UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended
December 31, 2021

☐ 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

(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)

(203) 900-6715

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	CFG	New York Stock Exchange
Depositary Shares, each representing a 1/40th interest in a share of 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D	CFG PrD	New York Stock Exchange
Depositary Shares, each representing a 1/40th interest in a share of 5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E	CFG PrE	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of voting stock held by nonaffiliates of the Registrant was 19,475,179,748 (based on the June 30, 2021 closing price of Citizens Financial Group, Inc. common shares of $45.87 as reported on the New York Stock Exchange). There were 422,141,584 shares of Registrant's common stock ($0.01 par value) outstanding on January 28, 2022.

Documents incorporated by reference

Portions of Citizens Financial Group, Inc.'s proxy statement to be filed with the United States Securities and Exchange Commission in connection with Citizens Financial Group, Inc.'s 2022 annual meeting of stockholders (the "Proxy Statement") are incorporated by reference into Part III hereof. Such Proxy Statement will be filed within 120 days of Citizens Financial Group, Inc.'s fiscal year ended December 31, 2021.

Citizens Financial Group, Inc.™

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GLOSSARY OF ACRONYMS AND TERMS

The following is a list of common acronyms and terms we regularly use in our financial reporting:

AACL	Adjusted Allowance for Credit Losses
ACL	Allowance for Credit Losses: Allowance for Loan and Lease Losses plus Allowance for Unfunded Lending Commitments
Acquisitions	Refers to acquisitions including Willamette Management Associates, Inc. and JMP Group LLC
AFS	Available for Sale
ALLL	Allowance for Loan and Lease Losses
ALM	Asset and Liability Management
AOCI	Accumulated Other Comprehensive Income (Loss)
ARRC	Alternative Reference Rates Committee
ASU	Accounting Standards Update
ATM	Automated Teller Machine
Bank Holding Company Act	The Bank Holding Company Act of 1956
Board or Board of Directors	The Board of Directors of Citizens Financial Group, Inc.
bps	Basis Points
Capital Plan Rule	Federal Reserve Regulation Y Capital Plan Rule
CARES Act	The Coronavirus Aid, Relief, and Economic Security Act
CBNA	Citizens Bank, National Association
CCAR	Comprehensive Capital Analysis and Review
CCB	Capital Conservation Buffer
CCMI	Citizens Capital Markets, Inc.
CECL	Current Expected Credit Losses (ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments)*
CET1	Common Equity Tier 1
CEO	Chief Executive Officer
CET1 capital ratio	Common Equity Tier 1 capital divided by total risk-weighted assets as defined under the U.S. Basel III Standardized approach
CFPB	Consumer Financial Protection Bureau
CFTC	Commodity Futures Trading Commission
Citizens or CFG or the Company, we, us, or our	Citizens Financial Group, Inc. and its Subsidiaries
CLO	Collateralized Loan Obligation
CLTV	Combined Loan-to-Value
CMO	Collateralized Mortgage Obligation
COVID-19 pandemic	Coronavirus Disease 2019 Pandemic
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
DE&I	Diversity, Equity and Inclusion
DIF	Deposit Insurance Fund
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EAD	Exposure at Default
Elevated cash	Cash above targeted operating levels
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
ESPP	Employee Stock Purchase Program

EVE	Economic Value of Equity
Exchange Act	The Securities Exchange Act of 1934
Fannie Mae (FNMA)	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit rating)
FINRA	Financial Industry Regulation Authority
FRB or Federal Reserve	Board of Governors of the Federal Reserve System and, as applicable, Federal Reserve Bank(s)
Freddie Mac (FHLMC)	Federal Home Loan Mortgage Corporation
FTE	Fully Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Accounting Principles Generally Accepted in the United States of America
GDP	Gross Domestic Product
GLBA	Gramm-Leach-Bliley Act of 1999
Ginnie Mae (GNMA)	Government National Mortgage Association
GRI	Global Reporting Initiative
GSE	Government Sponsored Entity
HSBC	HSBC Bank U.S.A., N.A.
HSBC branch acquisition	Acquisition of 80 East Coast branches and national online business from HSBC
HTM	Held To Maturity
ICE	Intercontinental Exchange
Investors	Investors Bancorp, Inc. and its subsidiaries
Investors acquisition agreement	Citizens' agreement and plan of merger, dated July 28, 2021, with Investors Bancorp, Inc.
JMP	JMP Group LLC
Last-of-Layer	Last-of-layer is a fair value hedge of the interest rate risk of a portfolio of similar prepayable assets whereby the last dollar amount within the portfolio of assets is identified as the hedged item
LHFS	Loans Held for Sale
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
Mid-Atlantic	District of Columbia, Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia, and West Virginia
Midwest	Illinois, Indiana, Michigan, and Ohio
Modified AACL Transition	The Day-1 CECL adoption entry booked on January 1, 2020 to ACL plus 25% of subsequent CECL ACL reserve build through December 31, 2021
Modified CECL Transition	The Day-1 CECL adoption entry booked on January 1, 2020 to retained earnings plus 25% of subsequent CECL ACL reserve build through December 31, 2021

MSRs	Mortgage Servicing Rights
NCOs	Net charge-offs
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
NM	Not meaningful
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OFAC	Office of Foreign Assets Control
Operating Leverage	Period-over-period percent change in total revenue, less the period-over-period percent change in noninterest expense
OTC	Over the Counter
Parent Company	Citizens Financial Group, Inc. (the Parent Company of Citizens Bank, National Association and other subsidiaries)
PD	Probability of Default
peers or peer regional banks	Comerica, Fifth Third, Huntington, KeyCorp, M&T, PNC, Regions, Truist and U.S. Bancorp
PPP	The U.S. Small Business Administration's Paycheck Protection Program
REIT	Real estate investment trust
ROTCE	Return on Average Tangible Common Equity
RPA	Risk Participation Agreement
RWA	Risk-weighted Assets
SASB	Sustainability Accounting Standards Board
SBA	United States Small Business Administration
SCB	Stress Capital Buffer
SEC	United States Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SVaR	Stressed Value at Risk
Tailoring Rules	Rules establishing risk-based categories for determining prudential standards for large U.S. and foreign banking organizations, consistent with the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief and Consumer Protection Act
TBAs	To-Be-Announced Mortgage Securities
TDR	Troubled Debt Restructuring
Tier 1 capital ratio	Tier 1 capital, which includes Common Equity Tier 1 capital plus non-cumulative perpetual preferred equity that qualifies as additional tier 1 capital, divided by total risk-weighted assets as defined under the U.S. Basel III Standardized approach
Tier 1 leverage ratio	Tier 1 capital, which includes Common Equity Tier 1 capital plus non-cumulative perpetual preferred equity that qualifies as additional tier 1 capital, divided by quarterly adjusted average assets as defined under the U.S. Basel III Standardized approach
Total capital ratio	Total capital, which includes Common Equity Tier 1 capital, tier 1 capital and allowance for credit losses and qualifying subordinated debt that qualifies as tier 2 capital, divided by total risk-weighted assets as defined under the U.S. Basel III Standardized approach
USDA	United States Department of Agriculture
VA	United States Department of Veterans Affairs
VaR	Value at Risk
VIE	Variable Interest Entities
Willamette	Willamette Management Associates, Inc.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding potential future share repurchases and future dividends as well as the potential effects of the COVID-19 disruption on our business, operations, financial performance and prospects, are forward-looking statements. Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “goals,” “targets,” “initiatives,” “potentially,” “probably,” “projects,” “outlook,” “guidance” or similar expressions or future conditional verbs such as “may,” “will,” “should,” “would,” and “could.”

Forward-looking statements are based upon the current beliefs and expectations of management, and on information currently available to management. Our statements speak as of the date hereof, and we do not assume any obligation to update these statements or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- Negative economic and political conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of nonaccrual assets, charge-offs and provision expense;
- The rate of growth in the economy and employment levels, as well as general business and economic conditions, and changes in the competitive environment;
- Our ability to implement our business strategy, including the cost savings and efficiency components, and achieve our financial performance goals, including through the integration of Investors and the HSBC branches;
- The COVID-19 disruption and its effects on the economic and business environments in which we operate;
- Our ability to meet heightened supervisory requirements and expectations;
- Liabilities and business restrictions resulting from litigation and regulatory investigations;
- Our capital and liquidity requirements under regulatory capital standards and our ability to generate capital internally or raise capital on favorable terms;
- The effect of changes in interest rates on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- Changes in interest rates and market liquidity, as well as the magnitude of such changes, which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets;
- The effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- Financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses;
- A failure in or breach of our operational or security systems or infrastructure, or those of our third party vendors or other service providers, including as a result of cyber-attacks;
- An inability to complete the Investors acquisition, or changes in the current anticipated timeframe, terms or manner of such acquisition;
- Greater than expected costs or other difficulties related to the integration of our business and that of Investors and the relevant HSBC branches;
- The inability to retain existing Investors or HSBC clients and employees following the closing of the Investors and HSBC branch acquisitions;

- The occurrence of any event change or other circumstance that could give rise to the right of one or both parties to terminate the agreement to acquire Investors; and
- Management's ability to identify and manage these and other risks.

In addition to the above factors, we also caution that the actual amounts and timing of any future common stock dividends or share repurchases will be subject to various factors, including our capital position, financial performance, risk-weighted assets, capital impacts of strategic initiatives, market conditions and regulatory and accounting considerations, as well as any other factors that our Board of Directors deems relevant in making such a determination. Therefore, there can be no assurance that we will repurchase shares from or pay any dividends to holders of our common stock, or as to the amount of any such repurchases or dividends. Further, statements about the effects of the COVID-19 disruption on our business, operations, financial performance and prospects may constitute forward-looking statements and are subject to the risk that the actual impacts may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control, including the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, and the direct and indirect impact of the pandemic on our customers, third parties and us. Statements about the Investors and HSBC branch acquisitions also constitute forward-looking statements and are subject to the risk that actual results could be materially different from those expressed in those statements, including if the Investors transaction is not consummated in a timely manner or at all, or if integration of the acquisitions is more costly or difficult than expected.

More information about factors that could cause actual results to differ materially from those described in the forward-looking statements can be found under Item 1A "Risk Factors".

PART I

ITEM 1. BUSINESS

Citizens Financial Group, Inc. is headquartered in Providence, Rhode Island. We offer a broad range of retail and commercial banking products and services to more than five million individuals, small businesses, middle-market companies, large corporations and institutions. Our products and services are offered through approximately 900 branches in 11 states in the New England, Mid-Atlantic and Midwest regions and 114 retail and commercial non-branch offices, though certain lines of business serve national markets. At December 31, 2021, we had total assets of $188.4 billion, total deposits of $154.4 billion and total stockholders' equity of $23.4 billion.

We are a bank holding company incorporated under Delaware state law in 1984 and whose primary federal regulator is the FRB. CBNA is our banking subsidiary, whose primary federal regulator is the OCC.

Business Segments

We manage our business through two business segments: Consumer Banking and Commercial Banking. For additional information regarding our business segments see the "Business Operating Segments" section of Item 7 and Note 26 in Item 8. Our activities outside these segments are classified as "Other" and include treasury activities, wholesale funding activities, the securities portfolio, community development assets, and other unallocated assets, liabilities, capital, revenues, provision for credit losses and expenses, including income tax expense.

Consumer Banking Segment

Consumer Banking serves retail customers and small businesses with annual revenues of up to $25 million, with products and services that include deposit products, mortgage and home equity lending, credit cards, business loans, wealth management and investment services largely across our 11-state traditional banking footprint. We also offer auto, education and point-of-sale finance loans in addition to select digital deposit products nationwide.

Consumer Banking operates a multi-channel distribution network with a workforce of approximately 4,500 branch colleagues, approximately 900 branches, including 248 in-store locations, and approximately 3,000 ATMs. Our network includes approximately 1,340 specialists covering lending, savings and investment needs as well as a broad range of small business products and services. We serve customers on a national basis through telephone service centers as well as through our online and mobile platforms where we offer customers the convenience of depositing funds, paying bills and transferring money between accounts and from person to person, as well as a host of other everyday transactions.

We believe our strong retail deposit market share in our core regions, which have relatively diverse economies and affluent demographics, is a competitive advantage. As of June 30, 2021, we ranked in the top three by deposit market share in the New England region and ranked in the top five in eight of our ten principal Metropolitan Statistical Areas.[1]

(1) According to SNL Financial.

Commercial Banking Segment

Commercial Banking primarily serves companies and institutions with annual revenues of over $25 million to more than $3.0 billion and strives to be our clients' trusted advisor and preferred provider for their banking needs. We offer a broad complement of financial products and solutions, including lending and leasing, deposit and treasury management services, foreign exchange, interest rate and commodity risk management solutions, as well as syndicated loans, corporate finance, mergers and acquisitions, and debt and equity capital markets capabilities.

Commercial Banking is structured along business lines and product groups. The business lines, Corporate Banking and Commercial Real Estate, and the product groups, Corporate Finance & Capital Markets, and Treasury Solutions work in teams to understand client needs and provide comprehensive solutions to meet those needs. We acquire new clients through a coordinated approach to the market, leveraging deep industry knowledge in specialized banking groups and a geographic coverage model.

Corporate Banking serves middle market commercial and industrial clients with annual gross revenues of $25 million to $500 million, and mid-corporate clients with annual revenues of $500 million to more than $3.0 billion in the United States. In several areas, such as Aerospace, Defense and Government Services, Communications, Transportation and Logistics, Franchise, Human Capital Management, and Gaming we offer a more dedicated and tailored approach to better meet the unique needs of these client segments.

Commercial Real Estate provides customized debt capital solutions for middle market operators, institutional developers, investors, and REITs. Commercial Real Estate provides financing for projects primarily in the office, multi-family, industrial, retail, healthcare and hospitality sectors.

Corporate Finance & Capital Markets serve clients through key product groups including Corporate Finance, Capital Markets, and Global Markets. Corporate Finance provides advisory services to middle market and mid-corporate clients, including mergers and acquisitions and capital structure advice. The team works closely with industry-sector specialists within capital markets to advise our clients. Corporate Finance also provides acquisition and follow-on financing for new and recapitalized portfolio companies of key sponsors, with services meeting the unique and time-sensitive needs of private equity firms, management companies and funds, and underwriting and portfolio management expertise for leveraged transactions and relationships. Capital Markets originates, structures and underwrites credit and equity facilities targeting middle market, mid-corporate and private equity sponsors. They focus on offering value-added ideas to optimize their capital structures, including advising on and facilitating mergers and acquisitions, valuations, tender offers, financial restructurings, bond and equity underwriting, asset sales, divestitures and other corporate reorganizations and business combinations. Capital Markets also provides sales and trading across loan, fixed income and equity products, as well as other brokerage services including equity research. Global Markets provides foreign exchange, interest rate and commodities risk management services.

The Treasury Solutions product group supports Commercial Banking and certain small business clients with treasury management solutions, including domestic and international products and services related to receivables, payables, information reporting and liquidity management as well as commercial credit cards and trade finance.

Business Strategy

Our mission is to help our customers, colleagues and communities reach their potential, and our vision is to become a top-performing bank distinguished by our customer-centric culture, mindset of continuous improvement, and excellent capabilities. We strive to understand customers and client needs, so we can tailor advice and solutions to help make them more successful. Our business strategy is designed to maximize the full potential of our businesses, drive sustainable growth and enhance profitability. Our success rests on our ability to distinguish ourselves as follows:

Maintain a high-performing, customer-centric organization: We continually strive to enhance our "customer-first" culture in order to deliver the best possible banking experience. We are taking talent management to the next level, with a goal of attracting, developing and retaining great people, while ensuring strong leadership, teamwork, and a sense of empowerment, accountability and urgency.

Develop differentiated value propositions to acquire, deepen, and retain core customer segments: Our focus is on certain customer segments where we believe we are well positioned to compete. In Consumer Banking, we focus on serving mass affluent and affluent customers and small businesses. In Commercial Banking, we focus on serving customers in the middle market, mid-corporate, and select industry verticals. By developing

differentiated and targeted value propositions, building our fee-based businesses and developing innovative solutions, we believe we can attract new customers, deepen relationships with existing customers and deliver an enhanced customer experience.

Build excellent capabilities designed to help us stand out from competitors: Across our businesses, we strive to deliver seamless, multi-channel experiences that allow customers to interact with us when, where and how they choose. We are enhancing capabilities in key areas including wealth, point of sale, capital markets, treasury solutions and payments. We are on a multi-year digital transformation journey across our Consumer and Commercial organizations to digitize end-to-end customer experiences and transform our marketing to drive consumer-direct acquisition in order to satisfy rapidly changing customer preferences. We are accelerating the use of advanced data analytics and artificial intelligence for personalization and to provide timely, insight-driven, tailored advice in order to deliver solutions to consumer and business customers throughout their lifecycles.

Operate with financial discipline and a mindset of continuous improvement to self-fund investments: We believe that continued focus on operational efficiency is critical to our future profitability and ability to continue to reinvest to drive future growth. We launched the first Tapping our Potential (“TOP”) initiative in 2014 and have launched additional programs in subsequent years. These programs are designed to transform how we operate and to improve the effectiveness, efficiency, and competitiveness of our franchise. Our multi-year TOP 6 program is complete and we launched a TOP 7 program focused on improving efficiency in 2022.

Prudently grow and optimize our balance sheet: We operate with a strong balance sheet with regard to capital, liquidity and funding, coupled with a well-defined and prudent risk appetite. We continue to focus on thoughtfully growing our balance sheet and strive to generate attractive risk-adjusted returns by actively managing capital and resource allocation decisions through balance sheet optimization initiatives. Our goal is to be good stewards of our resources, and we continue to rigorously evaluate our execution.

Modernize our technology and operational models to improve delivery, organizational agility and speed to market: We are continuing to modernize and strengthen our technology capabilities and have deployed and scaled an agile operating model consisting of over 250 cross-functional pods to improve our speed-to-market, deliver innovative products and services, strengthen collaboration across teams, and meet financial objectives. We will also continue to actively incubate new innovative ideas and harness external innovation through FinTech partnerships to help deliver differentiated value-added experiences for our customers.

Embed risk management within our culture and operations: Given that the quality of our risk management program directly affects our ability to execute our strategy, we continue to work to further strengthen our risk management culture. Moreover, we are committed to continuously enhancing our processes and talent, and to making improvements in the platform including ongoing investments in risk technology and frameworks. These actions are designed to support and enhance our risk management capabilities and regulatory profile.

Delivering well for stakeholders through the pandemic

The coronavirus pandemic and resulting reactions, such as lockdowns, safety protocols, unprecedented government measures to shore up the economy and drastic changes to daily life have been unique and remarkable. These stresses have required a new level of resilience and adaptability and we have risen to meet these challenges so we can do more for our customers, communities, colleagues, and shareholders. For our customers, communities and colleagues, we continued to provide support, advice and guidance during a time of tremendous need. Our Consumer Banking business has provided vital branch services safely and with minimal disruption and has offered loan forbearance to customers. Our Commercial Banking team has worked with clients on loan modifications and securing additional liquidity, while maintaining top-of-peer satisfaction ratings. For our communities, we are focused on promoting social equity and advancing economic opportunity in underserved communities. For our colleagues, our commitment to their wellness, including physical, financial, and mental wellness, has continued to be a central focus during the COVID-19 disruption.

Our TOP 6 Program is complete despite the pandemic and was expanded with significant new efficiency-focused initiatives, such as the digitization of customer interactions and operations, as well as other initiatives for a post-COVID-19 environment. These digitization efforts include increasing adoption of digital applications, data analytics, artificial intelligence and machine learning, cloud software, Citizens Access® enhancements and more remote services that compound and expand the customer experience and position us well for future top-line growth.

We will continue to serve our stakeholders through this crisis and beyond, backed by our strong financial position that enables us to deliver in meaningful ways.

Competition

The financial services industry is highly competitive. Our branch footprint is in the New England, Mid-Atlantic and Midwest regions, though certain lines of business serve national markets. Within these markets we face competition from community banks, super-regional and national financial institutions, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, hedge funds and private equity firms. Some of our larger competitors may make available to their customers a broader array of products, pricing and structure alternatives while some smaller competitors may have more liberal lending policies and processes. Competition among providers of financial products and services continues to increase, with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives. The ability of non-banking financial institutions, including FinTech companies, to provide services previously limited to commercial banks has also intensified competition.

In Consumer Banking, the industry has become increasingly dependent on and oriented toward technology-driven delivery systems, permitting transactions to be conducted through telephone, online and mobile channels. In addition, technology has lowered barriers to entry and made it possible for non-bank institutions to attract funds and provide lending and other financial products and services. The emergence of digital-only banking models has increased and we expect this trend to continue. Given their lower cost structure, these models are often, on average, able to offer higher rates on deposit products than retail banking institutions with a traditional branch footprint. The primary factors driving competition for loans and deposits are interest rates, fees charged, tailored value propositions to different customer segments, customer service levels, convenience, including branch locations and hours of operation, and the range of products and services offered.

In Commercial Banking, there is intense competition for quality loan originations from traditional banking institutions, particularly large regional banks, as well as commercial finance companies, leasing companies, other non-bank lenders, institutional investors including collateralized loan obligation managers, hedge funds and private equity firms. Some larger competitors, including certain national banks that compete in our market area, may offer a broader array of products and, due to their asset size, may sometimes be in a position to hold more exposure on their balance sheet. We compete on a number of factors including providing innovative corporate finance solutions, quality of customer service and execution, range of products offered, price and reputation.

Human Capital Management

We believe that our long-term success depends on our ability to attract, develop, and retain a high-performing workforce. Our ultimate goal is to create an environment where colleagues can thrive and maximize their potential. As of December 31, 2021, Citizens and its subsidiaries had 17,463 full-time equivalent employees, primarily across New England and the Mid-Atlantic. Our Board and the Compensation and Human Resources Committee provide oversight of our human capital strategy and programs, with senior management providing regular updates on human capital matters to facilitate that oversight.

Health and Well-being

We are committed to supporting the health and well-being of our colleagues and their loved ones. We offer a competitive and comprehensive benefits program, which was complemented with several additional elements during 2020 to support colleagues' physical, financial and mental wellness during the pandemic. Those programs included additional paid time off to address personal circumstances and for COVID-19 quarantine and recovery, mental health and parental resources, and modifications to select compensation programs to take into consideration decreased production at the onset of the crisis. We continuously evaluate our programs and, in 2021, implemented additional mental and emotional health resources as well as emergency back-up child and adult care in order to help alleviate the stress associated with unexpected circumstances. In addition, in early 2022 we paid our branch colleagues a $500 bonus to recognize their continued dedication to serving our customers.

Our commitment to colleague health and well-being has also driven our return to office strategy. While our branch staff have been serving customers in-person throughout the COVID-19 pandemic, we have implemented a gradual return to office strategy for non-branch colleagues which incorporates flexibility for colleagues based on their unique needs. We also continue to implement heightened protocols in our branches and other work locations.

Diversity, Equity and Inclusion

We are committed to building deep partnerships with our customers, colleagues, and communities while fostering a culture where all stakeholders feel respected, valued and heard. Our DE&I strategy is focused on increasing diverse representation in our workforce (particularly in leadership roles), developing a diverse talent pipeline, embedding DE&I capabilities and inclusive behaviors in our culture, and facilitating access to capital. Some key elements of our DE&I strategy include the following:

- Continued execution of various initiatives funded through our $10 million social equity commitment and our $500 million commitment to incremental financing and capital for small businesses, housing, and other developments in predominantly minority communities, as well as pivoting our community efforts to support our social equity goals;
- Introduction of diversity scorecards for senior leaders to increase transparency and accountability, which are reviewed quarterly to track progress, identify any roadblocks, and ensure development plans are fully executed for diverse groups;
- Recent expansion of our diverse hire commitment, through which at least 50% of candidates interviewed for senior roles must be diverse, and the development of strong partnerships with community organizations to help identify qualified diverse candidates;
- Development programs that are specifically curated to build a strong pipeline of diverse emerging talent internally and the recent launch of required inclusion training for all colleagues; and
- Empowerment of our six business resource groups, Citizens WIN (Women's Impact Network), Citizens Elev8 (Rising Professionals), Prism (Multicultural), Citizens Pride (LGBTQ), Citizens Veterans and Citizens Awake (Disability Awareness). The members of these business resource groups serve as cultural and community ambassadors and play an important role in advancing our business strategy and informing the DE&I agenda.

For more information about our DE&I efforts, including our workforce demographics, please see our website and Corporate Responsibility Report.

Fair and Equitable Compensation

We strive to compensate our colleagues fairly based on market data, experience and performance, and we compare our compensation to other companies in our peer group as well as others in the financial services industry.

Part of our commitment to building and fostering a diverse, inclusive, high-performing culture includes ensuring our compensation and benefits are fair and competitive for all colleagues. We engage an independent third-party expert consulting firm to conduct an annual pay equity analysis to ensure equal pay is received for equal work throughout our organization, accounting for factors that appropriately explain differences in pay such as performance, time in role, and experience. Additional information about this analysis can be found on our website and in our Corporate Responsibility Report.

Colleague Growth and Development

We support a culture of continuous learning, which we believe is crucial for colleagues to build the skills necessary to thrive as part of our organization and to feel a sense of accomplishment and purpose. Our comprehensive development and training programs include technical and skills-based programs as well as resources aligned with our leadership competencies and have been designed to be easily accessible and utilized by colleagues through the use of technology, social networking, and immersive new career experiences. Through our programs we aim to equip colleagues with the skills necessary to not only excel in their current roles, but to build competencies that will enable them to be highly valuable contributors in the future.

Employee Engagement

As part of our continuous efforts to make Citizens a great place to build a career, we use McKinsey & Company's Organizational Health Index ("OHI") survey to understand colleagues' viewpoints about the Company on a wide range of factors. In 2021, we maintained our strong overall OHI score despite the competitive talent market and had our highest response rate to date. We use the results of this survey to refine our focus, address any gaps and strengthen our efforts to improve our organizational effectiveness and colleague experience. The OHI survey includes several questions focused on DE&I and the responses to these questions by various diverse

colleague segments are reviewed in order to understand where action may be necessary to further inclusion efforts.

Environmental, Social and Governance

Investors have begun to consider how corporations are addressing environmental, social and governance matters (“ESG”), commonly known as “ESG matters,” when making investment decisions. Specifically, certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies’ responses to climate change and other ESG matters as part of their investment strategy.

We adopted targets to reduce our Scope 1 and 2 green house gas emissions 30 percent by 2025 and 50% by 2035, based on our 2016 baseline. These reductions align with the recommendations of the Paris Agreement, which aims to limit average global temperature increase to well below 2 degrees Celsius compared to pre-industrial levels. As of December 31, 2021, we were invested in approximately $429 million in renewable energy projects. We launched a Green deposits program allowing corporate clients to direct their cash reserves toward companies and projects that are expected to create a positive environmental impact. As of December 31, 2021, there was $107 million on deposit in this program.

We continued our progress on our $10 million social equity commitment and our $500 million commitment to providing access to capital in minority communities. As of December 31, 2021, we contributed $250,000 to social equity organizations and $250,000 to local LISC centers for digital inclusion programs, and partnered with Goalsetter on *One Stock, One Future* campaign to help bridge the wealth gap affecting communities of color by introducing investments and financial education as critical components to building generational wealth. Additionally, we are on track to provide $1.46 billion in financing to help low-to-moderate income borrowers gain access to capital.

We are creating an exceptional experience through DE&I by launching our internal diversity scorecards to increase transparency and accountability. Additionally, we implemented compulsory inclusion training for all colleagues and initiated a diverse hiring commitment for Senior Leader roles. Our colleagues volunteered over 154,000 hours in 2021.

We aligned our corporate responsibility reporting to GRI and SASB frameworks, refreshed our Board and increased ethnic diversity with our February 2021 appointments, and announced that Kevin Cummings, Investors’ Chairman and Chief Executive Officer, and Michele Siekerka, who currently serve on the Investors board, are expected to join our Board upon the closing of the Investors acquisition.

For more details regarding ESG and other corporate responsibility matters, go to our website for our Corporate Responsibility Report.

Regulation and Supervision

Our operations are subject to extensive regulation, supervision and examination under federal and state laws and regulations. These laws and regulations cover all aspects of our business, including lending practices, deposit insurance, customer privacy and cybersecurity, capital adequacy and planning, liquidity, safety and soundness, consumer protection and disclosure, permissible activities and investments, and certain transactions with affiliates. These laws and regulations are intended primarily for the protection of depositors, the Deposit Insurance Fund and the banking system as a whole and not for the protection of shareholders or other investors. The discussion below outlines the material elements of selected laws and regulations applicable to us and our subsidiaries. Changes in applicable law or regulation, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, financial condition or results of operations.

We are subject to examinations by federal banking regulators, as well as the SEC, FINRA and various state insurance and securities regulators. In some cases, regulatory agencies may take supervisory actions that may not be publicly disclosed, and such actions may restrict or limit our activities or activities of our subsidiaries. As part of our regular examination process, regulators may advise us to operate under various restrictions as a prudential matter. We have periodically received requests for information from regulatory authorities at the federal and state level, including from banking, securities and insurance regulators, state attorneys general, federal agencies or law enforcement authorities, and other regulatory authorities, concerning our business practices. Such requests are considered incidental to the normal conduct of business. For a further discussion of how regulatory actions may impact our business, see Item 1A “Risk Factors.” For additional information regarding regulatory matters, see Note 25 in Item 8.

Overview

We are a bank holding company under the Bank Holding Company Act. We have elected to be treated as a financial holding company under amendments to the Bank Holding Company Act as effected by GLBA. As such, we are subject to the supervision, examination and reporting requirements of the Bank Holding Company Act and the regulations of the FRB, including through the Federal Reserve Bank of Boston. Under the system of “functional regulation” established under the Bank Holding Company Act, the FRB serves as the primary regulator of our consolidated organization, the OCC and the SEC serve as the primary regulators of CBNA and our broker-dealer and investment advisory subsidiaries, respectively, and directly regulate the activities of those subsidiaries, with the FRB exercising a supervisory role.

The federal banking regulators have authority to approve or disapprove mergers, acquisitions, consolidations, the establishment of branches and similar corporate actions. These banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law. Federal law governs the activities in which CBNA engages, including the investments it makes and the aggregate amount of available credit that it may grant to one borrower. Various consumer and compliance laws and regulations also affect its operations. The actions the FRB takes to implement monetary policy also affect CBNA.

In addition, CBNA is subject to regulation, supervision and examination by the CFPB with respect to consumer protection laws and regulations. The CFPB has broad authority to regulate the offering and provision of consumer financial products by depository institutions, such as CBNA, with more than $10 billion in total assets. The CFPB may promulgate rules under a variety of consumer financial protection statutes, including the Truth in Lending Act, the Electronic Funds Transfer Act and the Real Estate Settlement Procedures Act.

Tailoring of Prudential Requirements

In October 2019, the FRB and the other federal banking regulators finalized rules that tailor the application of the enhanced prudential standards to bank holding companies and depository institutions to implement the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 amendments to the Dodd-Frank Act (“Tailoring Rules”). Under the Tailoring Rules, we are subject to “Category IV standards,” which apply to banking organizations with at least $100 billion in total consolidated assets that do not meet any of the thresholds specified for Categories I through III.

We discuss other elements of the Tailoring Rules where relevant below. The liquidity requirements are described below under “—Liquidity Requirements,” and the stress testing requirements are described below under “—Capital Planning and Stress Testing Requirements.”

Bank and Financial Holding Company Regulation

As a financial holding company, we may engage in a broader range of activities than a bank holding company that is not also a financial holding company. These activities include securities underwriting and dealing, insurance underwriting and brokerage, merchant banking and other activities that are determined by the FRB, in coordination with the Treasury Department, to be “financial in nature or incidental thereto” or that the FRB determines unilaterally to be “complementary” to financial activities. In addition, a financial holding company may commence new permissible financial activities or acquire non-bank financial companies engaged in such activities, in either case, with after-the-fact notice to the FRB.

To maintain our status as a financial holding company, we and CBNA, our depository institution subsidiary, must each remain “well capitalized” and “well managed,” as described below under “Federal Deposit Insurance Act”. If we or CBNA fails to meet these regulatory standards, the FRB could place limitations on our ability to conduct the broader financial activities permissible for financial holding companies or impose limitations or conditions on the conduct or activities of us or our affiliates. If the deficiencies persisted, the FRB could order us to divest any subsidiary bank or to cease engaging in any activities permissible for financial holding companies that are not permissible for bank holding companies, or we could elect to conform our non-banking activities to those permissible for a bank holding company that is not also a financial holding company. In addition, the CRA requires U.S. banks to help serve the needs of their communities. If CBNA were to receive a CRA rating of less than “satisfactory”, we and CBNA would be prohibited from engaging in certain activities (see “Community Reinvestment Act” below).

Federal and state laws impose notice and approval requirements for mergers and acquisitions of other depository institutions or bank holding companies. As noted above, FRB approval is generally not required for us to acquire a company engaged in activities that are financial in nature or incidental to activities that are

financial in nature, as determined by the FRB. Prior regulatory approval is required, however, before we may acquire or control more than 5% of any class of voting shares or substantially all of the assets of a bank holding company (including a financial holding company) or a bank. In considering applications for approval of acquisitions, the banking regulators may take several factors into account, including the competitive effects of the transaction in the relevant geographic markets; the financial and managerial resources and future prospects of companies involved in the transaction; the effect of the transaction on the financial stability of the U.S. banking or financial system; the companies' compliance with anti-money laundering laws and regulations; the convenience and needs to the communities to be served; and the records of performance under the CRA of the insured depository institutions involved in the transaction.

Capital

The U.S. Basel III rules apply to us. These rules establish risk-based and leverage capital requirements. The risk-based requirements are based on a banking organization's risk-weighted assets, also known as RWA, which reflect the organization's on- and off-balance sheet exposures, subject to risk weights. The leverage requirements are based on a banking organization's average consolidated on-balance sheet assets. For more detail on our regulatory capital, see the "Capital and Regulatory Matters" section of Item 7.

We calculate RWA using the standardized approach and have made the one-time election to opt-out of AOCI. As a result, we are not required to recognize in regulatory capital the impacts of net unrealized gains and losses included within AOCI for debt securities that are available for sale or held to maturity, accumulated net gains and losses on cash flow hedges and certain defined benefit pension plan assets.

On January 1, 2020, we adopted the CECL accounting standard. In reaction to the COVID-19 pandemic, on September 30, 2020 the FRB and the other federal banking regulators adopted a final rule relative to regulatory capital treatment of ACL under CECL. This rule allowed electing banking organizations to delay the estimated impact of CECL on regulatory capital for a two-year period ending January 1, 2022, followed by a three-year transition period ending January 1, 2025 to phase-in the reversal of the aggregate amount of the capital benefit provided during the initial two-year delay.

Under the U.S. Basel III rules, the minimum capital ratios are:

- 4.5% CET1 capital to risk-weighted assets;
- 6.0% tier 1 capital (that is, CET1 capital plus additional tier 1 capital) to risk-weighted assets;
- 8.0% total capital (that is, tier 1 capital plus tier 2 capital) to risk-weighted assets; and
- 4.0% tier 1 capital to total average consolidated assets as defined under U.S. Basel III Standardized approach (known as the "leverage ratio").

In March 2020, the FRB finalized rules that replaced the fixed CCB of 2.5% with a dynamic institution-specific SCB, which is imposed on top of each of the three minimum risk-weighted capital ratios listed above. Banking institutions that fail to meet the effective minimum ratios with the SCB taken into account will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income", defined as the greater of four quarter trailing net income, net of distributions and tax effects not reflected in net income, or the average four quarter trailing net income. The SCB framework became effective for us on October 1, 2020, with our SCB of 3.4% for the period October 1, 2020 through September 30, 2021 based on the results of the 2020 Dodd-Frank Act Stress Test.

Effective April 5, 2021, the FRB adopted a final rule to make conforming changes to its Capital Plan Rule and stress capital buffer and capital planning requirements to be consistent with the Tailoring Rules framework. Under the final rule, for Category IV firms, like us, the SCB will be re-calibrated with each biennial supervisory stress test and updated annually to reflect our planned common stock dividends. In addition, Category IV firms may elect to participate in the supervisory stress test and receive an updated SCB requirement in a year in which they are not subject to the supervisory stress test. We did not elect to participate in the 2021 supervisory stress test and on August 5, 2021, the FRB announced that our SCB will remain unchanged at 3.4% from October 1, 2021 through September 30, 2022. For more details, see "—Capital Planning and Stress Testing Requirements" below and the "Capital and Regulatory Matters" section of Item 7.

We are also subject to the FRB's risk-based capital requirements for market risk. See the "Market Risk" section of Item 7.

Liquidity Requirements

The Federal banking regulators have adopted the Basel III-based U.S. Liquidity Coverage Ratio rule, which is a quantitative liquidity metric designed to ensure that a covered bank or bank holding company maintains an adequate level of unencumbered high-quality liquid assets to cover expected net cash outflows over a 30-day time horizon under an acute liquidity stress scenario. As noted above, under the Tailoring Rules, Category IV firms with less than $50 billion in weighted short-term wholesale funding, including us, are no longer subject to any Liquidity Coverage Ratio requirement.

The Basel III framework also includes a second liquidity standard, the NSFR, which is designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon. On October 20, 2020, the federal banking regulators issued a final rule to implement the NSFR for large U.S. banking organizations. Under the final rule, Category IV firms with less than $50 billion in weighted short-term wholesale funding, including us, are not subject to the NSFR requirement.

Finally, per the liquidity rules included in the FRB's enhanced prudential standards adopted pursuant to Section 165 of the Dodd-Frank Act (referred to above under "—Tailoring of Prudential Requirements"), we are also required to maintain a buffer of highly liquid assets based on projected funding needs for 30 days. Under the Tailoring Rules, the liquidity buffer requirements continue to apply to Category IV firms, such as us, and remain subject to liquidity risk management requirements. However, these requirements are now tailored such that we required to:

i. calculate collateral positions monthly, as opposed to weekly;

ii. establish a more limited set of liquidity risk limits than was previously required; and

iii. monitor fewer elements of intraday liquidity risk exposures than were previously monitored.

We are also now subject to liquidity stress testing quarterly, rather than monthly, and are required to report liquidity data on a monthly basis.

Capital Planning and Stress Testing Requirements

Under the Tailoring Rules, Category IV firms, such as us, are subject to biennial supervisory stress testing and are exempt from company-run stress testing and related disclosure requirements. Category IV firms are also no longer required to submit resolution plans. The FRB continues to supervise Category IV firms on an ongoing basis, including evaluation of the capital adequacy and capital planning processes during off-cycle years. We remain subject to the requirement to develop, maintain and submit an annual capital plan for review and approval by our board of directors, or one of its committees, as well as FR Y-14 reporting requirements.

Regulations relating to capital planning, regulatory reporting, and stress testing and capital buffer requirements applicable to firms like us are presently subject to rule making and potential further guidance and interpretation by the applicable federal regulators. We will continue to evaluate the impact of these and any other prudential regulatory changes, including their potential resultant changes in our regulatory and compliance costs and expenses.

For more detail on our capital planning and stress testing requirements see the "Capital and Regulatory Matters" section of Item 7.

Standards for Safety and Soundness

The FDIA requires the FRB, OCC and FDIC to prescribe operational and managerial standards for all insured depository institutions, including CBNA. The agencies have adopted regulations and interagency guidelines that set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. If an agency determines that a bank fails to satisfy any standard, it may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans. If, after being notified to submit a compliance plan, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the FDIA. See "Federal Deposit Insurance Act" below. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Federal Deposit Insurance Act

The FDIA requires, among other things, that the federal banking regulators take “prompt corrective action” with respect to depository institutions that do not meet minimum capital requirements, as described above in “Capital.” The FDIA sets forth the following five capital categories: “well-capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” A depository institution’s capital category depends upon how its capital levels compare with various relevant capital measures and certain other factors that are established by regulation. The federal banking regulators must take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions that are undercapitalized, significantly undercapitalized or critically undercapitalized, with the actions becoming more restrictive and punitive the lower the institution’s capital category. Under existing rules, an institution that is not an advanced approaches institution is deemed to be “well capitalized” if it has a CET1 ratio of at least 6.5%, a tier 1 capital ratio of at least 8%, a total capital ratio of at least 10%, and a tier 1 leverage ratio of at least 5%.

The FDIA’s prompt corrective action provisions only apply to depository institutions and not to bank holding companies. The FRB’s regulations applicable to bank holding companies separately define “well capitalized” for bank holding companies to require maintaining a tier 1 capital ratio of at least 6% and a total capital ratio of at least 10%. As described above under “—Bank and Financial Holding Company Regulation”, a financial holding company that is not well-capitalized and well-managed (or whose bank subsidiaries are not well capitalized and well managed) under applicable prompt corrective action standards may be restricted in certain of its activities and ultimately may lose financial holding company status. As of December 31, 2021, both the Parent Company and CBNA were well-capitalized.

The FDIA prohibits insured banks from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in the bank’s normal market area or nationally, depending upon where the deposits are solicited, unless it is “well-capitalized,” or it is “adequately capitalized” and receives a waiver from the FDIC. A bank that is “adequately capitalized” and accepts brokered deposits under a waiver from the FDIC may not pay an interest rate on any deposit in excess of 75 basis points over certain prevailing market rates. The FDIA imposes no such restrictions on a bank that is “well-capitalized.”

Deposit Insurance

The FDIA requires CBNA to pay deposit insurance assessments. FDIC assessment rates for large institutions are calculated based on one of two scorecards. One for most large institutions that have more than $10 billion in assets and another for “highly complex” institutions that have over $50 billion in assets and are fully owned by a parent with over $500 billion in assets. Each scorecard has a performance score and a loss-severity score that are combined to produce a total score, which is translated into an initial assessment rate. In calculating these scores, the FDIC utilizes the CAMELS ratings and forward-looking financial measures to assess an institution’s ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score, based upon significant risk factors that are not adequately captured in the scorecard. The total score is then translated to an initial base assessment rate on a non-linear, sharply-increasing scale.

The deposit insurance assessment is calculated based on average consolidated total assets less average tangible equity of the insured depository institution during the assessment period. Deposit insurance assessments are also affected by the minimum reserve ratio with respect to the Deposit Insurance Fund (“DIF”). The FDIA established a minimum reserve ratio of the DIF of 1.15% prior to September 2020 and 1.35% thereafter. As of September 30, 2021, the reserve ratio of the DIF was 1.27%. On September 15, 2020, the FDIC’s Board of Directors voted to adopt a restoration plan to restore the DIF reserve ratio to at least 1.35% within 8 years, as required by the FDIA.

Dividends

Various federal statutory provisions and regulations, as well as regulatory expectations, limit the amount of dividends that we and our subsidiaries may pay.

Our payment of dividends to our stockholders is subject to the oversight of the FRB. In particular, the FRB reviews the dividend policies and share repurchases of a large bank holding company based on capital plans submitted as part of the CCAR process and on the results of stress tests, as discussed above. In addition to other limitations, our ability to make any capital distributions, including dividends and share repurchases, is contingent on the FRB’s non-objection to such planned distributions included in our submitted capital plan or the FRB’s

authorization to make distributions if we are exempt from the requirement to submit a capital plan. See “—Capital” and “—Capital Planning and Stress Testing Requirements” above.

Dividends payable by CBNA, as a national bank subsidiary, are limited to the lesser of the amount calculated under a “recent earnings” test and an “undivided profits” test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year’s net income combined with the retained net income of the two preceding years, less any required transfers to surplus, unless the national bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of the entity’s “undivided profits” (generally, accumulated net profits that have not been paid out as dividends or transferred to surplus). Federal bank regulatory agencies have issued policy statements that provide that FDIC-insured depository institutions and their holding companies should generally pay dividends only out of their current operating earnings.

Support of Subsidiary Bank

Under Section 616 of the Dodd-Frank Act, which codifies the FRB’s long-standing “source of strength” doctrine, the Parent Company must serve as a source of financial and managerial strength for our depository institution subsidiary. The statute defines “source of financial strength” as the ability to provide financial assistance in the event of the financial distress at the insured depository institution. The FRB may require that the Parent Company provide such support at times even when the Parent Company may not have the financial resources to do so, or when doing so may not serve our interests or those of our shareholders or creditors. In addition, any capital loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Transactions with Affiliates and Insiders

Sections 23A and 23B of the Federal Reserve Act and related FRB rules, including Regulation W, restrict CBNA from extending credit to, or engaging in certain other transactions with, the Parent Company and its non-bank subsidiaries. These restrictions place limits on certain specified “covered transactions” between bank subsidiaries and their affiliates, which must be limited to 10% of a bank’s capital and surplus for any one affiliate and 20% for all affiliates. Furthermore, within the foregoing limitations as to amount, certain covered transactions must meet specified collateral requirements ranging from 100% to 130%. Covered transactions are defined to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the FRB) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, derivatives transactions and securities lending transactions where the bank has credit exposure to an affiliate, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. All covered transactions, including certain additional transactions (such as transactions with a third party in which an affiliate has a financial interest), must be conducted on market terms. The FRB enforces these restrictions and we are audited for compliance.

Section 23B prohibits an institution from engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with non-affiliated companies. Transactions between a bank and any of its subsidiaries that are engaged in certain financial activities may be subject to the affiliated transaction limits. The FRB also may designate banking subsidiaries as affiliates.

Pursuant to FRB Regulation O, we are also subject to quantitative restrictions on extensions of credit to executive officers, directors, principal stockholders and their related interests. In general, such extensions of credit may not exceed certain dollar limitations, must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and must not involve more than the normal risk of repayment or present other unfavorable features. Certain extensions of credit also require the approval of our Board.

Volcker Rule

The Dodd-Frank Act prohibits banks and their affiliates from engaging in proprietary trading and investing in, sponsoring and having certain relationships with private funds such as certain hedge funds or private equity funds. The statutory provision is commonly called the “Volcker Rule.” In October 2019, the FRB, OCC, FDIC, the SEC and the CFTC (collectively, the “Volcker Agencies”) finalized amendments to their regulations to tailor the Volcker Rule’s compliance requirements to the amount of a firm’s trading activity, revise the definition of trading account, clarify certain key provisions in the Volcker Rule, and modify the information companies are required to provide the Volcker Agencies. Under those amendments, we expect that we would be regarded as having “moderate” trading assets and liabilities, and therefore subject to a requirement to have a simplified compliance program that is appropriate for our activities, size, scope, and complexity. In June 2020, the Volcker Agencies finalized other regulations modifying the Volcker Rule’s prohibition on banking entities investing in or sponsoring hedge funds or private equity funds (referred to under the rule as covered funds). This final rule became effective October 1, 2020. We do not expect either of these regulatory amendments to the Volcker Rule to have a material impact on Citizens.

Consumer Financial Protection Regulations

The retail activities of banks are subject to a variety of statutes and regulations designed to protect consumers and promote lending to various sectors of the economy and population. These laws include, but are not limited to, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Service Members Civil Relief Act, the Expedited Funds Availability Act, the Right to Financial Privacy Act, the Truth in Savings Act, the Electronic Funds Transfer Act, and their respective federal regulations and state law counterparts.

In addition to these federal laws and regulations, the guidance and interpretations of the various federal agencies charged with the responsibility of implementing such regulations also influences loan and deposit operations.

The CFPB has broad rulemaking, supervisory, examination and enforcement authority over various consumer financial protection laws, including the laws referenced above, fair lending laws and certain other statutes. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets, including the authority to prevent unfair, deceptive or abusive acts or practices in connection with the offering of consumer financial products.

The Dodd-Frank Act permits states to adopt stricter consumer protection laws and standards that are more stringent than those adopted at the federal level, and in certain circumstances allows state attorneys general to enforce compliance with both the state and federal laws and regulations. State regulation of financial products and potential enforcement actions could also adversely affect our business, financial condition or results of operations.

Protection of Customer Personal Information and Cybersecurity

The privacy provisions of GLBA generally prohibit financial institutions, including us, from disclosing nonpublic personal financial information of consumer customers to third parties for certain purposes (primarily marketing) unless customers have the opportunity to opt out of the disclosure. The Fair Credit Reporting Act restricts information sharing among affiliates for marketing purposes. Both the Fair Credit Reporting Act and Regulation V, issued by the FRB, govern the use and provision of information to consumer reporting agencies.

The federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management standards among financial institutions. Financial institutions are expected to design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers’ accessing internet-based services of the financial institution. Further, a financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. If we fail to observe the regulatory guidance, we could be subject to various regulatory sanctions, including financial penalties. For a further discussion of risks related to cybersecurity, see Item 1A “Risk Factors.”

In November 2021, the federal regulators issued a final rule mandating financial institutions to report certain significant cybersecurity incidents to regulators. The final rule requires a financial institution to notify its primary banking regulator within 36 hours of certain significant cybersecurity incidents which has or is reasonably likely to disrupt or degrade its (i) ability to carry out banking operations, activities, or processes, or deliver banking products and services to a material portion of its customer base; (ii) business lines, including associated operations, services, functions, and support, that upon failure would result in a material loss of revenue, profit, or franchise value; or (iii) operations, including associated services, functions, and support, the failure or discontinuance of which would pose a threat to the financial stability of the United States. Bank service providers are required to notify at least one designated point of contact at affected banking organization customers as soon as possible after any computer-security incident which has or is reasonably likely to materially disrupt or degrade covered services for four or more hours. The final rule is effective April 1, 2022, with a compliance date of May 1, 2022.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted laws and regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. For example, the California Consumer Privacy Act, which became effective on January 1, 2020, gives new rights to California residents to require certain businesses to disclose or delete their personal information. In addition, many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity to continue, and are continually monitoring developments in the states in which we operate.

Community Reinvestment Act

The CRA requires banking regulators to evaluate the Parent Company and CBNA in meeting the credit needs of our local communities, including providing credit to individuals residing in low- and moderate- income neighborhoods. The CRA also requires each appropriate federal bank regulatory agency, in connection with its examination of a depository institution, to assess such institution’s record in assessing and meeting the credit needs of the community served by that institution and assign ratings. The regulatory agency’s evaluation of the institution’s record and ratings are made public. These CRA performance evaluations are also considered by regulatory agencies in evaluating mergers, acquisitions and applications to open a branch or facility, and, in the case of a bank holding company that has elected financial holding company status, a CRA rating of at least “satisfactory” is required to commence certain new financial activities or to acquire a company engaged in such activities. CBNA received a rating of “outstanding” in our most recent CRA evaluation.

On December 14, 2021, the OCC adopted a final CRA rule that is based largely on the 1995 CRA rules, as revised, that were issued by the OCC, FRB, and FDIC. This final rule became effective January 1, 2022 and applies to national banks and savings associations. The adoption of this final rule also rescinded the CRA final rule published by the OCC on June 5, 2020 and facilitates the OCC's planned future issuance of updated interagency CRA rules with the FRB and FDIC. We will continue to evaluate the impact of any changes to the regulations implementing the CRA.

Compensation

Our compensation practices are subject to oversight by the FRB and the OCC. The federal banking regulators have issued guidance designed to ensure that incentive compensation arrangements at banking organizations take into account risk and are consistent with safe and sound practices. The guidance sets forth the following three key principles with respect to incentive compensation arrangements:

i. the arrangements should provide employees with incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk;

ii. the arrangements should be compatible with effective controls and risk management; and

iii. the arrangements should be supported by strong corporate governance.

The guidance provides that supervisory findings with respect to incentive compensation will be incorporated, as appropriate, into the organization’s supervisory ratings.

The U.S. financial regulators, including the FRB, the OCC and the SEC, jointly proposed regulations in 2011 and again in 2016 to implement the incentive compensation requirements of Section 956 of the Dodd-Frank Act. These regulations have not been finalized.

Anti-Money Laundering

The Bank Secrecy Act and the USA PATRIOT Act contain anti-money laundering and financial transparency provisions intended to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. These laws and their implementing regulations require U.S. financial institutions, like us, including our bank and broker-dealer subsidiaries, to maintain an anti-money laundering program, verify the identity of customers, verify the identity of certain beneficial owners for legal entity customers, monitor for and report suspicious transactions, report on cash transactions exceeding specified thresholds, and respond to requests for information by regulatory authorities and law enforcement agencies. In addition, we are prohibited from entering into specified financial transactions and account relationships and are required to meet enhanced standards for due diligence in dealings with foreign financial institutions and foreign customers. We also must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions. Financial services regulators are focusing their examinations on anti-money laundering compliance, and we continue to monitor and augment, where necessary, our anti-money laundering compliance programs. The federal banking agencies are required, when reviewing bank and bank holding company acquisition or merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants.

The Anti-Money Laundering Act of 2020, enacted on January 1, 2021 as part of the National Defense Authorization Act, does not directly impose new requirements on financial institutions, but requires the U.S. Treasury Department to issue National Anti-Money Laundering and Countering the Financing of Terrorism Priorities and conduct studies and issue regulations that may, over the next few years, significantly alter some of the due diligence, recordkeeping and reporting requirements that the Bank Secrecy Act and USA PATRIOT Act impose on financial institutions. The Anti-Money Laundering Act of 2020 also increases penalties for violations of the Bank Secrecy Act and significantly expands a whistleblower award program both of which could increase the prospect of regulatory enforcement.

Office of Foreign Assets Control Regulation

The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control. The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements:

i. restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and

ii. a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC.

OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons. We are responsible for, among other things, blocking accounts of and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must freeze such account, file a suspicious activity report and notify the appropriate authorities. Failure to comply with these sanctions could have serious legal and reputational consequences.

Regulation of Broker-Dealers

Our subsidiaries, CCMI, JMP Securities, LLC and Citizens Securities, Inc. are registered broker-dealers with the SEC and subject to regulation and examination by the SEC as well as FINRA and other self-regulatory organizations. These regulations cover a broad range of issues, including capital requirements; sales and trading practices; use of client funds and securities; the conduct of directors, officers and employees; record-keeping and recording; supervisory procedures to prevent improper trading on material non-public information; qualification and licensing of sales personnel; and limitations on the extension of credit in securities transactions. In addition to federal registration, state securities commissions require the registration of certain broker-dealers.

Heightened Risk Governance Standards

CBNA is subject to OCC guidelines imposing heightened risk governance standards on large national banks with average total consolidated assets of $50 billion or more. The guidelines set forth minimum standards for the design and implementation of a bank's risk governance framework, and minimum standards for oversight of that framework by a bank's board of directors. The guidelines are intended to protect the safety and soundness of covered banks and improve bank examiners' ability to assess compliance with the OCC's expectations. Under the guidelines, a bank may use its parent company's risk governance framework if the framework meets the minimum standards, the risk profiles of the parent company and the covered bank are substantially the same, and certain other conditions are met. CBNA has elected to use the Parent Company's risk governance framework. A bank's board of directors is required to have two members who are independent of the bank and parent company management. A bank's board of directors is responsible for ensuring that the risk governance framework meets the standards in the guidelines, providing active oversight and a credible challenge to management's recommendations and decisions and ensuring that the parent company decisions do not jeopardize the safety and soundness of the bank.

Intellectual Property

In the highly competitive banking industry in which we operate, trademarks, service marks, trade names and logos are important to the success of our business. We own and license a variety of trademarks, service marks, trade names, logos and pending registrations and are spending significant resources to develop our stand-alone brands.

Website Access to Citizens' Filings with the SEC

We maintain a website at investor.citizensbank.com. We make available on our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including exhibits, and amendments to those reports that are filed or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934. These documents are made available on our website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The SEC also maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. As we are a financial services organization, certain elements of risk are inherent in our transactions and operations and are present in the business decisions we make. We, therefore, encounter risk as part of the normal course of our business and we design risk management processes to help manage these risks. Our success is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can appropriately balance revenue generation and profitability. These risks include, but are not limited to, credit risk, market risk, liquidity risk, operational risk, model risk, technology, regulatory and legal risk and strategic and reputational risk. We discuss our principal risk management processes and, in appropriate places, related historical performance in the "Risk Governance" section in Item 7.

You should carefully consider the following risk factors that may affect our business, financial condition and results of operations. Other factors that could affect our business, financial condition and results of operation are discussed in the "Forward-Looking Statements" section above. However, there may be additional risks that are not presently material or known, and factors besides those discussed below, or in this or other reports that we file or furnish with the SEC, that could also adversely affect us.

Risks Related to Our Business

The COVID-19 pandemic has adversely affected and may continue to adversely affect us, and created and may exacerbate or create new, significant risks and uncertainties for our business, and the ultimate impact of the pandemic on us will depend on future developments, which are highly uncertain and cannot be predicted.

The COVID-19 pandemic has negatively affected the global and U.S. economies, increased unemployment levels, disrupted supply chains and businesses in many industries, lowered equity market valuations, decreased liquidity in fixed income markets, and created significant volatility and disruption in financial markets. This has resulted, and could continue to result, in higher and more volatile provisions for credit losses, and is also

expected to result in increased charge-offs, particularly as more customers experience credit deterioration and as customers need to draw on their committed credit lines to help finance their businesses and activities. The pandemic's negative economic impact and its effect on customer needs and behaviors could adversely affect our liquidity and capital profile. Moreover, governmental actions in response to the pandemic are meaningfully influencing the interest-rate environment, which has, and is likely to continue to, reduce our net interest margin. The pandemic may also have adverse effects on our noninterest income, including causing volatility in our capital markets fees, card and service fees, and foreign exchange and interest rate products fees.

In addition, our reliance on work-from-home capabilities and the potential inability to maintain critical staff in our operational facilities present risks associated with our local infrastructure, illness, quarantines and the sustainability of a work-from-home environment, as well as heightened cybersecurity, information security and operational risks. Many of our service providers have been, and may further be, affected by similar factors that increase their risk of business disruptions or that may otherwise affect their ability to perform under the terms of any agreements with us or provide essential services. Any disruption to our ability to deliver financial products or services to, or interact with, our clients and customers could result in losses or increased operational costs, regulatory fines, penalties or other sanctions, or harm to our reputation. We also face an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic on market and economic conditions and the actions of governmental authorities in response to those conditions.

The extent to which the pandemic adversely affects our business, financial condition and results of operations, as well as our liquidity and regulatory capital ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the widespread availability, use and effectiveness of vaccines, the effectiveness of our work-from-home arrangements and staffing levels in operational facilities, actions taken by governmental authorities and other third parties in response to the pandemic and the direct and indirect impact of the pandemic on us, our clients and customers, our service providers and other market participants. As the pandemic adversely affects us, it may also have the effect of heightening many of the other risks described herein.

We may not be able to successfully execute our business strategy.

Our business strategy is designed to maximize the full potential of our business and drive sustainable growth and enhanced profitability, and our success rests on our ability to maintain a high-performing, customer-centric organization; develop differentiated value propositions to acquire, deepen, and retain core customer segments; build excellent capabilities designed to help us stand out from our competitors; operate with financial discipline and a mindset of continuous improvement to self-fund investments; prudently grow and optimize our balance sheet; modernize our technology and operational models to improve delivery, organizational agility and speed to market; and embed risk management within our culture and our operations. Our future success and the value of our stock will depend, in part, on our ability to effectively implement our business strategy. There are risks and uncertainties, many of which are not within our control, associated with each element of our strategy. If we are not able to successfully execute our business strategy, we may never achieve our financial performance goals and any shortfall may be material. See the "Business Strategy" section in Item 1 for further information.

Supervisory requirements and expectations on us as a financial holding company and a bank holding company and any regulator-imposed limits on our activities could adversely affect our ability to implement our strategic plan, expand our business, continue to improve our financial performance and make capital distributions to our stockholders.

Our operations are subject to extensive regulation, supervision and examination by the federal banking agencies (the FRB, the OCC and the FDIC), as well as the CFPB. As part of the supervisory and examination process, if we are unsuccessful in meeting the supervisory requirements and expectations that apply to us, regulatory agencies may from time to time take supervisory actions against us that may not be publicly disclosed. Such actions may include restrictions on our activities or the activities of our subsidiaries, informal (nonpublic) or formal (public) supervisory actions or public enforcement actions, including the payment of civil money penalties, which could increase our costs and limit our ability to implement our strategic plans and expand our business, and as a result could have a material adverse effect on our business, financial condition or results of operations. See the "Regulation and Supervision" section in Item 1 for further information.

Changes in interest rates may have an adverse effect on our profitability.

Net interest income historically has been, and we anticipate that it will remain, a significant component of our total revenue. This is due to the fact that a high percentage of our assets and liabilities have been and will

likely continue to be in the form of interest-bearing or interest-related instruments. Changes in interest rates can have a material effect on many areas of our business, including net interest income, deposit costs, loan volume and delinquency, and the value of our mortgage servicing rights. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Open Market Committee. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits and the fair value of our financial assets and liabilities. If the interest rates on our interest-bearing liabilities increase at a faster pace than the interest rates on our interest earning assets, our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and our earnings would be similarly affected if the interest rates on our interest earning assets declined at a faster pace than the interest rates on our interest-bearing liabilities.

We cannot control or predict with certainty changes in interest rates. Global, national, regional and local economic conditions, competitive pressures and the policies of regulatory authorities, including monetary policies of the FRB, affect interest income and interest expense. Although we have policies and procedures designed to manage the risks associated with changes in market interest rates, as further discussed under the “Risk Governance” section in Item 7, changes in interest rates still may have an adverse effect on our profitability.

If our ongoing assumptions regarding borrower or depositor behavior or overall economic conditions are significantly different than we anticipate, then our risk mitigation may be insufficient to protect against interest rate risk and our net income would be adversely affected.

Changes in the method pursuant to which the LIBOR and other benchmark rates are calculated and their planned discontinuance could adversely impact our business operations and financial results.

Many of our lending products, securities, derivatives, and other financial transactions utilize a benchmark rate, such as LIBOR, to determine the applicable interest rate or payment amount. In 2017, the Chief Executive of the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. We continue to monitor market developments and regulatory updates, including the announcements from the ICE Benchmark Administration to extend the cessation date for several U.S. Dollar LIBOR tenors to June 30, 2023, as well as collaborate with regulators and industry groups on the transition.

The discontinuation of a benchmark rate, changes in a benchmark rate, or changes in market perceptions of the acceptability of a benchmark rate, including LIBOR, could, among other things, adversely affect the value of and return on certain of our financial instruments or products, result in changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with customer disclosures and contract negotiations. The transition to using a new rate could also expose us to risks associated with disputes with customers and other market participants in connection with interpreting and implementing LIBOR fallback provisions. For more information on our LIBOR transition, see the “Market Risk” section in Item 7.

We could fail to attract, retain or motivate highly skilled and qualified personnel, including our senior management, other key employees or members of our Board, which could impair our ability to successfully execute our strategic plan and otherwise adversely affect our business.

A cornerstone of our strategic plan involves the hiring of highly skilled and qualified personnel. Accordingly, our ability to implement our strategic plan and our future success depends on our ability to attract, retain and motivate highly skilled and qualified personnel, including our senior management and other key employees and directors. The marketplace for skilled personnel is becoming more competitive, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. The failure to attract or retain, including as a result of an untimely death or illness of key personnel, or replace a sufficient number of appropriately skilled and key personnel could place us at a significant competitive disadvantage and prevent us from successfully implementing our strategy, which could impair our ability to implement our strategic plan successfully, achieve our performance targets and otherwise have a material adverse effect on our business, financial condition and results of operations.

Limitations on the manner in which regulated financial institutions, such as us, can compensate their officers and employees, including those contained in pending rule proposals implementing requirements of

Section 956 of the Dodd-Frank Act, may make it more difficult for such institutions to compete for talent with financial institutions and other companies not subject to these or similar limitations. If we are unable to compete effectively, our business, financial condition and results of operations could be adversely affected, perhaps materially.

Our ability to meet our obligations, and the cost of funds to do so, depend on our ability to access identified sources of liquidity at a reasonable cost.

Liquidity risk is the risk that we will not be able to meet our obligations, including funding commitments, as they come due. This risk is inherent in our operations and can be heightened by a number of factors, including an over-reliance on a particular source of funding (including, for example, secured FHLB advances), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Like many banking groups, our reliance on customer deposits to meet a considerable portion of our funding has grown over recent years, and we continue to seek to increase the proportion of our funding represented by customer deposits. However, these deposits are subject to fluctuation due to certain factors outside our control, such as increasing competitive pressures for retail or corporate customer deposits, changes in interest rates and returns on other investment classes, or a loss of confidence by customers in us or in the banking sector generally which could result in a significant outflow of deposits within a short period of time. To the extent there is heightened competition among U.S. banks for retail customer deposits, this competition may increase the cost of procuring new deposits and/or retaining existing deposits, and otherwise negatively affect our ability to grow our deposit base. An inability to grow, or any material decrease in, our deposits could have a material adverse effect on our ability to satisfy our liquidity needs.

Maintaining a diverse and appropriate funding strategy for our assets consistent with our wider strategic risk appetite and plan remains challenging, and any tightening of credit markets could have a material adverse impact on us. In particular, there is a risk that corporate and financial institution counterparties may seek to reduce their credit exposures to banks and other financial institutions (for example, reductions in unsecured deposits supplied by these counterparties), which may cause funding from these sources to no longer be available. Under these circumstances, we may need to seek funds from alternative sources, potentially at higher costs than has previously been the case, or may be required to consider disposals of other assets not previously identified for disposal, in order to reduce our funding commitments.

A reduction in our credit ratings, which are based on a number of factors, could have a material adverse effect on our business, financial condition and results of operations.

Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us, and their ratings are based on a number of factors, including our financial strength. Other factors considered by rating agencies include conditions affecting the financial services industry generally. Any downgrade in our ratings would likely increase our borrowing costs, could limit our access to capital markets, and otherwise adversely affect our business. For example, a ratings downgrade could adversely affect our ability to sell or market certain of our securities, including long-term debt, engage in certain longer-term derivatives transactions and retain our customers, particularly corporate customers who may require a minimum rating threshold in order to place funds with us. In addition, under the terms of certain of our derivatives contracts, we may be required to maintain a minimum credit rating or have to post additional collateral or terminate such contracts. Any of these results of a rating downgrade could increase our cost of funding, reduce our liquidity and have adverse effects on our business, financial condition and results of operations.

Our financial performance may be adversely affected by deterioration in borrower credit quality, particularly in the New England, Mid-Atlantic and Midwest regions, where our operations are predominately concentrated.

We have exposure to many different industries and risks arising from actual or perceived changes in credit quality and uncertainty over the recoverability of amounts due from borrowers is inherent in our businesses. Our exposure may be exacerbated by the geographic concentration of our operations, which are predominately located in the New England, Mid-Atlantic and Midwest regions. The credit quality of our borrowers may deteriorate for a number of reasons that are outside our control, including as a result of prevailing economic and market conditions and asset valuation. The trends and risks affecting borrower credit quality, particularly in the New England, Mid-Atlantic and Midwest regions, have caused, and in the future may cause, us to experience impairment charges, increased repurchase demands, higher costs, additional write-downs and losses and an inability to engage in routine funding transactions, which could have a material adverse effect on our business, financial condition and results of operations.

Our framework for managing risks may not be effective in mitigating risk and loss.

