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

FORM 10-Q

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

For the Quarterly Period Ended
June 30, 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)

(401) 456-7000
(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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

☑ 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

There were 426,083,147 shares of Registrant's common stock ($0.01 par value) outstanding on July 23, 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:

2020 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2020
AACL	Adjusted Allowance for Credit Losses
ACL	Allowance for Credit Losses: Allowance for Loan and Lease Losses plus Allowance for Unfunded Lending Commitments
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 Rate Committee
ASU	Accounting Standards Update
ATM	Automated Teller Machine
Board or Board of Directors	The Board of Directors of Citizens Financial Group, Inc.
bps	Basis Points
Capital Plan Rule	Federal Reserve's Regulation Y Capital Plan Rule
CARES Act	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
CET1 capital ratio	Common Equity Tier 1 capital divided by total risk-weighted assets as defined under the U.S. Basel III Standardized approach
Citizens, CFG, the Company, we, us, or our	Citizens Financial Group, Inc. and its Subsidiaries
CLO	Collateralized Loan Obligation
CLTV	Combined Loan-to-Value
COVID-19 pandemic	Coronavirus Disease 2019 Pandemic
CRE	Commercial Real Estate
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
Elevated cash	Cash above targeted operating levels
EPS	Earnings Per Share
EVE	Economic Value of Equity
Exchange Act	The Securities Exchange Act of 1934
Fannie Mae (FNMA)	Federal National Mortgage Association
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit rating)
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
GAAP	Accounting Principles Generally Accepted in the United States of America
GDP	Gross Domestic Product
Ginnie Mae (GNMA)	Government National Mortgage Association

GSE	Government Sponsored Entity
HSBC	HSBC Bank U.S.A., N.A.
HTM	Held To Maturity
ICE	Intercontinental Exchange
Investors	Investors Bancorp, Inc.
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
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 CECL Transition	The Day-1 CECL adoption entry booked to retained earnings plus 25% of subsequent CECL ACL reserve build
Modified AACL Transition	The Day-1 CECL adoption entry booked to ACL plus 25% of subsequent CECL ACL reserve build
MSRs	Mortgage Servicing Rights
NCOs	Net charge-offs
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
NPLs	Nonaccrual loans and leases
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
Operating Leverage	Period-over-period percent change in total revenue, less the period-over-period percent change in noninterest expense
Parent Company	Citizens Financial Group, Inc. (the Parent Company of Citizens Bank, National Association and other subsidiaries)
PPP	Paycheck Protection Program
ROTCE	Return on Average Tangible Common Equity
RPA	Risk Participation Agreement
RWA	Risk-Weighted Assets
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

PART I. FINANCIAL INFORMATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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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 pandemic and associated lockdowns 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 nonperforming 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 pandemic and associated lockdowns and their 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 acquisitions of Investors or the HSBC branches, or changes in the current anticipated timeframe, terms or manner of such acquisitions;
- 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 closings 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 (i) the agreement to acquire Investors or (ii) the agreement to acquire branches from HSBC; 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 pandemic and associated lockdowns 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. In addition, statements about our net charge-off guidance constitute forward-looking statements and are subject to the risk that the actual charge-offs may differ, possibly materially, from what is reflected in those statements due to, among other potential factors, the impact of the COVID-19 pandemic and the effectiveness of stimulus and forbearance programs in response, changes in economic conditions, and idiosyncratic events affecting our commercial loans. Statements about Citizens' agreement and plan of merger, dated July 28, 2021 (the "Investors acquisition agreement") with Investors Bancorp, Inc. and CBNA's agreement dated May 26, 2021 ("HSBC branch acquisition agreement") with HSBC to acquire certain branches from HSBC 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 either of both transactions are not consummated in a timely manner or at all, or if integration 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 in the "Risk Factors" section in Part II, Item 1A of this report and Part I, Item 1A of our 2020 Form 10-K.

INTRODUCTION

Citizens Financial Group, Inc. is one of the nation's oldest and largest financial institutions with $185.1 billion in assets as of June 30, 2021. Our mission is to help customers, colleagues and communities each reach their potential by listening to them and understanding their needs in order to offer tailored advice, ideas and solutions. 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. In Consumer Banking, we provide an integrated experience that includes mobile and online banking, a 24/7 customer contact center as well as the convenience of approximately 3,000 ATMs and 1,000 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 corporate, institutional and not-for-profit clients a full range of wholesale banking products and services including lending and deposits, capital markets, treasury services, foreign exchange and interest rate products, and asset finance. 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 acquisition provides an attractive entry into important metro markets and supports our national expansion strategy. Under the agreement, CBNA will acquire approximately $9.0 billion in deposits and approximately $2.2 billion in loans for a 2.0 percent premium paid on deposits at closing. The 80 branch purchase 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 transaction is expected to close in the first quarter of 2022, subject to customary closing terms and conditions and regulatory approvals.

On July 28, 2021 Citizens entered into a definitive agreement and a plan of merger under which Citizens will acquire 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 its 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. See Note 17 in Item 1 for further information.

The following MD&A is intended to assist readers in their analysis of the accompanying unaudited interim Consolidated Financial Statements and supplemental financial information. It should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes to the unaudited interim Consolidated Financial Statements in Part I, Item 1, as well as other information contained in this document and our 2020 Form 10-K.

Non-GAAP Financial Measures

This document contains non-GAAP financial measures denoted as “Underlying”, “excluding elevated cash”, “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 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 and where there is a reference to these metrics in that paragraph, all measures that follow that reference 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

Quarterly Results - Key Highlights

Second quarter 2021 net income of $648 million increased 156% from $253 million in the second quarter of 2020, with earnings per diluted common share of $1.44, up $0.91 from $0.53 per diluted common share in the second quarter of 2020. Second quarter 2021 ROTCE of 17.5% compared to 6.6% in the second quarter of 2020.

Second quarter 2021 results reflected $8 million of expenses, net of tax benefit, or $0.02 per diluted common share, from notable items largely tied to TOP 6 transformational and revenue and efficiency initiatives as well as integration costs. Second quarter 2020 results reflected $10 million of expenses, net of tax benefit, or $0.02 per diluted common share, of notable items largely tied to TOP 6 transformational and revenue and efficiency initiatives as well as integration costs. On an Underlying basis, which excludes notable items, second quarter 2021 net income available to common stockholders of $624 million compared with $235 million in the second quarter of 2020. Underlying EPS of $1.46 compared to $0.55 in the second quarter of 2020. Underlying second quarter 2021 ROTCE of 17.7% compared with 6.9% in the second quarter of 2020. Second quarter 2021 tangible book value per common share of $33.95 increased 6% from the second quarter of 2020.

Table 1: Notable Items

	Three Months Ended June 30,					
	2021			2020		
(in millions)	Noninterest expense	Income tax expense	Net Income	Noninterest expense	Income tax expense	Net Income
Reported results (GAAP):	$991	$183	$648	$979	$54	$253
Less notable items:						
Total integration costs	2	(1)	(1)	2	(1)	(1)
Other notable items[1]	9	(2)	(7)	17	(8)	(9)
Total notable items	11	(3)	(8)	19	(9)	(10)
Underlying results (non-GAAP)	$980	$186	$656	$960	$63	$263

[1] Other notable items for the second quarter of 2021 and 2020 include noninterest expense of $9 million and $17 million, respectively, related to our TOP 6

transformational and revenue and efficiency initiatives.

- Total revenue of $1.6 billion decreased $141 million, or 8%, from the second quarter of 2020, driven by declines of 18% and 3% in noninterest income and net interest income, respectively.
- Net interest income of $1.1 billion decreased 3% compared to the second quarter of 2020 given lower net interest margin, partially offset by 2% growth in interest-earning assets.
    - Net interest margin of 2.71% decreased 16 basis points compared to 2.87% in the second quarter of 2020, primarily reflecting the impact of a lower rate environment, lower interest-earning asset yields and elevated cash balances given strong deposit flows, partially offset by improved funding mix and deposit pricing.
        - Net interest margin on a fully taxable-equivalent basis of 2.72% decreased 16 basis points compared to 2.88% in the second quarter of 2020.
        - Average loans and leases of $123.5 billion decreased $5.3 billion, or 4%, from $128.8 billion in the second quarter of 2020, driven by a $6.8 billion decrease in commercial reflecting line of credit repayments and net payoffs partially offset by a $1.2 billion increase in PPP loans. The overall decrease in commercial was partially offset by a $1.5 billion increase in retail driven by growth in education and residential mortgage, which reflects the exercise of the early buyout option of loans previously sold to GNMA, partially offset by decreases in home equity and other retail given run-off of personal unsecured installment loans.
        - Average deposits of $150.3 billion increased $8.8 billion, or 6%, from $141.6 billion in the second quarter of 2020, reflecting an increase in demand deposits, money market accounts, savings and checking with interest, partially offset by a decrease in term deposits.
    - Noninterest income of $485 million decreased $105 million, or 18%, from the second quarter of 2020, driven by a decline in mortgage banking fees, partially offset by higher capital markets fees, trust and investment services fees, services charges and fees, and card fees.
- Noninterest expense of $991 million was stable compared to the second quarter of 2020.
    - On an Underlying basis, noninterest expense of $980 million increased $20 million, or 2%, from the second quarter of 2020, reflecting higher outside services, equipment and software expense and salaries and employee benefits, partially offset by a decrease in other operating expense.
- The efficiency ratio of 61.6% compared to 55.9% in the second quarter of 2020.
    - On an Underlying basis, the efficiency ratio of 60.9% compared to 54.9% in the second quarter of 2020.
- Credit provision benefit of $213 million compares with a $464 million credit provision expense in the second quarter of 2020, reflecting strong credit performance across the retail and commercial loan portfolios and improvement in the macroeconomic outlook.

Year to Date and Period End - Key Highlights

Net income of $1.3 billion increased $972 million from the first half of 2020, with earnings per diluted common share of $2.81, up $2.26 from $0.55 per diluted common share in the first half of 2020. ROTCE of 17.3% increased from 3.5% in the first half of 2020. Improved results primarily reflect the impact of the COVID-19 pandemic and associated lockdowns in the first half of 2020, resulting in a significant ACL reserve build in the first half of 2020.

In the first half of 2021, results reflected $23 million of expenses, net of tax benefit, or $0.06 per diluted common share, from notable items, largely tied to TOP 6 transformational and revenue and efficiency initiatives as well as integration costs. In the first half of 2020, there were $35 million of expenses, net of tax benefit, or $0.09 per diluted common share, from notable items, largely tied to TOP 6 transformational and revenue and efficiency initiatives as well as integration costs.

Table 2: Notable Items

(in millions)	Six Months Ended June 30, 2021 Noninterest expense	2021 Income tax expense	2021 Net Income	2020 Noninterest expense	2020 Income tax expense	2020 Net Income
Reported results (GAAP)	$2,009	$353	$1,259	$1,991	$65	$287
Less notable items:						
Total integration costs	2	(1)	(1)	6	(2)	(4)
Other notable items [1]	29	(7)	(22)	46	(15)	(31)
Total notable items	31	(8)	(23)	52	(17)	(35)
Underlying results (non-GAAP)	$1,978	$361	$1,282	$1,939	$82	$322

[1] For the six months ended June 30, 2021 and 2020, Other notable items include noninterest expense of $29 million and $46 million, respectively, related to our TOP 6 transformational and revenue and efficiency initiatives. Other notable items for the six months ended June 30, 2020 also included a $4 million income tax benefit related to legacy tax matters.

- Net income available to common stockholders of $1.2 billion increased $967 million, compared to $237 million in the first half of 2020.
  - On an Underlying basis, which excludes notable items, first half 2021 net income available to common stockholders of $1.2 billion compared with $272 million in the first half of 2020.
  - On an Underlying basis, EPS of $2.87 compared to $0.64 in the first half of 2020.
- Total revenue of $3.3 billion decreased $139 million, or 4%, from the first half of 2020, driven by declines of 6% and 3% in noninterest income and net interest income, respectively.
  - Net interest income of $2.2 billion decreased 3% given lower net interest margin, partially offset by 6% growth in interest-earning assets.
  - Net interest margin of 2.73% decreased 25 basis points from 2.98% in the first half of 2020, primarily reflecting the impact of a lower rate environment, lower interest-earning asset yields and elevated cash balances given strong deposit flows, partially offset by improved funding mix and deposit pricing.
    - Net interest margin on a FTE basis of 2.74% decreased by 25 basis points, compared to 2.99% in the first half of 2020.
    - Average loans and leases of $123.2 billion decreased $1.7 billion, or 1%, from $124.9 billion in the first half of 2020, driven by a $2.7 billion decrease in commercial reflecting line of credit repayments and net payoffs, partially offset by a $960 million increase in retail driven by growth in education and residential mortgage, which reflects the exercise of the early buyout option of loans previously sold to GNMA, partially offset by decreases in home equity and other retail given run-off of personal unsecured installment loans.
    - Period-end loans declined $509 million from the fourth quarter of 2020, reflecting a 3% decline in commercial, partially offset by 2% growth in retail.
    - Average deposits of $148.5 billion increased $14.4 billion, or 11%, from $134.1 billion in the first half of 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 $3.5 billion, or 2%, from the fourth quarter of 2020, reflecting growth in demand deposits, savings and checking with interest, partially offset by a decline in term deposits and money market accounts.
  - Noninterest income of $1.0 billion decreased $60 million, or 6%, from the first half of 2020, driven by by a decline in mortgage banking fees, partially offset by higher capital markets fees, trust and investment services fees, card fees, and letter of credit and loan fees.
- Noninterest expense of $2.0 billion was stable compared to the first half of 2020.
  - On an Underlying basis, noninterest expense increased 2% from the first half of 2020, reflecting higher outside services, equipment and software expense, and salaries and employee benefits, partially offset by a decrease in other operating expense.

- The efficiency ratio of 61.5% compared to 58.4% for the first half of 2020, and ROTCE of 17.3% compared to 3.5%.
    - On an Underlying basis, the efficiency ratio of 60.6% compared to 56.9% for the first half of 2020, and ROTCE of 17.7% compared to 4.0%.
- Credit provision benefit of $353 million compares with a $1.1 billion credit provision expense for the first half of 2020, reflecting strong credit performance across the retail and commercial loan portfolios and improvement in the macroeconomic outlook.
- Tangible book value per common share of $33.95 increased 6% from the first half of 2020. Fully diluted average common shares outstanding was stable over the same period.

SELECTED CONSOLIDATED FINANCIAL DATA

The summary of the Consolidated Operating Data for the for the three and six months ended June 30, 2021 and 2020 and the summary Consolidated Balance Sheet data as of June 30, 2021 and December 31, 2020 are derived from our unaudited interim Consolidated Financial Statements, included in Part I, Item 1. Our historical results are not necessarily indicative of the results expected for any future period.

Table 3: Summary of Consolidated Operating Data

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions, except per share amounts)	2021	2020	2021	2020
OPERATING DATA:				
Net interest income	$1,124	$1,160	$2,241	$2,320
Noninterest income	485	590	1,027	1,087
Total revenue	1,609	1,750	3,268	3,407
Provision for credit losses	(213)	464	(353)	1,064
Noninterest expense	991	979	2,009	1,991
Income before income tax expense	831	307	1,612	352
Income tax expense	183	54	353	65
Net income	$648	$253	$1,259	$287
Net income available to common stockholders	$616	$225	$1,204	$237
Net income per common share - basic	$1.45	$0.53	$2.83	$0.56
Net income per common share - diluted	$1.44	$0.53	$2.81	$0.55
OTHER OPERATING DATA:				
Return on average common equity	11.85 %	4.44 %	11.71 %	2.35 %
Return on average tangible common equity	17.50	6.62	17.34	3.51
Return on average total assets	1.41	0.57	1.38	0.33
Return on average total tangible assets	1.46	0.59	1.44	0.35
Efficiency ratio	61.63	55.91	61.49	58.43
Operating leverage	(9.42)	4.60	(5.02)	0.48
Net interest margin, FTE[(1)]	2.72	2.88	2.74	2.99
Effective income tax rate	21.96	17.69	21.86	18.51

[(1)] Net interest margin is presented on a FTE basis using the federal statutory tax rate of 21%.

Table 4: Summary of Consolidated Balance Sheet data

(dollars in millions)	June 30, 2021	December 31, 2020
BALANCE SHEET DATA:		
Total assets	$185,104	$183,349
Loans held for sale, at fair value	3,616	3,564
Other loans held for sale	82	439
Loans and leases	122,581	123,090
Allowance for loan and lease losses	(1,947)	(2,443)
Total securities	27,976	26,847
Goodwill	7,050	7,050
Total liabilities	161,905	160,676
Total deposits	150,636	147,164
Short-term borrowed funds	62	243
Long-term borrowed funds	6,957	8,346
Total stockholders' equity	23,199	22,673
OTHER BALANCE SHEET DATA:		
Asset Quality Ratios:		
Allowance for loan and lease losses to loans and leases	1.59 %	1.98 %
Allowance for credit losses to loans and leases	1.70	2.17
Allowance for credit losses to loans and leases, excluding the impact of PPP loans[(1)]	1.75	2.24
Allowance for loan and lease losses to nonaccruing loans and leases	250	240
Allowance for credit losses to nonaccruing loans and leases	267	262
Nonaccruing loans and leases to loans and leases	0.64	0.83
Capital Ratios:		
CET1 capital ratio	10.3 %	10.0 %
Tier 1 capital ratio	11.6	11.3
Total capital ratio	13.5	13.4
Tier 1 leverage ratio	9.7	9.4

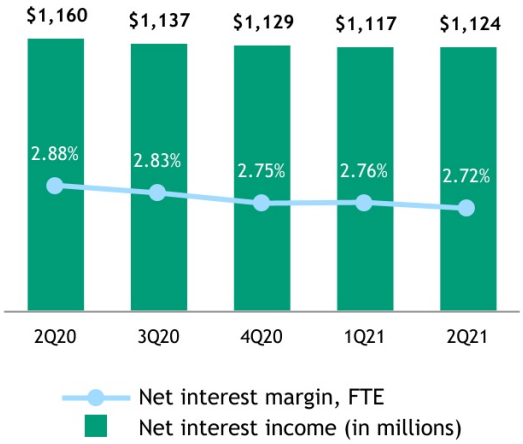
[(1)] For more information on the computation of non-GAAP financial measures, see "—Introduction — Non-GAAP Financial Measures" and "—Non-GAAP Financial Measures and Reconciliations."

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is our largest source of revenue. It 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" as described in our 2020 Form 10-K.

The following table presents a five quarter trend of our Net interest margin, FTE and Net interest income:



Second quarter 2021 versus first quarter 2021: Net interest income of $1.1 billion was up 1% given interest-earning asset growth, higher day count and improved funding mix, partially offset by lower net interest margin. Net interest margin on a FTE basis of 2.72% was down 4 basis points, reflecting lower earning asset yields, partially offset by improved funding mix and deposit pricing. Interest-bearing deposit costs of 0.16% decreased 4 basis points.

Table 5: Major Components of Net Interest Income, Quarter-to-Date

(dollars in millions)	Three Months Ended June 30, 2021 Average Balances	2021 Income/ Expense	2021 Yields/ Rates	2020 Average Balances	2020 Income/ Expense	2020 Yields/ Rates	Change Average Balances	Change Yields/ Rates (bps)
Assets								
Interest-bearing cash and due from banks and deposits in banks	$11,259	$3	0.12 %	$5,231	$1	0.09 %	$6,028	3 bps
Taxable investment securities	27,597	124	1.80	25,180	130	2.15	2,417	(35)
Non-taxable investment securities	3	—	2.60	4	—	2.60	(1)	—
Total investment securities	27,600	124	1.80	25,184	130	2.15	2,416	(35)
Commercial and industrial	44,388	345	3.08	50,443	412	3.23	(6,055)	(15)
Commercial real estate	14,473	95	2.58	14,540	106	2.87	(67)	(29)
Leases	1,792	12	2.76	2,426	16	2.75	(634)	1
Total commercial loans and leases	60,653	452	2.96	67,409	534	3.14	(6,756)	(18)
Residential mortgages	20,242	154	3.04	18,872	150	3.19	1,370	(15)
Home equity	11,825	92	3.13	12,736	111	3.50	(911)	(37)
Automobile	12,526	125	4.00	11,998	129	4.33	528	(33)
Education	12,632	135	4.26	11,183	145	5.21	1,449	(95)
Other retail	5,612	100	7.13	6,557	123	7.52	(945)	(39)
Total retail loans	62,837	606	3.86	61,346	658	4.31	1,491	(45)
Total loans and leases	123,490	1,058	3.42	128,755	1,192	3.69	(5,265)	(27)
Loans held for sale, at fair value	3,751	24	2.55	2,710	20	2.85	1,041	(30)
Other loans held for sale	233	2	2.99	510	7	4.66	(277)	(167)
Interest-earning assets	166,333	1,211	2.90	162,390	1,350	3.33	3,943	(43)
Noninterest-earning assets	18,123			17,403			720	
Total assets	$184,456			$179,793			$4,663	
Liabilities and Stockholders' Equity								
Checking with interest	$27,278	$5	0.08 %	$26,312	$11	0.17 %	$966	(9)
Money market accounts	49,394	21	0.17	45,187	39	0.35	4,207	(18)
Regular savings	20,077	5	0.10	15,883	15	0.39	4,194	(29)
Term deposits	6,970	11	0.61	16,470	59	1.44	(9,500)	(83)
Total interest-bearing deposits	103,719	42	0.16	103,852	124	0.48	(133)	(32)
Short-term borrowed funds	69	—	0.87	222	—	0.29	(153)	58
Long-term borrowed funds	7,434	45	2.41	11,755	66	2.22	(4,321)	19
Total borrowed funds	7,503	45	2.40	11,977	66	2.18	(4,474)	22
Total interest-bearing liabilities	111,222	87	0.31	115,829	190	0.66	(4,607)	(35)
Demand deposits	46,630			37,745			8,885	
Other liabilities	3,741			4,086			(345)	
Total liabilities	161,593			157,660			3,933	
Stockholders' equity	22,863			22,133			730	
Total liabilities and stockholders' equity	$184,456			$179,793			$4,663	
Interest rate spread			2.59 %			2.67 %		(8)
Net interest income and net interest margin		$1,124	2.71 %		$1,160	2.87 %		(16)
Net interest income and net interest margin, FTE[(1)]		$1,126	2.72 %		$1,163	2.88 %		(16)
Memo: Total deposits (interest-bearing and demand)	$150,349	$42	0.11 %	$141,597	$124	0.35 %	$8,752	(24) bps

[(1)] Net interest income and net interest margin is presented on a 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.

Second quarter 2021 vs second quarter 2020: Net interest income of $1.1 billion decreased 3% from the second quarter of 2020 given lower net interest margin, partially offset by 2% growth in interest-earning assets.

Net interest margin on a FTE basis of 2.72% decreased 16 basis points compared to 2.88% in the second quarter of 2020, primarily reflecting the impact of a lower rate environment, lower interest-earning asset yields and elevated cash balances given strong deposit flows, partially offset by improved funding mix and deposit pricing. Interest-bearing deposit costs decreased 32 basis points. Average interest-earning asset yields of 2.90% decreased 43 basis points from 3.33% in the second quarter of 2020, while average interest-bearing liability costs of 0.31% decreased 35 basis points from 0.66% in the second quarter of 2020.

Average interest-earning assets of $166.3 billion increased $3.9 billion, or 2%, from the second quarter of 2020, driven by a $6.0 billion increase in cash held in interest-bearing deposits, and a $2.4 billion increase in

investments. Loans and loans held for sale decreased $4.5 billion, or 3%, with a $6.8 billion decrease in average commercial loans and leases reflecting line of credit repayments and net payoffs, partially offset by $4.6 billion of PPP loans. Retail loans increased $1.5 billion driven by growth in education, residential mortgage, and automobile, partially offset by decreases in home equity and other retail given planned run-off of personal unsecured installment loans. Loans held for sale increased $764 million reflecting mortgage originations.

Average deposits of $150.3 billion increased $8.8 billion, or 6%, from the second quarter of 2020, reflecting an increase in demand deposits, money market accounts, savings, and checking with interest, partially offset by a decrease in term deposits. Average total borrowed funds of $7.5 billion decreased $4.5 billion from the second quarter of 2020, as strong customer deposit inflows allowed for significantly lower levels of FHLB advances and the pay down of senior debt and short-term borrowings. Total borrowed funds costs of $45 million decreased $21 million from the second quarter of 2020. The total borrowed funds cost of 2.40% increased 22 basis points from 2.18% in the second quarter of 2020.

Table 6: Major Components of Net Interest Income, Year-to-Date

	Six Months Ended June 30,						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	$11,061	$6	0.11 %	$3,545	$6	0.36 %	$7,516	(25) bps
Taxable investment securities	27,316	252	1.84	25,259	277	2.24	2,057	(40)
Non-taxable investment securities	3	—	2.60	4	—	2.60	(1)	—
Total investment securities	27,319	252	1.84	25,263	277	2.24	2,056	(40)
Commercial and industrial	44,338	692	3.10	46,797	829	3.50	(2,459)	(40)
Commercial real estate	14,574	189	2.58	14,208	245	3.40	366	(82)
Leases	1,852	25	2.73	2,454	34	2.79	(602)	(6)
Total commercial loans and leases	60,764	906	2.97	63,459	1,108	3.45	(2,695)	(48)
Residential mortgages	19,817	302	3.05	18,869	314	3.33	948	(28)
Home equity	11,912	187	3.16	12,889	263	4.10	(977)	(94)
Automobile	12,378	250	4.07	12,085	260	4.33	293	(26)
Education	12,534	269	4.32	10,897	294	5.42	1,637	(110)
Other retail	5,765	205	7.19	6,706	255	7.65	(941)	(46)
Total retail loans	62,406	1,213	3.91	61,446	1,386	4.53	960	(62)
Total loans and leases	123,170	2,119	3.44	124,905	2,494	3.98	(1,735)	(54)
Loans held for sale, at fair value	3,535	42	2.40	2,300	35	3.03	1,235	(63)
Other loans held for sale	348	8	4.48	655	16	4.45	(307)	3
Interest-earning assets	165,433	2,427	2.94	156,668	2,828	3.61	8,765	(67)
Noninterest-earning assets	18,085			16,817			1,268	
Total assets	$183,518			$173,485			$10,033	
Liabilities and Stockholders' Equity:								
Checking with interest	$26,700	$11	0.09 %	$25,462	$48	0.38 %	$1,238	(29)
Money market accounts	49,465	43	0.17	42,513	132	0.63	6,952	(46)
Regular savings	19,348	10	0.10	15,042	33	0.44	4,306	(34)
Term deposits	7,767	28	0.73	17,543	138	1.58	(9,776)	(85)
Total interest-bearing deposits	103,280	92	0.18	100,560	351	0.70	2,720	(52)
Short-term borrowed funds	109	—	0.59	433	1	0.64	(324)	(5)
Long-term borrowed funds	7,882	94	2.38	12,906	156	2.40	(5,024)	(2)
Total borrowed funds	7,991	94	2.36	13,339	157	2.35	(5,348)	1
Total interest-bearing liabilities	111,271	186	0.34	113,899	508	0.90	(2,628)	(56)
Demand deposits	45,230			33,553			11,677	
Other liabilities	4,297			4,070			227	
Total liabilities	160,798			151,522			9,276	
Stockholders' equity	22,720			21,963			757	
Total liabilities and stockholders' equity	$183,518			$173,485			$10,033	
Interest rate spread			2.60 %			2.71 %		(11)
Net interest income and net interest margin		$2,241	2.73 %		$2,320	2.98 %		(25)
Net interest income and net interest margin, FTE[(1)]		$2,246	2.74 %		$2,327	2.99 %		(25)
Memo: Total deposits (interest-bearing and demand)	$148,510	$92	0.12 %	$134,113	$351	0.53 %	$14,397	(41) bps

[(1)] Net interest income and net interest margin is presented on a 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.

First half 2021 versus first half of 2020: Net interest income of $2.2 billion decreased 3% from the first half of 2020, with 6% growth in interest-earning assets, including the addition of PPP loans, which was more than offset by lower net interest margin.

