan and lease losses as of March 31, 2014	527	732	1,259

Reserve for unfunded lending commitments as of January 1, 2014	39	—	39
Credit for unfunded lending commitments	(4)	—	(4)
Reserve for unfunded lending commitments as of March 31, 2014	35	—	35
Total allowance for credit losses as of March 31, 2014	$562	$732	$1,294

The recorded investment in loans and leases based on the Company’s evaluation methodology is as follows:

	March 31, 2015			December 31, 2014		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Individually evaluated	$194	$1,202	$1,396	$205	$1,208	$1,413
Formula-based evaluation	43,788	49,310	93,098	43,021	48,976	91,997
Total	$43,982	$50,512	$94,494	$43,226	$50,184	$93,410

The following is a summary of the allowance for credit losses by evaluation method:

	March 31, 2015			December 31, 2014		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Individually evaluated	$35	$107	$142	$20	$109	$129
Formula-based evaluation	599	517	1,116	585	542	1,127
Allowance for credit losses	$634	$624	$1,258	$605	$651	$1,256

For commercial loans and leases, the Company utilizes regulatory classification ratings to monitor credit quality. Loans with a “pass” rating are those that the Company believes will be fully repaid in accordance with the contractual loan terms. Commercial loans and leases that are “criticized” are those that have some weakness that indicates an increased probability of future loss. For retail loans, the Company primarily uses the loan’s payment and delinquency status to monitor credit quality. The further a loan is past due, the greater the likelihood of future credit loss. These credit quality indicators for both commercial and retail loans are continually updated and monitored.
The recorded investment in classes of commercial loans and leases based on regulatory classification ratings is as follows:

	March 31, 2015				
		Criticized			
(in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$30,623	$903	$626	$97	$32,249
Commercial real estate	7,547	198	52	66	7,863
Leases	3,813	6	51	—	3,870
Total	$41,983	$1,107	$729	$163	$43,982

	December 31, 2014				
		Criticized			
(in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$30,022	$876	$427	$106	$31,431
Commercial real estate	7,354	329	61	65	7,809
Leases	3,924	12	50	—	3,986
Total	$41,300	$1,217	$538	$171	$43,226

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The recorded investment in classes of retail loans, categorized by delinquency status is as follows:

	March 31, 2015				
(in millions)	Current	1-29 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Residential mortgages	$11,373	$80	$97	$258	$11,808
Home equity loans	2,817	193	57	145	3,212
Home equity lines of credit	14,471	386	77	193	15,127
Home equity loans serviced by others (1)	1,082	67	22	21	1,192
Home equity lines of credit serviced by others (1)	455	59	11	19	544
Automobile	12,378	695	85	21	13,179
Student	2,725	70	27	30	2,852
Credit cards	1,517	37	18	16	1,588
Other retail	929	61	15	5	1,010
Total	$47,747	$1,648	$409	$708	$50,512

(1) The Company's SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

	December 31, 2014				
(in millions)	Current	1-29 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
Residential mortgages	$11,352	$114	$97	$269	$11,832
Home equity loans	2,997	222	60	145	3,424
Home equity lines of credit	14,705	447	73	198	15,423
Home equity loans serviced by others (1)	1,101	78	26	23	1,228
Home equity lines of credit serviced by others (1)	455	66	10	19	550
Automobile	11,839	758	93	16	12,706
Student	2,106	108	25	17	2,256
Credit cards	1,615	39	22	17	1,693
Other retail	985	65	18	4	1,072
Total	$47,155	$1,897	$424	$708	$50,184

(1) The Company's SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

Nonperforming Assets

A summary of nonperforming loans and leases by class is as follows:

	March 31, 2015			December 31, 2014		
(in millions)	Nonaccruing	Accruing and 90 Days or More Delinquent	Total Nonperforming Loans and Leases	Nonaccruing	Accruing and 90 Days or More Delinquent	Total Nonperforming Loans and Leases
Commercial	$94	$3	$97	$113	$1	$114
Commercial real estate	60	—	60	50	—	50
Leases	1	—	1	—	—	—
Total commercial	155	3	158	163	1	164
Residential mortgages	347	—	347	345	—	345
Home equity loans	210	—	210	203	—	203
Home equity lines of credit	270	—	270	257	—	257
Home equity loans serviced by others [1]	44	—	44	47	—	47
Home equity lines of credit serviced by others [1]	25	—	25	25	—	25
Automobile	30	—	30	21	—	21
Student	26	4	30	11	6	17
Credit cards	16	—	16	16	1	17
Other retail	4	2	6	5	—	5
Total retail	972	6	978	930	7	937
Total	$1,127	$9	$1,136	$1,093	$8	$1,101

[1] The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

The recorded investment in mortgage loans collateralized by residential real estate property for which formal foreclosure proceedings are in process was $232 million as of March 31, 2015.