Our risk management framework is made up of various processes and strategies to manage our risk exposure. The framework to manage risk, including the framework's underlying assumptions, may not be effective under all conditions and circumstances. If the risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

One of the main types of risks inherent in our business is credit risk. An important feature of our credit risk management system is to employ an internal credit risk control system through which we identify, measure, monitor and mitigate existing and emerging credit risk of our customers. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system.

In addition, we have undertaken certain actions to enhance our credit policies and guidelines to address potential risks associated with particular industries or types of customers, as discussed in more detail under the “Risk Governance” and “Market Risk” sections in Item 7. However, we may not be able to effectively implement these initiatives, or consistently follow and refine our credit risk management system. If any of the foregoing were to occur, it may result in an increase in the level of nonaccrual loans and a higher risk exposure for us, which could have a material adverse effect on us.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.

From time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be operationally complex to implement and can materially impact how we record and report our financial condition and results of operations. For example, in June 2016, the FASB issued Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments* (“CECL”), that substantially changed the accounting for credit losses on loans and other financial assets held by banks, financial institutions and other organizations. Upon adoption of CECL on January 1, 2020, we recognize credit losses on these assets equal to management's estimate of credit losses over the full remaining expected life. We consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. As evidenced in the first half of 2020 due to the impact of COVID-19, the standard introduces heightened volatility in provision for credit losses, given uncertainty in the accuracy of macroeconomic forecasts over longer time horizons, variances in the rate and composition of loan growth, and changes in overall loan portfolio size and mix. As a result, it is possible that our ongoing reported earnings and lending activity could be negatively impacted. For more information regarding CECL, see Note 1 in Item 8.

Our financial and accounting estimates and risk management framework rely on analytical forecasting and models.

The processes we use to estimate our inherent loan losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. Some of our tools and metrics for managing risk are based upon our use of observed historical market behavior. We rely on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy and calculating regulatory capital levels, as well as estimating the value of financial instruments and balance sheet items. Poorly designed or implemented models present the risk that our business decisions based on information incorporating such models will be adversely affected due to the inadequacy of that information. Moreover, our models may fail to predict future risk exposures if the information used in the model is incorrect, obsolete or not sufficiently comparable to actual events as they occur. We seek to incorporate appropriate historical data in our models, but the range of market values and behaviors reflected in any period of historical data is not at all times predictive of future developments in any particular period and the period of data we incorporate into our models may turn out to be inappropriate for the future period being modeled. In such case, our ability to manage risk would be limited and our risk exposure and losses could be significantly greater than our models indicated. In addition, if existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits. Finally, information we provide to

our regulators based on poorly designed or implemented models could also be inaccurate or misleading. Some of the decisions that our regulators make, including those related to capital distributions to our stockholders, could be adversely affected due to their perception that the quality of the models used to generate the relevant information is insufficient.

The preparation of our financial statements requires the use of estimates that may vary from actual results. Particularly, various factors may cause our Allowance for Credit Losses to increase.

The preparation of audited Consolidated Financial Statements in conformity with GAAP requires management to make significant estimates that affect the financial statements. Our most critical accounting estimate is the ACL. The ACL is a reserve established through a provision for credit losses charged to expense and represents our estimate of expected credit losses within the existing loan and lease portfolio and unfunded lending commitments. The level of the ACL is based on periodic evaluation of the loan and lease portfolios and unfunded lending commitments that are not unconditionally cancellable considering a number of relevant underlying factors, including key assumptions and evaluation of quantitative and qualitative information.

The determination of the appropriate level of the ACL inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, the stagnation of certain economic indicators that we are more susceptible to, such as unemployment and real estate values, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside our control, may require an increase in the ACL. In addition, bank regulatory agencies periodically review our ACL and may require an increase in the ACL or the recognition of further loan charge-offs, based on judgments that can differ from those of our own management. In addition, if charge-offs in future periods exceed the ACL—that is, if the ACL is inadequate—we will need to recognize additional provision for credit losses. Should such additional provision expense become necessary, it would result in a decrease in net income and capital and may have a material adverse effect on us. For more information regarding our use of estimates in preparation of financial statements, see Note 1 in Item 8 and the “Critical Accounting Estimates” section in Item 7.

Operational risks are inherent in our businesses.

Our operations depend on our ability to process a very large number of transactions efficiently and accurately while complying with applicable laws and regulations. Operational risk and losses can result from internal and external fraud; improper conduct or errors by employees or third parties; failure to document transactions properly or to obtain proper authorization; failure to comply with applicable regulatory requirements and conduct of business rules; equipment failures, including those caused by natural disasters or by electrical, telecommunications or other essential utility outages; business continuity and data security system failures, including those caused by computer viruses, cyber-attacks against us or our vendors, or unforeseen problems encountered while implementing major new computer systems or upgrades to existing systems; or the inadequacy or failure of systems and controls, including those of our suppliers or counterparties. Although we have implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, identifying and rectifying weaknesses in existing procedures and training staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by us. Any weakness in these systems or controls, or any breaches or alleged breaches of such laws or regulations, could result in increased regulatory supervision, enforcement actions and other disciplinary action, and have an adverse impact on our business, applicable authorizations and licenses, reputation and results of operations.

The financial services industry, including the banking sector, is undergoing rapid technological change as a result of changes in customer behavior, competition and changes in the legal and regulatory framework, and we may not be able to compete effectively as a result of these changes.

The financial services industry, including the banking sector, is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. In addition, new, unexpected technological changes could have a disruptive effect on the way banks offer products and services. We believe our success depends, to a great extent, on our ability to address customer needs by using technology to offer products and services that provide convenience to customers and to create additional efficiencies in our operations. However, we may not be able to, among other things, keep up with the rapid pace of technological changes, effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to compete effectively to attract

or retain new business may be impaired, and our business, financial condition or results of operations may be adversely affected.

In addition, changes in the legal and regulatory framework under which we operate require us to update our information systems to ensure compliance. Our need to review and evaluate the impact of ongoing rule proposals, final rules and implementation guidance from regulators further complicates the development and implementation of new information systems for our business. Also, recent regulatory guidance has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the efficiency otherwise resulting from our relationships with third-party technology providers. Given the significant number of ongoing regulatory reform initiatives, it is possible that we incur higher than expected information technology costs in order to comply with current and impending regulations. See "—Supervisory requirements and expectations on us as a financial holding company and a bank holding company and any regulator-imposed limits on our activities could adversely affect our ability to implement our strategic plan, expand our business, continue to improve our financial performance and make capital distributions to our stockholders."

We are subject to a variety of cybersecurity risks that, if realized, could adversely affect how we conduct our business.

Information security risks for large financial institutions such as us have increased significantly in recent years in part because of the proliferation of new technologies, such as Internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external parties. Third parties with whom we or our customers do business also present operational and information security risks to us, including security breaches or failures of their own systems. The possibility of employee error, failure to follow security procedures, or malfeasance also presents these risks, particularly given the recent trend towards remote work arrangements. Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks as well as in the third-party computer systems and networks used to provide products and services on our behalf. In addition, to access our products and services, our customers may use personal computers, smartphones, tablets, and other mobile devices that are beyond our control environment. Although we believe that we have appropriate information security procedures and controls based on our adherence to applicable laws and regulations, industry standards and best practices, our technologies, systems, networks and our customers' devices may be the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, theft, sale or loss or destruction of the confidential, and/or proprietary information of CFG, our customers, our vendors, our counterparties, or our employees. We are under continuous threat of loss or network degradation due to cyber-attacks, such as computer viruses, malicious or destructive code, phishing attacks, ransomware, and Distributed Denial of Service ("DDoS") attacks. This is especially true as we continue to expand customer capabilities to utilize the Internet and other remote channels to transact business. Two of the most significant cyber-attack risks that we face are e-fraud and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals extract funds directly from customers' or our accounts using fraudulent schemes that may include Internet-based funds transfers. We have been subject to a number of e-fraud incidents historically. We have also been subject to attempts to steal sensitive customer data, such as account numbers and social security numbers, through unauthorized access to our computer systems including computer hacking. Such attacks are less frequent but could present significant reputational, legal and regulatory costs to us if successful. We have implemented certain technology protections such as Customer Profiling and Set-Up Authentication to be in compliance with the FFIEC Authentication and Access to Financial Institution Services and Systems guidelines.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate and remediate any information security vulnerabilities. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity and interconnectedness of information technology systems, the process of enhancing our layers of defense can itself create a risk of systems disruptions and security issues. In addition, addressing certain information security vulnerabilities, such as hardware-based vulnerabilities, may affect the performance of our information technology systems. The ability of our hardware and software providers to deliver patches and updates to mitigate vulnerabilities in a timely manner can introduce additional risks, particularly when a vulnerability is being actively exploited by threat actors. Cyber-attacks against the patches themselves have also proven to be a significant risk that companies will have to address going forward.

Despite our efforts to prevent a cyber-attack, a successful cyber-attack could persist for an extended period of time before being detected, and, following detection, it could take considerable time for us to obtain full and reliable information about the cybersecurity incident and the extent, amount and type of information compromised. During the course of an investigation, we may not necessarily know the full effects of the incident or how to remediate it, and actions and decisions that are taken or made in an effort to mitigate risk may further increase the costs and other negative consequences of the incident.

The techniques used by cyber criminals change frequently, may not be recognized until launched and can be initiated from a variety of sources, including terrorist organizations and hostile foreign governments. These actors may attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to data or our systems. In the event that a cyber-attack is successful, our business, financial condition or results of operations may be adversely affected. For a discussion of the guidance that federal banking regulators have released regarding cybersecurity and cyber risk management standards, see the “Regulation and Supervision” section of Item 1.

We rely heavily on communications and information systems to conduct our business.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems, including due to hacking or other similar attempts to breach information technology security protocols, could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. Although we have established policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that these policies and procedures will be successful and that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could require us to devote substantial resources (including management time and attention) to recovery and response efforts, damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability. Although we maintain insurance coverage for information security events, we may incur losses as a result of such events that are not insured against or not fully covered by our insurance.

We rely on third parties for the performance of a significant portion of our information technology.

We rely on third parties for the performance of a significant portion of our information technology functions and the provision of information technology and business process services. For example, (i) unaffiliated third parties operate data communications networks on which certain components and services relating to our online banking system rely, (ii) third parties host or maintain many of our applications, including a commercial loan system, which is hosted and maintained by Automated Financial Systems, Inc., and our Mobile Digital Banking Application, which is hosted and maintained by Amazon Web Services, Inc., (iii) Fidelity Information Services, LLC maintains our core deposits system, (iv) Infosys Limited provides us with a wide range of information technology support services, including service desk, end user support, production application support, and private cloud support, and (v) Kyndryl, Inc. provides us with mainframe support services. The success of our business depends in part on the continuing ability of these (and other) third parties to perform these functions and services in a timely and satisfactory manner, which performance could be disrupted or otherwise adversely affected due to failures or other information security events originating at the third parties or at the third parties’ suppliers or vendors (so-called “fourth party risk”). We may not be able to effectively monitor or mitigate fourth-party risk, in particular as it relates to the use of common suppliers or vendors by the third parties that perform functions and services for us. If we experience a disruption in the provision of any functions or services performed by third parties, we may have difficulty in finding alternate providers on terms favorable to us and in reasonable time frames. If these services are not performed in a satisfactory manner, we would not be able to serve our customers well. In either situation, our business could incur significant costs and be adversely affected.

We are exposed to reputational risk and the risk of damage to our brands and the brands of our affiliates.

Our success and results depend, in part, on our reputation and the strength of our brands. We are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust and confidence are paramount. We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, press speculation and negative publicity, perception of our environmental, social and governance practices and disclosures, among other factors, could damage our

brands or reputation. Our brands and reputation could also be harmed if we sell products or services that do not perform as expected or customers' expectations for the product are not satisfied.

We may be adversely affected by unpredictable catastrophic events or terrorist attacks and our business continuity and disaster recovery plans may not adequately protect us from serious disaster.

The occurrence of catastrophic events such as hurricanes, tropical storms, tornadoes and other large-scale catastrophes and terrorist attacks could adversely affect our business, financial condition or results of operations if a catastrophe rendered both our production data center in Rhode Island and our recovery data center in North Carolina unusable. Although we maintain both business continuity and disaster recovery plans, there can be no assurance that these plans and related capabilities will adequately protect us from serious disaster.

Risks Related to Our Industry

Any deterioration in national economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Our business is affected by national economic conditions, as well as perceptions of those conditions and future economic prospects. Changes in such economic conditions are not predictable and cannot be controlled. Adverse economic conditions, such as challenges in the global supply chain and recent inflationary trends, could require us to charge off a higher percentage of loans and increase the provision for credit losses, which would reduce our net income and otherwise have a material adverse effect on our business, financial condition and results of operations.

We operate in an industry that is highly competitive, which could result in losing business or margin declines and have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive industry. The industry could become even more competitive as a result of reform of the financial services industry resulting from the Dodd-Frank Act and other legislative, regulatory and technological changes, as well as continued consolidation. We face aggressive competition from other domestic and foreign lending institutions and from numerous other providers of financial services, including non-banking financial institutions that are not subject to the same regulatory restrictions as banks and bank holding companies, securities firms and insurance companies, and competitors that may have greater financial resources.

With respect to non-banking financial institutions, technology and other changes have lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks. For example, consumers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Some of our non-bank competitors are not subject to the same extensive regulations we are and, therefore, may have greater flexibility in competing for business. As a result of these and other sources of competition, we could lose business to competitors or be forced to price products and services on less advantageous terms to retain or attract clients, either of which would adversely affect our profitability.

The conditions of other financial institutions or of the financial services industry could adversely affect our operations and financial conditions.

Financial services institutions are typically interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions, as the commercial and financial soundness of many financial institutions are closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by various institutions. This systemic risk may adversely affect financial intermediaries, such as clearing agencies, banks and exchanges with which we interact on a daily basis, or key funding providers such as the FHLBs, any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Regulations Governing Our Industry

As a financial holding company and a bank holding company, we are subject to comprehensive regulation that could have a material adverse effect on our business and results of operations.

As a financial holding company and a bank holding company, we are subject to comprehensive regulation, supervision and examination by the FRB. In addition, CBNA is subject to comprehensive regulation, supervision and examination by the OCC. Our regulators supervise us through regular examinations and other means that allow the regulators to gauge management's ability to identify, assess and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. In the course of their supervision and examinations, our regulators may require improvements in various areas. If we are unable to implement and maintain any required actions in a timely and effective manner, we could become subject to informal (non-public) or formal (public) supervisory actions and public enforcement orders that could lead to significant restrictions on our existing business or on our ability to engage in any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such actions through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory or enforcement action could have a material adverse effect on our business, financial condition and results of operations.

We are a bank holding company that has elected to become a financial holding company pursuant to the Bank Holding Company Act. Financial holding companies are allowed to engage in certain financial activities in which a bank holding company is not otherwise permitted to engage. However, to maintain financial holding company status, a bank holding company (and all of its depository institution subsidiaries) must be "well capitalized" and "well managed." If a bank holding company ceases to meet these capital and management requirements, there are many penalties it would be faced with, including the FRB may impose limitations or conditions on the conduct of its activities, and it may not undertake any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the FRB. If a company does not return to compliance within 180 days, which period may be extended, the FRB may require divestiture of that company's depository institutions. To the extent we do not meet the requirements to be a financial holding company in the future, there could be a material adverse effect on our business, financial condition and results of operations.

We may be unable to disclose some restrictions or limitations on our operations imposed by our regulators.

From time to time, bank regulatory agencies take supervisory actions that restrict or limit a financial institution's activities and lead it to raise capital or subject it to other requirements. Directives issued to enforce such actions may be confidential and thus, in some instances, we are not permitted to publicly disclose these actions. In addition, as part of our regular examination process, our regulators may advise us to operate under various restrictions as a prudential matter. Any such actions or restrictions, if and in whatever manner imposed, could adversely affect our costs and revenues. Moreover, efforts to comply with any such nonpublic supervisory actions or restrictions may require material investments in additional resources and systems, as well as a significant commitment of managerial time and attention. As a result, such supervisory actions or restrictions, if and in whatever manner imposed, could have a material adverse effect on our business and results of operations; and, in certain instances, we may not be able to publicly disclose these matters.

The regulatory environment in which we operate continues to be subject to significant and evolving regulatory requirements that could have a material adverse effect on our business and earnings.

We are heavily regulated by multiple banking, consumer protection, securities and other regulatory authorities at the federal and state levels. This regulatory oversight is primarily established to protect depositors, the FDIC's Deposit Insurance Fund, consumers of financial products, and the financial system as a whole, not our security holders. Changes to statutes, regulations, rules or policies, including the interpretation, implementation or enforcement of statutes, regulations, rules or policies, could affect us in substantial and unpredictable ways, including by, for example, subjecting us to additional costs, limiting the types of financial services and other products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties, including non-banks, to offer competing financial services and products. In recent years, we, together with the rest of the financial services industry, have faced particularly intense scrutiny, with many new regulatory initiatives and vigorous oversight and enforcement on the part of numerous regulatory and

governmental authorities. Legislatures and regulators have pursued a broad array of initiatives intended to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, and consumer and investor protection. Certain regulators and law enforcement authorities have also recently required admissions of wrongdoing and, in some cases, criminal pleas as part of the resolutions of matters brought by them against financial institutions. Any such resolution of a matter involving us could lead to increased exposure to civil litigation, could adversely affect our reputation, could result in penalties or limitations on our ability to do business or engage in certain activities and could have other negative effects. In addition, a single event or issue may give rise to numerous and overlapping investigations and proceedings, including by multiple federal and state regulators and other governmental authorities.

We are also subject to laws and regulations relating to the privacy of the information of our customers, employees, counterparties and others, and any failure to comply with these laws and regulations could expose us to liability and/or reputational damage. As new privacy-related laws and regulations are implemented, the time and resources needed for us to comply with those laws and regulations, as well as our potential liability for non-compliance and our reporting obligations in the case of data breaches, may significantly increase.

While there have been significant revisions to the laws and regulations applicable to us that have been finalized in recent months, there are other rules to implement changes that have yet to be proposed or enacted by our regulators. The final timing, scope and impact of these changes to the regulatory framework applicable to financial institutions remains uncertain. For more information on regulations to which we are subject and recent initiatives to reform financial institution regulation, see the “Regulation and Supervision” section in Item 1.

We are subject to capital adequacy and liquidity standards, and if we fail to meet these standards our financial condition and operations would be adversely affected.

We are subject to several capital adequacy and liquidity standards. To the extent that we are unable to meet these standards, our ability to make distributions of capital will be limited and we may be subject to additional supervisory actions and limitations on our activities. See “Regulation and Supervision” in Item 1 and the “Capital and Regulatory Requirements” and “Liquidity” sections in Item 7, for further discussion of the regulations to which we are subject.

The Parent Company could be required to act as a “source of strength” to CBNA, which would have a material adverse effect on our business, financial condition and results of operations.

FRB policy historically required bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. The Dodd-Frank Act codified this policy as a statutory requirement. This support may be required by the FRB at times when we might otherwise determine not to provide it or when doing so is not otherwise in the interests of CFG or our stockholders or creditors, and may include one or more of the following:

- The Parent Company may be compelled to contribute capital to CBNA, including by engaging in a public offering to raise such capital. Furthermore, any extensions of credit from the Parent Company to CBNA that are included in CBNA’s capital would be subordinate in right of payment to depositors and certain other indebtedness of CBNA.
- In the event of a bank holding company’s bankruptcy, any commitment that the bank holding company had been required to make to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.
- In the event of impairment of the capital stock of CBNA, the Parent Company, as CBNA’s stockholder, could be required to pay such deficiency.

The Parent Company depends on CBNA for substantially all of its revenue, and restrictions on dividends and other distributions by CBNA could affect its liquidity and ability to fulfill our obligations.

As a bank holding company, the Parent Company is a separate and distinct legal entity from CBNA, our banking subsidiary. The Parent Company typically receives substantially all of our revenue from dividends from CBNA. These dividends are the principal source of funds to pay dividends on our equity and interest and principal on our debt. Various federal and/or state laws and regulations, as well as regulatory expectations, limit the amount of dividends that CBNA may pay to the Parent Company. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event CBNA is unable to pay dividends to the Parent Company, it may not be able to service debt, pay obligations or pay dividends on its common stock. The inability to receive dividends from CBNA could have a material adverse effect on our business, financial condition and results of operations. See the "Supervision and Regulation" section in Item 1 and the "Capital and Regulatory Matters" section in Item 7.

From time-to-time, we may become or are subject to regulatory actions that may have a material impact on our business.

We may become or are involved, from time to time, in reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. These regulatory actions involve, among other matters, accounting, compliance and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief that may require changes to our business or otherwise materially impact our business.

In regulatory actions, such as those referred to above, it is inherently difficult to determine whether any loss is probable or whether it is possible to reasonably estimate the amount of any loss. We cannot predict with certainty if, how or when such proceedings will be resolved or what the eventual fine, penalty or other relief, conditions or restrictions, if any, may be, particularly for actions that are in their early stages of investigation. The Parent Company may be required to make significant restitution payments to CBNA customers arising from certain compliance issues and also may be required to pay civil money penalties in connection with certain of these issues. This uncertainty makes it difficult to estimate probable losses, which, in turn, can lead to substantial disparities between the reserves we may establish for such proceedings and the eventual settlements, fines, or penalties. Adverse regulatory actions could have a material adverse effect on our business, financial condition and results of operations.

We are and may be subject to litigation that may have a material impact on our business.

Our operations are diverse and complex and we operate in legal and regulatory environments that expose us to potentially significant litigation risk. In the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a financial services institution, including with respect to alleged unfair or deceptive business practices and mis-selling of certain products. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. Moreover, a number of recent judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. This could increase the amount of private litigation to which we are subject. For more information regarding ongoing significant legal proceedings in which we may be involved, see Note 19 in Item 8.

Compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort.

We are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and poses significant technical challenges. Although we believe our current policies and procedures are sufficient to comply with applicable rules and regulations, we cannot guarantee that our anti-money laundering and anti-terrorism financing policies and procedures completely prevent situations of money laundering or terrorism financing. Any such failure events may have severe

consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on our business, financial condition or results of operations.

Risks Related to our Common Stock

Our stock price may be volatile, and you could lose all or part of your investment as a result.

You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuation in the market value of your investment. The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this "Risk Factors" section, and other factors, some of which are beyond our control. These factors include:

- quarterly variations in our results of operations or the quarterly financial results of companies perceived to be similar to us;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- fluctuations in the market valuations of companies perceived by investors to be comparable to us;
- future sales of our common stock;
- additions or departures of members of our senior management or other key personnel;
- changes in industry conditions or perceptions; and
- changes in applicable laws, rules or regulations and other dynamics.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market price of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, loss of investor confidence, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock.

If any of the foregoing occurs, it could cause our stock price to fall and may expose us to securities class action litigation that, even if unsuccessful, could be costly to defend and a distraction to management.

We may not repurchase shares or pay cash dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, as a bank holding company, our ability to repurchase shares and declare and pay dividends is dependent on certain federal regulatory considerations, including the rules of the FRB regarding capital adequacy and dividends. Additionally, we are required to submit periodic capital plans to the FRB for review, or otherwise obtain FRB authorization, before we can take certain capital actions, including repurchasing shares, declaring and paying dividends, or repurchasing or redeeming capital securities. If our capital plan or any amendment to our capital plan is objected to for any reason, our ability to repurchase shares and declare and pay dividends on our capital stock may be limited. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may be limited in our ability to repurchase shares and declare and pay dividends on our capital stock. See the "Regulation and Supervision" section in Item 1, for further discussion of the regulations to which we are subject.

"Anti-takeover" provisions and the regulations to which we are subject may make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders.

We are a bank holding company incorporated in the state of Delaware. Anti-takeover provisions in Delaware law and our restated certificate of incorporation and amended and restated bylaws, as well as regulatory approvals that would be required under federal law, could make it more difficult for a third party to take control of us and may prevent stockholders from receiving a premium for their shares of our common stock. These provisions could adversely affect the market price of our common stock and could reduce the amount that stockholders might get if we are sold.

Furthermore, banking laws impose notice, approval and ongoing regulatory requirements on any stockholder or other party that seeks to acquire direct or indirect “control” of an FDIC-insured depository institution. These laws include the Bank Holding Company Act and the Change in Bank Control Act.

Risks Related to our Pending and Recently Completed Acquisitions

Failure to complete our proposed acquisition of Investors could negatively impact our business, financial results, and stock price.

If for any reason the acquisition of Investors is not completed, our ongoing business may be adversely impacted and we will be subject to a number of risks, including: the financial markets may react negatively, resulting in negative impacts on our stock price and other adverse impacts; we may experience negative reactions from our customers, vendors, and employees; we will have incurred substantial expenses and will be required to pay certain costs relating to the acquisition, whether or not the acquisition is completed, such as legal, accounting, investment banking, and other professional and administrative fees; and matters relating to the acquisition may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have benefited us.

Our ability to complete the proposed acquisition of Investors is subject to the receipt of approval from various regulatory agencies.

Prior to the transactions contemplated in the Investors acquisition agreement being consummated, the Company and Investors must obtain certain regulatory approvals, including approvals of the Federal Reserve and the OCC. The terms and conditions of the approvals that are granted may impose conditions, limitations, obligations or costs, or place restrictions on the conduct of the Company or its business following the acquisition, or require changes to the terms of the transactions contemplated by the Investors acquisition agreement. There can be no assurance that the regulators will not impose any such conditions, obligations or restrictions, and that such conditions, limitations, obligations or restrictions will not have the effect of delaying or preventing completion of any of the transactions contemplated by the Investors acquisition agreement, imposing additional material costs on or materially limiting the revenues of the Company following the acquisition or otherwise reduce the anticipated benefits of the acquisition if the acquisition were consummated successfully within the expected timeframe, any of which might have an adverse effect on the Company following the acquisition.

We face risks and uncertainties related to our proposed acquisition of Investors and recently closed HSBC branch acquisition.

Uncertainty about the effect of the proposed acquisition of Investors and recently closed HSBC branch acquisition on personnel and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain, and motivate key personnel until the acquisitions are consummated and fully integrated and for a period of time thereafter, and could cause customers and others that deal with us to seek to change their existing business relationships with us. Employee retention may be particularly challenging during the pendency and integration of the acquisitions, as employees may experience uncertainty about their roles with the Company following the acquisitions. The Investors branches to be acquired by the Company have operated and, until the completion of the acquisition, will continue to operate independently. The ultimate success of the Investors and HSBC branch acquisitions, including anticipated benefits and cost savings, among other things, will depend, in part, on our ability to successfully combine and integrate our and Investors’ businesses and HSBC’s branches in a manner that facilitates growth opportunities and realizes anticipated cost savings. It is possible that the integration process could result in the loss of key employees, the loss of customers, the disruption of the companies' ongoing business, unexpected integration issues, higher than expected integration costs, and an integration process that takes longer than originally anticipated. Also, if the Company experiences difficulties or delays with the integration process, the anticipated benefits of the acquisitions may not be realized fully, or at all.

The definitive agreement between the Company and Investors may be terminated in accordance with its terms.

The Investors acquisition agreement is subject to a number of conditions which need to be fulfilled in order to consummate the proposed acquisition. These conditions include, among other things, the receipt of all required regulatory approvals, the absence of any order, injunction, or other legal restraint, subject to certain exceptions, the accuracy of representations and warranties under the Investors acquisition agreement, our and Investors’ performance of our and their respective obligations under the Investors acquisition agreement in all material aspects, and each of our and Investors’ receipt of a tax opinion to the effect that the acquisition will be

treated as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

The conditions to the closing of the Investors acquisition may not be fulfilled in a timely manner or at all, and accordingly, the acquisition may be delayed or may not be completed. We and Investors may opt to terminate the Investors acquisition agreement under certain circumstances. Among other situations, if the acquisition is not completed by July 28, 2022, either we or Investors may choose not to proceed with the acquisition (provided that such date may be extended to October 28, 2022 by us or Investors if all other condition precedents other than receipt of all requisite regulatory approvals have been satisfied or waived). We and Investors can also mutually decide to terminate the Investors acquisition agreement at any time.

Shareholder litigation could prevent or delay the closing of the proposed acquisition of Investors or otherwise negatively impact our business and operations.

Lawsuits may be filed against us, Investors, or the directors and officers of either company relating to the proposed acquisition. Litigation filed against us, our Board of Directors, or Investors and its Board of Directors could prevent or delay the completion of the acquisition, cause us to incur additional costs, or result in the payment of damages following completion of the acquisition. The defense or settlement of any lawsuit or claim that remains unresolved at the effective time of the acquisition may adversely affect the combined company's business, financial condition, results of operation, cash flows, and market price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease seven operations centers in Boston, Medford, and Westwood, Massachusetts; Pittsburgh, Pennsylvania; Franklin, Tennessee; Irving, Texas and Glen Allen, Virginia. We own two principal operations centers in Johnston and East Providence, Rhode Island. At December 31, 2021, our subsidiaries owned and operated a total of 37 facilities and leased an additional 1,123 facilities. We believe our current facilities are adequate to meet our needs. See Note 7 and Note 9 in Item 8 for more information regarding our premises and equipment, and leases, respectively.

ITEM 3. LEGAL PROCEEDINGS

Information required by this item is presented in Note 19 in Item 8 and is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

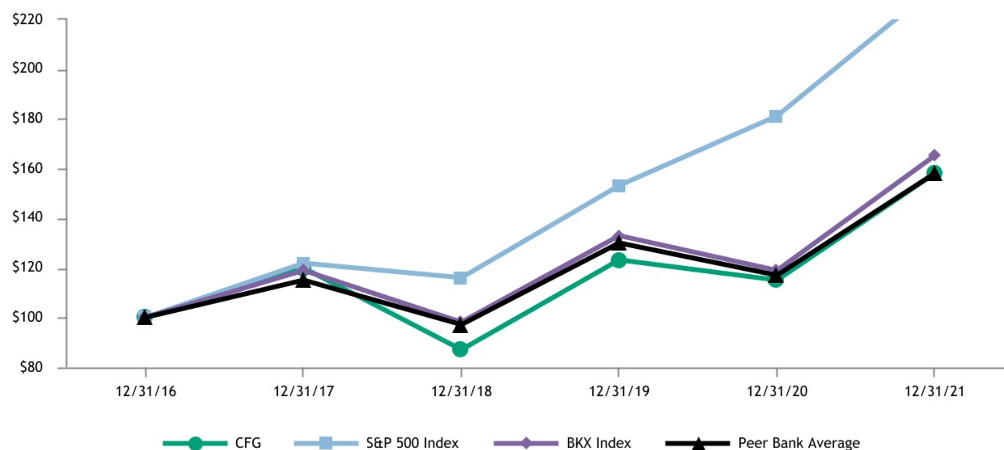
ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol “CFG.” As of January 28, 2022, our common stock was owned by nine holders of record (including Cede & Co.) and approximately 384,000 beneficial shareholders whose shares were held in “street name” through a broker or bank. Information relating to compensation plans under which our equity securities are authorized for issuance is presented in Item 12.

The following graph compares the cumulative total stockholder returns for our performance during the five-year period ended December 31, 2021 relative to the performance of the Standard & Poor’s 500® index, a commonly referenced U.S. equity benchmark consisting of leading companies from diverse economic sectors; the KBW Nasdaq Bank Index (“BKX”), composed of 24 leading national money centers, regional banks and thrifts; and a group of other banks that constitute our peer regional banks (i.e., Comerica, Fifth Third, KeyCorp, M&T, PNC, Regions, Truist, Huntington and U.S. Bancorp). The graph assumes a $100 investment at the closing price on December 31, 2016 in each of CFG common stock, the S&P 500 index, the BKX and the peer market-capitalization

weighted average and assumes all dividends were reinvested on the date paid. The points on the graph represent the fiscal quarter-end amounts based on the last trading day in each subsequent fiscal quarter.

This graph shall not be deemed "soliciting material" or be filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Citizens Financial Group, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.



	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
CFG	$158	$115	$123	$87	$120	$100
S&P 500 Index	233	181	153	116	122	100
KBW BKX Index	165	119	133	98	119	100
Peer Regional Bank Average	$158	$117	$130	$97	$115	$100

Issuer Purchase of Equity Securities

Details of the repurchases of the Company's common stock during the three months ended December 31, 2021 are included below:

Period	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Dollar Amount of Shares That May Yet Be Purchased As Part of Publicly Announced Plans or Programs[1]
October 1, 2021 - October 31, 2021	—	—	—	$655,000,000
November 1, 2021 - November 30, 2021	3,426,728	$47.50	3,426,728	$492,237,598
December 1, 2021 - December 31, 2021	783,984	$47.50	783,984	$455,000,000

[1] On January 20, 2021, the Company announced that its Board of Directors approved an open-ended share repurchase plan for up to $750 million of CFG common stock. This share repurchase plan allowed for share repurchases that may be executed in the open market or in privately negotiated transactions, including under Rule 10b5-1 plans. The timing and exact amount of future share repurchases will be subject to various factors, including the Company's capital position, financial performance and market conditions.

ITEM 6. RESERVED

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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INTRODUCTION

Citizens Financial Group, Inc. is one of the nation’s oldest and largest financial institutions with $188.4 billion in assets as of December 31, 2021. Headquartered in Providence, Rhode Island, we offer a broad range of retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations, and institutions. We help our customers reach their potential by listening to them and by understanding their needs to offer tailored advice, ideas and solutions. In Consumer Banking, we provide an integrated experience that includes mobile and online banking, a 24/7 customer contact center, the convenience of approximately 3,000 ATMs and approximately 900 branches in 11 states in the New England, Mid-Atlantic, and Midwest regions. Consumer Banking products and services include a full range of banking, lending, savings, wealth management and small business offerings. In Commercial Banking, we offer a broad complement of financial products and solutions, including lending and leasing, deposit and treasury management services, foreign exchange, interest rate and commodity risk management solutions, as well as loan syndication, corporate finance, mergers and acquisitions, and debt and equity capital markets capabilities. More information is available at www.citizensbank.com.

On May 26, 2021, CBNA entered into an agreement to acquire 80 East Coast branches and the national online deposit business from HSBC. The HSBC branch acquisition provides an attractive entry into important metro markets and supports our national expansion strategy. The acquisition closed on February 18, 2022.

On July 28, 2021 Citizens entered into a definitive agreement and a plan of merger under which we will acquire all of the outstanding shares of Investors for a combination of stock and cash. The acquisition of Investors enhances Citizens’ banking franchise, adding an attractive middle market, small business and consumer customer base while building our physical presence in the northeast with the addition of 154 branches located in the greater New York City and Philadelphia metropolitan areas and across New Jersey. The merger is expected to close in early second quarter 2022, subject to regulatory approvals and other customary closing conditions.

For more information regarding these pending acquisitions, see Note 2 in Item 8.

The following MD&A is intended to assist readers in their analysis of the accompanying Consolidated Financial Statements and supplemental financial information. It should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements in Item 8, as well as other information contained in this document.

Non-GAAP Financial Measures

This document contains non-GAAP financial measures denoted as “Underlying,” “excluding PPP loans”, as well as other results excluding the impact of certain items. Underlying results for any given reporting period exclude certain items that may occur in that period which management does not consider indicative of our on-going financial performance. We believe these non-GAAP financial measures provide useful information to investors because they are used by management to evaluate our operating performance and make day-to-day operating decisions. In addition, we believe our Underlying results or results excluding the impact of certain items in any given reporting period reflect our on-going financial performance and increase comparability of period-to-period results, and, accordingly, are useful to consider in addition to our GAAP financial results.

Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures. Accordingly, our non-GAAP financial measures may not be comparable to similar measures used by such companies. We caution investors not to place undue reliance on such non-GAAP financial measures, but to consider them with the most directly comparable GAAP measures. Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation or as a substitute for our results reported under GAAP.

Non-GAAP measures are denoted throughout our MD&A by the use of the term Underlying or identified as excluding the impact of certain items. Where there is a reference to these metrics in that paragraph, all measures that follow are on the same basis when applicable. For more information on the computation of non-GAAP financial measures, see “—Non-GAAP Financial Measures and Reconciliations.”

FINANCIAL PERFORMANCE

Key Highlights

Net income of $2.3 billion increased 119% from 2020, with earnings per diluted common share of $5.16, up 132% from $2.22 per diluted common share for 2020. ROTCE of 15.4% increased from 6.9% in 2020. Improved results primarily reflect the impact of the COVID-19 pandemic and associated lockdowns during 2020, resulting in a significant ACL reserve build during 2020.

In 2021, results reflect $78 million of expenses, net of tax benefit, or $0.18 per diluted common share, from notable items compared to $83 million of expenses, net of tax benefit, or $0.19 per diluted common share, from notable items in 2020.

Table 1: Notable Items

	Year Ended December 31, 2021		
(in millions)	Noninterest expense	Income tax expense	Net Income
Reported results (GAAP)	$4,081	$658	$2,319
Less: Notable items			
Total integration costs	35	(9)	(26)
Other notable items[1]	70	(18)	(52)
Total notable items	105	(27)	(78)
Underlying results (non-GAAP)	$3,976	$685	$2,397

[1] Other notable items include a pension settlement charge and a compensation-related credit as well as our TOP 6 transformational and revenue and efficiency initiatives.

	Year Ended December 31, 2020		
(in millions)	Noninterest expense	Income tax expense	Net Income
Reported results (GAAP)	$3,991	$241	$1,057
Less: Notable items			
Total integration costs	10	(2)	(8)
Other notable items[1]	115	(40)	(75)
Total notable items	125	(42)	(83)
Underlying results (non-GAAP)	$3,866	$283	$1,140

[1] Other notable items include noninterest expense of $115 million related to our TOP 6 transformational and revenue and efficiency initiatives and an income tax benefit of $11 million related to an operational restructure and legacy tax matters.

- Net income available to common stockholders of $2.2 billion increased $1.3 billion, or 132%, compared to $950 million in 2020.
  - On an Underlying basis, which excludes notable items, 2021 net income available to common stockholders of $2.3 billion compared with $1.0 billion in 2020.
  - On an Underlying basis, earnings per diluted common share of $5.34 compared to $2.41 in 2020.
- Total revenue of $6.6 billion decreased $258 million, or 4%, from 2020, driven by declines of 8% and 2% in noninterest income and net interest income, respectively.
  - Net interest income of $4.5 billion decreased 2% given a lower net interest margin, partially offset by 5% growth in interest-earning assets.
  - Net interest margin of 2.71% decreased 17 basis points from 2.88% in 2020, reflecting the impact of a lower rate environment, lower interest-earning asset yields and elevated cash balances, partly offset by improved funding mix and deposit pricing, and the benefit of accelerated PPP loan forgiveness.
    - Net interest margin on a FTE basis of 2.72% decreased 17 basis points, compared to 2.89% in 2020.
    - Average loans and leases of $123.6 billion decreased $1.0 billion, or 1%, from $124.5 billion in 2020, driven by a $3.3 billion decrease in commercial reflecting line of credit repayments and net payoffs, partially offset by an increase in PPP loans. The decrease in commercial was partially offset by a $2.3 billion increase in retail given growth in education, residential

mortgage and automobile, partially offset by planned run-off of personal unsecured installment loans and a decrease in home equity.

    - Period-end loans increased $5.1 billion, or 4%, from 2020, reflecting 9% growth in retail and a 1% decline in commercial.
    - Average deposits of $150.5 billion increased $11.7 billion, or 8%, from $138.7 billion in 2020, reflecting an increase in demand deposits, money market accounts, savings and checking with interest, partially offset by a decrease in term deposits.
    - Period-end deposit growth of $7.2 billion, or 5%, from 2020, reflecting elevated liquidity tied to government stimulus associated with the COVID-19 disruption.
  - Noninterest income of $2.1 billion decreased $184 million, or 8%, from 2020, driven by a decline in mortgage banking fees partially offset by improved capital markets fees, trust and investment services fees, letter of credit and loan fees, card fees and service charges and fees.
- Noninterest expense of $4.1 billion was stable compared to 2020.
  - On an Underlying basis, noninterest expense increased 3% from 2020, reflecting higher salaries and employee benefits, outside services and equipment and software, partially offset by a decrease in other operating expense.
- The efficiency ratio of 61.4% compared to 57.8% in 2020, and ROTCE of 15.4% compared to 6.9%.
  - On an Underlying basis, the efficiency ratio of 59.8% compared to 56.0% in 2020 and ROTCE of 16.0% compared to 7.5%.
- Credit provision benefit of $411 million compares with a $1.6 billion credit provision expense in 2020, reflecting strong credit performance across the retail and commercial loan portfolios and improvement in the economy.
- Tangible book value per common share of $34.61 increased 6% from 2020. Diluted average common shares outstanding was stable over the same period.

RESULTS OF OPERATIONS — 2021 compared with 2020

Net Interest Income

Net interest income is our largest source of revenue and is the difference between the interest earned on interest-earning assets (generally loans, leases and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (generally deposits and borrowed funds). The level of net interest income is primarily a function of the difference between the effective yield on our average interest-earning assets and the effective cost of our interest-bearing liabilities. These factors are influenced by the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as local economic conditions, competition for loans and deposits, the monetary policy of the FRB and market interest rates. For further discussion, refer to "—Market Risk — Non-Trading Risk," and "—Risk Governance."

Table 2: Major Components of Net Interest Income

	Year Ended December 31,						Change	
	2021			2020				
(dollars in millions)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Yields/ Rates (bps)
Assets								
Interest-bearing cash and due from banks and deposits in banks	$11,762	$16	0.13 %	$6,175	$11	0.18 %	$5,587	(5) bps
Taxable investment securities	27,574	487	1.76	25,160	519	2.06	2,414	(30)
Non-taxable investment securities	3	—	2.60	4	—	2.60	(1)	—
Total investment securities	27,577	487	1.76	25,164	519	2.06	2,413	(30)
Commercial and industrial	43,512	1,399	3.17	46,255	1,582	3.36	(2,743)	(19)
Commercial real estate	14,515	380	2.58	14,452	438	2.98	63	(40)
Leases	1,742	49	2.79	2,365	64	2.71	(623)	8
Total commercial	59,769	1,828	3.02	63,072	2,084	3.25	(3,303)	(23)
Residential mortgages	20,636	613	2.97	19,178	618	3.22	1,458	(25)
Home Equity	11,901	370	3.11	12,607	461	3.66	(706)	(55)
Automobile	12,972	506	3.90	12,064	517	4.29	908	(39)
Education	12,666	536	4.23	11,165	560	5.02	1,501	(79)
Other retail	5,607	400	7.15	6,458	479	7.41	(851)	(26)
Total retail	63,782	2,425	3.80	61,472	2,635	4.29	2,310	(49)
Total loans and leases	123,551	4,253	3.42	124,544	4,719	3.76	(993)	(34)
Loans held for sale, at fair value	3,359	82	2.45	2,772	75	2.72	587	(27)
Other loans held for sale	262	13	4.87	620	33	5.22	(358)	(35)
Interest-earning assets	166,511	4,851	2.90	159,275	5,357	3.35	7,236	(45)
Allowance for loan and lease losses	(2,104)			(2,218)			114	
Goodwill	7,062			7,049			13	
Other noninterest-earning assets	13,637			12,336			1,301	
Total assets	$185,106			$176,442			$8,664	
Liabilities and Stockholders' Equity								
Checking with interest	$27,365	$24	0.09 %	$26,002	$64	0.24 %	$1,363	(15)
Money market accounts	49,148	78	0.16	44,732	192	0.43	4,416	(27)
Regular savings	20,276	19	0.10	16,144	50	0.31	4,132	(21)
Term deposits	6,802	39	0.58	14,309	203	1.42	(7,507)	(84)
Total interest-bearing deposits	103,591	160	0.15	101,187	509	0.50	2,404	(35)
Short-term borrowed funds	66	1	1.13	334	2	0.52	(268)	61
Long-term borrowed funds	7,412	178	2.39	10,853	260	2.39	(3,441)	—
Total borrowed funds	7,478	179	2.38	11,187	262	2.33	(3,709)	5
Total interest-bearing liabilities	111,069	339	0.30	112,374	771	0.69	(1,305)	(39)
Demand deposits	46,898			37,553			9,345	
Other liabilities	4,105			4,280			(175)	
Total liabilities	162,072			154,207			7,865	
Stockholders' equity	23,034			22,235			799	
Total liabilities and stockholders' equity	$185,106			$176,442			$8,664	
Interest rate spread			2.60 %			2.66 %		(6)
Net interest income and net interest margin		$4,512	2.71 %		$4,586	2.88 %		(17)
Net interest income and net interest margin, FTE[1]		$4,521	2.72 %		$4,599	2.89 %		(17)
Memo: Total deposits (interest-bearing and demand)	$150,489	$160	0.11 %	$138,740	$509	0.37 %	$11,749	(26) bps

[1] Net interest income and net interest margin is presented on FTE basis using the federal statutory tax rate of 21%. The FTE impact is predominantly attributable to commercial and industrial loans for the periods presented.

Net interest income of $4.5 billion decreased $74 million, reflecting a 17 basis point decrease in net interest margin given the lower rate and challenging yield curve environment, partially offset by 5% average interest-earning asset growth, improvements in funding mix and deposit pricing and a higher benefit from PPP loan forgiveness.

Net interest margin on a FTE basis of 2.72% decreased 17 basis points compared to 2.89% in 2020, primarily reflecting the impact of lower interest rates and elevated cash balances given strong deposit flows, partially offset by improved funding mix and deposit pricing and the benefit of PPP forgiveness. Average interest-earning asset yields of 2.90% decreased 45 basis points from 3.35% in 2020, while average interest-bearing liability costs of 0.30% decreased 39 basis points from 0.69% in 2020.

Average interest-earning assets of $166.5 billion increased $7.2 billion, or 5%, from 2020, primarily driven by an $8.0 billion increase in total investment securities and interest-bearing cash and due from banks and deposits in banks, and a $2.3 billion increase in average retail loans, partially offset by a $3.3 billion decrease in average commercial loans. Retail loan growth was driven by education, residential mortgage and automobile, partially offset by other retail and home equity. Commercial decreases were driven by commercial and industrial loans and leases.

Average deposits of $150.5 billion increased $11.7 billion from 2020, as a result of elevated liquidity tied to government stimulus associated with the COVID-19 disruption. Growth in demand deposits, money market accounts, savings, and checking with interest, were partially offset by a decrease in term deposits. Total interest-bearing deposit costs of $160 million decreased $349 million, or 69%, from $509 million in 2020, primarily due to the lower rate environment and strong pricing discipline.

Average total borrowed funds of $7.5 billion decreased $3.7 billion from 2020 reflecting the pay down of senior debt and short-term borrowings given strong customer deposit inflows. Total borrowed funds costs of $179 million decreased $83 million from 2020. Total borrowed funds cost of 2.38% increased 5 basis points from 2.33% in 2020.

Table 3: Changes in Net Interest Income Due to Average Volume and Average Rate

	Year Ended December 31,		
	2021 Versus 2020		
(in millions)	Average Volume[1]	Average Rate[1]	Net Change
Interest Income			
Interest-bearing cash and due from banks and deposits in banks	$10	($5)	$5
Taxable investment securities	50	(82)	(32)
Total investment securities	50	(82)	(32)
Commercial and industrial	(93)	(90)	(183)
Commercial real estate	2	(60)	(58)
Leases	(16)	1	(15)
Total commercial	(107)	(149)	(256)
Residential mortgages	46	(51)	(5)
Home Equity	(26)	(65)	(91)
Automobile	40	(51)	(11)
Education	76	(100)	(24)
Other retail	(64)	(15)	(79)
Total retail	72	(282)	(210)
Total loans and leases	(35)	(431)	(466)
Loans held for sale, at fair value	16	(9)	7
Other loans held for sale	(19)	(1)	(20)
Total interest income	$22	($528)	($506)
Interest Expense			
Checking with interest	$3	($43)	($40)
Money market accounts	20	(134)	(114)
Regular savings	12	(43)	(31)
Term deposits	(107)	(57)	(164)
Total interest-bearing deposits	(72)	(277)	(349)
Short-term borrowed funds	(1)	—	(1)
Long-term borrowed funds	(64)	(18)	(82)
Total borrowed funds	(65)	(18)	(83)
Total interest expense	(137)	(295)	(432)
Net interest income	$159	($233)	($74)

[1] Volume and rate changes have been allocated on a consistent basis using the respective percentage changes in average balances and average rates.

Noninterest Income

Table 4: Noninterest Income

(in millions)	Year Ended December 31, 2021	2020	Change	Percent
Capital markets fees	$428	$250	$178	71 %
Service charges and fees	409	403	6	1
Mortgage banking fees	434	915	(481)	(53)
Card fees	250	217	33	15
Trust and investment services fees	239	203	36	18
Letter of credit and loan fees	156	140	16	11
Foreign exchange and interest rate products	120	120	—	—
Securities gains, net	10	4	6	150
Other income[1]	89	67	22	33
Noninterest income	$2,135	$2,319	($184)	(8 %)

[1] Includes bank-owned life insurance income and other income for all periods presented.

Noninterest income of $2.1 billion decreased $184 million, or 8%, from 2020, reflecting lower mortgage banking fees partially offset by improved capital markets fees, trust and investment services fees, letter of credit and loan fees, card fees and service charge and fees.

- Capital markets fees increased driven by loan syndication, underwriting, and mergers and acquisitions advisory fees, notably to record levels in the fourth quarter of 2021.
- Trust and investment services fees increased driven by an increase in assets under management from higher equity market levels and strong inflows.
- Letter of credit and loan fees increased reflecting higher commitment fees.
- Card fees and service charges and fees increased largely tied to economic recovery.
- Mortgage banking fees decreased reflecting increased industry capacity and heightened competition resulting in lower gain-on-sale margins.

Noninterest Expense

Table 5: Noninterest Expense

(in millions)	Year Ended December 31, 2021	2020	Change	Percent
Salaries and employee benefits	$2,132	$2,123	$9	0 %
Equipment and software	610	565	45	8
Outside services	595	553	42	8
Occupancy	333	331	2	1
Other operating expense	411	419	(8)	(2)
Noninterest expense	$4,081	$3,991	$90	2 %

Noninterest expense of $4.1 billion increased $90 million, or 2%, compared to 2020, reflecting higher equipment and software given continued investment in technology and outside services tied to growth initiatives.

Provision for Credit Losses

The provision for credit losses is the result of a detailed analysis performed to estimate our ACL. The total provision for credit losses includes the provision for loan and lease losses and the provision for unfunded commitments. Refer to "—Analysis of Financial Condition — Allowance for Credit Losses and Nonaccrual Loans and Leases" for more information.

The credit provision benefit of $411 million reflects strong credit performance and an improving macroeconomic outlook. Net charge-offs of $325 million decreased $368 million from 2020, driven by decreases in commercial and retail of $261 million and $107 million, respectively. The decrease in commercial reflected the economic recovery following the onset of the COVID-19 pandemic and associated lockdowns, whereas the decrease in retail was due to U.S. Government stimulus programs and strong collateral values in residential real estate and automobile. The combination of the credit provision benefit and net charge-offs resulted in a reduction in our ACL of $736 million in 2021.

Income Tax Expense

Income tax expense of $658 million increased $417 million from $241 million in 2020. The 2021 effective tax rate of 22.1% increased from 18.5% in 2020, driven by the decreased benefit of tax-advantaged investments on higher pre-tax income. An Underlying effective tax rate of 22.2% in 2021 compared to 19.9% in 2020.

Business Operating Segments

We have two business operating segments: Consumer Banking and Commercial Banking. Segment results are derived by specifically attributing managed assets, liabilities, capital and related revenues, provision for credit losses, which at the segment level is equal to net charge-offs, and other expenses. The residual difference between the consolidated provision for credit losses and the business operating segments' net charge-offs is reflected in Other.

Non-segment operations includes assets, liabilities, capital, revenues, provision for credit losses, expenses and income tax expense not attributed to our Consumer or Commercial Banking segments as well as treasury and community development. In addition, Other includes goodwill not directly allocated to a business operating segment and any associated goodwill impairment charges. For impairment testing purposes, we allocate all goodwill to our Consumer Banking and Commercial Banking reporting units.

Our capital levels are evaluated and managed centrally; however, capital is allocated on a risk-adjusted basis to the business operating segments to support evaluation of business performance. Because funding and asset liability management is a central function, funds transfer-pricing ("FTP") methodologies are utilized to allocate a cost of funds used, or credit for the funds provided, to all business operating segment assets, liabilities and capital, respectively, using a matched-funding concept. The residual effect on net interest income of asset/liability management, including the residual net interest income related to the FTP process, is included in Other. We periodically evaluate and refine our methodologies used to measure financial performance of our business operating segments.

Noninterest income and expense are directly attributed to each business operating segment, including fees, service charges, salaries and benefits, and other direct revenues and costs and are respectively accounted for in a manner similar to our Consolidated Financial Statements. Occupancy costs are allocated based on utilization of facilities by each business operating segment. Noninterest expenses incurred by centrally managed operations or business operating segments that directly support another business operating segment's operations are charged to the applicable business operating segment based on its utilization of those services.

Income tax expense is assessed to each business operating segment at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Other.

Developing and applying methodologies used to allocate items among the business operating segments is a dynamic process. Accordingly, financial results may be revised periodically as management systems are enhanced, methods of evaluating performance or product lines are updated, or our organizational structure changes.

The following table presents certain financial data of our business operating segments. Total business operating segment financial results differ from total consolidated net income. These differences are reflected in Other non-segment operations. See Note 26 in Item 8 for further information.

Table 6: Selected Financial Data for Business Operating Segments

	As of and for the Year Ended December 31,		As of and for the Year Ended December 31,	
	2021	2020	2021	2020
(dollars in millions)	Consumer Banking		Commercial Banking	
Net interest income	$3,562	$3,311	$1,706	$1,643
Noninterest income	1,223	1,655	809	595
Total revenue	4,785	4,966	2,515	2,238
Noninterest expense	2,987	2,964	973	860
Profit before provision for credit losses	1,798	2,002	1,542	1,378
Net charge-offs	185	288	156	398
Income before income tax expense	1,613	1,714	1,386	980
Income tax expense	410	429	300	206
Net income	$1,203	$1,285	$1,086	$774
Average Balances:				
Total assets	$75,509	$72,022	$57,617	$60,839
Total loans and leases[(1)(2)]	71,126	68,237	54,734	57,935
Deposits	100,195	91,541	44,747	40,417
Interest-earning assets	72,034	68,535	55,096	58,334

(1) Includes LHFS.
(2) The majority of PPP loans are reflected in Consumer Banking in accordance with how they are managed.

Consumer Banking

Net interest income increased $251 million, or 8%, from 2020, driven by the benefit of a $2.9 billion increase in average loans led by residential mortgages, automobile and education, as well as the impact of the PPP loan program. Additionally, higher deposit volumes were offset by improved funding mix and deposit pricing. Noninterest income decreased $432 million, or 26%, from 2020, driven by a decrease in mortgage banking fees attributable to increased industry capacity and heightened competition resulting in lower gain-on-sale margins, partially offset by higher card fees driven by higher debit and credit card volumes given the economic recovery and trust and investment services fees reflecting an increase in assets under management from higher equity market levels and strong net inflows. Noninterest expense increased $23 million, or 1%, from 2020, reflecting higher outside services tied to growth initiatives. Net charge-offs of $185 million decreased $103 million, or 36%, driven by the impact of U.S. Government stimulus programs and forbearance, as well as strong collateral values in residential real estate and automobile.

Commercial Banking

Net interest income of $1.7 billion increased $63 million, or 4%, from 2020, as the $3.2 billion decrease in average loans was offset by improved funding mix and deposit pricing on higher deposit volumes. Noninterest income of $809 million increased $214 million, or 36%, from $595 million in 2020, driven by a record increase in capital markets fees reflecting higher mergers and acquisitions advisory and loan syndication fees. Noninterest expense of $973 million increased $113 million, from $860 million in 2020, driven by higher salaries and employee benefits reflecting revenue-based compensation. Net charge-offs of $156 million decreased $242 million from 2020, reflecting improving economic conditions following the onset of the COVID-19 pandemic and associated lockdowns.

RESULTS OF OPERATIONS — 2020 compared with 2019

For a description of our results of operations for 2020, see the “Results of Operations — 2020 compared with 2019” section of Item 7 in our 2020 Form 10-K.

ANALYSIS OF FINANCIAL CONDITION

Securities

Table 7: Amortized Cost and Fair Value of AFS and HTM Securities

	December 31, 2021		December 31, 2020	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and other	$11	$11	$11	$11
State and political subdivisions	2	2	3	3
Mortgage-backed securities, at fair value:				
Federal agencies and U.S. government sponsored entities	24,607	24,442	21,954	22,506
Other/non-agency	397	405	396	422
Total mortgage-backed securities, at fair value	25,004	24,847	22,350	22,928
Collateralized loan obligations, at fair value	1,208	1,207	—	—
Total debt securities available for sale, at fair value	$26,225	$26,067	$22,364	$22,942
Mortgage-backed securities, at cost:				
Federal agencies and U.S. government sponsored entities	$1,505	$1,557	$2,342	$2,464
Total mortgage-backed securities, at cost	$1,505	$1,557	$2,342	$2,464
Asset-backed securities, at cost	$737	$732	$893	$893
Total debt securities held to maturity	$2,242	$2,289	$3,235	$3,357
Total debt securities available for sale and held to maturity	$28,467	$28,356	$25,599	$26,299
Equity securities, at fair value	$109	$109	$66	$66
Equity securities, at cost	624	624	604	604

Our securities portfolio is managed to maintain prudent levels of liquidity, credit quality and market risk while achieving returns that align with our overall portfolio management strategy. The portfolio primarily includes high quality, highly liquid investments reflecting our ongoing commitment to maintain strong contingent liquidity levels and pledging capacity. U.S. government-guaranteed notes and GSE-issued mortgage-backed securities represent 92% of the fair value of our debt securities portfolio holdings at December 31, 2021. Holdings backed by mortgages dominate our portfolio and facilitate our ability to pledge those securities to the FHLB for collateral purposes.

The fair value of the AFS debt securities portfolio of $26.1 billion at December 31, 2021 increased $3.1 billion from $22.9 billion at December 31, 2020, including $3.9 billion in portfolio growth, offset by a $736 million reduction in unrealized gains driven by a steepening yield curve. The fair value of the HTM debt securities portfolio decreased $1.1 billion largely reflecting portfolio runoff.

As of December 31, 2021, the portfolio's average effective duration was 4.3 years compared with 2.7 years as of December 31, 2020, as higher long-term rates drove a decrease in both actual and projected securities prepayment speeds. We manage our securities portfolio duration and convexity risk through asset selection and securities structure, and maintain duration levels within our risk appetite in the context of the broader interest rate risk framework and limits.

Table 8: Amortized Cost of AFS and HTM Securities by Contractual Maturity

	As of December 31, 2021									
	Distribution of Maturities[1]									
	1 Year or Less		After 1 Year Through 5 Years		After 5 Years Through 10 Years		After 10 Years		Total	
(dollars in millions)	Amount	Yield[2]	Amount	Yield[2]	Amount	Yield[2]	Amount	Yield[2]	Amount	Yield[2]
Amortized cost:										
U.S. Treasury and other	$11	0.34 %	$—	— %	$—	— %	$—	— %	$11	0.34 %
State and political subdivisions	—	—	—	—	—	—	2	2.60	2	2.60
Mortgage-backed securities:										
Federal agencies and U.S. government sponsored entities	7	2.91	66	2.08	1,914	2.27	22,620	2.40	24,607	2.39
Other/non-agency	—	—	—	—	—	—	397	2.81	397	2.81
Collateralized loan obligations	—	—	—	—	24	1.46	1,184	1.55	1,208	1.55
Total debt securities available for sale	18	1.33	66	2.08	1,938	2.26	24,203	2.37	26,225	2.36
Mortgage-backed securities:										
Federal agencies and U.S. government sponsored entities	—	—	—	—	—	—	1,505	2.28	1,505	2.28
Asset-backed securities	—	—	—	—	737	2.94	—	—	737	2.94
Total debt securities held to maturity	—	—	—	—	737	2.94	1,505	2.28	2,242	2.49
Total debt securities	$18	1.33 %	$66	2.08 %	$2,675	2.44 %	$25,708	2.36 %	$28,467	2.37 %

[1] Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without incurring penalties.
[2] The weighted-average yield is computed based on a constant effective interest rate over the contractual life of each security and considers the contractual coupon, amortization of premiums and accretion of discounts. Yields exclude the impact of related hedging derivatives.

Loans and Leases

Table 9: Composition of Loans and Leases, Excluding LHFS

	December 31,		Changes from 2021-2020	
(in millions)	2021	2020	$	%
Commercial and industrial[1]	$44,500	$44,173	$327	1 %
Commercial real estate	14,264	14,652	(388)	(3)
Leases	1,586	1,968	(382)	(19)
Total commercial	60,350	60,793	(443)	(1)
Residential mortgages	22,822	19,539	3,283	17
Home equity	12,015	12,149	(134)	(1)
Automobile	14,549	12,153	2,396	20
Education	12,997	12,308	689	6
Other retail	5,430	6,148	(718)	(12)
Total retail	67,813	62,297	5,516	9
Total loans and leases	$128,163	$123,090	$5,073	4 %

[1] Includes PPP loans fully guaranteed by the SBA of $787 million and $4.2 billion at December 31, 2021 and 2020, respectively.

Total loans and leases increased $5.1 billion, or 4%, from $123.1 billion as of December 31, 2020, reflecting a $5.5 billion increase in retail driven by growth in mortgage and automobile, and a $443 million decrease in commercial as underlying growth was more than offset by a $3.4 billion decrease in PPP loans.

Table 10: Fixed and Variable Rate Loans and Leases by Maturity

	December 31, 2021				
(in millions)	1 Year or Less	After 1 Year Through 5 Years	After 5 Years Through 15 Years	After 15 Years	Total Loans and Leases
Fixed rate:					
Commercial and industrial	$289	$2,156	$760	$38	$3,243
Commercial real estate	20	189	166	9	384
Leases	128	899	521	—	1,548
Total commercial fixed rate	437	3,244	1,447	47	5,175
Variable rate:					
Commercial and industrial	6,483	30,020	4,746	8	41,257
Commercial real estate	3,514	9,690	675	1	13,880
Leases	14	21	3	—	38
Total commercial variable rate[1]	10,011	39,731	5,424	9	55,175
Total commercial	10,448	42,975	6,871	56	60,350
Fixed rate:					
Residential mortgages	783	50	1,043	13,070	14,946
Home equity	85	77	276	186	624
Automobile	517	7,105	6,927	—	14,549
Education	247	1,160	7,569	3,067	12,043
Other retail	858	2,471	45	34	3,408
Total retail fixed rate	2,490	10,863	15,860	16,357	45,570
Variable rate:					
Residential mortgages	—	6	107	7,763	7,876
Home equity	169	7	940	10,275	11,391
Automobile	—	—	—	—	—
Education	3	155	624	172	954
Other retail	2,017	4	1	—	2,022
Total retail variable rate	2,189	172	1,672	18,210	22,243
Total retail	4,679	11,035	17,532	34,567	67,813
Total loans and leases	$15,127	$54,010	$24,403	$34,623	$128,163

[1] Includes $16.3 billion of floating-rate commercial loans hedged to fixed rate to manage our exposure to the variability in interest cash flows.

Allowance for Credit Losses and Nonaccrual Loans and Leases

The ACL is created through charges to the provision for credit losses in order to provide appropriate reserves to absorb estimated future credit losses in accordance with GAAP. For additional information regarding the ACL, see "—Critical Accounting Estimates — Allowance for Credit Losses," and Note 6 in Item 8.

The ACL of $1.9 billion as of December 31, 2021 compared with the ACL of $2.7 billion as of December 31, 2020, reflecting a reserve release of $736 million. For further information, see Note 6.

Table 11: Allocation of the ALLL

	December 31,			
	2021		2020	
(dollars in millions)				
Commercial and industrial	$555	35 %	$821	36 %
Commercial real estate	220	11	360	12
Leases	46	1	52	1
Total commercial	821	47	1,233	49
Residential mortgages	144	18	141	16
Home equity	82	9	134	10
Automobile	154	12	200	10
Education	308	10	361	10
Other retail	249	4	374	5
Total retail	937	53	1,210	51
Total loans and leases	$1,758	100 %	$2,443	100 %

Table 12: ACL and Related Coverage Ratios by Portfolio

	December 31,					
	2021			2020		
(in millions)	Loans and Leases	Allowance	Coverage	Loans and Leases	Allowance	Coverage
Allowance for Loan and Lease Losses						
Commercial and industrial	$44,500	$555	1.25 %	$44,173	$821	1.86 %
Commercial real estate	14,264	220	1.54	14,652	360	2.46
Leases	1,586	46	2.92	1,968	52	2.67
Total commercial	60,350	821	1.36	60,793	1,233	2.03
Residential mortgages	22,822	144	0.63	19,539	141	0.72
Home equity	12,015	82	0.69	12,149	134	1.10
Automobile	14,549	154	1.05	12,153	200	1.65
Education	12,997	308	2.37	12,308	361	2.93
Other retail	5,430	249	4.59	6,148	374	6.07
Total retail loans	67,813	937	1.38	62,297	1,210	1.94
Total loans and leases	$128,163	$1,758	1.37 %	$123,090	$2,443	1.98 %
Allowance for Unfunded Lending Commitments						
Commercial[1]		$153	1.61 %		$186	2.33 %
Retail[2]		23	1.42		41	2.01
Total allowance for unfunded lending commitments		176			227	
Allowance for credit losses[3]	$128,163	$1,934	1.51 %	$123,090	$2,670	2.17 %

[1] Coverage ratio includes total commercial allowance for unfunded lending commitments and total commercial allowance for loan and lease losses in the numerator and total commercial loans and leases in the denominator.

[2] Coverage ratio includes total retail allowance for unfunded lending commitments and total retail allowance for loan losses in the numerator and total retail loans in the denominator.

[3] Excluding the impact of PPP loans, the ACL Coverage Ratio would have been 1.52% and 2.24% for December 31, 2021 and December 31, 2020, respectively. For more information on the computation of non-GAAP financial measures, see "—Introduction — Non-GAAP Financial Measures" and "—Non-GAAP Financial Measures and Reconciliations."

Table 13: Nonaccrual Loans and Leases

(dollars in millions)	December 31, 2021	2020	Change	Percent
Commercial and industrial	$171	$280	($109)	(39 %)
Commercial real estate	11	176	(165)	(94)
Leases	1	2	(1)	(50)
Total commercial	183	458	(275)	(60)
Residential mortgages[1]	201	167	34	20
Home equity	220	276	(56)	(20)
Automobile	55	72	(17)	(24)
Education	23	18	5	28
Other retail	20	28	(8)	(29)
Total retail	519	561	(42)	(7)
Nonaccrual loans and leases	$702	$1,019	($317)	(31 %)
Nonaccrual loans and leases to total loans and leases	0.55 %	0.83 %	(28 bps)	
Allowance for loan and lease losses to nonaccrual loans and leases	251	240	11 %	
Allowance for credit losses to nonaccrual loans and leases	276	262	14 %	

[1] Loans fully or partially guaranteed by the FHA, VA or USDA are classified as accruing.