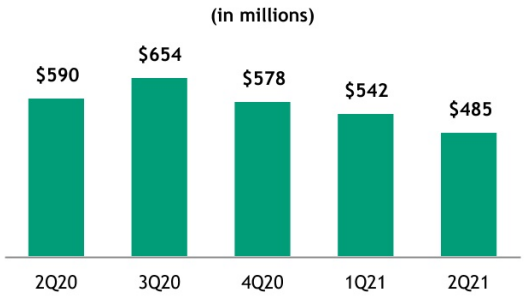
Net interest margin on a FTE basis of 2.74% decreased 25 basis points compared to 2.99% in the first half of 2020, primarily reflecting the impact of a lower rate environment, lower interest-earning asset yields, and elevated cash balances given strong deposit flows, partially offset by improved funding mix and deposit pricing. Average interest-earning asset yields of 2.94% decreased 67 basis points from 3.61% in the first half of 2020, while average interest-bearing liability costs of 0.34% decreased 56 basis points from 0.90% in the first half of 2020.

Average interest-earning assets of $165.4 billion increased $8.8 billion, or 6%, from the first half of 2020, as increased liquidity allowed for a $5.3 billion, or 40%, decrease in borrowed funds, and drove a $7.5 billion increase in cash held in interest-bearing deposits, and a $2.1 billion, or 8%, increase in investments. Results also reflected a $807 million, or 1%, decrease in average loans and leases and LHFS with a $2.7 billion decrease in average commercial loans and leases reflecting line of credit and repayments and net payoffs, partially offset by $4.70 billion of PPP loans. Furthermore, average retail loans increased $960 million, driven by growth in education and residential mortgage, partially offset by decreases in home equity and other retail given run-off of personal unsecured installment loans. Loans held for sale increased $928 million, reflecting mortgage originations.

Average deposits of $148.5 billion increased $14.4 billion, or 11%, from the first half of 2020, reflecting growth in demand deposits, money market accounts, savings and checking with interest, partially offset by a decline in term deposits. Average total borrowed funds of $8.0 billion decreased $5.3 billion from the first half of 2020, as strong customer deposit inflows allowed for significantly lower levels of FHLB advances and the pay down of senior debt and short-term borrowings. Total borrowed funds costs of $94 million decreased $63 million from the first half of 2020. The total borrowed funds cost of 2.36% increased 1 basis point from 2.35% in the first half of 2020.

Noninterest Income

The following table presents a five quarter trend of our noninterest income:



Second quarter 2021 versus first quarter 2021: Noninterest income of $485 million was down 11%, reflecting lower mortgage banking fees given lower gain-on-sale margins as well as lower mortgage servicing rights hedging results. These decreases were partially offset by higher card fees, capital markets fees, and trust and investment services fees.

Table 7: Noninterest Income

	Three Months Ended June 30,				Six Months Ended June 30,			
(in millions)	2021	2020	Change	Percent	2021	2020	Change	Percent
Mortgage banking fees	$85	$276	($191)	(69 %)	$250	$435	($185)	(43 %)
Service charges and fees	100	84	16	19	199	202	(3)	(1)
Capital markets fees	91	61	30	49	172	104	68	65
Card fees	64	48	16	33	119	104	15	14
Trust and investment services fees	60	45	15	33	118	98	20	20
Letter of credit and loan fees	38	31	7	23	76	65	11	17
Foreign exchange and interest rate products	28	34	(6)	(18)	56	58	(2)	(3)
Securities gains, net	3	3	—	—	6	3	3	100
Other income [1]	16	8	8	100	31	18	13	72
Noninterest income	$485	$590	($105)	(18 %)	$1,027	$1,087	($60)	(6 %)

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

Second quarter 2021 versus second quarter 2020: Noninterest income decreased $105 million, or 18% from the second quarter of 2020. Results reflected lower mortgage banking fees and foreign exchange and interest rate products revenue partially offset by improved capital markets fees, service charges and fees, card fees, trust and investment services fees, and letter of credit and loan fees.

- Lower mortgage banking fees were driven by lower gain-on-sale margins despite higher origination volumes.
- Lower foreign exchange and interest rate products revenue reflects lower client interest rate hedging activity partly offset by strong client foreign exchange and commodities hedging results.
- Improved capital markets fees reflects higher loan syndication and mergers and acquisition advisory fees.
- Higher card fees reflect increased debit and credit card volumes given the economic recovery.
- Higher trust and investment services fees reflect an increase in assets under management from higher equity market levels and strong inflows, as well as higher annuity sales.

First half 2021 versus first half 2020: Noninterest income decreased $60 million, or 6%, from the first half of 2020. Results reflected lower mortgage banking fees partially offset by improved capital markets fees, trust and investment fees, letter of credit and loan fees, and card fees.

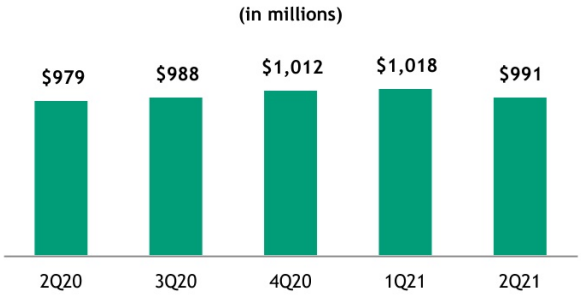
- Lower mortgage banking fees reflected lower gain-on-sale margins given increased industry capacity and

heightened competition as well as lower mortgage servicing rights hedging results.

- Higher loan syndication, underwriting, and mergers and acquisition advisory fees drove improvement in capital markets fees.
- Higher trust and investment services fees reflected an increase in assets under management from higher equity market levels and strong inflows.
- Increased letter of credit and loan fees reflected higher commitment fees.

Noninterest Expense

The following table presents a five quarter trend of our noninterest expense:



Second quarter 2021 versus first quarter 2021: Noninterest expense of $991 million decreased 3% and included the impact of notable items. On an Underlying basis, noninterest expense of $980 million was down 2%, reflecting seasonally lower salaries and employee benefits, along with strong expense discipline.

Table 8: Noninterest Expense

	Three Months Ended June 30,				Six Months Ended June 30,			
(in millions)	2021	2020	Change	Percent	2021	2020	Change	Percent
Salaries and employee benefits	$524	$513	$11	2 %	$1,072	$1,062	$10	1 %
Equipment and software	155	142	13	9	307	275	32	12
Outside services	137	131	6	5	276	266	10	4
Occupancy	82	82	—	—	170	166	4	2
Other operating expense	93	111	(18)	(16)	184	222	(38)	(17)
Noninterest expense	$991	$979	$12	1 %	$2,009	$1,991	$18	1 %

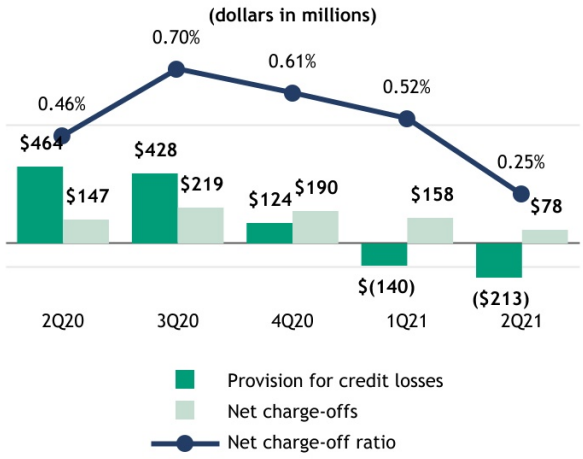
Second quarter 2021 versus second quarter 2020: Noninterest expense increased $12 million, or 1%, and underlying noninterest expense of $980 million increased 2% compared to the second quarter of 2020. Higher equipment and software, salaries and employee benefits, and outside services were partially offset by lower other operating expense.

- Higher equipment and software expense reflected increased technology spend.
- Salaries and employee benefits increased, reflecting higher revenue-based compensation.
- Higher outside services were largely tied to growth initiatives.

First half 2021 versus first half 2020: Noninterest expense increased $18 million, or 1%, from the first half of 2020, largely reflecting higher equipment and software expense, salaries and employee benefits and outside services partially offset by lower other operating expense due to the reasons stated above. Underlying noninterest expense of $2.0 billion increased $39 million, or 2%, as a result of the items stated above.

Provision for Credit Losses

The following table presents a five quarter trend of our provision for credit losses, net charge-offs and net charge-off ratio:



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 Nonaccruing Loans and Leases" for more information.

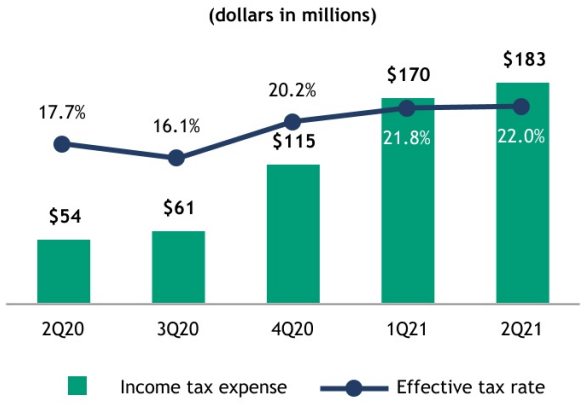
Second quarter 2021 versus first quarter 2021: In the second quarter of 2021, strong credit performance across the retail and commercial loan portfolios and improvement in the macroeconomic outlook resulted in a credit provision benefit of $213 million. This compared to a credit provision benefit of $140 million in the first quarter of 2021.

Second quarter 2021 versus second quarter 2020: The credit provision benefit was $213 million in the second quarter of 2021, compared with a $464 million credit provision expense in the second quarter of 2020. The credit provision expense in 2020 reflects the adverse impacts from the COVID-19 pandemic and associated lockdowns, while the credit provision benefit in 2021 reflects strong credit performance and improving macroeconomic outlook.

First half 2021 versus first half 2020: The credit provision benefit was $353 million in the first half of 2021. This compared to a credit provision expense of $1.1 billion in the first half of 2020, which reflected the adverse impacts from the COVID-19 pandemic and associated lockdowns.

Income Tax Expense

The following table presents a five quarter trend of our income tax expense and effective income tax rate:



Second quarter 2021 versus second quarter 2020: Income tax expense increased $129 million from the second quarter of 2020 due to increased taxable income. The effective income tax rate increased to 22.0% from 17.7% in the second quarter of 2020, driven by the decreased benefit of tax advantaged investments on higher pre-tax income.

First half 2021 versus first half 2020: Income tax expense for the first half of 2021 was $353 million compared to $65 million in the first half of 2020. Income tax expense increased $288 million from the first half of 2020 due to increased taxable income. The effective income tax rate increased to 21.9% from 18.5% in the first half of 2020 driven by the decreased benefit of tax advantaged investment on higher pre-tax income.

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. Non-segment operations are classified as Other, which 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/or Commercial Banking reporting units. There have been no significant changes in our methodologies used to allocate items to our business operating segments as described in "—Results of Operations — Business Operating Segments" in our 2020 Form 10-K.

The following table presents certain financial data of our business operating segments. Total business operating segment financial results differ from total consolidated financial results. These differences are reflected in Other non-segment operations. See Note 16 in Item 1 for further information.

Table 9: Selected Financial Data for Business Operating Segments, Quarter-to-Date

	Consumer Banking		Commercial Banking	
	Three Months Ended June 30,		Three Months Ended June 30,	
(dollars in millions)	2021	2020	2021	2020
Net interest income	$897	$814	$419	$419
Noninterest income	283	428	178	144
Total revenue	1,180	1,242	597	563
Noninterest expense	751	735	226	213
Profit before credit losses	429	507	371	350
Net charge-offs	45	80	34	70
Income before income tax expense	384	427	337	280
Income tax expense	98	107	72	59
Net income	$286	$320	$265	$221
Average Balances:				
Total assets	$75,600	$71,634	$57,527	$65,280
Total loans and leases[1][2]	71,389	68,205	54,758	62,011
Deposits	100,933	91,648	44,049	41,750
Interest-earning assets	72,308	68,256	55,143	62,422

[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 $83 million, or 10%, from the second quarter of 2020, driven by the benefit of a $3.2 billion increase in average loans led by education, residential mortgage, automobile, and the impact of the PPP loan program. In addition, a $9.3 billion increase in average deposits driven by government stimulus programs also contributed to higher net interest income. Noninterest income decreased $145 million, or 34%, from the second quarter of 2020, driven by lower mortgage banking fees as increased industry capacity and heightened competition resulted in lower gain-on-sale margins, partially offset by recovery in service charges and fees, card fees, and trust and investment services fees, reflecting an increase in assets under management from higher equity market levels as well as higher annuity sales. Noninterest expense increased $16 million, or 2%, from the second quarter of 2020, as higher revenue-based compensation drove increased salaries and employee benefits expense. Higher outside services and equipment and software expense was driven by growth initiatives and increased technology spend. Net charge-offs of $45 million decreased $35 million, or 44%, driven by the impact of government stimulus and forbearance programs, as well as strong collateral values in residential real estate and automobile.

Commercial Banking

Net interest income of $419 million was flat to the second quarter of 2020. Noninterest income of $178 million increased $34 million, or 24%, from $144 million in the second quarter of 2020, driven by an increase in capital markets fees from higher loan syndication fees and mergers and acquisition advisory fees, as well as an increase in letter of credit and loan fees from higher commitment fees. Noninterest expense of $226 million increased $13 million, or 6%, from $213 million in the second quarter of 2020, largely tied to increased technology spend as well as higher salaries and employee benefits. Net charge-offs of $34 million decreased $36 million from the second quarter of 2020, which was a result of stabilization from the effects of the COVID-19 pandemic and associated lockdowns.

Table 10: Selected Financial Data for Business Operating Segments, Year-to-Date

	Consumer Banking		Commercial Banking	
	Six Months Ended June 30,		Six Months Ended June 30,	
(dollars in millions)	2021	2020	2021	2020
Net interest income	$1,760	$1,607	$840	$784
Noninterest income	634	785	348	269
Total revenue	2,394	2,392	1,188	1,053
Noninterest expense	1,501	1,473	453	434
Profit before credit losses	893	919	735	619
Net charge-offs	104	177	135	113
Income before income tax expense	789	742	600	506
Income tax expense	201	186	124	106
Net income	$588	$556	$476	$400
Average Balances:				
Total assets	$75,443	$70,024	$57,632	$62,142
Total loans and leases[(1)(2)]	70,792	66,774	54,786	59,283
Deposits	99,067	88,438	44,012	37,647
Interest-earning assets	71,725	66,825	55,159	59,719

[(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 of $1.8 billion increased $153 million, or 10%, from the first half of 2020, driven by the benefit of loan and deposit growth. Average loans grew $4.0 billion led by education, residential mortgage, and the impact of the PPP loan program. Deposits grew $11 billion, or 12%, driven by government stimulus programs. Noninterest income decreased $151 million, or 19%, from the first half of 2020, driven by lower mortgage banking fees as increased industry capacity and heightened competition resulted in lower gain-on-sale margins. This decrease was partially offset by higher trust and investment services fees driven by higher assets under management from higher equity market levels. In addition to higher card fee driven by higher debit and credit card volumes driven by the economic recovery. Noninterest expense increased $28 million, or 2%, from the first half of 2020, reflecting higher salaries and employee benefits tied to higher revenue-based compensation, combined with higher equipment and software expense and outside services expense resulting from increased technology spend and growth initiatives. This increase was partially offset by lower other operating expense related to lower travel. Net charge-offs of $104 million decreased $73 million, or 41%, driven by the impact of government stimulus and forbearance programs, as well as strong collateral values in residential real estate and automobile.

Commercial Banking

Net interest income of $840 million increased $56 million, or 7%, from $784 million in the first half of 2020, driven by higher deposit volumes reflecting improved funding mix and deposit pricing. Noninterest income of $348 million increased $79 million, or 29%, from $269 million in the first half of 2020, driven by strength in capital markets fees due to higher loan syndication fees, mergers and acquisition advisory fees, and letter of credit and loan fees, reflecting higher commitment fees. Noninterest expense of $453 million increased $19 million, or 4%, from $434 million in the first half of 2020, largely tied to growth initiatives and increased technology spend. Net charge-offs of $135 million increased $22 million, or 19%, from the first half of 2020, primarily driven by COVID-19-related charge-offs in CRE.

ANALYSIS OF FINANCIAL CONDITION

Securities

Table 11: Amortized Cost and Fair Value of AFS and HTM Securities

	June 30, 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	3	3	3	3
Mortgage-backed securities, at fair value:				
Federal agencies and U.S. government sponsored entities	23,960	24,112	21,954	22,506
Other/non-agency	267	280	396	422
Total mortgage-backed securities, at fair value	24,227	24,392	22,350	22,928
Collateralized loan obligations, at fair value	177	177	—	—
Total debt securities available for sale, at fair value	$24,418	$24,583	$22,364	$22,942
Mortgage-backed securities, at cost:				
Federal agencies and U.S. government sponsored entities	$1,887	$1,964	$2,342	$2,464
Total mortgage-backed securities, at cost	1,887	1,964	2,342	2,464
Asset-backed securities, at cost	824	826	893	893
Total debt securities held to maturity	$2,711	$2,790	$3,235	$3,357
Total debt securities available for sale and held to maturity	$27,129	$27,373	$25,599	$26,299
Equity securities, at cost	$602	$602	$604	$604
Equity securities, at fair value	80	80	66	66

Our securities portfolio is managed to maintain prudent levels of liquidity, credit quality and market risk while achieving appropriate returns that align with our overall portfolio management strategy. The portfolio primarily includes high quality, highly liquid investments reflecting our ongoing commitment to maintain appropriate contingent liquidity levels and pledging capacity. U.S. government-guaranteed notes and GSE-issued mortgage-backed securities represent 95% of the fair value of our debt securities portfolio holdings. Holdings backed by mortgages dominate our portfolio and facilitate our ability to pledge those securities to the FHLB for collateral purposes. For further discussion of the liquidity coverage ratios, see “Regulation and Supervision — Liquidity Requirements” in our 2020 Form 10-K.

The fair value of the AFS debt securities portfolio of $24.6 billion at June 30, 2021 increased $1.6 billion from $22.9 billion at December 31, 2020, including $2.0 billion in new investments, offset by a $413 million reduction in unrealized gains driven by a steepening yield curve. The decline in the fair value of the HTM debt securities portfolio of $567 million was primarily attributable to portfolio run-off. For further information, see Note 2.

As of June 30, 2021, the portfolio’s average effective duration was 3.6 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.

Loans and Leases

Table 12: Composition of Loans and Leases, Excluding LHFS

(in millions)	June 30, 2021	December 31, 2020	Change	Percent
Commercial and industrial [1]	$42,842	$44,173	($1,331)	(3)%
Commercial real estate	14,412	14,652	(240)	(2)
Leases	1,829	1,968	(139)	(7)
Total commercial	59,083	60,793	(1,710)	(3)
Residential mortgages [2]	20,538	19,539	999	5
Home equity	11,841	12,149	(308)	(3)
Automobile	12,780	12,153	627	5
Education	12,800	12,308	492	4
Other retail	5,539	6,148	(609)	(10)
Total retail	63,498	62,297	1,201	2
Total loans and leases	$122,581	$123,090	($509)	— %

[1] Includes PPP loans fully guaranteed by the SBA of $3.5 billion at June 30, 2021 and $4.2 billion at December 31, 2020.
[2] Includes fully or partially guaranteed FHA, VA and USDA loans of $1.4 billion at June 30, 2021 and $249 million at December 31, 2020, including loans acquired through an exercise of the GNMA early buyout option.

Total loans and leases decreased $509 million from $123.1 billion as of December 31, 2020, reflecting a $1.7 billion decrease in commercial and a $1.2 billion increase in retail.

Allowance for Credit Losses and Nonaccruing 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 Note 4 of this report, and “Critical Accounting Estimates” and Note 5 in the Company’s 2020 Form 10-K.

The ACL of $2.1 billion as of June 30, 2021 compared with the ACL of $2.7 billion as of December 31, 2020, reflecting a reserve release of $589 million. For further information, see Note 4.

Table 13: ACL and Related Coverage Ratios by Portfolio

	June 30, 2021			December 31, 2020		
(in millions)	Loans and Leases	Allowance	Coverage	Loans and Leases	Allowance	Coverage
Allowance for Loan and Lease Losses						
Commercial and industrial	$42,842	$674	1.57 %	$44,173	$821	1.86 %
Commercial real estate	14,412	218	1.51	14,652	360	2.46
Leases	1,829	61	3.36	1,968	52	2.67
Total commercial	59,083	953	1.61	60,793	1,233	2.03
Residential mortgages	20,538	140	0.68	19,539	141	0.72
Home equity	11,841	102	0.86	12,149	134	1.10
Automobile	12,780	168	1.31	12,153	200	1.65
Education	12,800	322	2.51	12,308	361	2.93
Other retail	5,539	262	4.74	6,148	374	6.07
Total retail	63,498	994	1.57	62,297	1,210	1.94
Total loans and leases	$122,581	$1,947	1.59 %	$123,090	$2,443	1.98 %
Allowance for Unfunded Lending Commitments						
Commercial[1]		$121	1.82 %		$186	2.33 %
Retail[2]		13	1.59		41	2.01
Total allowance for unfunded lending commitments		134			227	
Allowance for credit losses[3]	$122,581	$2,081	1.70 %	$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 1.75% and 2.24% for June 30, 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 14: Nonaccrual Loans and Leases

(dollars in millions)	June 30, 2021	December 31, 2020	Change	Percent
Commercial and industrial	$163	$280	($117)	(42 %)
Commercial real estate	102	176	(74)	(42)
Leases	1	2	(1)	(50)
Total commercial loans and leases	266	458	(192)	(42)
Residential mortgages[1]	174	167	7	4
Home equity	234	276	(42)	(15)
Automobile	62	72	(10)	(14)
Education	21	18	3	17
Other retail	22	28	(6)	(21)
Total retail loans	513	561	(48)	(9)
Nonaccrual loans and leases	$779	$1,019	($240)	(24 %)
Nonaccrual loans and leases to total loans and leases	0.64 %	0.83 %	(19 bps)	
Allowance for loan and lease losses to nonaccruing loans and leases	250	240	10 %	
Allowance for credit losses to nonaccruing loans and leases	267	262	5 %	

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

NPLs of $779 million as of June 30, 2021 decreased $240 million, or 24%, from December 31, 2020, reflecting a $192 million decrease in commercial and a $48 million decrease in retail. Commercial NPLs decreased through loan sale activity, repayments and charge-offs.

Table 15: Net Charge-offs and Charge-Off Ratios, Quarter-to-Date

	Three Months Ended June 30,			Three Months Ended June 30,		
(dollars in millions)	2021	2020	Change	2021	2020	Change
Commercial and industrial	$28	$65	($37)	0.25 %	0.52 %	(27 bps)
Commercial real estate	—	—	—	—	—	—
Leases	13	6	7	2.97	1.03	194
Total commercial	41	71	(30)	0.27	0.42	(15)
Residential mortgages	(1)	1	(2)	(0.03)	0.02	(5)
Home equity	(10)	(2)	(8)	(0.33)	(0.05)	(28)
Automobile	(2)	20	(22)	(0.04)	0.68	(72)
Education	13	10	3	0.40	0.34	6
Other retail	37	47	(10)	2.63	2.93	(30)
Total retail loans	37	76	(39)	0.24	0.50	(26)
Total net charge-offs	$78	$147	($69)	0.25 %	0.46 %	(21 bps)

Second quarter 2021 NCOs of $78 million decreased $69 million, or 47%, from $147 million in the second quarter of 2020, driven by a decrease in total commercial of $30 million and a $39 million reduction in retail. Second quarter 2021 annualized net charge-offs of 0.25% of average loans and leases were down 21 basis points from the second quarter of 2020.

The decrease in commercial NCOs in the second quarter of 2021 as compared to the second quarter of 2020 were a result of stabilization from effects of the COVID-19 pandemic and associated lockdowns. Retail NCOs were down in the second quarter of 2021 as compared to the second quarter of 2020 primarily due to U.S. Government stimulus programs and strong collateral values in automobile and residential real estate.

Table 16: Net Charge-offs and Charge-Off Ratios, Year-to-Date

(dollars in millions)	Six Months Ended June 30, 2021	2020	Change	Six Months Ended June 30, 2021	2020	Change
Commercial and industrial	$105	$109	($4)	0.48 %	0.47 %	1 bps
Commercial real estate	26	—	26	0.36	—	36
Leases	14	6	8	1.58	0.55	103
Total commercial	145	115	30	0.48	0.37	11
Residential mortgages	(2)	1	(3)	(0.02)	0.01	(3)
Home equity	(17)	(5)	(12)	(0.29)	(0.08)	(21)
Automobile	9	47	(38)	0.15	0.78	(63)
Education	20	24	(4)	0.32	0.44	(12)
Other retail	81	102	(21)	2.82	3.07	(25)
Total retail loans	91	169	(78)	0.29	0.56	(27)
Total net charge-offs	$236	$284	($48)	0.39 %	0.46 %	(7 bps)

First half 2021 NCOs of $236 million decreased $48 million, or 17%, from $284 million in the first half of 2020, driven by a decrease in retail of $78 million, partially offset by an increase in commercial of $30 million. First half of 2021 annualized net charge-offs of 0.39% of average loans and leases were down 7 basis points from first half of 2020.

Retail NCOs were down in the first half of 2021 as compared to the first half of 2020 primarily due to U.S. Government stimulus programs, forbearance, as well as strong collateral values in automobile and residential real estate. The increase in commercial NCOs in the first half of 2021 as compared to the first half of 2020 were contributed to by COVID-19-related charge-offs in CRE. We continue to assess the impact of the COVID-19 pandemic and associated lockdowns and have instituted 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 loan and lease 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. As discussed in our 2020 Form 10-K, for commercial loans and leases, we utilize regulatory classification ratings to monitor credit quality.

As of June 30, 2021, commercial NPLs of $266 million decreased $192 million from $458 million as of December 31, 2020, representing 0.5% and 0.8% of the commercial loan and lease portfolio as of June 30, 2021 and December 31, 2020, respectively.

Table 17: Commercial Loans and Leases by Regulatory Classification

	June 30, 2021				
		Criticized			
(in millions)	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial[1]	$39,945	$1,145	$1,631	$121	$42,842
Commercial real estate	13,115	666	604	27	14,412
Leases	1,776	29	23	1	1,829
Total commercial	$54,836	$1,840	$2,258	$149	$59,083

	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 $3.5 billion and $4.2 billion of PPP loans designated as pass that are fully guaranteed by the SBA as of June 30, 2021 and December 31, 2020, respectively.

Total commercial criticized balances of $4.2 billion as of June 30, 2021 decreased $390 million compared with December 31, 2020. Commercial criticized as a percent of total commercial of 7.2% at June 30, 2021 decreased from 7.6% at December 31, 2020.

Commercial and industrial criticized balances of $2.9 billion, or 6.8% of the total commercial and industrial loan portfolio as of June 30, 2021, decreased from $3.3 billion, or 7.5%, as of December 31, 2020. The decrease was primarily driven by net repayments and charge-offs. Commercial and industrial criticized loans represented 68% of total criticized loans as of June 30, 2021 compared to 71% as of December 31, 2020.

Commercial real estate criticized balances of $1.3 billion, or 9.0% of the commercial real estate portfolio, was stable compared to December 31, 2020 at $1.3 billion, or 8.8%. Commercial real estate accounted for 31% of total criticized loans as of June 30, 2021 compared to 28% as of December 31, 2020.