A summary of other nonperforming assets is as follows:

(in millions)	March 31, 2015	December 31, 2014
Nonperforming assets, net of valuation allowance:		
Commercial	$1	$3
Retail	37	39
Nonperforming assets, net of valuation allowance	$38	$42

Nonperforming assets consist primarily of other real estate owned and are presented in other assets on the Consolidated Balance Sheets.

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A summary of key performance indicators is as follows:

	March 31, 2015		December 31, 2014	
Nonperforming commercial loans and leases as a percentage of total loans and leases	0.17	%	0.18	%
Nonperforming retail loans as a percentage of total loans and leases	1.03		1.00	
Total nonperforming loans and leases as a percentage of total loans and leases	1.20	%	1.18	%
Nonperforming commercial assets as a percentage of total assets	0.12	%	0.13	%
Nonperforming retail assets as a percentage of total assets	0.74		0.73	
Total nonperforming assets as a percentage of total assets	0.86	%	0.86	%

The following is an analysis of the age of the past due amounts (accruing and nonaccruing):

	March 31, 2015			December 31, 2014		
(in millions)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	30-89 Days Past Due	90 Days or More Past Due	Total Past Due
Commercial	$42	$97	$139	$57	$114	$171
Commercial real estate	19	60	79	26	50	76
Leases	9	1	10	3	—	3
Total commercial	70	158	228	86	164	250
Residential mortgages	97	258	355	97	269	366
Home equity loans	57	145	202	60	145	205
Home equity lines of credit	77	193	270	73	198	271
Home equity loans serviced by others (1)	22	21	43	26	23	49
Home equity lines of credit serviced by others (1)	11	19	30	10	19	29
Automobile	85	21	106	93	16	109
Student	27	30	57	25	17	42
Credit cards	18	16	34	22	17	39
Other retail	15	5	20	18	4	22
Total retail	409	708	1,117	424	708	1,132
Total	$479	$866	$1,345	$510	$872	$1,382

(1) The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

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Impaired loans include: (1) nonaccruing larger balance commercial loans (greater than $3 million carrying value); and (2) commercial and retail TDRs. The following is a summary of impaired loan information by class:

	March 31, 2015				
(in millions)	Impaired Loans With a Related Allowance	Allowance on Impaired Loans	Impaired Loans Without a Related Allowance	Unpaid Contractual Balance	Total Recorded Investment in Impaired Loans
Commercial	$97	$30	$41	$163	$138
Commercial real estate	20	5	36	64	56
Total commercial	117	35	77	227	194
Residential mortgages	129	17	316	605	445
Home equity loans	100	11	173	337	273
Home equity lines of credit	27	2	130	191	157
Home equity loans serviced by others [1]	59	9	29	100	88
Home equity lines of credit serviced by others [1]	4	1	7	14	11
Automobile	2	—	10	18	12
Student	165	49	1	166	166
Credit cards	31	13	—	31	31
Other retail	16	5	3	22	19
Total retail	533	107	669	1,484	1,202
Total	$650	$142	$746	$1,711	$1,396

[1] The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

	December 31, 2014				
(in millions)	Impaired Loans With a Related Allowance	Allowance on Impaired Loans	Impaired Loans Without a Related Allowance	Unpaid Contractual Balance	Total Recorded Investment in Impaired Loans
Commercial	$124	$19	$36	$178	$160
Commercial real estate	7	1	38	62	45
Total commercial	131	20	74	240	205
Residential mortgages	157	18	288	605	445
Home equity loans	129	11	141	335	270
Home equity lines of credit	75	3	86	193	161
Home equity loans serviced by others [1]	75	9	16	102	91
Home equity lines of credit serviced by others [1]	4	1	7	14	11
Automobile	2	1	9	16	11
Student	167	48	—	167	167
Credit cards	32	13	—	32	32
Other retail	17	5	3	23	20
Total retail	658	109	550	1,487	1,208
Total	$789	$129	$624	$1,727	$1,413

[1] The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

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Additional information on impaired loans is as follows:

	Three Months Ended March 31,			
	2015		2014	
(in millions)	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
Commercial	$1	$142	$—	$102
Commercial real estate	—	51	1	117
Total commercial	1	193	1	219
Residential mortgages	4	441	3	442
Home equity loans	2	268	2	248
Home equity lines of credit	1	156	1	159
Home equity loans serviced by others (1)	1	88	1	101
Home equity lines of credit serviced by others (1)	—	11	—	11
Automobile	—	11	—	9
Student	2	164	2	158
Credit cards	1	30	1	39
Other retail	—	19	—	23
Total retail	11	1,188	10	1,190
Total	$12	$1,381	$11	$1,409

(1) The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.