Nonaccrual loans and leases of $702 million as of December 31, 2021 decreased $317 million from December 31, 2020, reflecting a $42 million decrease in retail and a $275 million decrease in commercial. As of December 31, 2021, total commercial nonaccrual loans and leases were 0.3% of the commercial portfolio and decreased from 0.8% at December 31, 2020. Commercial nonaccrual loans and leases decreased through loan sale activity, repayments and charge-offs.

Table 14: Ratio of Net Charge-Offs to Average Loans and Leases

	December 31, 2021			2020		
(dollars in millions)	Net Charge-Offs	Average Balance	Ratio	Net Charge-Offs	Average Balance	Ratio
Commercial and industrial	$124	$43,512	0.28 %	$236	$46,255	0.51 %
Commercial real estate	22	14,515	0.15	111	14,452	0.77
Leases	18	1,742	1.06	78	2,365	3.32
Total commercial	164	59,769	0.27	425	63,072	0.67
Residential mortgages	(3)	20,636	(0.01)	1	19,178	0.01
Home equity	(42)	11,901	(0.35)	(13)	12,607	(0.11)
Automobile	16	12,972	0.12	63	12,064	0.52
Education	50	12,666	0.39	35	11,165	0.31
Other retail	140	5,607	2.49	182	6,458	2.82
Total retail	161	63,782	0.25	268	61,472	0.44
Total loans and leases	$325	$123,551	0.26 %	$693	$124,544	0.56 %

NCOs of $325 million decreased $368 million, or 53%, from $693 million in 2020, driven by decreases in commercial and retail of $261 million and $107 million, respectively. For the year ended December 31, 2021, annualized NCOs as a percentage of total average loans and leases of 0.26% decreased 30 basis points compared to 0.56% in 2020.

The decline in retail NCOs is primarily due to U.S. Government stimulus programs and forbearance, as well as strong collateral values in residential real estate and automobile. The decrease in commercial NCOs reflects the economic recovery following the onset of the COVID-19 pandemic and associated lockdowns. We continue to assess risks to the recovery, including potential for continuing impacts from COVID-19 variants, challenges in the global supply chain and recent inflationary trends, as well as potential impacts from ending monetary and fiscal stimulus programs. We have maintained a variety of measures to identify and monitor areas of potential risk, including direct outreach to commercial clients and close monitoring of retail credit metrics.

Commercial Loan Asset Quality

Our commercial portfolio consists of traditional commercial and industrial loans, commercial leases and commercial real estate loans. The portfolio is predominantly focused on customers in our footprint and adjacent

states in which we have a physical presence where our local delivery model provides for strong client connectivity. Additionally, we also do business in certain specialized industry sectors on a national basis.

For commercial, we utilize regulatory classification ratings to monitor credit quality. For more information on regulatory classification ratings, see Note 6 in Item 8. The recorded investment in commercial based on regulatory classification ratings is presented below:

Table 15: Commercial Loans and Leases by Regulatory Classification

	December 31, 2021				
		Criticized			
(in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial[1]	$42,254	$809	$1,294	$143	$44,500
Commercial real estate	13,319	406	528	11	14,264
Leases	1,512	49	24	1	1,586
Total commercial	$57,085	$1,264	$1,846	$155	$60,350

	December 31, 2020				
		Criticized			
(in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial[1]	$40,878	$1,583	$1,464	$248	$44,173
Commercial real estate	13,356	804	416	76	14,652
Leases	1,922	33	12	1	1,968
Total commercial	$56,156	$2,420	$1,892	$325	$60,793

[1] Includes $787 million and $4.2 billion of PPP loans designated as pass that are fully guaranteed by the SBA as of December 31, 2021 and 2020, respectively.

Total commercial criticized balances of $3.3 billion as of December 31, 2021 decreased $1.4 billion compared with December 31, 2020. Commercial criticized as a percent of total commercial of 5.4% at December 31, 2021 decreased from 7.6% at December 31, 2020.

Commercial and industrial criticized balances of $2.2 billion, or 5.0% of the total commercial and industrial loan portfolio as of December 31, 2021, decreased from $3.3 billion, or 7.5%, as of December 31, 2020. The decrease was primarily driven by repayments and net charge-offs. Commercial and industrial criticized loans represented 69% of total criticized loans as of December 31, 2021 compared to 71% as of December 31, 2020.

Commercial real estate criticized balances of $945 million, or 6.6% of the commercial real estate portfolio as of December 31, 2021, decreased from $1.3 billion, or 8.8%, as of December 31, 2020. The decrease was due to repayments and the migration to Pass for a few borrowers. Commercial real estate accounted for 29% of total criticized loans as of December 31, 2021 compared to 28% as of December 31, 2020.

Table 16: Commercial Loans and Leases by Industry Sector

(dollars in millions)	December 31, 2021		December 31, 2020	
	Balance	% of Total Loans	Balance	% of Total Loans
Finance and insurance	$9,301	7 %	$6,473	5 %
Health, pharma, and social assistance	2,912	2	3,253	3
Accommodation and food services	3,438	3	3,159	3
Professional, scientific, and technical services	2,665	2	2,804	2
Other manufacturing	4,087	3	3,686	3
Technology	4,220	3	3,546	3
Retail trade	2,237	2	2,312	2
Energy and related	2,017	2	2,237	2
Wholesale trade	2,358	2	1,976	2
Arts, entertainment, and recreation	1,189	1	1,383	1
Other services	2,051	2	1,360	1
Administrative and waste management services	1,396	1	1,327	1
Transportation and warehousing	1,147	1	1,169	1
Consumer products manufacturing	1,192	1	1,078	1
Automotive	1,172	1	1,057	1
Educational services	573	—	844	—
Chemicals	896	1	736	—
Real estate and rental and leasing	739	—	734	—
All other[2]	123	—	884	1
Total commercial and industrial	43,713	34	40,018	32
Real estate and rental and leasing	12,773	10	13,167	11
Accommodation and food services	605	—	749	1
Finance and insurance	624	1	498	—
All other[2]	262	—	238	—
Total commercial real estate	14,264	11	14,652	12
Total leases	1,586	1	1,968	2
Total commercial[1][3]	$59,563	46 %	$56,638	46 %

[1] During 2021, our industry sectors were re-aligned to better reflect sector management and associated risks. Prior period has been adjusted to conform with the current period presentation.
[2] Deferred fees and costs are reported in All other.
[3] Excludes PPP loans of $787 million and $4.2 billion as of December 31, 2021 and 2020, respectively.

Retail Loan Asset Quality

For retail loans, we utilize credit scores provided by FICO which are generally refreshed on a quarterly basis and the loan's payment and delinquency status to monitor credit quality. Management believes FICO credit scores are considered the strongest indicator of credit losses over the contractual life of the loan as the scores are based on current and historical national industry-wide consumer level credit performance data, and assist management in predicting the borrower's future payment performance. The largest portion of the retail portfolio is represented by borrowers located in the New England, Mid-Atlantic and Midwest regions, although we have continued to lend selectively in areas outside the footprint primarily in auto finance and education lending.

Table 17: Retail Loan Portfolio Analysis

	December 31, 2021					December 31, 2020				
		Days Past Due and Accruing					Days Past Due and Accruing			
	Current	30-59	60-89	90+	Nonaccrual[2]	Current	30-59	60-89	90+	Nonaccrual[2]
Residential mortgages[1]	96.03 %	0.45 %	0.23 %	2.41 %	0.88 %	98.64 %	0.28 %	0.08 %	0.15 %	0.85 %
Home equity	97.75	0.32	0.10	—	1.83	97.13	0.44	0.16	—	2.27
Automobile	98.45	0.90	0.27	—	0.38	97.68	1.29	0.44	—	0.59
Education	99.45	0.26	0.10	0.01	0.18	99.48	0.25	0.10	0.02	0.15
Other retail	98.18	0.74	0.42	0.29	0.37	98.32	0.63	0.46	0.13	0.46
Total retail	97.69 %	0.51 %	0.20 %	0.83 %	0.77 %	98.29 %	0.54 %	0.21 %	0.06 %	0.90 %

[1] 90+ days past due and accruing includes $544 million and $21 million of loans fully or partially guaranteed by the FHA, VA, and USDA at December 31, 2021 and 2020, respectively.
[2] Beginning in 2021, nonaccrual loans and leases are no longer aged relative to their delinquency status. Prior period has been adjusted to conform with the current period presentation.

For more information on the aging of accruing and nonaccrual retail loans, see Note 6 in Item 8.

Table 18: Retail Asset Quality Metrics

	December 31, 2021	December 31, 2020
Average refreshed FICO for total portfolio	768	771
CLTV ratio for secured real estate[1]	56 %	60 %
Nonaccrual retail loans as a percentage of total retail	0.77 %	0.90 %

[1] The real estate secured portfolio CLTV is calculated as the mortgage and second lien loan balance divided by the most recently available value of the property.

Troubled Debt Restructurings

TDR is the classification given to a loan that has been restructured in a manner that grants a concession to a borrower experiencing financial hardship that we would not otherwise make. TDRs typically result from our loss mitigation efforts and are undertaken in order to improve the likelihood of recovery and continuity of the relationship. Our loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet our borrower's financial needs. The types of concessions include interest rate reductions, term extensions, principal forgiveness and other modifications to the structure of the loan that fall outside our lending policy. Depending on the specific facts and circumstances of the customer, restructuring can involve loans moving to nonaccrual, remaining on nonaccrual, or remaining on accrual status.

In the first quarter of 2020, we adopted the CARES Act and interagency guidance issued by the bank regulatory agencies which provide that COVID-19-related modifications to retail and commercial loans that met certain eligibility criteria are exempt from classification as a TDR. We generally do not consider payment deferrals and forbearance plans established due to the COVID-19 pandemic and under the CARES Act to be TDRs. Relief provisions granted under the CARES Act, including the TDR classification exemption for certain eligible loans, expired on December 31, 2021, and therefore any subsequent COVID-19-related loan modifications will likely be classified as TDRs.

TDRs generally return to accrual status once repayment capacity and appropriate payment history can be established. TDRs are individually evaluated for impairment and loans, once classified as TDRs, remain classified as TDRs until paid off, sold or refinanced at market terms. For additional information regarding TDRs, see Note 6 in Item 8.

Table 19: Accruing and Nonaccrual Troubled Debt Restructurings

	December 31, 2021				
		As a % of Accruing TDRs			
(dollars in millions)	Accruing	30-89 Days Past Due	90+ Days Past Due	Nonaccrual	Total
Commercial and industrial	$196	— %	— %	$74	$270
Commercial real estate	1	—	—	9	10
Total commercial	197	—	—	83	280
Residential mortgages[1]	295	2.9	12.0	42	337
Home equity	183	0.6	—	74	257
Automobile	8	0.2	—	22	30
Education	112	0.5	0.1	11	123
Other retail	20	0.2	—	2	22
Total retail	618	4.5	12.1	151	769
Total	$815	4.5 %	12.1 %	$234	$1,049

	December 31, 2020				
		As a % of Accruing TDRs			
(dollars in millions)	Accruing	30-89 Days Past Due	90+ Days Past Due	Nonaccrual	Total
Commercial and industrial	$134	0.1 %	— %	$97	$231
Commercial real estate	26	—	—	—	26
Total commercial	160	0.1	—	97	257
Residential mortgages[1]	172	2.1	2.0	43	215
Home equity loans	221	1.0	—	83	304
Automobile	13	0.4	—	33	46
Education	116	0.5	0.3	10	126
Other retail	25	0.2	—	2	27
Total retail	547	4.2	2.3	171	718
Total	$707	4.3 %	2.3 %	$268	$975

[1] Includes $98 million and $14 million in 90+ days past due and accruing that are fully or partially guaranteed by the FHA, VA, and USDA at December 31, 2021 and 2020, respectively.

Deposits

Table 20: Composition of Deposits

	December 31,			
(in millions)	2021	2020	Change	Percent
Demand	$49,443	$43,831	$5,612	13 %
Money market accounts	47,216	48,569	(1,353)	(3)
Checking with interest	30,409	27,204	3,205	12
Regular savings	22,030	18,044	3,986	22
Term deposits	5,263	9,516	(4,253)	(45)
Total deposits	$154,361	$147,164	$7,197	5 %

Total deposits as of December 31, 2021, increased $7.2 billion, or 5%, driven by growth in demand, checking with interest and savings, partially offset by a decrease in money market accounts and terms deposits. Citizens Access®, our national digital platform, attracted $4.4 billion of deposits through December 31, 2021, down from $5.9 billion as of December 31, 2020.

Total estimated uninsured deposits, including demand, checking with interest, savings, money market accounts and term deposits, are $77.9 billion and $73.4 billion as of December 31, 2021 and 2020, respectively.

Table 21: Term Deposits in Excess of the FDIC Insurance Limit by Remaining Maturity

(in millions)	December 31, 2021
Three months or less	$1,054
After three months through six months	57
After six months through twelve months	49
After twelve months	32
Total term deposits[1]	$1,192

[1] Includes term deposits per account in excess of $250,000.

Borrowed Funds

Table 22: Summary of Short-Term Borrowed Funds

	December 31,			
(in millions)	2021	2020	Change	Percent
Securities sold under agreements to repurchase	$1	$231	($230)	(100 %)
Other short-term borrowed funds	73	12	61	NM
Total short-term borrowed funds	$74	$243	($169)	(70 %)

Our advances, lines of credit and letters of credit from the FHLB are collateralized primarily by residential mortgages and home equity products at least sufficient to satisfy the collateral maintenance level established by the FHLB. The utilized borrowing capacity for FHLB advances and letters of credit was $2.3 billion and $3.2 billion at December 31, 2021 and 2020, respectively. Our remaining available FHLB borrowing capacity was $15.9 billion and $13.9 billion at December 31, 2021 and 2020, respectively. We can also borrow from the FRB discount window to meet short-term liquidity requirements. Collateral, including certain loans, is pledged to support this borrowing capacity. At December 31, 2021, our unused secured borrowing capacity was approximately $63.0 billion, which includes unencumbered securities, FHLB borrowing capacity, and FRB discount window capacity.

Table 23: Summary of Long-Term Borrowed Funds

(in millions)	December 31, 2021	2020
Parent Company:		
2.375% fixed-rate senior unsecured debt, due July 2021[1]	$—	$350
4.150% fixed-rate subordinated debt, due September 2022[2][3]	168	182
3.750% fixed-rate subordinated debt, due July 2024[2][3]	90	159
4.023% fixed-rate subordinated debt, due October 2024[2][3]	17	25
4.350% fixed-rate subordinated debt, due August 2025[2][3]	133	193
4.300% fixed-rate subordinated debt, due December 2025[2][3]	336	450
2.850% fixed-rate senior unsecured notes, due July 2026	498	497
2.500% fixed-rate senior unsecured notes, due February 2030	298	297
3.250% fixed-rate senior unsecured notes, due April 2030	745	745
3.750% fixed-rate reset subordinated debt, due February 2031[2]	69	—
4.300% fixed-rate reset subordinated debt, due February 2031[2]	135	—
4.350% fixed-rate reset subordinated debt, due February 2031[2]	60	—
2.638% fixed-rate subordinated debt, due September 2032[3]	550	543
CBNA's Global Note Program:		
2.550% senior unsecured notes, due May 2021	—	1,003
3.250% senior unsecured notes, due February 2022	700	716
0.845% floating-rate senior unsecured notes, due February 2022[4]	300	299
0.932% floating-rate senior unsecured notes, due May 2022[4]	250	250
2.650% senior unsecured notes, due May 2022	503	510
3.700% senior unsecured notes, due March 2023	512	527
1.170% floating-rate senior unsecured notes, due March 2023[4]	250	249
2.250% senior unsecured notes, due April 2025	746	746
3.750% senior unsecured notes, due February 2026	524	551
Additional Borrowings by CBNA and Other Subsidiaries:		
Federal Home Loan Bank advances, 0.852% weighted average rate, due through 2041	19	19
Other	29	35
Total long-term borrowed funds	$6,932	$8,346

[1] Notes were redeemed on June 28, 2021.
[2] December 31, 2021 balances reflect the February 2021 completion of $265 million in private exchange offers for five series of outstanding subordinated notes whereby participants received newly issued 3.750%, 4.300%, and 4.350% fixed-rate reset subordinated notes due 2031 which are redeemable by the Company five years prior to their maturity. See “Capital and Regulatory Matters-Regulatory Capital Ratios and Capital Composition” for additional information.
[3] December 31, 2020 balances reflect the September 2020 completion of (i) $621 million in private exchange offers for five series of outstanding subordinated notes whereby participants received a combination of the Company's newly issued 2.638% fixed-rate subordinated notes due 2032 and an additional cash payment and (ii) $11 million in related cash tender offers whereby validly tendered and accepted subordinated notes were purchased by Citizens and subsequently cancelled.
[4] Rate disclosed reflects the floating rate as of December 31, 2021, or final floating rate as applicable.

Long-term borrowed funds of $6.9 billion as of December 31, 2021 decreased $1.4 billion from December 31, 2020, as strong deposit flows allowed for significantly lower levels of borrowings.

The Parent Company's long-term borrowed funds as of December 31, 2021 and 2020 included principal balances of $3.2 billion and $3.5 billion, respectively, and unamortized deferred issuance costs and/or discounts of $80 million and $90 million, respectively. CBNA and other subsidiaries' long-term borrowed funds as of December 31, 2021 and 2020 included principal balances of $3.8 billion and $4.8 billion, respectively, with unamortized deferred issuance costs and/or discounts of $7 million and $11 million, respectively, and hedging basis adjustments of $42 million and $112 million, respectively. See Note 14 in Item 8 for further information about our hedging of certain long-term borrowed funds.

CAPITAL AND REGULATORY MATTERS

As a bank holding company and a financial holding company, we are subject to regulation and supervision by the FRB. Our banking subsidiary, CBNA, is a national banking association whose primary federal regulator is the OCC. Our regulation and supervision continues to evolve as the legal and regulatory frameworks governing our operations continue to change. For more information, see the "Regulation and Supervision" section in Item 1.

Tailoring of Prudential Requirements

Under the FRB's Tailoring Rules, Category IV firms, such as us, are subject to biennial supervisory stress testing and are exempt from company-run stress testing and related disclosure requirements. The FRB supervises Category IV firms on an ongoing basis, including evaluation of the capital adequacy and capital planning processes during off-cycle years. Annually, the FRB requires us to submit a capital plan approved by our board of directors or one of its committees. On April 2, 2021, we submitted our 2021 Capital Plan to the FRB under the FRB's 2021 CCAR process. For more information, see the "Tailoring of Prudential Requirements" section in Item 1.

Under the FRB's Capital Plan Rule, a firm must update and resubmit its capital plan prior to the next annual submission date under certain circumstances, which includes a material change in the firm's risk profile, financial condition or corporate structure since its last capital plan submission. On July 28, 2021, we announced an agreement to acquire Investors, requiring us to resubmit our capital plan to the FRB. We submitted our updated capital plan on September 15, 2021.

Under the stress capital buffer ("SCB") framework, the FRB will not object to capital plans on quantitative grounds and each firm is required to maintain capital ratios above the sum of its minimum and SCB requirements to avoid restrictions on capital distributions and discretionary bonus payments.

Effective April 5, 2021, the FRB adopted a final rule to make conforming changes to its Capital Plan Rule and stress capital buffer and capital planning requirements to be consistent with the Tailoring Rules framework. Under the final rule, for Category IV firms, like us, the SCB will be re-calibrated with each biennial supervisory stress test and updated annually to reflect our planned common stock dividends. In addition, Category IV firms may elect to participate in the supervisory stress test and receive an updated SCB requirement in a year in which they are not subject to the supervisory stress test. We did not elect to participate in the 2021 supervisory stress test and on August 5, 2021, the FRB announced that our SCB will remain unchanged at 3.4% from October 1, 2021 through September 30, 2022.

In light of the heightened uncertainty related to the COVID-19 pandemic and associated lockdowns, the FRB took certain actions to preserve capital at banks beginning in the third quarter of 2020 through the second quarter of 2021. Beginning July 1, 2021, the FRB lifted all temporary restrictions on capital distributions and authorized firms, like us, that are on a two-year cycle and not subject to supervisory stress testing in 2021 to make capital distributions that are consistent with the regulatory capital rules, including normal restrictions under the FRB stress capital buffer framework. In addition, we temporarily suspended share repurchases in connection with entering into the agreement to acquire Investors. We resumed share repurchases after the Investors shareholder vote on November 19, 2021. In January 2021, our board of directors authorized us to repurchase up to $750 million of our common stock, of which $455 million is available as of December 31, 2021. All future capital distributions are subject to consideration and approval by our board of directors prior to execution. The timing and amount of future dividends and share repurchases will depend on various factors, including our capital position, financial performance, risk-weighted assets, capital impacts of strategic initiatives, market conditions and regulatory considerations.

Regulations relating to capital planning, regulatory reporting, stress testing and capital buffer requirements applicable to firms like us are presently subject to rule-making and potential further guidance and interpretation by the applicable federal regulators. We will continue to evaluate the impact of these and any other prudential regulatory changes, including their potential resultant changes in our regulatory and compliance costs and expenses.

For more information, see the "Regulation and Supervision" section in Item 1.

Capital Framework

Under the current U.S. Basel III capital framework, we and our banking subsidiary, CBNA, must meet the following specific minimum requirements: CET1 capital ratio of 4.5%, tier 1 capital ratio of 6.0%, total capital ratio of 8.0% and tier 1 leverage ratio of 4.0%. As a bank holding company, our SCB of 3.4% is imposed on top of the three minimum risk-based capital ratios listed above and a CCB of 2.5% is imposed on top of the three minimum risk-based capital ratios listed above for our banking subsidiary.

Under the U.S. Basel III rules, the CET1 deduction threshold for MSRs, certain deferred tax assets and investments in the capital of unconsolidated financial institutions is 25%. As of December 31, 2021, we did not meet the threshold for these additional capital deductions. MSRs or certain deferred tax assets not deducted from CET1 capital are assigned a 250% risk weight and investments in the capital of unconsolidated financial institutions not deducted from CET1 capital are assigned an exposure category risk weight.

In reaction to the COVID-19 pandemic, the FRB and the other federal banking regulators adopted a final rule relative to regulatory capital treatment of ACL under CECL. This rule allowed electing banking organizations to delay the estimated impact of CECL on regulatory capital for a two-year period ending January 1, 2022, followed by a three-year transition period ending January 1, 2025 to phase-in the aggregate amount of the capital benefit provided during the initial two-year delay. As of December 31, 2021, the aggregate capital benefit provided during the initial two-year delay was $384 million.

Table 24: Regulatory Capital Ratios Under the U.S. Basel III Standardized Rules

(in millions, except ratio data)	Amount	Ratio	Required Minimum plus Required Buffer for Non-Leverage Ratios[1][2]
December 31, 2021			
CET1 capital	$15,656	9.9 %	7.9 %
Tier 1 capital	17,670	11.1	9.4
Total capital	20,244	12.7	11.4
Tier 1 leverage	17,670	9.7	4.0
Risk-weighted assets	158,831		
Quarterly adjusted average assets	181,800		
December 31, 2020			
CET1 capital	$14,607	10.0 %	7.9 %
Tier 1 capital	16,572	11.3	9.4
Total capital	19,602	13.4	11.4
Tier 1 leverage	16,572	9.4	4.0
Risk-weighted assets	146,781		
Quarterly adjusted average assets	175,370		

[1] Required “Minimum Capital ratio” for 2021 and 2020 are: Common equity tier 1 capital of 4.5%; Tier 1 capital of 6.0%; Total capital of 8.0%; and Tier 1 leverage of 4.0%.
[2] “Minimum Capital ratios” include a stress capital buffer of 3.4%; N/A to Tier 1 leverage.

At December 31, 2021, our CET1 capital, tier 1 capital and total capital ratios were 9.9%, 11.1% and 12.7%, respectively, as compared with 10.0%, 11.3% and 13.4%, respectively, as of December 31, 2020. The CET1 capital ratio decreased as $12.1 billion of risk-weighted asset (“RWA”) growth, and the impact of dividends and common share repurchases as described in “—Capital Transactions” below, a decrease in the modified CECL transitional amount and increases in goodwill and intangibles as a result of acquisitions were mostly offset by net income for the year ended December 31, 2021. The tier 1 capital ratio decreased due to the changes in CET1 capital described above and the redemption of Series A Preferred Stock offset by the issuance of Series G Preferred Stock described in “—Capital Transactions” below. The total capital ratio decreased due to the changes in CET1 and tier 1 capital described above combined with the net change in AACL and a decrease in qualifying subordinated debt resulting from haircut provisions partially offset by the subordinated debt exchange offer in the first quarter of 2021, as described in “—Capital Transactions” below. At December 31, 2021, our CET1 capital, tier 1 capital and total capital ratios were approximately 200 basis points, 170 basis points and 130 basis points, respectively, above their regulatory minimums plus our SCB. All ratios remained well above the U.S. Basel III minimums.

Regulatory Capital Ratios and Capital Composition

CET1 capital under U.S. Basel III Standardized rules totaled $15.7 billion at December 31, 2021, an increase from $14.6 billion at December 31, 2020, driven by net income for the year ended December 31, 2021

offset by dividends, common share repurchases, a decrease in the modified CECL transitional amount and increases in goodwill and intangibles as a result of acquisitions. Tier 1 capital at December 31, 2021 totaled $17.7 billion, reflecting a $1.1 billion increase from $16.6 billion at December 31, 2020, driven by the changes in CET1 capital and the issuance of Series G Preferred Stock, partially offset by the redemption of Series A Preferred Stock. Total capital of $20.2 billion at December 31, 2021 increased $642 million from December 31, 2020, driven by the changes in CET1 and tier 1 capital, partially offset by the net change in AACL and a decrease in qualifying subordinated debt.

RWA totaled $158.8 billion at December 31, 2021, based on U.S. Basel III Standardized rules, up $12.1 billion from December 31, 2020. This increase was driven by higher commercial loans, automobile loans, commercial commitments, bank-owned life insurance, residential mortgages, agency securities, MSRs, education loans and other retail commitments. These RWA increases were partially offset by lower derivative valuations and other retail loans.

As of December 31, 2021, the tier 1 leverage ratio was 9.7%, up from 9.4% at December 31, 2020 driven by higher tier one capital, partially offset by the $6.4 billion increase in quarterly adjusted average assets.

Table 25: Capital Composition Under the U.S. Basel III Capital Framework

(in millions)	December 31, 2021	December 31, 2020
Total common stockholders' equity	$21,406	$20,708
Exclusions:		
Modified CECL transitional amount	384	568
Net unrealized (gains)/losses recorded in accumulated other comprehensive income (loss), net of tax:		
Debt and equity securities	156	(380)
Derivatives	160	11
Unamortized net periodic benefit costs	349	429
Deductions:		
Goodwill	(7,116)	(7,050)
Deferred tax liability associated with goodwill	383	379
Other intangible assets	(66)	(58)
Total common equity tier 1	15,656	14,607
Qualifying preferred stock	2,014	1,965
Total tier 1 capital	17,670	16,572
Qualifying subordinated debt[1]	1,138	1,204
Allowance for credit losses	1,934	2,670
Exclusions from tier 2 capital:		
Modified AACL transitional amount	(498)	(682)
Excess allowance for credit losses[2]	—	(162)
Adjusted allowance for credit losses	$1,436	$1,826
Total capital	$20,244	$19,602

[1] As of December 31, 2021 and 2020, the amount of non-qualifying subordinated debt excluded from regulatory capital was $420 million and $348 million, respectively.
[2] Excess allowance represents the amount excluded from tier 2 capital that is in excess of 1.25% of risk weighted assets, excluding market risk.

On February 11, 2021, we completed $265 million in private exchange offers for five series of outstanding subordinated notes. Exchange offer participants received newly-issued fixed-rate reset subordinated notes due 2031 which are redeemable by us five years prior to their maturity. These subordinated debt exchange offers will benefit our tier 2 and total capital going forward by increasing the amount of subordinated debt eligible for inclusion in tier 2 capital without increasing the aggregate principal amount of subordinated debt outstanding. See Note 13 for more details on our outstanding subordinated debt.

Capital Adequacy Process

Our assessment of capital adequacy begins with our board-approved risk appetite and risk management framework. This framework provides for the identification, measurement and management of material risks. Capital requirements are determined for actual and forecasted risk portfolios using applicable regulatory capital methodologies. The assessment also considers the possible impacts of approved and proposed changes to regulatory capital requirements. Key analytical frameworks, including stress testing, which enable the assessment of capital adequacy versus unexpected loss under a variety of stress scenarios, supplement our base

line forecast. A governance framework supports our capital planning process, including capital management policies and procedures that document capital adequacy metrics and limits, as well as our Capital Contingency Plan and the active engagement of both the legal-entity boards and senior management in oversight and decision-making.

Forward-looking assessments of capital adequacy feed development of a single capital plan covering us and our banking subsidiary that is periodically submitted to the FRB. We prepare this plan in full compliance with the FRB's Capital Plan Rule and we participate annually in the FRB's horizontal capital review, which is the FRB's assessment of specific capital planning areas as part of their normal supervisory process.

Capital Transactions

We completed the following capital actions during 2021:

- Repurchased $95 million of our outstanding common stock in the first quarter and $200 million of our outstanding common stock in the fourth quarter;
- Redeemed all outstanding shares of 5.500% fixed-to-floating rate non-cumulative perpetual Series A Preferred Stock in the third quarter;
- Issued 300,000 shares of 4.000% fixed-rate reset non-cumulative perpetual Series G Preferred Stock at an aggregate offering price of $300 million in the second quarter;
- Completed $265 million of subordinated debt private exchange offers in the first quarter;
- Declared and paid quarterly common stock dividends of $0.39 per share for the first, second, third and fourth quarters of 2021, aggregating to $670 million;
- Declared a quarterly dividend of $10.49 per share in the first quarter of 2021 and $10.50 per share in the second quarter of 2021 on the 5.500% fixed-to-floating rate non-cumulative perpetual Series A Preferred Stock, aggregating to $5 million;
- Declared semi-annual dividends of $30.00 per share in the second and fourth quarters of 2021 on the 6.000% fixed-to-floating rate non-cumulative perpetual Series B Preferred Stock, aggregating to $18 million;
- Declared quarterly dividends of $15.94 per share on the 6.375% fixed-to-floating rate non-cumulative perpetual Series C Preferred Stock, aggregating to $19 million;
- Declared quarterly dividends of $15.88 per share on the 6.350% fixed-to-floating rate non-cumulative perpetual Series D Preferred Stock, aggregating to $18 million;
- Declared quarterly dividends of $12.50 per share on the 5.000% fixed-rate non-cumulative perpetual Series E Preferred Stock, aggregating to $23 million;
- Declared quarterly dividends of $14.13 per share on the 5.650% fixed-rate non-cumulative perpetual Series F Preferred Stock, aggregating to $23 million; and
- Declared quarterly dividends of $12.78 per share in the third quarter of 2021 and $10.00 per share in the fourth quarter of 2021 on the 4.000% fixed-rate reset non-cumulative perpetual Series G Preferred Stock, aggregating to $7 million.

Banking Subsidiary's Capital

Table 26: CBNA's Capital Ratios Under the U.S. Basel III Standardized Rules

	December 31, 2021		December 31, 2020	
(dollars in millions, except ratio data)	Amount	Ratio	Amount	Ratio
CET1 capital	$17,039	10.7 %	$16,032	10.9 %
Tier 1 capital	17,039	10.7	16,032	10.9
Total capital	19,600	12.4	18,980	13.0
Tier 1 leverage	17,039	9.4	16,032	9.2
Risk-weighted assets	158,550		146,558	
Quarterly adjusted average assets	181,268		174,954	

CBNA's CET1 and tier 1 capital totaled $17.0 billion at December 31, 2021, up $1.0 billion from $16.0 billion at December 31, 2020. The increase was primarily driven by net income for the year ended December 31,

2021, partially offset by dividend payments to the Parent Company and a decrease in the modified CECL transitional amount. Total capital was $19.6 billion at December 31, 2021, an increase of $620 million from $19.0 billion at December 31, 2020, driven by the change in CET1 capital, partially offset by the net change in AACL.

CBNA's RWA totaled $158.6 billion at December 31, 2021, up $12.0 billion from December 31, 2020. This increase was driven by higher commercial loans, automobile loans, commercial commitments, bank-owned life insurance, residential mortgages, agency securities, MSRs, education loans and other retail commitments. These RWA increases were partially offset by lower derivative valuations and other retail loans.

As of December 31, 2021, the CBNA tier 1 leverage ratio increased to 9.4% from 9.2% at December 31, 2020, driven by higher tier one capital, partially offset by the $6.3 billion increase in quarterly adjusted average assets.

LIQUIDITY

Liquidity is defined as our ability to meet our cash-flow and collateral obligations in a timely manner, at a reasonable cost. An institution must maintain operating liquidity to meet its expected daily and forecasted cash-flow requirements, as well as contingent liquidity to meet unexpected (stress scenario) funding requirements. Reflecting the importance of meeting all unexpected and stress-scenario funding requirements, we identify and manage contingent liquidity, consisting of cash balances at the FRB, unencumbered high-quality liquid securities and unused FHLB borrowing capacity. Separately, we also identify and manage asset liquidity as a subset of contingent liquidity, consisting of cash balances at the FRB and unencumbered high-quality liquid securities. We consider the effective and prudent management of liquidity fundamental to our health and strength. We manage liquidity at the consolidated enterprise level and at each material legal entity, including at the Parent Company and CBNA level.

Parent Company Liquidity

Our Parent Company's primary sources of cash are dividends and interest received from CBNA as a result of investing in bank equity and subordinated debt as well as externally issued preferred stock, senior and subordinated debt. Uses of cash include the routine cash flow requirements as a bank holding company, including periodic share repurchases and payments of dividends, interest and expenses; the needs of subsidiaries, including CBNA for additional equity and, as required, its need for debt financing; and the support for extraordinary funding requirements when necessary. To the extent the Parent Company has relied on wholesale borrowings, uses also include payments of related principal and interest.

During the year ended December 31, 2021, the Parent Company completed the following transactions:

- Redeemed all outstanding shares of 5.50% fixed-to-floating rate non-cumulative perpetual Series A Preferred Stock;
- Issued 300,000 shares of 4.00% fixed-rate reset non-cumulative perpetual Series G Preferred Stock at an aggregate offering price of $300 million; and
- Redeemed $350 million of 2.375% fixed-rate senior unsecured debt due July 2021.

For further information on outstanding debt and preferred stock, see Note 13 and Note 17 in Item 8.

During the years ended December 31, 2021 and 2020, the Parent Company declared dividends on common stock of $670 million and $672 million, respectively, and declared dividends on preferred stock of $113 million and $107 million, respectively. In addition, the Parent Company repurchased $295 million and $270 million of its outstanding common stock, respectively.

Our Parent Company's cash and cash equivalents represent a source of liquidity that can be used to meet various needs and totaled $2.3 billion as of December 31, 2021 compared with $2.7 billion as of December 31, 2020. The Parent Company's double-leverage ratio (the combined equity investment in Parent Company subsidiaries divided by Parent Company equity) is a measure of reliance on equity cash flows from subsidiaries to fund Parent Company obligations. At December 31, 2021, the Parent Company's double-leverage ratio was 98.5%.

CBNA Liquidity

As CBNA's primary business involves taking deposits and making loans, a key role of liquidity management is to ensure that customers have timely access to funds from deposits and for loans. Liquidity management also involves maintaining sufficient liquidity to repay wholesale borrowings, pay operating expenses and support extraordinary funding requirements when necessary. In the ordinary course of business, the liquidity of CBNA is

managed by matching sources and uses of cash. The primary sources of bank liquidity include deposits from our consumer and commercial customers; payments of principal and interest on loans and debt securities; and wholesale borrowings, as needed, and as described under "—Liquidity Risk Management and Governance." The primary uses of bank liquidity include withdrawals and maturities of deposits; payment of interest on deposits; funding of loans and related commitments; and funding of securities purchases. To the extent that CBNA has relied on wholesale borrowings, uses also include payments of related principal and interest. For further information on CBNA's outstanding debt, see Note 13 in Item 8.

On January 14, 2022, CBNA redeemed $1.0 billion of senior notes due February 2022.

Liquidity Risk

We define liquidity risk as the risk that an entity will be unable to meet its payment obligations in a timely manner, at a reasonable cost. Liquidity risk can arise due to contingent liquidity risk and/or funding liquidity risk.

Contingent liquidity risk is the risk that market conditions may reduce an entity's ability to liquidate, pledge and/or finance certain assets and thereby substantially reduce the liquidity value of such assets. Drivers of contingent liquidity risk include general market disruptions as well as specific issues regarding the credit quality and/or valuation of a security or loan, issuer or borrower and/or asset class.

Funding liquidity risk is the risk that market conditions and/or entity-specific events may reduce an entity's ability to raise funds from depositors and/or wholesale market counterparties. Drivers of funding liquidity risk may be idiosyncratic or systemic, reflecting impediments to operations and/or damaged market confidence.

Factors Affecting Liquidity

Given the composition of assets and borrowing sources, contingent liquidity risk at CBNA would be materially affected by events such as deterioration of financing markets for high-quality securities (e.g., mortgage-backed securities and other instruments issued by the GNMA, FNMA and the FHLMC), by any inability of the FHLBs to provide collateralized advances and/or by a refusal of the FRB to act as a lender of last resort in systemic stress.

Similarly, given the structure of its balance sheet, the funding liquidity risk of CBNA would be materially affected by an adverse idiosyncratic event (e.g., a major loss, causing a perceived or actual deterioration in its financial condition), an adverse systemic event (e.g., default or bankruptcy of a significant capital markets participant), or a combination of both. Consequently, and despite ongoing exposure to a variety of idiosyncratic and systemic events, we view our contingent liquidity risk and our funding liquidity risk to be relatively modest.

An additional variable affecting our access to unsecured wholesale market funds and to large denomination (i.e., uninsured) customer deposits is the credit ratings assigned by such agencies as Moody's, Standard and Poor's, and Fitch.

Table 27: Credit Ratings

	December 31, 2021		
	Moody's	**Standard and Poor's**	**Fitch**
Citizens Financial Group, Inc.:			
Long-term issuer	NR	BBB+	BBB+
Short-term issuer	NR	A-2	F1
Subordinated debt	NR	BBB	BBB
Preferred Stock	NR	BB+	BB
Citizens Bank, National Association:			
Long-term issuer	Baa1	A-	BBB+
Short-term issuer	NR	A-2	F1
Long-term deposits	A1	NR	A-
Short-term deposits	P-1	NR	F1

NR = Not Rated

Changes in our public credit ratings could affect both the cost and availability of our wholesale funding. As a result, and in order to maintain a conservative funding profile, CBNA continues to minimize reliance on

unsecured wholesale funding. At December 31, 2021, our wholesale funding consisted primarily of term debt issued by the Parent Company and CBNA.

Existing and evolving regulatory liquidity requirements represent another key driver of systemic liquidity conditions and liquidity management practices. The FRB, the OCC, and the FDIC regularly evaluate our liquidity as part of the overall supervisory process. In addition, we are subject to existing and evolving regulatory liquidity requirements, some of which are subject to further rulemaking, guidance and interpretation by the applicable federal regulators. For further discussion, see the "Regulation and Supervision — Tailoring of Prudential Requirements" and "—Liquidity Requirements" sections in Item 1.

Liquidity Risk Management and Governance

Liquidity risk is measured and managed by the Funding and Liquidity unit within our Treasury unit in accordance with policy guidelines promulgated by our Board and the Asset Liability Committee. In managing liquidity risk, the Funding and Liquidity unit delivers regular and comprehensive reporting, including current levels versus threshold limits for a broad set of liquidity metrics and early warning indicators, explanatory commentary relating to emerging risk trends and, as appropriate, recommended remedial strategies.

Our Funding and Liquidity unit's primary goals are to deliver and maintain prudent levels of operating liquidity to support expected and projected funding requirements, contingent liquidity to support unexpected funding requirements resulting from idiosyncratic, systemic and combination stress events, and regulatory liquidity requirements in a timely manner from stable and cost-efficient funding sources. We seek to accomplish this goal by funding loans with stable deposits; by prudently controlling dependence on wholesale funding, particularly short-term unsecured funding; and by maintaining ample available liquidity, including a contingent liquidity buffer of unencumbered high-quality loans and securities. As of December 31, 2021:

- Organically generated deposits continue to be our primary source of funding, resulting in a consolidated year-end loans-to-deposits ratio, excluding LHFS, of 83.0%;
- Our cash position, which is defined as our cash balances at the FRB, totaled $7.9 billion;
- Our total available liquidity, comprised of contingent liquidity and available discount window capacity, was approximately $70.9 billion;
- Contingent liquidity was $45.1 billion, consisting of unencumbered high-quality liquid securities of $21.3 billion, unused FHLB capacity of $15.9 billion, and our cash balances at the FRB of $7.9 billion. Asset liquidity, a component of contingent liquidity, was $29.2 billion, consisting of our cash balances at the FRB of $7.9 billion and unencumbered high-quality liquid securities of $21.3 billion;
- Available discount window capacity, defined as available total borrowing capacity from the FRB based on identified collateral, is secured by non-mortgage commercial and retail loans and totaled $25.8 billion. Use of this borrowing capacity would be considered only during exigent circumstances; and
- For a summary of our sources and uses of cash by type of activity for the years ended December 31, 2021, 2020 and 2019, see the Consolidated Statements of Cash Flows in Item 8.

The Funding and Liquidity unit monitors a variety of liquidity and funding metrics and early warning indicators and metrics, including specific risk thresholds limits. These monitoring tools are broadly classified as follows:

- Current liquidity sources and capacities, including cash balances at the FRB, free and liquid securities, and secured FHLB borrowing capacity;
- Liquidity stress sources, including idiosyncratic, systemic and combined stresses, in addition to evolving regulatory requirements; and
- Current and prospective exposures, including secured and unsecured wholesale funding, and spot and cumulative cash-flow gaps across a variety of horizons.

Further, certain of these metrics are monitored individually for CBNA and for our consolidated enterprise on a daily basis, including cash position, unencumbered securities, asset liquidity, and available FHLB borrowing capacity. In order to identify emerging trends and risks and inform funding decisions, specific metrics are also forecasted over a one-year horizon.

Contractual Obligations

In the ordinary course of business, we enter into contractual obligations that may require future cash payments, including customer deposit maturities and withdrawals, debt service, lease obligations and other cash commitments. For more information regarding these obligations, see Notes 9, 12 and 13 in Item 8.

Off-Balance Sheet Arrangements

We engage in a variety of activities that are not reflected in our Consolidated Balance Sheets that are generally referred to as “off-balance sheet arrangements.” For more information on these types of activities, see Note 19 in Item 8.

CRITICAL ACCOUNTING ESTIMATES

Our audited Consolidated Financial Statements, included in this Report, are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish accounting policies and make estimates that affect amounts reported in our audited Consolidated Financial Statements.

An accounting estimate requires assumptions and judgments about uncertain matters that could have a material effect on our audited Consolidated Financial Statements. Estimates are made using facts and circumstances known at a point in time. Changes in those facts and circumstances could produce results substantially different from those estimates. Our most significant accounting policies and estimates and their related application are discussed below. See Note 1 in Item 8, for further discussion of our significant accounting policies.

Allowance for Credit Losses

The ACL decreased from $2.7 billion at December 31, 2020 to $1.9 billion at December 31, 2021, reflecting a reserve release of $736 million reflecting improvements in our macroeconomic outlook and continued strength in the Home Price Index and used automobile values.

To determine the ACL as of December 31, 2021, we utilized an economic forecast that generally reflects real GDP growth of approximately 1.3% over 2022 and projects the unemployment rate to be in the range of 5.2% to 6.6% throughout 2022. This forecast reflects an overall improved macroeconomic outlook as compared to December 31, 2020, which reflected real GDP growth of approximately 4% over 2021 and unemployment in the range of approximately 7% to 7.5% throughout 2021. While the U.S. economy has continued to improve, with the benefits of vaccination and herd resiliency muting, in part, the ongoing impact of the COVID-19 pandemic, uncertainty remains. We continue to utilize our qualitative allowance framework to reassess and adjust ACL reserve levels. Macroeconomic forecast risk, driven by uncertainty around and volatility of key macroeconomic variables, is one of the primary factors influencing our qualitative reserve. As the economic recovery has continued, we have assessed risks to the recovery, including potential for continuing impacts from COVID-19 variants, challenges in the global supply chain, inflationary trends, potential impacts from ending monetary and fiscal stimulus programs, and potential for longer-term changes in workforce and consumer behaviors. We continued to apply management judgment to adjust the modeled reserves in the commercial industry sectors most impacted by the COVID-19 pandemic, including CRE office.

Our determination of the ACL is sensitive to changes in forecasted macroeconomic conditions during the reasonable and supportable period. To illustrate the sensitivity, we applied a more pessimistic scenario than that described above which assumes that challenges in acceptance of vaccines and efficacy of vaccines against new strains cause COVID-19-related infections to abate later than in our base case scenario, with concerns rising about resistant strains. Consumer spending is slower to rebound, with businesses reopening more slowly and vacation spending muted. This pessimistic scenario reflects real GDP growth of approximately 1.3% and unemployment in the range of 6.6% to 7.4% over 2022. Excluding consideration of qualitative adjustments, this scenario would result in a quantitative lifetime loss estimate of approximately 1.15x our modeled period-end ACL, or an increase of approximately $170 million. This analysis relates only to the modeled credit loss estimate and not to the overall period-end ACL, which includes qualitative adjustments.

Because several quantitative and qualitative factors are considered in determining the ACL, this sensitivity analysis does not necessarily reflect the nature and extent of future changes in the ACL or even what the ACL would be under these economic circumstances. The sensitivity is intended to provide insights into the impact of adverse changes in the macroeconomic environment and the corresponding impact to modeled loss estimates. The hypothetical determination does not incorporate the impact of management judgment or other

qualitative factors that could be applied in the actual estimation of the ACL and does not imply any expectation of future deterioration in our loss rates.

To provide additional context regarding sensitivity to more pessimistic scenarios, our ACL balance of $1.9 billion represents 22% of the $8.6 billion of nine-quarter losses projected in the Federal Reserve run of the December 2020 Supervisory Severely Adverse scenario, which forecasted more protracted unemployment and GDP declines compared with our ACL calculation. Our ACL calculation also included the impacts of government stimulus.

Comparatively, our ACL represents 38% of the $5.1 billion of projected losses in the Company run results of the Supervisory Severely Adverse scenario. Losses projected under the Company Supervisory Severely Adverse scenario are lower than the Federal Reserve results due to methodology and modeling differences. As an example, the Federal Reserve's models did not recognize contractual loss sharing arrangements in the merchant loan portfolio. Both the Company and Federal Reserve results include incremental losses associated with loan originations assumed post-December 31, 2020. In contrast, our December 31, 2021 ACL balance considers only existing loans and lines of credit as of the reporting date.

While the economic recovery from the COVID-19 pandemic continues, significant future uncertainty still exists, including the impacts of COVID-19 variants and challenges from vaccine acceptance rates and efficacy against newer strains on consumer sentiment and spending behavior. It remains difficult to estimate how changes in economic forecasts might affect our ACL because such forecasts consider a wide variety of variables and inputs, and changes in the variables and inputs may not occur at the same time or in the same direction, and such changes may have differing impacts by product types. The variables and inputs may be idiosyncratically affected by risks to the recovery, including potential for continuing impacts from COVID-19 variants, challenges in the global supply chain and recent inflationary trends, as well as potential impacts from ending monetary and fiscal stimulus programs. Changes in one or multiple of the key variables may have a material impact to our estimation of expected credit losses.

We continue to monitor the impact of COVID-19 and related fiscal and monetary policy measures on the economy and the resulting potentially material effects on the ACL.

For additional information regarding the ACL, see Note 1 and Note 6 in Item 8.

Fair Value

We measure the fair value of assets and liabilities using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is also used on a recurring and nonrecurring basis to evaluate certain assets for impairment or for financial statement disclosure purposes. Examples of nonrecurring uses of fair value include impairment for certain loans, leases and goodwill. Examples of recurring uses of fair value for financial statement disclosure purposes include disclosure of the fair value of certain financial assets and liabilities accounted for on an amortized cost basis, such as HTM securities. For certain assets or liabilities the application of management judgment in the determination of the fair value is more significant due to the lack of observable market data.

MSRs do not trade in an active market with readily observable prices. MSRs are classified as Level 3 since the valuation methodology utilizes significant unobservable inputs. The fair value is calculated using a discounted cash flow model which uses assumptions, including weighted-average life, prepayment assumptions and weighted-average option adjusted spread. It is important to note that changes in our assumptions may not be independent of each other; changes in one assumption may result in changes to another (e.g., changes in interest rates, which are inversely correlated to changes in prepayment rates, may result in changes to discount rates). The underlying assumptions and estimated values are corroborated by values received from independent third parties based on their review of the servicing portfolio, and comparisons to market transactions.

For additional information regarding our fair value measurements, see Note 1, Note 4, Note 9, Note 14 and Note 20 in Item 8.

RISK GOVERNANCE

We are committed to maintaining a strong, integrated and proactive approach to the management of all risks to which we are exposed in pursuit of our business objectives. A key aspect of our Board's responsibility as the main decision making body is setting our risk appetite to ensure that the levels of risk that we are willing to accept in the attainment of our strategic business and financial objectives are clearly understood.

To enable our Board to carry out its objectives, it has delegated authority for risk management activities, as well as governance and oversight of those activities, to a number of Board and executive management level risk committees. The Executive Risk Committee, chaired by the Chief Risk Officer, is responsible for oversight of risk across the enterprise and actively considers our inherent material risks, analyzes our overall risk profile and seeks confirmation that the risks are being appropriately identified, assessed and mitigated. Reporting to the Executive Risk Committee are the following committees covering specific areas of risk: Compliance and Operational Risk Committee, Model Risk Committee, Credit Policy Committee, Asset Liability Committee, Business Initiatives Review Committee, and the Conduct and Ethics Committee.

Risk Framework

Our risk management framework is embedded in our business through a "Three Lines of Defense" model which defines responsibilities and accountabilities for risk management activities.

First Line of Defense

The business lines (including their associated support functions) are the first line of defense and are accountable for identifying, assessing, managing, and controlling the risks associated with the products and services they provide. The business lines are responsible for performing regular risk assessments to identify and assess the material risks that arise in their area of responsibility, complying with relevant risk policies, testing and certifying the adequacy and effectiveness of their operational and financial reporting controls on a regular basis, establishing and documenting operating procedures and establishing and owning a governance structure for identifying and managing risk.

Second Line of Defense

The second line of defense includes independent monitoring and control functions accountable for developing and ensuring implementation of risk and control frameworks and related policies. This centralized risk function is appropriately independent from the business and is accountable for overseeing and challenging our business lines on the effective management of their risks, including credit, market, operational, regulatory, reputational, interest rate, liquidity and strategic risks.

Third Line of Defense

Our Internal Audit function is the third line of defense providing independent assurance with a view of the effectiveness of our internal controls, governance practices, and culture so that risk is managed appropriately for the size, complexity, and risk profile of the organization. Internal Audit has complete and unrestricted access to any and all of our records, physical properties and personnel. Internal Audit issues a report following each internal review and provides an audit opinion to the Board's Audit Committee on a quarterly basis.

Credit Review reports to the Chief Audit Executive and provides the legal-entity boards, senior management and other stakeholders with independent assurance on the quality of credit portfolios and adherence to agreed Credit Risk Appetite and Credit Policies and processes. In line with its procedures and regulatory expectations, the Credit Review function undertakes a program of portfolio testing, assessing and reporting through four Risk Pillars of Asset Quality, Rating and Data Integrity, Risk Management and Credit Risk Appetite.

Risk Appetite

Risk appetite is a strategic business and risk management tool. We define our risk appetite as the maximum limit of acceptable risk beyond which we could be unable to achieve our strategic objectives and capital adequacy obligations.

Our principal non-market risks include credit, operational, regulatory, reputational, liquidity and strategic risks. We are also subject to certain market risks which include potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and/or other relevant market rates or prices. Market risk in our business arises from trading activities that serve customer needs, including hedging of

interest rates, foreign exchange risk and non-trading activities within capital markets. We have established enterprise-wide policies and methodologies to identify, measure, monitor and report on market risk. We actively manage both trading and non-trading market risks. See “—Market Risk” for further information. Our risk appetite is reviewed and approved annually by the Board Risk Committee.

Credit Risk

Overview

Credit risk represents the potential for loss arising from a customer, counterparty, or issuer failing to perform in accordance with the contractual terms of the obligation. While the majority of our credit risk is associated with lending activities, we do engage with other financial counterparties for a variety of purposes including investing, asset and liability management, and trading activities. Given the financial impact of credit risk on our earnings and balance sheet, the assessment, approval and management of credit risk represents a major part of our overall risk-management responsibility.

Objective

The independent Credit Risk Function is responsible for reviewing and approving credit risk appetite across all lines of business and credit products, approving larger and higher risk credit transactions, monitoring portfolio performance, identifying problem credit exposures, and ensuring remedial management.

Organizational Structure

Management and oversight of credit risk is the responsibility of both the business line and the second line of defense. The second line of defense, the independent Credit Risk Function, is led by the Chief Credit Officer who oversees all of our credit risk. The Chief Credit Officer reports to the Chief Risk Officer. The Chief Credit Officer, acting in a manner consistent with Board policies, has responsibility for, among other things, the governance process around policies, procedures, risk acceptance criteria, credit risk appetite, limits and authority delegation. The Chief Credit Officer and team also have responsibility for credit approvals for larger and higher risk transactions and oversight of line of business credit risk activities. Reporting to the Chief Credit Officer are the heads of the second line of defense credit functions specializing in: Consumer Banking, Commercial Banking, Citizens Restructuring Management, Portfolio and Corporate Reporting, ALLL Analytics, Current Expected Credit Loss, and Credit Policy and Administration. Each team under these leaders is composed of highly experienced credit professionals.

Governance

The primary mechanisms used to govern our credit risk function are our consumer and commercial credit policies. These policies outline the minimum acceptable lending standards that align with our desired risk appetite. Material changes in our business model and strategies that identify a need to change our risk appetite or highlight a risk not previously contemplated are identified by the individual committees and presented to the Credit Policy Committee, Executive Risk Committee and the Board Risk Committee for approval, as appropriate.

Key Management Processes

We employ a comprehensive and integrated risk control program to proactively identify, measure, monitor, and mitigate existing and emerging credit risks across the credit life cycle (origination, account management/portfolio management, and loss mitigation and recovery).

Consumer

On the Consumer Banking side of credit risk, our teams use models to evaluate consumer loans across the life cycle of the loan. Starting at origination, credit scoring models are used to forecast the probability of default of an applicant. When approving customers for a new loan or extension of an existing credit line, credit scores are used in conjunction with other credit risk variables such as affordability, length of term, collateral value, collateral type, and lien subordination.

To ensure proper oversight of the underwriting teams, lending authority is granted by the second line of defense credit risk function to each underwriter. The amount of delegated authority depends on the experience of the individual. We periodically evaluate the performance of each underwriter and annually reauthorize their delegated authority. Only senior members of the second line of defense credit risk team are authorized to approve significant exceptions to credit policies. It is not uncommon to make exceptions to established policies

when compensating factors are present. There are exception limits which, when reached, trigger a comprehensive analysis.

Once an account is established, credit scores and collateral values are refreshed at regular intervals to allow for proactive identification of increasing or decreasing levels of credit risk. Our approach to managing credit risk is highly analytical and, where appropriate, is automated to ensure consistency and efficiency.

Commercial

On the Commercial Banking side of credit risk, risk management begins with defined credit products and policies and is separated into C&I loans, leases and CRE. Within C&I loans and leases there are separate verticals established for certain specialty products (e.g., asset-based lending, leasing, franchise finance, health care, technology and mid-corporate). A “specialty vertical” is a stand-alone team of industry or product specialists. Substantially all activity that falls under the ambit of the defined industry or product is managed through a specialty vertical when one exists. CRE also operates as a specialty vertical.

Commercial transactions are subject to individual analysis and approval at origination and, with few exceptions, are subject to a formal annual review requirement. The underwriting process includes the establishment and approval of credit grades that confirm the PD and LGD. All material transactions then require the approval of both a business line approver and an independent credit approver with the requisite level of delegated authority. The approval level of a particular credit facility is determined by the size of the credit relationship as well as the PD. The checks and balances in the credit process and the independence of the credit approver function are designed to appropriately assess and sanction the level of credit risk being accepted, facilitate the early recognition of credit problems when they occur, and to provide for effective problem asset management and resolution. All authority to grant credit is delegated through the independent Credit Risk function and is closely monitored and regularly updated.

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower’s management capabilities, cash flows from operations, industry sector trends, type and sufficiency of collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. In addition to the credit analysis conducted during the approval process at origination and annual review, our Credit Review group performs testing to provide an independent review and assessment of the quality of the portfolio and new originations. This group conducts portfolio reviews on a risk-based cycle to evaluate individual loans and validate risk ratings, as well as test the consistency of the credit processes and the effectiveness of credit risk management.

The maximum level of credit exposure to individual credit borrowers is limited by policy guidelines based on the perceived risk of each borrower or related group of borrowers. Concentration risk is managed through limits on industry asset class and loan quality factors. We focus predominantly on extending credit to commercial customers with existing or expandable relationships within our primary markets, although we do engage in lending opportunities outside our primary markets if we believe that the associated risks are acceptable and aligned with strategic initiatives.

Substantially all loans categorized as Classified are managed by a specialized group of credit professionals.

MARKET RISK

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and/or other relevant market rates or prices. Modest market risk arises from trading activities that serve customer needs, including hedging of interest rate and foreign exchange risk. As described below, more material market risk arises from our non-trading banking activities, such as loan origination and deposit-gathering. We have established enterprise-wide policies and methodologies to identify, measure, monitor and report market risk. We actively manage market risk for both non-trading and trading activities.

Non-Trading Risk

We are exposed to market risk as a result of non-trading banking activities. This market risk is substantially composed of interest rate risk, as we have no commodity risk and de minimis direct currency and equity risk. We also have market risk related to capital markets loan originations, as well as the valuation of our MSRs.

Interest Rate Risk

Interest rate risk emerges from the balance sheet after the aggregation of our assets, liabilities and equity. We refer to this non-trading risk embedded in the balance sheet as “structural interest rate risk” or “interest rate risk in the banking book.”

A major source of structural interest rate risk is a difference in the repricing of assets relative to liabilities and equity. There are differences in the timing and drivers of rate changes reflecting the maturity and/or repricing of assets and liabilities. For example, the rate earned on a commercial loan may reprice monthly with changes in LIBOR, while the rate paid on debt or certificates of deposit may be fixed for a longer period. There may also be differences in the drivers of rate changes. Loans may be tied to a specific index rate such as LIBOR or Prime, while deposits may be only loosely correlated with LIBOR and dependent upon competitive demand. Due to these basis differences, net interest income is sensitive to changes in spreads between certain indices or repricing rates.

Another important source of structural interest rate risk relates to the potential exercise of explicit or embedded options. For example, most consumer loans can be prepaid without penalty and most consumer deposits can also be withdrawn without penalty. The exercise of such options by customers can exacerbate the timing differences discussed above.

A primary source of our structural interest rate risk relates to faster repricing of floating-rate loans relative to core deposit funding. This source of asset sensitivity is more biased toward the short end of the yield curve.

The secondary source of our interest rate risk is driven by longer term rates comprising the rollover or reinvestment risk on fixed-rate loans, as well as prepayment risk on mortgage-related loans and securities funded by non-rate sensitive deposits and equity.

The primary goal of interest rate risk management is to control exposure to interest rate risk within policy limits approved by our Board. These limits and guidelines reflect our tolerance for interest rate risk over both short-term and long-term horizons. To ensure that exposure to interest rate risk is managed within our risk appetite, we must measure the exposure and hedge it, as necessary. The Treasury Asset and Liability Management team is responsible for measuring, monitoring and reporting on our structural interest rate risk position. These exposures are reported on a monthly basis to the Asset Liability Committee and at Board meetings.

We measure structural interest rate risk through a variety of metrics intended to quantify both short-term and long-term exposures. The primary method we use to quantify interest rate risk is simulation analysis in which we model net interest income from assets, liabilities and hedge derivative positions under various interest rate scenarios over a three-year horizon. Exposure to interest rate risk is reflected in the variation of forecasted net interest income across the scenarios.

Key assumptions in this simulation analysis relate to the behavior of interest rates and spreads, the changes in product balances and the behavior of loan and deposit clients in different rate environments. The most material of these behavioral assumptions relate to the repricing characteristics and balance fluctuations of deposits with indeterminate (i.e., non-contractual) maturities, as well as the pace of mortgage prepayments. Assessments are periodically made by running sensitivity analyses to determine the impact of key assumptions. The results of these analyses are reported to the Asset Liability Committee.

As the future path of interest rates cannot be known in advance, we use simulation analysis to project net interest income under various interest rate scenarios including a “most likely” (implied forward) scenario, as well as a variety of deliberately extreme and perhaps unlikely scenarios. These scenarios may assume gradual ramping of the overall level of interest rates, immediate shocks to the level of rates and various yield curve twists in which movements in short- or long-term rates predominate. Generally, projected net interest income in any interest rate scenario is compared to net interest income in a base case where market forward rates are realized.

The table below reports net interest income exposures against a variety of interest rate scenarios. Our policies involve measuring exposures as a percentage change in net interest income over the next year due to either instantaneous or gradual parallel changes in rates relative to the market implied forward yield curve. As the following table illustrates, our balance sheet is asset-sensitive; net interest income would benefit from an increase in interest rates, while exposure to a decline in interest rates is within limit. While an instantaneous and

severe shift in interest rates is included in this analysis, we believe that any actual shift in interest rates would likely be more gradual and therefore have a more modest impact.

The table below presents the sensitivity of net interest income to various parallel yield curve shifts from the market implied forward yield curve:

Table 28: Sensitivity of Net Interest Income

	Estimated % Change in Net Interest Income over 12 Months	
	December 31,	
Basis points	**2021**	**2020**
Instantaneous Change in Interest Rates		
200	19.4 %	21.2 %
100	10.2	11.2
-25	(3.0)	(2.7)
Gradual Change in Interest Rates		
200	10.1 %	10.8 %
100	5.2	5.5
-25	(1.5)	(1.5)

We continue to manage asset sensitivity within the scope of our policy and changing market conditions. Asset sensitivity against a 200 basis point gradual increase in rates was 10.1% at December 31, 2021, compared with 10.8% at December 31, 2020. Current levels of asset sensitivity continue to provide meaningful upside benefit to net interest income as we enter a period of expected higher short-term policy rates from the Federal Reserve. Changes in interest rates can also affect the risk positions, which impacts the repricing sensitivity or beta of the deposit base as well as the cash flows on assets that allow for early payoff without a penalty. The risk position is managed within our risk limits, and long term view of interest rates through occasional adjustments to securities investments, interest rate swaps and mix of funding.

We use a valuation measure of exposure to structural interest rate risk, Economic Value of Equity ("EVE"), as a supplement to net interest income simulations. EVE complements net interest income simulation analysis as it estimates risk exposure over a long-term horizon. EVE measures the extent to which the economic value of assets, liabilities and off-balance sheet instruments may change in response to fluctuations in interest rates. This analysis is highly dependent upon assumptions applied to assets and liabilities with non-contractual maturities. The change in value is expressed as a percentage of regulatory capital.

We use interest rate swap contracts to manage the interest rate exposure to variability in the interest cash flows on our floating-rate assets and floating-rate wholesale funding, and to hedge market risk on fixed-rate capital markets debt issuances.

Table 29: Interest Rate Swap Contracts Used to Manage Non-Trading Interest Rate Exposure

	December 31, 2021				December 31, 2020			
		Weighted Average				Weighted Average		
(dollars in millions)	**Notional Amount**	**Maturity (Years)**	**Receive Rate**	**Pay Rate**	**Notional Amount**	**Maturity (Years)**	**Receive Rate**	**Pay Rate**
Cash flow - receive-fixed/pay-variable - conventional ALM[1]	$16,250	3.7	1.0 %	0.1 %	$12,350	1.0	1.5 %	0.2 %
Fair value - receive-fixed/pay-variable - conventional debt	2,200	1.3	2.5	0.2	3,200	1.7	2.1	0.2
Cash flow - pay-fixed/receive-variable - conventional ALM[1][2]	3,000	2.5	0.1	1.7	4,750	3.9	0.2	1.4
Fair value - pay-fixed/receive-variable - conventional ALM[1]	2,000	2.7	0.1	1.5	2,000	3.7	0.2	1.5
Total portfolio swaps	$23,450	3.3	1.0 %	0.4 %	$22,300	2	1.2 %	0.6 %

[1] Asset Liability Management ("ALM") strategies used to manage interest rate exposures include interest rate swap contracts used to manage exposure to the variability in the interest cash flows on our floating-rate commercial loans and floating-rate wholesale funding, as well as the variability in the fair value of AFS securities.
[2] December 31, 2020 includes $1.8 billion of forward-starting, pay-fixed interest rate swaps that were terminated in the first quarter of 2021.

The following table presents the pre-tax net gains (losses) recorded in the Consolidated Statements of Operations and in the Consolidated Statements of Comprehensive Income relating to derivative instruments designated as cash flow hedges:

Table 30: Pre-Tax Gains (Losses) Recorded in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income

	Amounts Recognized for the Year Ended December 31,	
(in millions)	2021	2020
Amount of pre-tax net gains (losses) recognized in OCI	($66)	$130
Amount of pre-tax net gains (losses) reclassified from OCI into interest income	183	184
Amount of pre-tax net gains (losses) reclassified from OCI into interest expense	(48)	(35)

(1) Using the interest rate curve at December 31, 2021 with respect to cash flow hedge strategies, we estimate that approximately $36 million will be reclassified from AOCI to net interest income over the next 12 months.

LIBOR Transition

As previously disclosed, many of our lending products, securities, derivatives, and other financial transactions utilize the LIBOR benchmark rate, requiring us to develop plans for its discontinuance. In late 2018, we formed a LIBOR Transition Program ("the Program") designed to guide the organization through the planned discontinuation of LIBOR. The Program, with direction and oversight from our Chief Financial Officer, is responsible for developing, maintaining and executing against a coordinated strategy to ensure a timely and orderly transition from LIBOR. The Program is structured to address various initiatives including program governance, transition management, communications, exposure management, new alternative reference rate product delivery, risk management, contract remediation, operations and technology readiness, accounting and reporting, as well as tax and regulation impacts. On a quarterly basis we tracked and reviewed the risks associated with the LIBOR transition with a focus on the identification of mitigation actions.