Table 18: Commercial Loans and Leases by Industry Sector

(dollars in millions)	June 30, 2021 Balance	June 30, 2021 % of Total Loans and Leases	December 31, 2020 Balance	December 31, 2020 % of Total Loans and Leases
Finance and insurance	$6,693	5 %	$6,473	5 %
Health, pharma, and social assistance	3,078	3	3,253	3
Accommodation and food services	3,127	3	3,159	3
Professional, scientific, and technical services	2,644	2	2,804	2
Other manufacturing	3,705	3	3,686	3
Technology	3,765	3	3,546	3
Retail trade	2,224	2	2,312	2
Energy and related	1,936	2	2,237	2
Wholesale trade	2,226	2	1,976	2
Arts, entertainment, and recreation	1,131	1	1,383	1
Other services	1,758	1	1,360	1
Administrative and waste management services	1,261	1	1,327	1
Transportation and warehousing	1,196	1	1,169	1
Consumer products manufacturing	1,075	1	1,078	1
Automotive	1,066	1	1,057	1
Educational services	693	—	844	—
Chemicals	726	—	736	—
Real estate and rental and leasing	949	1	734	—
All other [2]	110	—	884	1
Total commercial and industrial	39,363	32	40,018	32
Real estate and rental and leasing	12,907	11	13,167	11
Accommodation and food services	814	1	749	1
Finance and insurance	498	—	498	—
All other [2]	193	—	238	—
Total commercial real estate	14,412	12	14,652	12
Total leases	1,829	1	1,968	2
Total commercial [1,3]	$55,604	45 %	$56,638	46 %

[1] In the second quarter of 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 $3.5 billion and $4.2 billion as of June 30, 2021 and December 31, 2020, respectively.

Retail Loan Asset Quality

For retail loans, we utilize credit scores provided by FICO, which generally refresh on a quarterly basis and a loan's payment and delinquency status to monitor credit quality. Management believes FICO credit scores are the strongest indicator of credit losses over the contractual life of a 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 automobile, education and point-of-sale financing.

Table 19: Aging of Retail Loans as a Percentage of Loan Class

	June 30, 2021				December 31, 2020			
	Days Past Due				Days Past Due			
	Current-29	30-59	60-89	90+	Current-29	30-59	60-89	90+
Residential mortgages[1]	96.83 %	0.86 %	0.30 %	2.03 %	98.73 %	0.30 %	0.11 %	0.86 %
Home equity	98.03	0.27	0.14	1.56	97.53	0.50	0.23	1.74
Automobile	98.69	0.89	0.34	0.08	97.93	1.40	0.53	0.14
Education	99.58	0.23	0.10	0.09	99.56	0.27	0.11	0.06
Other retail	98.47	0.67	0.36	0.51	98.36	0.62	0.47	0.55
Total retail	98.12 %	0.61 %	0.24 %	1.02 %	98.47 %	0.58 %	0.25 %	0.70 %

[1] 90+ day past due includes $266 million and $44 million of loans fully or partially guaranteed by the FHA, VA, and USDA at June 30, 2021 and December 31, 2020, respectively.

For more information on the aging of accruing and nonaccruing retail loans, see Note 4.

Table 20: Retail Asset Quality Metrics

	June 30, 2021	December 31, 2020
Average refreshed FICO for total portfolio	769	771
CLTV ratio for secured real estate[1]	58 %	60 %
Nonaccruing retail loans to total retail	0.81	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.

	Three Months Ended June 30,				Six Months Ended June 30,			
(dollars in millions)	2021	2020	Change	Percent	2021	2020	Change	Percent
Net charge-offs	$37	$76	($39)	(51 %)	$91	$169	($78)	(46 %)
Annualized net charge-off rate	0.24 %	0.50 %	(26) bps		0.29 %	0.56 %	(27) bps	

Retail asset quality continues to reflect a stronger economic outlook. The retail annualized net charge-off rate decreased to 0.24% for second quarter 2021 from 0.50% in the second quarter of 2020. The net charge-off rate of 0.29% for the six months ended June 30, 2021 reflected a decrease of 27 basis points from the quarter ended June 30, 2020, driven by the forbearance and stimulus programs stemming from the COVID-19 pandemic and associated lockdowns, as well as strong collateral values in automobile and residential real estate.

Troubled Debt Restructurings

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 to be TDRs.

For additional information regarding TDRs, see Note 5 in our 2020 Form 10-K.

Table 21: Accruing and Nonaccruing Troubled Debt Restructurings

	June 30, 2021				
		As a % of Accruing TDRs			
(dollars in millions)	Accruing	30-89 Days Past Due	90+ Days Past Due	Nonaccruing	Total
Commercial and industrial	150	0.3 %	— %	70	220
Commercial real estate	—	—	—	9	9
Total commercial	150	0.3	—	79	229
Residential mortgages[1]	343	3.9	9.5	34	377
Home equity	211	0.5	—	81	292
Automobile	3	0.1	—	39	42
Education	113	0.4	0.2	11	124
Other retail	22	0.2	—	3	25
Total retail	692	5.1	9.6	168	860
Total	$842	5.4 %	9.6 %	$247	$1,089

	December 31, 2020				
		As a % of Accruing TDRs			
(dollars in millions)	Accruing	30-89 Days Past Due	90+ Days Past Due	Nonaccruing	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	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 $75 million and $14 million in 90+ days past due and accruing that are fully or partially guaranteed by the FHA, VA, and USDA at June 30, 2021 and December 31, 2020, respectively.

Deposits

Table 22: Composition of Deposits

(in millions)	June 30, 2021	December 31, 2020	Change	Percent
Demand	$47,480	$43,831	$3,649	8 %
Checking with interest	28,074	27,204	870	3
Regular savings	20,382	18,044	2,338	13
Money market accounts	48,150	48,569	(419)	(1)
Term deposits	6,550	9,516	(2,966)	(31)
Total deposits	$150,636	$147,164	$3,472	2 %

Total deposits as of June 30, 2021 increased $3.5 billion, or 2%, to $150.6 billion, from $147.2 billion as of December 31, 2020, reflecting strong deposit flows from consumer-oriented government stimulus. Citizens Access®, our national digital platform, ended the quarter with $4.9 billion of deposits, down from $5.9 billion as of December 31, 2020, primarily due to rate reduction strategies that resulted in a decrease in term deposits.

Borrowed Funds

Total borrowed funds as of June 30, 2021 decreased $1.6 billion from December 31, 2020, driven by a $181 million and $1.4 billion decrease in short-term and long-term borrowed funds, respectively. Strong deposit growth enabled the paydown of senior debt.

Long-term borrowed funds

Table 23: Summary of Long-Term Borrowed Funds

(in millions)	June 30, 2021	December 31, 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]	168	182
3.750% fixed-rate subordinated debt, due July 2024 [2]	90	159
4.023% fixed-rate subordinated debt, due October 2024 [2]	17	25
4.350% fixed-rate subordinated debt, due August 2025 [2]	133	193
4.300% fixed-rate subordinated debt, due December 2025 [2]	336	450
2.850% fixed-rate senior unsecured notes, due July 2026	497	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	547	543
CBNA's Global Note Program:		
2.550% senior unsecured notes, due May 2021	—	1,003
3.250% senior unsecured notes, due February 2022	708	716
0.874% floating-rate senior unsecured notes, due February 2022 [3]	300	299
0.951% floating-rate senior unsecured notes, due May 2022 [3]	250	250
2.650% senior unsecured notes, due May 2022	507	510
3.700% senior unsecured notes, due March 2023	520	527
1.096% floating-rate senior unsecured notes, due March 2023 [3]	250	249
2.250% senior unsecured notes, due April 2025	746	746
3.750% senior unsecured notes, due February 2026	536	551
Additional Borrowings by CBNA and Other Subsidiaries:		
Federal Home Loan Bank advances, 0.909% weighted average rate, due through 2038	18	19
Other	27	35
Total long-term borrowed funds	$6,957	$8,346

[1] Notes were redeemed on June 28, 2021.
[2] The June 30, 2021 balances reflect the results of the February 2021 subordinated debt private exchange offers. See "Capital and Regulatory Matters-Regulatory Capital Ratios and Capital Composition" for additional information.
[3] Rate disclosed reflects the floating rate as of June 30, 2021.

The Parent Company's long-term borrowed funds as of June 30, 2021 and December 31, 2020 included principal balances of $3.2 billion and $3.5 billion, respectively, and unamortized deferred issuance costs and/or discounts of $84 million and $90 million, respectively. CBNA and other subsidiaries' long-term borrowed funds as of June 30, 2021 and December 31, 2020 included principal balances of $3.8 billion and $4.8 billion, respectively, with unamortized deferred issuance costs and/or discounts of $9 million and $11 million, respectively, and hedging basis adjustments of $76 million and $112 million, respectively. See Note 8 for further information about our hedging of certain long-term borrowed funds. For information regarding our liquidity and available borrowing capacity, see "—Liquidity" and Note 7.

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 "Regulation and Supervision" in our 2020 Form 10-K.

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. We are also required to develop, maintain and submit to the FRB an annual capital plan, which must be reviewed and 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 of our 2020 Form 10-K.

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 requirements and the SCB requirements to avoid restrictions on capital distributions and discretionary bonus payments. On October 1, 2020, our SCB of 3.4% became effective and applies to our capital actions through September 30, 2021.

On February 3, 2021, the FRB adopted a final rule effective April 5, 2021 to tailor the requirements of its Capital Plan Rule, specifically modifying capital planning, regulatory reporting and stress capital buffer 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 have the ability to 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 our SCB effective for the period October 1, 2021 through September 30, 2022 will remain unchanged at 3.4%.

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. Among those actions, the FRB imposed certain limitations on firms for the third and fourth quarters of 2020, including mandatory suspension of share repurchases and limiting common stock dividends to existing rates and the average quarterly net income over the prior four quarters. The FRB modified its limitations on capital distributions for the first and second quarters of 2021 such that firms that participate in CCAR, like us, may resume share repurchases provided that the aggregate of share repurchases and common stock dividends for the applicable quarter did not exceed average quarterly net income for the trailing four quarters. In January 2021, our board of directors authorized us to repurchase up to $750 million of our common stock beginning in the first quarter of 2021. At June 30, 2021, we had $655 million of this share repurchase authorization remaining. In March 2021, the FRB announced that the temporary restrictions on capital distribution will end after June 30, 2021 for firms, like us, that are on a two-year cycle and not subject to supervisory stress testing this year. 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. In addition, we suspended share repurchases, until the Investors shareholder vote, in connection with our entry into the agreement to acquire Investors. See Note 17 for more details regarding the Investors acquisition. All future capital distributions are subject to consideration and approval by our board of directors prior to execution.

Regulations relating to capital planning, regulatory reporting and SCB requirements applicable to firms like us are subject to ongoing 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 "Regulation and Supervision" and "—Capital and Regulatory Matters" in our 2020 Form 10-K.

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 significant investments in the capital of unconsolidated institutions is 25%. As of June 30, 2021, we did not meet the threshold for these additional capital deductions. MSRs or deferred tax assets not deducted from CET1 capital

are assigned a 250% risk weight and significant 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 June 30, 2021, $420 million of the capital benefit has been accumulated for application to the three-year transition period.

For additional discussion of the U.S. Basel III capital framework and its related application, see “Regulation and Supervision” in our 2020 Form 10-K. The table below presents our actual regulatory capital ratios under the U.S. Basel III Standardized rules:

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

	June 30, 2021		December 31, 2020		
(in millions, except ratio data)	Amount	Ratio	Amount	Ratio	Required Minimum plus Required CCB for Non-Leverage Ratios[1]
CET1 capital	$15,266	10.3 %	$14,607	10.0 %	7.9 %
Tier 1 capital	17,280	11.6	16,572	11.3	9.4
Total capital	20,111	13.5	19,602	13.4	11.4
Tier 1 leverage	17,280	9.7	16,572	9.4	4.0
Risk-weighted assets	148,563		146,781		
Quarterly adjusted average assets	178,929		175,370		

[1] Required “Minimum Capital ratios” are: CET1 capital of 4.5%; Tier 1 capital of 6.0%; Total capital of 8.0%; and Tier 1 leverage of 4.0%. “Minimum Capital ratios” also include a SCB of 3.4%; N/A to Tier 1 leverage.

At June 30, 2021, our CET1 capital, tier 1 capital and total capital ratios were 10.3%, 11.6% and 13.5%, respectively, as compared with 10.0%, 11.3% and 13.4%, respectively, as of December 31, 2020. The CET1 capital ratio increased as net income for the six months ended June 30, 2021 was partially offset by dividends and common share repurchases as described in “—Capital Transactions” below, $1.8 billion of risk-weighted asset (“RWA”) growth and a decrease in the modified CECL transitional amount. The tier 1 capital ratio increased due to the changes in the CET1 capital ratio described above and the issuance of Series G Preferred Stock, partially offset by the announced redemption of Series A Preferred Stock as described in “—Capital Transactions” below. The total capital ratio increased as the changes in the CET1 and tier 1 capital ratios described above combined with the subordinated debt exchange offer in the first quarter of 2021, as described in the “Regulatory Capital Ratios and Capital Composition” section below, were partially offset by the reduction in the net AACL impact. At June 30, 2021, our CET1 capital, tier 1 capital and total capital ratios were approximately 240 basis points, 220 basis points and 210 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 $15.3 billion at June 30, 2021, an increase of $659 million from $14.6 billion at December 31, 2020, largely driven by net income for the six months ended June 30, 2021, partially offset by dividends, a decrease in the modified CECL transitional amount and common share repurchases. Tier 1 capital at June 30, 2021 totaled $17.3 billion, reflecting a $708 million 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 announced redemption of Series A Preferred Stock. Total capital of $20.1 billion at June 30, 2021 increased $509 million from December 31, 2020, driven by the changes in CET1 and tier 1 capital and a decrease in non-qualifying subordinated debt, partially offset by the reduction in the net AACL impact.

RWA totaled $148.6 billion at June 30, 2021, based on U.S. Basel III Standardized rules, up $1.8 billion from December 31, 2020. This increase in RWA was driven by higher commercial commitments, agency securities, automobile loans, MSRs, bank-owned life insurance and education loans. These RWA increases were partially offset by lower commercial loans, other retail loans and commercial real estate commitments.

As of June 30, 2021, the tier 1 leverage ratio was 9.7%, up from 9.4% at December 31, 2020, driven by higher tier 1 capital, partially offset by the $3.6 billion increase in quarterly adjusted average assets.

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

(in millions)	June 30, 2021	December 31, 2020
Total common shareholders' equity	$21,185	$20,708
Exclusions:		
Modified CECL transitional amount	420	568
Net unrealized (gains)/losses recorded in accumulated other comprehensive income (loss), net of tax:		
Debt and equity securities	(78)	(380)
Derivatives	38	11
Unamortized net periodic benefit costs	421	429
Deductions:		
Goodwill	(7,050)	(7,050)
Deferred tax liability associated with goodwill	383	379
Other intangible assets	(53)	(58)
Total common equity tier 1	15,266	14,607
Qualifying preferred stock	2,014	1,965
Total tier 1 capital	17,280	16,572
Qualifying subordinated debt[1]	1,284	1,204
Allowance for credit losses	2,081	2,670
Exclusions from tier 2 capital:		
Modified AACL transitional amount	(534)	(682)
Excess allowance for credit losses[2]	—	(162)
Adjusted allowance for credit losses	1,547	1,826
Total capital	$20,111	$19,602

[1] As of June 30, 2021 and December 31, 2020, the amount of non-qualifying subordinated debt excluded from regulatory capital was $271 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 7 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. There have been no significant changes to our capital adequacy risk appetite and risk management framework as described in "—Capital and Regulatory Matters" in our 2020 Form 10-K.

Capital Transactions

We completed the following capital actions during the six months ended June 30, 2021:

- Issued 300,000 shares of CFG 4.000% fixed-rate reset non-cumulative perpetual Series G Preferred Stock at an aggregate offering price of $300 million;
- Issued a notice to redeem all outstanding shares of CFG Series A Non-Cumulative Perpetual Preferred Stock which settled on July 6, 2021;
- Completed $265 million of subordinated debt private exchange offers in February 2021;
- Declared and paid quarterly common stock dividends of $0.39 per share in the first and second quarters of 2021, aggregating to $335 million;
- Declared a quarterly dividend of $10.49 per share in 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 a semi-annual dividend of $30.00 per share on the 6.000% fixed-to-floating rate non-cumulative perpetual Series B Preferred Stock, aggregating to $9 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 $10 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 $9 million;
- Declared quarterly dividends of $12.50 per share on the 5.000% fixed-rate non-cumulative perpetual Series E Preferred Stock, aggregating to $11 million;
- Declared quarterly dividends of $14.13 per share on the 5.650% fixed-rate non-cumulative perpetual Series F Preferred Stock, aggregating to $11 million; and
- Repurchased $95 million of our outstanding common stock at a weighted-average price per share of $42.32.

Banking Subsidiary's Capital

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

	June 30, 2021		December 31, 2020	
(dollars in millions, except ratio data)	Amount	Ratio	Amount	Ratio
CET1 capital	$16,545	11.2 %	$16,032	10.9 %
Tier 1 capital	16,545	11.2	16,032	10.9
Total capital	19,217	13.0	18,980	13.0
Tier 1 leverage	16,545	9.3	16,032	9.2
Risk-weighted assets	148,105		146,558	
Quarterly adjusted average assets	178,441		174,954	

CBNA's CET1 and tier 1 capital totaled $16.5 billion at June 30, 2021, up $513 million from $16.0 billion at December 31, 2020. This increase was primarily driven by net income for the six months ended June 30, 2021, partially offset by dividends paid to the Parent Company and a decrease in the modified CECL transitional amount. Total capital was $19.2 billion at June 30, 2021, an increase of $237 million from $19.0 billion at December 31, 2020, driven by the change in CET1 capital partially offset by the reduction in the net AACL impact.

CBNA's RWA totaled $148.1 billion at June 30, 2021, up $1.5 billion from December 31, 2020, driven by higher commercial commitments, agency securities, automobile loans, MSRs, bank-owned life insurance and education loans. These RWA increases were partially offset by lower commercial loans, other retail loans and commercial real estate commitments.

As of June 30, 2021, CBNA's tier 1 leverage ratio of 9.3% increased as the increase in tier 1 capital was mostly offset by the $3.5 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. As noted earlier, 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 and 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 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 six months ended June 30, 2021, the Parent Company completed the following transactions:

- 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;
- Issued a notice to redeem all outstanding shares of CFG Series A Non-Cumulative Perpetual Preferred Stock which settled on July 6, 2021; and
- Redeemed $350 million of 2.375% fixed-rate senior unsecured debt due July 2021.

During the three months ended June 30, 2021 and 2020, the Parent Company declared dividends on common stock of $168 million, and declared dividends on preferred stock of $32 and $28 million, respectively.

During the six months ended June 30, 2021 and 2020, the Parent Company declared dividends on common stock of $335 million and $336 million, respectively, and declared dividends on preferred stock of $55 and $50 million, respectively.

Our Parent Company's cash and cash equivalents represent a source of liquidity that can be used to meet various needs and totaled $2.7 billion as of June 30, 2021 and 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 June 30, 2021, the Parent Company's double-leverage ratio was 97.6%.

CBNA Liquidity

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 7.

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.

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

	June 30, 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 June 30, 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 "Regulation and Supervision — Tailoring of Prudential Requirements" and "—Liquidity Requirements" in our 2020 Form 10-K.

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 goal is to deliver and maintain prudent levels of operating liquidity to support expected and projected funding requirements, as well as 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 June 30, 2021:

- Organically generated deposits continue to be our primary source of funding, resulting in a consolidated period end loan-to-deposits ratio, excluding LHFS, of 81.4%;
- Our cash position, which is defined as cash balance held at the FRB, totaled $11.5 billion;
- Our total available liquidity, comprised of contingent liquidity and available discount window capacity, was approximately $75.8 billion;
- Contingent liquidity was $46.9 billion, consisting of unencumbered high-quality liquid securities of $21.0 billion, unused FHLB capacity of $14.4 billion, and our cash position of $11.5 billion. Asset liquidity, a component of contingent liquidity, was $32.5 billion, consisting of our cash position of $11.5 billion and unencumbered high-quality liquid securities of $21.0 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 $28.9 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 six months ended June 30, 2021 and 2020, see the Consolidated Statements of Cash Flows.

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, include cash at the FRBs, 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.

OFF-BALANCE SHEET ARRANGEMENTS

The following table presents our outstanding off-balance sheet arrangements. For further information, see Note 11.

Table 28: Outstanding Off-Balance Sheet Arrangements

(in millions)	June 30, 2021	December 31, 2020	Change	Percent
Commitments to extend credit	$76,761	$74,160	$2,601	4 %
Letters of credit	1,926	2,239	(313)	(14)
Risk participation agreements	68	98	(30)	(31)
Loans sold with recourse	64	54	10	19
Marketing rights	26	29	(3)	(10)
Total	$78,845	$76,580	$2,265	3 %

CRITICAL ACCOUNTING ESTIMATES

Our unaudited interim 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 unaudited interim 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. For additional information regarding fair value measurements, see "—Critical Accounting Estimates" in our 2020 Form 10-K.

Allowance for Credit Losses

The ACL decreased from $2.7 billion at December 31, 2020 to $2.1 billion at June 30, 2021, reflecting a reserve release of $589 million.

To determine the ACL as of June 30, 2021, we utilized an economic forecast that generally reflects real GDP growth of approximately 5.7% over 2021. The forecast also projects the unemployment rate to be in the range of 5.9% to 6.6% throughout 2021. This forecast reflects an overall improved macroeconomic outlook as compared to December 31, 2020. In addition to judgment applied to the commercial portfolio as a whole, we continued to apply management judgment to adjust the modeled reserves in the commercial industry sectors most impacted by the COVID-19 pandemic and associated lockdowns, including CRE retail and hospitality and casual dining.

Our determination of the ACL is sensitive to changes in forecasted macroeconomic conditions during the reasonable and supportable period. To illustrate, we applied a more pessimistic scenario than that described above which assumes that challenges in acceptance of vaccines cause COVID-19-related infections to abet 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 3.25% and unemployment in the range of 6.5% to 7.0% over 2021. 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 $175 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 $2.1 billion represents 24% 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 41% 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-June 30, 2020. In contrast, our June 30, 2021 ACL balance considers only existing loans and lines of credit as of the reporting date.

While the recovery path is clearer than it was at the end of the fourth quarter 2020, significant future uncertainty still exists, including progress in the rollout, acceptance, and effectiveness of COVID-19 vaccines. 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 existing or future monetary and fiscal stimulus programs and forbearance and other customer accommodation efforts. 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, vaccination efforts, and related policy measures on the economy and the resulting potentially material effects on the ACL.

For additional information regarding the ACL, see Note 4 of this report, and "Critical Accounting Estimates" and Note 5 in the Company's 2020 Form 10-K.

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 ("ERC"), 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 ERC are the following additional 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.

There have been no significant changes in our risk governance practices, risk framework, risk appetite, or credit risk as described in "—Risk Governance" in our 2020 Form 10-K.

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. There have been no significant changes in our sources of interest rate risk, interest rate risk practices, risk framework, metrics or assumptions as described in "—Market Risk — Non-Trading Risk" in our 2020 Form 10-K.

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 29: Sensitivity of Net Interest Income

	Estimated % Change in Net Interest Income over 12 Months	
Basis points	**June 30, 2021**	**December 31, 2020**
Instantaneous Change in Interest Rates		
200	21.7 %	21.2 %
100	11.3	11.2
-25	(2.2)	(2.7)
Gradual Change in Interest Rates		
200	10.7	10.8
100	5.4	5.5
-25	(1.2)	(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 remained fairly steady at 10.7% as of June 30, 2021 as compared to 10.8% at December 31, 2020, resulting from the addition of $8.0 billion of receive-fixed/pay-variable interest rate swaps. Current levels of asset sensitivity are elevated relative to our core sensitivity profile due to meaningful increases in cash and deposit balances as a result of monetary and fiscal stimulus programs. 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 30: Interest Rate Swap Contracts Used to Manage Non-Trading Interest Rate Exposure

	June 30, 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)]	$18,100	2.5	1.1 %	0.1 %	$12,350	1.0	1.5 %	0.2 %
Fair value - receive-fixed/pay-variable - conventional debt	2,200	1.8	2.5	0.2	3,200	1.7	2.1	0.2
Cash flow - pay-fixed/receive-variable - conventional ALM[(1)(2)]	3,000	3.0	0.1	1.7	4,750	3.9	0.2	1.4
Fair value - pay-fixed/receive-variable - conventional ALM[(1)]	2,000	3.2	0.1	1.5	2,000	3.7	0.2	1.5
Total portfolio swaps	$25,300	2.5	1.0 %	0.4 %	$22,300	2.0	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.

Using the interest rate curve at June 30, 2021, the estimated net contribution to net interest income related to our ALM hedge strategies is approximately $99 million for the full-year 2021 compared to $133 million for the full-year 2020. The estimated net contribution could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to June 30, 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 27: Pre-Tax Gains (Losses) Recorded in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Amount of pre-tax net gains (losses) recognized in OCI	$62	($11)	$34	$118
Amount of pre-tax net gains (losses) reclassified from OCI into interest income	49	55	95	60
Amount of pre-tax net gains (losses) reclassified from OCI into interest expense	(12)	(10)	(24)	(11)

[1] Using the interest rate curve at June 30, 2021, with respect to cash flow hedge strategies, we estimate that approximately $86 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 and will be impacted by its planned discontinuance. In late 2018, we formed a LIBOR Transition 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. We have identified and are monitoring the risks associated with the LIBOR transition on a quarterly basis.

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 Financial Conduct Authority (“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 LIBOR Transition Program adjusted LIBOR transition activities accordingly. The agencies are still urging 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 are continuing all efforts to move new originations to alternative reference rates over the course of 2021. However, our plans for legacy contract remediation now extend through mid-2023. 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.

C*apital 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 June 30, 2021 and December 31, 2020, the fair value of our MSRs was $902 million and $658 million, respectively, and the total notional amount of related derivative contracts was $13.9 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, and credit spreads on a select range of interest rates, foreign exchange, commodities, corporate bonds and secondary loan instruments. These trading activities are conducted through CBNA and CCMI. There have been no significant changes in our market risk governance, market risk measurement, or market risk practices including VaR, stressed VaR, sensitivity analysis, stress testing, or VaR model review and validation as described in "—Market Risk — Trading Risk" in our 2020 Form 10-K.

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

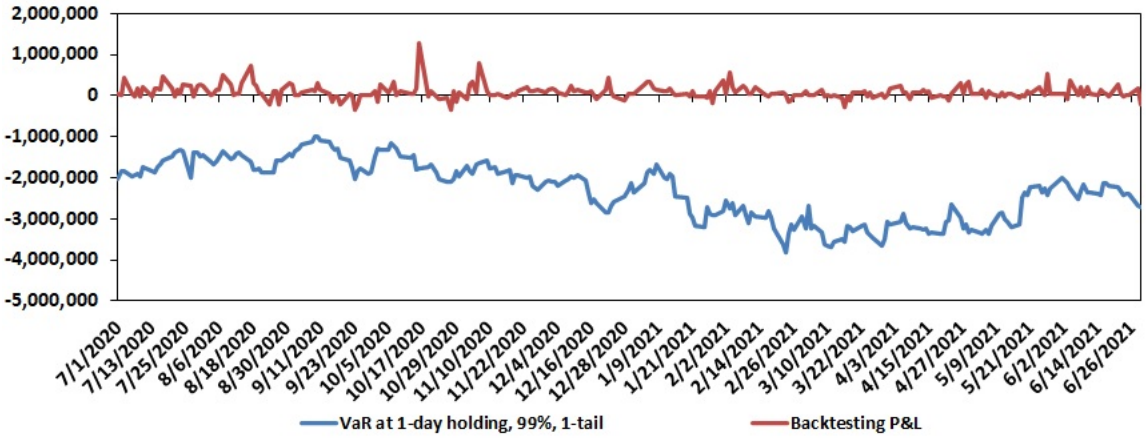
(in millions)	For the Three Months Ended June 30, 2021				For the Three Months Ended June 30, 2020			
Market Risk Category	**Period End**	**Average**	**High**	**Low**	**Period End**	**Average**	**High**	**Low**
Interest Rate	$2	$2	$5	$—	$1	$2	$5	$1
Foreign Exchange Currency Rate	1	—	1	—	—	—	—	—
Credit Spread	13	13	17	10	13	8	15	4
Commodity	—	—	—	—	—	—	—	—
General VaR	14	12	16	9	12	11	13	9
Specific Risk VaR	—	—	—	—	—	—	—	—
Total VaR	$14	$12	$17	$9	$12	$11	$13	$9
Stressed General VaR	$16	$16	$19	$13	$14	$13	$15	$11
Stressed Specific Risk VaR	—	—	—	—	—	—	—	—
Total Stressed VaR	$16	$16	$19	$13	$14	$13	$15	$11
Market Risk Regulatory Capital	$89				$73			
Specific Risk Not Modeled Add-on	19				13			
Total Market Risk Regulatory Capital	$108				$86			
Market Risk-Weighted Assets	$1,350				$1,078			

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, commodity, and foreign exchange positions.