Troubled Debt Restructurings

A loan modification is identified as a TDR when the Company or a bankruptcy court grants the borrower a concession the Company would not otherwise make in response to the borrower’s financial difficulties. TDRs typically result from the Company’s loss mitigation efforts and are undertaken in order to improve the likelihood of recovery and continuity of the relationship. The Company’s loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet the borrower’s financial needs. Concessions granted in TDRs for all classes of loans may include lowering the interest rate, forgiving a portion of principal, extending the loan term, lowering scheduled payments for a specified period of time, principal forbearance, or capitalizing past due amounts. A rate increase can be a concession if the increased rate is lower than a market rate for debt with risk similar to that of the restructured loan. TDRs for commercial loans and leases may also involve creating a multiple note structure, accepting non-cash assets, accepting an equity interest, or receiving a performance-based fee. In some cases a TDR may involve multiple concessions. The financial effects of TDRs for all loan classes may include lower income (either due to a lower interest rate or a delay in the timing of cash flows), larger loan loss provisions, and accelerated charge-offs if the modification renders the loan collateral-dependent. In some cases interest income throughout the term of the loan may increase if, for example, the loan is extended or the interest rate is increased as a result of the restructuring.

Because TDRs are impaired loans, the Company measures impairment by comparing the present value of expected future cash flows, or when appropriate, the fair value of collateral, to the loan’s recorded investment. Any excess of recorded investment over the present value of expected future cash flows or collateral value is recognized by creating a valuation allowance or increasing an existing valuation allowance. Any portion of the loan’s recorded investment the Company does not expect to collect as a result of the modification is charged off at the time of modification.

Commercial TDRs were $147 million and $176 million on March 31, 2015 and December 31, 2014, respectively. Retail TDRs totaled $1.2 billion on March 31, 2015 and December 31, 2014. Commitments to lend additional funds to debtors owing receivables which were TDRs were $34 million and $53 million on March 31, 2015 and December 31, 2014, respectively.

CITIZENS FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes how loans were modified during the three months ended March 31, 2015, the charge-offs related to the modifications, and the impact on the ALLL. The reported balances include loans that became TDRs during 2015, and were paid off in full, charged off, or sold prior to March 31, 2015.

	Primary Modification Types					
	Interest Rate Reduction (1)			Maturity Extension (2)		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	6	$1	$1	28	$10	$10
Commercial real estate	1	—	—	—	—	—
Total commercial	7	1	1	28	10	10
Residential mortgages	33	6	6	10	2	2
Home equity loans	21	1	1	37	5	5
Home equity lines of credit	—	—	—	3	—	—
Home equity loans serviced by others (3)	17	1	1	—	—	—
Automobile	20	1	1	1	—	—
Credit cards	604	3	3	—	—	—
Total retail	695	12	12	51	7	7
Total	702	$13	$13	79	$17	$17

	Primary Modification Types				
	Other (4)				
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Net Change to ALLL Resulting from Modification	Charge-offs Resulting from Modification
Commercial	1	$2	$2	($1)	$—
Commercial real estate	1	4	4	—	—
Total commercial	2	6	6	(1)	—
Residential mortgages	64	6	6	(1)	—
Home equity loans	197	10	10	—	—
Home equity lines of credit	135	8	7	—	1
Home equity loans serviced by others (3)	46	2	2	—	1
Home equity lines of credit serviced by others (3)	7	—	—	—	—
Automobile	297	5	4	—	1
Student	381	8	7	2	—
Other retail	11	—	—	—	—
Total retail	1,138	39	36	1	3
Total	1,140	$45	$42	$—	$3

(1) Includes modifications that consist of multiple concessions, one of which is an interest rate reduction.
(2) Includes modifications that consist of multiple concessions, one of which is a maturity extension (unless one of the other concessions was an interest rate reduction).

(3) The Company’s SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.
(4) Includes modifications other than interest rate reductions or maturity extensions, such as lowering scheduled payments for a specified period of time, principal forbearance, capitalizing arrearages, and principal forgiveness. Also included are the following: deferrals, trial modifications, certain bankruptcies, loans in forbearance and prepayment plans. Modifications can include the deferral of accrued interest resulting in post-modification balances being higher than pre-modification.

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The following table summarizes how loans were modified during the three months ended March 31, 2014, the charge-offs related to the modifications, and the impact on the ALLL. The reported balances include loans that became TDRs during 2014, and were paid off in full, charged off, or sold prior to March 31, 2014.