The ARRC recommended that banks be systemically and operationally capable of supporting transactions in alternative reference rates, such as SOFR, by the end of September 2020. Guided by this milestone, we are systemically and operationally prepared to support alternative reference rate transactions. On March 5, 2021, the FCA formally announced the future cessation or loss of representation of the LIBOR benchmark settings currently published by the Intercontinental Exchange ("ICE") Benchmark Administration. Further, the FCA stated that the 1-week and 2-month U.S. Dollar LIBOR rates will cease as of December 31, 2021 and all other U.S. Dollar LIBOR tenors will cease as of June 30, 2023. With the FRB, OCC, and FDIC (collectively, the agencies) supporting this announcement, the Program adjusted LIBOR transition activities and timelines accordingly. The agencies continue to urge market participants to stop entering into new U.S. Dollar LIBOR contracts as soon as practicable, but no later than the end of 2021. We moved new originations to alternative reference rates over the course of 2021 in anticipation of this deadline. However, our plans for legacy contract remediation now extend through mid-2023 given the FCA announcement. More broadly, program governance remains robust, and progress has been made in the above-outlined initiatives as management continues to closely monitor industry and regulatory developments pertaining to the transition.

Upon commencement of the Program, we conducted an impact assessment to identify all areas that were likely to be impacted by the LIBOR transition. The impact assessment identified where LIBOR-related products, systems, models, policies and procedures existed. We used the assessment results to develop a robust transition roadmap and an implementation plan, which continues to evolve, based on market and regulatory developments. Key LIBOR transition efforts over the course of 2021 include, but are not limited to, the following:

- Upgraded standard form provisions and issued implementation guidance to require use of reference rate fallback language in any new and existing LIBOR contracts in connection with contract amendments made in the ordinary course of business;
- Launched new product issuances with alternative reference rates;
- Completed operational readiness of systems, models, and applications to handle all potential alternative reference rates;
- Remediated legacy contracts that reference non-U.S. Dollar LIBOR in preparation for the December 31, 2021 cessation of LIBOR quotations for non-U.S. Dollar currencies;
- Analyzed existing fallback language in legacy contracts to assess robustness and devise a strategy for those requiring remediation;

- Continued to develop and enhance internet and intranet sites for the LIBOR transition; and
- Participated in industry and ARRC working groups to ascertain market developments and assess the impact to us and our customers.

Capital Markets

A key component of our capital markets activities is the underwriting and distribution of corporate credit facilities to partially finance merger and acquisition transactions for our clients. We have a rigorous risk management process around these activities, including a limit structure capping our underwriting risk, our potential loss, and sub-limits for specific asset classes. Further, the ability to approve underwriting exposure is delegated only to senior level individuals in the credit risk management and capital markets organizations with each transaction adjudicated in the Loan Underwriting Approval Committee.

Mortgage Servicing Rights

We have market risk associated with the value of residential MSRs, which are impacted by various types of inherent risks, including duration, basis, convexity, volatility and yield curve.

As part of our overall risk management strategy relative to the fair market value of the MSRs we enter into various free-standing derivatives, such as interest rate swaps, interest rate swaptions, interest rate futures, and forward contracts to purchase mortgage-backed securities to economically hedge the changes in fair value. As of December 31, 2021 and 2020, the fair value of our MSRs was $1.0 billion and $658 million, respectively, and the total notional amount of related derivative contracts was $11.8 billion and $11.4 billion, respectively. Gains and losses on MSRs and the related derivatives used for hedging are included in mortgage banking fees in the Consolidated Statements of Operations.

As with our traded market risk-based activities, earnings at risk excludes the impact of MSRs. MSRs are captured under our single price risk management framework that is used for calculating a management value at risk that is consistent with the definition used by banking regulators.

Trading Risk

We are exposed to market risk primarily through client facilitation activities including derivatives and foreign exchange products, as well as underwriting and market making activities. Exposure is created as a result of changes in interest rates and related basis spreads and volatility, foreign exchange rates, equity prices, and credit spreads on a select range of interest rates, foreign exchange, commodities, equity securities, corporate bonds and secondary loan instruments.These securities underwriting and trading activities are conducted through CBNA, CCMI, and JMP.

Client facilitation activities consist primarily of interest rate derivatives, financially settled commodity derivatives and foreign exchange contracts where we enter into offsetting trades with a separate counterparty or exchange to manage our market risk exposure. In addition to the aforementioned activities, we operate trading desks covering secondary loans, corporate bonds, and equity securities; all with the objective to meet secondary liquidity needs of our issuing clients' transactions and investor clients. We do not engage in any trading activities with the intent to benefit from short-term price differences.

We record these rate and commodity derivatives and foreign exchange contracts as derivative assets and liabilities on our Consolidated Balance Sheets. Trading assets and liabilities are carried at fair value with income earned related to these activities included in net interest income. Changes in fair value of trading assets and liabilities are reflected in other income, a component of noninterest income on the Consolidated Statements of Operations.

Market Risk Governance

The market risk limit setting process is established in-line with the formal enterprise risk appetite process and policy. This appetite reflects the strategic and enterprise level articulation of opportunities for creating franchise value set to the boundaries of how much market risk to assume. Dealing authorities represent the key control tool in the management of market risk that allows the cascading of the risk appetite throughout the enterprise. A dealing authority sets the operational scope and tolerances within which a business and/or trading desk is permitted to operate, which is reviewed at least annually. Dealing authorities are structured to accommodate client facing trades and hedges needed to manage the risk profile. Primary responsibility for keeping within established tolerances resides with the business. Key risk indicators, including VaR, open foreign

currency positions and single name risk, are monitored on a daily basis and reported against tolerances consistent with our risk appetite and business strategy to relevant business line management and risk counterparts.

Market Risk Measurement

We use VaR as a statistical measure for estimating potential exposure of our traded market risk in normal market conditions. Our VaR framework for risk management and regulatory reporting is the same. Risk management VaR is based on a one day holding period to a 99% confidence level, whereas regulatory VaR is based on a ten-day holding period to the same confidence level. In addition to VaR, non-statistical measurements for measuring risk are employed, such as sensitivity analysis, market value and stress testing.

Our market risk platform and associated market risk and valuation models capture correlation effects across all our “covered positions” and allow for aggregation of market risk across products, risk types, business lines and legal entities. We measure, monitor and report market risk for both management and regulatory capital purposes.

VaR Overview

The market risk measurement model is based on historical simulation. The VaR measure estimates the extent of any fair value losses on trading positions that may occur due to broad market movements (General VaR) such as changes in the level of interest rates, foreign exchange rates, equity prices and commodity prices. It is calculated on the basis that current positions remain broadly unaltered over the course of a given holding period. It is assumed that markets are sufficiently liquid to allow the business to close its positions, if required, within this holding period. VaR’s benefit is that it captures the historic correlations of a portfolio. Based on the composition of our “covered positions,” we also use a standardized add-on approach for the loan trading and high yield bond desks’ Specific Risk capital which estimates the extent of any losses that may occur from factors other than broad market movements. The General VaR approach is expressed in terms of a confidence level over the past 500 trading days. The internal VaR measure (used as the basis of the main VaR trading limits) is a 99% confidence level with a one day holding period, meaning that a loss greater than the VaR is expected to occur, on average, on only one day in 100 trading days (i.e., 1% of the time). Theoretically, there should be a loss event greater than VaR two to three times per year. The regulatory measure of VaR is done at a 99% confidence level with a ten-day holding period. The historical market data applied to calculate the VaR is updated on a two-business day lag. Refer to “Market Risk Regulatory Capital” below for details of our ten-day VaR metrics for the quarters ended December 31, 2021 and 2020, respectively, including high, low, average and period end VaR for interest rate and foreign exchange rate risks, as well as total VaR.

Market Risk Regulatory Capital

The U.S. banking regulators' "Market Risk Rule" covers the calculation of market risk capital. For the purposes of the Market Risk Rule, all of our client facing trades and associated hedges maintain a net low risk and do qualify, as "covered positions." The internal management VaR measure is calculated based on the same population of trades that is utilized for regulatory VaR.

Table 31: Results of Modeled and Non-Modeled Measures for Regulatory Capital Calculations

(in millions)	For the Three Months Ended December 31, 2021				For the Three Months Ended December 31, 2020			
Market Risk Category	**Period End**	**Average**	**High**	**Low**	**Period End**	**Average**	**High**	**Low**
Interest Rate	$2	$1	$2	$—	$2	$2	$4	$—
Foreign Exchange Currency Rate	—	1	2	—	—	—	—	—
Credit Spread	3	7	10	3	9	10	12	3
Commodity	—	—	—	—	—	—	—	—
General VaR	6	8	10	5	9	8	13	4
Specific Risk VaR	—	—	—	—	—	—	—	—
Total VaR	$6	$8	$10	$5	$9	$8	$13	$4
Stressed General VaR	$8	$9	$12	$6	$13	$10	$16	$6
Stressed Specific Risk VaR	—	—	—	—	—	—	—	—
Total Stressed VaR	$8	$9	$12	$6	$13	$10	$16	$6
Market Risk Regulatory Capital	$50				$56			
Specific Risk Not Modeled Add-on	20				14			
de Minimis Exposure Add-on	—				—			
Total Market Risk Regulatory Capital	$70				$70			
Market Risk-Weighted Assets	$877				$871			

Stressed VaR

SVaR is an extension of VaR as it uses a longer historical look-back horizon that is fixed from January 3, 2005. This is done not only to identify headline risks from more volatile periods, but also to provide a counterbalance to VaR which may be low during periods of low volatility. The holding period for profit and loss determination is ten days. In addition to risk management purposes, SVaR is also a component of market risk regulatory capital. We calculate SVaR daily under its own dynamic window regime. In a dynamic window regime, values of the ten-day, 99% VaR are calculated over all possible 260-day periods that can be obtained from the complete historical data set. Refer to "Market Risk Regulatory Capital" above for details of SVaR metrics, including high, low, average and period end SVaR for the combined portfolio.

Sensitivity Analysis

Sensitivity analysis is the measure of exposure to a single risk factor, such as a one basis point change in rates or credit spread. We conduct and monitor sensitivity on interest rates, basis spreads, foreign exchange exposures, option prices and credit spreads. Whereas VaR is based on previous moves in market risk factors over recent periods, it may not be an accurate predictor of future market moves. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves and is an effective tool in evaluating the appropriateness of hedging strategies and concentrations.

Stress Testing

Conducting a stress test of a portfolio consists of running risk models with the inclusion of key variables that simulate various historical or hypothetical scenarios. For historical stress tests, profit and loss results are simulated for selected time periods corresponding to the most volatile underlying returns while hypothetical stress tests aim to consider concentration risk, illiquidity under stressed market conditions and risk arising from our trading activities that may not be fully captured by our other risk measurement methodologies. Hypothetical scenarios also assume that market moves happen simultaneously and no repositioning or hedging activity takes place to mitigate losses as market events unfold. We generate stress tests of our trading positions on a daily basis. For example, we currently include a stress test that simulates a "Lehman-type" crisis scenario by taking the worst 20-trading day peak to trough moves for the various risk factors that go into VaR from that period, and assumes they occurred simultaneously.

VaR Model Review and Validation

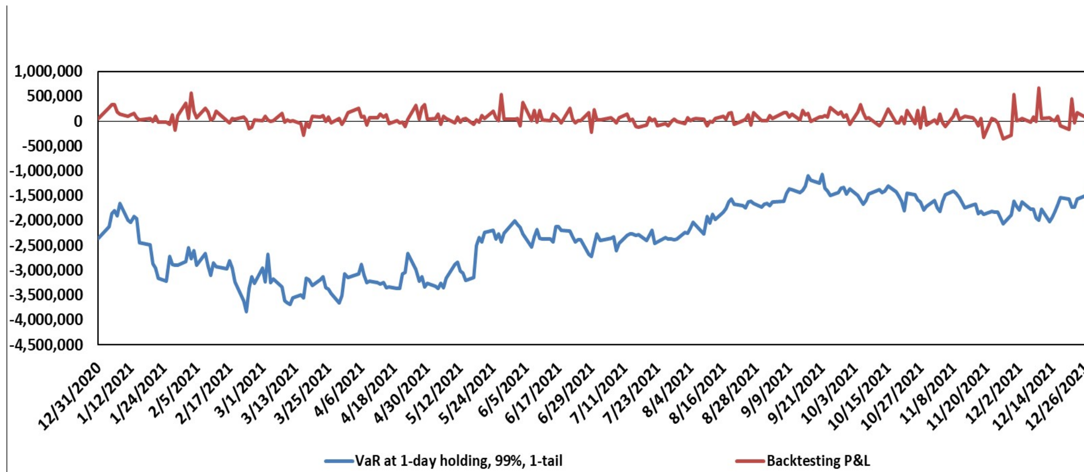
Market risk measurement models used are independently reviewed and subject to ongoing performance analysis by the model owners. The independent review and validation focuses on the model methodology, market data, and performance. Independent review of market risk measurement models is the responsibility of Citizens' Model Risk Management and Validation team. Aspects covered include challenging the assumptions used, the quantitative techniques employed and the theoretical justification underpinning them and an assessment of the soundness of the required data over time. Where possible, the quantitative impact of the major underlying modeling assumptions will be estimated (e.g., through developing alternative models). Results of such reviews are shared with our U.S. banking regulators. The market risk models may be periodically enhanced due to changes in market price levels and price action regime behavior. The Market Risk Management and Validation team will conduct internal validation before a new or changed model element is implemented and before a change is made to a market data mapping.

VaR Backtesting

Backtesting is one form of validation of the VaR model and is run daily. The Market Risk Rule requires a comparison of our internal VaR measure to the actual net trading revenue (excluding fees, commissions, reserves, intra-day trading and net interest income) for each day over the preceding year (the most recent 250 business days). Any observed loss in excess of the VaR number is taken as an exception. The level of exceptions determines the multiplication factor used to derive the VaR and SVaR-based capital requirement for regulatory reporting purposes, when applicable. We perform sub-portfolio backtesting as required under the Market Risk Rule, using models approved by our banking regulators, for interest rate, credit spread, and foreign exchange positions.

The following graph shows our daily net trading revenue and total internal, modeled VaR for the year ended December 31, 2021.

Daily VaR Backtesting



NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

For more information on the computation of non-GAAP financial measures, see "—Introduction — Non-GAAP Financial Measures," included in this Report. The following tables present computations of non-GAAP financial measures representing our "Underlying" results used throughout the MD&A:

Table 32: Reconciliations of Non-GAAP Measures

(in millions, except share, per share and ratio data)	Ref.	Year Ended December 31, 2021	2020
Total revenue, Underlying:			
Total revenue (GAAP)	A	$6,647	$6,905
Less: Notable items		—	—
Total revenue, Underlying (non-GAAP)	B	$6,647	$6,905
Noninterest expense, Underlying:			
Noninterest expense (GAAP)	C	$4,081	$3,991
Less: Notable items		105	125
Noninterest expense, Underlying (non-GAAP)	D	$3,976	$3,866
Pre-provision profit:			
Total revenue (GAAP)	A	$6,647	$6,905
Less: Noninterest expense (GAAP)	C	4,081	3,991
Pre-provision profit (GAAP)		$2,566	$2,914
Pre-provision profit, Underlying:			
Total revenue, Underlying (non-GAAP)	B	$6,647	$6,905
Less: Noninterest expense, Underlying (non-GAAP)	D	3,976	3,866
Pre-provision profit, Underlying (non-GAAP)		$2,671	$3,039
Income before income tax expense, Underlying:			
Income before income tax expense (GAAP)	E	$2,977	$1,298
Less: Income (loss) before income tax expense (benefit) related to notable items		(105)	(125)
Income before income tax expense, Underlying (non-GAAP)	F	$3,082	$1,423
Income tax expense and effective income tax rate, Underlying:			
Income tax expense (GAAP)	G	$658	$241
Less: Income tax expense (benefit) related to notable items		(27)	(42)
Income tax expense, Underlying (non-GAAP)	H	$685	$283
Effective income tax rate (GAAP)	G/E	22.10 %	18.54 %
Effective income tax rate, Underlying (non-GAAP)	H/F	22.21	19.92
Net income, Underlying:			
Net income (GAAP)	I	$2,319	$1,057
Add: Notable items, net of income tax benefit		78	83
Net income, Underlying (non-GAAP)	J	$2,397	$1,140
Net income available to common stockholders, Underlying:			
Net income available to common stockholders (GAAP)	K	$2,206	$950
Add: Notable items, net of income tax benefit		78	83
Net income available to common stockholders, Underlying (non-GAAP)	L	$2,284	$1,033
Return on average common equity and return on average common equity, Underlying:			
Average common equity (GAAP)	M	$21,025	$20,438
Return on average common equity	K/M	10.49 %	4.65 %
Return on average common equity, Underlying (non-GAAP)	L/M	10.86	5.05
Return on average tangible common equity and return on average tangible common equity, Underlying:			
Average common equity (GAAP)	M	$21,025	$20,438
Less: Average goodwill (GAAP)		7,062	7,049
Less: Average other intangibles (GAAP)		54	64
Add: Average deferred tax liabilities related to goodwill (GAAP)		381	376
Average tangible common equity	N	$14,290	$13,701
Return on average tangible common equity	K/N	15.44 %	6.93 %
Return on average tangible common equity, Underlying (non-GAAP)	L/N	15.98	7.53

(in millions, except share, per share and ratio data)	Ref.	Year Ended December 31, 2021	2020
Return on average total assets and return on average total assets, Underlying:			
Average total assets (GAAP)	O	$185,106	$176,442
Return on average total assets	I/O	1.25 %	0.60 %
Return on average total assets, Underlying (non-GAAP)	J/O	1.30	0.65
Return on average total tangible assets and return on average total tangible assets, Underlying:			
Average total assets (GAAP)	O	$185,106	$176,442
Less: Average goodwill (GAAP)		7,062	7,049
Less: Average other intangibles (GAAP)		54	64
Add: Average deferred tax liabilities related to goodwill (GAAP)		381	376
Average tangible assets	P	$178,371	$169,705
Return on average total tangible assets	I/P	1.30 %	0.62 %
Return on average total tangible assets, Underlying (non-GAAP)	J/P	1.34	0.67
Efficiency ratio and efficiency ratio, Underlying:			
Efficiency ratio	C/A	61.40 %	57.80 %
Efficiency ratio, Underlying (non-GAAP)	D/B	59.82	55.99
Operating leverage and operating leverage, Underlying:			
(Decrease) increase in total revenue		(3.74)%	6.38 %
Increase in noninterest expense		2.25	3.73
Operating Leverage		(5.99)%	2.65 %
(Decrease) increase in total revenue, Underlying (non-GAAP)		(3.74)%	6.39 %
Increase in noninterest expense, Underlying (non-GAAP)		2.85	2.30
Operating Leverage, Underlying (non-GAAP)		(6.59)%	4.09 %
Tangible book value per common share:			
Common shares - at period end (GAAP)	Q	422,137,197	427,209,831
Common stockholders' equity (GAAP)		$21,406	$20,708
Less: Goodwill (GAAP)		7,116	7,050
Less: Other intangible assets (GAAP)		64	58
Add: Deferred tax liabilities related to goodwill (GAAP)		383	379
Tangible common equity	R	$14,609	$13,979
Tangible book value per common share	R/Q	$34.61	$32.72
Net income per average common share - basic and diluted and net income per average common share - basic and diluted, Underlying:			
Average common shares outstanding - basic (GAAP)	S	425,669,451	427,062,537
Average common shares outstanding - diluted (GAAP)	T	427,435,818	428,157,780
Net income per average common share - basic (GAAP)	K/S	$5.18	$2.22
Net income per average common share - diluted (GAAP)	K/T	5.16	2.22
Net income per average common share-basic, Underlying (non-GAAP)	L/S	5.37	2.42
Net income per average common share-diluted, Underlying (non-GAAP)	L/T	5.34	2.41
Dividend payout ratio and dividend payout ratio, Underlying:			
Cash dividends declared and paid per common share	U	$1.56	$1.56
Dividend payout ratio	U/(K/S)	30 %	70 %
Dividend payout ratio, Underlying (non-GAAP)	U/(L/S)	29	65

The following table presents computations of non-GAAP financial measures representing certain metrics excluding the impact of PPP loans used throughout the MD&A:

Table 33: Reconciliations of Non-GAAP Measures - Excluding PPP

(in millions, except ratio data)	Ref.	December 31, 2021	December 31, 2020
Allowance for credit losses to total loans and leases, excluding the impact of PPP loans:			
Total loans and leases (GAAP)	A	$128,163	$123,090
Less: PPP loans		787	4,155
Total loans and leases, excluding the impact of PPP loans (non-GAAP)	B	$127,376	$118,935
Allowance for credit losses (GAAP)	C	$1,934	$2,670
Allowance for credit losses to total loans and leases (GAAP)	C/A	1.51 %	2.17 %
Allowance for credit losses to total loans and leases, excluding the impact of PPP loans (non-GAAP)	C/B	1.52 %	2.24 %

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are presented in the “Market Risk” section of Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. The Company's system of internal control over financial reporting is designed, under the supervision of the Chief Executive Officer and the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2021 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*. Based on that assessment, management concluded that, as of December 31, 2021, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their accompanying report, appearing on page 85, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Citizens Financial Group, Inc.
Providence, Rhode Island

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Citizens Financial Group, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As described in Note 6 to the consolidated financial statements, the Company changed its method for estimating the allowance for credit losses on January 1, 2020 due to the adoption of *Financial Instruments - Credit Losses (Topic 326)*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses - Refer to Note 6 to the consolidated financial statements

Critical Audit Matter Description

Management's estimate of expected credit losses in the Company's loan and lease portfolios is recorded in the allowance for loan and lease losses and the reserve for unfunded lending commitments (collectively, the "ACL"). The ACL is maintained at a level the Company believes to be appropriate to absorb expected lifetime credit losses over the contractual life of the loan and lease portfolios and on the unfunded lending commitments. The determination of the ACL is based on periodic evaluation of the loan and lease portfolios and unfunded lending commitments that are not unconditionally cancelable considering a number of relevant underlying factors, including key assumptions and evaluation of quantitative and qualitative information. Key assumptions used in the ACL measurement process include the use of a two-year reasonable and supportable economic forecast period followed by a one-year reversion period to historical credit loss information.

The quantitative evaluation of the adequacy of the ACL utilizes a single economic forecast as its foundation and is primarily based on econometric models that use known or estimated data as of the balance sheet date and forecasted data over the reasonable and supportable period. Known and estimated data include current probability of default, loss given default, and exposure at default (for commercial), timing and amount of expected draws (for unfunded lending commitments), FICO scores, loan-to-values ratios, term and time on books (for retail loans), mix and level of loan balances, delinquency levels, assigned risk ratings, previous loss experience, current business conditions, amounts and timing of expected future cash flows, and factors particular to a specific commercial credit such as competition, business and management performance. Forward-looking economic assumptions include real gross domestic product, unemployment rate, interest rate curve, and changes in collateral values. This data is aggregated to estimate expected credit losses over the contractual life of the loans and leases, adjusted for expected prepayments. In highly volatile economic environments, historical information, such as commercial customer financial statements or consumer credit ratings, may not be as important to estimating future expected losses as forecasted inputs to the models.

The ACL may also be affected materially by a variety of qualitative factors that the Company considers to reflect current judgment of various events and risks that are not measured in the statistical procedures including uncertainty related to the economic forecasts used in the modeled credit loss estimates, loan growth, back testing results, credit underwriting policy exceptions, regulatory and audit findings, and peer comparisons. The qualitative allowance is further affected by sensitivity analysis for certain industry sectors or loan classes, including CRE office.

Management continues to utilize the qualitative allowance framework to reassess and adjust ACL reserve levels. Macroeconomic forecast risk, driven by uncertainty around and volatility of key macroeconomic variables, is one of the primary factors influencing the qualitative reserve. As the economic recovery has continued, Management has assessed risks to the recovery, including potential for continuing impacts from COVID-19 variants, challenges in the global supply chain, inflationary trends, potential impacts from ending monetary and fiscal stimulus programs, and potential for longer-term changes in workforce and consumer behaviors. Management continued to apply management judgment to adjust the modeled reserves in the commercial industry sectors most impacted by the COVID-19 pandemic, including CRE office.

Given the size of the loan and lease portfolios and unfunded commitments and the subjective nature of estimating the ACL, including the estimated impact of COVID-19 and related economic forecasting uncertainty, auditing the ACL involved a high degree of auditor judgment and an increased extent of effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the ACL for the loan and lease portfolios and unfunded commitments included the following, among others:

- We tested the effectiveness of controls over the (i) selection of the foundational economic forecast, (ii) development, execution, and monitoring of the econometric models, (iii) estimation of management's adjustments to the modeled reserves for COVID-19 and other factors, (iv) determination of the qualitative allowance, and (v) overall calculation and disclosure of the ACL.
- With the assistance of credit specialists, we (i) evaluated the reasonableness of the econometric models and related assumptions, (ii) assessed the reasonableness of design, theory, and logic of the econometric models for estimating expected credit losses, (iii) tested the accuracy of the data input into the econometric

models, and (iv) tested the arithmetic accuracy of the models' calculations of the expected credit losses.

- We (i) evaluated the reasonableness of the Company's identification of the commercial industry sectors most severely impacted by COVID-19, (ii) assessed the reasonableness of management's methodologies and assumptions used to estimate the impact of COVID-19 on the impacted sectors, (iii) tested the accuracy of the data used in management's calculation of the adjustments to the modeled reserves for the sectors impacted by COVID-19, (iv) tested the arithmetic accuracy of the calculation of the adjustments, and (v) considered available information related to industry sectors and borrowers severely impacted by COVID-19.
- We (i) evaluated the appropriateness and relevance of the qualitative factors, including management's consideration of the economic forecasting uncertainty, and related quantitative measures included in the qualitative allowance, (ii) tested the accuracy and evaluated the relevance of the historical loss data used in determining the qualitative allowance, (iii) evaluated the reasonableness of the Company's assessment and determination of the qualitative factors and related impact on the estimation of the qualitative allowance and (iv) tested the arithmetic accuracy of the calculation of the qualitative allowance.
- We tested the arithmetic accuracy of the calculation of the overall ACL and assessed the reasonableness of the related disclosures.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

February 23, 2022

We have served as the Company's auditor since 2000.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Citizens Financial Group, Inc.
Providence, Rhode Island

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Citizens Financial Group, Inc. and its subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 23, 2022, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company's adoption of *Financial Instruments - Credit Losses (ASC 326)* on January 1, 2020.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

February 23, 2022

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)	December 31, 2021	December 31, 2020
ASSETS:		
Cash and due from banks	$1,155	$1,037
Interest-bearing cash and due from banks	8,003	11,696
Interest-bearing deposits in banks	316	306
Debt securities available for sale, at fair value (including $640 and $549 pledged to creditors, respectively)[1]	26,067	22,942
Debt securities held to maturity (fair value of $2,289 and $3,357, respectively, and including $77 and $144 pledged to creditors, respectively)[1]	2,242	3,235
Loans held for sale, at fair value	2,733	3,564
Other loans held for sale	735	439
Loans and leases	128,163	123,090
Less: Allowance for loan and lease losses	(1,758)	(2,443)
Net loans and leases	126,405	120,647
Derivative assets	1,216	1,915
Premises and equipment, net	768	759
Bank-owned life insurance	2,843	1,756
Goodwill	7,116	7,050
Other assets	8,810	8,003
TOTAL ASSETS	$188,409	$183,349
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$49,443	$43,831
Interest-bearing	104,918	103,333
Total deposits	154,361	147,164
Short-term borrowed funds	74	243
Derivative liabilities	197	128
Deferred taxes, net	—	629
Long-term borrowed funds	6,932	8,346
Other liabilities	3,425	4,166
TOTAL LIABILITIES	164,989	160,676
Contingencies (refer to Note 19)		
STOCKHOLDERS' EQUITY:		
Preferred Stock:		
$25.00 par value,100,000,000 shares authorized; 2,050,000 and 2,000,000 shares issued and outstanding at December 31, 2021 and 2020, respectively	2,014	1,965
Common stock:		
$0.01 par value, 1,000,000,000 shares authorized; 571,259,135 shares issued and 422,137,197 shares outstanding at December 31, 2021 and 569,876,133 shares issued and 427,209,831 shares outstanding at December 31, 2020	6	6
Additional paid-in capital	19,005	18,940
Retained earnings	7,978	6,445
Treasury stock, at cost, 149,121,938 and 142,666,302 shares at December 31, 2021 and 2020, respectively	(4,918)	(4,623)
Accumulated other comprehensive income (loss)	(665)	(60)
TOTAL STOCKHOLDERS' EQUITY	23,420	22,673
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$188,409	$183,349

[1] Includes only collateral pledged by the Company where counterparties have the right to sell or pledge the collateral.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except share and per share data)	Year Ended December 31, 2021	2020	2019
INTEREST INCOME:			
Interest and fees on loans and leases	$4,253	$4,719	$5,441
Interest and fees on loans held for sale, at fair value	82	75	63
Interest and fees on other loans held for sale	13	33	13
Investment securities	487	519	642
Interest-bearing deposits in banks	16	11	30
Total interest income	4,851	5,357	6,189
INTEREST EXPENSE:			
Deposits	160	509	1,155
Short-term borrowed funds	1	2	10
Long-term borrowed funds	178	260	410
Total interest expense	339	771	1,575
Net interest income	4,512	4,586	4,614
Provision for credit losses	(411)	1,616	393
Net interest income after provision for credit losses	4,923	2,970	4,221
NONINTEREST INCOME:			
Capital markets fees	428	250	216
Service charges and fees	409	403	505
Mortgage banking fees	434	915	302
Card fees	250	217	254
Trust and investment services fees	239	203	202
Letter of credit and loan fees	156	140	135
Foreign exchange and interest rate products	120	120	155
Securities gains, net	10	4	19
Other income	89	67	89
Total noninterest income	2,135	2,319	1,877
NONINTEREST EXPENSE:			
Salaries and employee benefits	2,132	2,123	2,026
Equipment and software	610	565	514
Outside services	595	553	498
Occupancy	333	331	333
Other operating expense	411	419	476
Total noninterest expense	4,081	3,991	3,847
Income before income tax expense	2,977	1,298	2,251
Income tax expense	658	241	460
NET INCOME	$2,319	$1,057	$1,791
Net income available to common stockholders	$2,206	$950	$1,718
Weighted-average common shares outstanding:			
Basic	425,669,451	427,062,537	449,731,453
Diluted	427,435,818	428,157,780	451,213,701
Per common share information:			
Basic earnings	$5.18	$2.22	$3.82
Diluted earnings	5.16	2.22	3.81

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(in millions)	2021	2020	2019
Net income	$2,319	$1,057	$1,791
Other comprehensive income (loss):			
Net unrealized derivative instruments gains (losses) arising during the periods, net of income taxes of $(17), $33 and $35, respectively	(49)	97	103
Reclassification adjustment for net derivative (gains) losses included in net income, net of income taxes of ($34), ($38) and $14, respectively	(101)	(111)	43
Net unrealized debt securities gains (losses) arising during the periods, net of income taxes of $(172), $124 and $165, respectively	(528)	382	501
Reclassification of net debt securities (gains) losses to net income, net of income taxes of ($2), ($1) and ($8), respectively	(8)	(3)	(15)
Employee benefit plans:			
Actuarial gain (loss), net of income taxes of $19, $(10) and $12, respectively	55	(27)	36
Reclassification of actuarial loss to net income, net of income taxes of $7, $4 and $6, respectively	26	13	13
Amortization of prior service cost, net of income taxes of $0, $0 and $0, respectively	—	—	(1)
Total other comprehensive income (loss), net of income taxes	(605)	351	680
Total comprehensive income (loss)	$1,714	$1,408	$2,471

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in millions)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018	1	$840	466	$6	$18,815	$5,385	($3,133)	($1,096)	$20,817
Dividends to common stockholders	—	—	—	—	—	(617)	—	—	(617)
Dividends to preferred stockholders	—	—	—	—	—	(73)	—	—	(73)
Preferred stock issued	1	730	—	—	—	—	—	—	730
Treasury stock purchased	—	—	(34)	—	—	—	(1,220)	—	(1,220)
Share-based compensation plans	—	—	1	—	59	—	—	—	59
Employee stock purchase plan purchased	—	—	—	—	17	—	—	—	17
Cumulative effect of change in accounting principle	—	—	—	—	—	12	—	5	17
Total comprehensive income (loss):									
Net income	—	—	—	—	—	1,791	—	—	1,791
Other comprehensive income (loss)	—	—	—	—	—	—	—	680	680
Total comprehensive income (loss)	—	—	—	—	—	1,791	—	680	2,471
Balance at December 31, 2019	2	$1,570	433	$6	$18,891	$6,498	($4,353)	($411)	$22,201
Dividends to common stockholders	—	—	—	—	—	(672)	—	—	(672)
Dividends to preferred stockholders	—	—	—	—	—	(107)	—	—	(107)
Preferred stock issued	—	395	—	—	—	—	—	—	395
Treasury stock purchased	—	—	(8)	—	—	—	(270)	—	(270)
Share-based compensation plans	—	—	1	—	30	—	—	—	30
Employee stock purchase plan	—	—	1	—	19	—	—	—	19
Cumulative effect of change in accounting principle	—	—	—	—	—	(331)	—	—	(331)
Total comprehensive income (loss):									
Net income	—	—	—	—	—	1,057	—	—	1,057
Other comprehensive income (loss)	—	—	—	—	—	—	—	351	351
Total comprehensive income (loss)	—	—	—	—	—	1,057	—	351	1,408
Balance at December 31, 2020	2	$1,965	427	$6	$18,940	$6,445	($4,623)	($60)	$22,673
Dividends to common stockholders	—	—	—	—	—	(670)	—	—	(670)
Dividends to preferred stockholders	—	—	—	—	—	(113)	—	—	(113)
Preferred stock issued	—	296	—	—	—	—	—	—	296
Preferred stock redemption	—	(247)	—	—	—	(3)	—	—	(250)
Treasury stock purchased	—	—	(6)	—	—	—	(295)	—	(295)
Share-based compensation plans	—	—	1	—	43	—	—	—	43
Employee stock purchase plan	—	—	—	—	22	—	—	—	22
Total comprehensive income (loss):									
Net income	—	—	—	—	—	2,319	—	—	2,319
Other comprehensive income (loss)	—	—	—	—	—	—	—	(605)	(605)
Total comprehensive income (loss)	—	—	—	—	—	2,319	—	(605)	1,714
Balance at December 31, 2021	2	$2,014	422	$6	$19,005	$7,978	($4,918)	($665)	$23,420

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Year Ended December 31, 2021	2020	2019
OPERATING ACTIVITIES			
Net income	$2,319	$1,057	$1,791
Adjustments to reconcile net income to net change in cash due to operating activities:			
Provision for credit losses	(411)	1,616	393
Net change in loans held for sale	1,085	32	(672)
Depreciation, amortization and accretion	625	578	633
Deferred income taxes	(429)	(238)	64
Share-based compensation	59	48	41
Net gain on sale of assets	(11)	(4)	(31)
Net (increase) decrease in other assets	(1,719)	(3,979)	(853)
Net increase (decrease) in other liabilities	757	1,001	331
Net change due to operating activities	2,275	111	1,697
INVESTING ACTIVITIES			
Investment securities:			
Purchases of debt securities available for sale	(12,406)	(9,271)	(8,422)
Proceeds from maturities and paydowns of debt securities available for sale	7,810	6,943	3,946
Proceeds from sales of debt securities available for sale	790	585	5,016
Proceeds from maturities and paydowns of debt securities held to maturity	1,006	897	398
Net (increase) decrease in interest-bearing deposits in banks	(10)	(9)	(149)
Acquisitions, net of cash acquired	(165)	(3)	(129)
Purchases of loans	(3,778)	(3,315)	(1,592)
Sales of loans	934	3,014	1,082
Net (increase) decrease in loans and leases	(3,177)	(4,794)	(3,824)
Capital expenditures, net	(124)	(118)	(95)
Purchases of bank-owned life insurance	(1,050)	—	—
Other	(316)	(65)	(106)
Net change due to investing activities	(10,486)	(6,136)	(3,875)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	7,197	21,851	5,738
Net increase (decrease) in short-term borrowed funds	(154)	(39)	(1,048)
Proceeds from issuance of long-term borrowed funds	—	8,323	12,850
Repayments of long-term borrowed funds	(1,352)	(14,022)	(14,857)
Treasury stock purchased	(295)	(270)	(1,220)
Net proceeds from issuance of preferred stock	296	395	730
Redemption of preferred stock	(250)	—	—
Dividends declared and paid to common stockholders	(670)	(672)	(617)
Dividends declared and paid to preferred stockholders	(113)	(98)	(65)
Premium paid to exchange debt	(1)	(80)	—
Payments of employee tax withholding for share-based compensation	(22)	(16)	(21)
Net change due to financing activities	4,636	15,372	1,490
Net change in cash and cash equivalents[(a)]	(3,575)	9,347	(688)
Cash and cash equivalents at beginning of period[(a)]	12,733	3,386	4,074
Cash and cash equivalents at end of period[(a)]	$9,158	$12,733	$3,386
Supplemental disclosures:			
Interest paid	$347	$837	$1,560
Income taxes paid	1,247	261	326
Non-cash items:			
Transfer of securities from available for sale to held to maturity	$—	$813	$192
Transfer of securities from held to maturity to available for sale	—	—	734
Loans securitized and transferred to securities available for sale	260	956	150
Loans securitized and transferred to securities held to maturity	—	111	—
Stock issued for share-based compensation plans	43	30	59
Stock issued for Employee Stock Purchase Plan	$22	$19	$17

[(a)] Cash and cash equivalents include cash and due from banks and interest-bearing cash and due from banks as reflected on the Consolidated Balance Sheets.
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accounting and reporting policies of Citizens Financial Group, Inc. conform to GAAP. The Company's principal business activity is banking, conducted through its banking subsidiary CBNA. The Company also provides M&A, capital raising and other financial advisory services to middle market companies across a focused set of industry verticals through its broker-dealers.

The Consolidated Financial Statements include the accounts of Citizens and subsidiaries in which Citizens has a controlling financial interest. All intercompany transactions and balances have been eliminated. The Company has evaluated its unconsolidated entities and does not believe that any entity in which it has an interest, but does not currently consolidate, meets the requirements to be consolidated as a variable interest entity.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the ACL.

Significant Accounting Policies

The following table identifies the Company's significant accounting policies and the Note and Page where a detailed description of each policy can be found.

	Note	Page
Cash and Due From Banks	3	92
Securities	4	92
Loans and Leases	5	96
Allowance for Credit Losses	6	98
Premises, Equipment and Software	7	112
Mortgage Servicing Rights	8	113
Leases	9	115
Goodwill and Intangible Assets	10	116
Variable Interest Entities	11	118
Derivative Instruments	14	122
Employee Benefits	15	125
Treasury Stock	17	128
Employee Share-Based Compensation	18	130
Fair Value Measurement	20	133
Revenue Recognition	21	140
Income Taxes	23	142
Earnings Per Share	24	145

NOTE 2 - ACQUISITIONS

Completed Acquisitions

On September 1, 2021, the Company closed its acquisition of Willamette, a valuation consulting and forensic analysis firm with offices in Chicago, Atlanta and Portland, Oregon.

On November 15, 2021, the Company closed its acquisition of JMP, a capital markets firm that provides investment banking services, including strategic advisory, equity research and sales and trading focused primarily on the healthcare, technology, financial services and real estate sectors.

The Company expects that some adjustments of the fair values assigned to the assets acquired and liabilities assumed may subsequently be recorded, although any such adjustments are not expected to be material.

Pending Acquisitions

On May 26, 2021, CBNA entered into an agreement to acquire 80 East Coast branches and the national online deposit business from HSBC. The HSBC branch acquisition includes 66 locations in the New York City Metro area, 9 locations in the Mid-Atlantic/Washington D.C. area, and 5 locations in Southeast Florida. The acquisition closed on February 18, 2022.

On July 28, 2021, the Company entered into a definitive agreement and plan of merger under which the Company will acquire all of the outstanding shares of Investors for a combination of stock and cash. Pursuant to the terms of the agreement, Investors shareholders will receive 0.297 of a share of the Company's common stock and $1.46 in cash for each share of Investors they own. The acquisition of Investors builds our physical presence in the northeast with the addition of 154 branches located in the greater New York City and Philadelphia metropolitan areas and across New Jersey. The merger is expected to close in early second quarter 2022, subject to regulatory approvals and other customary closing conditions.

NOTE 3 - CASH AND DUE FROM BANKS

For the purpose of reporting cash flows, cash and cash equivalents have original maturities of three months or less and include cash and due from banks and interest-bearing cash and due from banks, primarily at the FRB. The Company had no material restrictions on the use or availability of its cash as of December 31, 2021 or 2020.

NOTE 4 - SECURITIES

Investments include debt and equity securities and other investment securities. Citizens classifies debt securities as AFS, HTM, or trading based on management's intent to hold to maturity at the time of purchase. Management reserves the right to change the initial classification of debt and equity securities purchased based on its intent to hold to maturity or as permitted by periodic changes in accounting guidance. Equity securities are recorded at fair value or at cost if there is not a readily determinable fair value.

Debt securities that will be held for indefinite periods of time and may be sold in response to changes in interest rates, changes in prepayment risk, or other factors considered in managing the Company's asset/liability strategy are classified as AFS and reported at fair value, with unrealized gains and losses reported in OCI, net of taxes, as a separate component of stockholders' equity. Gains and losses on the sales of securities are recognized in noninterest income and are computed using the specific identification method.

Debt securities for which the Company has the ability and intent to hold to maturity are classified as HTM and reported at amortized cost. Transfers of debt securities to the HTM classification are recognized at fair value at the date of transfer.

For debt securities classified as AFS or HTM, interest income is recorded on the accrual basis including the amortization of premiums and the accretion of discounts. Premiums and discounts on debt securities are amortized or accreted using the effective interest method over the estimated lives of the individual securities. Citizens uses actual prepayment experience and estimates of future prepayments to determine the constant effective yield necessary to apply the effective interest method of income recognition. Estimates of future prepayments are based on the underlying collateral characteristics of each security and are derived from market sources. Judgment is involved in making determinations about prepayment expectations and in changing those expectations in response to changes in interest rates and macroeconomic conditions. The amortization of premiums and discounts associated with mortgage-backed securities may be significantly impacted by changes in prepayment assumptions.

Securities classified as trading are bought and held principally for selling them in the near term and carried at fair value, with changes in fair value recognized in earnings. When applicable, realized and unrealized gains and losses on such assets are reported in noninterest income in the Consolidated Statements of Operations.

Equity securities are primarily composed of FHLB and FRB stock (which are carried at cost) and money market mutual fund investments held by the Company's broker-dealers (which are carried at fair value, with changes in fair value recognized in noninterest income) and are recorded in other assets on the Consolidated Balance Sheets. Equity securities that are carried at cost are reviewed at least annually for impairment, with valuation adjustments recognized in noninterest income.

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

	December 31, 2021				December 31, 2020			
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other	$11	$—	$—	$11	$11	$—	$—	$11
State and political subdivisions	2	—	—	2	3	—	—	3
Mortgage-backed securities, at fair value:								
Federal agencies and U.S. government sponsored entities	24,607	210	(375)	24,442	21,954	571	(19)	22,506
Other/non-agency	397	9	(1)	405	396	26	—	422
Total mortgage-backed securities, at fair value	25,004	219	(376)	24,847	22,350	597	(19)	22,928
Collateralized loan obligations, at fair value	1,208	—	(1)	1,207	—	—	—	—
Total debt securities available for sale, at fair value	$26,225	$219	($377)	$26,067	$22,364	$597	($19)	$22,942
Federal agencies and U.S. government sponsored entities	$1,505	$52	$—	$1,557	$2,342	$122	$—	$2,464
Total mortgage-backed securities, at cost	1,505	52	—	1,557	2,342	122	—	2,464
Asset-backed securities, at cost	737	2	(7)	732	893	—	—	893
Total debt securities held to maturity	$2,242	$54	($7)	$2,289	$3,235	$122	$—	$3,357
Equity securities, at fair value	$109	$—	$—	$109	$66	$—	$—	$66
Equity securities, at cost	624	—	—	624	604	—	—	604

Accrued interest receivable on debt securities totaled $56 million and $55 million as of December 31, 2021 and 2020, respectively, and is included in other assets in the Consolidated Balance Sheets.

The following table presents the amortized cost and fair value of debt securities by contractual maturity as of December 31, 2021. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without incurring penalties.

	Distribution of Maturities				
(in millions)	1 Year or Less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
Amortized cost:					
U.S. Treasury and other	$11	$—	$—	$—	$11
State and political subdivisions	—	—	—	2	2
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	7	66	1,914	22,620	24,607
Other/non-agency	—	—	—	397	397
Collateralized loan obligations	—	—	24	1,184	1,208
Total debt securities available for sale	18	66	1,938	24,203	26,225
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	1,505	1,505
Asset-backed securities	—	—	737	—	737
Total debt securities held to maturity	—	—	737	1,505	2,242
Total amortized cost of debt securities	$18	$66	$2,675	$25,708	$28,467
Fair value:					
U.S. Treasury and other	$11	$—	$—	$—	$11
State and political subdivisions	—	—	—	2	2
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	7	68	1,957	22,410	24,442
Other/non-agency	—	—	—	405	405
Collateralized loan obligations	—	—	24	1,183	1,207
Total debt securities available for sale	18	68	1,981	24,000	26,067
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	1,557	1,557
Asset-backed securities	—	—	732	—	732
Total debt securities held to maturity	—	—	732	1,557	2,289
Total fair value of debt securities	$18	$68	$2,713	$25,557	$28,356

Taxable interest income from investment securities as presented in the Consolidated Statements of Operations was $487 million, $519 million and $642 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The following table presents realized gains and losses on securities:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Gains on sale of debt securities[1]	$15	$6	$41
Losses on sale of debt securities	(5)	(2)	(16)
Debt securities gains, net	$10	$4	$25

[1] For the year ended December 31, 2019, $6 million of gains on sale of debt securities were recognized in mortgage banking fees in the Consolidated Statements of Operations, as they related to AFS securities held as economic hedges of the value of the MSR portfolio recognized using the amortization method.

The following table presents the amortized cost and fair value of debt securities pledged:

	December 31, 2021		December 31, 2020	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged against derivatives, to qualify for fiduciary powers, and to secure public and other deposits as required by law	$4,816	$4,782	$3,818	$3,937
Pledged against FHLB borrowed funds	325	333	394	423
Pledged against repurchase agreements	1	1	224	231

The Company regularly enters into security repurchase agreements with unrelated counterparties, which involve the transfer of a security from one party to another, and a subsequent transfer of substantially the same security back to the original party. These repurchase agreements are typically short-term in nature and are accounted for as secured borrowed funds in the Company's Consolidated Balance Sheets. The Company recognized no offsetting of short-term receivables or payables as of December 31, 2021 or 2020. The Company offsets certain derivative assets and derivative liabilities in the Consolidated Balance Sheets. For further information see Note 14.

Securitizations of mortgage loans retained in the investment portfolio for the years ended December 31, 2021, 2020 and 2019, were $260 million, $144 million and $150 million, respectively. These securitizations include a substantive guarantee by a third party. In 2021, 2020 and 2019 the guarantors were FNMA, FHLMC, and GNMA. The debt securities received from the guarantors are classified as AFS.

Impairment

Upon purchase of HTM investment securities and at each subsequent measurement date, Citizens is required to evaluate the securities for risk of loss over their life and, if necessary, establish an associated reserve. Recognition of a reserve for expected credit losses is not required if the amount the Company expects to realize is zero (commonly referred to as "zero expected credit losses"). The Company evaluated its existing HTM portfolio as of December 31, 2021 and concluded that 67% of HTM securities met the zero expected credit loss criteria; therefore, no ACL was recognized. For the remainder, the lifetime expected credit losses were determined to be insignificant based on the modeling of the Company's credit loss position in the securities. The Company monitors the credit exposure through the use of credit quality indicators. For these securities, the Company uses external credit ratings or an internally derived credit rating when an external rating is not available. All securities were determined to be investment grade at December 31, 2021.

Citizens reviews its AFS debt securities for impairment at the individual security level on a quarterly basis, or more frequently if a potential loss triggering event occurs. The initial indicator of impairment for debt securities classified as AFS is a decline in fair value below its amortized cost basis. For any security that has declined in fair value below the amortized cost basis, the Company recognizes an impairment loss in current period earnings if management has the intent to sell the security or if it is more likely than not it will be required to sell the security before recovery of its amortized cost basis.

Estimating the recovery of the amortized cost basis of a debt security is based upon an assessment of the cash flows expected to be collected. If the present value of cash flows expected to be collected, discounted at the security's original effective yield, is less than the amortized cost basis, impairment equal to the shortfall in cash flows has occurred. Citizens evaluates whether any portion of the impairment is attributable to credit-related factors or various other market factors affecting the fair value of the security (e.g., interest rates, spread levels, liquidity in the sector, etc.), and the public credit rating of the security. If credit-related factors exist, credit-related impairment has occurred regardless of the Company's intent to hold the security until it recovers.

The credit-related portion of impairment is recognized in current period earnings as provision expense through the establishment of an allowance for AFS securities, to the extent the allowance does not reduce the value of the AFS security below its current fair value. The remaining non-credit related portion of impairment is recognized in OCI. Improvement in credit losses in subsequent periods results in a reversal of the allowance for AFS securities and a corresponding decrease to provision expense, to the extent the allowance does not become negative. Accrued interest receivable on AFS debt securities is excluded from the balances used to calculate the allowance for AFS securities. All accrued and uncollected interest is immediately reversed against interest income when it is deemed uncollectible. The Company has evaluated any AFS security in an unrealized loss position at December 31, 2021 and concluded that all unrealized losses are due to non-credit related factors. As such, the Company does not have an allowance for AFS securities as of December 31, 2021.

The following tables present AFS debt securities with fair values below their respective carrying values, separated by the duration the securities have been in a continuous unrealized loss position:

	December 31, 2021					
	Less than 12 Months		12 Months or Longer		Total	
(dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities:						
Federal agencies and U.S. government sponsored entities	$14,131	($320)	$1,236	($55)	$15,367	($375)
Other/non-agency	123	(1)	—	—	123	(1)
Total mortgage-backed securities	14,254	(321)	1,236	(55)	15,490	(376)
Collateralized loan obligations, at fair value	736	(1)	—	—	736	(1)
Total	$14,990	($322)	$1,236	($55)	$16,226	($377)

	December 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
(dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Federal agencies and U.S. government sponsored entities	$1,991	($19)	$—	$—	$1,991	($19)

Citizens does not currently have the intent to sell these debt securities, and it is not more likely than not that the Company will be required to sell these debt securities prior to recovery of their amortized cost bases. Citizens has determined that credit losses are not expected to be incurred on the agency MBS, non-agency MBS, and CLOs identified with unrealized losses as of December 31, 2021. The unrealized losses on these debt securities reflect non-credit-related factors driven by changes in interest rates. Therefore, the Company has determined that these debt securities are not impaired.

NOTE 5 - LOANS AND LEASES

Loans held for investment are reported at the amount of their outstanding principal, net of charge-offs, unearned income, deferred loan origination fees and costs, and unamortized premiums or discounts on purchased loans. Deferred loan origination fees and costs and purchase premiums and discounts are amortized as an adjustment of yield over the life of the loan, using the effective interest method. Unamortized amounts remaining upon prepayment or sale are recorded as interest income or gain (loss) on sale, respectively. Credit card receivables include billed and uncollected interest and fees.

Interest income on loans is determined using the effective interest method. This method calculates periodic interest income at a constant effective yield on the net investment in the loan, to provide a constant rate of return over the term. Loans accounted for using the fair value option are measured at fair value with corresponding changes recognized in noninterest income.

Loan commitment fees for loans that are likely to be drawn down, and other credit related fees, are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate over the loan term. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis and are reported within letter of credit and loan fees in the Consolidated Statements of Operations.

Loans and leases are disclosed in portfolio segments and classes. The Company’s loan and lease portfolio segments are commercial and retail. The classes of loans and leases are: commercial and industrial, commercial real estate, leases, residential mortgages, home equity, automobile, education and other retail.

The following table presents loans and leases, excluding LHFS:

(in millions)	December 31, 2021	December 31, 2020
Commercial and industrial[1]	$44,500	$44,173
Commercial real estate	14,264	14,652
Leases	1,586	1,968
Total commercial	60,350	60,793
Residential mortgages	22,822	19,539
Home equity	12,015	12,149
Automobile	14,549	12,153
Education	12,997	12,308
Other retail	5,430	6,148
Total retail	67,813	62,297
Total loans and leases	$128,163	$123,090

[1] Includes $787 million and $4.2 billion of PPP loans fully guaranteed by the SBA as of December 31, 2021 and 2020, respectively.

Accrued interest receivable on loans and leases held for investment totaled $450 million and $449 million as of December 31, 2021 and 2020, respectively, and is included in other assets in the Consolidated Balance Sheets.

Loans pledged as collateral for FHLB borrowed funds, primarily residential mortgages and home equity products, totaled $26.1 billion and $25.5 billion at December 31, 2021 and 2020, respectively. Loans pledged as collateral to support the contingent ability to borrow at the FRB discount window, if necessary, were primarily comprised of education, automobile, commercial and industrial, and commercial real estate loans, and totaled $35.8 billion and $40.0 billion at December 31, 2021 and 2020, respectively.

The following table presents the composition of LHFS:

	December 31, 2021			December 31, 2020		
(in millions)	Residential Mortgages[1]	Commercial[2]	Total	Residential Mortgages[1]	Commercial[2]	Total
Loans held for sale at fair value	$2,657	$76	$2,733	$3,416	$148	$3,564
Other loans held for sale	—	735	735	—	439	439

[1] Residential mortgage LHFS are originated for sale.
[2] Commercial LHFS at fair value consist of loans managed by the Company's commercial secondary loan desk. Other commercial LHFS generally consist of loans associated with the Company's syndication business.

Citizens is engaged in the leasing of equipment for commercial use, primarily focused on middle market and mid-corporate clients for large capital equipment acquisitions including railcars, trucks and trailers, and other equipment. The Company determines if an arrangement is a lease and the related lease classification at inception. Lease terms predominantly range from three years to ten years and may include options to purchase the leased property prior to the end of the lease term. The Company does not have lease agreements which contain both lease and non-lease components.

A lessee is evaluated from a credit perspective using the same underwriting standards and procedures as for a loan borrower. A lessee is expected to make rental payments based on its cash flows and the viability of its operations. Leases are usually not evaluated as collateral-based transactions, and therefore the lessee's overall financial strength is the most important credit evaluation factor.

The components of the net investment in direct financing and sales-type leases, before ALLL, are presented below:

(in millions)	December 31, 2021	December 31, 2020
Total future minimum lease rentals	$1,195	$1,381
Estimated residual value of leased equipment (non-guaranteed)	521	746
Initial direct costs	6	7
Unearned income	(136)	(166)
Total leases	$1,586	$1,968

Interest income on direct financing and sales-type leases for the years ended December 31, 2021, 2020 and 2019 was $49 million, $64 million and $77 million, respectively, and is reported within interest and fees on loans and leases in the Consolidated Statements of Operations.

A maturity analysis of direct financing and sales-type lease receivables at December 31, 2021 is presented below:

(in millions)	
2022	$315
2023	267
2024	203
2025	151
2026	105
Thereafter	154
Total undiscounted future minimum lease rentals	$1,195

NOTE 6 - ALLOWANCE FOR CREDIT LOSSES, NONACCRUAL LOANS AND LEASES, AND CONCENTRATIONS OF CREDIT RISK

Allowance for Credit Losses

Management's estimate of expected credit losses in the Company's loan and lease portfolios is recorded in the ALLL and the allowance for unfunded lending commitments (collectively the ACL). Through December 31, 2019 the ACL reserve was management's best estimate of incurred probable losses in the Company's loan and lease portfolios based on reviews of certain individual loans and leases, analyzing changes in the composition, size and delinquency of the portfolio, reviewing previous loss experience and considering current and anticipated economic factors. The Company's methodology for determining the qualitative component through December 31, 2019 included a statistical analysis of prior charge-off rates and an assessment of factors affecting the determination of incurred losses in the loan and lease portfolio. Such factors included trends in economic conditions, loan growth, back testing results, credit underwriting policy exceptions, regulatory and audit findings, and peer comparisons. Upon adoption of CECL effective January 1, 2020, the Company's ACL reserve methodology changed to estimate expected credit losses over the contractual life of loans and leases. Adoption resulted in a cumulative-effect reduction of $337 million, net of taxes of $114 million, to retained earnings and a corresponding increase to the ACL of $451 million.

The ACL is maintained at a level the Company believes to be appropriate to absorb expected lifetime credit losses over the contractual life of the loan and lease portfolios and on the unfunded lending commitments. The determination of the ACL is based on periodic evaluation of the loan and lease portfolios and unfunded lending commitments that are not unconditionally cancellable considering a number of relevant underlying factors, including key assumptions and evaluation of quantitative and qualitative information.

Key assumptions used in the ACL measurement process include the use of a two-year reasonable and supportable economic forecast period followed by a one-year reversion period to historical credit loss information.

The evaluation of quantitative and qualitative information is performed through assessments of groups of assets that share similar risk characteristics and certain individual loans and leases that do not share similar risk characteristics with the collective group. Loans are grouped generally by product type (e.g., commercial and industrial, commercial real estate, residential mortgage), and significant loan portfolios are assessed for credit losses using econometric models.

The quantitative evaluation of the adequacy of the ACL utilizes a single economic forecast as its foundation, and is primarily based on econometric models that use known or estimated data as of the balance sheet date and forecasted data over the reasonable and supportable period. Known and estimated data include current PD, LGD and EAD (for commercial), timing and amount of expected draws (for unfunded lending commitments), FICO, LTV, term and time on books (for retail loans), mix and level of loan balances, delinquency levels, assigned risk ratings, previous loss experience, current business conditions, amounts and timing of expected future cash flows, and factors particular to a specific commercial credit such as competition, business and management performance. Forward-looking economic assumptions include real gross domestic product, unemployment rate, interest rate curve, and changes in collateral values. This data is aggregated to estimate expected credit losses over the contractual life of the loans and leases, adjusted for expected prepayments. In

highly volatile economic environments historical information, such as commercial customer financial statements or consumer credit ratings, may not be as important to estimating future expected losses as forecasted inputs to the models.

The ACL may also be affected materially by a variety of qualitative factors that the Company considers to reflect current judgment of various events and risks that are not measured in the statistical procedures including uncertainty related to the economic forecasts used in the modeled credit loss estimates, loan growth, back testing results, credit underwriting policy exceptions, regulatory and audit findings, and peer comparisons. The qualitative allowance is further affected by sensitivity analysis for certain industry sectors or loan classes, including CRE office.

The measurement process results in specific or pooled allowances for loans, leases and unfunded lending commitments, and qualitative allowances that are judgmentally determined and applied across the portfolio.

There are certain loan portfolios that may not need an econometric model to enable the Company to calculate management's best estimate of the expected credit losses. Less data intensive, non-modeled approaches to estimating losses are considered more efficient and practical for portfolios that have lower levels of outstanding balances (e.g., runoff or closed portfolios, new products or products that are not significant to the Company's overall credit risk exposure).

Loans and leases that do not share similar risk characteristics are individually assessed for expected credit losses. Nonaccrual commercial and industrial, and commercial real estate loans with an outstanding balance of $5 million or greater and all commercial and industrial, and commercial real estate TDRs (regardless of size) are assessed on an individual loan level basis. Generally, the measurement of ACL on individual loans and leases is the present value of its future cash flows or the fair value of its underlying collateral, if the loan or lease is collateral dependent. A loan is considered to be collateral dependent when repayment of the loan is expected to be provided solely by the underlying collateral, rather than by cash flows from the borrower's operations, income or other resources. Loans that are deemed to be collateral dependent are written down to the fair value, less costs to sell, as of the evaluation date and are reassessed each subsequent period to determine if a change to the ACL is required. Subsequent evaluations may result in an increase or decrease to the ACL, based on a corresponding change in the fair value of the collateral during the period. Any subsequent decrease to the ACL (because of an increase to the collateral-dependent loan's fair value) is limited to the total amount previously written off for that loan. For retail TDRs that are not collateral dependent, the ACL is developed using the present value of expected future cash flows compared to the amortized cost basis in the loans. Expected re-default factors are considered in this analysis. Retail TDRs that are deemed collateral dependent are written down to fair market value less cost to sell.

Expected recoveries are considered in management's estimate of the ACL and may result in a negative adjustment (i.e., reduction) to the ACL balance. A loan is collateral dependent if repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty as of the evaluation date. Generally, repayment would be expected to be provided substantially by the sale or continued operation of the underlying collateral if cash flows to repay the loan from all other available sources (including guarantors) are expected to be no more than nominal. If repayment is dependent only on the operation of the collateral, the fair value of the collateral would not be adjusted for estimated costs to sell. If a loan is considered collateral dependent, the ACL is calculated as the difference between the fair value of collateral (adjusted for the costs to sell if the sale of the collateral is expected) and the amortized cost basis as of the evaluation date. It is possible to have a negative ACL for a collateral dependent loan if the fair value of the collateral increases in a subsequent reporting period. The negative ACL cannot exceed the total amount previously charged off.

Accrued interest receivable on loans and leases is excluded from asset balances used to calculate the ACL. All accrued and uncollected interest is immediately reversed against interest income when a loan or lease is placed on nonaccrual status. Uncollectible interest is written off timely in accordance with regulatory guidelines. Generally, loans and leases are placed on nonaccrual status when contractually past due 90 days or more, or earlier if management believes that the probability of collection is insufficient to warrant further accrual. Residential mortgages are placed on nonaccrual status when contractually past due 120 days or more, or sooner if deemed collateral dependent, unless guaranteed by the FHA, VA or USDA. Residential mortgages that received extended forbearance and were subsequently modified as a result of COVID-19 will be placed on nonaccrual sooner than those that were not on extended forbearance, and will return to accrual status only following a sustained period of repayment performance. Loans in COVID-19 pandemic-related forbearance programs continue

to accrue interest during the forbearance period; a reserve is established for interest income expected to be uncollectible following forbearance.

The Company estimates expected credit losses associated with off-balance sheet financial instruments such as standby letters of credit, financial guarantees and unfunded loan commitments that are not unconditionally cancellable. Off-balance sheet financial instruments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with historical loss experience, current and future economic conditions, timing and amount of expected draws, and performance trends within specific portfolio segments, result in the estimate of the allowance for unfunded lending commitments. The Company does not recognize a reserve for future draws from credit lines that are unconditionally cancellable (e.g., credit cards).

The ALLL and the allowance for unfunded lending commitments are reported on the Consolidated Balance Sheets in the allowance for loan and lease losses and in other liabilities, respectively. Provision for credit losses related to the loan and lease portfolios and the unfunded lending commitments are reported in the Consolidated Statements of Operations as provision for credit losses.

Loan Charge-Offs

Commercial loans are charged off when available information indicates that a loan or portion thereof is determined to be uncollectible. The determination of whether to recognize a charge-off involves many factors, including the prioritization of the Company's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

Retail loans are generally fully charged-off or written down to the net realizable value of the underlying collateral, with an offset to the ALLL, upon reaching specified stages of delinquency in accordance with standards established by the FFIEC. Residential real estate loans, credit card loans and unsecured open end loans are generally charged off in the month in which the account becomes 180 days past due. Auto loans, education loans and unsecured closed end loans are generally charged off in the month in which the account becomes 120 days past due. Certain retail loans will be charged off or charged down to their net realizable value earlier than the FFIEC charge-off standards in the following circumstances:

- Loans modified in a TDR that are determined to be collateral-dependent.
- Residential real estate loans that received extended forbearance and were subsequently modified as a result of COVID-19
- Loans to borrowers who have experienced an event (e.g., bankruptcy) that suggests a loss is either known or highly certain.
    - Residential real estate and auto loans are charged down to fair value less costs to sell within 60 days of receiving notification of the bankruptcy filing, unless repayment is likely to occur, or when the loan subsequently becomes 60 days past due.
    - Credit card loans are fully charged off within 60 days of receiving notification of the bankruptcy filing or other event.
    - Education loans are generally charged off when the loan becomes 60 days past due after receiving notification of a bankruptcy.
- Auto loans are written down to fair value less costs to sell upon repossession of the collateral.

The following table presents a summary of changes in the ALLL and the allowance for unfunded lending commitments for the year ended December 31, 2021:

	Year Ended December 31, 2021		
(in millions)	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$1,233	$1,210	$2,443
Charge-offs	(218)	(321)	(539)
Recoveries	54	160	214
Net charge-offs	(164)	(161)	(325)
Provision expense (benefit) for loans and leases	(248)	(112)	(360)
Allowance for loan and lease losses, end of period	821	937	1,758
Allowance for unfunded lending commitments, beginning of period	186	41	227
Provision expense (benefit) for unfunded lending commitments	(33)	(18)	(51)
Allowance for unfunded lending commitments, end of period	153	23	176
Total allowance for credit losses, end of period	$974	$960	$1,934

The difference in the ending ACL balance of $1.9 billion at December 31, 2021 compared to $2.7 billion at December 31, 2020 was due to net charge-offs of $325 million and a credit provision benefit of $411 million driven by strong credit performance across the retail and commercial loan portfolios, and improvement in the macroeconomic outlook.

The decrease in commercial net charge-offs of $261 million in the year ended December 31, 2021 as compared to the year ended December 31, 2020 reflects the economic recovery following the onset of the COVID-19 pandemic and associated lockdowns. Retail net charge-offs were down $107 million in the year ended December 31, 2021 as compared to the year ended December 31, 2020 as a result of government stimulus and forbearance programs as well as strong collateral values in residential real estate and automobile.

To determine the ACL as of December 31, 2021, Citizens utilized an economic forecast that generally reflects real GDP growth of approximately 1.3% over 2022 and projects the unemployment rate to be in the range of 5.2% to 6.6% throughout 2022. This forecast reflects an overall improved macroeconomic outlook as compared to December 31, 2020, which reflected real GDP growth of approximately 4% over 2021 and unemployment in the range of approximately 7% to 7.5% throughout 2021. While the U.S. economy has continued to improve, with the benefits of vaccination and herd resiliency muting, in part, the ongoing impact of the COVID-19 pandemic, uncertainty remains. We continue to utilize our qualitative allowance framework to reassess and adjust ACL reserve levels. Macroeconomic forecast risk, driven by uncertainty around and volatility of key macroeconomic variables, is one of the primary factors influencing our qualitative reserve. As the economic recovery has continued, we have assessed risks to the recovery, including potential for continuing impacts from COVID-19 variants, challenges in the global supply chain, inflationary trends, potential impacts from ending monetary and fiscal stimulus programs, and potential for longer-term changes in workforce and consumer behaviors. Citizens continued to apply management judgment to adjust the modeled reserves in the commercial industry sectors most impacted by the COVID-19 pandemic, including CRE office.