The following graph shows our daily net trading revenue and total internal, modeled VaR for the twelve months ended June 30, 2021.

Daily VaR Backtesting



NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

For more information on the computation of our 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 33: Reconciliations of Non-GAAP Measures

		As of and for the Three Months Ended June 30,		As of and for the Six Months Ended June 30,	
(in millions, except share, per share and ratio data)	Ref.	2021	2020	2021	2020
Total revenue, Underlying:					
Total revenue (GAAP)	A	$1,609	$1,750	$3,268	$3,407
Less: Notable items		—	—	—	—
Total revenue, Underlying (non-GAAP)	B	$1,609	$1,750	$3,268	$3,407
Noninterest expense, Underlying:					
Noninterest expense (GAAP)	C	$991	$979	$2,009	$1,991
Less: Notable items		11	19	31	52
Noninterest expense, Underlying (non-GAAP)	D	$980	$960	$1,978	$1,939
Pre-provision profit:					
Total revenue (GAAP)	A	$1,609	$1,750	$3,268	$3,407
Less: Noninterest expense (GAAP)	C	991	979	2,009	1,991
Pre-provision profit (GAAP)		$618	$771	$1,259	$1,416
Pre-provision profit, Underlying					
Total revenue, Underlying (non-GAAP)	B	$1,609	$1,750	$3,268	$3,407
Less: Noninterest expense, Underlying (non-GAAP)	D	980	960	1,978	1,939
Pre-provision profit, Underlying (non-GAAP)		$629	$790	$1,290	$1,468
Income before income tax expense, Underlying:					
Income before income tax expense (GAAP)	E	$831	$307	$1,612	$352
Less: Income (loss) before income tax expense (benefit) related to notable items		(11)	(19)	(31)	(52)
Income before income tax expense, Underlying (non-GAAP)	F	$842	$326	$1,643	$404
Income tax expense and effective income tax rate, Underlying:					
Income tax expense (GAAP)	G	$183	$54	$353	$65
Less: Income tax expense (benefit) related to notable items		(3)	(9)	(8)	(17)
Income tax expense, Underlying (non-GAAP)	H	$186	$54	$361	$82
Effective income tax rate (GAAP)	G/E	21.96 %	17.69 %	21.86 %	18.51 %
Effective income tax rate, Underlying (non-GAAP)	H/F	22.01	19.36	21.93	20.36
Net income, Underlying:					
Net income (GAAP)	I	$648	$253	$1,259	$287
Add: Notable items, net of income tax benefit		8	10	23	35
Net income, Underlying (non-GAAP)	J	$656	$253	$1,282	$322
Net income available to common stockholders, Underlying:					
Net income available to common stockholders (GAAP)	K	616	225	$1,204	$237
Add: Notable items, net of income tax benefit		8	10	23	35
Net income available to common stockholders, Underlying (non-GAAP)	L	$624	$235	$1,227	$272
Return on average common equity and return on average common equity, Underlying:					
Average common equity (GAAP)	M	$20,833	$20,446	$20,723	$20,335
Return on average common equity	K/M	11.85 %	4.44 %	11.71 %	2.35 %
Return on average common equity, Underlying (non-GAAP)	L/M	12.02	4.63	11.93	2.69

(in millions, except share, per share and ratio data)	Ref.	As of and for the Three Months Ended June 30, 2021	As of and for the Three Months Ended June 30, 2020	As of and for the Six Months Ended June 30, 2021	As of and for the Six Months Ended June 30, 2020
Return on average tangible common equity and return on average tangible common equity, Underlying:					
Average common equity (GAAP)	M	$20,833	$20,446	$20,723	$20,335
Less: Average goodwill (GAAP)		7,050	7,050	7,050	7,048
Less: Average other intangibles (GAAP)		53	65	55	66
Add: Average deferred tax liabilities related to goodwill (GAAP)		381	375	380	374
Average tangible common equity	N	$14,111	$13,706	$13,998	$13,595
Return on average tangible common equity	K/N	17.50 %	6.62 %	17.34 %	3.51 %
Return on average tangible common equity, Underlying (non-GAAP)	L/N	17.74	6.90	17.67	4.03
Return on average total assets and return on average total assets, Underlying:					
Average total assets (GAAP)	O	$184,456	$179,793	$183,518	$173,485
Return on average total assets	I/O	1.41 %	0.57 %	1.38 %	0.33 %
Return on average total assets, Underlying (non-GAAP)	J/O	1.43	0.59	1.41	0.37
Return on average total tangible assets and return on average total tangible assets, Underlying:					
Average total assets (GAAP)	O	$184,456	$179,793	$183,518	$173,485
Less: Average goodwill (GAAP)		7,050	7,050	7,050	7,048
Less: Average other intangibles (GAAP)		53	65	55	66
Add: Average deferred tax liabilities related to goodwill (GAAP)		381	375	380	374
Average tangible assets	P	$177,734	$173,053	$176,793	$166,745
Return on average total tangible assets	I/P	1.46 %	0.59 %	1.44 %	0.35 %
Return on average total tangible assets, Underlying (non-GAAP)	J/P	1.48	0.61	1.46	0.39
Efficiency ratio and efficiency ratio, Underlying:					
Efficiency ratio	C/A	61.63 %	55.91 %	61.49 %	58.43 %
Efficiency ratio, Underlying (non-GAAP)	D/B	60.92	54.85	60.55	56.91
Operating leverage and operating leverage, Underlying:					
(Decrease) increase in total revenue		(8.00)%	7.49 %	(4.08) %	5.94 %
Increase in noninterest expense		1.42	2.89	0.94	5.46
Operating leverage		(9.42)%	4.60 %	(5.02 %)	0.48 %
(Decrease) increase in total revenue, Underlying (non-GAAP)		(8.00)%	7.49 %	(4.08) %	5.94 %
Increase in noninterest expense, Underlying (non-GAAP)		2.18	1.62	2.05	5.46
Operating leverage, Underlying (non-GAAP)		(10.18)%	5.87 %	(6.13 %)	2.60 %
Tangible book value per common share:					
Common shares - at period end (GAAP)	Q	426,083,143	426,824,594	426,083,143	426,824,594
Common stockholders' equity (GAAP)		$21,185	$20,453	$21,185	$20,453
Less: Goodwill (GAAP)		7,050	7,050	7,050	7,050
Less: Other intangible assets (GAAP)		52	63	52	63
Add: Deferred tax liabilities related to goodwill (GAAP)		383	376	383	376
Tangible common equity	R	$14,466	$13,716	$14,466	$13,716
Tangible book value per common share	R/Q	$33.95	$32.13	$33.95	$32.13
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	425,948,706	426,613,053	425,951,197	427,165,737
Average common shares outstanding - diluted (GAAP)	T	427,561,572	427,566,920	427,668,242	428,292,580
Net income per average common share - basic (GAAP)	K/S	$1.45	$0.53	$2.83	$0.56
Net income per average common share - diluted (GAAP)	K/T	1.44	0.53	2.81	0.55
Net income per average common share - basic, Underlying (non-GAAP)	L/S	1.47	0.55	2.88	0.64
Net income per average common share - diluted, Underlying (non-GAAP)	L/T	1.46	0.55	2.87	0.64
Dividend payout ratio and dividend payout ratio, Underlying:					
Cash dividends declared and paid per common share	U	$0.39	$0.39	$0.78	$0.78
Dividend payout ratio	U/(K/S)	27 %	74 %	28 %	140 %
Dividend payout ratio, Underlying (non-GAAP)	U/(L/S)	27	71	27	122

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 34: Reconciliations of Non-GAAP Measures - Excluding PPP

(in millions, except share, per share and ratio data)	Ref.	June 30, 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	$122,581	$123,090
Less: PPP loans		3,479	4,155
Total loans and leases, excluding the impact of PPP loans (non-GAAP)	B	$119,102	$118,935
Allowance for credit losses (GAAP)	C	$2,081	$2,670
Allowance for credit losses to total loans and leases (GAAP)	C/A	1.70 %	2.17 %
Allowance for credit losses to total loans and leases, excluding the impact of PPP loans (non-GAAP)	C/B	1.75 %	2.24 %

The following table presents computations of non-GAAP financial measures representing certain metrics excluding the impact of elevated cash levels used in "—Net Interest Income":

Table 35: Reconciliations of Non-GAAP Measures - Excluding Elevated Cash

		As of and for the Three Months Ended June 30,		As of and for the Six Months Ended June 30,	
(in millions, except ratio data)	Ref.	2021	2020	2021	2020
Net interest income, FTE, excluding the impact of elevated cash:					
Net interest income, FTE (GAAP)	A	$1,126	$1,163	$2,246	$2,327
Less: Net interest income associated with elevated cash		—	—	—	—
Net interest income, FTE, excluding the impact of elevated cash (non-GAAP)	B	$1,126	$1,163	$2,246	$2,327
Average interest-earning assets, excluding the impact of elevated cash:					
Total interest-earning assets (GAAP)	C	$166,333	$162,390	$165,433	$156,668
Less: Elevated cash		9,363	3,416	9,175	1,707
Total average interest-earning assets, excluding the impact of elevated cash (non-GAAP)	D	$156,970	$158,974	$156,258	$154,961
Day count	E	91	91	181	182
Day count (year)	F	365	366	365	366
Ratios:					
Net interest margin, FTE (GAAP)	A / C / E * F	2.72 %	2.88 %	2.74 %	2.99 %
Net interest margin, FTE, excluding the impact of elevated cash (non-GAAP)	B / D / E * F	2.88 %	2.94 %	2.90 %	3.02 %

ITEM 1. FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data)	June 30, 2021	December 31, 2020
ASSETS:		
Cash and due from banks	$1,035	$1,037
Interest-bearing cash and due from banks	11,606	11,696
Interest-bearing deposits in banks	401	306
Debt securities available for sale, at fair value (including $568 and $549 pledged to creditors, respectively)[1]	24,583	22,942
Debt securities held to maturity (fair value of $2,790 and $3,357 respectively, and including $124 and $144 pledged to creditors, respectively)[1]	2,711	3,235
Loans held for sale, at fair value	3,616	3,564
Other loans held for sale	82	439
Loans and leases	122,581	123,090
Less: Allowance for loan and lease losses	(1,947)	(2,443)
Net loans and leases	120,634	120,647
Derivative assets	1,655	1,915
Premises and equipment, net	735	759
Bank-owned life insurance	2,268	1,756
Goodwill	7,050	7,050
Other assets	8,728	8,003
TOTAL ASSETS	$185,104	$183,349
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$47,480	$43,831
Interest-bearing	103,156	103,333
Total deposits	150,636	147,164
Short-term borrowed funds	62	243
Derivative liabilities	144	128
Deferred taxes, net	720	629
Long-term borrowed funds	6,957	8,346
Other liabilities	3,386	4,166
TOTAL LIABILITIES	161,905	160,676
Contingencies (refer to Note 11)		
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 June 30, 2021 and December 31, 2020, respectively	2,014	1,965
Common stock:		
$0.01 par value, 1,000,000,000 shares authorized; 570,994,369 shares issued and 426,083,143 shares outstanding at June 30, 2021 and 569,876,133 shares issued and 427,209,831 shares outstanding at December 31, 2020	6	6
Additional paid-in capital	18,964	18,940
Retained earnings	7,314	6,445
Treasury stock, at cost, 144,911,226 and 142,666,302 shares at June 30, 2021 and December 31, 2020, respectively	(4,718)	(4,623)
Accumulated other comprehensive income (loss)	(381)	(60)
TOTAL STOCKHOLDERS' EQUITY	$23,199	$22,673
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$185,104	$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 (UNAUDITED)

(in millions, except share and per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
INTEREST INCOME:				
Interest and fees on loans and leases	$1,058	$1,192	$2,119	$2,494
Interest and fees on loans held for sale, at fair value	24	20	42	35
Interest and fees on other loans held for sale	2	7	8	16
Investment securities	124	130	252	277
Interest-bearing deposits in banks	3	1	6	6
Total interest income	1,211	1,350	2,427	2,828
INTEREST EXPENSE:				
Deposits	42	124	92	351
Short-term borrowed funds	—	—	—	1
Long-term borrowed funds	45	66	94	156
Total interest expense	87	190	186	508
Net interest income	1,124	1,160	2,241	2,320
Provision for credit losses	(213)	464	(353)	1,064
Net interest income after provision for credit losses	1,337	696	2,594	1,256
NONINTEREST INCOME:				
Mortgage banking fees	85	276	250	435
Service charges and fees	100	84	199	202
Capital markets fees	91	61	172	104
Card fees	64	48	119	104
Trust and investment services fees	60	45	118	98
Letter of credit and loan fees	38	31	76	65
Foreign exchange and interest rate products	28	34	56	58
Securities gains, net	3	3	6	3
Other income	16	8	31	18
Total noninterest income	485	590	1,027	1,087
NONINTEREST EXPENSE:				
Salaries and employee benefits	524	513	1,072	1,062
Equipment and software	155	142	307	275
Outside services	137	131	276	266
Occupancy	82	82	170	166
Other operating expense	93	111	184	222
Total noninterest expense	991	979	2,009	1,991
Income before income tax expense	831	307	1,612	352
Income tax expense	183	54	353	65
NET INCOME	$648	$253	$1,259	$287
Net income available to common stockholders	$616	$225	$1,204	$237
Weighted-average common shares outstanding:				
Basic	425,948,706	426,613,053	425,951,197	427,165,737
Diluted	427,561,572	427,566,920	427,668,242	428,292,580
Per common share information:				
Basic earnings	$1.45	$0.53	$2.83	$0.56
Diluted earnings	1.44	0.53	2.81	0.55

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	$648	$253	$1,259	$287
Other comprehensive income (loss):				
Net unrealized derivative instruments gains (losses) arising during the periods, net of income taxes of $16, $(3), $9 and $30, respectively	46	(8)	25	88
Reclassification of net derivative (gains) losses included in net income, net of income taxes of $(10), $(11), $(19) and $(12), respectively	(27)	(34)	(52)	(37)
Net unrealized debt securities gains (losses) arising during the periods, net of income taxes of $3, $16, $(97) and $145, respectively	10	49	(297)	449
Reclassification of net debt securities (gains) losses to net income, net of income taxes of $0, $(1), $(1) and $(1), respectively	(3)	(2)	(5)	(2)
Amortization of actuarial loss, net of income taxes of $1, $0, $1 and $1, respectively	4	4	8	7
Total other comprehensive income (loss), net of income taxes	30	9	(321)	505
Total comprehensive income (loss)	$678	$262	$938	$792

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(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 April 1, 2020	2	$1,570	427	$6	$18,901	$6,011	($4,623)	$85	$21,950
Dividends to common stockholders	—	—	—	—	—	(168)	—	—	(168)
Dividends to preferred stockholders	—	—	—	—	—	(28)	—	—	(28)
Preferred stock issued	—	395	—	—	—	—	—	—	395
Treasury stock purchased	—	—	—	—	—	—	—	—	—
Share-based compensation plans	—	—	—	—	1	—	—	—	1
Employee stock purchase plan purchased	—	—	—	—	6	—	—	—	6
Total comprehensive income (loss):									
Net income	—	—	—	—	—	253	—	—	253
Other comprehensive income (loss)	—	—	—	—	—	—	—	9	9
Total comprehensive income (loss)	—	—	—	—	—	253	—	9	262
Balance at June 30, 2020	2	$1,965	427	$6	$18,908	$6,068	($4,623)	$94	$22,418
Balance at April 1, 2021	2	$1,965	426	$6	$18,945	$6,866	($4,718)	($411)	$22,653
Dividends to common stockholders	—	—	—	—	—	(168)	—	—	(168)
Dividends to preferred stockholders	—	—	—	—	—	(32)	—	—	(32)
Preferred stock issued	—	296	—	—	—	—	—	—	296
Preferred stock called	—	(247)	—	—	—	—	—	—	(247)
Share-based compensation plans	—	—	—	—	13	—	—	—	13
Employee stock purchase plan purchased	—	—	—	—	6	—	—	—	6
Total comprehensive income (loss):									
Net income	—	—	—	—	—	648	—	—	648
Other comprehensive income (loss)	—	—	—	—	—	—	—	30	30
Total comprehensive income (loss)	—	—	—	—	—	648	—	30	678
Balance at Balance at June 30, 2021	2	$2,014	426	$6	$18,964	$7,314	($4,718)	($381)	$23,199

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(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 January 1, 2020	2	1,570	433	6	18,891	6,498	(4,353)	(411)	22,201
Dividends to common stockholders	—	—	—	—	—	(336)	—	—	(336)
Dividends to preferred stockholders	—	—	—	—	—	(50)	—	—	(50)
Preferred stock issued	—	395	—	—	—	—	—	—	395
Treasury stock purchased	—	—	(7)	—	—	—	(270)	—	(270)
Share-based compensation plans	—	—	1	—	7	—	—	—	7
Employee stock purchase plan purchased	—	—	—	—	10	—	—	—	10
Cumulative effect of change in accounting principle	—	—	—	—	—	(331)	—	—	(331)
Total comprehensive income (loss):									
Net income	—	—	—	—	—	287	—	—	287
Other comprehensive income (loss)	—	—	—	—	—	—	—	505	505
Total comprehensive income (loss)	—	—	—	—	—	287	—	505	792
Balance at June 30, 2020	2	1,965	427	6	18,908	6,068	(4,623)	94	22,418
Balance at January 1, 2021	2	$1,965	427	$6	$18,940	$6,445	($4,623)	($60)	$22,673
Dividends to common stockholders	—	—	—	—	—	(335)	—	—	(335)
Dividends to preferred stockholders	—	—	—	—	—	(55)	—	—	(55)
Preferred stock issued	—	296	—	—	—	—	—	—	296
Preferred stock called	—	(247)	—	—	—	—	—	—	(247)
Treasury stock purchased	—	—	(2)	—	—	—	(95)	—	(95)
Share-based compensation plans	—	—	1	—	13	—	—	—	13
Employee stock purchase plan purchased	—	—	—	—	11	—	—	—	11
Total comprehensive income (loss):									
Net income	—	—	—	—	—	1,259	—	—	1,259
Other comprehensive income (loss)	—	—	—	—	—	—	—	(321)	(321)
Total comprehensive income (loss)	—	—	—	—	—	1,259	—	(321)	938
Balance at June 30, 2021	2	$2,014	426	$6	$18,964	$7,314	($4,718)	($381)	$23,199

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Six Months Ended June 30, 2021	2020
OPERATING ACTIVITIES		
Net income	$1,259	$287
Adjustments to reconcile net income to net change in cash due to operating activities:		
Provision for credit losses	(353)	1,064
Net change in loans held for sale	322	(737)
Depreciation, amortization and accretion	317	316
Deferred income taxes	199	(208)
Share-based compensation	35	23
Net gain on sales of:		
Debt securities	(6)	(3)
Premises and equipment	(1)	—
Net (increase) decrease in other assets	(2,129)	(2,454)
Net increase (decrease) in other liabilities	247	299
Net change due to operating activities	(110)	(1,413)
INVESTING ACTIVITIES		
Investment securities:		
Purchases of debt securities available for sale	(6,413)	(3,308)
Proceeds from maturities and paydowns of debt securities available for sale	4,321	2,521
Proceeds from sales of debt securities available for sale	104	—
Proceeds from maturities and paydowns of debt securities held to maturity	530	349
Net (increase) decrease in interest-bearing deposits in banks	(95)	(178)
Acquisitions, net of cash acquired	—	(3)
Net (increase) decrease in loans and leases	497	(7,014)
Capital expenditures, net	(32)	(53)
Purchase of bank-owned life insurance	(500)	—
Other	(115)	87
Net change due to investing activities	(1,703)	(7,599)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	3,472	18,305
Net increase (decrease) in short-term borrowed funds	(183)	(18)
Proceeds from issuance of long-term borrowed funds	—	8,309
Repayments of long-term borrowed funds	(1,357)	(13,253)
Treasury stock purchased	(95)	(270)
Net proceeds from issuance of preferred stock	296	395
Dividends paid to common stockholders	(335)	(336)
Dividends paid to preferred stockholders	(55)	(45)
Premium paid to exchange subordinated debt	(1)	—
Payments of employee tax withholding for share-based compensation	(21)	(15)
Net change due to financing activities	1,721	13,072
Net change in cash and cash equivalents [(1)]	(92)	4,060
Cash and cash equivalents at beginning of period [(1)]	12,733	3,386
Cash and cash equivalents at end of period [(1)]	$12,641	$7,446

[(1)] Cash and cash equivalents includes cash and due from banks and interest-bearing cash and due from banks as reflected in the Consolidated Balance Sheets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

Basis of Presentation

The unaudited interim Consolidated Financial Statements, including the Notes presented in this document of Citizens Financial Group, Inc., have been prepared in accordance with GAAP interim reporting requirements, and therefore do not include all information and Notes included in the audited Consolidated Financial Statements in conformity with GAAP. These unaudited interim Consolidated Financial Statements and Notes presented in this document should be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying Notes included in the Company's 2020 Form 10-K. The Company's principal business activity is banking, conducted through its banking subsidiary, CBNA.

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

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

For further information regarding the Company's significant accounting policies, see Note 1 in the Company's 2020 Form 10-K.

NOTE 2 - SECURITIES

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

	June 30, 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	3	—	—	3	3	—	—	3
Mortgage-backed securities, at fair value:								
Federal agencies and U.S. government sponsored entities	23,960	354	(202)	24,112	21,954	571	(19)	22,506
Other/non-agency	267	13	—	280	396	26	—	422
Total mortgage-backed securities, at fair value	24,227	367	(202)	24,392	22,350	597	(19)	22,928
Collateralized loan obligations, at fair value	177	—	—	177	—	—	—	—
Total debt securities available for sale, at fair value	$24,418	$367	($202)	$24,583	$22,364	$597	($19)	$22,942
Federal agencies and U.S. government sponsored entities	$1,887	$77	$—	$1,964	$2,342	$122	$—	$2,464
Total mortgage-backed securities, at cost	1,887	77	—	1,964	2,342	122	—	2,464
Asset-backed securities, at cost	824	2	—	826	893	—	—	893
Total debt securities held to maturity	$2,711	$79	$—	$2,790	$3,235	$122	$—	$3,357
Equity securities, at cost	$602	$—	$—	$602	$604	$—	$—	$604
Equity securities, at fair value	80	—	—	80	66	—	—	66

Accrued interest receivable on debt securities totaled $54 million and $55 million as of June 30, 2021 and December 31, 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 June 30, 2021. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without incurring penalties.

	June 30, 2021				
	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	—	—	—	3	3
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	6	42	1,861	22,051	23,960
Other/non-agency	—	—	—	267	267
Collateralized loan obligations	—	—	—	177	177
Total debt securities available for sale	17	42	1,861	22,498	24,418
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	1,887	1,887
Asset-backed securities	—	—	824	—	824
Total debt securities held to maturity	—	—	824	1,887	2,711
Total amortized cost of debt securities	$17	$42	$2,685	$24,385	$27,129
Fair value:					
U.S. Treasury and other	$11	$—	$—	$—	$11
State and political subdivisions	—	—	—	3	3
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	6	44	1,916	22,146	24,112
Other/non-agency	—	—	—	280	280
Collateralized loan obligations	—	—	—	177	177
Total debt securities available for sale	17	44	1,916	22,606	24,583
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	1,964	1,964
Asset-backed securities	—	—	826	—	826
Total debt securities held to maturity	—	—	826	1,964	2,790
Total fair value of debt securities	$17	$44	$2,742	$24,570	$27,373

Taxable interest income from investment securities as presented in the Consolidated Statements of Operations was $124 million and $130 million for the three months ended June 30, 2021 and 2020, respectively, and $252 million and $277 million for the six months ended June 30, 2021 and 2020, respectively.

The following table presents realized gains and losses on securities:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Gains on sale of debt securities	$3	$3	$6	$3
Losses on sale of debt securities	—	—	—	—
Debt securities gains, net	$3	$3	$6	$3

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

(in millions)	June 30, 2021		December 31, 2020	
	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	$4,996	$5,028	$3,818	$3,937
Pledged against FHLB borrowed funds	266	280	394	423
Pledged against repurchase agreements	49	52	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 June 30, 2021 or December 31, 2020. The Company offsets certain derivative assets and derivative liabilities in the Consolidated Balance Sheets. For further information, see Note 8.

Securitizations of mortgage loans retained in the investment portfolio were $82 million and $163 million for the three and six months ended June 30, 2021, respectively. There were no securitizations of mortgage loans retained in the investment portfolio for the three and six months ended June 30, 2020. These securitizations include a substantive guarantee by a third party. In 2021, the guarantors were FNMA, FHLMC, and GNMA. The debt securities received from the guarantors are classified as AFS.

Impairment

As of June 30, 2021, the Company concluded that 70% of HTM securities met the zero expected credit loss criteria; therefore, no ACL was recognized. For the remaining 30%, the lifetime expected credit losses were determined to be insignificant based on the modeling of the Company's credit loss position in the security. 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 June 30, 2021.

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

	June 30, 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
Federal agencies and U.S. government sponsored entities	$10,916	($200)	$92	($2)	$11,008	($202)

	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 and non-agency MBS identified with unrealized losses as of June 30, 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 3 - 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.

The following table presents loans and leases, excluding LHFS.

(in millions)	June 30, 2021	December 31, 2020
Commercial and industrial [1]	$42,842	$44,173
Commercial real estate	14,412	14,652
Leases	1,829	1,968
Total commercial	59,083	60,793
Residential mortgages [2]	20,538	19,539
Home equity	11,841	12,149
Automobile	12,780	12,153
Education	12,800	12,308
Other retail	5,539	6,148
Total retail	63,498	62,297
Total loans and leases	$122,581	$123,090

[1] Includes $3.5 billion and $4.2 billion of PPP loans fully guaranteed by the SBA as of June 30, 2021 and December 31, 2020, respectively.
[2] Includes fully or partially guaranteed FHA, VA and USDA loans of $1.4 billion at June 30, 2021 and $249 million at December 31, 2020, including loans acquired through an exercise of the GNMA early buyout option.

Included in other assets is accrued interest receivable on loans and leases held for investment totaling $467 million and $449 million as of June 30, 2021 and December 31, 2020, respectively.

During the three months ended June 30, 2021 and 2020, the Company purchased $351 million and $691 million of education loans, and $176 million and $255 million of other retail loans. During the six months ended June 30, 2021 and 2020, the Company purchased $652 million and $909 million of education loans, and $353 million and $527 million of other retail loans, respectively.

During the three months ended June 30, 2021 and 2020, the Company sold $237 million and $71 million of commercial loans, respectively. During the six months ended June 30, 2021 and 2020, the Company sold $563 million and $262 million of commercial loans, respectively. During the six months ended June 30, 2020, the company sold $1.5 billion of residential mortgage loans as compared to none in the same period of 2021.

Loans pledged as collateral for FHLB borrowed funds, primarily residential mortgages and home equity products, totaled $24.7 billion and $25.5 billion at June 30, 2021 and December 31, 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 $39.7 billion and $40.0 billion at June 30, 2021 and December 31, 2020, respectively.

Interest income on direct financing and sales-type leases was $12 million and $19 million for the three months ended June 30, 2021 and 2020, respectively, and is reported within interest and fees on loans and leases in the Consolidated Statements of Operations. For the six months ended June 30, 2021 and 2020, this interest income was $25 million and $37 million, respectively.

The following table presents the composition of LHFS.

	June 30, 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	$3,499	$117	$3,616	$3,416	$148	$3,564
Other loans held for sale	—	82	82	—	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.