	Primary Modification Types					
	Interest Rate Reduction [1]			Maturity Extension [2]		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	7	$1	$1	13	$1	$1
Commercial real estate	1	—	—	—	—	—
Total commercial	8	1	1	13	1	1
Residential mortgages	42	6	6	12	2	1
Home equity loans	31	2	2	58	3	3
Home equity lines of credit	1	—	—	70	4	4
Home equity loans serviced by others [3]	14	1	1	—	—	—
Home equity lines of credit serviced by others [3]	2	—	—	—	—	—
Automobile	22	—	—	—	—	—
Credit cards	577	3	3	—	—	—
Other retail	2	—	—	—	—	—
Total retail	691	12	12	140	9	8
Total	699	$13	$13	153	$10	$9

	Primary Modification Types				
	Other [4]				
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Net Change to ALLL Resulting from Modification	Charge-offs Resulting from Modification
Commercial	1	$—	$—	($1)	$—
Total commercial	1	—	—	(1)	—
Residential mortgages	132	15	14	(1)	—
Home equity loans	210	14	14	—	—
Home equity lines of credit	81	6	5	—	2
Home equity loans serviced by others [3]	46	3	2	—	—
Home equity lines of credit serviced by others [3]	13	—	—	—	—
Automobile	145	2	2	—	1
Student	457	8	8	—	—
Other retail	9	—	—	—	—
Total retail	1,093	48	45	(1)	3
Total	1,094	$48	$45	($2)	$3

[1] Includes modifications that consist of multiple concessions, one of which is an interest rate reduction.

(2) Includes modifications that consist of multiple concessions, one of which is a maturity extension (unless one of the other concessions was an interest rate reduction).
(3) The Company's SBO portfolio consists of home equity loans and lines that were originally serviced by others. The Company now services a portion of this portfolio internally.
(4) Includes modifications other than interest rate reductions or maturity extensions, such as lowering scheduled payments for a specified period of time, principal forbearance, capitalizing arrearages, and principal forgiveness. Also included are the following: deferrals, trial modifications, certain bankruptcies, loans in forbearance and prepayment plans. Modifications can include the deferral of accrued interest resulting in post modification balances being higher than pre-modification.

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The table below summarizes TDRs that defaulted during the three months ended March 31, 2015 and 2014 within 12 months of their modification date. For purposes of this table, a payment default is defined as being past due 90 days or more under the modified terms. Amounts represent the loan's recorded investment at the time of payment default. Loan data includes loans meeting the criteria that were paid off in full, charged off, or sold prior to March 31, 2015 and 2014. If a TDR of any loan type becomes 90 days past due after being modified, the loan is written down to the fair value of collateral less cost to sell. The amount written off is charged to the ALLL.

	Three Months Ended March 31,			
	2015		2014	
(dollars in millions)	Number of Contracts	Balance Defaulted	Number of Contracts	Balance Defaulted
Commercial	6	$—	11	$1
Commercial real estate	—	—	1	1
Total commercial	6	—	12	2
Residential mortgages	49	7	40	4
Home equity loans	51	3	84	6
Home equity lines of credit	40	2	90	4
Home equity loans serviced by others (1)	16	—	16	—
Home equity lines of credit serviced by others (1)	1	—	9	—
Automobile	23	—	32	—
Student	65	2	97	2
Credit cards	102	1	166	1
Other retail	2	—	6	—
Total retail	349	15	540	17
Total	355	$15	552	$19

(1) The Company's SBO portfolio consists of loans that were originally serviced by others. The Company now services a portion of this portfolio internally.

Concentrations of Credit Risk

Most of the Company's business activity is with customers located in the New England, Mid-Atlantic and Midwest regions. Generally, loans are collateralized by assets including real estate, inventory, accounts receivable, other personal property and investment securities. As of March 31, 2015 and December 31, 2014, the Company had a significant amount of loans collateralized by residential and commercial real estate. There are no significant concentrations in particular industries within the commercial loan portfolio, and the retail loan portfolio is diversified by product. Exposure to credit losses arising from lending transactions may fluctuate with fair values of collateral supporting loans, which may not perform according to contractual agreements. The Company's policy is to collateralize loans to the extent necessary; however, unsecured loans are also granted on the basis of the financial strength of the applicant and the facts surrounding the transaction.

Certain loan products, including residential mortgages, home equity loans and lines of credit, and credit cards, have contractual features that may increase credit exposure to the Company in the event of an increase in interest rates or a decline in housing values. These products include loans that exceed 90% of the value of the underlying collateral (high LTV loans), interest-only and negative amortization residential mortgages, and loans with low introductory rates. Certain loans have more than one of these characteristics.

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The following table presents balances of loans with these characteristics:

	March 31, 2015				
(in millions)	Residential Mortgages	Home Equity Loans and Lines of Credit	Home Equity Products serviced by others	Credit Cards	Total
High loan-to-value	$697	$1,429	$1,042	$—	$3,168
Interest only/negative amortization	937	—	—	—	937
Low introductory rate	—	—	—	87	87