The following tables present a summary of changes in the ALLL and the allowance for unfunded lending commitments for the years ended December 31, 2020 and 2019:

	Year Ended December 31, 2020		
(in millions)	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$674	$578	$1,252
Cumulative effect of change in accounting principle	(176)	629	453
Allowance for loan and lease losses, beginning of period, adjusted	498	1,207	1,705
Charge-offs	(437)	(406)	(843)
Recoveries	12	138	150
Net charge-offs	(425)	(268)	(693)
Provision expense (benefit) for loans and leases	1,160	271	1,431
Allowance for loan and lease losses, end of period	1,233	1,210	2,443
Allowance for unfunded lending commitments, beginning of period	44	—	44
Cumulative effect of change in accounting principle	(3)	1	(2)
Allowance for unfunded lending commitments, beginning of period, adjusted	41	1	42
Provision expense (benefit) for unfunded lending commitments	145	40	185
Allowance for unfunded lending commitments, end of period	186	41	227
Total allowance for credit losses, end of period	$1,419	$1,251	$2,670

	Year Ended December 31, 2019		
(in millions)	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$690	$552	$1,242
Charge-offs	(140)	(475)	(615)
Recoveries	24	161	185
Net charge-offs	(116)	(314)	(430)
Provision expense (benefit) for loans and leases	100	340	440
Allowance for loan and lease losses, end of period	674	578	1,252
Allowance for unfunded lending commitments, beginning of period	91	—	91
Provision expense (benefit) for unfunded lending commitments	(47)	—	(47)
Allowance for unfunded lending commitments, end of period	44	—	44
Total allowance for credit losses, end of period	$718	$578	$1,296

Credit Quality Indicators

The Company presents loan and lease portfolio segments and classes by credit quality indicator and vintage year. Citizens defines the vintage date for the purpose of this disclosure as the date of the most recent credit decision. In general, renewals are categorized as new credit decisions and reflect the renewal date as the vintage date. Loans modified in a TDR are considered a continuation of the original loan and vintage date corresponds with the most recent credit decision.

For commercial loans and leases, Citizens utilizes regulatory classification ratings to monitor credit quality. The assignment of regulatory classification ratings occurs at loan origination and are periodically re-evaluated by Citizens utilizing a risk-based approach, including any time management becomes aware of information affecting the borrowers' ability to fulfill their obligations. The review process considers both quantitative and qualitative factors. Loans with a “pass” rating are those that the Company believes will fully repay in accordance with the contractual loan terms. Commercial loans and leases identified as “criticized” have some weakness or potential weakness that indicate an increased probability of future loss. Citizens groups “criticized” loans into three categories, “special mention,” “substandard,” and “doubtful.” Special mention loans have potential weaknesses that, if left uncorrected, may result in deterioration of the Company’s credit position at some future date. Substandard loans are inadequately protected loans; these loans have well-defined weaknesses that could hinder normal repayment or collection of the debt. Doubtful loans have the same weaknesses as substandard, with the added characteristic that the possibility of loss is high and collection of the full amount of the loan is improbable. Additional credit quality information is discussed below for each loan class.

For commercial and industrial loans, Citizens monitors the performance of the borrower in a disciplined and regular manner based upon the level of credit risk inherent in the loan. To evaluate the level of credit risk, management assigns an internal risk rating reflecting the borrower's PD and LGD. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process. These ratings are generally reviewed at least annually. The combination of the PD and LGD ratings assigned to commercial and industrial loans, capturing both the combination of expectations of default and loss severity in the event of default, reflects credit quality characteristics as of the reporting date and are used as inputs into the loss forecasting process. Based upon the amount of the lending arrangement and risk rating assessment, management periodically reviews each loan, prioritizing those loans which are perceived to be of higher risk, based upon PDs and LGDs, or loans for which credit quality is weakening (e.g., payment delinquency). Citizens proactively manages loans by using various procedures that are customized to the risk of a given loan, including ongoing outreach to the borrower, assessment of the borrower's financial conditions and appraisal of the collateral.

Credit risk associated with commercial real estate projects and commercial mortgages are managed similar to commercial and industrial loans by evaluating PD and LGD. Risks associated with commercial real estate activities tend to be correlated to the loan structure and collateral location, project progress and business environment. As a result, these attributes are also monitored and utilized in assessing credit risk. As with the commercial and industrial loan class, periodic reviews are also performed to assess market/geographic risk and business unit/industry risk, which may result in increased scrutiny on loans that are perceived to be of higher risk, had adverse changes in risk ratings and/or areas that concern management. These reviews are designed to assess risk and facilitate actions to mitigate such risks.

Citizens manages credit risk associated with financing leases similar to commercial and industrial loans by analyzing PD and LGD. Reviews are generally performed annually based upon the dollar amount of the lease and the level of credit risk, and may be more more frequent if circumstances warrant. The review process includes analysis of the following factors: equipment value/residual value, exposure levels, jurisdiction risk, industry risk, guarantor requirements, and regulatory compliance as applicable.

Commercial loans with renewal terms in the original contract are recognized as current year originations upon renewal unless the loan automatically renewed with no new credit decision. Citizens generally reserves the right to not renew the loan or lease until current underwriting has been completed and approved.

The following table presents the amortized cost basis of commercial loans and leases, by vintage date and regulatory classification rating, as of December 31, 2021:

	Term Loans by Origination Year						Revolving Loans		
(in millions)	2021	2020	2019	2018	2017	Prior to 2017	Within the Revolving Period	Converted to Term	Total
Commercial and industrial									
Pass[1]	$10,218	$3,336	$3,599	$2,284	$1,426	$1,863	$19,406	$122	$42,254
Special Mention	47	71	155	114	41	64	316	1	809
Substandard	97	112	215	81	50	201	521	17	1,294
Doubtful	1	9	9	22	10	16	74	2	143
Total commercial and industrial	10,363	3,528	3,978	2,501	1,527	2,144	20,317	142	44,500
Commercial real estate									
Pass	2,766	2,417	3,181	1,756	626	1,119	1,451	3	13,319
Special Mention	45	42	113	100	27	79	—	—	406
Substandard	27	—	88	267	78	59	9	—	528
Doubtful	1	9	—	—	—	1	—	—	11
Total commercial real estate	2,839	2,468	3,382	2,123	731	1,258	1,460	3	14,264
Leases									
Pass	447	262	134	144	66	459	—	—	1,512
Special Mention	10	15	—	5	3	16	—	—	49
Substandard	1	16	5	2	—	—	—	—	24
Doubtful	—	—	—	—	—	1	—	—	1
Total leases	458	293	139	151	69	476	—	—	1,586
Total commercial									
Pass[1]	13,431	6,015	6,914	4,184	2,118	3,441	20,857	125	57,085
Special Mention	102	128	268	219	71	159	316	1	1,264
Substandard	125	128	308	350	128	260	530	17	1,846
Doubtful	2	18	9	22	10	18	74	2	155
Total commercial	$13,660	$6,289	$7,499	$4,775	$2,327	$3,878	$21,777	$145	$60,350

[1] Includes $787 million of PPP loans designated as pass that are fully guaranteed by the SBA originating in 2021 and 2020.

The following table presents the amortized cost basis of commercial loans and leases, by vintage date and regulatory classification rating, as of December 31, 2020:

	Term Loans by Origination Year						Revolving Loans		
(in millions)	2020	2019	2018	2017	2016	Prior to 2016	Within the Revolving Period	Converted to Term	Total
Commercial and industrial									
Pass[1]	$8,036	$5,730	$4,180	$2,174	$1,157	$1,980	$17,281	$340	$40,878
Special Mention	34	264	163	84	60	173	771	34	1,583
Substandard	91	195	248	100	81	127	600	22	1,464
Doubtful	65	10	34	38	3	31	63	4	248
Total commercial and industrial	8,226	6,199	4,625	2,396	1,301	2,311	18,715	400	44,173
Commercial real estate									
Pass	1,848	2,836	2,810	1,106	566	919	3,271	—	13,356
Special Mention	19	130	121	92	94	48	300	—	804
Substandard	116	2	65	5	53	26	149	—	416
Doubtful	16	26	8	—	—	2	24	—	76
Total commercial real estate	1,999	2,994	3,004	1,203	713	995	3,744	—	14,652
Leases									
Pass	455	246	229	139	180	673	—	—	1,922
Special Mention	3	4	2	4	2	18	—	—	33
Substandard	—	2	2	4	4	—	—	—	12
Doubtful	—	—	—	—	—	1	—	—	1
Total leases	458	252	233	147	186	692	—	—	1,968
Total commercial									
Pass[1]	10,339	8,812	7,219	3,419	1,903	3,572	20,552	340	56,156
Special Mention	56	398	286	180	156	239	1,071	34	2,420
Substandard	207	199	315	109	138	153	749	22	1,892
Doubtful	81	36	42	38	3	34	87	4	325
Total commercial	$10,683	$9,445	$7,862	$3,746	$2,200	$3,998	$22,459	$400	$60,793

[1] Includes $4.2 billion of PPP loans designated as pass that are fully guaranteed by the SBA originating in 2020.

For retail loans, Citizens utilizes FICO credit scores and the loan's payment and delinquency status to monitor credit quality. Management believes FICO scores are the strongest indicator of credit losses over the contractual life of the loan and assist management in predicting the borrower's future payment performance. Scores are based on current and historical national industry-wide consumer level credit performance data.

The following table presents the amortized cost basis of retail loans, by vintage date and FICO scores, as of December 31, 2021:

	Term Loans by Origination Year						Revolving Loans		
(in millions)	2021	2020	2019	2018	2017	Prior to 2017	Within the Revolving Period	Converted to Term	Total
Residential mortgages									
800+	$2,431	$3,017	$1,230	$342	$672	$2,139	$—	$—	$9,831
740-799	4,015	1,876	746	246	360	1,086	—	—	8,329
680-739	1,116	572	335	152	172	585	—	—	2,932
620-679	111	130	161	93	107	276	—	—	878
<620	24	66	164	162	157	257	—	—	830
No FICO available[1]	3	8	1	—	—	10	—	—	22
Total residential mortgages	7,700	5,669	2,637	995	1,468	4,353	—	—	22,822
Home equity									
800+	—	2	5	5	3	134	4,394	281	4,824
740-799	—	1	4	5	7	122	3,514	278	3,931
680-739	—	1	7	14	16	134	1,738	243	2,153
620-679	—	3	11	19	17	112	363	167	692
<620	—	2	16	23	20	87	91	176	415
Total home equity	—	9	43	66	63	589	10,100	1,145	12,015
Automobile									
800+	1,887	829	538	244	148	57	—	—	3,703
740-799	2,418	1,051	615	288	156	58	—	—	4,586
680-739	1,968	827	500	234	123	48	—	—	3,700
620-679	1,029	378	257	131	72	32	—	—	1,899
<620	164	142	155	103	62	32	—	—	658
No FICO available[1]	3	—	—	—	—	—	—	—	3
Total automobile	7,469	3,227	2,065	1,000	561	227	—	—	14,549
Education									
800+	1,361	1,771	840	514	470	880	—	—	5,836
740-799	1,555	1,577	672	371	275	514	—	—	4,964
680-739	512	474	229	140	107	262	—	—	1,724
620-679	50	66	45	34	28	99	—	—	322
<620	5	11	12	12	10	45	—	—	95
No FICO available[1]	4	—	—	—	—	52	—	—	56
Total education	3,487	3,899	1,798	1,071	890	1,852	—	—	12,997
Other retail									
800+	233	214	122	65	30	29	386	—	1,079
740-799	323	296	173	84	38	26	764	2	1,706
680-739	246	240	122	56	23	12	709	5	1,413
620-679	149	119	43	19	7	4	299	5	645
<620	32	37	17	10	3	2	100	6	207
No FICO available[1]	44	5	—	—	—	—	330	1	380
Total other retail	1,027	911	477	234	101	73	2,588	19	5,430
Retail									
800+	5,912	5,833	2,735	1,170	1,323	3,239	4,780	281	25,273
740-799	8,311	4,801	2,210	994	836	1,806	4,278	280	23,516
680-739	3,842	2,114	1,193	596	441	1,041	2,447	248	11,922
620-679	1,339	696	517	296	231	523	662	172	4,436
<620	225	258	364	310	252	423	191	182	2,205
No FICO available[1]	54	13	1	—	—	62	330	1	461
Total retail	$19,683	$13,715	$7,020	$3,366	$3,083	$7,094	$12,688	$1,164	$67,813

[1] Represents loans for which an updated FICO score was unavailable (e.g., due to recent profile changes).

The following table presents the amortized cost basis of retail loans, by vintage date and FICO scores, as of December 31, 2020:

	Term Loans by Origination Year						Revolving Loans		
(in millions)	2020	2019	2018	2017	2016	Prior to 2016	Within the Revolving Period	Converted to Term	Total
Residential mortgages									
800+	$2,687	$1,885	$638	$1,129	$1,615	$1,755	$—	$—	$9,709
740-799	2,931	1,133	398	527	743	904	—	—	6,636
680-739	784	351	162	172	295	458	—	—	2,222
620-679	97	94	44	56	66	223	—	—	580
<620	12	28	35	58	50	185	—	—	368
No FICO available[1]	1	2	1	5	1	14	—	—	24
Total residential mortgages	6,512	3,493	1,278	1,947	2,770	3,539	—	—	19,539
Home equity									
800+	2	8	10	7	5	216	4,319	344	4,911
740-799	2	6	7	6	5	180	3,234	331	3,771
680-739	1	6	10	15	8	179	1,632	284	2,135
620-679	—	10	18	21	14	136	402	195	796
<620	1	17	30	29	18	122	105	214	536
Total home equity	6	47	75	78	50	833	9,692	1,368	12,149
Automobile									
800+	1,056	812	424	312	169	62	—	—	2,835
740-799	1,514	1,022	531	344	172	59	—	—	3,642
680-739	1,347	889	461	282	138	47	—	—	3,164
620-679	669	484	259	157	84	32	—	—	1,685
<620	140	242	189	137	79	34	—	—	821
No FICO available[1]	2	—	—	—	—	4	—	—	6
Total automobile	4,728	3,449	1,864	1,232	642	238	—	—	12,153
Education									
800+	1,817	1,363	849	781	578	777	—	—	6,165
740-799	1,797	1,009	541	387	251	423	—	—	4,408
680-739	450	294	173	127	90	221	—	—	1,355
620-679	26	35	33	28	25	95	—	—	242
<620	2	5	10	10	8	41	—	—	76
No FICO available[1]	2	—	—	—	—	60	—	—	62
Total education	4,094	2,706	1,606	1,333	952	1,617	—	—	12,308
Other retail									
800+	461	380	163	77	15	44	341	—	1,481
740-799	620	460	184	81	19	31	638	2	2,035
680-739	495	302	111	48	10	13	561	5	1,545
620-679	248	104	37	14	3	5	174	7	592
<620	24	30	17	6	1	3	77	8	166
No FICO available[1]	54	1	—	—	—	—	272	2	329
Total other retail	1,902	1,277	512	226	48	96	2,063	24	6,148
Total retail									
800+	6,023	4,448	2,084	2,306	2,382	2,854	4,660	344	25,101
740-799	6,864	3,630	1,661	1,345	1,190	1,597	3,872	333	20,492
680-739	3,077	1,842	917	644	541	918	2,193	289	10,421
620-679	1,040	727	391	276	192	491	576	202	3,895
<620	179	322	281	240	156	385	182	222	1,967
No FICO available[1]	59	3	1	5	1	78	272	2	421
Total retail	$17,242	$10,972	$5,335	$4,816	$4,462	$6,323	$11,755	$1,392	$62,297

[1] Represents loans for which an updated FICO score was unavailable (e.g., due to recent profile changes).

Nonaccrual and Past Due Assets

Nonaccrual loans and leases are those on which accrual of interest has been suspended. Loans (other than certain retail loans insured by U.S. government agencies) are placed on nonaccrual status when full payment of principal and interest is in doubt, unless the loan is both well secured and in the process of collection.

When the Company places a loan on nonaccrual status, the accrued unpaid interest receivable is reversed against interest income and amortization of any net deferred fees is suspended. Interest collections on nonaccrual loans and leases for which the ultimate collectability of principal is uncertain are generally applied to first reduce the carrying value of the asset. Otherwise, interest income may be recognized to the extent of the cash received. A loan or lease may be returned to accrual status if (i) principal and interest payments have been brought current, and the Company expects repayment of the remaining contractual principal and interest, (ii) the loan or lease has otherwise become well-secured and in the process of collection, or (iii) the borrower has been making regularly scheduled payments in full for the prior six months and the Company is reasonably assured that the loan or lease will be brought fully current within a reasonable period.

Commercial and industrial loans, commercial real estate loans, and leases are generally placed on nonaccrual status when contractually past due 90 days or more, or earlier if management believes that the probability of collection is insufficient to warrant further accrual. Some of these loans and leases may remain on accrual status when contractually past due 90 days or more if management considers the loan collectible.

Residential mortgages are generally placed on nonaccrual status when past due 120 days, or sooner if determined to be collateral dependent, unless repayment of the loan is fully or partially guaranteed by the FHA, VA or USDA. Credit card balances are placed on nonaccrual status when past due 90 days or more and are restored to accruing status if they subsequently become less than 90 days past due. All other retail loans are generally placed on nonaccrual status when past due 90 days or more, or earlier if management believes that the probability of collection is insufficient to warrant further accrual. Loans less than 90 days past due may be placed on nonaccrual status upon the death of the borrower, fraud or bankruptcy.

The following tables present an aging analysis of accruing loans and leases, and nonaccrual loans and leases as of December 31, 2021 and 2020:

	December 31, 2021						
		Days Past Due and Accruing					
(in millions)	Current	30-59	60-89	90+	Nonaccrual[2]	Total	Nonaccrual with no related ACL
Commercial and industrial	$44,247	$47	$26	$9	$171	$44,500	$36
Commercial real estate	14,247	6	—	—	11	14,264	1
Leases	1,570	14	1	—	1	1,586	—
Total commercial	60,064	67	27	9	183	60,350	37
Residential mortgages[1]	21,918	102	52	549	201	22,822	137
Home equity	11,745	38	12	—	220	12,015	186
Automobile	14,324	131	39	—	55	14,549	22
Education	12,926	34	13	1	23	12,997	2
Other retail	5,331	40	23	16	20	5,430	2
Total retail	66,244	345	139	566	519	67,813	349
Total	$126,308	$412	$166	$575	$702	$128,163	$386

	December 31, 2020						
		Days Past Due and Accruing					
(in millions)	Current	30-59	60-89	90+	Nonaccrual[2]	Total	Nonaccrual with no related ACL
Commercial and industrial	$43,666	$198	$9	$20	$280	$44,173	$56
Commercial real estate	14,475	1	—	—	176	14,652	2
Leases	1,956	9	—	1	2	1,968	—
Total commercial	60,097	208	9	21	458	60,793	58
Residential mortgages[1]	19,272	55	15	30	167	19,539	96
Home equity	11,799	54	20	—	276	12,149	207
Automobile	11,870	157	54	—	72	12,153	17
Education	12,245	31	12	2	18	12,308	2
Other retail	6,045	39	28	8	28	6,148	—
Total retail	61,231	336	129	40	561	62,297	322
Total	$121,328	$544	$138	$61	$1,019	$123,090	$380

[1] 90+ days past due and accruing includes $544 million and $21 million of loans fully or partially guaranteed by the FHA, VA and USDA at December 31, 2021 and 2020, respectively.
[2] Beginning in 2021, nonaccrual loans and leases are no longer aged relative to their delinquency status. Prior period has been adjusted to conform with the current period presentation.

Interest income is generally not recognized for loans and leases that are on nonaccrual status. The Company reverses accrued interest receivable with a charge to interest income upon classifying the loan or lease as nonaccrual.

The Company estimates expected credit losses based on the fair value of collateral for collateralized loans that management believes will not be paid under the terms of the original loan contract. These loans are considered to be collateral dependent, and the estimated credit loss is calculated as the difference between the loan's amortized cost basis and the fair value of the collateral as of each evaluation date.

Collateral values for residential mortgage and home equity loans are based on refreshed valuations which are updated at least every 90 days less estimated costs to sell. At December 31, 2021 and 2020, the Company had collateral-dependent residential mortgage and home equity loans totaling $542 million and $552 million, respectively.

For collateral-dependent commercial loans, the ACL is individually assessed based on the fair value of the collateral. Various types of collateral are used, including real estate, inventory, equipment, accounts receivable, securities and cash, among others. For commercial real estate loans, collateral values are generally based on appraisals which are updated based on management judgment under the specific circumstances on a case-by-case basis. At December 31, 2021 and 2020, the Company had collateral-dependent commercial loans totaling $103 million and $206 million, respectively.

The amortized cost basis of mortgage loans collateralized by residential real estate for which formal foreclosure proceedings were in-process was $142 million and $119 million as of December 31, 2021 and 2020, respectively.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider, the related loan is classified as a TDR. 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 with the borrower. 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, waiving or delaying a scheduled payment of principal or interest for other than an insignificant time period, 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 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.

Retail and commercial loans whose contractual terms have been modified in a TDR and are current at the time of restructuring may remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. Retail loans that were discharged in bankruptcy and not reaffirmed by the borrower are deemed to be collateral-dependent TDRs and are generally charged off to the fair value of the collateral, less cost to sell, and less amounts recoverable under a government guarantee (if any). Cash receipts on nonaccrual impaired loans, including nonaccrual loans involved in TDRs, are generally applied to reduce the unpaid principal balance. Certain TDRs that are current in payment status are classified as nonaccrual in accordance with regulatory guidance. Income on these loans may be recognized on a cash basis if management believes that the remaining book value of the loan is realizable. Nonaccrual TDRs that meet the guidelines above for accrual status can be returned to accruing if supported by a well-documented evaluation of the borrowers' financial condition, and if they have been current for at least six months.

Because TDRs are impaired loans, Citizens measures impairment by comparing the present value of expected future cash flows, or when appropriate, the fair value of collateral less costs to sell, to the loan's amortized cost basis. Any excess of amortized cost basis over the present value of expected future cash flows or collateral value is included in the ALLL. Any portion of the loan's amortized cost basis the Company does not expect to collect as a result of the modification is charged off at the time of modification. For retail TDR accounts where the expected value of cash flows is utilized, any recorded investment in excess of the present value of expected cash flows is recognized by increasing the ALLL. For retail TDR accounts assessed based on the fair value of collateral, any portion of the loan's recorded investment in excess of the collateral value less costs to sell is charged off at the time of modification or at the time of subsequent and regularly recurring valuations.

In 2020, Citizens implemented various retail and commercial loan modification programs to provide borrowers relief from the economic impacts of COVID-19. The CARES Act and bank regulatory agencies provided guidance stating certain loan modifications to borrowers experiencing financial distress as a result of COVID-19 may not be accounted for as TDRs under U.S. GAAP. In accordance with the CARES Act, Citizens elected to not apply TDR classification to any COVID-19 related loan modification performed after March 1, 2020 through December 31, 2021 for borrowers who were current as of December 31, 2019 or the date of their loan modification. In addition, for loans modified in response to the COVID-19 pandemic and associated lockdowns that were not eligible for relief from TDR classification under the CARES Act, the Company elected to apply the guidance issued by the bank regulatory agencies. Under this guidance, loans with up to six months of deferred principal and interest to borrowers who were current as of March 1, 2020 or the date of their loan modification are not classified as TDRs.

For loan modifications that include a payment deferral and are not TDRs, the borrower's past due and nonaccrual status will not be impacted during the deferral period. Interest income will continue to be recognized over the contractual life of the loan.

The following tables summarize loans modified during the years ended December 31, 2021, 2020 and 2019. The balances represent the post-modification outstanding amortized cost basis and may include loans that became TDRs during the period and were subsequently paid off in full, charged off, or sold prior to period end. Pre-modification balances for modified loans approximate the post-modification balances shown.

		December 31, 2021			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction(1)	Maturity Extension(2)	Other(3)	Total
Commercial and industrial	44	$—	$44	$123	$167
Total commercial	44	—	44	123	167
Residential mortgages	922	21	137	60	218
Home equity	412	5	11	13	29
Automobile	1,463	2	—	15	17
Education	807	—	—	26	26
Other retail	2,291	9	—	2	11
Total retail	5,895	37	148	116	301
Total	5,939	$37	$192	$239	$468

		December 31, 2020			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction(1)	Maturity Extension(2)	Other(3)	Total
Commercial and industrial	70	$—	$107	$325	$432
Commercial real estate	1	—	7	—	7
Total commercial	71	—	114	325	439
Residential mortgages	473	39	34	13	86
Home equity	723	12	12	23	47
Automobile	3,236	2	1	47	50
Education	465	—	—	10	10
Other retail	2,591	10	—	2	12
Total retail	7,488	63	47	95	205
Total	7,559	$63	$161	$420	$644

		December 31, 2019			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction(1)	Maturity Extension(2)	Other(3)	Total
Commercial and industrial	85	$—	$5	$210	$215
Commercial real estate	1	—	—	—	—
Total commercial	86	—	5	210	215
Residential mortgages	242	12	10	17	39
Home equity	722	20	11	26	57
Automobile	1,431	3	—	17	20
Education	272	—	—	7	7
Other retail	3,739	18	—	2	20
Total retail	6,406	53	21	69	143
Total	6,492	$53	$26	$279	$358

(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) Includes modifications other than interest rate reductions or maturity extensions, such as lowering scheduled payments for a specified period of time, principal forgiveness, and capitalizing arrearages. 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.

Modified TDRs resulted in charge-offs of $6 million, $51 million and $7 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Unfunded commitments related to TDRs were $56 million and $49 million at December 31, 2021 and 2020, respectively.

The following table provides a summary of TDRs that defaulted (became 90 days or more past due) within 12 months of their modification date:

	Year Ended December 31,		
(dollars in millions)	2021	2020	2019
Commercial TDRs	$23	$54	$1
Retail TDRs[1]	95	46	37
Total	$118	$100	$38

[1] Includes $61 million, $16 million and $9 million of loans fully or partially government guaranteed by the FHA, VA, and USDA for the years ended December 31, 2021, 2020 and 2019, respectively.

Concentrations of Credit Risk

Most of the Company's lending 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 December 31, 2021 and 2020, Citizens had a significant amount of loans collateralized by residential and commercial real estate. There were no significant concentration risks within the commercial loan or retail loan portfolios. 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.

NOTE 7 - PREMISES, EQUIPMENT AND SOFTWARE

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease (including renewal options if exercise of those options is reasonably assured) or their estimated useful life, whichever is shorter.

Additions to premises and equipment are recorded at cost. The cost of major additions, improvements and betterments is capitalized. Normal repairs and maintenance and other costs that do not improve the property, extend the useful life or otherwise do not meet capitalization criteria are charged to expense as incurred. Citizens evaluates premises and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable.

A summary of the carrying value of premises and equipment is presented below:

		December 31,	
(dollars in millions)	Useful Lives (years)	2021	2020
Land and land improvements	10 - 75	$101	$102
Buildings and leasehold improvements	5 - 60	805	800
Furniture, fixtures and equipment	4 - 20	589	644
Construction in progress		77	50
Total premises and equipment, gross		1,572	1,596
Accumulated depreciation		(804)	(837)
Total premises and equipment, net		$768	$759

Depreciation charged to noninterest expense totaled $98 million, $110 million and $116 million for the years ended December 31, 2021, 2020 and 2019, respectively, and is presented in the Consolidated Statements of Operations in either occupancy or equipment expense, as applicable.

Software

Costs related to computer software developed or obtained for internal use are capitalized if the projects improve functionality and provide long-term future operational benefits. Capitalized costs are amortized using the straight-line method over the asset's expected useful life, based upon the basic pattern of consumption and economic benefits provided by the asset. Citizens begins to amortize the software when the asset (or identifiable component of the asset) is substantially complete and ready for its intended use. All other costs incurred in connection with an internal-use software project are expensed as incurred. Capitalized software is included in other assets on the Consolidated Balance Sheets.

Citizens had capitalized software assets of $2.3 billion and $2.2 billion and related accumulated amortization of $1.5 billion and $1.3 billion as of December 31, 2021 and 2020, respectively. Amortization expense was $235 million, $215 million and $194 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The estimated future amortization expense for capitalized software assets is presented below.

Year	(in millions)
2022	$209
2023	180
2024	153
2025	112
2026	45
Thereafter	22
Total[1]	$721

[1] Excluded from this balance is $154 million of in-process software at December 31, 2021.

NOTE 8 - MORTGAGE BANKING AND OTHER

The Company sells residential mortgages into the secondary market. The Company retains no beneficial interests in these sales, but may retain the servicing rights for the loans sold. The Company may exercise its option to repurchase eligible government guaranteed residential mortgages or may be obligated to subsequently repurchase a loan if the purchaser discovers a representation or warranty violation such as noncompliance with eligibility or servicing requirements, or customer fraud that should have been identified in a loan file review.

Mortgage loans held for sale are accounted for at fair value on an individual loan basis. Changes in the fair value, and realized gains and losses on the sales of mortgage loans, are reported in mortgage banking income.

The following table summarizes activity related to residential mortgage loans sold with servicing rights retained:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Cash proceeds from residential mortgage loans sold with servicing retained	$37,039	$33,221	$20,430
Repurchased residential mortgages[1]	1,381	—	—
Gain on sales[2]	382	895	251
Contractually specified servicing, late and other ancillary fees[2]	247	227	208

[1] Includes government insured or guaranteed loans eligible for repurchase through the exercise of our removal of account provision option.
[2] Reported in mortgage banking fees in the Consolidated Statements of Operations.

The Company recognizes the right to service residential mortgage loans for others, or MSRs, as separate assets, which are presented in other assets on the Consolidated Balance Sheets, when purchased, or when servicing is contractually separated from the underlying mortgage loans by sale with servicing rights retained. MSRs are initially recorded at fair value. Subsequent to the initial recognition, MSRs are measured using either the fair value method or the amortization method. Effective January 1, 2020, the Company elected to account for all MSRs previously accounted for under the amortization method under the fair value method. Upon election, the Company recognized a cumulative effect adjustment to retained earnings of $6 million, net of taxes, equal to the difference between the carrying value of the MSRs and the fair value. Under the fair value method, the MSRs are recorded at fair value at each reporting date with any changes in fair value during the period recorded in mortgage banking fees in the Consolidated Statements of Operations. The unpaid principal balance of residential

mortgage loans related to our MSR was $90.2 billion and $81.2 billion as of December 31, 2021 and 2020, respectively. The Company manages an active hedging strategy to manage the risk associated with changes in the value of the MSR portfolio, which includes the purchase of freestanding derivatives.

The following table summarizes changes in MSRs recorded using the fair value method:

(in millions)	As of and for the Year Ended December 31, 2021	2020
Fair value as of beginning of the period	$658	$642
Transfers upon election of fair value method[1]	—	190
Fair value as of beginning of the period, adjusted	658	832
Amounts capitalized	419	324
Changes in unpaid principal balance during the period[2]	(212)	(196)
Changes in fair value during the period[3]	164	(302)
Fair value at end of the period	$1,029	$658

[1] Effective January 1, 2020, the Company elected to account for all MSRs previously accounted for under the amortization method under the fair value method.
[2] Represents changes in value of the MSRs due to i) passage of time including the impact from both regularly scheduled loan principal payments and partial paydowns, and ii) loans that paid off during the period.
[3] Represents changes in value primarily driven by market conditions. These changes are recorded in mortgage banking fees in the Consolidated Statements of Operations.

The fair value of MSRs is estimated by using the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, contractual servicing fee income, servicing costs, default rates, ancillary income, and other economic factors, which are determined based on current market interest rates. The valuation does not attempt to forecast or predict the future direction of interest rates.

The sensitivity analysis below presents the impact to the current MSR fair value of an immediate 10% and 20% adverse change in key economic assumptions. These sensitivities are hypothetical, with the effect of a variation in a particular assumption on the fair value of the MSRs calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., changes in interest rates, which drive changes in prepayment rates, could result in changes in the discount rates), which may amplify or counteract the sensitivities. The primary risk inherent in the Company's MSRs is an increase in prepayments of the underlying mortgage loans serviced, which is largely dependent upon movements in market interest rates.

(dollars in millions)	December 31, 2021	December 31, 2020
Fair value	$1,029	$658
Weighted average life (years)	6.4	4.2
Weighted average constant prepayment rate	10.7%	17.3%
Decline in fair value from 10% adverse change	$45	$43
Decline in fair value from 20% adverse change	$87	$92
Weighted average option adjusted spread	596 bps	595 bps
Decline in fair value from 10% adverse change	$25	$14
Decline in fair value from 20% adverse change	$50	$29

The Company's mortgage banking derivatives include commitments to originate mortgages held for sale, certain loan sale agreements, and other financial instruments that meet the definition of a derivative. Refer to Note 14 for additional information.

Other Serviced Loans

From time to time, Citizens engages in other servicing relationships. The following table presents the unpaid principal balance of other serviced loans:

(in millions)	December 31, 2021	December 31, 2020
Education	$761	$974
Commercial and industrial[1]	80	51

[1] Represents the government guaranteed portion of SBA loans sold to outside investors.

NOTE 9 - LEASES

Citizens as Lessee

The Company determines if an arrangement is a lease at inception and records a right-of-use asset and a corresponding lease liability. A right-of-use asset represents the value of the Company's contractual right to use an underlying leased asset and a lease liability represents the Company's contractual obligation to make payments on the same underlying leased asset. Operating and finance lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the non-cancelable lease term. As most of the Company's leases do not specify an implicit rate, the Company uses an incremental borrowing rate based on information available at the lease commencement date to determine the present value of the lease payments. The Company evaluates right-of-use assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

In the normal course of business, the Company leases both equipment and real estate, including office and branch space. Lease terms predominantly range from one year to ten years and may include options to extend the lease, terminate the lease, or purchase the underlying asset at the end of the lease. Certain lease agreements include rental payments based on an index or are adjusted periodically for inflation. The Company has lease agreements that contain lease and non-lease components and for certain real estate leases, these components are accounted for as a single lease component.

Leases with an initial term of 12 months or less are not recorded on the Company's Consolidated Balance Sheets and are recognized in occupancy expense in the Company's Consolidated Statements of Operations on a straight-line basis over the remaining lease term. The Company may also enter into subleases with third parties for certain leased real estate properties that are no longer occupied.

The components of operating lease cost are presented below.

	Year Ended December 31,		
(in millions)	2021	2020	2019
Operating lease cost	$161	$165	$165
Short-term lease cost	1	4	10
Variable lease cost	8	8	7
Sublease income	(4)	(4)	(3)
Total	$166	$173	$179

Operating lease cost is recognized on a straight line basis over the lease term and is recorded in occupancy, equipment and software expense, and other income on the Consolidated Statements of Operations.

Supplemental Consolidated Balance Sheet information related to the Company's operating lease arrangements is presented below:

(in millions)	December 31, 2021	December 31, 2020	Affected Line Item in Consolidated Balance Sheets
Operating lease right-of-use assets	$766	$800	Other assets
Operating lease liabilities	800	835	Other liabilities

Supplemental information related to the Company's operating lease arrangements is presented below:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Cash paid for amounts included in measurement of liabilities:			
Operating cash flows from operating leases	$163	$167	$164
Right-of-use assets in exchange for new operating lease liabilities	79	268	117

The weighted average remaining lease term and weighted average discount rate for operating leases as of December 31, 2021 is seven years and 2.34%, respectively. The weighted average remaining lease term and weighted average discount rate for operating leases as of December 31, 2020 is eight years and 2.48%, respectively.

At December 31, 2021, lease liabilities maturing under non-cancelable operating leases are presented below for the years ended December 31.

(in millions)	Operating Leases
2022	$157
2023	151
2024	129
2025	106
2026	78
Thereafter	258
Total lease payments	879
Less: Interest	79
Present value of lease liabilities	$800

Citizens as Lessor

Operating lease assets where Citizens was the lessor totaled $244 million and $153 million as of December 31, 2021 and 2020, respectively. Operating lease rental income for leased assets where Citizens is the lessor is recognized in other income on a straight-line basis over the lease term.

Depreciation expense associated with operating lease assets is recorded on a straight-line basis over the estimated useful life, considering the estimated residual value of the leased asset and is included in other operating expense in the Consolidated Statements of Operations. On a periodic basis, operating lease assets are reviewed for impairment. Impairment loss is recognized in other operating expense if the carrying amount of the leased asset exceeds fair value and is not recoverable. The carrying amount of a leased asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the asset.

For discussion of direct finance and sales-type leases where Citizens is lessor, refer to Note 5.

NOTE 10 - GOODWILL AND INTANGIBLE ASSETS

Goodwill is the purchase premium associated with the acquisition of a business and is assigned to the Company's reporting units at the acquisition date. A reporting unit is a business operating segment or a component of a business operating segment. Citizens has identified and assigned goodwill to two reporting units - Consumer Banking and Commercial Banking - based upon reviews of the structure of the Company's executive team and supporting functions, resource allocations and financial reporting processes. Once goodwill has been assigned to reporting units, it no longer retains its association with a particular acquisition, and all of the activities within a reporting unit, whether acquired or organically grown, are available to support the value of the goodwill.

Goodwill is not amortized, but is subject to annual impairment tests. Citizens reviews goodwill for impairment annually as of October 31st and in interim periods when events or changes indicate the carrying value of one or more reporting units may not be recoverable. The Company has the option of performing a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of each reporting unit is less than the carrying value. If it is more likely than not that the fair value exceeds the carrying value, then no further testing is necessary; otherwise, Citizens must perform a quantitative assessment of goodwill.

Citizens may elect to bypass the qualitative assessment and perform a quantitative assessment. The quantitative assessment, used to identify potential impairment, involves comparing each reporting unit's fair value to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value inclusive of goodwill, applicable goodwill is deemed to be not impaired. If the carrying value of the reporting unit inclusive of goodwill exceeds fair value, an impairment charge is recorded for the excess. The impairment loss recognized cannot exceed the amount of goodwill assigned to the reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

Under the quantitative impairment assessment, the fair values of the Company's reporting units are determined using a combination of income and market-based approaches. Citizens relies on the income approach (discounted cash flow method) for determining fair value. Market and transaction approaches are used as benchmarks to corroborate the value determined by the discounted cash flow method. Citizens relies on several

assumptions when estimating the fair value of its reporting units using the discounted cash flow method. These assumptions include the discount rate, as well as projected loan loss, income tax and capital retention rates.

For the year ended December 31, 2021, Citizens performed a quantitative analysis to determine whether the fair value of either of its reporting units was less than the respective reporting unit's carrying value. Multi-year financial forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, customer retention standards, market share changes, anticipated loan and deposit growth, forward interest rates, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit is based on management's assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as GDP and inflation. As a result of this quantitative assessment, the Company determined that there was no impairment to the carrying value of the Company's goodwill as of December 31, 2021.

Changes in the carrying value of goodwill for the years ended December 31, 2021 and 2020 are presented below.

(in millions)	Consumer Banking	Commercial Banking	Total
Balance at December 31, 2019	$2,258	$4,786	$7,044
Business acquisition	—	6	6
Balance at December 31, 2020	$2,258	$4,792	$7,050
Business acquisitions	—	66	66
Balance at December 31, 2021	$2,258	$4,858	$7,116

Accumulated impairment losses related to the Consumer Banking reporting unit totaled $5.9 billion at December 31, 2021 and 2020. The accumulated impairment losses related to the Commercial Banking reporting unit totaled $50 million at December 31, 2021 and 2020. No impairment was recorded for the years ended December 31, 2021, 2020 or 2019.

Other Intangibles

Other intangible assets are recognized separately from goodwill if the asset arises as a result of contractual rights or if the asset is capable of being separated and sold, transferred or exchanged. Intangible assets are recorded in other assets on the Consolidated Balance Sheets. Intangible assets are amortized on a straight-line basis and subject to an annual impairment evaluation. Amortization expense is recorded in other operating expense in our Consolidated Statements of Operations.

A summary of the carrying value of intangible assets is presented below.

		December 31, 2021			December 31, 2020		
(in millions)	Amortizable Lives (years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Acquired technology	5 - 7	$21	$11	$10	$21	$7	$14
Acquired relationships	2 - 15	53	14	39	38	10	28
Naming Rights	10	10	3	7	11	2	9
Other	2 - 7	13	5	8	13	6	7
Total		$97	$33	$64	$83	$25	$58

As of December 31, 2021, all of the Company's intangible assets were being amortized. Amortization expense recognized on intangible assets was $11 million for the years ended December 31, 2021, 2020 and 2019. The Company's projection of amortization expense is based on balances as of December 31, 2021. Future amortization expense may vary from these projections.

Estimated intangible asset amortization expense for the next five years is as follows:

(in millions)	Total
2022	$20
2023	12
2024	7
2025	7
2026	6

NOTE 11 - VARIABLE INTEREST ENTITIES

Citizens makes equity investments in various entities that are considered VIEs, as defined by GAAP. A VIE typically does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. The Company's variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. Citizens consolidates a VIE if it is the primary beneficiary of the entity. Citizens is the primary beneficiary of a VIE if its variable interest provides it with the power to direct the activities that most significantly impact the VIE and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to the VIE. To determine whether or not a variable interest held could potentially be significant to the VIE, the company considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE. Citizens assesses whether or not it is the primary beneficiary of a VIE on an ongoing basis.

Citizens is involved in various entities that are considered VIEs, including investments in limited partnerships that sponsor affordable housing projects, limited liability companies that sponsor renewable energy projects or asset-backed securities, and lending to special purpose entities. Citizens' maximum exposure to loss as a result of its involvement with these entities is limited to the balance sheet carrying amount of its investment in equity and asset-backed securities, unfunded commitments, and outstanding principal balance of loans to special purpose entities.

A summary of these investments is presented below:

	December 31,	
(in millions)	2021	2020
Lending to special purpose entities included in loans and leases	$2,646	$1,295
LIHTC investment included in other assets	1,978	1,687
LIHTC unfunded commitments included in other liabilities	927	875
Investment in asset-backed securities included in HTM securities	737	893
Renewable energy investments included in other assets	429	403

Lending to Special Purpose Entities

Citizens provides lending facilities to third-party sponsored special purpose entities. Because the sponsor for each respective entity has the power to direct how proceeds from the Company are utilized, as well as maintains responsibility for any associated servicing commitments, Citizens is not the primary beneficiary of these entities. Accordingly, Citizens does not consolidate these VIEs on the Consolidated Balance Sheets. As of December 31, 2021 and 2020, the lending facilities had aggregate unpaid principal balances of $2.6 billion and $1.3 billion, respectively, and undrawn commitments to extend credit of $1.9 billion and $1.5 billion, respectively.

Low Income Housing Tax Credit Partnerships

The purpose of the Company's equity investments is to assist in achieving the goals of the Community Reinvestment Act and to earn an adequate return of capital. LIHTC partnerships are managed by unrelated general partners that have the power to direct the activities which most significantly affect the performance of the partnerships. Citizens is therefore not the primary beneficiary of any LIHTC partnerships. Accordingly, Citizens does not consolidate these VIEs and accounts for these investments in other assets on the Consolidated Balance Sheets.

Citizens applies the proportional amortization method to account for its LIHTC investments. Under the proportional amortization method, the Company applies a practical expedient and amortizes the initial cost of the investment in proportion to the tax credits received in the current period as compared to the total tax credits expected to be received over the life of the investment. The amortization and tax benefits are included as a component of income tax expense. The tax credits received are reported as a reduction of income tax expense (or an increase to income tax benefit) related to these transactions.

The following table presents other information related to the Company's affordable housing tax credit investments:

(in millions)	Year Ended December 31, 2021	2020	2019
Tax credits included in income tax expense	$202	$159	$128
Other tax benefits included in income tax expense	48	38	32
Total tax benefits included in income tax expense	250	197	160
Less: Amortization included in income tax expense	208	168	137
Net benefit from affordable housing tax credit investments included in income tax expense	$42	$29	$23

No LIHTC investment impairment losses were recognized during the years ended December 31, 2021, 2020 and 2019.

Asset-backed securities

The Company's investment in asset-backed securities are collateralized by education loans sold to a third-party sponsored VIE during the year ended December 31, 2020. Citizens acts as primary servicer for the sold educational loans and receives a servicing fee. A third-party special servicer is responsible for all loans that become significantly delinquent.

As of December 31, 2021, the Company concluded that both their investment in asset-backed securities, as well as the primary servicing fee, are considered variable interests in the VIE as there is a possibility, even if remote, that would result in either the Company's interest in the asset-backed securities or the primary servicing fee absorbing some of the losses of the VIE. However, Citizens did not control the determination of the assets purchased by the VIE and does not control the servicing activities on significantly delinquent loans. Since these activities significantly impact the economic performance of the VIE, the Company has concluded that Citizens is not the primary beneficiary. Accordingly, Citizens does not consolidate the VIE and accounts for its investment in the asset-backed securities as HTM securities on the Consolidated Balance Sheets.

Renewable Energy Entities

The Company's investments in certain renewable energy entities provide benefits from a return generated by government incentives plus other tax attributes that are associated with tax ownership (e.g., tax depreciation). As a tax equity investor, Citizens does not have the power to direct the activities which most significantly affect the performance of these entities and therefore is not the primary beneficiary of any renewable energy entities. Accordingly, Citizens does not consolidate these VIEs and accounts for these investments in other assets on the Consolidated Balance Sheets.

NOTE 12 - DEPOSITS

Interest-bearing deposits in banks are carried at cost and include deposits that mature within one year.

The following table presents the major components of deposits:

(in millions)	December 31, 2021	2020
Demand	$49,443	$43,831
Money market accounts	47,216	48,569
Checking with interest	30,409	27,204
Regular savings	22,030	18,044
Term deposits	5,263	9,516
Total deposits	$154,361	$147,164

The following table presents the maturity distribution by year of term deposits as of December 31, 2021:

(in millions)	
2022	$4,420
2023	484
2024	215
2025	116
2026	25
2027 and thereafter	3
Total	$5,263

The following table presents the remaining maturities of term deposits with a denomination of $250,000 or more at December 31, 2021:

(in millions)	
Three months or less	$1,298
After three months through six months	140
After six months through twelve months	154
After twelve months	101
Total term deposits	$1,693

NOTE 13 - BORROWED FUNDS

Short-term borrowed funds

The following table presents a summary of the Company's short-term borrowed funds.

	December 31,	
(in millions)	2021	2020
Securities sold under agreements to repurchase	$1	$231
Other short-term borrowed funds	73	12
Total short-term borrowed funds	$74	$243

Long-term borrowed funds

The following table presents a summary of the Company's long-term borrowed funds:

	December 31,	
(in millions)	2021	2020
Parent Company:		
2.375% fixed-rate senior unsecured debt, due July 2021[1]	$—	$350
4.150% fixed-rate subordinated debt, due September 2022[2][3]	168	182
3.750% fixed-rate subordinated debt, due July 2024[2][3]	90	159
4.023% fixed-rate subordinated debt, due October 2024[2][3]	17	25
4.350% fixed-rate subordinated debt, due August 2025[2][3]	133	193
4.300% fixed-rate subordinated debt, due December 2025[2][3]	336	450
2.850% fixed-rate senior unsecured notes, due July 2026	498	497
2.500% fixed-rate senior unsecured notes, due February 2030	298	297
3.250% fixed-rate senior unsecured notes, due April 2030	745	745
3.750% fixed-rate reset subordinated debt, due February 2031[2]	69	—
4.300% fixed-rate reset subordinated debt, due February 2031[2]	135	—
4.350% fixed-rate reset subordinated debt, due February 2031[2]	60	—
2.638% fixed-rate subordinated debt, due September 2032[3]	550	543
CBNA's Global Note Program:		
2.550% senior unsecured notes, due May 2021	—	1,003
3.250% senior unsecured notes, due February 2022	700	716
0.845% floating-rate senior unsecured notes, due February 2022[4]	300	299
0.932% floating-rate senior unsecured notes, due May 2022[4]	250	250
2.650% senior unsecured notes, due May 2022	503	510
3.700% senior unsecured notes, due March 2023	512	527
1.170% floating-rate senior unsecured notes, due March 2023[4]	250	249
2.250% senior unsecured notes, due April 2025	746	746
3.750% senior unsecured notes, due February 2026	524	551
Additional Borrowings by CBNA and Other Subsidiaries:		
Federal Home Loan Bank advances, 0.852% weighted average rate, due through 2041	19	19
Other	29	35
Total long-term borrowed funds	$6,932	$8,346

[1] Notes were redeemed on June 28, 2021.
[2] December 31, 2021 balances reflect the February 2021 completion of $265 million in private exchange offers for five series of outstanding subordinated notes whereby participants received newly issued 3.750%, 4.300%, and 4.350% fixed-rate reset subordinated notes due 2031 which are redeemable by the Company five years prior to their maturity.
[3] December 31, 2020 balances reflect the September 2020 completion of (i) $621 million in private exchange offers for five series of outstanding subordinated notes whereby participants received a combination of the Company's newly issued 2.638% fixed-rate subordinated notes due 2032 and an additional cash payment and (ii) $11 million in related cash tender offers whereby validly tendered and accepted subordinated notes were purchased by Citizens and subsequently cancelled.
[4] Rate disclosed reflects the floating rate as of December 31, 2021, or final floating rate as applicable.

The Parent Company's long-term borrowed funds as of December 31, 2021 and 2020 included principal balances of $3.2 billion and $3.5 billion, respectively, and unamortized deferred issuance costs and/or discounts of $80 million and $90 million, respectively. CBNA and other subsidiaries' long-term borrowed funds as of December 31, 2021 and 2020 included principal balances of $3.8 billion and $4.8 billion, respectively, with unamortized deferred issuance costs and/or discounts of $7 million and $11 million, respectively, and hedging basis adjustments of $42 million and $112 million, respectively. See Note 14 for further information about the Company's hedging of certain long-term borrowed funds.

Advances, lines of credit and letters of credit from the FHLB are collateralized primarily by residential mortgages and home equity products at least sufficient to satisfy the collateral maintenance level established by the FHLB. The utilized borrowing capacity for FHLB advances and letters of credit was $2.3 billion and $3.2 billion at December 31, 2021 and 2020, respectively. The Company's available FHLB borrowing capacity was $15.9 billion and $13.9 billion at December 31, 2021 and 2020, respectively. Citizens can also borrow from the FRB discount window to meet short-term liquidity requirements. Collateral, including certain loans, is pledged to support this borrowing capacity. At December 31, 2021, the Company's unused secured borrowing capacity was approximately $63.0 billion, which includes unencumbered securities, FHLB borrowing capacity, and FRB discount window capacity.

The following table presents a summary of maturities for the Company's long-term borrowed funds at December 31, 2021:

(in millions)	Parent Company	CBNA and Other Subsidiaries	Consolidated
Year			
2022	$168	$1,763	$1,931
2023	—	765	765
2024	107	1	108
2025	469	760	1,229
2026	498	524	1,022
2027 and thereafter	1,857	20	1,877
Total	$3,099	$3,833	$6,932

NOTE 14 - DERIVATIVES

In the normal course of business, Citizens enters into a variety of derivative transactions to meet the financing and hedging needs of its customers and to reduce its own exposure to fluctuations in interest rates and foreign currency exchange rates. These transactions include interest rate swap contracts, interest rate options, foreign exchange contracts, residential loan commitment rate locks, interest rate future contracts, swaptions, certain commodities, forward commitments to sell TBAs, forward sale contracts and purchase options. The Company does not use derivatives for speculative purposes.

The Company's derivative instruments are recognized on the Consolidated Balance Sheets in derivative assets and derivative liabilities at fair value. Certain derivatives are cleared through a central clearing house. Cleared derivatives represent contracts executed bilaterally with counterparties in the OTC market that are novated to a central clearing house who then becomes our counterparty. OTC-cleared derivative instruments are typically settled in cash each day based on the prior day value. Information regarding the valuation methodology and inputs used to estimate the fair value of the Company's derivative instruments is described in Note 20.

Derivative assets and liabilities are netted by counterparty on the Consolidated Balance Sheets if a "right of setoff" has been established in a master netting agreement between the Company and the counterparty. This netted derivative asset or liability position is also netted against the fair value of any cash collateral that has been pledged or received in accordance with a master netting agreement.

The following table presents derivative instruments included on the Consolidated Balance Sheets:

(in millions)	December 31, 2021 Notional Amount[(1)]	December 31, 2021 Derivative Assets	December 31, 2021 Derivative Liabilities	December 31, 2020 Notional Amount[(1)]	December 31, 2020 Derivative Assets	December 31, 2020 Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate contracts	$23,450	$12	$2	$22,300	$1	$3
Derivatives not designated as hedging instruments:						
Interest rate contracts	142,987	680	174	149,021	1,565	214
Foreign exchange contracts	21,336	263	231	16,789	320	291
Commodities contracts	514	508	505	246	62	61
TBA contracts	7,776	8	8	11,149	8	65
Other contracts	3,555	38	2	8,051	197	—
Total derivatives not designated as hedging instruments		1,497	920		2,152	631
Gross derivative fair values		1,509	922		2,153	634
Less: Gross amounts offset in the Consolidated Balance Sheets[(2)]		(235)	(235)		(182)	(182)
Less: Cash collateral applied[(2)]		(58)	(490)		(56)	(324)
Total net derivative fair values presented in the Consolidated Balance Sheets		$1,216	$197		$1,915	$128

[(1)] The notional or contractual amount of interest rate derivatives and foreign exchange contracts is the amount upon which interest and other payments under the contract are based. For interest rate contracts, the notional amount is typically not exchanged. Therefore, notional amounts should not be taken as the measure of credit or market risk, as they do not measure the true economic risk of these contracts.
[(2)] Amounts represent the impact of enforceable master netting agreements that allow the Company to net settle positive and negative positions as well as collateral paid and received.

The Company's derivative transactions are internally divided into three sub-groups: institutional, customer and residential loan. Certain derivative transactions within these sub-groups are designated as fair value or cash flow hedges, as described below:

Derivatives Designated As Hedging Instruments

The Company's institutional derivatives qualify for hedge accounting treatment. The net interest accruals on interest rate swaps designated in a fair value or cash flow hedge relationship are treated as an adjustment to interest income or interest expense of the item being hedged. The Company formally documents at inception all hedging relationships, as well as risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Company monitors the effectiveness of its hedge relationships during the duration of the hedge period. The methods utilized to assess hedge effectiveness vary based on the hedge relationship and the Company monitors each relationship to ensure that management's initial intent continues to be satisfied. The Company discontinues hedge accounting treatment when it is determined that a derivative is not expected to be, or has ceased to be, effective as a hedge and subsequently reflects changes in the fair value of the derivative in earnings after termination of the hedge relationship.

Fair Value Hedges

In a fair value hedge, changes in the fair value of both the derivative instrument and the hedged asset or liability attributable to the risk being hedged are recognized in the same income statement line item in the Consolidated Statements of Operations when the changes in fair value occur.

Citizens has outstanding interest rate swap agreements utilized to manage the interest rate exposure on its long-term borrowings and AFS debt securities. Certain fair value hedges have been designated as a last-of-layer hedge, which affords the Company the ability to execute a fair value hedge of the interest rate risk associated with a portfolio of similar prepayable assets whereby the last dollar amount estimated to remain in the portfolio of assets is identified as the hedged item.

The following table presents the change in fair value of interest rate contracts designated as fair value hedges, as well as the change in fair value of the related hedged items attributable to the risk being hedged, included in the Consolidated Statements of Operations:

	Year Ended December 31,			
(in millions)	2021	2020	2019	Affected Line Item in the Consolidated Statements of Operations
Interest rate swaps hedging borrowed funds	($72)	$65	$107	Interest expense - long-term borrowed funds
Hedged long-term debt attributable to the risk being hedged	71	(63)	(107)	Interest expense - long-term borrowed funds
Interest rate swaps hedging fixed rate loans	—	17	(17)	Interest and fees on loans and leases
Hedged fixed rate loans attributable to the risk being hedged	—	(17)	17	Interest and fees on loans and leases
Interest rate swaps hedging debt securities available for sale	68	(104)	8	Interest income - investment securities
Hedged debt securities available for sale attributable to risk being hedged	(68)	104	(8)	Interest income - investment securities

The following table reflects amounts recorded in the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

	December 31, 2021		December 31, 2020	
(in millions)	Debt securities available for sale[1]	Long-term borrowed funds	Debt securities available for sale[1]	Long-term borrowed funds
Carrying amount of hedged assets	$6,042	$—	$10,869	$—
Carrying amount of hedged liabilities	—	2,239	—	3,307
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	29	42	96	112

[1] The Company designated $2.0 billion as the hedged amount (from a closed portfolio of prepayable financial assets with an amortized cost basis of $6.0 billion and $10.9 billion as of December 31, 2021 and 2020, respectively) in a last-of-layer hedging relationship, which commenced in the third quarter of 2019.

Cash Flow Hedges

In a cash flow hedge, the entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is initially recorded in OCI and is subsequently reclassified from OCI to current period earnings (interest income or interest expense) in the same period that the hedged item affects earnings.

Citizens has outstanding interest rate swap agreements designed to hedge a portion of the Company's floating-rate assets and liabilities. All of these swaps have been deemed highly effective cash flow hedges. During the next 12 months, there are $36 million in pre-tax net gains on derivative instruments included in OCI expected to be reclassified to net interest income in the Consolidated Statements of Operations. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to December 31, 2021.

The following table presents the pre-tax net gains (losses) recorded in the Consolidated Statements of Operations and in the Consolidated Statements of Comprehensive Income relating to derivative instruments designated as cash flow hedges:

	Amounts Recognized for the Year Ended December 31,		
(in millions)	2021	2020	2019
Amount of pre-tax net gains (losses) recognized in OCI	($66)	$130	$138
Amount of pre-tax net gains (losses) reclassified from OCI into interest income	183	184	(68)
Amount of pre-tax net gains (losses) reclassified from OCI into interest expense	(48)	(35)	11

Derivatives not designated as hedging instruments

Economic Hedges

The Company's economic hedges include those related to offsetting customer derivatives, residential mortgage loan derivatives (including interest rate lock commitments and forward sales commitments) and

derivatives to hedge its residential MSR portfolio. Customer derivatives include interest rate, foreign exchange and commodity derivative contracts designed to meet the hedging and financing needs of the Company's customers, and are economically hedged by the Company to offset its market exposure. Interest rate lock commitments on residential mortgage loans that will be held for sale are considered derivative instruments, and are economically hedged by entering into forward sale commitments to manage changes in fair value due to interest rate risk. Residential MSR portfolio derivatives are entered to hedge the risk of changes in the fair value of the Company's MSRs.

The following table presents the effect of economic hedges on noninterest income:

(in millions)	Amounts Recognized in Noninterest Income for the Year Ended December 31, 2021	2020	2019	Affected Line Item in the Consolidated Statements of Operations
Economic hedge type:				
Customer interest rate contracts	($374)	$1,234	$687	Foreign exchange and interest rate products
Derivatives hedging interest rate risk	401	(1,188)	(620)	Foreign exchange and interest rate products
Customer foreign exchange contracts	(207)	216	(166)	Foreign exchange and interest rate products
Derivatives hedging foreign exchange risk	305	(263)	200	Foreign exchange and interest rate products
Customer commodity contracts	779	(9)	—	Foreign exchange and interest rate products
Derivatives hedging commodity price risk	(770)	13	—	Foreign exchange and interest rate products
Residential loan commitments	(208)	179	8	Mortgage banking fees
Derivatives hedging residential loan commitments and mortgage loans held for sale, at fair value	152	(50)	20	Mortgage banking fees
Derivative contracts used to hedge residential MSRs[1]	(150)	311	134	Mortgage banking fees
Total	($72)	$443	$263	

[1] Includes ($5) million related to interest rate derivative contracts used to hedge residential MSRs valued at the lower of cost or market for the year ended December 31, 2019.

NOTE 15 - EMPLOYEE BENEFITS

Pension Plans

Citizens maintains a non-contributory pension plan (the "Qualified Plan") that was closed to new hires and re-hires effective January 1, 2009, and frozen to all participants effective December 31, 2012. Benefits under the Qualified Plan are based on employees' years of service and highest 5-year average of eligible compensation. The Qualified Plan is funded on a current basis, in compliance with the requirements of ERISA. Citizens also provides an unfunded, non-qualified supplemental retirement plan (the "Non-Qualified Plan"), which was closed and frozen effective December 31, 2012. The Company's Qualified Plan and Non-Qualified Plan are collectively referred to as the Company's "Pension Plans". The Pension Plans' investments include equity-oriented and fixed income-oriented investments including, but not limited to, government obligations, corporate bonds, and common and collective equity and fixed income funds.

The following table presents changes in the fair value of the Company's Pension Plans' assets, projected benefit obligation, funded status, and accumulated benefit obligation:

	Year Ended December 31,			
	Qualified Plan		Non-Qualified Plan	
(in millions)	2021	2020	2021	2020
Fair value of plan assets as of January 1	$1,343	$1,246	$—	$—
Actual return on plan assets	125	165	—	—
Employer contributions	—	—	8	8
Benefits and administrative expenses paid	(78)	(68)	(8)	(8)
Fair value of plan assets as of December 31	1,390	1,343	—	—
Projected benefit obligation	1,083	1,157	99	105
Pension asset (obligation)	$307	$186	($99)	($105)
Accumulated benefit obligation	$1,083	$1,157	$99	$105

The Company's projected benefit obligation decreased for the year ending December 31, 2021 due to an actuarial gain and benefits paid exceeded the interest cost on remaining obligations. Citizens recognized actuarial gains and losses on the Pension Plans in AOCI resulting in an ending balance of $465 million and $571 million at December 31, 2021 and 2020, respectively.

Citizens does not plan to contribute to the Qualified Plan in 2022. No contributions were made to the Qualified Plan in 2021 or 2020. Citizens expects to contribute $8 million to the Non-Qualified Plan in 2022 and contributed $8 million to the Non-Qualified Plan in 2021 and 2020.

The following table presents other changes in plan assets and benefit obligations recognized in OCI for the Company's Pension Plans:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Net periodic pension cost (income)	($31)	($22)	($5)
Net actuarial loss (gain)	(74)	37	(49)
Amortization of prior service credit	—	—	—
Amortization of net actuarial loss	(17)	(17)	(19)
Settlement	(15)	—	—
Total gain (loss) recognized in other comprehensive income (loss)	(106)	20	(68)
Total (loss) gain recognized in net periodic pension cost (income) and other comprehensive income (loss)	($137)	($2)	($73)

Costs under the Company's Pension Plans are actuarially computed and include current service costs and amortization of prior service costs over the participants' average future working lifetime. The actuarial cost method used in determining the net periodic pension cost is the projected unit method. During 2021, lump sum payments made under the Qualified Plan triggered settlement accounting. In accordance with the applicable accounting guidance for defined benefit plans, we performed a remeasurement of the Qualified Plan and recognized a settlement loss.

The following table presents the components of net periodic pension (income) cost for the Company's Pension Plans:

	Year Ended December 31,								
	Qualified Plan			Non-Qualified Plan			Total		
(in millions)	2021	2020	2019	2021	2020	2019	2021	2020	2019
Service cost	$3	$3	$3	$—	$—	$—	$3	$3	$3
Interest cost	31	37	41	3	3	4	34	40	45
Expected return on plan assets	(85)	(82)	(72)	—	—	—	(85)	(82)	(72)
Amortization of actuarial loss	14	14	17	3	3	2	17	17	19
Settlement	15	—	—	—	—	—	15	—	—
Net periodic pension (income) cost[1]	($22)	($28)	($11)	$6	$6	$6	($16)	($22)	($5)

[1] In the Consolidated Statements of Operations, service cost is presented in salaries and employee benefits, and all other components of net periodic pension (income) cost are presented in other operating expense.

The following table presents the expected future benefit payments for the Company's Pension Plans:

	(in millions)
Expected benefit payments by fiscal year ending:	
December 31, 2022	$70
December 31, 2023	68
December 31, 2024	68
December 31, 2025	69
December 31, 2026	69
December 31, 2027 - 2031	339

401(k) Plan

Citizens sponsors a 401(k) Plan under which employee tax-deferred/Roth after-tax contributions to the 401(k) Plan are matched by the Company after completion of one year of service. Contributions for substantially all employees are matched at 100% up to an overall limitation of 4% on a pay period basis. In addition, substantially all employees will receive an additional 1% of earnings after completion of one year of service, subject to limits set by the Internal Revenue Service. Amounts expensed by the Company were $63 million in 2021 compared to $78 million in 2020 and $72 million in 2019.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in the balances, net of income taxes, of each component of AOCI:

(in millions)	Net Unrealized Gains (Losses) on Derivatives	Net Unrealized Gains (Losses) on Debt Securities	Employee Benefit Plans	Total AOCI
Balance at January 1, 2019	($143)	($490)	($463)	($1,096)
Other comprehensive income (loss) before reclassifications	103	501	—	604
Amounts reclassified to the Consolidated Statements of Operations	43	(15)	48	76
Net other comprehensive income (loss)	146	486	48	680
Cumulative effect of change in accounting principle	—	5	—	5
Balance at December 31, 2019	$3	$1	($415)	($411)
Other comprehensive income (loss) before reclassifications	97	382	—	479
Amounts reclassified to the Consolidated Statements of Operations	(111)	(3)	(14)	(128)
Net other comprehensive income (loss)	(14)	379	(14)	351
Balance at December 31, 2020	($11)	$380	($429)	($60)
Other comprehensive income (loss) before reclassifications	(49)	(528)	—	(577)
Amounts reclassified to the Consolidated Statements of Operations	(101)	(8)	81	(28)
Net other comprehensive income (loss)	(150)	(536)	81	(605)
Balance at December 31, 2021	($161)	($156)	($348)	($665)
Primary location in the Consolidated Statement of Operations of amounts reclassified from AOCI	Net interest income	Securities gains, net	Other operating expense	

NOTE 17 - STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes the Company's preferred stock:

		December 31,			
		2021		2020	
(in millions, except per share and share data)	Liquidation value per share	Preferred Shares	Carrying Amount	Preferred Shares	Carrying Amount
Authorized ($25 par value per share)		100,000,000		100,000,000	
Issued and outstanding:					
Series A	$1,000	—	$—	250,000	$247
Series B	1,000	300,000	296	300,000	296
Series C	1,000	300,000	297	300,000	297
Series D	1,000 [1]	300,000 [2]	293	300,000	293
Series E	1,000 [1]	450,000 [3]	437	450,000	437
Series F	1,000	400,000	395	400,000	395
Series G	1,000	300,000	296	—	—
Total		2,050,000	$2,014	2,000,000	$1,965

(1) Equivalent to $25 per depositary share.
(2) Represented by 12,000,000 depositary shares each representing a 1/40th interest in the Series D Preferred Stock.
(3) Represented by 18,000,000 depositary shares each representing a 1/40th interest in the Series E Preferred Stock.

On June 11, 2021, the Company issued $300 million, or 300,000 shares, of 4.000% fixed-rate reset non-cumulative perpetual Series G Preferred Stock, par value of $25.00 per share with a liquidation preference of $1,000 per share (the "Series G Preferred Stock"). As a result of this issuance, the Company received net proceeds of $296 million after the underwriting discount and other expenses. The Series G Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. The Series G Preferred Stock is redeemable at the Company's option, in whole or in part, on any dividend payment date on or after October 6, 2026 or, in whole but not in part, at any time within the 90 days following a regulatory capital treatment event at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends. The Company may not redeem shares of the Series G Preferred Stock without obtaining the prior approval of the FRB if then required under applicable capital guidelines. Except in limited circumstances, the Series G Preferred Stock does not have any voting rights.