NOTE 4 - ALLOWANCE FOR CREDIT LOSSES, NONACCRUING LOANS AND LEASES, AND CONCENTRATIONS OF CREDIT RISK

Allowance for Credit Losses

Recorded in the ACL is management's estimate of expected credit losses in the Company's loan and lease portfolios. See Note 5 in the Company's 2020 Form 10-K for a detailed discussion of the ACL reserve methodology and estimation techniques as of December 31, 2020. There were no significant changes to the ACL reserve methodology in the six months ended June 30, 2021.

The following table presents a summary of changes in the ALLL and the allowance for unfunded lending commitments for the three months ended and six months ended June 30, 2021:

	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$1,146	$1,048	$2,194	$1,233	$1,210	$2,443
Charge-offs	(45)	(80)	(125)	(179)	(173)	(352)
Recoveries	4	43	47	34	82	116
Net charge-offs	(41)	(37)	(78)	(145)	(91)	(236)
Provision charged to income	(152)	(17)	(169)	(135)	(125)	(260)
Allowance for loan and lease losses, end of period	$953	$994	$1,947	$953	$994	$1,947
Allowance for unfunded lending commitments, beginning of period	$165	$13	$178	$186	$41	$227
Provision for unfunded lending commitments	(44)	—	(44)	(65)	(28)	(93)
Allowance for unfunded lending commitments, end of period	$121	$13	$134	$121	$13	$134

Overall, an ending ACL balance of $2.1 billion at June 30, 2021 compared to $2.7 billion at December 31, 2020. The difference in ACL as of June 30, 2021 as compared to December 31, 2020 was due to net charge-offs of $236 million, as detailed below, coupled with a credit provision benefit of $353 million. This reflected strong credit performance across the retail and commercial loan portfolios, and improvement in the macroeconomic outlook.

The increase in commercial net charge-offs of $30 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 was driven by COVID-19-related charge-offs in CRE. Retail net charge-offs were down $78 million in the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 as a result of government stimulus and forbearance programs as well as strong collateral values in automobile and residential real estate.

To determine the ACL as of June 30, 2021, Citizens utilized an economic forecast that generally reflects real GDP growth of approximately 5.7% over 2021. The forecast also projects the unemployment rate to be in the range of 5.9% to 6.6% throughout 2021. This forecast reflects an overall improved macroeconomic outlook as compared to December 31, 2020. In addition to judgment applied to the commercial portfolio as a whole, Citizens continued to apply management judgment to adjust the modeled reserves in the commercial industry sectors most impacted by the COVID-19 pandemic and associated lockdowns, including CRE retail and hospitality and casual dining.

The following table presents a summary of changes in the ALLL and the allowance for unfunded lending commitments for the three months and six months ended June 30, 2020:

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$752	$1,419	$2,171	$674	$578	$1,252
Cumulative effect of change in accounting principle	—	—	—	(176)	629	453
Allowance for loan and lease losses, beginning of period, adjusted	752	1,419	2,171	498	1,207	1,705
Charge-offs	(74)	(106)	(180)	(121)	(233)	(354)
Recoveries	3	30	33	6	64	70
Net charge-offs	(71)	(76)	(147)	(115)	(169)	(284)
Provision charged to income	554	(130)	424	852	175	1,027
Allowance for loan and lease losses, end of period	$1,235	$1,213	$2,448	$1,235	$1,213	$2,448
Allowance for unfunded lending commitments, beginning of period	$38	$1	$39	$44	$—	$44
Cumulative effect of change in accounting principle	—	—	—	(3)	1	(2)
Allowance for unfunded lending commitments, beginning of period, adjusted	38	1	39	41	1	42
Provision for unfunded lending commitments	31	9	40	28	9	37
Allowance for unfunded lending commitments, end of period	$69	$10	$79	$69	$10	$79

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.

The following table presents the amortized cost basis of commercial loans and leases, by vintage date and regulatory classification rating, as of June 30, 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]	$5,146	$5,140	$5,260	$3,623	$1,975	$2,797	$15,853	$151	$39,945
Special Mention	3	41	196	196	74	181	454	—	1,145
Substandard	32	125	263	267	114	226	583	21	1,631
Doubtful	27	16	16	22	12	18	7	3	121
Total commercial and industrial	5,208	5,322	5,735	4,108	2,175	3,222	16,897	175	42,842
Commercial real estate									
Pass	462	2,572	3,726	3,013	1,026	1,507	809	—	13,115
Special Mention	73	7	193	102	155	122	14	—	666
Substandard	1	39	210	135	146	73	—	—	604
Doubtful	—	9	16	—	—	2	—	—	27
Total commercial real estate	536	2,627	4,145	3,250	1,327	1,704	823	—	14,412
Leases									
Pass	269	368	216	203	98	622	—	—	1,776
Special Mention	1	2	1	2	5	18	—	—	29
Substandard	—	16	5	1	—	1	—	—	23
Doubtful	—	—	—	—	—	1	—	—	1
Total leases	270	386	222	206	103	642	—	—	1,829
Total commercial									
Pass[1]	5,877	8,080	9,202	6,839	3,099	4,926	16,662	151	54,836
Special Mention	77	50	390	300	234	321	468	—	1,840
Substandard	33	180	478	403	260	300	583	21	2,258
Doubtful	27	25	32	22	12	21	7	3	149
Total commercial	$6,014	$8,335	$10,102	$7,564	$3,605	$5,568	$17,720	$175	$59,083

[1] Includes $3.5 billion 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 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 June 30, 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+	$851	$3,079	$1,574	$454	$897	$2,697	$—	$—	$9,552
740-799	1,619	2,261	890	311	448	1,335	—	—	6,864
680-739	377	653	360	178	169	660	—	—	2,397
620-679	42	112	180	103	117	328	—	—	882
<620	2	49	153	162	167	293	—	—	826
No FICO available[1]	2	3	1	—	—	11	—	—	17
Total residential mortgages	2,893	6,157	3,158	1,208	1,798	5,324	—	—	20,538
Home equity									
800+	1	2	6	6	5	170	4,292	318	4,800
740-799	—	1	5	6	6	146	3,333	306	3,803
680-739	—	1	8	13	18	162	1,608	274	2,084
620-679	—	3	13	24	20	133	336	182	711
<620	—	3	20	25	23	106	79	187	443
No FICO available[1]	—	—	—	—	—	—	—	—	—
Total home equity	1	10	52	74	72	717	9,648	1,267	11,841
Automobile									
800+	756	951	681	333	223	122	—	—	3,066
740-799	1,096	1,320	813	401	242	122	—	—	3,994
680-739	969	1,109	690	335	190	98	—	—	3,391
620-679	458	506	345	184	108	63	—	—	1,664
<620	59	138	180	133	90	61	—	—	661
No FICO available[1]	3	—	—	—	—	1	—	—	4
Total automobile	3,341	4,024	2,709	1,386	853	467	—	—	12,780
Education									
800+	564	1,843	1,103	662	590	1,066	—	—	5,828
740-799	759	1,831	892	480	338	614	—	—	4,914
680-739	204	536	289	172	123	300	—	—	1,624
620-679	14	54	45	37	29	110	—	—	289
<620	1	6	10	12	10	49	—	—	88
No FICO available[1]	2	—	—	—	—	55	—	—	57
Total education	1,544	4,270	2,339	1,363	1,090	2,194	—	—	12,800
Other retail									
800+	107	343	209	100	48	42	357	—	1,206
740-799	169	479	285	128	58	36	662	2	1,819
680-739	150	372	190	85	37	18	593	5	1,450
620-679	94	181	65	28	10	6	208	6	598
<620	11	39	23	13	4	2	66	7	165
No FICO available[1]	6	8	—	—	—	—	285	2	301
Total other retail	537	1,422	772	354	157	104	2,171	22	5,539
Total retail									
800+	2,279	6,218	3,573	1,555	1,763	4,097	4,649	318	24,452
740-799	3,643	5,892	2,885	1,326	1,092	2,253	3,995	308	21,394
680-739	1,700	2,671	1,537	783	537	1,238	2,201	279	10,946
620-679	608	856	648	376	284	640	544	188	4,144
<620	73	235	386	345	294	511	145	194	2,183
No FICO available[1]	13	11	1	—	—	67	285	2	379
Total retail	$8,316	$15,883	$9,030	$4,385	$3,970	$8,806	$11,819	$1,289	$63,498

[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

The following table presents nonaccrual loans and leases and loans accruing and 90 days or more past due:

	As of June 30, 2021			As of December 31, 2020		
(in millions)	Nonaccrual loans and leases	90+ days past due and accruing	Nonaccrual with no related ACL	Nonaccrual loans and leases	90+ days past due and accruing	Nonaccrual with no related ACL
Commercial and industrial	$163	$—	$40	$280	$20	$56
Commercial real estate	102	—	37	176	—	2
Leases	1	1	—	2	1	—
Total commercial	266	1	77	458	21	58
Residential mortgages[1]	174	270	138	167	30	96
Home equity	234	—	189	276	—	207
Automobile	62	—	34	72	—	17
Education	21	2	2	18	2	2
Other retail	22	7	2	28	9	—
Total retail	513	279	365	561	41	322
Total loans and leases	$779	$280	$442	$1,019	$62	$380

[1] 90+ days past due and accruing includes $266 million and $21 million of loans fully or partially guaranteed by the FHA, VA and USDA for June 30, 2021 and December 31, 2020, respectively.

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 following table presents an analysis of the age of both accruing and nonaccruing loan and lease past due amounts:

	June 30, 2021					December 31, 2020				
	Days Past Due					Days Past Due				
(in millions)	Current-29	30-59	60-89	90+	Total	Current-29	30-59	60-89	90+	Total
Commercial and industrial	$42,769	$24	$7	$42	$42,842	$43,817	$223	$16	$117	$44,173
Commercial real estate	14,310	1	—	101	14,412	14,531	1	85	35	14,652
Leases	1,827	—	—	2	1,829	1,956	9	—	3	1,968
Total commercial	58,906	25	7	145	59,083	60,304	233	101	155	60,793
Residential mortgages[1]	19,885	176	61	416	20,538	19,291	59	21	168	19,539
Home equity	11,607	32	17	185	11,841	11,848	61	28	212	12,149
Automobile	12,613	114	43	10	12,780	11,901	170	65	17	12,153
Education	12,747	29	13	11	12,800	12,255	33	13	7	12,308
Other retail	5,454	37	20	28	5,539	6,047	38	29	34	6,148
Total retail	62,306	388	154	650	63,498	61,342	361	156	438	62,297
Total	$121,212	$413	$161	$795	$122,581	$121,646	$594	$257	$593	$123,090

[1] 90+ days past due includes $266 million and $44 million of loans fully or partially guaranteed by the FHA, VA, and USDA at June 30, 2021 and December 31, 2020, respectively.

At June 30, 2021 and December 31, 2020, the Company had collateral-dependent residential mortgage and home equity loans totaling $554 million and $552 million, respectively. At June 30, 2021 and December 31, 2020, the Company had collateral-dependent commercial loans totaling $66 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 $152 million and $119 million as of June 30, 2021 and December 31, 2020, respectively.

Troubled Debt Restructurings

The following tables summarize loans modified during the three and six months ended June 30, 2021 and June 30, 2020. 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.

		Three Months Ended June 30, 2021			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction[1]	Maturity Extension[2]	Other[3]	Total
Commercial and industrial	15	$—	$3	$54	$57
Commercial real estate	—	—	—	—	—
Total commercial	15	—	3	54	57
Residential mortgages	671	8	120	44	172
Home equity	102	1	3	3	7
Automobile	379	1	—	5	6
Education	265	—	—	9	9
Other retail	585	1	—	—	1
Total retail	2,002	11	123	61	195
Total	2,017	$11	$126	$115	$252

		Three Months Ended June 30, 2020			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction[1]	Maturity Extension[2]	Other[3]	Total
Commercial and industrial	19	$—	$3	$53	$56
Commercial real estate	—	—	—	—	—
Total commercial	19	—	3	53	56
Residential mortgages	145	11	14	3	28
Home equity	266	2	4	11	17
Automobile	947	—	—	15	15
Education	142	—	—	4	4
Other retail	710	3	—	1	4
Total retail	2,210	16	18	34	68
Total	2,229	$16	$21	$87	$124

		Six Months Ended June 30, 2021			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction[1]	Maturity Extension[2]	Other[3]	Total
Commercial and industrial	22	$—	$6	$54	$60
Commercial real estate	—	—	—	—	—
Total commercial	22	—	6	54	60
Residential mortgages	713	12	126	47	185
Home equity	249	3	8	7	18
Automobile	1,048	1	—	13	14
Education	412	—	—	13	13
Other retail	1,215	4	—	1	5
Total retail	3,637	20	134	81	235
Total	3,659	$20	$140	$135	$295

(dollars in millions)	Number of Contracts	Six Months Ended June 30, 2020 Amortized Cost Basis			
		Interest Rate Reduction[1]	Maturity Extension[2]	Other[3]	Total
Commercial and industrial	38	$—	$3	$94	$97
Commercial real estate	—	—	—	—	—
Total commercial	38	—	3	94	97
Residential mortgages	241	17	21	7	45
Home equity	389	6	4	15	25
Automobile	1,177	1	—	17	18
Education	233	—	—	6	6
Other retail	1,683	7	—	2	9
Total retail	3,723	31	25	47	103
Total	3,761	$31	$28	$141	$200

[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 $2 million and $4 million for the three months ended June 30, 2021 and 2020, respectively. Citizens recorded $4 million and $6 million of charge-offs related to TDRs for each of the six months ended June 30, 2021 and 2020, respectively.

Unfunded commitments related to TDRs were $45 million and $49 million at June 30, 2021 and December 31, 2020, respectively.

A payment default refers to a loan that becomes 90 days or more past due under the modified terms. Loan data includes loans meeting the criteria that were paid off in full, charged off, or sold prior to June 30, 2021 and 2020. For commercial loans, recorded investment in TDRs that defaulted within 12 months of their modification date for the three months ended June 30, 2021 were $1 million and there were $26 million for the three months ended June 30, 2020. The amortized cost basis of commercial TDRs that defaulted within 12 months of their modification date was $23 million and $39 million in the six months ended June 30, 2021 and 2020, respectively. For retail loans, there were $14 million and $14 million of loans which defaulted within their restructuring date for the three months ended June 30, 2021 and 2020, respectively. There were $29 million and $25 million of loans which defaulted within 12 months of their restructuring date for the six months ended June 30, 2021 and 2020, 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 June 30, 2021 and December 31, 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 based on the financial strength of the applicant and the facts surrounding the transaction.

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

	June 30, 2021				
(in millions)	Residential Mortgages	Home Equity	Other Retail	Education	Total
High loan-to-value	$235	$27	$—	$—	$262
Interest-only	3,143	—	—	1	3,144
Low introductory rate	—	—	135	—	135
Total	$3,378	$27	$135	$1	$3,541

	December 31, 2020				
(in millions)	Residential Mortgages	Home Equity	Other Retail	Education	Total
High loan-to-value	$289	$64	$—	$—	$353
Interest-only	2,801	—	—	—	2,801
Low introductory rate	—	—	170	—	170
Total	$3,090	$64	$170	$1	$3,324

NOTE 5 - MORTGAGE BANKING AND OTHER

The Company sells residential mortgages to GSEs and other parties, who may issue securities backed by pools of such loans. The Company retains no beneficial interests in these sales, but may retain the servicing rights for the loans sold. The Company is 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Cash proceeds from residential mortgage loans sold with servicing retained	$10,540	$8,797	$19,577	$14,164
Gain on sales [1]	85	283	225	426
Contractually specified servicing, late and other ancillary fees [1]	60	55	118	113

[1] Reported in mortgage banking fees in the Consolidated Statements of Operations.

The unpaid principal balance of the related residential mortgage loans was $84.6 billion and $81.2 billion at June 30, 2021 and December 31, 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 Three Months Ended June 30, 2021	As of and for the Three Months Ended June 30, 2020	As of and for the Six Months Ended June 30, 2021	As of and for the Six Months Ended June 30, 2020
Fair value as of beginning of the period	$893	$577	$658	$642
Transfers upon election of fair value method [1]	—	—	—	190
Fair value as of beginning of the period, adjusted	893	577	658	832
Amounts capitalized	122	86	209	153
Changes in unpaid principal balance during the period [2]	(47)	(46)	(105)	(86)
Changes in fair value during the period [3]	(66)	(49)	140	(331)
Fair value at end of the period	$902	$568	$902	$568

[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 current fair value of an immediate 50 basis point and 100 basis point adverse change in key economic assumptions and the decline in fair value if the respective adverse change was realized. 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.

	June 30, 2021			December 31, 2020		
(dollars in millions)	Actual	Decline in fair value due to		Actual	Decline in fair value due to	
Fair value	$902	50 bps adverse change	100 bps adverse change	$658	50 bps adverse change	100 bps adverse change
Weighted average life (in years)	5.7			4.2		
Weighted average constant prepayment rate [1]	11.9%	$129	$273	17.3%	$122	$202
Weighted average option adjusted spread	581 bps	18	36	595 bps	12	24

[1] Estimated adverse change for the weighted average constant prepayment rate based on an adverse change in market interest rates.

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)	June 30, 2021	December 31, 2020
Education	$867	$974
Commercial [1]	61	51

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

NOTE 6 - VARIABLE INTEREST ENTITIES

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. The Company does not consolidate any of its investments in these entities. These investments are included in other assets in the Consolidated Balance Sheets. For more details see Note 10 in the 2020 Form 10-K.

A summary of these investments is presented below:

(in millions)	June 30, 2021	December 31, 2020
Lending to special purpose entities included in loans and leases	$1,520	$1,295
LIHTC investment included in other assets	1,926	1,687
LIHTC unfunded commitments included in other liabilities	974	875
Investment in asset-backed securities included in HTM securities	826	893
Renewable energy investments included in other assets	448	403

Lending to Special Purpose Entities

Citizens provides lending facilities to third-party sponsored special purpose entities. As of June 30, 2021 and December 31, 2020, the lending facilities had aggregate unpaid principal balances of $1.5 billion and $1.3 billion, respectively, and undrawn commitments to extend credit of $1.7 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Tax credits included in income tax expense	$51	$39	$102	$80
Other tax benefits included in income tax expense	13	10	25	20
Total tax benefits included in income tax expense	64	49	127	100
Less: Amortization included in income tax expense	53	42	106	85
Net benefits from affordable housing tax credit investments included in income tax expense	$11	$7	$21	$15

No LIHTC investment impairment losses were recognized three and six months ended June 30, 2021 and 2020, respectively.

NOTE 7 - BORROWED FUNDS

Short-term borrowed funds

Short-term borrowed funds were $62 million and $243 million as of June 30, 2021 and December 31, 2020, respectively.

Long-term borrowed funds

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

(in millions)	June 30, 2021	December 31, 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]	168	182
3.750% fixed-rate subordinated debt, due July 2024 [2]	90	159
4.023% fixed-rate subordinated debt, due October 2024 [2]	17	25
4.350% fixed-rate subordinated debt, due August 2025 [2]	133	193
4.300% fixed-rate subordinated debt, due December 2025 [2]	336	450
2.850% fixed-rate senior unsecured notes, due July 2026	497	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	547	543
CBNA's Global Note Program:		
2.550% senior unsecured notes, due May 2021	—	1,003
3.250% senior unsecured notes, due February 2022	708	716
0.874% floating-rate senior unsecured notes, due February 2022 [3]	300	299
0.951% floating-rate senior unsecured notes, due May 2022 [3]	250	250
2.650% senior unsecured notes, due May 2022	507	510
3.700% senior unsecured notes, due March 2023	520	527
1.096% floating-rate senior unsecured notes, due March 2023 [3]	250	249
2.250% senior unsecured notes, due April 2025	746	746
3.750% senior unsecured notes, due February 2026	536	551
Additional Borrowings by CBNA and Other Subsidiaries:		
Federal Home Loan Bank advances, 0.909% weighted average rate, due through 2038	18	19
Other	27	35
Total long-term borrowed funds	$6,957	$8,346

[1] Notes were redeemed on June 28, 2021.
[2] June 30, 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] Rate disclosed reflects the floating rate as of June 30, 2021.

The Parent Company's long-term borrowed funds as of June 30, 2021 and December 31, 2020 included principal balances of $3.2 billion and $3.5 billion, respectively, and unamortized deferred issuance costs and/or discounts of $84 million and $90 million, respectively. CBNA and other subsidiaries' long-term borrowed funds as of June 30, 2021 and December 31, 2020 included principal balances of $3.8 billion and $4.8 billion, respectively, with unamortized deferred issuance costs and/or discounts of $9 million and $11 million, respectively, and hedging basis adjustments of $76 million and $112 million, respectively. See Note 8 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 $2.5 billion and $3.2 billion at June 30, 2021 and December 31, 2020, respectively. The Company's available FHLB borrowing capacity was $14.4 billion and $13.9 billion at June 30, 2021 and December 31, 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 June 30, 2021, the Company's unused secured borrowing capacity was approximately $64.3 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 June 30, 2021:

(in millions)	Parent Company	CBNA and Other Subsidiaries	Consolidated
Year			
2021	$—	$4	$4
2022	168	1,771	1,939
2023	—	771	771
2024	107	—	107
2025	469	760	1,229
2026 and thereafter	2,351	556	2,907
Total	$3,095	$3,862	$6,957

NOTE 8 - DERIVATIVES

In the normal course of business, Citizens enters into a variety of derivative transactions to meet the financing 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. Information regarding the valuation methodology and inputs used to estimate the fair value of the Company's derivative instruments is described in Note 19 in the Company's 2020 Form 10-K.

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

	June 30, 2021			December 31, 2020		
(in millions)	Notional Amount[1]	Derivative Assets	Derivative Liabilities	Notional Amount[1]	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate contracts	$25,300	$16	$7	$22,300	$1	$3
Derivatives not designated as hedging instruments:						
Interest rate contracts	144,982	1,118	190	149,021	1,565	214
Foreign exchange contracts	20,289	273	209	16,789	320	291
Commodities contracts	431	424	427	246	62	61
TBA contracts	10,924	5	28	11,149	8	65
Other contracts	6,717	89	—	8,051	197	—
Total derivatives not designated as hedging instruments		1,909	854		2,152	631
Gross derivative fair values		1,925	861		2,153	634
Less: Gross amounts offset in the Consolidated Balance Sheets [2]		(207)	(207)		(182)	(182)
Less: Cash collateral applied [2]		(63)	(510)		(56)	(324)
Total net derivative fair values presented in the Consolidated Balance Sheets		$1,655	$144		$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 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

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:

	Three Months Ended June 30,		Six Months Ended June 30,		
(in millions)	2021	2020	2021	2020	Affected Line Item in the Consolidated Statements of Operations
Interest rate swaps hedging borrowed funds	($10)	$5	($38)	$98	Interest expense - long-term borrowed funds
Hedged long-term debt attributable to the risk being hedged	9	(3)	37	(95)	Interest expense - long-term borrowed funds
Interest rate swaps hedging fixed rate loans	—	—	—	17	Interest and fees on loans and leases
Hedged fixed rate loans attributable to the risk being hedged	—	—	—	(17)	Interest and fees on loans and leases
Interest rate swaps hedging debt securities available for sale	4	(14)	32	(121)	Interest income - investment securities
Hedged debt securities available for sale attributable to risk being hedged	(4)	14	(32)	121	Interest income - investment securities

The following table reflects amounts recorded in the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

	June 30, 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	$8,287	$—	$10,869	$—
Carrying amount of hedged liabilities	—	2,272	—	3,307
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	64	76	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 $8.3 billion and $10.9 billion as of June 30, 2021 and December 31, 2020, respectively) in a last-of-layer hedging relationship, which commenced in the third quarter of 2019.

Cash Flow Hedges

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 $86 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 June 30, 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:

(in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Amount of pre-tax net gains (losses) recognized in OCI	$62	($11)	$34	$118
Amount of pre-tax net gains (losses) reclassified from OCI into interest income	49	55	95	60
Amount of pre-tax net gains (losses) reclassified from OCI into interest expense	(12)	(10)	(24)	(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:

	Amounts Recognized in Noninterest Income for the				
	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Consolidated Statements of Operations
(in millions)	2021	2020	2021	2020	
Economic hedge type:					
Customer interest rate contracts	$133	$180	($215)	$1,269	Foreign exchange and interest rate products
Derivatives hedging interest rate risk	(129)	(161)	227	(1,246)	Foreign exchange and interest rate products
Customer foreign exchange contracts	19	23	(97)	(7)	Foreign exchange and interest rate products
Derivatives hedging foreign exchange risk	(11)	(50)	139	49	Foreign exchange and interest rate products
Customer commodity contracts	319	7	413	(56)	Foreign exchange and interest rate products
Derivatives hedging commodity price risk	(317)	(7)	(409)	57	Foreign exchange and interest rate products
Residential loan commitments	67	14	(171)	154	Mortgage banking fees
Derivatives hedging residential loan commitments and mortgage loans held for sale, at fair value	(141)	110	134	(19)	Mortgage banking fees
Derivative contracts used to hedge residential MSRs	53	62	(129)	333	Mortgage banking fees
Total	($7)	$178	($108)	$534	

NOTE 9 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in the balances, net of income taxes, of each component of AOCI:

	As of and for the Three Months Ended June 30,			
(in millions)	Net Unrealized Gains (Losses) on Derivatives	Net Unrealized Gains (Losses) on Debt Securities	Employee Benefit Plans	Total AOCI
Balance at April 1, 2020	$96	$401	($412)	$85
Other comprehensive income (loss) before reclassifications	(8)	49	—	41
Amounts reclassified to the Consolidated Statements of Operations	(34)	(2)	4	(32)
Net other comprehensive income (loss)	(42)	47	4	9
Balance at June 30, 2020	$54	$448	($408)	$94
Balance at April 1, 2021	($57)	$71	($425)	($411)
Other comprehensive income (loss) before reclassifications	46	10	—	56
Amounts reclassified to the Consolidated Statements of Operations	(27)	(3)	4	(26)
Net other comprehensive income (loss)	19	7	4	30
Balance at June 30, 2021	($38)	$78	($421)	($381)
Primary location of amounts reclassified to the Consolidated Statements of Operations	Net interest income	Securities gains, net	Other operating expense	

	As of and for the Six Months Ended June 30,			
(in millions)	Net Unrealized Gains (Losses) on Derivatives	Net Unrealized Gains (Losses) on Debt Securities	Employee Benefit Plans	Total AOCI
Balance at January 1, 2020	$3	$1	($415)	($411)
Other comprehensive income (loss) before reclassifications	88	449	—	537
Amounts reclassified to the Consolidated Statements of Operations	(37)	(2)	7	(32)
Net other comprehensive income (loss)	51	447	7	505
Balance at June 30, 2020	$54	$448	($408)	$94
Balance at January 1, 2021	($11)	$380	($429)	($60)
Other comprehensive income (loss) before reclassifications	25	(297)	—	(272)
Amounts reclassified to the Consolidated Statements of Operations	(52)	(5)	8	(49)
Net other comprehensive income (loss)	(27)	(302)	8	(321)
Balance at June 30, 2021	($38)	$78	($421)	($381)
Primary location of amounts reclassified to the Consolidated Statements of Operations	Net interest income	Securities gains, net	Other operating expense	

NOTE 10 - STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes the Company's preferred stock:

(in millions, except per share and share data)	Liquidation value per share	June 30, 2021 Preferred Shares	June 30, 2021 Carrying Amount	December 31, 2020 Preferred Shares	December 31, 2020 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.

In June 2021, the Company provided notice of its intent to redeem all outstanding shares of the 5.500% fixed-to-floating non-cumulative perpetual Series A Preferred Stock (the "Series A Preferred Stock") on July 6, 2021. Prior to the settlement, the Company reclassified the Series A Preferred Stock from shareholders' equity to other liabilities in the Consolidated Balance Sheets. On July 6, 2021, the Company redeemed all outstanding shares of the Series A 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. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate equal to 4.000% from the date of issuance to, but excluding, October 6, 2026, and from and including October 6, 2026, for each dividend reset period, at a rate equal to the five-year U.S. treasury rate as of the most recent reset dividend determination date, plus 3.215% per annum. 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 certain limited circumstances, the Series G Preferred Stock does not have any voting rights.