On July 6, 2021, the Company redeemed all outstanding shares of the 5.500% fixed-to-floating rate non-cumulative perpetual Series A Preferred Stock.

The following table provides information related to the Company's preferred stock outstanding as of December 31, 2021:

(in millions, except per share and share data)

Preferred Stock[1]	Issue Date	Number of Shares Issued	Dividend Dates[2]	Annual Per Share Dividend Rate	Optional Redemption Date[3]
Series B	May 24, 2018	300,000	Semi-annually beginning January 6, 2019 until July 6, 2023	6.000% until July 6, 2023	July 6, 2023
			Quarterly beginning October 6, 2023	3 Mo. LIBOR plus 3.003% beginning July 6, 2023	
Series C	October 25, 2018	300,000	Quarterly beginning January 6, 2019 until April 6, 2024	6.375% until April 6, 2024	April 6, 2024
			Quarterly beginning July 6, 2024	3 Mo. LIBOR plus 3.157% beginning April 6, 2024	
Series D	January 29, 2019	300,000[4]	Quarterly beginning April 6, 2019 until April 6, 2024	6.350% until April 6, 2024	April 6, 2024
			Quarterly beginning July 6, 2024	3 Mo. LIBOR plus 3.642% beginning April 6, 2024	
Series E	October 28, 2019	450,000[5]	Quarterly beginning January 6, 2020	5.000%	January 6, 2025
Series F	June 4, 2020	400,000	Quarterly beginning October 6, 2020 until October 6, 2025	5.650% until October 6, 2025	October 6, 2025
			Quarterly beginning January 6, 2026	5 Yr. US Treasury rate plus 5.313% beginning October 6, 2025	
Series G	June 11, 2021	300,000	Quarterly beginning October 6, 2021 until October 6, 2026	4.000% until October 6, 2026	October 6, 2026
			Quarterly beginning January 6, 2027	5 Yr. US Treasury rate plus 3.215% beginning October 6, 2026	

[1] Series B through D are non-cumulative fixed-to-floating rate perpetual preferred stock, Series E is non-cumulative fixed-rate perpetual preferred stock, and Series F and G are non-cumulative fixed-rate reset perpetual preferred stock. Except in limited circumstances, each series of preferred stock does not have voting rights.
[2] Dividends are payable when, and if, declared by the Company's Board of Directors or an authorized committee thereof.
[3] Redeemable at the Company's option, in whole or in part, on any dividend payment date on or after the date stated, or in whole but not in part, at any time within 90 days following a regulatory capital treatment event as defined in the applicable certificate of designations, in each case at a redemption price equal to $1,000 per share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Under current rules, any redemption is subject to approval by the FRB.
[4] Represented by 12,000,000 depositary shares each representing a 1/40th interest in the Series D Preferred Stock.
[5] Represented by 18,000,000 depositary shares each representing a 1/40th interest in the Series E Preferred Stock.

Dividends

	Year Ended December 31,								
	2021			2020			2019		
(in millions, except per share data)	Dividends Declared per Share	Dividends Declared	Dividends Paid	Dividends Declared per Share	Dividends Declared	Dividends Paid	Dividends Declared per Share	Dividends Declared	Dividends Paid
Common stock	$1.56	$670	$670	$1.56	$672	$672	$1.36	$617	$617
Preferred stock									
Series A	$20.99	$5	$8	$62.59	$15	$13	$55.00	$14	$14
Series B	60.00	18	18	60.00	18	18	60.00	18	20
Series C	63.75	19	19	63.75	19	19	63.75	19	18
Series D	63.50	18	18	63.50	19	19	59.45	18	13
Series E	50.00	23	23	50.00	23	21	9.44	4	—
Series F	56.50	23	23	33.27	13	8	—	—	—
Series G	22.78	7	4	—	—	—	—	—	—
Total preferred stock		$113	$113		$107	$98		$73	$65

Treasury Stock

The purchase of the Company's common stock is recorded at cost. At the date of retirement or subsequent reissuance, treasury stock is reduced by the cost of such stock on a first-in, first-out basis with differences recorded in additional paid-in capital or retained earnings, as applicable.

During the years ended December 31, 2021 and 2020, the Company paid $295 million to repurchase 6,455,636 common shares and paid $270 million to repurchase 7,548,655 common shares, respectively.

NOTE 18 - SHARE-BASED COMPENSATION

Citizens has share-based employee compensation plans as outlined below, pursuant to which stock awards are granted to employees and non-employee directors.

Employees of the Company hold time-based restricted stock units and performance-based restricted stock units. A restricted stock unit is the right to receive shares of stock on a future date, which may be subject to time-based vesting conditions and/or performance-based vesting conditions.

Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan. Certain employees of the Company hold time-based restricted stock units and performance-based restricted stock units granted under this plan. Time-based restricted stock units granted generally become vested ratably over a 3-year period and performance-based restricted stock units granted generally become vested in a single installment at the end of a 3-year performance period, depending on the level of performance achieved during such period relative to established targets. If a dividend is paid on shares underlying the awards prior to the date such shares are distributed, those dividends will be distributed following vesting in the same form as the dividend that has been paid to common stockholders generally.

Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan. Non-employee directors receive grants of time-based restricted stock units under this plan as compensation for their services. Restricted stock units granted to directors are fully vested on the grant date, with settlement of the awards deferred until a director's cessation of service. If a dividend is paid on the shares underlying awards prior to the date such shares are distributed, they are reinvested into additional restricted stock units.

Citizens Financial Group, Inc. 2014 Employee Stock Purchase Plan. Citizens also maintains the Citizens Financial Group, Inc. Employee Stock Purchase Plan (the "ESPP"), which provides eligible employees an opportunity to purchase its common stock at a 10% discount. Participants may contribute up to 10% of eligible compensation to the ESPP and may purchase up to $25,000 worth of stock in any calendar year. Offering periods under the ESPP are quarterly, with shares of CFG common stock purchased on the last day of each quarter at a 10% discount from the fair market value (fair market value under the plan is defined as the closing price on the day of purchase). Prior to the date the shares are purchased, participants do not have any rights or privileges as a stockholder with respect to shares to be purchased at the end of the offering period.

Stock Option Activity

Under the terms of the merger agreement with JMP, Citizens granted stock option awards to replace awards previously granted by JMP that were outstanding as of November 15, 2021. A share conversion ratio of 6:1 was applied to convert JMP's outstanding equity awards into CFG awards and the strike prices of replacement stock options were also adjusted to reflect this exchange ratio, in accordance with the merger agreement. Converted awards retain the same terms and conditions they had prior to the merger, except that Citizens shares will be issued upon the settlement or exercise.

The fair value of the awards being replaced and replacement awards were measured using a simple lattice model as of the date of the merger. The portion of the fair value of the awards being replaced which was attributable to pre-combination service was included as a component of the consideration paid in the merger. The portion attributable to post-combination service, in addition to any increased value of replacement awards over the awards being replaced, was recognized as stock-based compensation expense over each award's remaining service period.

There were no stock options granted during the years ended December 31, 2021, 2020 and 2019, except for stock option awards that were converted into Citizens awards in conjunction with the JMP acquisition on November 15, 2021.

The following table presents a summary of the Company's outstanding and exercisable stock option activity:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1. 2021	—	$—	—	$—
Assumed	249,861	19.45	—	—
Granted	—	—	—	—
Exercised	(4,000)	19.45	—	—
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2021	245,861	19.45	3.1	7
Exercisable at December 31, 2021	34,856	$19.45	3.1	$1

As of December 31, 2021, the aggregate intrinsic value of both outstanding and exercisable stock options was $7 million and $1 million, respectively.

Summary of Share-Based Plans Activity

The following table presents the activity related to the Company's share-based plans (excluding the ESPP):

	Year Ended December 31,					
	2021		2020		2019	
	Units	Weighted-Average Grant Price	Units	Weighted-Average Grant Price	Units	Weighted-Average Grant Price
Outstanding, January 1	3,496,231	$34.37	3,000,224	$36.71	2,893,281	$34.04
Assumed	82,013	49.95	—	—	—	—
Granted	1,417,370	44.97	1,947,902	32.64	1,677,167	36.21
Vested & Distributed	(1,400,722)	38.88	(1,384,091)	38.59	(1,518,836)	32.21
Forfeited	(91,936)	35.00	(67,804)	35.89	(51,388)	38.29
Outstanding, December 31	3,502,956	$38.23	3,496,231	$34.37	3,000,224	$36.71

There are 44,911,455 shares of Company common stock available for awards to be granted under the Omnibus Plan and Directors Plan. In addition, there are 4,547,955 shares available for awards under the ESPP. Upon settlement of share-based awards, the Company generally issues new shares, but may also issue shares from treasury stock.

Citizens measures compensation expense related to stock awards based upon the fair value of the awards on the grant date. Compensation expense is adjusted for forfeitures as they occur. The related expense is charged to earnings on a straight-line basis over the requisite service period (e.g., vesting period) of the award. With respect to performance-based stock awards, compensation expense is adjusted upward or downward based upon the probability of achievement of performance. Awards that continue to vest after retirement are expensed over the shorter of the period of time from grant date to the final vesting date or from the grant date to the date when an employee is retirement eligible. Awards granted to employees who are retirement eligible at the grant date are generally expensed immediately upon grant.

Share-based compensation expense (including ESPP) was $59 million, $48 million, and $55 million for the years ended December 31, 2021, 2020 and 2019, respectively. At December 31, 2021, the total unrecognized compensation expense for nonvested equity awards granted was $53 million. This expense is expected to be recognized over a weighted-average period of approximately two years. No share-based compensation costs were capitalized during the years ended December 31, 2021, 2020 and 2019.

Citizens recognized income tax benefits related to share-based compensation arrangements of $12 million, $8 million and $1 million for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

A summary of outstanding off-balance sheet arrangements is presented below:

	December 31,	
(in millions)	2021	2020
Commitments to extend credit	$84,206	$74,160
Letters of credit	1,998	2,239
Risk participation agreements	39	98
Loans sold with recourse	82	54
Marketing rights	26	29
Total	$86,351	$76,580

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to customers in accordance with conditions contractually agreed upon in advance. Generally, the commitments have fixed expiration dates or termination clauses and may require payment of a fee. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements.

Letters of Credit

Letters of credit in the table above reflect commercial, standby financial and standby performance letters of credit. Financial and performance standby letters of credit are issued by the Company for the benefit of its customers. They are used as conditional guarantees of payment to a third party in the event the customer either fails to make specific payments (financial) or fails to complete a specific project (performance). The Company's exposure to credit loss in the event of counterparty nonperformance in connection with the above instruments is represented by the contractual amount of those instruments. Generally, letters of credit are collateralized by cash, accounts receivable, inventory or investment securities. Credit risk associated with letters of credit is considered in determining the appropriate amounts of allowances for unfunded commitments. Standby letters of credit and commercial letters of credit are issued for terms of up to ten years and one year, respectively.

Other Commitments

Citizens has additional off-balance sheet arrangements that are summarized below:

- Marketing Rights - During 2003, Citizens entered into a 25-year agreement to acquire the naming and marketing rights of a baseball stadium in Pennsylvania.
- Loans sold with recourse - Citizens is an originator and servicer of residential mortgages and routinely sells such mortgage loans in the secondary market and to GSEs. In the context of such sales, the Company makes certain representations and warranties regarding the characteristics of the underlying loans and, as a result, may be contractually required to repurchase such loans or indemnify certain parties against losses for certain breaches of those representations and warranties. The Company also sells the government guaranteed portion of certain SBA loans to outside investors, for which it retains the servicing rights.
- Risk Participation Agreements - RPAs are guarantees issued by the Company to other parties for a fee, whereby the Company agrees to participate in the credit risk of a derivative customer of the other party. The current amount of credit exposure is spread out over multiple counterparties. At December 31, 2021, the remaining terms on these RPAs ranged from less than one year to eight years.

Contingencies

The Company operates in a legal and regulatory environment that exposes it to potentially significant risks. A certain amount of litigation ordinarily results from the nature of the Company’s banking and other businesses. The Company is a party to legal proceedings, including class actions. The Company is also the subject of investigations, reviews, subpoenas, and regulatory matters arising out of its normal business operations, which, in some instances, relate to concerns about fair lending, unfair and/or deceptive practices, and mortgage-related issues. In addition, the Company engages in discussions with relevant governmental and regulatory authorities on a regular and ongoing basis regarding various issues, and any issues discussed or identified may result in investigatory or other action being taken. Litigation and regulatory matters may result in settlements, damages, fines, penalties, public or private censure, increased costs, required remediation, restrictions on business activities, or other impacts on the Company.

In these disputes and proceedings, the Company contests liability and the amount of damages as appropriate. Given their complex nature, and based on the Company's experience, it may be years before some of these matters are finally resolved. Moreover, before liability can be reasonably estimated for a claim, numerous legal and factual issues may need to be examined, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal issues relevant to the proceedings in question. The Company cannot predict with certainty if, how, or when such claims will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for claims that are at an early stage in their development or where claimants seek substantial or indeterminate damages. The Company recognizes a provision for a claim when, in the opinion of management after seeking legal advice, it is probable that a liability exists and the amount of loss can be reasonably estimated. In many proceedings, however, it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

Based on information currently available, the advice of legal counsel and other advisers, and established reserves, management believes that the aggregate liabilities, if any, potentially arising from these proceedings will not have a materially adverse effect on the Company’s Consolidated Financial Statements.

NOTE 20 - FAIR VALUE MEASUREMENTS

Citizens measures or monitors many of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities for which fair value is the required or elected measurement basis of accounting. Additionally, fair value is used on a nonrecurring basis to evaluate assets for impairment or for disclosure purposes. Nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write-downs of individual assets. Citizens also applies the fair value measurement guidance to determine amounts reported for certain disclosures in this Note for assets and liabilities that are not required to be reported at fair value in the financial statements.

Fair Value Option

Citizens elected to account for residential mortgage LHFS and certain commercial and industrial, and commercial real estate LHFS at fair value. The election of the fair value option for financial assets and financial liabilities is optional and irrevocable. Applying fair value accounting to residential mortgage LHFS better aligns the reported results of the economic changes in the value of these loans and their related economic hedge instruments. Certain commercial and industrial, and commercial real estate LHFS are managed by a commercial secondary loan desk that provides liquidity to banks, finance companies and institutional investors. Applying fair value accounting to this portfolio is appropriate because the Company holds these loans with the intent to sell within the near-term periods.

The following table presents the difference between the aggregate fair value and the aggregate unpaid principal balance of LHFS measured at fair value:

	December 31, 2021			December 31, 2020		
(in millions)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Than Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Than Aggregate Unpaid Principal
Residential mortgage loans held for sale, at fair value	$2,657	$2,591	$66	$3,416	$3,260	$156
Commercial and industrial, and commercial real estate loans held for sale, at fair value	76	79	(3)	148	153	(5)

Residential Mortgage Loans Held for Sale

The fair value of residential mortgage LHFS is derived from observable mortgage security prices and includes adjustments for loan servicing value, agency guarantee fees, and other loan level attributes which are mostly observable in the marketplace. Credit risk does not significantly impact the valuation since these loans are sold shortly after origination. Therefore, the Company classifies residential mortgage LHFS in Level 2 of the fair value hierarchy.

Residential mortgage loans accounted for under the fair value option are initially measured at fair value when the financial asset is originated or purchased. Subsequent changes in fair value are recognized in mortgage banking fees on the Consolidated Statements of Operations.

Interest income on residential mortgage loans held for sale is calculated based on the contractual interest rate of the loan and is recorded in interest income.

Commercial and Industrial, and Commercial Real Estate Loans Held for Sale

The fair value of commercial and industrial, and commercial real estate LHFS is estimated using observable prices of similar loans that transact in the marketplace. In addition, Citizens uses external pricing services that provide estimates of fair values based on quotes from various dealers transacting in the market, sector curves or benchmarking techniques. Therefore, the Company classifies the commercial and industrial, and commercial real estate loans managed by the commercial secondary loan desk in Level 2 of the fair value hierarchy given the observable market inputs.

The loans accounted for under the fair value option are initially measured at fair value when the financial asset is recognized. Subsequent changes in fair value are recognized in capital markets fees on the Consolidated Statements of Operations. Since all loans in the Company's commercial trading portfolio consist of floating rate obligations, all changes in fair value are due to changes in credit risk. Such credit-related fair value changes may include observed changes in overall credit spreads and/or changes to the creditworthiness of an individual borrower.

Interest income on commercial and industrial, and commercial real estate loans held for sale is calculated based on the contractual interest rate of the loan and is recorded in interest income.

Recurring Fair Value Measurements

Citizens measures fair value using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based upon quoted market prices in an active market, where available. If quoted prices are not available, observable market-based inputs or independently sourced parameters are used to develop fair value, whenever possible. Such inputs may include prices of similar assets or liabilities, yield curves, interest rates, prepayment speeds, and foreign exchange rates.

A portion of the Company's assets and liabilities are carried at fair value, including securities available for sale, derivative instruments and other investment securities. In addition, the Company elects to account for its loans associated with its mortgage banking business and secondary loan trading desk at fair value. Citizens classifies its assets and liabilities that are carried at fair value in accordance with the three-level valuation hierarchy:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar instruments, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by market data for substantially the full term of the asset or liability.
- Level 3. Unobservable inputs that are supported by little or no market information and that are significant to the fair value measurement.

Classification in the hierarchy is based upon the lowest level input that is significant to the fair value measurement of the asset or liability. For instruments classified in Levels 1 and 2 where inputs are primarily based upon observable market data, there is less judgment applied in arriving at the fair value. For instruments classified in Level 3, management judgment is more significant due to the lack of observable market data.

Citizens reviews and updates the fair value hierarchy classifications on a quarterly basis. Changes from one quarter to the next related to the observability of inputs in fair value measurements may result in a reclassification between the fair value hierarchy levels and are recognized based on period-end balances.

Citizens utilizes a variety of valuation techniques to measure its assets and liabilities at fair value on a recurring basis. The valuation methodologies used for significant assets and liabilities carried on the balance sheet at fair value on a recurring basis are presented below:

Debt securities available for sale

The fair value of debt securities classified as AFS is based upon quoted prices, if available. Where observable quoted prices are available in an active market, the security is classified as Level 1 in the fair value hierarchy. Classes of instruments that are valued using this market approach include debt securities issued by the U.S. Treasury. If quoted market prices are not available, the fair value for the security is estimated under the market or income approach using pricing models. These instruments are classified as Level 2 because they currently trade in active markets and the inputs to the valuations are observable. The pricing models used to value securities generally begin with market prices (or rates) for similar instruments and make adjustments based on the characteristics of the instrument being valued. These adjustments reflect assumptions made regarding the sensitivity of each security's value to changes in interest rates and prepayment speeds. Classes of instruments that are valued using this market approach include specified pool mortgage "pass-through" securities, CLOs, and other debt securities issued by U.S. government-sponsored entities and state and political subdivisions. The pricing models used to value securities under the income approach generally begin with the contractual cash flows of each security and make adjustments based on forecasted prepayment speeds, default rates, and other market-observable information. The adjusted cash flows are then discounted at a rate derived from observed rates of return for comparable assets or liabilities that are traded in the market. Classes of instruments that are valued using this market approach include residential and commercial CMOs.

A significant majority of the Company's Level 1 and 2 debt securities are priced using an external pricing service. Citizens verifies the accuracy of the pricing provided by its primary outside pricing service on a quarterly basis. This process involves using a secondary external vendor to provide valuations for the Company's securities portfolio for comparison purposes. Any valuation discrepancies beyond a certain threshold are researched and, if necessary, corroborated by an independent outside broker.

In certain cases where there is limited activity or less transparency around inputs to the valuation model, securities are classified as Level 3.

Mortgage Servicing Rights

MSRs do not trade in an active market with readily observable prices. MSRs are classified as Level 3 since the valuation methodology utilizes significant unobservable inputs. The fair value is calculated using a discounted cash flow model which uses assumptions, including weighted-average life, prepayment assumptions and weighted-average option adjusted spread. The underlying assumptions and estimated values are corroborated by values received from independent third parties based on their review of the servicing portfolio, and comparisons

to market transactions. In addition, the MSR Policy is approved by the Asset Liability Committee. Refer to Note 8 for more information.

Derivatives

The vast majority of the Company's derivatives portfolio is composed of "plain vanilla" interest rate swaps, which are traded in over-the-counter markets where quoted market prices are not readily available. For these interest rate derivatives, fair value is determined utilizing models that primarily use market observable inputs, such as swap rates and yield curves. The pricing models used to value interest rate swaps calculate the sum of each instrument's fixed and variable cash flows, which are then discounted using an appropriate yield curve (i.e., LIBOR or Overnight Index Swap curve) to arrive at the fair value of each swap. The pricing models do not contain a high level of subjectivity as the methodologies used do not require significant judgment. Citizens also considers certain adjustments to the modeled price that market participants would make when pricing each instrument, including a credit valuation adjustment that reflects the credit quality of the swap counterparty. Citizens incorporates the effect of exposure to a particular counterparty's credit by netting its derivative contracts with the available collateral and calculating a credit valuation adjustment on the basis of the net position with the counterparty where permitted. The determination of this adjustment requires judgment on behalf of Company management; however, the total amount of this portfolio-level adjustment is not material to the total fair value of the interest rate swaps. Therefore, interest rate swaps are classified as Level 2 in the valuation hierarchy.

The fair value of commodity derivatives uses the mid-point of market observable quoted prices as an input into the fair value model. The model uses the observed market prices combined with other market observed inputs to derive the fair value of the instrument, which generally classifies it as Level 2 instrument.

The fair value of foreign exchange derivatives uses the mid-point of daily quoted currency spot prices. A valuation model estimates fair value based on the quoted spot rates together with interest rate yield curves and forward currency rates. Since all of these inputs are observable in the market, foreign exchange derivatives are classified as Level 2 in the fair value hierarchy.

The fair value of TBA contracts is estimated using observable prices of similar loan pools that transact in the marketplace, as well as sector curves and benchmarking techniques. Therefore, the Company classifies TBA contracts in Level 2 of the fair value hierarchy given the observable market inputs.

Other contracts primarily consist of interest rate lock commitments and forward sales commitments of residential MBS used to economically hedge existing mortgage commitments that are pending closure. Forward sales commitments are valued based on the value of similarly situated pools of mortgages trading in the market, adjusted for the unique characteristics of the pool. Since these inputs are observable in the market, these derivatives are classified as Level 2 in the fair value hierarchy. Interest rate lock commitments are valued utilizing internally generated loan closing rate assumptions, which are a significant unobservable input, and therefore are classified as Level 3 in the fair value hierarchy.

Equity Securities, at fair value

The fair value of money market mutual fund investments is determined based upon unadjusted quoted market prices and is considered a Level 1 fair value measurement.

The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities, on a recurring basis at December 31, 2021:

(in millions)	Total	Level 1	Level 2	Level 3
Debt securities available for sale:				
Mortgage-backed securities	$24,847	$—	$24,847	$—
Collateralized loan obligations	1,207	—	1,207	—
State and political subdivisions	2	—	2	—
U.S. Treasury and other	11	11	—	—
Total debt securities available for sale	26,067	11	26,056	—
Loans held for sale, at fair value:				
Residential loans held for sale	2,657	—	2,657	—
Commercial loans held for sale	76	—	76	—
Total loans held for sale, at fair value	2,733	—	2,733	—
Mortgage servicing rights	1,029	—	—	1,029
Derivative assets:				
Interest rate contracts	692	—	692	—
Foreign exchange contracts	263	—	263	—
Commodities contracts	508	—	508	—
TBA contracts	8	—	8	—
Other contracts	38	—	—	38
Total derivative assets	1,509	—	1,471	38
Equity securities, at fair value[1]	102	95	7	—
Total assets	$31,440	$106	$30,267	$1,067
Derivative liabilities:				
Interest rate contracts	$176	$—	$176	$—
Foreign exchange contracts	231	—	231	—
Commodities contracts	505	—	505	—
TBA contracts	8	—	8	—
Other contracts	2	—	2	—
Total derivative liabilities	922	—	922	—
Total liabilities	$922	$—	$922	$—

[1] Excludes investments of $7 million that are measured at fair value using the net asset value per share (or its equivalent) practical expedient.

The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities, on a recurring basis at December 31, 2020:

(in millions)	Total	Level 1	Level 2	Level 3
Debt securities available for sale:				
Mortgage-backed securities	$22,928	$—	$22,928	$—
State and political subdivisions	3	—	3	—
U.S. Treasury and other	11	11	—	—
Total debt securities available for sale	22,942	11	22,931	—
Loans held for sale, at fair value:				
Residential loans held for sale	3,416	—	3,416	—
Commercial loans held for sale	148	—	148	—
Total loans held for sale, at fair value	3,564	—	3,564	—
Mortgage servicing rights	658	—	—	658
Derivative assets:				
Interest rate contracts	1,566	—	1,566	—
Foreign exchange contracts	320	—	320	—
Commodities contracts	62	—	62	—
TBA contracts	8	—	8	—
Other contracts	197	—	—	197
Total derivative assets	2,153	—	1,956	197
Equity securities, at fair value	66	66	—	—
Total assets	$29,383	$77	$28,451	$855
Derivative liabilities:				
Interest rate contracts	$217	$—	$217	$—
Foreign exchange contracts	291	—	291	—
Commodities contracts	61	—	61	—
TBA contracts	65	—	65	—
Total derivative liabilities	634	—	634	—
Total liabilities	$634	$—	$634	$—

The following table presents a roll forward of the balance sheet amounts for assets measured at fair value on a recurring basis and classified as Level 3:

	For the Year Ended December 31,				
	2021		2020		
(in millions)	Mortgage Servicing Rights	Other Derivative Contracts	Mortgage Servicing Rights	Asset-Backed Securities	Other Derivative Contracts
Beginning balance	$658	$197	$642	$—	$19
Transfers upon election of fair value method[1]	—	—	190	—	—
Beginning balance, adjusted	658	197	832	—	19
Purchases	—	—	—	813	—
Issuances	419	377	324	—	900
Settlements[2]	(212)	(328)	(196)	—	(1,133)
Changes in fair value during the period recognized in earnings[3]	164	(208)	(302)	—	411
Transfer from AFS to HTM[4]	—	—	—	(813)	—
Ending balance	$1,029	$38	$658	$—	$197

[1] Effective January 1, 2020, the Company elected to account for all MSRs previously accounted for under the amortization method under the fair value method.
[2] Represents changes in value of the MSRs due to i) passage of time including the impact from both regularly scheduled loan principal payments and partial paydowns, and ii) loans that paid off during the period.
[3] Represents changes in value primarily driven by market conditions. These changes are recorded in mortgage banking fees in the Consolidated Statements of Operations.
[4] In October 2020, Citizens concluded that it has the ability and intent to hold these assets to maturity and transferred them to HTM. Refer to Note 11 for additional information.

The following table presents quantitative information about the Company's Level 3 assets, including the range and weighted-average of the significant unobservable inputs used to fair value these assets, as well as valuation techniques used.

	As of December 31, 2021		
	Valuation Technique	Unobservable Input	Range (Weighted Average)
Mortgage servicing rights	Discounted Cash Flow	Constant prepayment rate	9.40-26.32% CPR (10.70% CPR)
		Option adjusted spread	370-1,228 bps (596 bps)
Other derivative contracts	Internal Model	Pull through rate	9.39-100.00% (77.51%)
		MSR value	(17.00)-168.75 bps (96.13 bps)

Nonrecurring Fair Value Measurements

Fair value is also used on a nonrecurring basis to evaluate certain assets for impairment or for disclosure purposes. An example of a nonrecurring use of fair value includes loan impairments for certain loans and leases.

The following valuation techniques are utilized to measure significant assets for which the Company utilizes fair value on a nonrecurring basis:

Impaired Loans

The carrying amount of collateral-dependent impaired loans is compared to the appraised value of the collateral less costs to dispose and is classified as Level 2. Any excess of carrying amount over the appraised value is charged to the ALLL.

The following table presents losses on assets measured at fair value on a nonrecurring basis and recorded in earnings:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Collateral-dependent loans	($27)	($82)	($34)

The following table presents assets measured at fair value on a nonrecurring basis:

	December 31, 2021				December 31, 2020			
(in millions)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$645	$—	$645	$—	$758	$—	$758	$—

Disclosures about Fair Value of Financial Instruments

The following table presents the estimated fair value for financial instruments not recorded at fair value in the Consolidated Financial Statements. The carrying amounts are recorded in the Consolidated Balance Sheets under the indicated captions:

	December 31, 2021							
	Total		Level 1		Level 2		Level 3	
(in millions)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:								
Debt securities held to maturity	$2,242	$2,289	$—	$—	$1,505	$1,557	$737	$732
Other loans held for sale	735	735	—	—	—	—	735	735
Loans and leases	128,163	128,156	—	—	645	645	127,518	127,511
Other assets	624	624	—	—	609	609	15	15
Financial liabilities:								
Deposits	154,361	154,366	—	—	154,361	154,366	—	—
Short-term borrowed funds	74	74	—	—	74	74	—	—
Long-term borrowed funds	6,932	7,188	—	—	6,932	7,188	—	—

(in millions)	December 31, 2020							
	Total		Level 1		Level 2		Level 3	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:								
Debt securities held to maturity	$3,235	$3,357	$—	$—	$2,342	$2,464	$893	$893
Other loans held for sale	439	439	—	—	—	—	439	439
Loans and leases	123,090	123,678	—	—	758	758	122,332	122,920
Other assets	604	604	—	—	596	596	8	8
Financial liabilities:								
Deposits	147,164	147,223	—	—	147,164	147,223	—	—
Short-term borrowed funds	243	243	—	—	243	243	—	—
Long-term borrowed funds	8,346	8,850	—	—	8,346	8,850	—	—

NOTE 21 - NONINTEREST INCOME

Revenues from Contracts with Customers

Citizens recognizes revenue from contracts with customers in the amount of consideration it expects to receive upon the transfer of control of a good or service. The timing of recognition is dependent on whether the Company satisfies a performance obligation by transferring control of the product or service to a customer over time or at a point in time. Judgments are made in the recognition of income including the timing of satisfaction of performance obligations and determination of the transaction price.

The following table presents the components of revenue from contracts with customers disaggregated by revenue stream and business operating segment:

(in millions)	Year Ended December 31, 2021			
	Consumer Banking	Commercial Banking	Other	Consolidated
Service charges and fees	$302	$105	$—	$407
Card fees	216	32	—	248
Capital markets fees	—	419	—	419
Trust and investment services fees	239	—	—	239
Other banking fees	—	12	—	12
Total revenue from contracts with customers	$757	$568	$—	$1,325
Total revenue from other sources	466	241	103	810
Total noninterest income	$1,223	$809	$103	$2,135

(in millions)	Year Ended December 31, 2020			
	Consumer Banking	Commercial Banking	Other	Consolidated
Service charges and fees	$301	$100	$—	$401
Card fees	185	31	—	216
Capital markets fees	—	249	—	249
Trust and investment services fees	203	—	—	203
Other banking fees	1	10	—	11
Total revenue from contracts with customers	$690	$390	$—	$1,080
Total revenue from other sources	965	205	69	1,239
Total noninterest income	$1,655	$595	$69	$2,319

	Year Ended December 31, 2019			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated
Service charges and fees	$400	$103	$—	$503
Card fees	215	39	—	254
Capital markets fees	—	202	—	202
Trust and investment services fees	202	—	—	202
Other banking fees	1	10	—	11
Total revenue from contracts with customers	$818	$354	$—	$1,172
Total revenue from other sources	338	253	114	705
Total noninterest income	$1,156	$607	$114	$1,877

Citizens does not have any material contract assets, liabilities, or other receivables recorded on its Consolidated Balance Sheets related to revenues from contracts with customers as of December 31, 2021. Citizens has elected to exclude disclosure of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which the Company recognized revenue at the amount to which the Company has the right to invoice for services performed.

A description of the above components of revenue from contracts with customers is presented below:

Service Charges and Fees

Service charges and fees include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products and servicing fees on loans sold without recognition of a servicing right are recognized over time (typically monthly) as services are provided.

Card Fees

Card fees include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the association network. Interchange rates are generally set by the association network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction. Costs related to card rewards programs are recognized in current earnings as the rewards are earned by the customer and are presented as a reduction to card fees on the Consolidated Statements of Operations.

Capital Markets Fees

Capital markets fees include fees received from leading or participating in loan syndications, bond and equity underwriting services, and advisory fees. Loan syndication and underwriting fees are recognized as revenue at a point in time when the Company has rendered all services to, and is entitled to collect the fee from, the borrower or the issuer, and there are no other contingencies associated with the fee. Underwriting expenses passed through from the lead underwriter are recognized within other operating expense on the Consolidated Statements of Operations. Advisory fees for mergers and acquisitions are recognized over time, while valuation services and fairness opinions are recognized at a point in time upon completion of the advisory service.

Trust and Investment Services Fees

Trust and investment services fees include fees from investment management services and brokerage services. Fees from investment management services are based on asset market values and are recognized over the period in which the related service is provided. Brokerage services include custody fees, commission income, trailing commissions and other investment securities. Custody fees are recognized on a monthly basis for customers that are assessed custody fees. Commission income is recognized at a point in time on trade date. Trailing commissions such as 12b-1 fees, insurance renewal income, and income based on asset or investment levels in future periods are recognized at a point in time when the asset balance is known, or the renewal occurs and the income is no longer constrained. For the years ended December 31, 2021, 2020 and 2019, the Company recognized trailing commissions of $16 million, $14 million and $15 million, respectively, related to services provided in previous reporting periods. Fees from other investment services are recognized at a point in time upon completion of the service.

Other Banking Fees

Other banking fees include fees for various transactional banking activities such as letter of credit fees, foreign wire transfers and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided.

Revenue from Other Sources

Letter of Credit and Loan Fees

Letter of credit and loan fees primarily includes fees received related to letter of credit agreements as well as loan fees received from lending activities that are not deferrable. These fees are recognized upon execution of the contract.

Foreign Exchange and Interest Rate Products

Foreign exchange and interest rate products primarily includes the fees received from foreign exchange and interest rate derivative contracts executed with customers to meet their hedging and financing needs. These fees are generally recognized upon execution of the contracts. Foreign exchange and interest rate products also include the mark-to-market gains and losses recognized on these customer contracts and offsetting derivative contracts that are executed with external counterparties to hedge the foreign exchange and interest rate risk associated with the customer contracts.

Mortgage Banking Fees

Mortgage banking fees primarily include gains on sales of residential mortgages originated with the intent to sell and servicing fees on mortgages where the Company is the servicer. Mortgage banking fees also include valuation adjustments for mortgage loans held-for-sale that are measured at the lower of cost or fair value, as well as mortgage loans originated with the intent to sell that are measured at fair value under the fair value option. Changes in the value of MSRs are reported in mortgage fees and related income. For a further discussion of MSRs, see Note 8. Net interest income from mortgage loans is recorded in interest income.

Other Income

Bank-owned life insurance is stated at its cash surrender value. Citizens is the beneficiary of the life insurance policies on current and former officers and selected employees of the Company. Net changes in the carrying amount of the cash surrender value are an adjustment of premiums paid in determining the expense or income to be recognized under the life insurance policy for the period.

NOTE 22 - OTHER OPERATING EXPENSE

The following table presents the details of other operating expense:

	Year Ended December 31,		
(in millions)	2021	2020	2019
Marketing	$111	$100	$112
Other	300	319	364
Other operating expense	$411	$419	$476

NOTE 23 - INCOME TAXES

Citizens uses an asset and liability (balance sheet) approach for financial accounting and reporting of income taxes, resulting in two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in gross deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent changes in taxes expected to be paid in the future due to reversals of temporary differences between the bases of the assets and liabilities as measured under tax laws, and their bases reported in the Consolidated Financial Statements as measured under GAAP.

Citizens also assesses the probability that the positions taken, or expected to be taken, in its income tax returns will be sustained by taxing authorities. A “more likely than not” (more than 50 percent) recognition threshold must be met before a tax benefit can be recognized. Tax positions that are more likely than not to be sustained are reflected in the Company’s Consolidated Financial Statements.

The following table presents total income tax expense:

(in millions)	Year Ended December 31, 2021	2020	2019
Income tax expense	$658	$241	$460
Tax effect of changes in OCI	(199)	112	225
Total comprehensive income tax expense	$459	$353	$685

The following table presents the components of income tax expense:

(in millions)	Current	Deferred	Total
Year Ended December 31, 2021			
U.S. federal	$871	($345)	$526
State and local	216	(84)	132
Total	$1,087	($429)	$658
Year Ended December 31, 2020			
U.S. federal	$377	($181)	$196
State and local	102	(57)	45
Total	$479	($238)	$241
Year Ended December 31, 2019			
U.S. federal	$323	$64	$387
State and local	73	—	73
Total	$396	$64	$460

The following table presents a reconciliation between the U.S. federal income tax rate and the Company's effective income tax rate:

	Year Ended December 31,					
	2021		2020		2019	
(in millions, except ratio data)	Amount	Rate	Amount	Rate	Amount	Rate
U.S. federal income tax expense and tax rate	$625	21.0 %	$273	21.0 %	$473	21.0 %
Increase (decrease) resulting from:						
State and local income taxes (net of federal benefit)	126	4.2	54	4.2	73	3.2
Bank-owned life insurance	(14)	(0.5)	(12)	(0.9)	(12)	(0.5)
Tax-exempt interest	(7)	(0.2)	(10)	(0.7)	(15)	(0.7)
Tax advantaged investments (including related credits)	(95)	(3.2)	(68)	(5.3)	(50)	(2.3)
Other tax credits	(7)	(0.2)	(6)	(0.5)	(10)	(0.4)
Adjustments for uncertain tax positions	3	0.1	(1)	(0.1)	—	—
Non-deductible FDIC premiums	14	0.5	14	1.1	13	0.6
Legacy tax matters	—	—	(4)	(0.3)	(19)	(0.8)
Other	13	0.4	1	—	7	0.3
Total income tax expense and tax rate	$658	22.1 %	$241	18.5 %	$460	20.4 %

The following table presents the tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities:

	December 31,	
(in millions)	2021	2020
Deferred tax assets:		
Other comprehensive income	$227	$29
Allowance for credit losses	448	622
State net operating loss carryforwards	50	71
Accrued expenses not currently deductible	676	77
Investment and other tax credit carryforwards	110	99
Total deferred tax assets	1,511	898
Valuation allowance	(103)	(98)
Deferred tax assets, net of valuation allowance	1,408	800
Deferred tax liabilities:		
Leasing transactions	331	459
Amortization of intangibles	379	376
Depreciation	256	262
Pension and other employee compensation plans	132	107
Partnerships	95	76
Deferred Income	85	62
MSRs	130	87
Total deferred tax liabilities	1,408	1,429
Net deferred tax liability	$—	$629

Deferred tax assets are recognized for net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amounts that management concludes are more likely than not to be realized.

At December 31, 2021, the Company had state tax net operating loss carryforwards of $812 million. Limitations on the ability to realize these carryforwards are reflected in the associated valuation allowance. At December 31, 2021, the Company had a valuation allowance of $103 million against various deferred tax assets related to state net operating losses and state tax credits, as it is management's current assessment that it is more likely than not that the Company will not recognize a portion of the deferred tax assets related to these items. The valuation allowance increased $5 million during the year ended December 31, 2021.

Effective with the fiscal year ended September 30, 1997, the reserve method for bad debts was no longer permitted for tax purposes. The repeal of the reserve method required the recapture of the reserve balance in excess of certain base year reserve amounts attributable to years ended prior to 1988. At December 31, 2021, the Company's base year loan loss reserves attributable to years ended prior to 1988, for which no deferred income taxes have been provided, was $557 million. This base year reserve may become taxable if certain distributions are made with respect to the stock of the Company or if the Company ceases to qualify as a bank for tax purposes. No actions are planned that would cause this reserve to become wholly or partially taxable.

Citizens files income tax returns in the U.S. federal jurisdiction and in various state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by major tax authorities for years before 2018.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	December 31,		
(in millions)	2021	2020	2019
Balance at the beginning of the year	$4	$5	$8
Gross increase for tax positions related to current year	1	—	—
Gross increase for tax positions related to prior years	3	—	—
Gross decrease for tax positions related to prior years	—	—	(2)
Decrease for tax positions as a result of the lapse of the statutes of limitations	(1)	(1)	(1)
Decrease for tax positions related to settlements with taxing authorities	—	—	—
Balance at end of year	$7	$4	$5

Tax positions are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit.

Included in the total amount of unrecognized tax benefits at December 31, 2021, are potential benefits of $7 million that, if recognized, would impact the effective tax rate.

Citizens classifies interest and penalties related to unrecognized tax benefits as a component of income tax expense. The Company released $1 million of accrued interest through income tax expense during the year ended December 31, 2020. Citizens had no amounts accrued for the payment of interest at December 31, 2021 and 2020, respectively, and approximately $1 million at December 31, 2019. There were no amounts accrued for penalties as of December 31, 2021, 2020 and 2019, and there were no penalties recognized during the years ended December 31, 2021, 2020 and 2019.

NOTE 24 - EARNINGS PER SHARE

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during each period. Net income available to common stockholders represents net income after preferred stock dividends, accretion of the discount on preferred stock issuances, and gains or losses from any repurchases of preferred stock. Diluted EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during each period, plus potential dilutive shares such as share-based payment awards and warrants using the treasury stock method.

	Year Ended December 31,		
(in millions, except share and per share data)	2021	2020	2019
Numerator (basic and diluted):			
Net income	$2,319	$1,057	$1,791
Less: Preferred stock dividends	113	107	73
Net income available to common stockholders	$2,206	$950	$1,718
Denominator:			
Weighted-average common shares outstanding - basic	425,669,451	427,062,537	449,731,453
Dilutive common shares: share-based awards	1,766,367	1,095,243	1,482,248
Weighted-average common shares outstanding - diluted	427,435,818	428,157,780	451,213,701
Earnings per common share:			
Basic	$5.18	$2.22	$3.82
Diluted[1]	5.16	2.22	3.81

[1] Potential dilutive common shares are excluded from the computation of diluted EPS in the periods where the effect would be antidilutive. Excluded from the computation of diluted EPS were weighted average antidilutive shares totaling 2,929, 1,338,130 and 783 for the years ended December 31, 2021, 2020 and 2019.

NOTE 25 - REGULATORY MATTERS

As a bank holding company, Citizens is subject to regulation and supervision by the FRB. Our banking subsidiary, CBNA, is a national banking association whose primary federal regulator is the OCC.

Under the U.S. Basel III capital framework, the Company and CBNA must meet the following specific minimum requirements: CET1 capital ratio of 4.5%, tier 1 capital ratio of 6.0%, total capital ratio of 8.0%, and tier 1 leverage ratio of 4.0%. The Company is imposed a SCB of 3.4% on top of each of the three minimum risk-weighted capital ratios listed above and the Company's SCB is re-calibrated with each biennial supervisory stress test and updated annually to reflect the Company's planned common stock dividends and common share buybacks. CBNA is imposed a static CCB of 2.5% on top of each of the three minimum risk-weighted capital ratios listed above. In addition, the Company must not be subject to a written agreement, order or capital directive with any of its regulators. Failure to meet minimum capital requirements can result in the initiation of certain actions that, if undertaken, could have a material effect on the Company's Consolidated Financial Statements.

The following table presents the Company's capital and capital ratios under U.S. Basel III Standardized rules. The Company has declared itself as an "AOCI opt-out" institution, which means the Company is not required to recognize in regulatory capital the impacts of net unrealized gains and losses included within AOCI for debt securities that are available for sale or held to maturity, accumulated net gains and losses on cash flow hedges and certain defined benefit pension plan assets. The Company has also elected to delay the estimated impact of CECL on regulatory capital for a two-year period ending January 1, 2022, followed by a three-year transition period ending January 1, 2025 to phase-in the aggregate amount of the capital benefit provided during the initial two-year delay.

	Actual		Minimum Capital Adequacy	
(in millions, except ratio data)	Amount	Ratio	Amount	Ratio[1]
As of December 31, 2021				
CET1 capital	$15,656	9.9 %	$12,548	7.9 %
Tier 1 capital	17,670	11.1	14,930	9.4
Total capital	20,244	12.7	18,107	11.4
Tier 1 leverage	17,670	9.7	7,272	4.0
As of December 31, 2020				
CET1 capital	$14,607	10.0 %	$11,596	7.9 %
Tier 1 capital	16,572	11.3	13,797	9.4
Total capital	19,602	13.4	16,733	11.4
Tier 1 leverage	16,572	9.4	7,015	4.0

[1] "Minimum Capital ratio" includes stress capital buffer of 3.4% for 2021 and 2020; N/A to Tier 1 leverage.

The Company's capital distributions are restricted primarily by the FRB's SCB framework. Failure to maintain risk-based capital ratios above respective minimum requirements including the SCB would result in graduated restrictions on the Company's ability to make capital distributions, including common stock dividends, share repurchases, and certain discretionary bonus payments. The timing and exact amount of future dividends and share repurchases will depend on various factors, including the Company's capital position, financial performance, risk-weighted assets, capital impacts of strategic initiatives, market conditions and regulatory considerations. All future capital distributions are subject to consideration and approval by the Board of Directors prior to execution. See Note 17 for more information regarding the Company's preferred stock issuances, common stock repurchases, and dividends.

Dividends payable by CBNA, as a national bank subsidiary, are limited to the lesser of the amount calculated under a "recent earnings" test and an "undivided profits" test. Under the recent earnings test, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years, less any required transfers to surplus, unless the national bank obtains the approval of the OCC. Under the undivided profits test, a dividend may not be paid in excess of the entity's "undivided profits" (generally, accumulated net profits that have not been paid out as dividends or transferred to surplus). Federal bank regulatory agencies have issued policy statements which provide that FDIC-insured depository institutions and their holding companies should generally pay dividends only out of their current operating earnings.

NOTE 26 - BUSINESS OPERATING SEGMENTS

Citizens is managed by its Chief Executive Officer on a segment basis. The Company's two business operating segments are Consumer Banking and Commercial Banking. The business segments are determined based on the products and services provided, or the type of customer served. Each segment has a segment head who reports directly to the Chief Executive Officer. The Chief Executive Officer has final authority over resource

allocation decisions and performance assessment. The business segments reflect this management structure and the manner in which financial information is currently evaluated by the Chief Executive Officer.

Reportable Segments

Segment results are determined based upon the Company's management reporting system, which assigns balance sheet and statement of operations items to each of the business segments. The process is designed around the Company's organizational and management structure and accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. A description of each reportable segment and table of financial results is presented below:

Consumer Banking

The Consumer Banking segment focuses on retail customers and small businesses with annual revenues of up to $25 million. It offers traditional banking products and services, including checking, savings, home loans, education loans, credit cards, business loans, and unsecured product finance and personal loans in addition to financial management services. It also operates an indirect auto financing business, providing financing for both new and used vehicles through auto dealerships. The segment's distribution channels include a branch network, ATMs and a work force of experienced specialists ranging from financial consultants, mortgage loan officers and business banking officers to private bankers. The Company's Consumer Banking value proposition is based on providing simple, easy to understand product offerings and a convenient banking experience with a more personalized approach.

Commercial Banking

The Commercial Banking segment primarily targets companies with annual revenues from $25 million to $3.0 billion and provides a full complement of financial products and solutions, including loans, leases, trade financing, deposits, cash management, commercial cards, foreign exchange, interest rate risk management, corporate finance and capital markets advisory capabilities. It focuses on middle-market companies, large corporations and institutions and has dedicated teams with industry expertise in government banking, not-for-profit, healthcare, technology, professionals, oil and gas, asset finance, franchise finance, asset-based lending, commercial real estate, private equity and sponsor finance. While the segment's business development efforts are predominantly focused in the Company's footprint, some of its specialized industry businesses also operate selectively on a national basis (such as healthcare, asset finance and franchise finance). A key component of Commercial Banking's growth strategy is to bring ideas to clients that help their businesses thrive, and in doing so, expand the loan portfolio and ancillary product sales.

Non-segment Operations

Other

Non-segment operations includes assets, liabilities, capital, revenues, provision for credit losses, expenses and income tax expense not attributed to our Consumer or Commercial Banking segments as well as treasury and community development. In addition to non-segment operations, Other includes goodwill and any associated goodwill impairment charges. For impairment testing purposes, the Company assigns goodwill to its Consumer Banking and Commercial Banking reporting units.

Management accounting practices utilized by the Company as the basis of presentation for segment results include the following:

FTP adjustments

Citizens utilizes an FTP system to eliminate the effect of interest rate risk from the segments' net interest income because such risk is centrally managed within the Treasury function. The FTP system credits (or charges) the segments with the economic value of the funds created (or used) by the segments. The FTP system provides a funds credit for sources of funds and a funds charge for the use of funds by each segment. The sum of the interest income/expense and FTP charges/credits for each segment is its designated net interest income. The variance between the Company's cumulative FTP charges and cumulative FTP credits is offset in Other. Citizens periodically evaluates and refines its methodologies used to measure financial performance of its business operating segments.

Provision for credit losses allocation

Provision for credit losses is allocated to each business segment based on actual net charge-offs recognized by the business segment. The difference between the consolidated provision for credit losses and the business segments' net charge-offs is reflected in Other.

Income tax allocation

Income taxes are assessed to each line of business at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Other.

Expense allocation

Noninterest expenses incurred by centrally managed operations or business lines that directly support another business line's operations are charged to the applicable business line based on its utilization of those services.

Goodwill

For impairment testing purposes, the Company assigns goodwill to its Consumer Banking and Commercial Banking reporting units. For management reporting purposes, the Company presents the goodwill balance (and any related impairment charges) in Other.

Substantially all revenues generated and long-lived assets held by the Company's business segments are derived from clients that reside in the United States. Neither business segment earns revenue from a single external customer that represents ten percent or more of the Company's total revenues.

	As of and for the Year Ended December 31, 2021			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$3,562	$1,706	($756)	$4,512
Noninterest income	1,223	809	103	2,135
Total revenue	4,785	2,515	(653)	6,647
Noninterest expense	2,987	973	121	4,081
Profit (loss) before provision for credit losses	1,798	1,542	(774)	2,566
Provision for credit losses	185	156	(752)	(411)
Income (loss) before income tax expense (benefit)	1,613	1,386	(22)	2,977
Income tax expense (benefit)	410	300	(52)	658
Net income (loss)	$1,203	$1,086	$30	$2,319
Total average assets	$75,509	$57,617	$51,980	$185,106

	As of and for the Year Ended December 31, 2020			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$3,311	$1,643	($368)	$4,586
Noninterest income	1,655	595	69	2,319
Total revenue	4,966	2,238	(299)	6,905
Noninterest expense	2,964	860	167	3,991
Profit (loss) before provision for credit losses	2,002	1,378	(466)	2,914
Provision for credit losses	288	398	930	1,616
Income (loss) before income tax expense (benefit)	1,714	980	(1,396)	1,298
Income tax expense (benefit)	429	206	(394)	241
Net income (loss)	$1,285	$774	($1,002)	$1,057
Total average assets	$72,022	$60,839	$43,581	$176,442

(in millions)	As of and for the Year Ended December 31, 2019			
	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$3,182	$1,466	($34)	$4,614
Noninterest income	1,156	607	114	1,877
Total revenue	4,338	2,073	80	6,491
Noninterest expense	2,851	858	138	3,847
Profit (loss) before provision for credit losses	1,487	1,215	(58)	2,644
Provision for credit losses	325	97	(29)	393
Income (loss) before income tax expense (benefit)	1,162	1,118	(29)	2,251
Income tax expense (benefit)	287	248	(75)	460
Net income (loss)	$875	$870	$46	$1,791
Total average assets	$66,240	$55,947	$39,989	$162,176

NOTE 27 - PARENT COMPANY FINANCIALS

Condensed Statements of Operations

(in millions)	Year Ended December 31,		
	2021	2020	2019
OPERATING INCOME:			
Income from consolidated subsidiaries and excluding equity in undistributed earnings:			
Dividends from banking subsidiaries	$1,120	$900	$1,130
Interest	35	42	48
Management and service fees	64	54	42
Income from nonbank subsidiaries and excluding equity in undistributed earnings:			
Dividends from nonbank subsidiaries	57	40	8
Interest	2	4	4
All other operating income	1	1	1
Total operating income	1,279	1,041	1,233
OPERATING EXPENSE:			
Salaries and employee benefits	36	27	35
Interest expense	119	120	87
All other expenses	28	30	27
Total operating expense	183	177	149
Income before taxes and undistributed income	1,096	864	1,084
Income taxes	(16)	(16)	(10)
Income before undistributed earnings of subsidiaries	1,112	880	1,094
Equity in undistributed earnings of subsidiaries:			
Bank	1,188	170	682
Nonbank	19	7	15
Net income	$2,319	$1,057	$1,791
Other comprehensive income (loss), net of income taxes:			
Net pension plan activity arising during the period	$4	($3)	($5)
Net unrealized derivative instrument gains (losses) arising during the period	1	2	2
Other comprehensive income (loss) activity of the Parent Company, net of income taxes	5	(1)	(3)
Other comprehensive income activity of Bank subsidiaries, net of income taxes	(610)	352	683
Total other comprehensive income (loss), net of income taxes	(605)	351	680
Total comprehensive income	$1,714	$1,408	$2,471

In accordance with federal and state banking regulations, dividends paid by CBNA to the Company are subject to certain limitations, see Note 25 for more information. Additionally, see Note 17 for more information regarding the Company's common and preferred stock dividends.

Condensed Balance Sheets

(in millions)	December 31, 2021	December 31, 2020
ASSETS:		
Cash and due from banks	$2,266	$2,680
Loans and advances to:		
Bank subsidiary	1,148	1,148
Nonbank subsidiaries	150	105
Investments in subsidiaries:		
Bank subsidiary	22,742	22,164
Nonbank subsidiaries	325	106
Other assets	140	152
TOTAL ASSETS	$26,771	$26,355
LIABILITIES:		
Long-term borrowed funds due to unaffiliated companies	$3,099	$3,441
Other liabilities	252	241
TOTAL LIABILITIES	3,351	3,682
TOTAL STOCKHOLDERS' EQUITY	23,420	22,673
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$26,771	$26,355

Condensed Cash Flow Statements

	Year Ended December 31,		
(in millions)	2021	2020	2019
OPERATING ACTIVITIES			
Net income	$2,319	$1,057	$1,791
Adjustments to reconcile net income to net change in cash due to operating activities:			
Deferred income taxes	—	17	(8)
Equity in undistributed earnings of subsidiaries	(1,207)	(177)	(697)
Increase (decrease) in other liabilities	34	43	50
(Increase) decrease in other assets	12	(41)	7
Other operating, net	67	48	58
Net change due to operating activities	1,225	947	1,201
INVESTING ACTIVITIES			
Investments in and advances to subsidiaries	(196)	(190)	(105)
Repayment of investments in and advances to subsidiaries	125	205	55
Acquisitions, net of cash acquired	(165)	—	—
Other investing, net	(1)	(1)	(1)
Net change due to investing activities	(237)	14	(51)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term borrowed funds	—	1,053	500
Repayments of long-term borrowed funds	(350)	(12)	—
Treasury stock purchased	(295)	(270)	(1,220)
Net proceeds from issuance of preferred stock	296	395	730
Redemption of preferred stock	(250)	—	—
Dividends declared and paid to common stockholders	(670)	(672)	(617)
Dividends declared and paid to preferred stockholders	(113)	(98)	(65)
Other financing, net	(20)	(95)	(21)
Net change due to financing activities	(1,402)	301	(693)
Net change in cash and due from banks	(414)	1,262	457
Cash and due from banks at beginning of year	2,680	1,418	961
Cash and due from banks at end of year	$2,266	$2,680	$1,418

NOTE 28 - SUBSEQUENT EVENTS

On February 18, 2022, Citizens completed the acquisition of 80 East Coast branches and the national online deposit business from HSBC.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. The design of any disclosure controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K, were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to the Company’s management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting, the Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements and the Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting are included in Item 8.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

We refer in Part III of this Report to relevant sections of our 2022 Proxy Statement for the 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days of the close of our 2021 fiscal year. Portions of our 2022 Proxy Statement, including the sections we refer to in this Report, are incorporated by reference into this Report.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is presented under the captions “Corporate Governance Matters” — “Election of Directors” — “Nominees” and “Board Governance and Oversight — “Corporate Governance Guidelines, Committee Charters and Code of Business Conduct and Ethics” of our 2022 Proxy Statement, which is incorporated by reference into this item.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is presented under the captions “Compensation Matters” — “Compensation Discussion and Analysis,” “Compensation and Human Resources Committee Report,” “Executive Compensation,” “Termination of Employment and Change of Control,” “Director Compensation,” “Role of Risk Management in Compensation,” and “CEO Pay Ratio” of our 2022 Proxy Statement, which is incorporated by reference into this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is presented under the caption “Security Ownership of Certain Beneficial Owners and Management” in our 2022 Proxy Statement and is incorporated herein by reference.

Information regarding our compensation plans under which CFG equity securities are authorized for issuance is included in the table below. Additional information regarding these plans is included in Note 18 in Item 8.

Equity Compensation Plan Information
At December 31, 2021

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)[2]	Weighted-average exercise price of outstanding options, warrants and rights ($)[3]	Number of securities remaining available (excluding securities reflected in first column) (#)[4]
Equity compensation plans approved by security holders	3,462,593	—	49,459,410
Equity compensation plans not approved by security holders	—	—	—
Total[1]	3,462,593	—	49,459,410

[1] This table excludes securities subject to the JMP Group LLC Amended and Restated Equity Incentive Plan (“the Plan”). Although equity-based awards granted under the Plan were converted into CFG awards and assumed in connection with the JMP acquisition, CFG does not intend to grant any awards under the Plan. As of December 31, 2021, 245,861 stock options with a weighted-average exercise price of $19.45 and 40,363 restricted stock units were outstanding under the Plan.
[2] Represents the number of shares of common stock associated with outstanding time-based and performance-based restricted stock units.
[3] Other than the stock options assumed in connection with the JMP acquisition, CFG had no outstanding stock options.
[4] Represents the number of shares remaining available for future issuance under the Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan (43,575,066 shares), the Citizens Financial Group, Inc. 2014 Employee Stock Repurchase Plan (4,547,955 shares), and the Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan (1,336,389 shares).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is set forth under the captions “Corporate Governance Matters” — “Board Governance and Oversight — Director Independence” and “Related Person Transactions” of our 2022 Proxy Statement, which is incorporated by reference into this item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is presented under the captions “Audit Matters” — “Pre-approval of Independent Auditor Services” and “Independent Registered Public Accounting Firm Fees” of our 2022 Proxy Statement, which is incorporated by reference into this item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements of Citizens Financial Group, Inc., included in this Report:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements;
- Consolidated Balance Sheets as of December 31, 2021 and 2020;
- Consolidated Statements of Operations for the Years Ended December 31, 2021, 2020 and 2019;
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019;
- Consolidated Statements of Changes in Stockholders’ Equity for the Years Ended December 31, 2021, 2020 and 2019;

- Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019; and
- Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All financial statement schedules for the Registrant have been included in the audited Consolidated Financial Statements or the related footnotes in Item 8, or are either inapplicable or not required.

(a)(3) Exhibits

2.1 Agreement and Plan of Merger, dated July 28, 2021, by and between Citizens Financial Group, Inc. and Investors Bancorp, Inc. (incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed July 30, 2021)

3.1 Restated Certificate of Incorporation of the Registrant as in effect on the date hereof, as filed with the Secretary of State of the State of Delaware and effective July 8, 2021 (incorporated herein by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, filed August 3, 2021)

3.2 Amended and Restated Bylaws of the Registrant (as amended and restated on April 23, 2020) (incorporated herein by reference to Exhibit 3.2 of the Current Report on Form 8-K, filed April 24, 2020)

4.1 Senior Debt Indenture between the Company and The Bank of New York Mellon dated as of October 28, 2015 (incorporated herein by reference to Exhibit 4.1 of Registration Statement on Form S-3, filed October 29, 2015)

4.2 Subordinated Indenture between the Company and The Bank of New York Mellon dated as of September 28, 2012 (incorporated herein by reference to Exhibit 4.2 of the Registration Statement on Form S-1, filed July 28, 2015)

4.3 Form of Certificate representing the Series B Preferred Stock (incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K, filed May 24, 2018)

4.4 Form of Deposit Agreement, by and among the Company, Computershare Inc. and Computershare Trust Company, N.A., jointly as depositary, and the holders from time to time of the depositary receipts described therein (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form 8-A, filed October 25, 2019)

4.5 Form of Depositary Receipt (incorporated herein by reference as Exhibit A to Exhibit 4.2 of the Current Report on Form 8-K, filed January 29, 2019)

4.6 Description of the Securities Registered Pursuant to Section 12 of the Securities Act of 1934*

4.7 Agreement to furnish to the SEC upon request a copy of instruments defining the rights of holders of certain long-term debt of the registrant and consolidated subsidiaries*

10.1 Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan (incorporated herein by reference to Exhibit 10.11 of the Quarterly Report on Form 10-Q, filed November 14, 2014)†

10.2 Amended and Restated Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan as of June 23, 2016 (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed August 5, 2016)†

10.3 Amended and Restated Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan as of June 20, 2019 (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed August 6, 2019)†

10.4 Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan Form of Restricted Stock Unit Award Agreement†*

10.5 Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement for Bruce Van Saun Relating to Annual Awards (incorporated herein by reference to Exhibit 10.11 of the Annual Report on Form 10-K, Filed February 24, 2017)†

10.6 Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan Form of Performance Stock Unit Award Agreement†*

10.7 Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan Performance Stock Unit Award Agreement for Bruce Van Saun Relating to Annual Awards (incorporated herein by reference to Exhibit 10.15 of the Annual Report on Form 10-K, Filed February 24, 2017)†

10.8 Citizens Financial Group, Inc. 2014 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 99.3 of the Registration Statement on Form S-8, filed September 26, 2014)†

10.9 Citizens Financial Group, Inc. Non-Employee Directors Compensation Policy, as amended April 25, 2019 (incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q filed August 6, 2019)†

10.10 Citizens Financial Group, Inc. Non-Employee Directors Compensation Policy, amended and effective April 22, 2021 (incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q filed August 3, 2021)†

10.11 Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan (incorporated herein by reference to Exhibit 99.2 of the Registration Statement on Form S-8, filed September 26, 2014)†

10.12 Amended and Restated Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan as of June 23, 2016 (incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q, filed August 5, 2016)†

10.13 Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.19 of the Annual Report on Form 10-K, filed February 26, 2016)†

10.14 Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan Form of Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q, Filed August 3, 2017)†

10.15 Amended and Restated Deferred Compensation Plan for Directors of Citizens Financial Group, Inc., effective January 1, 2009 (incorporated herein by reference to Exhibit 10.19 of Amendment No. 2 to Registration Statement on Form S-1, filed August 15, 2014)†

10.16 Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.5 of Amendment No. 3 to Registration Statement on Form S-1, filed September 8, 2014)†

10.17 Amended and Restated CFG Voluntary Executive Deferred Compensation Plan, effective January 1, 2009 and amended and restated on September 1, 2014 (incorporated herein by reference to Exhibit 10.21 of the Annual Report on Form 10-K, filed March 3, 2015)†

10.18 First Amendment to the CFG Voluntary Executive Deferred Compensation Plan dated March 1, 2019 (incorporated herein by reference to Exhibit 10.26 of the Annual Report on Form 10-K, filed February 24, 2020)†

10.19 Second Amendment to the CFG Voluntary Executive Deferred Compensation Plan dated December 9, 2019 (incorporated herein by reference to Exhibit 10.27 of the Annual Report on Form 10-K, filed February 24, 2020)†

10.20 Third Amendment to the CFG Voluntary Executive Deferred Compensation Plan dated March 4, 2020 (incorporated herein by reference to Exhibit 10.27 of the Annual Report on Form 10-K, filed February 23, 2021)†

10.21 Fourth Amendment to the CFG Voluntary Executive Deferred Compensation Plan dated January 1, 2022†*

10.22 Amended and Restated Citizens Financial Group, Inc. Deferred Compensation Plan, effective January 1, 2009 (incorporated herein by reference to Exhibit 10.20 of Amendment No. 2 to Registration Statement on Form S-1, filed August 15, 2014)†

10.23 Citizens Financial Group, Inc. Form of Deferred Cash Award Agreement†*

10.24 Citizens Financial Group, Inc. Executive Severance Practice (incorporated herein by reference to Exhibit 10.21 of Amendment No. 2 to Registration Statement on Form S-1, filed August 15, 2014)†

10.25 Citizens Financial Group, Inc. Performance Formula and Incentive Plan (incorporated herein by reference to Exhibit 10.28 of Annual Report on Form 10-K, filed March 3, 2015)†

10.26 Amended and Restated Executive Employment Agreement, dated May 5, 2016, between the Registrant and Bruce Van Saun (incorporated herein by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q, filed May 9, 2016)†

10.27 Addendum to Amended and Restated Executive Employment Agreement, dated as of June 25, 2021 between the Registrant and Bruce Van Saun (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q filed August 3, 2021)†

10.28 Executive Employment Agreement, dated March 23, 2015, between the Registrant and Donald H. McCree III and subsequent addendum dated August 2, 2017 (incorporated herein by reference to Exhibit 10.7 of the Quarterly Report on Form 10-Q, filed August 3, 2017)†

10.29 Executive Employment Agreement, dated September 6, 2014, between the Registrant and Malcolm Griggs and subsequent addendum dated August 14, 2017 (incorporated herein by reference to Exhibit 10.41 of the Annual Report on Form 10-K, filed February 21, 2019)†

10.30 Executive Employment Agreement, dated December 13, 2016, between the Registrant and John F. Woods and subsequent addendum dated August 2, 2017 (incorporated herein by reference to Exhibit 10.8 of the Quarterly Report on Form 10-Q, filed August 3, 2017)†

10.31 Executive Employment Agreement, dated August 25, 2011, between the Registrant and Susan LaMonica and subsequent addendums dated July 15, 2014 and August 11, 2017 (incorporated herein by reference to Exhibit 10.39 of the Annual Report on Form 10-K, filed February 23, 2021)†

10.32 Amended and Restated Executive Employment Agreement, dated December 20, 2021, between the Registrant and Brendan Coughlin†*

10.33 Supplemental Retirement Agreement, dated October 31, 1995, as amended, between Charter One Financial, Inc. and, Charles J. Koch (incorporated herein by reference to Exhibit 10.37 of Amendment No. 3 to Registration Statement on Form S-1, filed September 8, 2014)†

21.1 Subsidiaries of Registrant*

23.1 Consent of Independent Registered Public Accounting Firm*

24.1 Power of Attorney (contained herein on signature pages)

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

101 The following materials from the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements*

104 Cover page interactive data file in inline XBRL format, included in Exhibit 101 to this report*

† Indicates management contract or compensatory plan or arrangement.
* Filed herewith.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on February 23, 2022.

CITIZENS FINANCIAL GROUP, INC.

(Registrant)

By: /s/ Bruce Van Saun

Name: Bruce Van Saun

Title: Chairman of the Board and Chief Executive Officer

(Principal Executive Officer)

SIGNATURES

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned, being a director or officer of Citizens Financial Group, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Bruce Van Saun, John F. Woods, Malcolm D. Griggs, and C. Jack Read, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2021 on Form 10-K under the Securities Exchange Act of 1934, as amended, or such other form as any such attorney-in-fact may deem necessary or desirable, any amendments thereto, and all additional amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Bruce Van Saun Bruce Van Saun	Chairman of the Board and Chief Executive Officer (Principal Executive Officer and Director)	February 23, 2022
/s/ John F. Woods John F. Woods	Vice Chairman and Chief Financial Officer (Principal Financial Officer)	February 23, 2022
/s/ C. Jack Read C. Jack Read	Executive Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	February 23, 2022
/s/ Lee Alexander Lee Alexander	Director	February 23, 2022
/s/ Christine M. Cumming Christine M. Cumming	Director	February 23, 2022
/s/ William P. Hankowsky William P. Hankowsky	Director	February 23, 2022
/s/ Leo I. Higdon, Jr. Leo I. Higdon, Jr.	Director	February 23, 2022
/s/ Edward J. Kelly III Edward J. Kelly III	Director	February 23, 2022
/s/ Charles J. Koch Charles J. Koch	Director	February 23, 2022
/s/ Robert G. Leary Robert G. Leary	Director	February 23, 2022
/s/ Terrance J. Lillis Terrance J. Lillis	Director	February 23, 2022
/s/ Shivan S. Subramaniam Shivan S. Subramaniam	Director	February 23, 2022
/s/ Christopher J. Swift Christopher J. Swift	Director	February 23, 2022
/s/ Wendy A. Watson Wendy A. Watson	Director	February 23, 2022
/s/ Marita Zuraitis Marita Zuraitis	Director	February 23, 2022

EXHIBIT 4.6

DESCRIPTION OF THE SECURITIES

REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Citizens Financial Group, Inc. ("Citizens," "we," "our," "us," and the "Company") has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) Common Stock, par value $0.01 per share; (ii) Depositary Shares each representing a 1/40th Interest in a share of our 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, par value $25.00 per share (the "Series D Preferred Stock"); and (iii) Depositary Shares each representing a 1/40th Interest in a share of our 5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E, par value $25.00 per share (the "Series E Preferred Stock").

Authorized Capital Stock

Citizens' authorized capital stock consists of 1,000,000,000 shares of common stock, par value $0.01 per share and 100,000,000 shares of preferred stock, par value $25.00 per share. All outstanding shares of our capital stock are fully paid and non-assessable.

Description of Common Stock

The following description of our common stock is a summary and does not purport to be complete and is qualified in its entirely by the applicable provisions of federal law governing bank holding companies, Delaware law and our restated certificate of incorporation and amended and restated bylaws. Our restated certificate of incorporation and amended and restated bylaws are incorporated by reference as Exhibits to our Annual Report on Form 10-K.

Voting rights

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, except on matters relating solely to terms of preferred stock.

For the election of directors, we have adopted a majority voting standard in uncontested elections and a plurality voting standard in contested elections. There are no cumulative voting rights.

Dividend rights

Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our Board of Directors (the "Board") out of funds legally available therefor.

Rights upon liquidation

In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

Other rights

The holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

Listing

Our common stock is traded on the New York Stock Exchange under the trading symbol "CFG."

Description of Depositary Shares Representing Interests in Shares of Preferred Stock

The description set forth below of certain provisions of the deposit agreement and of the depositary shares and depositary receipts does not purport to be complete and is subject to and qualified in its entirety by reference to the forms of deposit agreement and depositary receipts relating to each series of preferred stock.

Citizens has the following depositary shares registered under Section 12 of the Exchange Act:

- Depositary Shares each representing 1/40th interest in a share of our Series D Preferred Stock; and
- Depositary Shares each representing 1/40th interest in a share of our Series E Preferred Stock.

We refer to the above series of preferred stock represented by depositary shares (the "Depositary Shares"), collectively, as the "Preferred Stock."

General

Our Depositary Shares represent fractional interests in shares of the applicable series of Preferred Stock. Each Depositary Share represents a 1/40th ownership interest in a share of the applicable series of Preferred Stock, and are evidenced by a depositary receipt. We have deposited the underlying shares of Preferred Stock represented by the Depositary Shares with a depositary pursuant to a deposit agreement among us, Computershare Inc. and its wholly-owned subsidiary Computershare Trust Company, N.A., jointly acting as depositary, and the holders from time to time of the depositary receipts. Subject to the terms of the deposit agreement, each holder of a Depositary Share is entitled to all the rights and preferences of the shares of the applicable series of Preferred Stock (including dividend, voting, redemption and liquidation rights) in proportion to the applicable fraction of a share of the applicable series of Preferred Stock represented by each Depositary Share.

Dividends and Other Distributions

Each dividend on a Depositary Share is in an amount equal to 1/40th of the dividend declared on each share of the applicable series of Preferred Stock.

The depositary distributes all dividends and other cash distributions received in respect of Preferred Stock to the holders of record of the Depositary Shares in proportion to the number of Depositary Shares held by each holder. In the event of a distribution other than in cash, the depositary distributes property received by it to the holders of record of the Depositary Shares in proportion to the number of Depositary Shares held by each holder, unless the depositary determines that this distribution is not feasible, in which case the depositary may, with our approval, adopt a method of distribution that it deems equitable and practicable, including the sale of the property and distribution of the net proceeds from that sale to the holders of the Depositary Shares.

Record dates for the payment of dividends and other matters relating to the Depositary Shares are the same as the corresponding record dates for the applicable series of Preferred Stock.

The amounts distributed to holders of the Depositary Shares are reduced by any amounts required to be withheld by the depositary or by us on account of taxes or other governmental charges.

Redemption of the Depositary Shares

If we redeem any series of Preferred Stock represented by the Depositary Shares, the Depositary Shares will be redeemed from the proceeds received by the depositary resulting from the redemption of the applicable series of Preferred Stock held by the depositary. The redemption price per Depositary Share will be equal to 1/40th of the redemption price per share payable with respect to the Preferred Stock (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends, on the shares of the Preferred Stock. Whenever we redeem shares of Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of the Depositary Shares representing shares of the Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding Depositary Shares, the Depositary Shares to be redeemed will be selected either pro rata or by lot. In any case, the depositary will redeem the Depositary Shares only in increments of 40 Depositary Shares and any integral multiple thereof. The depositary will provide notice of redemption to record holders of the Depositary Shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the Preferred Stock and the related Depositary Shares.

Voting Rights of the Depositary Shares

Because each Depositary Share represents a 1/40th interest in the applicable series of Preferred Stock, holders of Depositary Shares are entitled to 1/40th of a vote per Depositary Share under those limited circumstances in which holders of the applicable series of Preferred Stock are entitled to a vote.

When the depositary receives notice of any meeting at which the holders of the applicable series of Preferred Stock are entitled to vote, the depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Depositary Shares relating to the applicable series of Preferred Stock. Each record holder of the Depositary Shares on the record date, which will be the same date as the record date for the applicable series of Preferred Stock, may instruct the depositary to vote the amount of the Preferred Stock represented by the holder's Depositary Shares. To the extent possible, the depositary will vote the amount of the Preferred Stock represented by the Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any Depositary Shares, it will vote all Depositary Shares held by it proportionately with instructions received.

Charges of Depositary

We have agreed to pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We have agreed to pay associated charges of the depositary in connection with the initial deposit of the applicable series of Preferred Stock and any redemption of the applicable series of Preferred Stock. Holders of the Depositary Shares will pay transfer, income, and other taxes and governmental charges and such other charges as are expressly provided in the deposit agreement to be for their accounts. If these charges have not been paid by the holders of the Depositary Shares, the depositary may refuse to transfer Depositary Shares, withhold dividends and distributions, and sell the Depositary Shares.

Listing

The Depositary Shares representing the Series D Preferred Stock and the Series E Preferred Stock are traded on the New York Stock Exchange under the trading symbols "CFG PrD" and "CFG PrE", respectively.

Form and Notices

Each series of Preferred Stock has been issued in registered form to the depositary, and the Depositary Shares have been issued in book-entry only form through The Depository Trust Company ("DTC"). The depositary will forward to the holders of the Depositary Shares all reports, notices, and communications from us that are delivered to the depositary and that we are required to furnish to the holders of the applicable series of Preferred Stock.

Depositary

Computershare Inc. and Computershare Trust Company, N.A. are the joint depositary for the Depositary Shares. We may terminate such appointment and may appoint a successor depositary at any time and from time to time, provided that we will use our best efforts to ensure that there is, at all relevant times when the Preferred Stock is outstanding, a person or entity appointed and serving as such depositary.

Description of Preferred Stock

As described above, we have Depositary Shares registered under Section 12 of the Exchange Act that represent interests in the Preferred Stock. This section describes the Preferred Stock, interests in which are represented by the Depositary Shares. The following description of our Preferred Stock is a summary and does not purport to be complete and is qualified in its entirely by the applicable provisions of federal law governing bank holding companies, Delaware law, the Certificate of Designations for the applicable series of Preferred Stock, which are included as Exhibits to our restated certificate of incorporation, and our restated certificate of incorporation and amended and restated bylaws. Our restated certificate of incorporation and amended and restated bylaws are incorporated by reference as Exhibits to this Annual Report on Form 10-K.

Other than as described below, the terms of the Series D Preferred Stock and the Series E Preferred Stock are substantially similar.

General

Under our restated certificate of incorporation, we have authority to issue up to 100,000,000 shares of preferred stock, par value $25.00 per share. Our Board is authorized without further stockholder action to cause the issuance of shares of preferred stock. Any additional preferred stock may be issued from time to time in one or more series, each with such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as our Board (or a duly authorized committee) may determine prior to the time of issuance.

The Preferred Stock is not be convertible into, or exchangeable for, shares of our common stock or any other class or series of our other securities and are not be subject to any sinking fund or any other obligation of us for their repurchase or retirement. The Preferred Stock represents non-withdrawable capital, not be an account of an insurable type, and not insured or guaranteed by the Federal Deposit Insurance Corporation any other governmental agency or instrumentality.

Dividends

Holders of Preferred Stock are entitled to receive, when, as and if declared by our Board (or a duly authorized committee of our Board), only out of funds legally available therefor, non-cumulative cash dividends payable quarterly in arrears at the rate specified below:

- Series D Preferred Stock : cash dividends at a per annum rate equal to 6.350% until April 6, 2024 (the "*fixed rate period*"), and quarterly thereafter (the "*floating rate period*") at the rate equal to the three month LIBOR (as defined below) plus 3.642%; and
- Series E Preferred Stock: cash dividends at a per annum rate equal to 5.000%.

Each date on which dividends are payable is a "*dividend payment date,*" and dividends for each dividend payment date are payable with respect to the dividend period (or portion thereof) ending on the day preceding such respective dividend payment date, in each case to holders of record on the 15th calendar day before such dividend payment date or such other record date not more than 30 nor less than 10 days preceding such dividend payment date fixed for that purpose by our Board (or a duly authorized committee of our Board) in advance of payment of each particular dividend. For the Series E Preferred Stock and the Series D Preferred Stock during the fixed rate period, if any such date is not a business day, then such date will nevertheless be a dividend payment date, but dividends on the Preferred Stock, when, as and if declared, will be paid on the next succeeding business day (without adjustment in the amount of the dividend per share of the applicable series of Preferred Stock). For the Series D Preferred Stock during the floating rate period, if any such date that would otherwise be a dividend payment date is not a business day, then the next succeeding business day will be the applicable dividend payment date and dividends on the Series D Preferred Stock, when, as and if declared, will be paid on such next succeeding business day, unless such day falls in the next calendar month, in which case the dividend payment date will be brought forward to the immediately preceding day that is a business day.

The amount of the dividend per share of the Series D Preferred Stock will be calculated (a) for each dividend period (or portion thereof) in the fixed rate period, on the basis of a 360-day year consisting of twelve 30-day months, and (b) for each dividend period (or portion thereof) in the floating rate period, based on the actual number of days in the dividend period and a 360-day year. The amount of the dividend per share of the Series E Preferred Stock will be calculated for each dividend period (or portion thereof) on the basis of a 360-day year consisting of twelve 30-day months. We will not pay interest or any sum of money instead of interests on any dividend payment date that may be in arrears on any series of Preferred Stock.

Dividends on shares of Preferred Stock will not be cumulative and will not be mandatory. If our Board (or a duly authorized committee of our Board) does not declare a dividend on a series of Preferred Stock in respect of a dividend period, then holders of that series of Preferred Stock shall not be entitled to receive any dividends not declared by our Board (or a duly authorized committee of our Board) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared, whether or not our Board (or a duly authorized committee of our Board) declares a dividend on that series of Preferred Stock or any other series of our preferred stock or on our common stock for any future dividend period.

In the case of the Series D Preferred Stock, "*three-month LIBOR*" for each dividend determination date related to the floating rate period will be determined by the calculation agent as follows:

(i) The rate for deposits in U.S. dollars having an index maturity of three months as such rate is displayed on Bloomberg on page BBAM1 (or any other page as may replace such page on such service or any successor service for the purpose of displaying the London interbank rates of major banks for U.S. dollars) ("*Bloomberg BBAM1*") as of 11:00 a.m., London time, on such dividend determination date. If no such rate so appears, three-month LIBOR on such dividend determination date will be determined in accordance with provision described in clause (ii) or (iii) below.

(ii) With respect to a dividend determination date on which no rate is displayed on Bloomberg BBAM1 as specified in clause (i) above, the calculation agent shall request the principal London offices of each of four major reference banks (which may include affiliates of the underwriters for the offering of the Series D Preferred Stock) in the London interbank market, as selected by us, and identified to the calculation agent, to provide the calculation agent with its offered quotation for deposits in U.S. dollars having an index maturity of three months, commencing on the first day of the related dividend period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such dividend determination date and in a principal amount that is representative for a single transaction in U.S. dollars in such market at such time. If at least two such quotations are so provided, then three-month LIBOR on such dividend determination date will be the arithmetic mean calculated by the calculation agent of such quotations. If fewer than two such quotations are so provided, then three-month LIBOR on such dividend determination date will be the arithmetic mean calculated by the calculation agent of the rates quoted at approximately 11:00 a.m., in New York City, on such dividend determination date by three major banks (which may include affiliates of the underwriters for the offering of the Series D Preferred Stock) in New York City selected by us, and identified to the calculation agent, for loans in U.S. dollars to leading European banks, having an index maturity of three months and in a principal amount that is representative for a single transaction in U.S. dollars in such market at such time; provided, however, that if the banks so selected by us are not quoting as mentioned in this sentence, but a LIBOR Event (as defined below) has not occurred, three-month LIBOR determined as of a dividend determination date shall be three-month LIBOR in effect on such dividend determination date, or, in the case of the dividend period beginning April 6, 2024, the most recent three-month LIBOR that can be determined.

(iii) Notwithstanding clauses (i) and (ii) above, if we, in our sole discretion, determine that three month LIBOR has been permanently discontinued or is no longer viewed as an acceptable benchmark for securities like the Series D Preferred Stock and we have notified the calculation agent of such determination (a "*LIBOR Event*"), the calculation agent will use, as directed by us, as a substitute for three-month LIBOR (the "*Alternative Rate*") for each future dividend determination date, the alternative reference rate selected by the central bank, reserve bank,

monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for three-month LIBOR. As part of such substitution, the calculation agent will, as directed by us, make such adjustments to the Alternative Rate or the spread thereon, as well as the business day convention, dividend determination dates and related provisions and definitions ("*Adjustments*"), in each case that are consistent with market practice for the use of such Alternative Rate. Notwithstanding the foregoing, if we determine that there is no alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for three-month LIBOR, we may, in our sole discretion, appoint an independent financial advisor ("*IFA*") to determine an appropriate Alternative Rate and any Adjustments, and the decision of the IFA will be binding on us, the calculation agent and the holders of Series D Preferred Stock. If a LIBOR Event has occurred, but for any reason an Alternative Rate has not been determined or there is no such market practice for the use of such Alternative Rate (and, in each case, an IFA has not determined an appropriate Alternative Rate and Adjustments or an IFA has not been appointed), three-month LIBOR determined as of a dividend determination date shall be three-month LIBOR in effect on such dividend determination date; provided, however, that if this sentence is applicable with respect to the first dividend determination date related to the floating rate period, the dividend rate, business day convention and manner of calculating dividends applicable during the fixed rate period will remain in effect during the floating rate period.

The establishment of three-month LIBOR for each dividend period in the floating rate period by the calculation agent (including, for the avoidance of doubt, at the direction of us in the case of clause (iii)) or IFA, as applicable, shall (in the absence of manifest error) be final and binding. For the avoidance of doubt, any adjustments made pursuant to clause (iii) of the definition of three-month LIBOR shall not be subject to the vote or consent of the holders of the Series D Preferred Stock.

"*Dividend determination date*" means, with respect to a dividend period during the floating rate period, the second London banking day prior to the beginning of such dividend period.

"*London banking day*" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Redemption

The Preferred Stock is perpetual and has no maturity date. The Preferred Stock is redeemable at our option, subject to receipt of any required regulatory approval, in whole or in part as follows:

- the Series D Preferred Stock is redeemable on any dividend payment date on or after the dividend payment date on April 6, 2024 at a cash redemption price of $1,000 per share (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date; and
- the Series E Preferred Stock is redeemable on any dividend payment date on or after the dividend payment date on January 6, 2025 at a cash redemption price of $1,000 per share (equivalent to $25 per Depositary Share), plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date

Also, we may, redeem the shares of Preferred Stock, in whole but not in part, at any time within 90 days following a Regulatory Capital Treatment Event (as defined in the Certificate of Designations for such series), in each case, at a cash redemption price equal to the stated amount, together with any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date.

The Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. Holders of the Preferred Stock have no right to require redemption of any shares of Preferred Stock.

Restrictions on Dividends, Redemption and Repurchases

So long as any shares of Preferred Stock remains outstanding, unless dividends on all outstanding shares of Preferred Stock for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment, (i) no dividend may be declared or paid or set aside for payment, and no distribution may be made, on any junior stock (as defined in the Certificate of Designations for such series), (ii) no monies may be paid or made available for a sinking fund for the redemption or retirement of junior stock (a "*junior stock sinking fund payment*"), and (iii) no shares of junior stock shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, other than:

- any junior stock sinking fund payment, or any purchase, redemption or other acquisition of shares of junior stock, as a result of (x) a reclassification of junior stock for or into other junior stock, (y) the exchange or conversion of one share of junior stock for or into another share of junior stock or (z) the purchase of fractional interests in shares of junior stock under the conversion or exchange provisions of junior stock or the security being converted or exchanged;
- any junior stock sinking fund payment, or any purchase, redemption or other acquisition of shares of junior stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock;

- ◦ repurchases, redemptions or other acquisitions of shares of junior stock in connection with (1) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or (2) a dividend reinvestment or stockholder stock purchase plan;
- ◦ any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, stock or other property under any stockholders' rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- ◦ any dividend paid on junior stock in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or is other junior stock.

However, the foregoing does not restrict the ability of us or any of our affiliates to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

The Certificate of Designations for each series also has provisions in case of partial payments on the Preferred Stock or other series of preferred stock that rank equally with the Preferred Stock.

Dividends on the Preferred Stock will not be declared, paid or set aside for payment if and to the extent such act would cause us to fail to comply with applicable laws and regulations.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of Preferred Stock will be entitled to receive out of our assets legally available for distribution to our stockholders (*i.e.*, after satisfaction of all our liabilities to creditors, if any) an amount equal to $1,000 per share, plus any dividends that have been declared but not paid prior to the date of payment of distributions to stockholders, without regard to any undeclared dividends (the "*liquidation preference*").

If our assets are not sufficient to pay the liquidation preference in full to all holders of all holders of any class or series of our stock that ranks on a parity with the Preferred Stock in the distribution of assets on liquidation, dissolution or winding up of the Company, the amounts paid to the holders of the Preferred Stock and to the holders of all liquidation preference parity stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of the Preferred Stock and all such liquidation preference parity stock.

Voting Rights

Except as indicated below or otherwise required by law, the holders of the Preferred Stock do not have any voting rights.

Right to Elect Two Directors on Nonpayment of Dividends. Whenever dividends on any shares of the Preferred Stock, shall have not been declared and paid for the equivalent of three semi-annual or six full quarterly dividend payments, whether or not for consecutive dividend periods (a "*nonpayment*"), the holders of such shares, voting together as a class with holders of any and all other series of voting preferred stock then outstanding, are entitled to vote for the election of a total of two additional members of our Board (the "*preferred stock directors*"), provided that the election of any such directors shall not cause us to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors and provided further that our board of directors shall at no time include more than two preferred stock directors. In that event, the number of directors on our board of directors shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the shares of the Preferred Stock for at least two consecutive semi-annual or four consecutive quarterly dividend periods, as applicable, following the nonpayment shall have been fully paid.

If and when dividends for at least two consecutive semi-annual or four consecutive quarterly dividend periods, as applicable, following a nonpayment have been paid in full on the Preferred Stock, the holders of the Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment), the term of office of each preferred stock director so elected shall terminate and the number of directors on the board of directors shall automatically decrease by two. In determining whether dividends have been paid for at least two consecutive semi-annual or four consecutive quarterly dividend periods, as applicable, following a nonpayment, we may take account of any dividend we elect to pay for any dividend period after the regular dividend payment date for that period has passed. Any preferred stock director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Preferred Stock. So long as a nonpayment shall continue, any vacancy in the office of a preferred stock director (other than prior to the initial election after a nonpayment) may be filled by the written consent of the preferred stock director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Preferred Stock; provided that the filling of any such vacancy shall not cause us to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. Any such vote to remove, or to fill a vacancy in the office of, a preferred stock director may be taken only at a special meeting called at the request of the holders of record of at least 20% of the Series E Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual

or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The preferred stock directors shall each be entitled to one vote per director on any matter.

Other Voting Rights

So long as any shares of Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by our restated certificate of incorporation, the vote or consent of the holders of at least two thirds of the shares of Preferred Stock at the time outstanding, voting together as a single class with any other series of preferred stock entitled to vote thereon (to the exclusion of all other series of preferred stock), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for effecting or validating:

- Amendment of Certificate of Incorporation, By-laws or Certificate of Designations. Any amendment, alteration or repeal of any provision of our certificate of incorporation, by-laws or the certificate of designations for the Preferred Stock that would alter or change the voting powers, preferences or special rights of the Preferred Stock so as to affect them adversely; provided, however, that the amendment of the certificate of incorporation so as to authorize or create, or to increase the authorized amount of, any class or series of stock that does not rank senior to the Preferred Stock in either the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets on any liquidation, dissolution or winding up of the Company shall not be deemed to affect adversely the voting powers, preferences or special rights of the Preferred Stock;

- Authorization of Senior Stock. Any amendment or alteration of the certificate of incorporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of our capital stock ranking prior to the Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company; or

- Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions. Any consummation of (x) a binding share exchange or reclassification involving the Preferred Stock or (y) a merger or consolidation of Citizens Financial Group, Inc. with another entity (whether or not a corporation), unless in each case (A) the shares of Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of Preferred Stock are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Preferred Stock immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would adversely affect one or more but not all series of voting preferred stock, then only the series affected and entitled to vote shall vote to the exclusion of all other series of preferred stock. If all series of preferred stock are not equally affected by the proposed amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above, there shall be required a two-thirds approval of each series that will have a diminished status.

Without the consent of the holders of the Preferred Stock, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Preferred Stock, we may amend, alter, supplement or repeal any terms of the Preferred Stock:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the certificate of designations for the Series E Preferred Stock that may be defective or inconsistent; or

- to make any provision with respect to matters or questions arising with respect to the Preferred Stock that is not inconsistent with the provisions of the certificate of designations, including, without limitation, in the case of the Series D Preferred Stock, to implement the terms of clause (iii) of the definition of three-month LIBOR following the occurrence of a LIBOR Event.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of the Preferred Stock have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Preferred Stock to effect the redemption unless in the case of a vote or consent required to authorize senior stock if all outstanding shares of the Preferred Stock are being redeemed with the proceeds from the sale of the stock to be authorized.

Under current provisions of the Delaware General Corporation Law, the holders of issued and outstanding preferred stock are entitled to vote as a class, with the consent of the majority of the class being required to approve an amendment to our restated certificate of incorporation if the amendment would increase or decrease the aggregate number of authorized shares of such class or increase or decrease the par value of the shares of such class.

No Preemptive and Conversion Rights

Holders of the Preferred Stock do not have any preemptive rights. The Preferred Stock is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Anti-Takeover Effects of Some Provisions

Some provisions of our restated certificate of incorporation and amended and restated bylaws could make the following more difficult:

- acquisition of control of us by means of a proxy contest or otherwise, or
- removal of our incumbent officers and directors.

These provisions, as well as our ability to issue preferred stock, make coercive takeover practices and inadequate takeover bids more difficult to execute. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our Board.

Election and Removal of Directors. The number of directors that will constitute the Board will be fixed from time to time by resolution of our Board, excluding any directors elected by holders of preferred stock pursuant to provisions applicable in the case of certain events involving the non-payment of dividends. Our Board currently has 13 members.

Our restated certificate of incorporation and amended and restated bylaws provide that directors may be removed, with or without cause, by an affirmative vote of holders of shares representing a majority of the outstanding shares then entitled to vote at an election of directors. Any vacancy occurring on our Board and any newly created directorship may be filled only by a vote of a majority of the remaining directors in office or by the sole director remaining in office.

Limits on Written Consents. Our restated certificate of incorporation and amended and restated bylaws provide that stockholder action, other than actions by the holders of one or more classes of Preferred Stock, can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting.

Super-Majority Approval Requirement. The Delaware General Corporation Law generally provides that the affirmative vote of the holders of a majority of the total voting power of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless either a corporation's certificate of incorporation or bylaws require a greater percentage. Our restated certificate of incorporation and amended and restated bylaws provide that the affirmative vote of holders of 75% of the total voting power of our outstanding common stock eligible to vote in the election of directors, voting together as a single class, will be required to amend, alter, change or repeal specified provisions, including those relating to voting rights, the structure and authority of the Board, meetings of stockholders, indemnification of directors and officers, amendment of our restated certificate of incorporation and amended and restated bylaws, and certain other provisions. This requirement of a super-majority vote to approve amendments to our restated certificate of incorporation and amended and restated bylaws could enable a minority of our stockholders to effectively exercise veto power over any such amendments.

Other Limitations on Stockholder Actions. Our amended and restated bylaws also impose some procedural requirements on stockholders who wish to:

- make nominations in the election of directors,
- propose that a director be removed;
- propose any repeal or change in our amended and restated bylaws; or
- propose any other business to be bought before an annual or special meeting of stockholders.

Under these procedural requirements, in order to bring a proposal before a meeting of stockholders, a stockholder must generally deliver timely notice of a proposal pertaining to a proper subject for presentation at the meeting to our corporate secretary along with the following:

- a description of the business or nomination to be brought before the meeting and the reasons for conducting such business at the meeting;
- the stockholder's name and address;
- any material interest of the stockholder in the proposal;
- the number of shares beneficially owned by the stockholder and evidence of such ownership; or
- description of all agreements, arrangements and understandings between the stockholder and any other person (including the names of such persons) in connection with the proposal.

To be timely, a stockholder must generally deliver notice to the corporate secretary:

- in connection with an annual meeting of stockholders, not less than 120 days nor more than 150 days prior to the first anniversary of the date on which the annual meeting of stockholders was held in the immediately preceding year, but in the event that the date of the annual meeting is more than 30 days before or more than 70 days after the anniversary date of the preceding annual meeting of stockholders, a stockholder notice will be timely if received by us not later than the close of business (A) no earlier than 120 days prior to the annual meeting and (B) no later than 70 days prior to the date of the meeting or the 10th day following the day on which we first publicly announce the date of the annual meeting; or

- in connection with the election of a director at a special meeting of stockholders, (A) not earlier than 150 days prior to the date of the special meeting nor (B) later than the later of 120 days prior to the date of the special meeting or the 10th day following the day on which public announcement of the date of the special meeting was first made;

In order to submit a nomination for our Board, a stockholder must also submit any information with respect to the nominee that we would be required to include in a proxy statement, as well as some other information.

A stockholder may also submit a nomination for our Board or the proposal of other business by submitting a proposal to us in compliance with Rule 14a-8 under the Exchange Act, and such stockholder's proposal has been included in a proxy statement that has been prepared by us to solicit proxies for the meeting of stockholders.

If a stockholder fails to follow the required procedures, the stockholder's proposal or nomination will be ineligible and will not be voted on by our stockholders.

EXHIBIT 4.7

David Lindenauer
Executive Vice President and Treasurer

Citizens Financial Group, Inc.
1 Citizens Plaza
Providence, Rhode Island 02903

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

February 23, 2022

Subject: Citizens Financial Group, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2021 – File No. 001-36636

Dear Sirs:

Neither Citizens Financial Group, Inc. (the "Company") nor any of its consolidated subsidiaries has outstanding any instrument with respect to its long-term debt, other than those filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, under which the total amount of securities authorized exceeds 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. In accordance with paragraph (b)(4)(iii) of Item 601 of Regulation S-K (17 CFR Sec. 229.601), the Company hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument that defines the rights of holders of such long term debt not filed or incorporated by reference as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Very truly yours,

CITIZENS FINANCIAL GROUP, INC.

/s/ David Lindenauer
David Lindenauer
Executive Vice President and Treasurer

CITIZENS FINANCIAL GROUP, INC.
2014 OMNIBUS INCENTIVE PLAN

Restricted Stock Unit Award Agreement
Terms and Conditions

Unless defined in this award agreement (this “**Award Agreement**”), capitalized terms shall have the meanings assigned to them in the Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan (the “**Plan**”). In the event of a conflict among the provisions of the Plan and this Award Agreement, the provisions of the Plan shall prevail.

Section 1. *Grant of RSU Award.* Citizens Financial Group, Inc. (together with its Subsidiaries, the “**Company**”) has granted to the Participant (the “**Participant**”) an award (the “**Award**”) of the number of restricted share units (“**RSUs**”) specified in the Participant’s electronic account, effective on the “**Grant Date**” specified in the Participant's electronic account. The Award is subject to the terms and conditions of the Plan and this Award Agreement. The Award is granted under the Plan, the provisions of which are incorporated herein by reference and made a part of this Award Agreement.

Section 2. *Issuance of RSUs.* Each RSU shall represent the right to receive one Share upon the vesting of such RSU, as determined in accordance with and subject to the terms of this Award Agreement and the Plan.

Section 3. *Rights as a Shareholder; Dividend Equivalents.*

(a) The Participant shall have no voting rights or any other rights as a shareholder of the Company with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying such RSUs.

(b) If a dividend is declared on Shares during the period commencing on the Grant Date (including such date) and ending on the date on which the Shares underlying RSUs are distributed to the Participant pursuant to Section 6, the Participant shall be credited with dividend equivalents in the form and in an amount equal to the dividend that the Participant would have received had the Shares underlying the RSUs been distributed to the Participant as of the time at which such dividend is paid. Dividend equivalents will be subject to the same vesting and forfeiture restrictions as the RSUs to which they are attributable and will be paid on the same date that the RSUs to which they are attributable are settled in accordance with Section 6.

Section 4. *Restrictions on Transferability.* The RSUs granted hereunder shall not be assigned, sold, exchanged, pledged, hypothecated, transferred, alienated or otherwise disposed of or hedged, in any manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily, and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, by the Participant. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section 4 shall be null and void and any RSU which is hedged in any manner shall immediately be forfeited. All of the terms and conditions of the Plan and this Award Agreement shall be binding upon any permitted successors and assigns.

Section 5. *Vesting; Change of Control; Vesting and Forfeiture Upon a Termination of Employment.*

(a) *Vesting*. The Award will be subject to the vesting schedule specified in the Participant's electronic account.

(b) *Change of Control*. If the Participant is terminated by the Company without Cause, or the Participant resigns from employment with the Company with Good Reason, within 12 months after a Change of Control (a “**Change of Control Termination**”), all unvested RSUs shall fully vest on the Participant’s termination date and shall be distributed to the Participant pursuant to Section 6.

(c) *Vesting and Forfeiture Upon Termination of Employment*.

i. *Termination Without Cause*. If the Participant is terminated by the Company without Cause (other than a Change of Control Termination), the Participant's RSUs shall continue to vest in accordance with Section 5(a) as though the Participant was still employed by the Company on each applicable vesting date, *provided*, *however*, that the Participant does not engage in any Detrimental Activity during the Participant's post-employment vesting period.

ii. *Retirement; Disability*. If the Participant's employment is terminated due to Retirement or Disability, the Participant's RSUs shall continue to vest in accordance with Section 5(a) as though the Participant was still employed by the Company on each applicable vesting date, *provided*, *however*, that the Participant (A) does not engage in any Detrimental Activity and (B) does not become employed by any company in the financial services industry, in each case, during the Participant's post-employment vesting period. *[Retirement treatment not applicable for retention awards]*

iii. *Death*. If the Participant is terminated due to death, the Participant's RSUs shall fully vest on the Participant's date of death and shall be distributed to the Participant's Beneficiary pursuant to Section 6.

iv. *Forfeiture*. If the Participant is terminated by the Company with Cause or the Participant resigns for any reason (other than a Change of Control Termination), any unvested RSUs shall be forfeited in their entirety on the Participant's termination date without any payment to the Participant. In addition, if (A) the Participant's employment is terminated by the Company without Cause (other than a Change of Control Termination) and the Participant engages in any Detrimental Activity during the Participant's post-employment vesting period, or (B) the Participant's employment is terminated due to Retirement or Disability and the Participant either (I) engages in any Detrimental Activity, or (II) becomes employed by any company in the financial services industry, in either case, during the Participant's post-employment vesting period, any unvested RSUs shall be forfeited in their entirety on the date that the Participant engages in such Detrimental Activity or becomes employed by any company in the financial services industry, as applicable, without any payment to the Participant.

Section 6. *Distribution on Vesting*. Subject to the provisions of this Award Agreement, upon the vesting of any of the RSUs, the Company shall deliver to the Participant (or the Participant's Beneficiary, in the event of the Participant's death prior to distribution), as soon as reasonably practicable after the vesting date (or the Participant's termination date, as applicable), one Share for each RSU, provided that such delivery of Shares shall be made no later than the end of the calendar year in which they vest or, if later, by the 15th day of the third calendar month after the vesting date provided that the Participant shall not be permitted, directly or indirectly, to designate the taxable year of the payment. Upon such delivery, such Shares shall be fully assignable, saleable and transferable by the Participant, provided that any such assignment, sale, transfer or other alienation with respect to such Shares shall be in accordance with applicable securities laws.

Section 7. *Repayment Requirement*. If the Participant's employment is terminated (or notice to terminate is given by the Participant or the Company) for any reason other than death, Disability, Retirement, or termination by the Company without Cause within 12 months of the date the Participant commences employment with the Company, any unvested RSUs shall be forfeited in their entirety on the Participant's termination date without any payment to the Participant and the Participant shall be required to repay the Company within 14 days of the Participant's termination date the net value (following any applicable tax and other statutory deductions) of any Shares that the Participant received pursuant to this Award Agreement. *[Only applies to buy-out awards]*

Section 8. *Notice Prior to the Participant's Voluntary Separation from Employment.* In partial consideration for the Participant's eligibility for and receipt of any award granted under the Plan, the Participant agrees to provide the Company with prior notice of the Participant's voluntary separation from employment, regardless of the reason for such separation. Such notice shall be no less than the greater of (a) the notice period applicable to the Participant's employee level as specified in the Company's Separation from Employment Policy as it exists at the time the Participant provides such notice or (b) the period specified in any other written agreement between the Participant and the Company.

Section 9. *Restrictive Covenants.*

(a) *Non-Solicitation of Employees*. In addition to the Participant's obligations detailed in this Agreement, the Participant agrees and reaffirms that, at any time during the Participant's employment and for twelve (12) months following the date the Participant ceases to be employed by the Company for any reason, or if longer, during the remaining vesting period (the "Restricted Period"), and to the extent permissible by law in the state the Participant resides, the Participant shall not, directly or indirectly, whether for the Participant's own account or for any person or entity other than the Company or any Company Affiliate hire, employ, solicit for employment or hire, or attempt to solicit for employment or hire, any person who is employed by the Company or any Company Affiliate during the Restricted Period, nor shall the Participant directly or indirectly induce any such employee to terminate his or her employment or accept employment with anyone other than a Company Affiliate, or otherwise interfere with the relationship between the Company and/or any Company Affiliate and any of their employees during the Restricted Period. Anything to the contrary notwithstanding, the Company agrees that the Participant shall not be deemed in violation of this Section 9(a) if an entity with which the Participant is associated hires or engages any employee of the Company or a Company Affiliate, if the Participant was not, directly or indirectly, involved in hiring or identifying such person as a potential recruit or assisting in the recruitment of such employee.

(b) *Non-Solicitation of, and Non-Interference with, Customers and Prospective Clients.* The Participant agrees that during the Participant's employment and during the Restricted Period, and to the extent permissible by law in the state the Participant resides, the Participant shall not, directly or indirectly, for any person or entity other than the Company or any Company Affiliate, solicit, assist in soliciting for or accept business from any customer of the Company or any Company Affiliate, nor will the Participant induce or encourage any such customer to discontinue or diminish his, her or its relationship or prospective relationship with the Company or any Company Affiliate, or divert business away from the Company or any Company Affiliate; provided, however, that general solicitation through advertisement shall not constitute solicitation for purposes of this provision. Anything to the contrary notwithstanding, the Company agrees that the Participant shall not be deemed in violation of this Section 9(b) if an entity with which the Participant is associated accepts business from a customer or client of the Company or a Company Affiliate, if the Participant was not, directly or indirectly, involved in soliciting or identifying such customer or client as a potential customer or client of the competing entity.

(c) *Representations*. The Participant agrees that all of the foregoing restrictions are reasonable and necessary to protect the Company's and/or any Company Affiliate's business and their Confidential Information and that the Participant's eligibility for and receipt of any award under the Plan, are independently and together good and valuable consideration to compensate him or her for agreeing to all restrictions contained in this Agreement. The Participant also acknowledges, represents and warrants that the Participant's knowledge, skills and abilities are sufficient to permit the Participant to earn a satisfactory livelihood without violating these provisions. Further, the Participant agrees that the Participant shall not, following the termination of the Participant's employment with the Company, represent or hold the Participant out as being in any way connected with the business of the Company or any Company Affiliate.

(d) *Blue Pencil*. It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this section to be reasonable, if a final judicial determination is made by an arbitrator or a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if an arbitrator or a court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(e) *Injunctive Relief*. In the event of a breach or threatened breach of this Section 9 or the Participant's engaging in Detrimental Activity, and to the extent permissible by law in the state the Participant resides, the Participant agrees that the Company will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Participant acknowledging that damages would be inadequate and insufficient.

Section 10. *Tax Liability; Withholding Requirements.* The Participant shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes) and penalties, and any interest that accrues thereon, that the Participant incurs in connection with the receipt, vesting or settlement of any RSU granted hereunder. The Company shall be authorized to withhold from the Award the amount (in cash or Shares, or any combination thereof) of applicable withholding taxes due in respect of the Award, its settlement or any payment or transfer under the Award and to take such other action (including providing for elective payment of such amounts in cash or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes; provided, however, that no Shares shall be withheld with a value exceeding the maximum statutory tax rates in the applicable tax jurisdictions.

Section 11. *Recoupment/Clawback.* The Participant hereby acknowledges and agrees that in order to comply with applicable law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act), regulatory authority, and policies of the Company, the Committee retains the right at all times to decrease or terminate all awards and payments under the Plan, and any and all amounts payable under the Plan, or paid under the Plan, shall be subject to clawback, forfeiture, and reduction to the extent determined necessary to comply with applicable law, regulatory authority, and/or policies of the Company, including as a result of risk-related events.

Section 12. *No Right to Continued Employment.* Neither the Plan nor this Award Agreement shall confer upon the Participant any right to continue to be employed by the Company and the receipt of the Award does not confer any rights on the Participant other than those expressly set forth in this Award Agreement or the Plan.

Section 13. *Section 409A of the Code.* This Award Agreement is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and the provisions of this Award Agreement shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and this Award Agreement shall be operated accordingly. If any provision of this Award Agreement or any term or condition of the RSUs would otherwise conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. Notwithstanding anything else in this Award Agreement, if the Board considers a Participant to be a “specified employee” under Section 409A of the Code at the time of such Participant’s “separation from service” (as defined in Section 409A of the Code), and the amount hereunder is “deferred compensation” subject to Section 409A of the Code any distribution that otherwise would be made to such Participant with respect to RSUs as a result of such separation from service shall not be made until the date that is six months after such separation from service, except to the extent that earlier distribution would not result in such Participant’s incurring interest or additional tax under Section 409A of the Code. If the Award includes a “series of installment payments” (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participants’ right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment. Notwithstanding the foregoing, the tax treatment of the benefits provided under this Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

Section 14. *Miscellaneous.*

(a) *Definitions*. For purposes of this Award Agreement:

i. “**Cause**” means:

(1) any conviction (including a plea of guilty or of nolo contendere or entry into a pre-trial diversion program) of the Participant for the commission of a felony or any conviction of any criminal offense within the scope of Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829;

(2) the Participant commits an act of gross misconduct, fraud, embezzlement, theft or material dishonesty in connection with the Participant’s duties or in the course of the Participant’s employment with the Company or any of its affiliates;

(3) failure on the part of the Participant to perform his or her employment duties in any material respect, which is not cured to the reasonable satisfaction of the Company within 30 days after the Participant receives written notice of such failure; or

(4) the Participant engages in Detrimental Activity.

ii. "**Company Affiliate**" means the Company's parents, subsidiaries, affiliates or their respective successors (collectively, the "Company Affiliates" and each a "Company Affiliate").

iii. "**Detrimental Activity**" includes the following:

(1) The Participant's disclosure to any unauthorized person, firm, or corporation or use or attempt to use for his or her own advantage or to the advantage of any other person, firm or corporation, any confidential information relating to the business affairs or trade secrets of the Company or any of its affiliates, howsoever obtained or provided, during the course of, or as a result of, his or her employment (the "**Confidential Information**"). Confidential Information includes, but is not limited to, information relating to employees, customers and suppliers (former, actual and potential), Company contracts, pricing structures, financial and marketing details, business plans, any technical data, designs, formulae, product lines, intellectual property, research activities and any information which may be deemed to be commercially or price sensitive in nature, whether printed, typed, handwritten, videotaped, transmitted or transcribed on data files or on any other type of media, including but not limited to electronic and digital media, whether or not labeled as "confidential";

(2) The Participant violates the obligations set forth in Section 9(a) or 9(b) of this Award Agreement.

(3) Making any false or disparaging comments about the Company or any of its subsidiaries, affiliates, employees, officers, or directors; or

(4) Engaging in any activity which in the opinion of the Company is not consistent with providing an orderly handover of the Participant's responsibilities.

The Participant agrees that the foregoing restrictions are reasonable and necessary to protect the Company's business and that the grant of this Award, along with the benefits and attributes of the Participant's employment by the Company, is good and valuable consideration to compensate the Participant for agreeing to these restrictions. Notwithstanding anything to the contrary in this Award Agreement or otherwise, nothing shall limit the Participant's rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, the Participant agrees to waive his or her right to recover monetary damages in connection with any charge, complaint or lawsuit filed by the Participant or anyone else on the Participant's behalf (whether involving a governmental entity or not); provided that the Participant is not agreeing to waive, and this Award Agreement shall not be read as requiring the Participant to waive, any right the Participant may have to receive an award for information provided to any governmental entity. The Participant is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (3) to the Participant's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

iv. "**Disability**" means the Participant is entitled to, and has begun to receive, long-term disability benefits under the long-term disability plan of the Company in which the Participant participates.

v. “**Good Reason**” means any of the following changes, as compared to the Participant's terms of employment prior to a Change of Control:

(1) a material diminution in the Participant’s authority, duties, or responsibilities;

(2) a material diminution in the Participant’s base salary other than a general reduction in base salary that affects all similarly situated employees; or

(3) a relocation of the Participant’s principal place of employment by more than 50 miles from his or her current principal place of employment, unless the new principal place of employment is closer to the Participant's home address.

Provided, however, that the Participant must give written notice to the Company within 30 days of the initial existence of any of the foregoing changes, the Company shall have 30 days upon receipt of such notice to remedy the condition so as to eliminate the Good Reason, and if not remedied, the Participant’s employment must terminate no later than 60 days following the expiration of such cure period. Notwithstanding the foregoing, the Participant’s continued employment shall not constitute a waiver of the Participant’s rights with respect to any circumstance constituting Good Reason under this Award Agreement.

vi. “**Retirement**” means the Participant’s age plus years of service (in each case, including completed months) equals or exceeds 65, with a minimum of at least five years of service with the Company.

(b) *Notices.* All notices, requests and other communications under this Award Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission or by e-mail or any other form of electronic transmission or delivery approved by the Committee, as follows:

if to the Company, to:

Citizens Financial Group, Inc.
600 Washington Blvd.
Stamford, CT 06901
Attention: Corporate Secretary

if to the Participant, to the address that the Participant most recently provided to the Company,

or to such other address, facsimile number, e-mail address or such other form of electronic transmission or delivery as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed received on the next succeeding business day in the place of receipt. Notwithstanding anything to the contrary contained in this Award Agreement or in the Plan, the Company may, in its sole discretion, deliver and, by acceptance of this grant, the Participant hereby explicitly and unambiguously consents and agrees to the receipt and delivery of, any notices permitted or required hereunder, documents related to any Awards granted under the Plan and/or any other information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries or the Plan by electronic means, including but not limited to through the Participant’s electronic account, through another on-line or electronic account system established and maintained by the Company or another third party designated by the Company or via the Company website. Such consent shall remain in effect throughout the Participant’s term of employment or service with the Company and thereafter until withdrawn in writing by the Participant. The Participant acknowledges that the Participant may receive from the Company a paper copy of any notices or documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing.

(c) *Entire Agreement*. This Award Agreement and the Plan (including the terms specified in the Participant's electronic account, as noted in Section 1 and Section 5 above) constitute the entire agreement and understanding between the parties in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof.

(d) *Severability*. If any provision of this Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or this Award Agreement under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of this Award Agreement, such provision shall be stricken as to such jurisdiction, and the remainder of this Award Agreement shall remain in full force and effect.

(e) *Amendment; Waiver*. No amendment or modification of any provision of this Award Agreement that has a material adverse effect on the Participant shall be effective unless signed in writing by or on behalf of the Company and the Participant, *provided* that the Company may amend or modify this Award Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Award Agreement. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature. Any amendment or modification of or to any provision of this Award Agreement, or any waiver of any provision of this Award Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(f) *Assignment*. Neither this Award Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(g) *Successors and Assigns; No Third-Party Beneficiaries*. This Award Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Award Agreement, express or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Award Agreement.

(h) *Governing Law; Waiver of Jury Trial*. This Award Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof. By acknowledging this Award Agreement electronically or signing it manually, as applicable, the Participant waives any right that the Participant may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this Award Agreement or the Plan.

(i) *Discretionary Nature*. The grant of the RSUs does not create any contractual right or other right in the Participant to receive any RSUs or other Awards in the future. Future grants of Awards, if any, shall be at the sole discretion of the Company.

(j) *Participant Undertaking; Acceptance*. The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Participant or the RSUs pursuant to this Award Agreement. The Participant acknowledges receipt of a copy of the Plan and this Award Agreement and understands that material definitions and provisions concerning the RSUs and the Participant's rights and obligations with respect thereto are set forth in the Plan. The Participant has read carefully, and understands, the provisions of this Award Agreement and the Plan.

(k) *Dispute Resolution.* Except as provided in Section 9(e) above and the last sentence of this paragraph to the fullest extent permitted by law, the Company and the Participant agree to waive their rights to seek remedies in court, including but not limited to rights to a trial by jury. The Company and each Participant agree that any dispute between or among them and/or their affiliates arising out of, relating to or in connection with this Plan shall be resolved in accordance with a confidential two-step dispute resolution procedure involving: (a) Step One: non-binding mediation, and (b) Step Two: binding arbitration under the Federal Arbitration Act, 9

U.S.C. § 1, et. seq., or state law, whichever is applicable. Any such mediation or arbitration hereunder shall be under the auspices of the American Arbitration Association ("**AAA**") pursuant to its then current AAA Commercial Arbitration Rules. No arbitration shall be initiated or take place with respect to a given dispute if the parties have successfully achieved a mutually agreed to resolution of the dispute as a result of the Step One mediation. The mediation session(s) and, if necessary, the arbitration hearing shall be held in the city/location selected by the Company in its sole discretion. The arbitration (if the dispute is not resolved by mediation) shall be conducted by a single AAA arbitrator, selected by the Company in its sole discretion. Any award rendered by the arbitrator, including with respect to responsibility for AAA charges (including the costs of the mediator and arbitrator), shall be final and binding, and judgment may be entered on it in any court of competent jurisdiction. In the unlikely event the AAA refuses to accept jurisdiction over a dispute, the Company and each Participant agree to submit to JAMS mediation (formerly known as Judicial Arbitration and Mediation Services) and arbitration applying the JAMS equivalent of the AAA Commercial Arbitration Rules. If AAA and JAMS refuse to accept jurisdiction, the parties may litigate in a court of competent jurisdiction.

(l) *Captions*. Captions provided herein are for convenience only and shall not affect the scope, meaning, intent or interpretation of the provisions of this Award Agreement.

(m) *Nature of Payments*. Any and all grants or deliveries related to the RSUs hereunder shall constitute special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for the purpose of determining any retirement, death or other benefits under (i) any retirement, bonus, life insurance or other employee benefit plan of the Company, or (ii) any agreement between the Company and the Participant, except as such plan or agreement shall otherwise expressly provide.

(n) *Data Privacy*. The Participant understands that the Company and its affiliates and hold certain personal information about the Participant, including but not limited to the Participant's name, home address and telephone number, birthdate, social insurance number or other identification number, compensation, details of all Awards or any other entitlement to Shares for the purpose of administering the Plan (the "Data"). As a condition of receipt of this Award, the Participant explicitly consents to the collection, use, transfer and retention, in electronic or other form, of the Data by and among, as applicable, the Company, its affiliates and any third parties assisting the Company in administration of the Plan (including but not limited to any broker or other third party with whom the Participate may elect to deposit Shares), in each case, for the purpose of administering the Participant's participation in the Plan.

CITIZENS FINANCIAL GROUP, INC.
2014 OMNIBUS INCENTIVE PLAN

Performance Stock Unit Award Agreement
Terms and Conditions

Unless defined in this award agreement (this "**Award Agreement**"), capitalized terms shall have the meanings assigned to them in the Citizens Financial Group, Inc. 2014 Omnibus Incentive Plan (the "**Plan**"). In the event of a conflict among the provisions of the Plan and this Award Agreement, the provisions of the Plan shall prevail.

Section 1. *Grant of PSU Award*. Citizens Financial Group, Inc. (together with its Subsidiaries, the "**Company**") has granted to the Participant (the "**Participant**") an award (the "**Award**") of the target number of performance stock units specified in the Participant's electronic account, effective on the "**Grant Date**" specified in the Participant's electronic account. The Award is subject to the terms and conditions of the Plan and this Award Agreement. The Award is granted under the Plan, the provisions of which are incorporated herein by reference and made a part of this Award Agreement.

Section 2. *Issuance of PSUs*. Each performance stock unit ("**PSU**") shall represent the right to receive one Share upon the vesting of such PSU, as determined in accordance with and subject to the terms of this Award Agreement and the Plan. The number of PSUs that the Participant will actually earn will be determined in accordance with the terms of this Award Agreement and a schedule to be provided to the Participant.

Section 3. *Rights as a Shareholder; Dividend Equivalents*.

(a) The Participant shall have no voting rights or any other rights as a shareholder of the Company with respect to the PSUs unless and until the Participant becomes the record owner of the Shares underlying such PSUs.

(b) If a dividend is declared on Shares during the period commencing on the Grant Date (including such date) and ending on the date on which the Shares underlying PSUs are distributed to the Participant pursuant to Section 7, the Participant shall be credited with dividend equivalents in the form and in an amount equal to the dividend that the Participant would have received had the Shares underlying the PSUs been distributed to the Participant as of the time at which such dividend is paid. Dividend equivalents will be subject to the same vesting and forfeiture restrictions as the PSUs to which they are attributable and will be paid on the same date that the PSUs to which they are attributable are settled in accordance with Section 7.

Section 4. *Restrictions on Transferability*. The PSUs granted hereunder shall not be assigned, sold, exchanged, pledged, hypothecated, transferred, alienated or otherwise disposed of or hedged, in any manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily, and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, by the Participant. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section 4 shall be null and void and any PSU which is hedged in any manner shall immediately be forfeited. All of the terms and conditions of the Plan and this Award Agreement shall be binding upon any permitted successors and assigns.

Section 5. *Performance Assessment*.

(a) Except in the event of a Change of Control, the number of PSUs earned by the Participant for the Performance Period will be determined in accordance with a schedule to be provided to the Participant. The Committee shall determine, in its sole discretion, the number of PSUs earned by the Participant.

(b) Promptly following the end of the Performance Period (and no later than 60 days following the end of the Performance Period), the Committee will review and certify in writing (i) whether, and to what extent, performance has been achieved in accordance with a schedule to be provided to the Participant, and (ii) the number of PSUs that the Participant shall earn, if any, subject to compliance with the requirements of Section 6. The Committee's certification shall be

final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.

Section 6. *Vesting; Change of Control; Vesting and Forfeiture Upon a Termination of Employment*.

(a) *Vesting*. The number of PSUs earned by the Participant, if any, determined as set forth in Section 5(b), will vest and become nonforfeitable following the end of the Performance Period on the vesting date identified in the Participant's electronic account (the "**Vesting Date**"), subject to the Participant's continued service from the Grant Date through the Vesting Date.

(b) *Change of Control*. In the event of a Change of Control prior to the end of the Performance Period:

i. The Committee will review and certify in writing whether, and to what extent, performance has been achieved through the date of the Change of Control, and the number of PSUs that the Participant shall earn, if any, subject to compliance with the requirements of this Section 6(b). The Committee's certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.

ii. Following the Change of Control, the PSUs will remain subject to forfeiture and conditioned on the Participant's continued service from the Grant Date through the Vesting Date; *provided, however*, that if the Participant is terminated by the Company without Cause, or the Participant resigns from employment with the Company with Good Reason, within 12 months after the Change of Control (a "**Change of Control Termination**"), the PSUs earned by the Participant, as determined by the Committee pursuant to Section 6(b)(i), shall fully vest on the Participant's termination date and shall be distributed to the Participant in accordance with Section 7.

(c) *Vesting and Forfeiture Upon Termination of Employment.*

i. *Termination Without Cause*. If the Participant is terminated by the Company without Cause (other than a Change of Control Termination) on or after the first anniversary of the Performance Period Start Date, the PSUs earned by the Participant as set forth in Section 5(b) shall vest on the Vesting Date in accordance with Section 6(a) as though the Participant was still employed by the Company on the Vesting Date; *provided*, *however*, that the Participant does not engage in any Detrimental Activity during the Participant's post-employment vesting period.

ii. *Retirement; Disability*. If the Participant's employment is terminated by reason of Retirement or Disability, the PSUs earned by the Participant as set forth in Section 5(b) shall vest on the Vesting Date in accordance with Section 6(a) as though the Participant was still employed by the Company on the Vesting Date; *provided*, *however*, that the Participant (A) does not engage in any Detrimental Activity and (B) does not become employed by any company in the financial services industry, in each case, during the Participant's post-employment vesting period. *[Retirement treatment not applicable for retention awards]*

iii. *Death*. If the Participant is terminated due to death, the target number of PSUs shall fully vest on the Participant's date of death and shall be distributed to the Participant's Beneficiary in accordance with Section 7.

iv. *Forfeiture*. If the Participant is terminated by the Company with Cause or the Participant resigns for any reason (other than a Change of Control Termination), any unvested PSUs shall be forfeited in their entirety on the Participant's termination date without any payment to the Participant. If the Participant's employment is terminated by the Company without Cause (other than a Change of Control Termination) prior to the first anniversary of the Performance Period Start Date, any unvested PSUs shall be forfeited in their entirety on the Participant's termination date without any payment to the Participant. In addition, if (A) the Participant's employment is terminated by the Company without Cause (other than a Change of Control Termination) and the Participant engages in any Detrimental Activity during the Participant's post-employment vesting period, or (B) the Participant's employment is terminated due to Retirement or Disability and the Participant either (I) engages in any Detrimental Activity, or (II) becomes employed by any company in the financial services industry, in either case, during the

Participant's post-employment vesting period, any unvested PSUs shall be forfeited in their entirety on the date that the Participant engages in such Detrimental Activity or becomes employed by any company in the financial services industry, as applicable, without any payment to the Participant.

Section 7. *Distribution on Vesting*. Subject to the provisions of this Award Agreement, upon the vesting of any of the PSUs, the Company shall deliver to the Participant (or the Participant's Beneficiary, in the event of the Participant's death prior to distribution), as soon as reasonably practicable after the Vesting Date (or the Participant's termination date, as applicable), one Share for each PSU, *provided* that such delivery of Shares shall be made no later than March 15 of the calendar year immediately following the year in which the Vesting Date (or the Participant's termination date, as applicable) occurs. Upon such delivery, such Shares shall be fully assignable, saleable and transferable by the Participant, *provided* that any such assignment, sale, transfer or other alienation with respect to such Shares shall be in accordance with applicable securities laws.

Section 8. *Notice Prior to the Participant's Voluntary Separation from Employment*. In partial consideration for the Participant's eligibility for and receipt of any award granted under the Plan, the Participant agrees to provide the Company with prior notice of the Participant's voluntary separation from employment, regardless of the reason for such separation. Such notice shall be no less than the greater of (a) the notice period applicable to the Participant's employee level as specified in the Company's Separation from Employment Policy as it exists at the time the Participant provides such notice or (b) the period specified in any other written agreement between the Participant and the Company.

Section 9. *Restrictive Covenants*.

(a) *Non-Solicitation of Employees*. In addition to the Participant's obligations detailed in this Agreement, the Participant agrees and reaffirms that, at any time during the Participant's employment and for twelve (12) months following the date the Participant ceases to be employed by the Company for any reason, or if longer, during the remaining vesting period (the "Restricted Period"), and to the extent permissible by law in the state the Participant resides, the Participant shall not, directly or indirectly, whether for the Participant's own account or for any person or entity other than the Company or any Company Affiliate hire, employ, solicit for employment or hire, or attempt to solicit for employment or hire, any person who is employed by the Company or any Company Affiliate during the Restricted Period, nor shall the Participant directly or indirectly induce any such employee to terminate his or her employment or accept employment with anyone other than a Company Affiliate, or otherwise interfere with the relationship between the Company and/or any Company Affiliate and any of their employees during the Restricted Period. Anything to the contrary notwithstanding, the Company agrees that the Participant shall not be deemed in violation of this Section 9(a) if an entity with which the Participant is associated hires or engages any employee of the Company or a Company Affiliate, if the Participant was not, directly or indirectly, involved in hiring or identifying such person as a potential recruit or assisting in the recruitment of such employee.

(b) *Non-Solicitation of, and Non-Interference with, Customers and Prospective Clients*. The Participant agrees that during the Participant's employment and during the Restricted Period, and to the extent permissible by law in the state the Participant resides, the Participant shall not, directly or indirectly, for any person or entity other than the Company or any Company Affiliate, solicit, assist in soliciting for or accept business from any customer of the Company or any Company Affiliate, nor will the Participant induce or encourage any such customer to discontinue or diminish his, her or its relationship or prospective relationship with the Company or any Company Affiliate, or divert business away from the Company or any Company Affiliate; provided, however, that general solicitation through advertisement shall not constitute solicitation for purposes of this provision. Anything to the contrary notwithstanding, the Company agrees that the Participant shall not be deemed in violation of this Section 9(b) if an entity with which the Participant is associated accepts business from a customer or client of the Company or a Company Affiliate, if the Participant was not, directly or indirectly, involved in soliciting or identifying such customer or client as a potential customer or client of the competing entity.

(c) *Representations.* The Participant agrees that all of the foregoing restrictions are reasonable and necessary to protect the Company's and/or any Company Affiliate's business and their Confidential Information and that the Participant's eligibility for and receipt of any award

under the Plan, are independently and together good and valuable consideration to compensate him or her for agreeing to all restrictions contained in this Agreement. The Participant also acknowledges, represents and warrants that the Participant's knowledge, skills and abilities are sufficient to permit the Participant to earn a satisfactory livelihood without violating these provisions. Further, the Participant agrees that the Participant shall not, following the termination of the Participant's employment with the Company, represent or hold the Participant out as being in any way connected with the business of the Company or any Company Affiliate.

(d) *Blue Pencil.* It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this section to be reasonable, if a final judicial determination is made by an arbitrator or a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if an arbitrator or a court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(e) *Injunctive Relief*. In the event of a breach or threatened breach of this Section 9 or the Participant's engaging in Detrimental Activity, and to the extent permissible by law in the state the Participant resides, the Participant agrees that the Company will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Participant acknowledging that damages would be inadequate and insufficient.

Section 10. *Tax Liability; Withholding Requirements*. The Participant shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes) and penalties, and any interest that accrues thereon, that the Participant incurs in connection with the receipt, vesting or settlement of any PSU granted hereunder. The Company shall be authorized to withhold from the Award the amount (in cash or Shares, or any combination thereof) of applicable withholding taxes due in respect of the Award, its settlement or any payment or transfer under the Award and to take such other action (including providing for elective payment of such amounts in cash or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes; provided, however, that no Shares shall be withheld with a value exceeding the maximum statutory tax rates in the applicable tax jurisdictions.

Section 11. *Recoupment/Clawback*. The Participant hereby acknowledges and agrees that in order to comply with applicable law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act), regulatory authority, and policies of the Company, the Committee retains the right at all times to decrease or terminate all awards and payments under the Plan, and any and all amounts payable under the Plan, or paid under the Plan, shall be subject to clawback, forfeiture, and reduction to the extent determined necessary to comply with applicable law, regulatory authority, and/or policies of the Company, including as a result of risk-related events.

Section 12. *No Right to Continued Employment*. Neither the Plan nor this Award Agreement shall confer upon the Participant any right to continue to be employed by the Company and the receipt of the Award does not confer any rights on the Participant other than those expressly set forth in this Award Agreement or the Plan.

Section 13. *Section 409A of the Code*. This Award Agreement is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and the provisions of this Award Agreement shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and this Award Agreement shall be operated accordingly. If any provision of this Award Agreement or any term or condition of the PSUs would otherwise conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. Notwithstanding anything else in this Award Agreement, if the Board considers a Participant to be a "specified employee" under Section 409A of the Code at the time of such Participant's "separation from service" (as defined in Section 409A of the Code), and the amount hereunder is "deferred compensation" subject to Section 409A of the Code any distribution that otherwise would be made to such Participant with respect to PSUs as a result of such separation from service shall not be made until the date that is six months after such

separation from service, except to the extent that earlier distribution would not result in such Participant's incurring interest or additional tax under Section 409A of the Code. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participants' right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment. Notwithstanding the foregoing, the tax treatment of the benefits provided under this Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

Section 14. *Miscellaneous*.

(a) *Definitions*. For purposes of this Award Agreement:

i. "**Cause**" means:

(1) any conviction (including a plea of guilty or of nolo contendere or entry into a pre-trial diversion program) of the Participant for the commission of a felony or any conviction of any criminal offense within the scope of Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829;

(2) the Participant commits an act of gross misconduct, fraud, embezzlement, theft or material dishonesty in connection with the Participant's duties or in the course of the Participant's employment with the Company or any of its affiliates;

(3) failure on the part of the Participant to perform his or her employment duties in any material respect, which is not cured to the reasonable satisfaction of the Company within 30 days after the Participant receives written notice of such failure; or

(4) the Participant engages in Detrimental Activity.

ii. "**Company Affiliate**" means the Company's parents, subsidiaries, affiliates or their respective successors (collectively, the "Company Affiliates" and each a "Company Affiliate").

iii. "**Detrimental Activity**" includes the following:

(1) The Participant's disclosure to any unauthorized person, firm, or corporation or use or attempt to use for his or her own advantage or to the advantage of any other person, firm or corporation, any confidential information relating to the business affairs or trade secrets of the Company or any of its affiliates, howsoever obtained or provided, during the course of, or as a result of, his or her employment (the "**Confidential Information**"). Confidential Information includes, but is not limited to, information relating to employees, customers and suppliers (former, actual and potential), Company contracts, pricing structures, financial and marketing details, business plans, any technical data, designs, formulae, product lines, intellectual property, research activities and any information which may be deemed to be commercially or price sensitive in nature, whether printed, typed, handwritten, videotaped, transmitted or transcribed on data files or on any other type of media, including but not limited to electronic and digital media, whether or not labeled as "confidential";

(2) The Participant violates the obligations set forth in Section 9(a) or 9(b) of this Award Agreement.

(3) Making any false or disparaging comments about the Company or any of its subsidiaries, affiliates, employees, officers, or directors; or

(4) Engaging in any activity which in the opinion of the Company is not consistent with providing an orderly handover of the Participant's responsibilities.

The Participant agrees that the foregoing restrictions are reasonable and necessary to protect the Company's business and that the grant of this Award, along with the benefits and attributes of the

Participant’s employment by the Company, is good and valuable consideration to compensate the Participant for agreeing to these restrictions. Notwithstanding anything to the contrary in this Award Agreement or otherwise, nothing shall limit the Participant’s rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, the Participant agrees to waive his or her right to recover monetary damages in connection with any charge, complaint or lawsuit filed by the Participant or anyone else on the Participant’s behalf (whether involving a governmental entity or not); provided that the Participant is not agreeing to waive, and this Award Agreement shall not be read as requiring the Participant to waive, any right the Participant may have to receive an award for information provided to any governmental entity. The Participant is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (3) to the Participant’s attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

iv. “**Disability**” means the Participant is entitled to, and has begun to receive, long-term disability benefits under the long-term disability plan of the Company in which the Participant participates.

v. “**Good Reason**” means any of the following changes, as compared to the Participant's terms of employment prior to a Change of Control:

(1) a material diminution in the Participant’s authority, duties, or responsibilities;

(2) a material diminution in the Participant’s base salary other than a general reduction in base salary that affects all similarly situated employees; or

(3) a relocation of the Participant’s principal place of employment by more than 50 miles from his or her current principal place of employment, unless the new principal place of employment is closer to the Participant's home address.

Provided, however, that the Participant must give written notice to the Company within 30 days of the initial existence of any of the foregoing changes, the Company shall have 30 days upon receipt of such notice to remedy the condition so as to eliminate the Good Reason, and if not remedied, the Participant’s employment must terminate no later than 60 days following the expiration of such cure period. Notwithstanding the foregoing, the Participant’s continued employment shall not constitute a waiver of the Participant’s rights with respect to any circumstance constituting Good Reason under this Award Agreement.

vi. “**Performance Period**” means the period beginning on ________ and ending on __________.

vii. “**Performance Period Start Date**” means the date that the Performance Period begins, as set forth in Section 14(a)(vi).

viii. “**Retirement**” means the Participant’s age plus years of service (in each case, including completed months) equals or exceeds 65, with a minimum of at least five years of service with the Company.