For further detail regarding the terms and conditions of the Company's preferred stock, see Note 16 to the Company's Consolidated Financial Statements in the 2020 Form 10-K.

Dividends

(in millions, except per share data)	Three Months Ended June 30, 2021 Dividends Declared per Share	Dividends Declared	Dividends Paid	Three Months Ended June 30, 2020 Dividends Declared per Share	Dividends Declared	Dividends Paid
Common stock	$0.39	$168	$168	$0.39	$168	$168
Preferred stock						
Series A	$10.50	$2	$2	$13.48	$3	$7
Series B	30.00	9	—	30.00	9	—
Series C	15.94	5	5	15.94	5	5
Series D	15.88	4	4	15.88	5	5
Series E	12.50	6	6	12.50	6	5
Series F	14.13	6	6	—	—	—
Total preferred stock		$32	$23		$28	$22

(in millions, except per share data)	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Dividends Declared per Share	Dividends Declared	Dividends Paid	Dividends Declared per Share	Dividends Declared	Dividends Paid
Common stock	$0.78	$335	$335	$0.78	$336	$336
Preferred stock						
Series A	$20.99	$5	$5	$40.98	$10	$7
Series B	30.00	9	9	30.00	9	9
Series C	31.88	10	10	31.88	10	10
Series D	31.75	9	9	31.75	10	10
Series E	25.00	11	11	25.00	11	9
Series F	28.25	11	11	—	—	—
Total preferred stock		$55	$55		$50	$45

Treasury Stock

During the six months ended June 30, 2021, the Company repurchased $95 million, or 2,244,924 shares, of its outstanding common stock, which are held in treasury stock.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A summary of outstanding off-balance sheet arrangements is presented below. For more information on these arrangements, see Note 18 in the Company's 2020 Form 10-K.

(in millions)	June 30, 2021	December 31, 2020
Commitments to extend credit	$76,761	$74,160
Letters of credit	1,926	2,239
Risk participation agreements	68	98
Loans sold with recourse	64	54
Marketing rights	26	29
Total	$78,845	$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 June 30, 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, mortgage-related issues, and mis-selling of certain products. 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 unaudited interim Consolidated Financial Statements.

NOTE 12 - 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 following table presents the difference between the aggregate fair value and the aggregate unpaid principal balance of LHFS measured at fair value:

	June 30, 2021			December 31, 2020		
(in millions)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Aggregate Unpaid Principal
Residential mortgage loans held for sale, at fair value	$3,499	$3,388	$111	$3,416	$3,260	$156
Commercial and industrial, and commercial real estate loans held for sale, at fair value	117	119	(2)	148	153	(5)

For more information on the election of the fair value option for these assets see Note 19 in the Company's 2020 Form 10-K.

Recurring Fair Value Measurements

Citizens utilizes a variety of valuation techniques to measure its assets and liabilities at fair value on a recurring basis. For more information on the valuation techniques utilized to measure recurring fair value see Note 19 in the Company's 2020 Form 10-K.

Collateralized Loan Obligations

The fair value of CLOs is estimated using observable inputs, including prices of similar securities that trade in the market. The Company classifies these securities in Level 2 of the fair value hierarchy using these observable inputs.

Derivatives - Commodities Contracts

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. This type of derivative is exposed to counterparty risk; therefore, the Company adjusts the fair value of the contract by the credit valuation adjustment.

The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities, on a recurring basis at June 30, 2021:

(in millions)	Total	Level 1	Level 2	Level 3
Debt securities available for sale:				
Mortgage-backed securities	$24,392	$—	$24,392	$—
Collateralized loan obligations	177	—	177	—
State and political subdivisions	3	—	3	—
U.S. Treasury and other	11	11	—	—
Total debt securities available for sale	24,583	11	24,572	—
Loans held for sale, at fair value:				
Residential loans held for sale	3,499	—	3,499	—
Commercial loans held for sale	117	—	117	—
Total loans held for sale, at fair value	3,616	—	3,616	—
Mortgage servicing rights	902	—	—	902
Derivative assets:				
Interest rate contracts	1,134	—	1,134	—
Foreign exchange contracts	273	—	273	—
Commodities contracts	424	—	424	—
TBA contracts	5	—	5	—
Other contracts	89	—	—	89
Total derivative assets	1,925	—	1,836	89
Equity securities, at fair value	80	80	—	—
Total assets	$31,106	$91	$30,024	$991
Derivative liabilities:				
Interest rate contracts	$197	$—	$197	$—
Foreign exchange contracts	209	—	209	—
Commodities contracts	427	—	427	—
TBA contracts	28	—	28	—
Total derivative liabilities	861	—	861	—
Total liabilities	$861	$—	$861	$—

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 tables present a roll forward of the balance sheet amounts for assets measured at fair value on a recurring basis and classified as Level 3:

	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
(in millions)	Mortgage Servicing Rights	Other Derivative Contracts	Mortgage Servicing Rights	Other Derivative Contracts
Beginning balance	$893	$38	$658	$197
Issuances	122	81	209	243
Settlements [2]	(47)	(97)	(105)	(180)
Changes in fair value during the period recognized in earnings [3]	(66)	67	140	(171)
Ending balance	$902	$89	$902	$89

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
(in millions)	Mortgage Servicing Rights	Other Derivative Contracts	Mortgage Servicing Rights	Other Derivative Contracts
Beginning balance	$577	$143	$642	$19
Transfers upon election of fair value method [1]	—	—	190	—
Beginning balance, adjusted	577	143	832	19
Issuances	86	234	153	405
Settlements [2]	(46)	(344)	(86)	(420)
Changes in fair value during the period recognized in earnings [3]	(49)	140	(331)	169
Ending balance	$568	$173	$568	$173

[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 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 June 30, 2021		
	Valuation Technique	Unobservable Input	Range (Weighted Average)
Mortgage servicing rights	Discounted Cash Flow	Constant prepayment rate	10.56-29.54% CPR (11.9% CPR)
		Option adjusted spread	(1490)-1,060 bps (581 bps)
Other derivative contracts	Internal Model	Pull through rate	10.38-99.90% (81.66%)
		MSR value	(0.21)-154.76 bps (99.01 bps)

Nonrecurring Fair Value Measurements

Fair value is also used on a nonrecurring basis to evaluate certain assets for impairment or for disclosure purposes. For more information on the valuation techniques utilized to measure nonrecurring fair value see Note 19 in the Company's 2020 Form 10-K.

The following table presents losses on assets measured at fair value on a nonrecurring basis and recorded in earnings:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Collateral-dependent loans	$—	($22)	($19)	($44)

The following table presents assets measured at fair value on a nonrecurring basis:

(in millions)	June 30, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$620	$—	$620	$—	$758	$—	$758	$—

The following tables present the estimated fair value for financial instruments not recorded at fair value in the unaudited interim Consolidated Financial Statements. The carrying amounts are recorded in the Consolidated Balance Sheets under the indicated captions:

	June 30, 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	$2,711	$2,790	$—	$—	$1,887	$1,964	$824	$826
Other loans held for sale	82	82	—	—	—	—	82	82
Loans and leases	122,581	123,022	—	—	620	620	121,961	122,402
Other assets	602	602	—	—	594	594	8	8
Financial liabilities:								
Deposits	150,636	150,658	—	—	150,636	150,658	—	—
Short-term borrowed funds	62	62	—	—	62	62	—	—
Long-term borrowed funds	6,957	7,307	—	—	6,957	7,307	—	—

	December 31, 2020							
	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	$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 13 - NONINTEREST INCOME

Revenues from Contracts with Customers

The following table presents the components of revenue from contracts with customers disaggregated by revenue stream and business operating segment:

	Three Months Ended June 30, 2021				Three Months Ended June 30, 2020			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated	Consumer Banking	Commercial Banking	Other	Consolidated
Service charges and fees	$74	$26	$—	$100	$59	$25	$—	$84
Card fees	56	8	—	64	42	7	—	49
Capital markets fees	—	84	—	84	—	48	—	48
Trust and investment services fees	60	—	—	60	45	—	—	45
Other banking fees	—	2	—	2	—	1	—	1
Total revenue from contracts with customers	$190	$120	$—	$310	$146	$81	$—	$227
Total revenue from other sources[(1)]	93	58	24	175	282	63	18	363
Total noninterest income	$283	$178	$24	$485	$428	$144	$18	$590

	Six Months Ended June 30, 2021				Six Months Ended June 30, 2020			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated	Consumer Banking	Commercial Banking	Other	Consolidated
Service charges and fees	$148	$51	$—	$199	$151	$51	$—	$202
Card fees	103	15	—	118	87	17	—	104
Capital markets fees	—	156	—	156	—	113	—	113
Trust and investment services fees	118	—	—	118	98	—	—	98
Other banking fees	—	4	—	4	—	4	—	4
Total revenue from contracts with customers	$369	$226	$—	$595	$336	$185	$—	$521
Total revenue from other sources[(1)]	265	122	45	432	449	84	33	566
Total noninterest income	$634	$348	$45	$1,027	$785	$269	$33	$1,087

[(1)] Revenue from other sources includes bank-owned life insurance income of $16 million and $14 million for the three months ended June 30, 2021 and 2020, respectively, and $30 million and $28 million for the six months ended June 30, 2021 and 2020, respectively. Bank-owned life insurance income is included in other income in the consolidated statements of operations.

The Company recognized trailing commissions of $4 million and $3 million for the three months ended June 30, 2021 and 2020, respectively, and $8 million and $7 million for the six months ended June 30, 2021 and 2020, respectively, related to ongoing commissions from previous investment sales.

NOTE 14 - OTHER OPERATING EXPENSE

The following table presents the details of other operating expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2021	2020	2021	2020
Marketing	$31	$27	$50	$51
Other	62	84	134	171
Other operating expense	$93	$111	$184	$222

NOTE 15 - EARNINGS PER SHARE

(in millions, except share and per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Numerator (basic and diluted):				
Net income	$648	$253	$1,259	$287
Less: Preferred stock dividends	32	28	55	50
Net income available to common stockholders	$616	$225	$1,204	$237
Denominator:				
Weighted-average common shares outstanding - basic	425,948,706	426,613,053	425,951,197	427,165,737
Dilutive common shares: share-based awards	1,612,866	953,867	1,717,045	1,126,843
Weighted-average common shares outstanding - diluted	427,561,572	427,566,920	427,668,242	428,292,580
Earnings per common share:				
Basic	$1.45	$0.53	$2.83	$0.56
Diluted [1]	1.44	0.53	2.81	0.55

[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 76,984 and 1,579,361 for the three months ended June 30, 2021 and 2020, respectively, and 43,877 and 1,211,751 for the six months ended June 30, 2021 and 2020, respectively.

NOTE 16 - 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. For more information on the Company's business operating segments, as well as Other non-segment operations, see Note 25 in the Company's 2020 Form 10-K.

	As of and for the Three Months Ended June 30, 2021			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$897	$419	($192)	$1,124
Noninterest income	283	178	24	485
Total revenue	1,180	597	(168)	1,609
Noninterest expense	751	226	14	991
Profit (loss) before provision for credit losses	429	371	(182)	618
Provision for credit losses	45	34	(292)	(213)
Income (loss) before income tax expense (benefit)	384	337	110	831
Income tax expense (benefit)	98	72	13	183
Net income (loss)	$286	$265	$97	$648
Total average assets	$75,600	$57,527	$51,329	$184,456

	As of and for the Three Months Ended June 30, 2020			
(in millions)	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$814	$419	($73)	$1,160
Noninterest income	428	144	18	590
Total revenue	1,242	563	(55)	1,750
Noninterest expense	735	213	31	979
Profit (loss) before provision for credit losses	507	350	(86)	771
Provision for credit losses	80	70	314	464
Income (loss) before income tax expense (benefit)	427	280	(400)	307
Income tax expense (benefit)	107	59	(112)	54
Net income (loss)	$320	$221	($288)	$253
Total average assets	$71,634	$65,280	$42,879	$179,793

(in millions)	As of and for the Six Months Ended June 30, 2021			
	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$1,760	$840	($359)	$2,241
Noninterest income	634	348	45	1,027
Total revenue	2,394	1,188	(314)	3,268
Noninterest expense	1,501	453	55	2,009
Profit (loss) before provision for credit losses	893	735	(369)	1,259
Provision for credit losses	104	135	(592)	(353)
Income (loss) before income tax expense (benefit)	789	600	223	1,612
Income tax expense (benefit)	201	124	28	353
Net income (loss)	$588	$476	$195	$1,259
Total average assets	$75,443	$57,632	$50,443	$183,518

(in millions)	As of and for the Six Months Ended June 30, 2020			
	Consumer Banking	Commercial Banking	Other	Consolidated
Net interest income	$1,607	$784	($71)	$2,320
Noninterest income	785	269	33	1,087
Total revenue	2,392	1,053	(38)	3,407
Noninterest expense	1,473	434	84	1,991
Profit (loss) before provision for credit losses	919	619	(122)	1,416
Provision for credit losses	177	113	774	1,064
Income (loss) before income tax expense (benefit)	742	506	(896)	352
Income tax expense (benefit)	186	106	(227)	65
Net income (loss)	$556	$400	($669)	$287
Total average assets	$70,024	$62,142	$41,319	$173,485

There have been no significant changes in the management accounting practices utilized by the Company regarding the basis of presentation for segment results as discussed in Note 25 in the Company's 2020 Form 10-K.

NOTE 17 - SUBSEQUENT EVENTS

On July 28, 2021 Citizens entered into the Investors acquisition agreement under which Citizens will acquire Investors for approximately $3.5 billion, with the transaction value based on Citizen's closing price of $44.32 per common share as of July 27, 2021. Upon closing of the transaction, Investors' stockholders will receive a combination of stock and cash, specifically 0.297 of a share of the Company's common stock and $1.46 in cash for each share of Investors common stock they own. The Investors acquisition agreement provides that at the closing Investors will merge with and into Citizens, with Citizens surviving, and its subsidiary bank, Investors Bank, will merge with and into CBNA, with CBNA surviving. Following completion of the transaction, Investors' stockholders are expected to own approximately 14% of the combined company's outstanding shares.

In a press release dated July 28, 2021, Investors preliminarily reported total assets of $26.8 billion, including $21.1 billion of loans receivable, net, and $19.4 billion of deposits as of June 30, 2021. The Investors acquisition agreement has been unanimously approved by the boards of directors of each company and is expected to close in the first or second quarter of 2022, subject to approval by the shareholders of Investors, regulatory approvals, and other customary closing conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information presented in the "Market Risk" section of Part I, Item 2 is incorporated herein by reference.

ITEM 4. 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 quarterly report, 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 quarterly report, 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this item is presented in Note 11, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the risks below and other information set forth in this Report, you should consider the risks described under the caption "Risk Factors" in the Company's 2020 Form 10-K.

The risk factors set forth in our 2020 Form 10-K are updated by the following risks:

Risks Related to our Pending Acquisitions

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

If for any reason the acquisition of Investors or the proposed acquisition of HSBC branches are 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 acquisitions, whether or not the acquisitions are completed, such as legal, accounting, investment banking, and other professional and administrative fees; and matters relating to the acquisitions 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 and/or the acquisition of HSBC branches 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 Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. Similarly, prior to the consummation of the HSBC transaction, the Company and HSBC must obtain certain regulatory approvals. 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 acquisitions, or require changes to the terms of the transactions completed by the Investors acquisition agreement and HSBC branch acquisition agreement. There can be no assurance that the regulations 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 or HSBC branch acquisition agreement, as applicable, imposing additional material costs on or materially limiting the revenues of the Company following the acquisitions or otherwise reduce the anticipated benefits of the acquisitions if the acquisitions were consummated successfully within the expected timeframe, any of which might have an adverse effect on the Company following the acquisitions.

We face risks and uncertainties related to our proposed acquisitions of Investors and HSBC branches.

Uncertainty about the effect of the proposed acquisitions 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 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 of the acquisitions, as employees may experience uncertainty about their roles with the Company following the acquisitions. The Investors and HSBC branches to be acquired by the Company have respectively operated and, until the completion of the acquisitions, will continue to operate independently. The ultimate success of the 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 the 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 agreements between the Company and Investors and HSBC, respectively, may be terminated in accordance with its terms.

The Investors acquisition agreement with Investors and the HSBC branch acquisition agreement with HSBC are each subject to a number of conditions which need to be fulfilled in order to consummate the proposed acquisitions. With respect to the Investors acquisition agreement, these conditions include, among other things, the approval of Investors' stockholders, 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 HSBC branch acquisition agreement is also subject to customary closing terms and conditions, including the receipt of all required regulatory approvals.

The conditions to the closing of the acquisitions may not be fulfilled in a timely manner or at all, and accordingly, the acquisitions may be delayed or may not be completed. With respect to the Investors acquisition agreement, 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. The HSBC branch acquisition agreement may also be terminated by the parties thereto under certain circumstances.

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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. EXHIBITS

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*

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)

10.1 Citizens Financial Group Inc. Non-Employee Directors Compensation Policy, amended and effective April 22, 2021†*

10.2 Addendum to Amended and Restated Executive Employment Agreement, dated as of June 25,2021 between the Registrant and Bruce Van Saun†*

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 Financial 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 Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2021, formatted in inline 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.

SIGNATURE

Pursuant to the requirements 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 August 3, 2021.

CITIZENS FINANCIAL GROUP, INC.
(Registrant)

By: /s/ C. Jack Read
Name: C. Jack Read
Title: Executive Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer and Authorized Officer)

RESTATED CERTIFICATE OF INCORPORATION

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to the provisions of §245 of the
General Corporation Law of the State of Delaware

FIRST: The present name of the corporation is Citizens Financial Group, Inc. (the "**Corporation**"). The date of filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was November 21, 1984 under the name Citizens Financial Group, Inc.

SECOND: This Restated Certificate of Incorporation was duly adopted by the Corporation's Board of Directors in accordance with Section 245 of the General Corporation Law of the State of Delaware and only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the Corporation, as heretofore amended or supplemented. There is no discrepancy between the provisions of this Restated Certificate of Incorporation and the provisions of the Certificate of Incorporation of the Corporation as heretofore amended or supplemented.

The text of the Certificate of Incorporation of the Corporation, as heretofore amended or supplemented, is hereby restated and integrated without further amendments or changes to read in its entirety as follows:

Article 1.
Name

Section 1.01. *Name*. The name of the corporation is Citizens Financial Group, Inc. (the "**Corporation**").

Article 2.
Registered Office and Agent

Section 2.01. *Address and Name*. The address of its registered office in the State of Delaware is 251 Little Falls Drive, City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

Article 3.
Purpose and Powers

Section 3.01. *Purpose and Powers*. The purpose for which the Corporation is organized is to act as a bank holding company, to act as a savings and loan holding

company, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended ("**Delaware Law**").

Article 4.
Capital Stock

Section 4.01. *Authorized Shares*.

(a) *Classes of Stock*. The total number of shares of stock that the Corporation shall have authority to issue is 1,100,000,000, consisting of 1,000,000,000 shares of Common Stock, par value $0.01 per share (the "**Common Stock**"), and 100,000,000 shares of Preferred Stock, par value $25.00 per share (the "**Preferred Stock**").

(b) *Preferred Stock*. The Board of Directors is hereby empowered, without any action or vote by the Corporation's stockholders (except as may otherwise be provided by the terms of any class or series of Preferred Stock then outstanding), to authorize by resolution or resolutions from time to time the issuance of one or more classes or series of Preferred Stock and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemptions, redemption prices and liquidation preferences with respect to each such class or series of Preferred Stock and the number of shares constituting each such class or series, and to increase or decrease the number of shares of any such class or series to the extent permitted by Delaware Law.

Section 4.02. *Voting Rights*. Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; *provided*, *however*, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designations relating to any class or series of Preferred Stock) that relates solely to the terms of one or more outstanding classes or series of Preferred Stock if the holders of such affected class or series are entitled, either separately or together with the holders of one or more other such classes or series, to vote thereon pursuant to this Certificate of Incorporation (including any certificate of designations relating to any class or series of Preferred Stock) or pursuant to Delaware Law.

Except as otherwise required by law, holders of any class or series of Preferred Stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Certificate of Incorporation (including any certificate of designations relating to such series of Preferred Stock).

Section 4.03. *Dividends and Distributions*. Subject to applicable law and the rights, if any, of the holders of any outstanding class or series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends and other distributions in cash,

property of the Corporation or shares of stock of the Corporation, such dividends and other distributions may be declared and paid on the Common Stock out of the assets of the Corporation that are by law available therefor at such times and in such amounts as the Board of Directors in its discretion shall determine.

Section 4.04. *Liquidation, Dissolution or Winding Up*. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential and other amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution ratably in proportion to the number of shares held by each such stockholder.

Section 4.05. *Preferred Stock Designations*. Preferred Stock designations approved by the Board of Directors pursuant to Section 4.01(b) hereto as of the date of this Certificate of Incorporation are attached hereto as "6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B" (attached as Exhibit A), "6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C" (attached as Exhibit B), "6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D" (attached as Exhibit C), "5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E" (attached as Exhibit D), "5.650% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F" (attached as Exhibit E), and "4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series G" (attached as Exhibit F).

Article 5.
Bylaws

Section 5.01. *Bylaws*. The Board of Directors shall have the power to adopt, amend or repeal the bylaws of the Corporation (the "**Bylaws**").

Article 6.
Board of Directors

Section 6.01. *Power of the Board of Directors*. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors.

Section 6.02. *Number of Directors*. The number of directors that shall constitute the Board of Directors shall, as of the Effective Time, consist of not less than five nor more than twenty-five persons. The exact number of directors that shall constitute the Board of Directors shall be fixed exclusively by one or more resolutions adopted from time to time solely by the affirmative vote of a majority of the Board of Directors.

Section 6.03. *Election of Directors*. There shall be no cumulative voting in the election of directors. Election of directors need not be by written ballot unless the Bylaws so provide.

Section 6.04. *Vacancies*. Vacancies on the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors shall, except as otherwise required by law, be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director, and each director so elected shall hold office until the next election of directors.

Section 6.05. *Removal*. Any director may be removed, with or without cause, by an affirmative vote of the holders of not less than a majority of the total voting power of all outstanding securities of the Corporation generally entitled to vote in the election of directors, voting together as a single class.

Section 6.06. *Preferred Stock Directors*. Notwithstanding anything else contained herein, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of such class or series of Preferred Stock adopted by resolution or resolutions adopted by the Board of Directors pursuant to Section 4.01 hereto, and such directors so elected shall not be subject to the provisions of this Article 6 unless otherwise provided therein.

Article 7.
Meetings of Stockholders

Section 7.01. *Annual Meetings*. An annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such place, on such date, and at such time as the Board of Directors shall determine.

Section 7.02. *Special Meetings*. Special meetings of the stockholders may be called by or at the direction of the chairman of the Board of Directors, the chief executive officer of the Corporation or the Board of Directors acting pursuant to a resolution adopted by a majority of the Board of Directors, or by the Secretary upon written request by record stockholders owning at least twenty five (25) percent of the voting power of all outstanding shares of common stock of the Corporation as determined pursuant to the Bylaws and who otherwise comply with such other requirements and procedures set forth in the Bylaws, as now or hereinafter in effect. Notwithstanding the foregoing, whenever holders of one or more classes or series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, such holders may call, pursuant to the terms of such class or series of Preferred Stock adopted by resolution or resolutions of the Board of Directors pursuant to Section 4.01 hereto, special meetings of holders of such Preferred Stock.

Section 7.03. *Action by Written Consent*. Any action required or permitted to be taken at any annual or special meeting of stockholders may be effected only upon the vote of stockholders at an annual or special meeting duly noticed and called in accordance with Delaware Law, as amended from time to time, and this Article 7 and may not be taken by written consent of stockholders without a meeting. Notwithstanding the foregoing, holders of one or more classes or series of Preferred Stock may, to the extent permitted by and pursuant to the terms of such class or series of Preferred Stock adopted by resolution or resolutions of the Board of Directors pursuant to Section 4.01 hereto, take action by written consent.

Article 8.
Indemnification

Section 8.01. *Limited Liability*. A director or officer of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by Delaware Law. Neither the amendment nor the repeal of this Article 8 shall eliminate or reduce the effect thereof in respect of any state of facts existing or act or omission occurring, or any cause of action, suit or claim that, but for this Article 8, would accrue or arise, prior to such amendment or repeal.

Section 8.02. *Right to Indemnification*.

(a) Each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Delaware Law. The right to indemnification conferred in this Article 8 shall also include the right to be paid by the Corporation the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Delaware Law.

(b) The Corporation may, by action of its Board of Directors, provide indemnification to such of the employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware Law.

Section 8.03. *Insurance*. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss incurred by such person in any such capacity or arising out of such person’s status as such, whether or not the

Corporation would have the power to indemnify such person against such liability under Delaware Law.

Section 8.04. *Nonexclusivity of Rights*. The rights and authority conferred in this Article 8 shall not be exclusive of any other right that any person may otherwise have or hereafter acquire.

Section 8.05. *Preservation of Rights*. Neither the amendment nor repeal of this Article 8, nor the adoption of any provision of this Certificate of Incorporation or the Bylaws, nor, to the fullest extent permitted by Delaware Law, any modification of law, shall adversely affect any right or protection of any person granted pursuant hereto existing at, or arising out of or related to any event, act or omission that occurred prior to, the time of such amendment, repeal, adoption or modification (regardless of when any proceeding (or part thereof) relating to such event, act or omission arises or is first threatened, commenced or completed).

Article 9.
Severability

Section 9.01. *Severability*. If any provision or provisions of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby.

Article 10.
Forum

Section 10.01. *Forum*. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law or regulation, including the rules of any exchange on which the Company's securities are listed, be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Corporation, any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Corporation to the Corporation or the Corporation's stockholders, any action asserting a claim arising pursuant to any provision of the Delaware Law, this Certificate of Incorporation (as it may be amended or restated) or the Bylaws or any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article 10.

Article 11.
Amendments

Section 11.01. *Amendments*. The Corporation reserves the right to amend this Certificate of Incorporation in any manner permitted by the Delaware Law and all rights and powers conferred upon stockholders, directors and officers herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Section 4.02 and Articles 6, 7, 8, and this Article 11 may not be repealed or amended in any respect, and no other provision may be adopted, amended or repealed which would have the effect of modifying or permitting the circumvention of the provisions set forth in any of Section 4.02 and Articles 6, 7, 8, and this Article 11, unless such action is approved by the affirmative vote of the holders of not less than 75% of the total voting power of all outstanding securities of the Corporation generally entitled to vote in the election of directors, voting together as a single class.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 8th day of July, 2021.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

Exhibits to this Restated Certificate of Incorporation of Citizens Financial Group, Inc.

EXHIBIT A: Preferred Stock Series B - Certificate of Designations
EXHIBIT B: Preferred Stock Series C - Certificate of Designations
EXHIBIT C: Preferred Stock Series D - Certificate of Designations
EXHIBIT D: Preferred Stock Series E - Certificate of Designations
EXHIBIT E: Preferred Stock Series F - Certificate of Designations
EXHIBIT F: Preferred Stock Series G - Certificate of Designations

CERTIFICATE OF DESIGNATIONS

OF

6.000% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES B

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

In accordance with the resolutions of the Board of Directors of the Corporation (the "**Board of Directors**"), adopted at a meeting duly called and held on April 26, 2018 the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, a Pricing Committee of the Board of Directors, at a meeting duly called and held on May 21, 2018, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors adopted at a meeting duly called and held on April 26, 2018, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Pricing Committee hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is "6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B" ("**Series B**"). Each share of Series B shall be identical in all respects to every other share of Series B, except that shares of Series B issued after May 24, 2018 (the "**Original Issue Date**") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series B issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series B shall initially be 300,000. Such number may from time to time be increased

(but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or decreased (but not below the number of shares of Series B then outstanding) by the Board of Directors. Shares of Series B that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series B.

Section 3. Definitions. As used herein with respect to Series B:

(a) "**Adjustments**" has the meaning set forth in the definition of "Three-Month LIBOR."

(b) "**Alternative Rate**" has the meaning set forth in the definition of "Three-Month LIBOR."