(b) *Notices.* All notices, requests and other communications under this Award Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission or by e-mail or any other form of electronic transmission or delivery approved by the Committee, as follows:

if to the Company, to:

Citizens Financial Group, Inc.
600 Washington Blvd.
Stamford, CT 06901
Attention: Corporate Secretary

if to the Participant, to the address that the Participant most recently provided to the Company,

or to such other address, facsimile number, e-mail address or such other form of electronic transmission or delivery as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed received on the next succeeding business day in the place of receipt. Notwithstanding anything to the contrary contained in this Award Agreement or in the Plan, the Company may, in its sole discretion, deliver and, by acceptance of this grant, the Participant hereby explicitly and unambiguously consents and agrees to the receipt and delivery of, any notices permitted or required hereunder, documents related to any Awards granted under the Plan and/or any other information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries or the Plan by electronic means, including but not limited to through the Participant's electronic account, through another on-line or electronic account system established and maintained by the Company or another third party designated by the Company or via the Company website. Such consent shall remain in effect throughout the Participant's term of employment or service with the Company and thereafter until withdrawn in writing by the Participant. The Participant acknowledges that the Participant may receive from the Company a paper copy of any notices or documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing.

(c) *Entire Agreement*. This Award Agreement and the Plan (including the terms specified in the Participant's electronic account, as noted in Section 1 and Section 6 above) constitute the entire agreement and understanding between the parties in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof.

(d) *Severability*. If any provision of this Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or this Award Agreement under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of this Award Agreement, such provision shall be stricken as to such jurisdiction, and the remainder of this Award Agreement shall remain in full force and effect.

(e) *Amendment; Waiver*. No amendment or modification of any provision of this Award Agreement that has a material adverse effect on the Participant shall be effective unless signed in writing by or on behalf of the Company and the Participant, *provided* that the Company may amend or modify this Award Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Award Agreement. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature. Any amendment or modification of or to any provision of this Award Agreement, or any waiver of any provision of this Award Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(f) *Assignment*. Neither this Award Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(g) *Successors and Assigns; No Third-Party Beneficiaries*. This Award Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Award Agreement, express or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted

assigns, any rights, remedies, obligations or liabilities under or by reason of this Award Agreement.

(h) *Governing Law; Waiver of Jury Trial.* This Award Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof. By acknowledging this Award Agreement electronically or signing it manually, as applicable, the Participant waives any right that the Participant may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this Award Agreement or the Plan.

(i) *Discretionary Nature.* The grant of the PSUs does not create any contractual right or other right in the Participant to receive any PSUs or other Awards in the future. Future grants of Awards, if any, shall be at the sole discretion of the Company.

(j) *Participant Undertaking; Acceptance*. The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Participant or the PSUs pursuant to this Award Agreement. The Participant acknowledges receipt of a copy of the Plan and this Award Agreement and understands that material definitions and provisions concerning the PSUs and the Participant's rights and obligations with respect thereto are set forth in the Plan. The Participant has read carefully, and understands, the provisions of this Award Agreement and the Plan.

(k) *Dispute Resolution.* Except as provided in Section 9(e) above and the last sentence of this paragraph to the fullest extent permitted by law, the Company and the Participant agree to waive their rights to seek remedies in court, including but not limited to rights to a trial by jury. The Company and each Participant agree that any dispute between or among them and/or their affiliates arising out of, relating to or in connection with this Plan shall be resolved in accordance with a confidential two-step dispute resolution procedure involving: (a) Step One: non-binding mediation, and (b) Step Two: binding arbitration under the Federal Arbitration Act, 9 U.S.C. § 1, et. seq., or state law, whichever is applicable. Any such mediation or arbitration hereunder shall be under the auspices of the American Arbitration Association ("**AAA**") pursuant to its then current AAA Commercial Arbitration Rules. No arbitration shall be initiated or take place with respect to a given dispute if the parties have successfully achieved a mutually agreed to resolution of the dispute as a result of the Step One mediation. The mediation session(s) and, if necessary, the arbitration hearing shall be held in the city/location selected by the Company in its sole discretion. The arbitration (if the dispute is not resolved by mediation) shall be conducted by a single AAA arbitrator, selected by the Company in its sole discretion. Any award rendered by the arbitrator, including with respect to responsibility for AAA charges (including the costs of the mediator and arbitrator), shall be final and binding, and judgment may be entered on it in any court of competent jurisdiction. In the unlikely event the AAA refuses to accept jurisdiction over a dispute, the Company and each Participant agree to submit to JAMS mediation (formerly known as Judicial Arbitration and Mediation Services) and arbitration applying the JAMS equivalent of the AAA Commercial Arbitration Rules. If AAA and JAMS refuse to accept jurisdiction, the parties may litigate in a court of competent jurisdiction.

(l) *Captions*. Captions provided herein are for convenience only and shall not affect the scope, meaning, intent or interpretation of the provisions of this Award Agreement.

(m) *Nature of Payments*. Any and all grants or deliveries related to the PSUs hereunder shall constitute special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for the purpose of determining any retirement, death or other benefits under (i) any retirement, bonus, life insurance or other employee benefit plan of the Company, or (ii) any agreement between the Company and the Participant, except as such plan or agreement shall otherwise expressly provide.

(n) *Data Privacy*. The Participant understands that the Company and its affiliates hold certain personal information about the Participant, including but not limited to the Participant's name, home address and telephone number, birthdate, social insurance number or other identification number, compensation, details of all Awards or any other entitlement to Shares for the purpose of administering the Plan (the "Data"). As a condition of receipt of this Award, the Participant explicitly consents to the collection, use, transfer and retention, in electronic or other form, of the Data by and among, as applicable, the Company, its affiliates and any third parties

assisting the Company in administration of the Plan (including but not limited to any broker or other third party with whom the Participate may elect to deposit Shares), in each case, for the purpose of administering the Participant's participation in the Plan.

CFG Voluntary Executive Deferred Compensation Plan
Fourth Plan Amendment

Effective January 1, 2022, Schedule I to the CFG Voluntary Executive Deferred Compensation Plan Amended and Restated September 1, 2014 (the "Plan"), is hereby amended to read as follows:

SCHEDULE I

EMPLOYERS EFFECTIVE JANUARY 1, 2022

The following list represents the Participating Employers, based on the nomenclature and corporate organization of each such employer as of the respective dates each such employer became a Participating Employer.

Citizens Bank of Pennsylvania
Citizens Bank, NA
Citizens Asset Finance, Inc.
CCO Investment Services, Corp.
Citizens Financial Group, Inc.
CSB Investment Corporation
Franklin American Mortgage Company
Clarfeld Financial Advisors, LLC
Bowstring Advisors
Trinity Capital
Willamette Management Associates, Inc.
JMP Group, Inc.

Except as amended herein, the Plan is confirmed in all other respects.

Executed this 6th day of December 2021 by and on behalf of Citizens Financial Group, Inc. by its duly authorized officer.

Citizens Financial Group, Inc.

By: /s/ Sal J. Di Liberti

Name: Sal J. Di Liberti, Head of Benefits

EXHIBIT 10.23

CITIZENS FINANCIAL GROUP, INC.

Deferred Cash Award Agreement
Terms and Conditions

Section 1. *Grant of Deferred Cash Award.* Citizens Financial Group, Inc. (together with its Subsidiaries, the "**Company**") has granted to the recipient, as identified in such recipient's electronic account (the "**Recipient**"), in exchange for the Recipient's services to the Company, a cash award (the "**Award**") in the amount specified in the Recipient's electronic account, effective on the "**Grant Date**" specified in the Recipient's electronic account. The Award is subject to the terms and conditions of this award agreement (the "**Award Agreement**").

Section 2. *Restrictions on Transferability*. The Award granted under this Award Agreement shall not be assigned, sold, exchanged, pledged, hypothecated, transferred, alienated or otherwise disposed of or hedged, in any manner, whether voluntarily or involuntarily, and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, by the Recipient. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section 2 shall be null and void and any portion of the Award that is hedged in any manner shall immediately be forfeited. All of the terms and conditions of this Award Agreement shall be binding upon any permitted successors and assigns.

Section 3. *Vesting; Change of Control; Vesting and Forfeiture Upon a Termination of Employment.*

(a) *Vesting*. The Award will be subject to the vesting schedule specified in the Recipient's electronic account.

(b) *Change of Control*. If the Recipient is terminated by the Company without Cause, or the Recipient resigns from employment with the Company with Good Reason, within 12 months after a Change of Control (a "**Change of Control Termination**"), the Award shall fully vest on the Recipient's termination date and shall be paid to the Recipient pursuant to Section 4.

(c) *Vesting and Forfeiture Upon Termination of Employment.*

i. *Termination Without Cause*. If the Recipient is terminated by the Company without Cause (other than a Change of Control Termination), the Award shall continue to vest in accordance with Section 3(a) as though the Recipient was still employed by the Company on each applicable vesting date; *provided*, *however*, that the Recipient does not engage in any Detrimental Activity during the Recipient's post-employment vesting period.

ii. *Retirement; Disability*. If the Recipient's employment is terminated due to Retirement or Disability, the Award shall continue to vest in accordance with Section 3(a) as though the Recipient was still employed by the Company on each applicable vesting date, *provided*, *however*, that the Recipient (A) does not engage in any Detrimental Activity and (B) does not become employed by any company in the financial services industry, in each case, during the Recipient's post-employment vesting period.

iii. *Death*. If the Recipient is terminated due to death, the Award shall fully vest on the Recipient's date of death and shall be paid to the Recipient's Beneficiary pursuant to Section 4.

iv. *Forfeiture*. If the Recipient is terminated by the Company with Cause or the Recipient resigns for any reason (other than a Change of Control Termination), any unvested portion of the Award shall be forfeited in its entirety on the Recipient's termination date without any payment to the Recipient. In addition, if (A) the Recipient's employment is terminated by the Company without Cause (other than a Change of Control Termination) and the Recipient engages in Detrimental Activity during the Recipient's post-employment vesting period, or (B) the Recipient's employment is terminated due to Retirement or Disability and the Recipient either (I) engages in any Detrimental Activity, or (II) becomes employed by any company in the financial services industry, in either case, during the Recipient's post-employment vesting period, any unvested portion of the Award shall be forfeited in its entirety on the date that the Recipient

engages in such Detrimental Activity or becomes employed by any company in the financial services industry, as applicable, without any payment to the Recipient.

Section 4. *Distribution on Vesting*. Each portion of the Award that becomes vested pursuant to Section 3 shall be paid as soon as reasonably practicable on or after the applicable vesting date in an amount equal to the portion of the Award that became vested on that date; *provided, however*, that such payment shall be made no later than the end of the calendar year in which it vests or, if later, by the 15th day of the third calendar month after the vesting date provided that the Recipient shall not be permitted, directly or indirectly, to designate the taxable year of the payment.

Section 5. *Notice Prior to the Recipient's Voluntary Separation from Employment*. In partial consideration for the Recipient's eligibility for and receipt of the Award, the Recipient agrees to provide the Company with prior notice of the Recipient's voluntary separation from employment, regardless of the reason for such separation. Such notice shall be no less than the greater of (a) the notice period applicable to the Recipient's employee level as specified in the Company's Separation from Employment Policy as it exists at the time the Recipient provides such notice or (b) the period specified in any other written agreement between the Recipient and the Company.

Section 6. *Restrictive Covenants*.

(a) *Non-Solicitation of Employees*. In addition to the Recipient's obligations detailed in this Agreement, the Recipient agrees and reaffirms that, at any time during the Recipient's employment and for twelve (12) months following the date the Recipient ceases to be employed by the Company for any reason, or if longer, during the remaining vesting period (the "Restricted Period"), and to the extent permissible by law in the state the Participant resides, the Recipient shall not, directly or indirectly, whether for the Recipient's own account or for any person or entity other than the Company or any Company Affiliate hire, employ, solicit for employment or hire, or attempt to solicit for employment or hire, any person who is employed by the Company or any Company Affiliate during the Restricted Period, nor shall the Recipient directly or indirectly induce any such employee to terminate his or her employment or accept employment with anyone other than a Company Affiliate, or otherwise interfere with the relationship between the Company and/or any Company Affiliate and any of their employees during the Restricted Period. Anything to the contrary notwithstanding, the Company agrees that the Recipient shall not be deemed in violation of this Section 6(a) if an entity with which the Recipient is associated hires or engages any employee of the Company or a Company Affiliate, if the Recipient was not, directly or indirectly, involved in hiring or identifying such person as a potential recruit or assisting in the recruitment of such employee.

(b) *Non-Solicitation of, and Non-Interference with, Customers and Prospective Clients*. The Recipient agrees that during the Recipient's employment and during the Restricted Period, and to the extent permissible by law in the state the Participant resides, the Recipient shall not, directly or indirectly, for any person or entity other than the Company or any Company Affiliate, solicit, assist in soliciting for or accept business from any customer of the Company or any Company Affiliate, nor will the Recipient induce or encourage any such customer to discontinue or diminish his, her or its relationship or prospective relationship with the Company or any Company Affiliate, or divert business away from the Company or any Company Affiliate; provided, however, that general solicitation through advertisement shall not constitute solicitation for purposes of this provision. Anything to the contrary notwithstanding, the Company agrees that the Recipient shall not be deemed in violation of this Section 6(b) if an entity with which the Recipient is associated accepts business from a customer or client of the Company or a Company Affiliate, if the Recipient was not, directly or indirectly, involved in soliciting or identifying such customer or client as a potential customer or client of the competing entity.

(c) *Representations*. The Recipient agrees that all of the foregoing restrictions are reasonable and necessary to protect the Company's and/or any Company Affiliate's business and their Confidential Information and that the Recipient's eligibility for and receipt of the Award, are independently and together good and valuable consideration to compensate him or her for agreeing to all restrictions contained in this Agreement. The Recipient also acknowledges, represents and warrants that the Recipient's knowledge, skills and abilities are sufficient to permit the Recipient to earn a satisfactory livelihood without violating these provisions. Further, the Recipient agrees that the Recipient shall not, following the termination of the Recipient's

employment with the Company, represent or hold the Recipient out as being in any way connected with the business of the Company or any Company Affiliate.

(d) *Blue Pencil*. It is expressly understood and agreed that although the Recipient and the Company consider the restrictions contained in this section to be reasonable, if a final judicial determination is made by an arbitrator or a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Recipient, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if an arbitrator or a court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(e) *Injunctive Relief*. In the event of a breach or threatened breach of this Section 6 or the Participant's engaging in Detrimental Activity, and to the extent permissible by law in the state the Participant resides, the Participant agrees that the Company will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Participant acknowledging that damages would be inadequate and insufficient.

Section 7. *Repayment Requirement*. If the Recipient's employment is terminated (or notice to terminate is given by the Recipient or the Company) for any reason other than death, Disability, Retirement, or termination by the Company without Cause within 12 months of the date the Recipient commences employment with the Company, any unvested portion of the Award shall be forfeited in its entirety on the Recipient's termination date without any payment to the Recipient and the Recipient shall be required to repay the Company within 14 days of the Recipient's termination date the net value (following any applicable tax and other statutory deductions) of any portion of the Award that the Recipient received pursuant to this Award Agreement. *[Only applicable to buy-out awards]*

Section 8. *Tax Liability; Withholding Requirements*. The Recipient shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes) and penalties, and any interest that accrues thereon, that the Recipient incurs in connection with the receipt, vesting or payment of the Award. The Company shall be authorized to withhold from the Award any payment due or transfer made under the Award or from any compensation or other amount owing to the Recipient the amount (in cash or other property, or any combination thereof) of applicable withholding taxes due in respect of the Award, its settlement or any payment or transfer under the Award and to take such other action (including providing for elective payment of such amounts in cash or other property by the Recipient) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

Section 9. *Recoupment/Clawback*. The Recipient hereby acknowledges and agrees that in order to comply with applicable law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act), regulatory authority, and policies of the Company, the Committee retains the right at all times to decrease or terminate the Award and payments under the Award, and any and all amounts payable under the Award, or paid under the Award, shall be subject to clawback, forfeiture, and reduction to the extent determined necessary to comply with applicable law, regulatory authority, and/or policies of the Company, including as a result of risk-related events.

Section 10. *No Right to Continued Employment*. The grant of the Award shall not be construed as giving a Recipient the right to be retained in the employ of, or to continue to provide services to, the Company. The receipt of the Award is not intended to confer any rights on the Recipient except as set forth in this Award Agreement.

Section 11. *Section 409A of the Code*. This Award Agreement is intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and the provisions of this Award Agreement shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and this Award Agreement shall be operated accordingly. If any provision of this Award Agreement or any term or condition of the Award would otherwise conflict with this intent, the provision, term or condition shall be interpreted and deemed amended so as to avoid this conflict. Notwithstanding anything else in this Award Agreement, if the Board considers a Recipient to be a "specified employee" under Section 409A of the Code at

the time of such Recipient's "separation from service" (as defined in Section 409A of the Code), and the amount under the Award is "deferred compensation" subject to Section 409A of the Code any distribution that otherwise would be made to such Recipient with respect to the Award as a result of such separation from service shall not be made until the date that is six months after such separation from service, except to the extent that earlier distribution would not result in such Recipient's incurring interest or additional tax under Section 409A of the Code. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Recipients' right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment. Notwithstanding the foregoing, the tax treatment of the benefits provided under this Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Recipient on account of non-compliance with Section 409A of the Code.

Section 12. *Miscellaneous*.

(a) *Definitions*. For purposes of this Award Agreement:

i. "**Beneficiary**" means a person entitled to receive payments or other benefits that are available under the Award in the event of the Recipient's death. If no such person can be named or is named by the Recipient, or if no Beneficiary designated by the Recipient is eligible to receive payments or other benefits that are available under the Award at the Recipient's death, the Recipient's Beneficiary shall be the Recipient's estate. A Recipient may designate a Beneficiary or change a previous Beneficiary designation only at such times as prescribed by the Company, in its sole discretion, and only by using forms and following procedures approved or accepted by the Company for that purpose.

ii. "**Board**" means the board of directors of Citizens Financial Group, Inc.

iii. "**Cause**" means:

(1) any conviction (including a plea of guilty or of nolo contendere or entry into a pre-trial diversion program) of the Recipient for the commission of a felony or any conviction of any criminal offense within the scope of Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829;

(2) the Recipient commits an act of gross misconduct, fraud, embezzlement, theft or material dishonesty in connection with the Recipient's duties or in the course of the Recipient's employment with the Company or any of its affiliates;

(3) failure on the part of the Recipient to perform his or her employment duties in any material respect, which is not cured to the reasonable satisfaction of the Company within 30 days after the Recipient receives written notice of such failure; or

(4) the Recipient engages in Detrimental Activity.

iv. "**Change of Control**" means the occurrence of any one or more of the following events:

(1) any person (as described in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) of the Exchange Act, including a "group" as defined in Section 13(d) of the Exchange Act), other than an employee benefit plan or trust maintained by the Company, becomes the beneficial owner (as described in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's outstanding securities entitled to vote generally in the election of directors;

(2) at any time during a period of 12 consecutive months, individuals who at the beginning of such period constituted the Board and any new member of the Board whose election or nomination for election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or

nomination for election was so approved, cease for any reason to constitute a majority of members of the Board; or

(3) the consummation of (A) a merger or consolidation of the Company with any other corporation or entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or, if applicable, the ultimate parent thereof) at least 50% of the combined voting power and total fair market value of the securities of the Company or such surviving entity or parent outstanding immediately after such merger or consolidation, or (B) any sale, lease, exchange or other transfer to any person (as such term is described in clause (1) above) of assets of the Company, in one transaction or a series of related transactions, having an aggregate fair market value of more than 50% of the fair market value of the Company and its subsidiaries (the “Company Value”) immediately prior to such transaction(s), but only to the extent that, in connection with such transaction(s) or within a reasonable period thereafter, the Company’s shareholders receive distributions of cash and/or assets having a fair market value that is greater than 50% of the Company Value immediately prior to such transaction(s).

Notwithstanding the foregoing or any provision of this Award Agreement to the contrary, if the Award provides for accelerated distribution on a Change of Control of amounts that constitute “deferred compensation” (as defined in Section 409A of the Code and the regulations thereunder), if the event that constitutes such Change of Control does not also constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the Company’s assets (in either case, as defined in Section 409A of the Code), such amount shall not be distributed on such Change of Control but instead shall vest as of the date of such Change of Control and shall be paid on the scheduled payment date specified in the Award Agreement, except to the extent that earlier distribution would not result in the Recipient who holds such Award incurring interest or additional tax under Section 409A of the Code.

v. “**Code**” means the Internal Revenue Code of 1986, as amended from time to time, and the rules, regulations and guidance thereunder. Any reference to a provision in the Code shall include any successor provision thereto.

vi. “**Committee**” means the compensation committee of the Board unless another committee is designated by the Board. If there is no compensation committee of the Board and the Board does not designate another committee, references herein to the “Committee” shall refer to the Board.

vii. “**Company Affiliate**” means the Company’s parents, subsidiaries, affiliates or their respective successors (collectively, the "Company Affiliates" and each a “Company Affiliate”).

viii. “**Detrimental Activity**” includes the following:

(1) The Recipient’s disclosure to any unauthorized person, firm, or corporation or use or attempt to use for his or her own advantage or to the advantage of any other person, firm or corporation, any confidential information relating to the business affairs or trade secrets of the Company or any of its affiliates, howsoever obtained or provided, during the course of, or as a result of, his or her employment (the “**Confidential Information**”). Confidential Information includes, but is not limited to, information relating to employees, customers and suppliers (former, actual and potential), Company contracts, pricing structures, financial and marketing details, business plans, any technical data, designs, formulae, product lines, intellectual property, research activities and any information which may be deemed to be commercially or price sensitive in nature, whether printed, typed, handwritten, videotaped, transmitted or transcribed on data files or on any other type of media, including but not limited to electronic and digital media, whether or not labeled as “confidential”;

(2) The Recipient violates the obligations set forth in Section 6(a) or 6(b) of this Award Agreement.

(3) Making any false or disparaging comments about the Company or any of its subsidiaries, affiliates, employees, officers, or directors; or

(4) Engaging in any activity which in the opinion of the Company is not consistent with providing an orderly handover of the Recipient's responsibilities.

The Recipient agrees that the foregoing restrictions are reasonable and necessary to protect the Company's business and that the grant of this Award, along with the benefits and attributes of the Recipient's employment by the Company, is good and valuable consideration to compensate the Recipient for agreeing to these restrictions. Notwithstanding anything to the contrary in this Award Agreement or otherwise, nothing shall limit the Participant's rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, the Participant agrees to waive his or her right to recover monetary damages in connection with any charge, complaint or lawsuit filed by the Participant or anyone else on the Participant's behalf (whether involving a governmental entity or not); provided that the Participant is not agreeing to waive, and this Award Agreement shall not be read as requiring the Participant to waive, any right the Participant may have to receive an award for information provided to any governmental entity. The Participant is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (2) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (3) to the Participant's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

ix. "**Disability**" means the Recipient is entitled to, and has begun to receive, long-term disability benefits under the long-term disability plan of the Company in which the Recipient participates.

x. "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

xi. "**Good Reason**" means any of the following changes as compared to the Recipient's terms of employment prior to a Change of Control:

(1) a material diminution in the Recipient's authority, duties, or responsibilities;

(2) a material diminution in the Recipient's base salary other than a general reduction in base salary that affects all similarly situated employees; or

(3) a relocation of the Recipient's principal place of employment by more than 50 miles from his or her current principal place of employment, unless the new place of employment is closer to the Recipient's home address.

Provided, however, that the Recipient must give written notice to the Company within 30 days of the initial existence of any of the foregoing changes, the Company shall have 30 days upon receipt of such notice to remedy the condition so as to eliminate the Good Reason, and if not remedied, the Recipient's employment must terminate no later than 60 days following the expiration of such cure period. Notwithstanding the foregoing, the Recipient's continued employment shall not constitute a waiver of the Recipient's rights with respect to any circumstance constituting Good Reason under this Award Agreement.

xii. **"Retirement**" means the Recipient's age plus years of service (in each case, including completed months) equals or exceeds 65, with a minimum of at least five years of service with the Company.

(b) *Notices.* All notices, requests and other communications under this Award Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission or by e-mail or any other form of electronic transmission or delivery approved by the Committee, as follows:

if to the Company, to:

Citizens Financial Group, Inc.
600 Washington Blvd.
Stamford, CT 06901
Attention: Corporate Secretary

if to the Recipient, to the address that the Recipient most recently provided to the Company,

or to such other address, facsimile number, e-mail address or such other form of electronic transmission or delivery as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed received on the next succeeding business day in the place of receipt. Notwithstanding anything to the contrary contained in this Award Agreement, the Company may, in its sole discretion, deliver and, by acceptance of this grant, the Recipient hereby explicitly and unambiguously consents and agrees to the receipt and delivery of, any notices permitted or required hereunder, documents related to the Award and/or any other information (including, without limitation, information required to be delivered to the Recipient pursuant to applicable securities laws) regarding the Company and the Subsidiaries or the Award by electronic means, including but not limited to through the Recipient's electronic account, through another on-line or electronic account system established and maintained by the Company or another third party designated by the Company or via the Company website. Such consent shall remain in effect throughout the Recipient's term of employment or service with the Company and thereafter until withdrawn in writing by the Recipient. The Recipient acknowledges that the Recipient may receive from the Company a paper copy of any notices or documents delivered electronically at no cost to the Recipient by contacting the Company by telephone or in writing.

(c) *Entire Agreement*. This Award Agreement (including the terms specified in the Recipient's electronic account, as noted in Section 1 and Section 3) constitutes the entire agreement and understanding between the parties in respect of the subject matter hereof and supersedes all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof.

(d) *Severability*. If any provision of this Award Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Award Agreement under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of this Award Agreement, such provision shall be stricken as to such jurisdiction, and the remainder of this Award Agreement shall remain in full force and effect.

(e) *Amendment; Waiver*. No amendment or modification of any provision of this Award Agreement that has a material adverse effect on the Recipient shall be effective unless signed in writing by or on behalf of the Company and the Recipient; provided, however, that the Company may amend or modify this Award Agreement without the Recipient's consent to the extent any such amendment or modification is made to cause the Award to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations, to impose any "clawback" or recoupment provisions on the Awards in accordance with Section 9, or as otherwise set forth in this Award Agreement. No waiver of any breach or condition of this Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature. Any amendment or modification of or to any provision of this Award Agreement, or any waiver of any provision of this Award Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(f) *Administration; Determinations.* The Award Agreement shall be administered by the Committee, which shall be appointed by the Board. All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, its shareholders, and the Recipient.

(g) *Dissolution or Liquidation*. In the event of the dissolution or liquidation of the Company, the Award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Company.

(h) *Assignment*. Neither this Award Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Recipient.

(i) *Successors and Assigns; No Third-Party Beneficiaries*. This Award Agreement shall inure to the benefit of and be binding upon the Company and the Recipient and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Award Agreement, express or implied, is intended to confer on any person other than the Company and the Recipient, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Award Agreement.

(j) *Governing Law; Waiver of Jury Trial.* This Award Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof. By acknowledging this Award Agreement electronically or signing it manually, as applicable, the Recipient waives any right that the Recipient may have to trial by jury in respect of any litigation based on, arising out of, under or in connection with this Award Agreement.

(k) *Unfunded Obligation*. The Award is an unfunded obligation and does not create and will not be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Recipient or any other person. To the extent that the Recipient becomes vested in the Award and acquires a right to receive payments from the Company pursuant to this Award Agreement, that right will be no greater than the right of any unsecured general creditor of the Company.

(l) *Discretionary Nature.* The grant of the Award does not create any contractual right or other right in the Recipient to receive any other Awards in the future. Future grants of Awards, if any, shall be at the sole discretion of the Company.

(m) *Recipient Undertaking; Acceptance*. The Recipient agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Recipient or the Award pursuant to this Award Agreement. The Recipient acknowledges receipt of a copy of this Award Agreement. The Recipient has read carefully, and understands, the provisions of this Award Agreement.

(n) *Dispute Resolution.* Except as provided in Section 6(e) above and the last sentence of this paragraph to the fullest extent permitted by law, the Company and the Recipient agree to waive their rights to seek remedies in court, including but not limited to rights to a trial by jury. The Company and the Recipient agree that any dispute between or among them and/or their affiliates arising out of, relating to or in connection with this Award shall be resolved in accordance with a confidential two-step dispute resolution procedure involving: (a) Step One: non-binding mediation, and (b) Step Two: binding arbitration under the Federal Arbitration Act, 9 U.S.C. § 1, et. seq., or state law, whichever is applicable. Any such mediation or arbitration hereunder shall be under the auspices of the American Arbitration Association ("**AAA**") pursuant to its then current AAA Commercial Arbitration Rules. No arbitration shall be initiated or take place with respect to a given dispute if the parties have successfully achieved a mutually agreed to resolution of the dispute as a result of the Step One mediation. The mediation session(s) and, if necessary, the arbitration hearing shall be held in the city/location selected by the Company in its sole discretion. The arbitration (if the dispute is not resolved by mediation) shall be conducted by a single AAA arbitrator, selected by the Company in its sole discretion. Any award rendered by the arbitrator, including with respect to responsibility for AAA charges (including the costs of the mediator and arbitrator), shall be final and binding, and judgment may be entered on it in any court of competent jurisdiction. In the unlikely event the AAA refuses to accept jurisdiction over a dispute, the Company and the Recipient agree to submit to JAMS mediation and arbitration applying the JAMS equivalent of the AAA Commercial Arbitration Rules. If AAA and JAMS refuse to accept jurisdiction, the parties may litigate in a court of competent jurisdiction.

(o) *Captions*. Captions provided herein are for convenience only and shall not affect the scope, meaning, intent or interpretation of the provisions of this Award Agreement.

(p) *Nature of Payments*. The Award granted hereunder shall constitute special incentive payments to the Recipient and shall not be taken into account in computing the amount of salary or compensation of the Recipient for the purpose of determining any retirement, death or other benefits under (i) any retirement, bonus, life insurance or other employee benefit plan of the Company, or (ii) any agreement between the Company and the Recipient, except as such plan or agreement shall otherwise expressly provide.

(q) *Data Privacy*. The Recipient understands that the Company and its affiliates hold certain personal information about the Recipient, including but not limited to the Recipient's name, home address and telephone number, birthdate, social insurance number or other identification number, compensation, and details of the Award for purposes of administration (the "Data"). As a condition of receipt of this Award, the Recipient explicitly consents to the collection, use, transfer and retention, in electronic or other form, of the Data by and among, as applicable, the Company, its affiliates and any third parties assisting the Company in administration of the Award, in each case, for the purpose of administering the Award.

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made as of December 20, 2021 by and between Citizens Financial Group, Inc., together with its subsidiaries and any and all successor entities (the "Company") and Brendan Coughlin ("Executive").

WHEREAS the Company desires to continue to employ Executive and to enter into this Agreement embodying the terms of such employment;

WHEREAS Executive desires to accept such continued employment and enter into this Agreement; and

WHEREAS, it is intended by the Company and Executive that this Agreement will supersede the Executive Employment Agreement entered into between Executive and the Company as of August 16, 2017 and the Addendum to that Executive Employment Agreement dated as of June 11, 2020 and will reflect the entire agreement among the parties regarding Executive's employment with the Company and any prior agreement shall be deemed a nullity.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1 . Employment At-Will

(a) Executive's employment with the Company shall be strictly "at-will" and not for any fixed term. Executive understands and acknowledges that no statement, whether written or verbal, by the Company or any of its officers, employees or representatives may in any way modify, alter, or change the strictly "at-will" nature of Executive's employment relationship with the Company. Executive understands and agrees that, as an at-will employee, the Company may terminate Executive's employment without advance notice at any time, for any reason or no reason. Executive may terminate his employment for any reason (a "Resignation") effective one hundred twenty (120) days following delivery of written notice of termination to the Chief Executive Officer (the "Notice Period").

(b) Upon receipt of Executive's written notice of Resignation, the Company may, in its sole discretion, waive or shorten the Notice Period, in which case Executive will be permitted to terminate employment immediately or at a time designated by the Company. Under such circumstances, the Company will not be obliged to pay any amount in lieu of notice. Alternatively, the Company may direct Executive not to report to work unless otherwise requested by the Company (the "Garden Leave"). During any period of Garden Leave, as during any Notice Period:

(i) Executive will remain an employee of the Company and will continue to be paid Executive's then base salary and be eligible for employee benefits. However, Executive shall not be entitled to receive incentive compensation.

(ii) Executive will be expected to continue to undertake such duties and responsibilities as are assigned to Executive by the Chief Executive Officer, including duties to assist the Company with Executive's transition from the Company and maintaining the Company's business, business relationships, and goodwill.

Notwithstanding the foregoing, the Company reserves the right to suspend any or all of Executive’s duties and powers and to relocate Executive’s office to Executive’s personal residence for all or part of the Garden Leave.

(iii) Executive will remain bound by all fiduciary duties and obligations owed to the Company and remain required to comply with all Company policies and practices and the provisions of this Agreement.

(iv) Executive may not, without the prior written consent of the Company or except in the discharge of duties and responsibilities in accordance with clause (ii) above, contact or attempt to contact any client, customer, potential client or customer, agent, professional advisor, employee, supplier or broker of the Company or any of its parents, subsidiaries, affiliates or their respective successors.

Section 2 . Position

(a) *Position.* Executive has and shall continue to serve as Executive Vice President, Head of Consumer Banking and has and shall continue to serve on the Company’s Executive Committee, or shall serve in such other capacity of like status as the Company requires. In this position, Executive shall report directly to the Chief Executive Officer or to such other person as the Company may specify from time to time. Notwithstanding anything else contained within this Agreement, the Company shall be entitled from time to time to appoint one or more persons to act jointly with Executive, in its sole discretion.

(b) *Best Efforts.* During Executive’s employment, Executive shall: (i) devote Executive’s full professional time, attention, skill and energy to the performance of his duties for the Company and its parents, subsidiaries, affiliates or their respective successors (collectively, the "Company Affiliates" and each a "Company Affiliate"); (ii) use Executive's best efforts to dutifully, faithfully and efficiently perform his duties hereunder, comply with the policies, procedures, bylaws, rules, code of conduct and practices of the Company and the Company Affiliates, as the same may be amended from time to time, and obey all reasonable and lawful directions given by or under the authority of the Chief Executive Officer; (iii) refrain from engaging in any other business, profession or occupation for compensation or otherwise which would conflict, directly or indirectly, with the rendition of services to the Company and/or any Company Affiliate, without the prior written consent of the Chief Executive Officer of the Company; except that Executive may engage in charitable and community activities and manage Executive's personal investments provided that such activities do not materially interfere with the performance of his duties hereunder or conflict with the conditions of his employment; and (iv) refrain from engaging in any conduct prejudicial to the interests and reputation of the Company and/or any Company Affiliate and endeavor to promote and extend the business of the Company and the Company Affiliates and protect and further their interests and reputation.

(c) *Directorships*. Executive may be required, in the sole discretion of the Company, to perform services for any Company Affiliate and may be required to undertake the role and duties of an officer or director of any Company Affiliate. No additional compensation will be paid in respect of these appointments.

(d) *Location.* During the period of Executive’s employment, Executive shall be based in Westwood, MA, but may be relocated within a fifty (50) mile radius of the same location at the Company’s sole discretion. Additionally, Executive may be required to travel internationally or domestically in the performance of his duties.

Section 3 . Compensation

(a) *Base Salary*. The Company shall pay Executive a base salary at the initial annualized rate of $500,000.00 ("Base Salary") in accordance with the Company's regular payroll schedule. Executive shall be entitled to increases in Base Salary as may be determined from time to time in the sole discretion of the Company.

(b) *Incentive Compensation*. Executive will be eligible to participate in the Company's discretionary award program, as amended from time to time.

Discretionary awards are determined annually based on a mix of factors, including but not limited to individual, team and the Company's performance as well as external economic considerations and may be awarded in cash, equity-based instruments, or in any other form and may also be deferred in full or in part, as determined by the Company. With no guarantee, Executive's incentive baseline will be $600,000.00, at the sole discretion of the Company, based on achievement against the mix of factors described above. The form and the timing of payment of Executive's award, as well as other terms and conditions, will be consistent with awards granted to similarly situated colleagues. Any award Executive receives will be subject to applicable tax and other required withholdings.

The cash portion of any award will be paid by March 15th following the determination of awards and any equity-based instruments granted to Executive as part of Executive's award will be granted as soon as practicable following the determination of awards, in each case, provided that Executive remains employed by the Company on the payment date or grant date (as applicable) and neither Executive nor the Company has given notice to terminate Executive's employment prior to the payment date or grant date (as applicable).

Any equity-based instruments granted to Executive as part of Executive's award will be governed by the applicable equity plan document and award agreement. In the event of any conflict between information contained in this document and the plan or award agreement provisions, the terms of the plan and award agreement will govern. Receiving an award under the discretionary award program in certain years does not guarantee payment or level of award in any subsequent year and any award may be forfeited or reduced (i.e. subject to clawback) as determined appropriate by the Company in its sole discretion. The Company reserves the right to change the rules of any compensation plan or program or to cancel any such plan or program at any time without prior notice in its sole and absolute discretion.

Section 4 . Severance

(a) *Termination without Cause.* In the event Executive is terminated without Cause, Executive shall be entitled to receive a severance payment equal to two (2) weeks of Base Salary per year of service, subject to a minimum severance payment equal to twenty-six (26) weeks of Base Salary (the "No Cause Severance Payment"). The No Cause Severance Payment shall be made in a lump sum, subject to execution and non-revocation of the Company's Standard Release of claims in favour of the Company then in use (the "Standard Release"), within seventy (70) days of the termination of Executive's employment; provided, however, if under the Company's Standard Release Executive is permitted more than seventy (70) days to sign and not revoke the release, such amount shall still be paid within such seventy (70)-day period. If the period between the termination of Executive's employment and the latest possible

effective date of the release spans two calendar years, the severance payment shall be paid by the Company in the second calendar year.

(b) *Change of Control*

(i) In the event Executive's employment is terminated by the Company without Cause (other than by reason of Executive's death or disability) or the Executive resigns with Good Reason, in each case within twenty-four (24) months following a Change of Control, Executive shall receive a payment equivalent to: (1) two times the sum of (A) Executive's Base Salary at the time of termination and (B) the average cash bonus paid to Executive during the prior three years; plus (2) a pro-rata bonus for the year in which termination occurs, based on the average cash bonus paid to Executive during the prior three years (together, the "COC Severance Payment").

(ii) Any COC Severance Payment made in accordance with subsection 4(b)(i) of this Agreement shall be in lieu of and not in addition to any payments to which Executive may otherwise have been entitled in accordance with subsection 4(a) of this Agreement and shall be in full and final settlement of all claims Executive may have arising out of or in connection with his employment or its termination, other than with respect to any outstanding equity held by Executive, which shall be treated as provided for in the applicable Company stock plan and award agreements governing such awards.

(iii) The COC Severance Payment shall be made in a lump sum, subject to execution and non-revocation of the Company's Standard Release within seventy (70) days of the termination of Executive's employment; provided, however, if under the Company's Standard Release, Executive is permitted more than seventy (70) days to sign and not revoke the release, such amount shall still be paid within such seventy (70)-day period. If the period between the termination of Executive's employment and the latest possible effective date of the release spans two calendar years, the severance payment shall be paid by the Company in the second calendar year.

Section 5 . Definitions

(a) "Cause" means: (i) any conviction (including a plea of guilty or of nolo contendere or entry into a pre-trial diversion program) of Executive for the commission of a felony or any conviction of any criminal offense within the scope of Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829; (ii) Executive commits an act of gross misconduct, fraud, embezzlement, theft or material dishonesty with the Executive's duties or in the course of Executive's employment with the Company or any Company Affiliate; (iii) failure on the part of Executive to perform his employment duties in any material respect, which is not cured to the reasonable satisfaction of the Company within thirty (30) days after Executive receives written notice of such failure; (iv) Executive violates Sections 9, 10 and/or 11 of this Agreement; and/or (v) Executive makes any material false or disparaging comments about the Company or any Company Affiliate, or any Company or Company Affiliate employee, officer, or director, or engages in any such activity which in the opinion of the Company is not consistent with providing an orderly handover of Executive's responsibilities.

(b) "Good Reason" means any of the following changes, as compared to Executive's terms of employment prior to a Change of Control:

(i) a material diminution in Executive's authority, duties, or responsibilities;

(ii) a material diminution in Executive's base salary other than a general reduction in base salary that affects all similarly situated employees; or

(iii) a relocation of Executive's principal place of employment by more than fifty (50) miles from his current principal place of employment, unless the new principal place of employment is closer to Executive's home address.

Provided, however, that Executive's must give written notice to the Company within thirty (30) days of the initial existence of any of the foregoing changes and, the Company shall have thirty (30) days upon receipt of such notice to remedy the condition so as to eliminate the Good Reason, and if not remedied, Executive's employment must terminate no later than sixty (60) days following the expiration of such cure period. Notwithstanding the foregoing, the Executive's continued employment shall not constitute a waiver of the Executive's rights with respect to any circumstance constituting Good Reason.

(c) "Change of Control" means the occurrence of any one or more of the following events:

(A) any Person (as defined in Section 3(a)(9) of the Exchange Act of 1934, as amended and used in Sections 13(d) and 14(d) thereof, including "group" as defined in Section 13(d) thereof), other than an employee benefit plan or trust maintained by the Company or any Company Affiliate, becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's outstanding securities entitled to vote generally in the election of directors;

(B) at any time during a period of 12 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Company (the "Board") and any new member of the Board whose election or nomination for election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was so approved, cease for any reason to constitute a majority of members of the Board; or

(C) the consummation of (A) a merger or consolidation of the Company with any other corporation or entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or, if applicable, the ultimate parent thereof) at least 50% of the combined voting power and total fair market value of the securities of the Company or such surviving entity or parent outstanding immediately after such merger or consolidation, or (B) any sale, lease, exchange or other transfer to any Person of assets of the Company, in one transaction or a series of related transactions, having an aggregate fair market value of more than 50% of the fair market value of the Company and its subsidiaries (the "Company Value") immediately prior to such transaction(s), but only to the extent that, in connection with such transaction(s) or within a reasonable period thereafter, the Company's shareholders receive distributions

of cash and/or assets having a fair market value that is greater than 50% of the Company Value immediately prior to such transaction(s).

Section 6 . Employee Benefits, Medical Exam, Paid Time Off, Reimbursement of Expenses

(a) *Employee Benefits.* Executive may participate in and receive benefits under any and all benefit plans offered to similarly-situated employees of the Company, subject to the terms and conditions of those plans, policies and programs that are in effect from time to time. The Company reserves the right to amend the terms and conditions of its employee benefits and the related plans, policies and programs at any time, in the Company's sole discretion.

(b) *Paid Time Off*. Executive shall be entitled to accrue twenty-seven (27) days of paid time off ("PTO") annually, which may be scheduled as time off away from work in accordance with the Company's current PTO policy.

(c) *Reimbursement of Business Expenses.* Reasonable, customary and necessary travel, entertainment and other business expenses incurred by Executive in the performance of his duties hereunder shall be reimbursed by the Company in accordance with the Company's policies, subject to the provision of documentation regarding such expenses.

Section 7 . Compliance with the Company's Personal Securities Transactions Policy

Executive is subject to the Company's Personal Securities Transactions Policy, which sets forth the required procedures and processes with respect to purchases and sales of Company securities.

Section 8 . Non-Solicitation

(a) *Non-Solicitation of Employees.* Executive agrees that, at any time during Executive's employment and for twelve (12) months following the date Executive ceases to be employed by the Company for any reason (the "Restricted Period"), Executive shall not, directly or indirectly, whether for his own account or for any person or entity other than the Company or any Company Affiliate hire, employ, solicit for employment or hire, or attempt to solicit for employment or hire, any person who is employed by the Company or any Company Affiliate during the Restricted Period, nor shall Executive directly or indirectly induce any such employee to terminate his employment or accept employment with anyone other than a Company Affiliate, or otherwise interfere with the relationship between the Company and/or any Company Affiliate and any of their employees during the Restricted Period. Anything to the contrary notwithstanding, the Company agrees that Executive shall not be deemed in violation of this Section 8(a) if an entity with which Executive is associated hires or engages any employee of the Company or a Company Affiliate, if Executive was not, directly or indirectly, involved in hiring or identifying such person as a potential recruit or assisting in the recruitment of such employee.

(b) *Non-Solicitation of, and Non-Interference with, Customers and Prospective Clients.* Executive agrees that during his employment and during the Restricted Period, Executive shall not, directly or indirectly, for any person or entity other than the Company or any Company Affiliate, solicit or assist in soliciting for business any customer of the Company or any Company Affiliate, nor will Executive induce or

encourage any such customer to discontinue or diminish his, her or its relationship or prospective relationship with the Company or any Company Affiliate, or divert business away from the Company or any Company Affiliate; provided, however, that general solicitation through advertisement shall not constitute solicitation for purposes of this provision.

(c) *Representations.* Executive agrees that all of the foregoing restrictions are reasonable and necessary to protect the Company's and/or any Company Affiliate's business and their Confidential Information and that Executive's employment by the Company, along with the benefits and attributes of that employment, is good and valuable consideration to compensate him for agreeing to all restrictions contained in this Agreement. Executive also acknowledges, represents and warrants that his knowledge, skills and abilities are sufficient to permit Executive to earn a satisfactory livelihood without violating these provisions. Further, Executive agrees that he shall not, following the termination of Executive's employment with the Company, represent or hold himself out as being in any way connected with the business of the Company or any Company Affiliate.

(d) *Blue Pencil.* It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Section 8 to be reasonable, if a final judicial determination is made by an arbitrator or a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if an arbitrator or a court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

Section 9 . Confidentiality; Ownership of Materials; Duty to Return Company Property

(a) *Confidential Information.* Executive may not at any time (whether during his employment or after termination) disclose to any unauthorized person, firm or corporation or use or attempt to use for his own advantage or to the advantage of any other person, firm or corporation, any confidential information relating to the business affairs or trade secrets of the Company or any Company Affiliate, or any confidential information about (howsoever obtained) or provided by any third party received during the course of or as a result of his employment (the "Confidential Information"). Confidential Information includes, but is not limited to, information relating to employees, customers and suppliers (former, actual and potential), Company and/or Company Affiliate contracts, pricing structures, financial and marketing details, business plans, any technical data, designs, formulae, product lines, intellectual property, research activities and any information which may be deemed to be commercially or price sensitive in nature, whether printed, typed, handwritten, videotaped, transmitted or transcribed on data files or on any other type of media, including but not limited to electronic and digital media, whether or not labeled as "confidential". It also includes, without limitation, any information contained in documents marked "confidential" or documents of a higher security classification and other information which, because of its nature or the circumstances in which Executive receives it, Executive should reasonably consider to be confidential. The Company reserves the right to modify the categories of Confidential Information from time to time.

(b) *Exclusions.* Except for information that is protected from disclosure by any applicable law or privilege, nothing in this Agreement prohibits or limits Executive’s ability to communicate with any federal, state, or local government agency or commission (“Government Agencies”) or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency regarding suspected violations of law, including providing documents or other information, without notice to or approval from the Company.

The provisions of this Section 9 shall not apply to:

(i) Information or knowledge which subsequently comes into the public domain other than by way of unauthorized use or disclosure by Executive;

(ii) The discharge by Executive of his duties hereunder or where his use or disclosure of the information has otherwise been properly authorized by the Company;

(iii) Any information which Executive discloses in accordance with applicable public interest disclosure legislation; or

(iv) Any disclosure required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with jurisdiction to order Executive to disclose or make accessible any information.

(c) *Due Care.* Executive shall exercise all due care and diligence and shall take all reasonable steps to prevent the publication or disclosure by Executive of any Confidential Information relating, in particular, but not limited to, actual or proposed transactions, of any employee, customer, client or supplier (whether former, actual or potential) of the Company or any Company Affiliate including partnerships, companies, bodies, and corporations having accounts with or in any way connected to or in discussion with the Company or any Company Affiliate and all other matters relating to such customers, clients or suppliers and connections.

(d) *Duty to Return Confidential Information and Other Company or Company Affiliate Property.*

(i) All reports, files, notes, memoranda, e-mails, accounts, documents or other material (including all notes and memoranda of any Confidential Information and any copies made or received by Executive in the course of his employment (whether during or after)) in any form, including but not limited to electronic and digital media, are and shall remain the sole property of the Company and/or a Company Affiliate and, following Executive's termination of employment or at any other time upon the request of the Company or any Company Affiliate, to the extent within his possession or control, shall be surrendered by Executive to the duly authorized representative of the Company or Company Affiliate, as appropriate.

(ii) Executive agrees that upon termination of his employment with the Company for any reason, or at any other time upon the request of the Company or any Company Affiliate, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data in any form, including but not limited to electronic and digital media, all copies thereof or therefrom, in any way relating to the business of the Company or any Company Affiliate, all other property of the Company or any Company Affiliate (including, but

not limited to, company car, credit cards, equipment, correspondence, data, disks, tapes, records, specifications, software, models, notes, reports and other documents together with any extracts or summaries, removable drives or other computer equipment, keys and security passes) in his possession or under his control and Executive further agrees that Executive will not retain or use for his own account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or any Company Affiliate.

(e) *Reasonableness*. Executive agrees that the undertakings set forth in this Section 9 and in Section 8 are reasonable and necessary to protect the legitimate business interests of the Company and/or any Company Affiliate both during, and after the termination of, Executive's employment, and that the benefits Executive receives under this Agreement are sufficient compensation for these restrictions.

Section 10 . Intellectual Property and Developments

(a) Executive agrees that all Developments are the sole and exclusive property of the Company and hereby assigns all rights to such Developments to the Company in all countries. Executive agrees, at the Company's expense at any time during his employment or thereafter, to sign all appropriate documents and carry out all such reasonable acts as will be necessary to identify and preserve the legal protection of all Developments; however, the Company will have no obligation to compensate Executive for his time spent in connection with any assistance provided unless otherwise required by law. Notwithstanding the foregoing, Executive understands that no provision in this Agreement is intended to require assignment of any of his rights in an invention for which Executive can prove no equipment, supplies, facilities or Confidential Information or trade secret information of the Company was used, which invention was developed entirely on his own time, and which invention Executive can prove: (a) does not relate to the business of the Company or any Company Affiliate or the actual or demonstrably anticipated research or development of the Company or any Company Affiliate; or (b) does not result from any work performed by Executive for the Company or any Company Affiliate. To the extent compatible with applicable state law, these provisions do not apply to any invention which is required to be assigned by the Company to the United States Government. Executive waives all moral rights in all Intellectual Property which is owned by the Company or any Company Affiliate, or will be owned by the Company or any Company Affiliate, pursuant to this Section 10.

For purposes of this section, "Developments" means all inventions, whether or not patentable, Confidential Information, computer programs, copyright works, mask works, trademarks and other intellectual property made, conceived or authored by Executive, alone or jointly with others, while employed by the Company, whether or not during normal business hours or on the Company's or any Company Affiliate's premises, that are within the existing or contemplated scope of the Company's or any Company Affiliate's business at the time such Developments are made, conceived, or authored or which result from or are suggested by any work Executive or others may do for or on behalf of the Company or any Company Affiliate.

(b) Executive agrees to promptly submit to the Company written disclosures of all inventions, whether or not patentable, which are made, conceived or authored by Executive, alone or jointly with others, while Executive is employed by the Company.

Section 11 . Certain Agreements

(a) *Data Protection.* Executive shall familiarize himself with and abide by the Company's data protection policy, procedures and accountabilities. Executive acknowledges that any breach of these procedures may result in the immediate termination of his employment.

(b) *Personal Information*. Executive acknowledges and agrees that the Company is permitted to hold personal information about him as part of its personnel and other business records and, in accordance with applicable law, may use such information in the course of the Company's business.

(c) *Credit Data.* The Company reserves the right, upon five (5) days prior written notice, to, and Executive agrees that the Company may, in accordance with applicable law, carry out searches about Executive through credit reference agencies or through the Company's customer records at any time during his employment for purposes of identifying any serious debt or other significant financial difficulties of Executive for the purposes of detecting, eliminating or mitigating any particular risk of employee fraud or theft. The Company will only retain the information about Executive which the Company obtains from these searches in accordance with applicable law and for so long as is needed for the purposes set out above (subject to any legal (including any regulatory) obligation which requires the Company to retain that information for a longer period). The credit reference agency will record details of the search but these will not be available for use by lenders to assess the ability of Executive to obtain credit. Executive has the right of access to his personal records held by credit reference agencies. The Company will supply the names and addresses of such agencies upon request, to help Executive to exercise his right of access to such records.

(d) *Indebtedness.* For the reasons referred to above, the Company expects Executive to manage his personal finances responsibly. The Company requires that Executive draw to the attention of Executive's manager any serious debt or significant financial difficulties that he may have, including those which result in court action being taken against Executive.

Section 12 . Remedies

The Company and Executive agree that it is impossible to measure solely in money the damages which will accrue to the Company by reason of his failure to observe any of the obligations of Sections 8, 9, or 10 of this Agreement. Therefore, if the Company or any Company Affiliate shall institute any action or proceeding to enforce such provisions, Executive hereby waives the claim or defense that there is an adequate remedy at law and agrees in any such action or proceeding not to interpose the claim or defense that such remedy exists at law. Without limiting any other remedies that may be available to the Company or any Company Affiliate, Executive hereby specifically affirms the appropriateness of injunctive or other equitable relief in any such action and acknowledges that nothing contained within this Agreement shall preclude the Company or any Company Affiliate from seeking or receiving any other relief, including without limitation, any form of injunctive or equitable relief. Executive also agrees that, should he violate the provisions of Section 8 and its subsections such that the Company or any Company Affiliate shall be forced to undertake any efforts to defend, confirm or declare the validity of the covenants contained within Section 8 of this Agreement, the time restrictions set forth therein shall be extended for a period of time equal to the pendency of any court proceedings, including appeals. Further, Executive agrees that, should the Company or any Company Affiliate successfully

undertake any efforts to defend, confirm or declare the validity of any of the covenants contained in Sections 8, 9, or 10 of this Agreement, the Company or any Company Affiliate shall be entitled to recover from Executive all of its reasonable attorneys' fees and costs incurred in prosecuting or defending any such action or engaging in any such efforts.

Section 13 . No Conflicts

(a) Executive represents and warrants to the Company that as of the date of this Agreement, to the best of Executive's knowledge, Executive's acceptance of employment with, and performance of Executive's duties for, the Company or any Company Affiliate will not conflict with or result in a violation or breach of, or constitute a default under, any contract, agreement or understanding to which Executive is, or was, a party or of which Executive is aware and that there are no restrictions, covenants, agreements or limitations on Executive's right or ability to enter into and perform the terms of this Agreement.

Section 14 . Dispute Resolution; Mediation and Arbitration

Except as provided in the last sentence of this Section 14 to the fullest extent permitted by law, the Company and Executive agree to waive their rights to seek remedies in court, including but not limited to rights to a trial by jury. The Company and Executive agree that any dispute between or among them or their affiliates or related entities arising out of, relating to or in connection with this Agreement or Executive's employment with the Company or any Company Affiliate, including but not limited to claims for discrimination or other alleged violations of any federal, state or local employment and labor law statutes, ordinances or regulations, will be resolved in accordance with a confidential two-step dispute resolution procedure involving: (1) Step One: non-binding mediation, and (2) Step Two: binding arbitration under the Federal Arbitration Act, 9 U.S.C. § 1, et. seq., or state law, whichever is applicable. Any such mediation or arbitration hereunder shall be under the auspices of the American Arbitration Association ("AAA") pursuant to its then current Commercial Arbitration Rules and Mediation Procedures (the "AAA Commercial Rules"). Disputes encompassed by this Section 14 include claims for discrimination arising under local, state or federal statutes or ordinances and claims arising under any state's labor laws. Notwithstanding anything to the contrary in the AAA Commercial Rules, the mediation process (Step One) may be ended by either party to the dispute upon notice to the other party that it desires to terminate the mediation and proceed to the Step Two arbitration; provided, however, that neither party may so terminate the mediation process prior to the occurrence of at least one (1) mediation session with the mediator. No arbitration shall be initiated or take place with respect to a given dispute if the parties have successfully achieved a mutually agreed to resolution of the dispute as a result of the Step One mediation. The mediation session(s) and, if necessary, the arbitration hearing shall be held in the city nearest to Executive's office location during the course of Executive's employment with the Company or an alternative location mutually agreeable to Executive and the Company. The arbitration (if the dispute is not resolved by mediation) will be conducted by a single AAA arbitrator, mutually selected by the parties, as provided for by the AAA Commercial Rules. The Company will be responsible for the AAA charges, including the costs of the mediator and arbitrator. The Company and Executive agree that the arbitrator shall apply the substantive law of the State of New York to all state law claims and federal law to any federal law claims, that discovery shall be conducted in accordance with the AAA Commercial Rules or as otherwise permitted by law as determined by the arbitrator. In accordance with the AAA Commercial Rules (a copy of which is available through AAA's website, www.adr.org), the arbitrator's award shall consist of a written statement as to the disposition of each

claim and the relief, if any, awarded on each claim. The Company and Executive understand that the right to appeal or to seek modification of any ruling or award by the arbitrator is limited under state and federal law. Any award rendered by the arbitrator will be final and binding, and judgment may be entered on it in any court of competent jurisdiction. Nothing contained herein shall restrict either party from seeking temporary injunctive relief in a court of law to the extent set forth in Section 12 hereof.

In the unlikely event the AAA refuses to accept jurisdiction over a dispute, Executive and the Company agree to submit to Judicial-Arbitration-Mediation Services ("JAMS") mediation and arbitration applying the JAMS equivalent of the AAA Commercial Rules. If AAA and JAMS refuse to accept jurisdiction, the parties may litigate in a court of competent jurisdiction.

Section 15 . Miscellaneous

(a) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard for the conflict of laws provisions thereof.

(b) *Entire Agreement and Amendments; Survivorship; Strict Construction*.

(i) This Agreement contains the entire understanding and agreement of the parties with respect to the subject matter hereof, and supersedes the Executive Employment Agreement entered into between Executive and the Company as of August 16, 2017 and the Addendum to that Executive Employment Agreement dated as of June 11, 2020. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth or incorporated herein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto, which attaches a copy of this Agreement.

(ii) The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

(c) *Section 280G*.

(i) If the aggregate of all amounts and benefits due to Executive under this Agreement or any other plan, program, agreement or arrangement of the Company or any Company Affiliate, which, if received by Executive in full, would constitute "parachute payments," as such term is defined in and under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), (collectively, "Change of Control Benefits"), reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount Executive would receive, after all such applicable taxes, if Executive received aggregate Change of Control Benefits equal to an amount which is $1.00 less than three (3) times Executive's "base amount," as defined in and determined under Section 280G of the Code, then such Change of Control Benefits shall be reduced or eliminated to the extent necessary so that the Change of Control Benefits received by the Executive will not constitute parachute payments. If a reduction in the Change of Control Benefits is necessary, reduction shall occur in the following order unless the Executive elects in writing a different order, subject to the Company's consent (which shall not be unreasonably withheld or delayed): (i) severance payment based on multiple of Base Salary and/or annual bonus; (ii) other cash payments; (iii) any annual incentive

compensation paid as severance; (iv) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (v) any equity awards accelerated or otherwise valued at full value, provided such equity awards are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vi) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vii) acceleration of vesting of all other stock options and equity awards; and (viii) within any category, reductions shall be from the last due payment to the first.

(ii) It is possible that after the determinations and selections made pursuant to Section 5(a) above, Executive will receive Change of Control Benefits that are, in the aggregate, either more or less than the amounts contemplated by Section 5(a) above (hereafter referred to as an "Excess Payment" or "Underpayment," respectively). If there is an Excess Payment, Executive shall promptly repay the Company an amount consistent with this Section 5(b). If there is an Underpayment, the Company shall pay Executive an amount consistent with this Section 5(b).

(iii) The determinations with respect to this Section shall be made by an independent auditor (the "Auditor") compensated by the Company. The Auditor shall be the Company's regular independent auditor, unless the regular independent auditor is unable or unwilling to makes such determinations, in which event the Auditor shall be a nationally-recognized United States public accounting firm chosen by the Company.

(d) *Tax Compliance*. All compensation paid to Executive is intended to, and is reasonably believed to, comply with Internal Revenue Code Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended, as well as other tax related laws and regulations to the extent it does not fall into any applicable exclusion, and shall be interpreted and construed consistent with that intent. Notwithstanding the foregoing, the Company makes no representations that the terms of this Agreement (and any compensation payable thereunder) comply with Section 409A, and in no event shall the Company be liable for any taxes, interest, penalties or other expenses that may be incurred by Executive on account of non-compliance with Section 409A. No expenses eligible for reimbursement, or in-kind benefits to be provided, during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, to the extent subject to the requirements of Section 409A, and no such right to reimbursement or right to in-kind benefits shall be subject to liquidation or exchange for any other benefit. For purposes of Section 409A, each payment in a series of installment payments, if any, provided under this Agreement shall be treated as a separate payment. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing and any provision in this Agreement to the contrary, if on the date of his termination of employment, Executive is deemed to be a "specified employee" within the meaning of Section 409A and any payment or benefit provided to Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A, then such payment or benefit due upon, or within the six-month period following, a termination of Executive's employment (whether under his Agreement, any

other plan, program, payroll practice or any equity grant) and which do not otherwise qualify under the exemptions under Treas. Reg. Section 1.409A-1 (including, without limitation, payments that constitute "separation pay" within the meaning of Section 409A), shall be paid or provided to Executive in a lump sum on the earlier of (a) the date which is six months and one day after Executive's "separation from service" (as such term is defined in Section 409A) for any reason other than death, and (b) the date of Executive's death, and any remaining payments and benefits shall be paid or provided in accordance with the payment dates specified in this Agreement for such payment or benefit.

(e) *No Waiver.* The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(f) *Severability.* In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(g) *Assignment.* This Agreement shall not be assignable by Executive. This Agreement shall be freely assignable by the Company without restriction.

(h) *Successors; Binding Agreement.* This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees and permitted assigns.

(i) *Notice.* For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or three (3) business days after mailing registered mail, return receipt requested, postage prepaid or by recognized courier, addressed to the respective addresses set forth on the execution page of this Agreement, provided that all notices to the Company shall be directed to Neil Rosolinsky, Deputy General Counsel, Litigation & Employment, 30 Montgomery Street, Suite 1330, Jersey City, New Jersey 07302 or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

(j) *Withholding Taxes; Deductions*. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation. Executive agrees that the Company may, at any time during, or in any event upon termination of his employment, deduct from Executive's compensation, any monies due by Executive to the Company for any overpayment made and/or outstanding loans, advances, relocation expenses and/or salary paid in respect of PTO that was taken but not earned, unless otherwise prohibited by law.

(k) *Counterparts; Effectiveness.* This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto, including by fax or electronic pdf.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[signature page follows]

EXECUTIVE

/s/ Brendan Coughlin
Name: Brendan Coughlin
Address: 189 Edgewater Drive,
Needham MA 02492

COMPANY

/s/ Susan LaMonica
By: Susan LaMonica
Title: Chief Human Resources Officer

CITIZENS FINANCIAL GROUP, INC.
SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Organization
1215 Financial Center Associates, Ltd.	OH
CFG Service Corp.	DE
Citizens Asset Finance, Inc.	NY
Citizens Bank, National Association	United States
Citizens Capital Markets, Inc.	MA
Citizens Charitable Foundation	RI
Citizens Funding Corp.	NH
Citizens Insurance Holdings, Inc.	RI
Citizens One Community Development Corporation	NY
Citizens One NMTC CDE Corp.	DE
Citizens One NMTC CDE, LLC II	DE
Citizens One NMTC CDE, LLC III	DE
Citizens One NMTC CDE, LLC IV	DE
Citizens One NMTC CDE, LLC V	DE
Citizens RI Investment Corp. IV	RI
Citizens Securities, Inc.	RI
Citizens Ventures, Incorporated	MA
Clarfeld Financial Advisors, LLC	DE
Connecticut Realty Investors, Inc.	CT
CSB Investment Corp.	RI
Estate Preservation Services, LLC	NY
Harvest Capital Strategies Holdings LLC	DE
Harvest Capital Strategies LLC	DE
Harvest Enterprise GP I, LLC	DE
Harvest Growth Capital Manager LLC	DE
HCAP Advisors LLC	DE
HCS Strategic Investments LLC	DE
HIC-JMP RP I Managing Member LLC	DE
ICX Corporation	OH
JMP Asset Management Inc.	TX
JMP Asset Management LLC	TX
JMP Capital I Managing Member LLC	DE
JMP Capital LLC	DE
JMP Group Inc.	DE
JMP Group LLC	DE
JMP Holdings LLC	DE
JMP Investment Holdings LLC	DE
JMP Realty I LLC	DE
JMP Realty II LLC	DE
JMP Realty III LLC	DE
JMP Securities LLC	DE
Mass Investment Corp.	RI
Minuteman Investments Corporation	MA
Montgomery Service Corporation	PA

EXHIBIT 21.1

CITIZENS FINANCIAL GROUP, INC.
SUBSIDIARIES

New England Acceptance Corporation	NH
PA Investment Corp. I	RI
PA Investment Corp. II	RI
PA Investment Corp. V	DE
PCHC NMTC Investment Fund, LLC	DE
RBS Citizens Insurance Agency, Inc.	OH
RI Realty Trust, Inc.	MA
Servco, Inc.	OH
Thistle Group Holding Co.	PA
Willamette Management Associates, Inc.	OR

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-260150 on Form S-3, Registration Statements No. 333-198966 and No. 333-261088 on Form S-8, and Registration Statement No. 333-259590 on Form S-4 of our reports dated February 23, 2022, relating to the consolidated financial statements of Citizens Financial Group, Inc. and its subsidiaries, and the effectiveness of Citizens Financial Group, Inc. and its subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Citizens Financial Group, Inc. for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

Boston, Massachusetts

February 23, 2022

EXHIBIT 31.1

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce Van Saun, certify that:

1. I have reviewed this Annual Report on Form 10-K of Citizens Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 23, 2022

/s/ Bruce Van Saun
Bruce Van Saun
Chief Executive Officer

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John F. Woods, certify that:

1. I have reviewed this Annual Report on Form 10-K of Citizens Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 23, 2022

/s/ John F. Woods

John F. Woods
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Citizens Financial Group, Inc. (the "Company"), does hereby certify that:

1. The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2022

/s/ Bruce Van Saun
Bruce Van Saun
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Citizens Financial Group, Inc. (the "Company"), does hereby certify that:

1. The Annual Report on Form 10-K of the Company for the year ended December 31, 2021 (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2022

/s/ John F. Woods
John F. Woods
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff on request.