(c) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(d) "**Bloomberg BBAM1**" has the meaning set forth in the definition of "Three-Month LIBOR."

(e) "**Board of Directors**" has the meaning set forth in the Preamble.

(f) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(g) "**Calculation Agent**" means, at any time, the person or entity (which may be the Corporation or an affiliate of the Corporation) appointed by the Corporation and serving as calculation agent with respect to the Series B at such time (including any successor to such person or entity). The Bank of New York Mellon will be the calculation agent for the Series B as of the Original Issue Date.

(h) "**Certificate of Designations**" means this Certificate of Designations relating to the Series B, as it may be amended or supplemented from time to time.

(i) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations..

(j) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(k) "**Corporation**" has the meaning set forth in the Preamble.

(l) "**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.

(m) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series B in the payment of current dividends, including the Series A.

(n) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(o) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series B) and continuing to but not including the next succeeding Dividend Payment Date.

(p) "**Fixed Rate Period**" means the period commencing on and including the Original Issue Date and continuing to, but excluding, the Dividend Payment Date on July 6, 2023.

(q) "**Floating Rate Period**" means the period commencing on and including the Dividend Payment Date on July 6, 2023 and continuing to, but excluding, the first date, if any, as of which all shares of Series B have been redeemed.

(r) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series B in the payment of dividends or in the distribution of assets on liquidation, dissolution or winding up of the Corporation.

(s) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(t) "**Liquidation Preference**" has the meaning set forth in Section 5.

(u) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series B in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A.

(v) "**London Banking Day**" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

(w) "**Nonpayment**" has the meaning set forth in Section 7(b).

(x) "**Original Issue Date**" has the meaning set forth in Section 1.

(y) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(z) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series B, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series B, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series B, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series B then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series B is outstanding.

(aa) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(bb) "**Series B**" has the meaning set forth in Section 1.

(cc) "**Stated Amount**" means, in respect of Series B, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

(dd) "**Three-Month LIBOR**" means, for each Dividend Determination Date related to the Floating Rate Period, the rate 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 B) in the London interbank market, as selected by the Corporation, 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 B) in New York City selected by the Corporation, 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 the Corporation are not quoting as mentioned in this sentence, but Three-Month LIBOR has not been determined to have been permanently discontinued as provided in clause (iii) below, 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 first Dividend Period in the Floating Rate Period, the most recent Three-Month LIBOR that can be determined.

(iii) Notwithstanding clauses (i) and (ii) above, if the Corporation or the Calculation Agent, in consultation with the Corporation, determines that Three-Month LIBOR has been permanently discontinued, the Calculation Agent will be directed to use, as a substitute for Three-Month LIBOR and 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 accepted market practice (the "**Alternative Rate**"). As part of such substitution, the Calculation Agent will, after consultation with and direction from the Corporation, make such adjustments ("**Adjustments**") to the alternative rate or the spread thereon, as well as the business day convention, Dividend Determination Dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such alternative rate for dividend rates on preferred stock such as the Series B. Notwithstanding the foregoing, if the Calculation Agent determines, following consultation with and direction from the Corporation, that

there is no clear market consensus as to whether any rate has replaced Three-Month LIBOR in customary market usage, the Corporation will appoint, in its sole discretion, a new Calculation Agent, who may be the Corporation or its affiliate, to replace the then-current Calculation Agent, solely in its role as Calculation Agent in respect of the Series B, to determine the Alternative Rate and make any Adjustments thereon, and whose determinations will be binding on the Corporation, the Transfer Agent, the registrar and the holders. If, however, such new Calculation Agent determines that Three-Month LIBOR has been discontinued, but for any reason an Alternative Rate cannot be determined, Three-Month LIBOR will be equal to such rate on the Dividend Determination Date when Three-Month LIBOR was last available on the Bloomberg BBAM1 page, as determined by such new Calculation Agent.

The establishment of Three-Month LIBOR for each Dividend Period by the Calculation Agent shall (in the absence of manifest error) be final and binding.

(ee) "**Transfer Agent**" means the transfer agent with respect to the Series B, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(ff) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series B as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable, including the Series A. Whether a plurality, majority or other portion of the shares of Series B and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series B shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, non-cumulative cash dividends as follows:

(i) for each Dividend Period during the Fixed Rate Period, at an annual rate of 6.000% of the Stated Amount per share, payable semi-annually in arrears on January 6 and July 6 each year, beginning on January 6, 2019 and ending on July 6, 2023; and

(ii) for each Dividend Period during the Floating Rate Period, at an annual rate equal to Three-Month LIBOR for such Dividend Period plus a spread of 3.003% applied to the Stated Amount per share, payable quarterly in arrears on January 6, April 6, July 6 and October 6 of each year, beginning on October 6, 2023.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii), subject to adjustment as provided below, 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series B.

(b) **Business Day Convention**. If a day on or before the July 6, 2023 that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series B, 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 Series B). If a day after July 6, 2023 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 shares of Series B, 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.

(c) **Dividend Computation**. The amount of the dividend per share of Series B for each Dividend Period (or portion thereof) in the Fixed Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The amount of the dividend per share of Series B for each Dividend Period (or portion thereof) in the Floating Rate Period will be calculated based on the actual number of days in the Dividend Period and a 360-day year.

(d) **Dividends Non-cumulative.** Dividends on shares of Series B shall not be cumulative. Holders of Series B shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series B shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series B as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series B remains outstanding, unless dividends on all outstanding shares of Series B 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (e) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series B, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series B or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series B and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series B and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period,

in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series B or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of the immediately preceding sentence the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series B for purposes of the immediately preceding sentence in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series B.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series B shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series B will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series B and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series B and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series B and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series B means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which

dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series B and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series B receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series B is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series B (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on July 6, 2023 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series B shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series B are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series B without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series B will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series B will have no right to require redemption of any shares of Series B.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series B shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 10 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be

conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series B designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series B. Notwithstanding the foregoing, if the shares of Series B are issued in book-entry form through The Depository Trust Company or any other similar facility, notice of redemption may be given to the holders of Series B at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series B to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series B at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series B in proportion to the number of shares of Series B held by such holders or by lot or in such other manner as the Board of Directors (or a duly authorized committee of the Board of Directors) may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the terms and conditions on which shares of Series B shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series B and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series B are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series B will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series B, or any other Voting Preferred Stock (as defined below), 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series B 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series B or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series B and any such series of Voting Preferred Stock for at least two consecutive semi-annual or four consecutive quarterly Dividend Periods following the Nonpayment shall have been fully paid (or declared and a sum sufficient for the payment of such dividends shall have been set aside for payment).

If and when dividends for at least two consecutive semi-annual or four consecutive quarterly Dividend Periods following a Nonpayment have been paid in full (or declared and a sum sufficient for such payment shall have been set aside) on the Series B and any other class or series of Voting Preferred Stock, the holders of the Series B and all other holders of Voting 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 following a Nonpayment, the Corporation may take account of any dividend it elects 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 Series B together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series B and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 B 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.

(c) **Other Voting Rights.** So long as any shares of Series B are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the shares of Series B 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series B 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 Series B 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series B;

(ii) **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 capital stock of the Corporation ranking prior to

Series B in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series B or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series B remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series B 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 Series B immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or more but not all series of Voting Preferred Stock (including the Series B for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series B, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series B, the Corporation may amend, alter, supplement or repeal any terms of the Series B:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series B that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series B that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series B will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series B shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series B to effect such redemption, in each case pursuant

to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(b) above if all outstanding shares of Series B are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series B (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series B may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any share of Series B as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series B will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series B will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series B shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series B without certificates.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "**6.000**% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B" and this Section 12 may be omitted. If the Board of Directors so determines, the numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Associate General Counsel and Secretary, this 22nd day of May, 2018.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CERTIFICATE OF DESIGNATIONS

OF

6.375% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES C

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

The Board of Directors of the Corporation (the "**Board of Directors**"), at a meeting duly called and held on October 18, 2018 in accordance with the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors adopted at a meeting duly called and held on October 18, 2018, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Board of Directors hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is "6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C" ("**Series C**"). Each share of Series C shall be identical in all respects to every other share of Series C, except that shares of Series C issued after October 25, 2018 (the "**Original Issue Date**") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series C issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series C shall initially be 300,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or

decreased (but not below the number of shares of Series C then outstanding) by the Board of Directors. Shares of Series C that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series C.

Section 3. Definitions. As used herein with respect to Series C:

(a) "**Adjustments**" has the meaning set forth in the definition of "Three-Month LIBOR."

(b) "**Alternative Rate**" has the meaning set forth in the definition of "Three-Month LIBOR."

(c) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(d) "**Bloomberg BBAM1**" has the meaning set forth in the definition of "Three-Month LIBOR."

(e) "**Board of Directors**" has the meaning set forth in the Preamble.

(f) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(g) "**Calculation Agent**" means, at any time, the person or entity (which may be the Corporation or an affiliate of the Corporation) appointed by the Corporation and serving as calculation agent with respect to the Series C at such time (including any successor to such person or entity). The Bank of New York Mellon will be the calculation agent for the Series C as of the Original Issue Date.

(h) "**Certificate of Designations**" means this Certificate of Designations relating to the Series C, as it may be amended or supplemented from time to time.

(i) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(j) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(k) "**Corporation**" has the meaning set forth in the Preamble.

(l) "**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.

(m) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series C in the payment of current dividends, including the Series A and the Series B.

(n) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(o) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series C) and continuing to but not including the next succeeding Dividend Payment Date.

(p) "**DTC**" means The Depository Trust Company.

(q) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(r) "**Fixed Rate Period**" means the period commencing on and including the Original Issue Date and continuing to, but excluding, the Dividend Payment Date on April 6, 2024.

(s) "**Floating Rate Period**" means the period commencing on and including the Dividend Payment Date on April 6, 2024 and continuing to, but excluding, the first date, if any, as of which all shares of Series C have been redeemed.

(t) "**IFA**" has the meaning set forth in the definition of "Three-Month LIBOR."

(u) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series C in the payment of dividends or in the distribution of assets on liquidation, dissolution or winding up of the Corporation.

(v) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(w) "**LIBOR Event**" has the meaning set forth in the definition of "Three-Month LIBOR."

(x) "**Liquidation Preference**" has the meaning set forth in Section 5.

(y) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series C in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A and the Series B.

(z) "**London Banking Day**" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

(aa) "**Nonpayment**" has the meaning set forth in Section 7(b).

(bb) "**Original Issue Date**" has the meaning set forth in Section 1.

(cc) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(dd) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series C, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series C, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series C, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series C then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series C is outstanding.

(ee) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(ff) "**Series B**" means the Corporation's 6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B.

(gg) "**Series C**" has the meaning set forth in Section 1.

(hh) "**Stated Amount**" means, in respect of Series C, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

(ii) "**Three-Month LIBOR**" means, for each Dividend Determination Date related to the Floating Rate Period, the rate 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 C) in the London interbank market, as selected by the Corporation, 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 C) in New York City selected by the Corporation, 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 the Corporation 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 first Dividend Period in the Floating Rate Period, the most recent Three-Month LIBOR that can be determined.

(iii) Notwithstanding clauses (i) and (ii) above, if the Corporation, in its sole discretion, determines that Three-Month LIBOR has been permanently discontinued or is no longer viewed as an acceptable benchmark for securities like

the Series C, and the Corporation has notified the Calculation Agent of such determination (a "**LIBOR Event**"), the Calculation Agent will use, as directed by the Corporation, 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 the Corporation, 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 the Corporation determines 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, the Corporation may, in its 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 the Corporation, the Calculation Agent and the holders of Series C. 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 by the Calculation Agent (including, for the avoidance of doubt, at the direction of the Corporation 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 C.

(jj) "**Transfer Agent**" means the transfer agent with respect to the Series C, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(kk) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series C as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred

and are exercisable, including the Series A and the Series B. Whether a plurality, majority or other portion of the shares of Series C and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series C shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, non-cumulative cash dividends as follows:

(i) for each Dividend Period during the Fixed Rate Period, at an annual rate of 6.375% of the Stated Amount per share, payable quarterly in arrears on January 6, April 6, July 6 and October 6 of each year, beginning on January 6, 2019 and ending on April 6, 2024; and

(ii) for each Dividend Period during the Floating Rate Period, at an annual rate equal to Three-Month LIBOR for such Dividend Period plus a spread of 3.157% applied to the Stated Amount per share, payable quarterly in arrears on January 6, April 6, July 6 and October 6 of each year, beginning on July 6, 2024.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii), subject to adjustment as provided below, 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series C.

(b) **Business Day Convention**. If a day on or before April 6, 2024 that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series C, 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 Series C). If a day after April 6, 2024 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 shares of Series C, 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.

(c) **Dividend Computation**. The amount of the dividend per share of Series C for each Dividend Period (or portion thereof) in the Fixed Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The amount of the dividend per share of Series C for each Dividend Period (or portion thereof) in the Floating Rate Period will be calculated based on the actual number of days in the Dividend Period and a 360-day year.

(d) **Dividends Non-cumulative.** Dividends on shares of Series C shall not be cumulative. Holders of Series C shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series C shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series C as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series C remains outstanding, unless dividends on all outstanding shares of Series C 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (e) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series C, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series C or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series C and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series C and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series C or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of this paragraph the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series C for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series C.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or

other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series C shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series C will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series C and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series C and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series C and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series C means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series C and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series C receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series C is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series C (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment

Date on April 6, 2024 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series C shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series C are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series C without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series C will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series C will have no right to require redemption of any shares of Series C.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series C shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 10 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series C designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series C. Notwithstanding the foregoing, if the shares of Series C are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series C at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series C to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series C at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series C in proportion to the number of shares of Series C held by such holders or by lot or in such other manner as the Board of Directors (or a duly authorized committee of the Board of Directors) may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the

terms and conditions on which shares of Series C shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series C and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series C are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series C will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series C, or any other Voting Preferred Stock (as defined below), 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series C 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series C or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series C and any such series of Voting 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 (or declared and a sum sufficient for the payment of such dividends shall have been set aside for payment).

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 (or declared and a sum sufficient for such payment shall have been set aside) on the Series C and any other class or series of Voting Preferred Stock, the holders of the Series C and all other holders of Voting 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, the Corporation may take account of any dividend it elects 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 Series C together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series C and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 C 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.

(c) **Other Voting Rights.** So long as any shares of Series C are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the shares of Series C 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series C 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 Series C 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series C;

(ii) **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 capital stock of the Corporation ranking prior to Series C in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series C or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series C remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series C 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 Series C immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or

more but not all series of Voting Preferred Stock (including the Series C for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series C, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series C, the Corporation may amend, alter, supplement or repeal any terms of the Series C:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series C that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series C that is not inconsistent with the provisions of this Certificate of Designations, including, without limitation, to implement the terms of clause (iii) of the definition of "Three-Month LIBOR" following the occurrence of a LIBOR Event.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series C will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series C shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series C to effect such redemption, in each case pursuant to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(css) above if all outstanding shares of Series C are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series C (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series C may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any

share of Series C as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series C will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series C will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series C shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series C without certificates. As long as DTC or its nominee is the registered owner of the Series C, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series C for all purposes under the instruments governing the rights and obligations of holders of shares of Series C. If DTC discontinues providing its services as securities depositary with respect to the shares of Series C, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series C or provide for the direct registration of the Series C with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series C and deliver such certificates to DTC or shall provide for the direct registration of the Series C with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in the Series C:

a) shall not be entitled to have such Series C registered in their names;

b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series C; and

c) shall not be considered to be owners or holders of the shares of Series C for any purpose under the instruments governing the rights and obligations of holders of shares of Series C.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C" and this Section 12 may be omitted. If the Board of Directors so determines, the

numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Associate General Counsel and Secretary, this 24th day of October, 2018.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CERTIFICATE OF DESIGNATIONS

OF

6.350% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES D

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

In accordance with the resolutions of the Board of Directors of the Corporation (the "**Board of Directors**"), adopted by unanimous written consent dated as of November 19, 2018, the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, a Pricing Committee of the Board of Directors, at a meeting duly called and held on January 22, 2019, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors adopted by unanimous written consent dated as of November 19, 2018, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Pricing Committee hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D" ("**Series D**"). Each share of Series D shall be identical in all respects to every other share of Series D, except that, shares of Series D issued after January 29, 2019 (the "**Original Issue Date**") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series D issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series D shall initially be 300,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all

shares of any other series of Preferred Stock authorized at the time of such increase) or decreased (but not below the number of shares of Series D then outstanding) by the Board of Directors. Shares of Series D that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series D.

Section 3. Definitions. As used herein with respect to Series D:

(a) "**Adjustments**" has the meaning set forth in the definition of "Three-Month LIBOR."

(b) "**Alternative Rate**" has the meaning set forth in the definition of "Three-Month LIBOR."

(c) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(d) "**Bloomberg BBAM1**" has the meaning set forth in the definition of "Three-Month LIBOR."

(e) "**Board of Directors**" has the meaning set forth in the Preamble.

(f) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(g) "**Calculation Agent**" means, at any time, the person or entity (which may be the Corporation or an affiliate of the Corporation) appointed by the Corporation and serving as calculation agent with respect to the Series D at such time (including any successor to such person or entity). The Bank of New York Mellon will be the calculation agent for the Series D as of the Original Issue Date.

(h) "**Certificate of Designations**" means this Certificate of Designations relating to the Series D, as it may be amended or supplemented from time to time.

(i) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(j) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(k) "**Corporation**" has the meaning set forth in the Preamble.

(l) "**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.

(m) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series D in the payment of current dividends, including the Series A, the Series B and the Series C.

(n) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(o) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series D) and continuing to but not including the next succeeding Dividend Payment Date.

(p) "**DTC**" means The Depository Trust Company.

(q) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(r) "**Fixed Rate Period**" means the period commencing on and including the Original Issue Date and continuing to, but excluding, the Dividend Payment Date on April 6, 2024.

(s) "**Floating Rate Period**" means the period commencing on and including the Dividend Payment Date on April 6, 2024 and continuing to, but excluding, the first date, if any, as of which all shares of Series D have been redeemed.

(t) "**IFA**" has the meaning set forth in the definition of "Three-Month LIBOR."

(u) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series D in the payment of dividends or in the distribution of assets on liquidation, dissolution or winding up of the Corporation.

(v) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(w) "**LIBOR Event**" has the meaning set forth in the definition of "Three-Month LIBOR."

(x) "**Liquidation Preference**" has the meaning set forth in Section 5.

(y) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with Series D in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A, the Series B and the Series C.

(z) "**London Banking Day**" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

(aa) "**Nonpayment**" has the meaning set forth in Section 7(b)

(bb) "**Original Issue Date**" has the meaning set forth in Section 1.

(cc) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(dd) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series D, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series D, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series D, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series D then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series D is outstanding.

(ee) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(ff) "**Series B**" means the Corporation's 6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B.

(gg) "**Series C**" means the Corporation's 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C.

(hh) "**Series D**" has the meaning set forth in Section 1.

(ii) "**Stated Amount**" means, in respect of Series D, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid

dividends that may also be included in the liquidation preference with respect to such shares).

(jj) "**Three-Month LIBOR**" means, for each Dividend Determination Date related to the Floating Rate Period, the rate 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) in the London interbank market, as selected by the Corporation, 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) in New York City selected by the Corporation, 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 the Corporation 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 first Dividend Period in the Floating Rate Period, the most recent Three-Month LIBOR that can be determined.

(iii) Notwithstanding clauses (i) and (ii) above, if the Corporation, in its sole discretion, determines that Three-Month LIBOR has been permanently discontinued or is no longer viewed as an acceptable benchmark for securities like the Series D, and the Corporation has notified the Calculation Agent of such determination (a "**LIBOR Event**"), the Calculation Agent will use, as directed by the Corporation, 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 the Corporation, 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 the Corporation determines 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, the Corporation may, in its 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 the Corporation, the Calculation Agent and the holders of Series D. 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 by the Calculation Agent (including, for the avoidance of doubt, at the direction of the Corporation 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.

(kk) "**Transfer Agent**" means the transfer agent with respect to the Series D, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(ll) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series D as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable, including the Series A, the Series B and the Series C. Whether a plurality, majority or other portion of the shares of Series D and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series D shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, non-cumulative cash dividends as follows:

(i) for each Dividend Period during the Fixed Rate Period, at an annual rate of 6.350% of the Stated Amount per share, payable quarterly in arrears on January 6, April 6, July 6 and October 6 of each year, beginning on April 6, 2019 and ending on April 6, 2024; and

(ii) for each Dividend Period during the Floating Rate Period, at an annual rate equal to Three-Month LIBOR for such Dividend Period plus a spread of 3.642% applied to the Stated Amount per share, payable quarterly in arrears on January 6, April 6, July 6 and October 6 of each year, beginning on July 6, 2024.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii), subject to adjustment as provided below, 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series D.

(b) **Business Day Convention**. If a day on or before April 6, 2024 that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series D, 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 Series D). If a day after April 6, 2024 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 shares of Series D, 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.

(c) **Dividend Computation**. The amount of the dividend per share of Series D for each Dividend Period (or portion thereof) in the Fixed Rate Period will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The amount of the dividend per share of Series D for each Dividend Period (or portion thereof) in the Floating Rate Period will be calculated based on the actual number of days in the Dividend Period and a 360-day year.

(d) **Dividends Non-cumulative.** Dividends on shares of Series D shall not be cumulative. Holders of Series D shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series D shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series D as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series D remains outstanding, unless dividends on all outstanding shares of Series D 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (e) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series D, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series D or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series D and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series D and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series D or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of this paragraph the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series D for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series D.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized

committee of the Board of Directors) may be declared and paid on any Common Stock or other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series D shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series D will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series D and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series D and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series D and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series D means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series D and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series D receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series D is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series D (i) in whole or in

part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on April 6, 2024 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series D shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series D are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series D without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series D will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series D will have no right to require redemption of any shares of Series D.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series D shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series D designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series D. Notwithstanding the foregoing, if the shares of Series D or any depositary shares representing interests in the Series D are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series D at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series D to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series D at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series D in proportion to the number of shares of Series D held by such holders or by lot. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full

power and authority to prescribe the terms and conditions on which shares of Series D shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series D and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series D are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series D will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series D, or any other Voting Preferred Stock (as defined below), 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series D 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series D or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series D and any such series of Voting 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 Series D and any other class or series of Voting Preferred Stock, the holders of the Series D and all other holders of Voting 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, the Corporation may take account of any dividend it elects 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 Series D together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series D and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 D 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.

(c) **Other Voting Rights.** So long as any shares of Series D are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the

shares of Series D 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series D 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 Series D 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series D;

(ii) **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 capital stock of the Corporation ranking prior to Series D in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series D or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series D remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series D 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 Series D immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or more but not all series of Voting Preferred Stock (including the Series D for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series D, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series D, the Corporation may amend, alter, supplement or repeal any terms of the Series D:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series D that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series D that is not inconsistent with the provisions of this Certificate of Designations, including, without limitation, to implement the terms of clause (iii) of the definition of "Three-Month LIBOR" following the occurrence of a LIBOR Event.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series D will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series D shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series D to effect such redemption, in each case pursuant to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(c) above if all outstanding shares of Series D are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series D (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series D may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any share of Series D as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series D will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series D will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series D shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series D without certificates. If DTC or its nominee is the registered owner of the Series D, the following provisions of this Section 11 shall apply. If and as long as DTC or its nominee is the registered owner of the Series D, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series D for all purposes under the instruments governing the rights and obligations of holders of shares of Series D. If DTC discontinues providing its services as securities depositary with respect to the shares of Series D, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series D or provide for the direct registration of the Series D with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series D and deliver such certificates to DTC or shall provide for the direct registration of the Series D with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in the Series D:

a) shall not be entitled to have such Series D registered in their names;

b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series D; and

c) shall not be considered to be owners or holders of the shares of Series D for any purpose under the instruments governing the rights and obligations of holders of shares of Series D.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D" and this Section 12 may be omitted. If the Board of Directors so determines, the numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Associate General Counsel and Secretary, this 23rd day of January, 2019.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CERTIFICATE OF DESIGNATIONS

OF

5.000% FIXED-RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES E

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

In accordance with the resolutions of the Board of Directors of the Corporation (the "**Board of Directors**") adopted on October 17, 2019, the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, a Pricing Committee of the Board of Directors, at a meeting duly called and held on October 21, 2019, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors on October 17, 2019, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Pricing Committee hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is "5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E" ("**Series E**"). Each share of Series E shall be identical in all respects to every other share of Series E, except that shares of Series E issued after October 28, 2019 (the "**Original Issue Date**") may only be issued on a Dividend Payment Date and only if they are fungible with the shares of Series E issued on the Original Issue Date for tax purposes, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series E shall initially be 450,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or

decreased (but not below the number of shares of Series E then outstanding) by the Board of Directors. Shares of Series E that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series E.

Section 3. Definitions. As used herein with respect to Series E:

(a) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(b) "**Board of Directors**" has the meaning set forth in the Preamble.

(c) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(d) "**Certificate of Designations**" means this Certificate of Designations relating to the Series E, as it may be amended or supplemented from time to time.

(e) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(f) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(g) "**Corporation**" has the meaning set forth in the Preamble.

(h) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series E in the payment of current dividends, including the Series A, the Series B, the Series C and the Series D.

(i) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(j) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series E) and continuing to but not including the next succeeding Dividend Payment Date.

(k) "**DTC**" means The Depository Trust Company.

(l) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(m) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series E in the payment of

dividends or in the distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(n) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(o) "**Liquidation Preference**" has the meaning set forth in Section 5.

(p) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series E in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A, the Series B, the Series C and the Series D.

(q) "**Nonpayment**" has the meaning set forth in Section 7(b).

(r) "**Original Issue Date**" has the meaning set forth in Section 1.

(s) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(t) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series E, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series E, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series E, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series E then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series E is outstanding.

(u) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(v) "**Series B**" means the Corporation's 6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B.

(w) "**Series C**" means the Corporation's 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C.

(x) "**Series D**" means the Corporation's 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D.

(y) "**Series E**" has the meaning set forth in Section 1.

(z) "**Stated Amount**" means, in respect of Series E, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

(aa) "**Transfer Agent**" means the transfer agent with respect to the Series E, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(bb) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series E as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable, including the Series A, the Series B, the Series C and the Series D. Whether a plurality, majority or other portion of the shares of Series E and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series E shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, non-cumulative cash dividends at an annual rate of 5.000% of the Stated Amount per share, payable quarterly in arrears, on January 6, April 6, July 6 and October 6 of each year, beginning on January 6, 2020.

Each date on which dividends are payable pursuant to the foregoing 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series E.

(b) **Business Day Convention**. If a day that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series E, 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 Series E).

(c) **Dividend Computation**. The amount of the dividend per share of Series E for each Dividend Period (or portion thereof) will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(d) **Dividends Non-cumulative.** Dividends on shares of Series E shall not be cumulative. Holders of Series E shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series E shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series E as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series E remains outstanding, unless dividends on all outstanding shares of Series E 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (e) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series E, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series E or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series E and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series E and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series E or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of this paragraph the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series E for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series E.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized

committee of the Board of Directors) may be declared and paid on any Common Stock or other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series E shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series E will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series E and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series E and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series E and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series E means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series E and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series E receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series E is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series E (i) in whole or in

part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on January 6, 2025 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series E shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series E are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series E without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series E will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series E will have no right to require redemption of any shares of Series E.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series E shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series E designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series E. Notwithstanding the foregoing, if the shares of Series E or any depositary shares representing interests in the Series E are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series E at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series E to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series E at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series E in proportion to the number of shares of Series E held by such holders or by lot. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and

authority to prescribe the terms and conditions on which shares of Series E shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series E and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series E are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series E will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series E, or any other Voting Preferred Stock (as defined below), 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series E 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series E or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series E and any such series of Voting 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 Series E and any other class or series of Voting Preferred Stock, the holders of the Series E and all other holders of Voting 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, the Corporation may take account of any dividend it elects 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 Series E together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series E and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 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.

(c) **Other Voting Rights.** So long as any shares of Series E are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the

shares of Series E 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series E 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 Series E 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series E;

(ii) **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 capital stock of the Corporation ranking prior to Series E in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series E or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series E remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series E 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 Series E immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or more but not all series of Voting Preferred Stock (including the Series E for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series E, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series E, the Corporation may amend, alter, supplement or repeal any terms of the Series E:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series E that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series E that is not inconsistent with the provisions of this Certificate of Designations.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series E will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series E shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series E to effect such redemption, in each case pursuant to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(c) above if all outstanding shares of Series E are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series E (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series E may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any share of Series E as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series E will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate

of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series E will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series E shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series E without certificates. If DTC or its nominee is the registered owner of the Series E, the following provisions of this Section 11 shall apply. If and as long as DTC or its nominee is the registered owner of the Series E, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series E for all purposes under the instruments governing the rights and obligations of holders of shares of Series E. If DTC discontinues providing its services as securities depositary with respect to the shares of Series E, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series E or provide for the direct registration of the Series E with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series E and deliver such certificates to DTC or shall provide for the direct registration of the Series E with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in the Series E:

a) shall not be entitled to have such Series E registered in their names;

b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series E; and

c) shall not be considered to be owners or holders of the shares of Series E for any purpose under the instruments governing the rights and obligations of holders of shares of Series E.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "5.000% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, Series E" and this Section 12 may be omitted. If the Board of Directors so determines, the numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Deputy General Counsel and Secretary, this 22nd day of October, 2019.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CERTIFICATE OF DESIGNATIONS

OF

5.650% FIXED-RATE RESET NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES F

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

In accordance with the resolutions of the Board of Directors of the Corporation (the "**Board of Directors**") adopted by unanimous written consent dated May 25, 2020, the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, a Pricing Committee of the Board of Directors, at a meeting duly called and held on May 28, 2020, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "5.650% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors on May 25, 2020, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Pricing Committee hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is "5.650% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F" ("**Series F**"). Each share of Series F shall be identical in all respects to every other share of Series F, except that shares of Series F issued after June 4, 2020 (the "**Original Issue Date**") may only be issued on a Dividend Payment Date, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series F shall initially be 400,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all shares of any other series of Preferred Stock authorized at the time of such increase) or

decreased (but not below the number of shares of Series F then outstanding) by the Board of Directors. Shares of Series F that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series F.

Section 3. Definitions. As used herein with respect to Series F:

(a) "**Adjustments**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(b) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(c) "**Benchmark Substitution Event**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(d) "**Board of Directors**" has the meaning set forth in the Preamble.

(e) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(f) "**Calculation Agent**" means such bank or other entity as may be appointed by the Corporation to act as calculation agent for Series F during the Dividend Reset Period.

(g) "**Certificate of Designations**" means this Certificate of Designations relating to the Series F, as it may be amended or supplemented from time to time.

(h) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(i) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(j) "**Corporation**" has the meaning set forth in the Preamble.

(k) "**Designee**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(l) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series F in the payment of current dividends, including the Series A, the Series B, the Series C, the Series D and the Series E.

(m) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(n) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series F) and continuing to but not including the next succeeding Dividend Payment Date.

(o) "**Dividend Reset Date**" means the First Dividend Reset Date and each date falling on the fifth anniversary of the preceding Dividend Reset Date. Dividend Reset Dates, including the First Dividend Reset Date, will not be adjusted for Business Days.

(p) "**Dividend Reset Period**" means the period from and including the First Dividend Reset Date to, but excluding, the next following Dividend Reset Date and thereafter each period from and including each Dividend Reset Date to, but excluding, the next following Dividend Reset Date.

(q) "**DTC**" means The Depository Trust Company.

(r) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(s) "**First Dividend Reset Date**" means October 6, 2025.

(t) "**Five-year U.S. Treasury Rate**" means, as of any Reset Dividend Determination Date, as applicable, (i) the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities, for the five Business Days appearing (or, if fewer than five Business Days appear, such number of Business Days appearing) under the caption "Treasury Constant Maturities" in the most recently published H.15 as of 5:00 p.m. (Eastern Time) (the "**Initial Base Rate**") or (ii) if there are no such published yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities, then the rate will be determined by interpolation between the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity for two series of actively traded U.S. treasury securities, (A) one maturing as close as possible to, but earlier than, the dividend reset date following the next succeeding Reset Dividend Determination Date, and (B) the other maturing as close as possible to, but later than, the dividend reset date following the next succeeding Reset Dividend Determination Date, in each case for the five Business Days appearing (or, if fewer than five Business Days appear, such number of Business Days appearing) in the H.15 as of 5:00 p.m. (Eastern Time).

Notwithstanding the foregoing, if the Corporation, in its sole discretion, determines on or prior to the relevant Reset Dividend Determination Date that the Five-year U.S. Treasury Rate cannot be determined in the manner then applicable for such rate (which, as of the date of original issuance of the Series F, is pursuant to the methods described in clauses (i) or (ii) above) (a "**Benchmark Substitution Event**"), the Corporation may, in its sole discretion, designate an unaffiliated agent or advisor, which may include an unaffiliated

underwriter for the offering of the Series F, or any depositary shares representing interests in the Series F, or any affiliate of any such underwriter (the "**Designee**"), to determine whether there is an industry-accepted successor rate to the then-applicable base rate (which, as of the date of original issuance of the Series F, is the Initial Base Rate). If the Designee determines that there is such an industry-accepted successor rate, then the "Five-year U.S. Treasury Rate" shall be such successor rate and, in that case, the Designee may then determine and adjust the Business Day convention, the definition of Business Day and the Reset Dividend Determination Date to be used and any other relevant methodology for determining or otherwise calculating such successor rate, including any adjustment factor needed to make such successor rate comparable to the then-applicable base rate (which, as of the date of original issuance of the Series F, is the Initial Base Rate) in each case, in a manner that is consistent with industry-accepted practices for the use of such successor rate (the "**Adjustments")**. If the Corporation, in its sole discretion, does not designate a Designee or if the Designee determines that there is no industry-accepted successor rate to then-applicable base rate, then the Five-year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date or, if this sentence is applicable with respect to the first Reset Dividend Determination Date, 0.337%.

The Five-year U.S. Treasury Rate will be determined by the Calculation Agent on the Reset Dividend Determination Date.

(u) "**H.15**" means the daily statistical release designated as such, or any successor publication, published by the Board of Governors of the U.S. Federal Reserve System.

(v) "**Initial Base Rate**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(w) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series F in the payment of dividends or in the distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(x) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(y) "**Liquidation Preference**" has the meaning set forth in Section 5.

(z) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series F in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A, the Series B, the Series C, the Series D and the Series E.

(aa) "**Nonpayment**" has the meaning set forth in Section 7(b).

(bb) "**Original Issue Date**" has the meaning set forth in Section 1.

(cc) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(dd) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series F, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series F, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series F, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series F then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series F is outstanding.

(ee) "**Reset Dividend Determination Date**" means, in respect of any Dividend Period during the Dividend Reset Period, the day falling two Business Days prior to the beginning of such Dividend Period.

(ff) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(gg) "**Series B**" means the Corporation's 6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B.

(hh) "**Series C**" means the Corporation's 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C.

(ii) "**Series D**" means the Corporation's 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D.

(jj) "**Series E**" means the Corporation's 5.000% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series E.

(kk) "**Series F**" has the meaning set forth in Section 1.

(ll) "**Stated Amount**" means, in respect of Series F, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the

Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

(mm) "**Transfer Agent**" means the transfer agent with respect to the Series F, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(nn) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series F as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable, including the Series A, the Series B, the Series C, the Series D and the Series E. Whether a plurality, majority or other portion of the shares of Series F and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series F shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, quarterly, in arrears, on January 6, April 6, July 6 and October 6 of each year, beginning on October 6, 2020, non-cumulative cash dividends as follows:

(i) from the date of original issue to, but excluding, the First Dividend Reset Date, at an annual rate of 5.650% of the Stated Amount per share; and

(ii) from and including the First Dividend Reset Date, for each Dividend Reset Period, at an annual rate equal to the Five-year U.S. Treasury Rate as of the most recent Reset Dividend Determination Date, *plus* 5.313%, of the Stated Amount per share.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii) 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series F.

(b) **Business Day Convention**. If a day that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series F, 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 Series F).

(c) **Dividend Computation**. The amount of the dividend per share of Series F for each Dividend Period (or portion thereof) will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(d) **Dividends Non-cumulative.** Dividends on shares of Series F shall not be cumulative. Holders of Series F shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series F shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series F as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Records and Facts Ascertainable**. The applicable dividend rate for each Dividend Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. The Calculation Agent's determination of any dividend rate and its calculation of the amount of dividends for any Dividend Reset Period, and a record maintained by the Corporation of any Benchmark Substitution Event and any Adjustments, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error.

(f) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series F remains outstanding, unless dividends on all outstanding shares of Series F 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (f) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series F, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series F or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series F and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series F and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series F or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of this paragraph the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect

to any Dividend Parity Stock and Dividend Period(s) with respect to the Series F for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series F.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series F shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series F will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series F and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series F and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series F means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series F and all holders of any Liquidation Preference Parity Stock, the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series F receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of

all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series F is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series F (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on October 6, 2025 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series F shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series F are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series F without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series F will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series F will have no right to require redemption of any shares of Series F.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series F shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series F designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F. Notwithstanding the foregoing, if the shares of Series F or any depositary shares representing interests in the Series F are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series F at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series F to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places

where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series F at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series F in proportion to the number of shares of Series F held by such holders, by lot or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the terms and conditions on which shares of Series F shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series F and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series F are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series F will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series F, or any other Voting Preferred Stock (as defined below), 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be

listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series F 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series F or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series F and any such series of Voting 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 Series F and any other class or series of Voting Preferred Stock, the holders of the Series F and all other holders of Voting 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, the Corporation may take account of any dividend it elects 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 Series F together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series F and all Voting Preferred Stock when they have the voting rights described above (voting together as a single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 F 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.

(c) **Other Voting Rights.** So long as any shares of Series F are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the shares of Series F 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series F 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 Series F 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series F;

(ii) **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 capital stock of the Corporation ranking prior to Series F in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series F or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series F remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series F 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 Series F immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or more but not all series of Voting Preferred Stock (including the Series F for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series F, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series F, the Corporation may amend, alter, supplement or repeal any terms of the Series F:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series F that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series F that is not inconsistent with the provisions of this Certificate of Designations, including, without limitation, to reflect any Adjustments following a Benchmark Substitution Event.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series F will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series F shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series F to effect such redemption, in each case pursuant to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(c) above if all outstanding shares of Series F are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series F (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series F may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any share of Series F as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series F will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if the shares of Series F or any depositary shares representing interests in the Series F are issued in book-entry form through DTC or any other similar facility if given to the holders of Series F at such time in any manner permitted by such facility, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series F will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series F shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series F without certificates. If DTC or its nominee is the registered owner of the Series F, the following provisions of this Section 11 shall apply. If and as long as DTC or its nominee is the registered owner of the Series F, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series F for all purposes under the instruments governing the rights and obligations of holders of shares of Series F. If DTC discontinues providing its services as securities depositary with respect to the shares of Series F, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series F or provide for the direct registration of the Series F with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series F and deliver such certificates to DTC or shall provide for the direct registration of the Series F with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in the Series F:

a) shall not be entitled to have such Series F registered in their names;

b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series F; and

c) shall not be considered to be owners or holders of the shares of Series F for any purpose under the instruments governing the rights and obligations of holders of shares of Series F.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "5.650% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F" and this Section 12 may be omitted. If the Board of Directors so determines, the numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Deputy General Counsel and Secretary, this 1st day of June, 2020.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CERTIFICATE OF DESIGNATIONS

OF

4.000% FIXED-RATE RESET NON-CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES G

OF

CITIZENS FINANCIAL GROUP, INC.

Pursuant to Section 151 of the
Delaware General Corporation Law

Citizens Financial Group, Inc., a Delaware corporation (the "**Corporation**"), hereby certifies that:

In accordance with the resolutions of the Board of Directors of the Corporation (the "**Board of Directors**") adopted on April 3, 2020, the provisions of the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation and applicable law, a Pricing Committee of the Board of Directors, by unanimous written consent dated June 3, 2021, adopted the following resolution creating a series of Preferred Stock of the Corporation designated as "4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series G":

"**RESOLVED**, that pursuant to the resolutions of the Board of Directors on April 3, 2020, the Delaware General Corporation Law and the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Corporation, the Pricing Committee hereby establishes a series of Preferred Stock, par value $25.00 per share, of the Corporation and fixes and determines the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices and liquidation preference thereof as follows:

Section 1. Designation. The distinctive serial designation of such series is "4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series G" ("**Series G**"). Each share of Series G shall be identical in all respects to every other share of Series G, except that shares of Series G issued after the first date on which any share of Series G is issued and outstanding (the "**Original Issue Date**") may only be issued on a Dividend Payment Date, and shall accrue dividends from the date they are issued.

Section 2. Number of Authorized Shares. The number of authorized shares of Series G shall initially be 300,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock, less all

shares of any other series of Preferred Stock authorized at the time of such increase) or decreased (but not below the number of shares of Series G then outstanding) by the Board of Directors. Shares of Series G that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series G.

Section 3. Definitions. As used herein with respect to Series G:

(a) "**Adjustments**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(b) "**Appropriate Federal Banking Agency**" means the "appropriate federal banking agency" with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(q)), or any successor provision.

(c) "**Benchmark Substitution Event**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(d) "**Board of Directors**" has the meaning set forth in the Preamble.

(e) "**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

(f) "**Calculation Agent**" means such bank or other entity as may be appointed by the Corporation to act as calculation agent for the Series G from time to time. The Calculation Agent may be the Corporation or any entity affiliated with the Corporation.

(g) "**Certificate of Designations**" means this Certificate of Designations relating to the Series G, as it may be amended or supplemented from time to time.

(h) "**Certificate of Incorporation**" means the amended and restated certificate of incorporation of the Corporation, as it may be amended from time to time, and shall include this Certificate of Designations.

(i) "**Common Stock**" means the common stock, par value $0.01 per share, of the Corporation.

(j) "**Corporation**" has the meaning set forth in the Preamble.

(k) "**Designee**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(l) "**Dividend Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series G in the payment of current dividends,

including the Series A, the Series B, the Series C, the Series D, the Series E and the Series F.

(m) "**Dividend Payment Date**" has the meaning set forth in Section 4(a).

(n) "**Dividend Period**" means each period from and including a Dividend Payment Date (except that the initial Dividend Period shall commence on and include the Original Issue Date of the Series G) and continuing to but not including the next succeeding Dividend Payment Date.

(o) "**Dividend Reset Date**" means the First Dividend Reset Date and each date falling on the fifth anniversary of the preceding Dividend Reset Date. Dividend Reset Dates, including the First Dividend Reset Date, will not be adjusted for Business Days.

(p) "**Dividend Reset Period**" means the period from and including the First Dividend Reset Date to, but excluding, the next following Dividend Reset Date and thereafter each period from and including each Dividend Reset Date to, but excluding, the next following Dividend Reset Date.

(q) "**DTC**" means The Depository Trust Company.

(r) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(s) "**First Dividend Reset Date**" means October 6, 2026.

(t) "**Five-year U.S. Treasury Rate**" means, as of any Reset Dividend Determination Date, as applicable, (i) the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities, for the five Business Days appearing (or, if fewer than five Business Days appear, such number of Business Days appearing) under the caption "Treasury Constant Maturities" in the most recently published H.15 as of 5:00 p.m. (Eastern Time) (the "**Initial Base Rate**") or (ii) if there are no such published yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities, then the rate will be determined by interpolation between the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity for two series of actively traded U.S. treasury securities, (A) one maturing as close as possible to, but earlier than, the Dividend Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturing as close as possible to, but later than, the Dividend Reset Date following the next succeeding Reset Dividend Determination Date, in each case for the five Business Days appearing (or, if fewer than five Business Days appear, such number of Business Days appearing) in the H.15 as of 5:00 p.m. (Eastern Time).

Notwithstanding the foregoing, if the Corporation, in its sole discretion, determines on or prior to the relevant Reset Dividend Determination Date that the Five-year U.S. Treasury Rate cannot be determined in the manner then applicable for such rate (which, as of the

date of original issuance of the Series G, is pursuant to the methods described in clauses (i) or (ii) above) (a "**Benchmark Substitution Event**"), the Corporation may, in its sole discretion, designate an unaffiliated agent or advisor, which may include an unaffiliated underwriter for the offering of the Series G, or any depositary shares representing interests in the Series G, or any affiliate of any such underwriter (the "**Designee**"), to determine whether there is an industry-accepted successor rate to the then-applicable base rate (which, as of the date of original issuance of the Series G, is the Initial Base Rate). If the Designee determines that there is such an industry-accepted successor rate, then the "Five-year U.S. Treasury Rate" shall be such successor rate and, in that case, the Designee may then determine and adjust the Business Day convention, the definition of Business Day and the Reset Dividend Determination Date to be used and any other relevant methodology for determining or otherwise calculating such successor rate, including any adjustment factor needed to make such successor rate comparable to the then-applicable base rate (which, as of the date of original issuance of the Series G, is the Initial Base Rate) in each case, in a manner that is consistent with industry-accepted practices for the use of such successor rate (the "**Adjustments**"). If the Corporation, in its sole discretion, does not designate a Designee or if the Designee determines that there is no industry-accepted successor rate to then-applicable base rate, then the Five-year U.S. Treasury Rate will be the same rate determined for the prior Reset Dividend Determination Date or, if this sentence is applicable with respect to the first Reset Dividend Determination Date, 0.785%.

The Five-year U.S. Treasury Rate will be determined by the Calculation Agent on the Reset Dividend Determination Date.

(u) "**H.15**" means the daily statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System or any successor.

(v) "**Initial Base Rate**" has the meaning set forth in the definition of Five-year U.S. Treasury Rate.

(w) "**Junior Stock**" means any class or series of stock of the Corporation (including the Common Stock) that ranks junior to the Series G in the payment of dividends or in the distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(x) "**Junior Stock Sinking Fund Payment**" has the meaning set forth in Section 4(e).

(y) "**Liquidation Preference**" has the meaning set forth in Section 5.

(z) "**Liquidation Preference Parity Stock**" means any class or series of stock of the Corporation that ranks on a parity with the Series G in the distribution of assets on liquidation, dissolution or winding up of the Corporation, including the Series A, the Series B, the Series C, the Series D, the Series E and the Series F.

(aa) "**Nonpayment**" has the meaning set forth in Section 7(b).

(bb) "**Original Issue Date**" has the meaning set forth in Section 1.

(cc) "**Preferred Stock Directors**" has the meaning set forth in Section 7(b).

(dd) "**Regulatory Capital Treatment Event**" means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Board of Governors of the Federal Reserve System and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series G, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of Series G, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of Series G, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full Stated Amount of $1,000 per share of Series G then outstanding as "*Tier 1 capital*" (or its equivalent) for purposes of the capital adequacy rules of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency) as then in effect and applicable, for so long as any share of Series G is outstanding.

(ee) "**Reset Dividend Determination Date**" means, in respect of any Dividend Reset Period, the day falling two Business Days prior to the beginning of such Dividend Reset Period.

(ff) "**Series A**" means the Corporation's 5.500% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A.

(gg) "**Series B**" means the Corporation's 6.000% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B.

(hh) "**Series C**" means the Corporation's 6.375% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C.

(ii) "**Series D**" means the Corporation's 6.350% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D.

(jj) "**Series E**" means the Corporation's 5.000% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series E.

(kk) "**Series F**" means the Corporation's 5.650% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series F.

(ll) "**Series G**" has the meaning set forth in Section 1.

(mm) "**Stated Amount**" means, in respect of Series G, $1,000 per share, and, in respect of any other series of capital stock, the stated amount per share specified in the Certificate of Incorporation or applicable certificate of designations (including, in the case of any series that does not use the words "stated amount," the specified amount of any preference upon liquidation, dissolution or winding up, without regard to any unpaid dividends that may also be included in the liquidation preference with respect to such shares).

(nn) "**Transfer Agent**" means the transfer agent with respect to the Series G, which shall be Computershare Trust Company, N.A. as of the Original Issue Date, and its successor, including any successor transfer agent appointed by the Corporation.

(oo) "**Voting Preferred Stock**" means any other class or series of preferred stock of the Corporation ranking equally with the Series G as to dividends (whether cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation and upon which like voting rights have been conferred and are exercisable, including the Series A, the Series B, the Series C, the Series D, the Series E and Series F. Whether a plurality, majority or other portion of the shares of Series G and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the Stated Amounts of the shares voted.

Section 4. Dividends.

(a) **Rate.** Holders of Series G shall be entitled to receive, when, as and if declared by the Board of Directors (or a duly authorized committee of the Board of Directors), but only out of funds legally available therefor, quarterly, in arrears, on January 6, April 6, July 6 and October 6 of each year, beginning on October 6, 2021, non-cumulative cash dividends as follows:

(i) from the date of original issue to, but excluding, the First Dividend Reset Date, at an annual rate of 4.000% of the Stated Amount per share; and

(ii) from and including the First Dividend Reset Date, for each Dividend Reset Period, at an annual rate equal to the Five-year U.S. Treasury Rate as of the most recent Reset Dividend Determination Date, *plus* 3.215%, of the Stated Amount per share.

Each date on which dividends are payable pursuant to the foregoing clauses (i) and (ii) 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 the Board of Directors (or a duly authorized committee of the Board of Directors) in advance

of payment of each particular dividend. The Corporation shall not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series G.

(b) **Business Day Convention**. If a day that would otherwise be a Dividend Payment Date is not a Business Day, then such date will nevertheless be a Dividend Payment Date but dividends on the shares of Series G, 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 Series G).

(c) **Dividend Computation**. The amount of the dividend per share of Series G for each Dividend Period (or portion thereof) will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

(d) **Dividends Non-cumulative.** Dividends on shares of Series G shall not be cumulative. Holders of Series G shall not be entitled to receive any dividends not declared by the Board of Directors (or a duly authorized committee of the Board of Directors) and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend not so declared. Holders of the Series G shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on the Series G as specified in this Section 4 (subject to the other provisions of this Certificate of Designations).

(e) **Records and Facts Ascertainable**. The applicable dividend rate for each Dividend Reset Period will be determined by the Calculation Agent, as of the applicable Reset Dividend Determination Date. The Calculation Agent's determination of any dividend rate and its calculation of the amount of dividends for any Dividend Period during a Dividend Reset Period, and a record maintained by the Corporation of any Benchmark Substitution Event and any Adjustments, will be maintained on file at the Corporation's principal offices and will be available to any stockholder upon request and will be final and binding in the absence of manifest error. For the avoidance of doubt, any determination by the Corporation or a Designee pursuant to the second paragraph of the definition of Five-year Treasury Rate (including, without limitation, with respect to any Benchmark Substitution Event or any Adjustments) shall not be subject to the vote or consent of the holders of the Series G.

(f) **Priority of Dividends and Redemption and Repurchase of Junior Stock.** So long as any share of Series G remains outstanding, unless dividends on all outstanding shares of Series G 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, (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 the Corporation, directly or indirectly, other than:

(i) 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 other Junior Stock or 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;

(ii) 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;

(iii) repurchases, redemptions or other acquisitions of shares of Junior Stock in connection with (x) 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 (y) a dividend reinvestment or stockholder stock purchase plan;

(iv) 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

(v) 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 ranks equal or junior to that stock or is other junior stock.

This subsection (f) shall not restrict the ability of the Corporation or any affiliate of the Corporation to engage in any market-making transactions or purchases in connection with the distribution of securities in the ordinary course of business.

If the Board of Directors (or a duly authorized committee of the Board of Directors) elects to declare only partial instead of full dividends for a dividend payment date and related dividend period (which terms include, in the case of Series G, the Dividend Payment Dates and Dividend Periods provided for herein) on the shares of Series G or any Dividend Parity Stock, then, to the extent permitted by the terms of the Series G and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series G and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period, in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, "**full dividends**" means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past

dividend periods. To the extent a dividend period with respect to the Series G or any series of Dividend Parity Stock (in either case, the "**first series**") coincides with more than one dividend period with respect to another series as applicable (in either case, a "**second series**"), then, for purposes of this paragraph the Board of Directors (or a duly authorized committee of the Board of Directors) may, to the extent permitted by the terms of each affected series, treat such dividend period for the first series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the second series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and Dividend Period(s) with respect to the Series G for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series G.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors (or a duly authorized committee of the Board of Directors) may be declared and paid on any Common Stock or other Junior Stock from time to time out of any funds legally available therefor, and the shares of Series G shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) **Voluntary or Involuntary Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, holders of Series G will be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders an amount equal to the Stated Amount per share, together with an amount equal to all dividends (if any) that have been declared but not paid prior to the date of payment (but without regard to any undeclared dividends) (the "**Liquidation Preference**").

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series G and all holders of any Liquidation Preference Parity Stock, the amounts paid to the holders of Series G and to the holders of all Liquidation Preference Parity Stock shall be *pro rata* in accordance with the respective aggregate Liquidation Preferences of Series G and all such Liquidation Preference Parity Stock. In any such distribution, the "**Liquidation Preference**" of any holder of stock of the Corporation other than the Series G means the amount otherwise payable to such holder in such distribution (assuming no limitation on the assets of the Corporation available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a non-cumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable.

(c) **Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series G and all holders of any Liquidation Preference Parity Stock,

the holders of Junior Stock will be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the merger, consolidation or other business combination of the Corporation with or into any other corporation, including a transaction in which the holders of Series G receive cash or property for their shares, or the sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 6. Redemption.

(a) **Optional Redemption.** The Series G is perpetual and has no maturity date. The Corporation may, at its option, redeem the shares of Series G (i) in whole or in part, from time to time, on any Dividend Payment Date on or after the Dividend Payment Date on October 6, 2026 or (ii) in whole but not in part at any time within 90 days following a Regulatory Capital Treatment Event, 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 redemption price for any shares of Series G shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent, if the shares of Series G are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the record date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the Dividend Payment Date as provided in Section 4 above. Notwithstanding the foregoing, the Corporation may not redeem shares of Series G without having received the prior approval of the Appropriate Federal Banking Agency if then required under capital rules applicable to the Corporation.

(b) **No Sinking Fund.** The Series G will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Series G will have no right to require redemption of any shares of Series G.

(c) **Notice of Redemption.** Notice of every redemption of shares of Series G shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series G designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series G. Notwithstanding the foregoing, if the shares of Series G or any depositary shares

representing interests in the Series G are issued in book-entry form through DTC or any other similar facility, notice of redemption may be given to the holders of Series G at such time and in any manner permitted by such facility. Each such notice given to a holder shall state: (1) the redemption date; (2) the number of shares of Series G to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on such shares will cease to accrue on the redemption date.

(d) **Partial Redemption.** In case of any redemption of only part of the shares of Series G at the time outstanding, the shares to be redeemed shall be selected either *pro rata* from the holders of record of Series G in proportion to the number of shares of Series G held by such holders, by lot or in such other manner as the Corporation may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors (or a duly authorized committee of the Board of Directors) shall have full power and authority to prescribe the terms and conditions on which shares of Series G shall be redeemed from time to time. If the Corporation shall have issued certificates for the Series G and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

(e) **Effectiveness of Redemption.** If notice of redemption has been duly given, and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series G are issued in certificated form, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with the Corporation's other funds, and thereafter the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

Section 7. Voting Rights.

(a) **General.** The holders of Series G will have no voting rights except as set forth below or as otherwise from to time required by law.

(b) **Right to Elect Two Directors on Nonpayment of Dividends.** Whenever dividends on any shares of the Series G, or any other Voting 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, will be entitled to vote for the election of a total of two additional members of the Board of Directors (the "**Preferred Stock Directors**"), *provided* that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and *provided further* that the Board Of Directors shall at no time include more than two Preferred Stock Directors. In that event, the number of directors on the 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 Series G 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. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment shall be made by written notice, signed by the requisite holders of Series G or other Voting Preferred Stock, and delivered to the Secretary of the Corporation in such manner as provided for in Section 9 below, or as may otherwise be required by law. These voting rights will continue until dividends on the shares of the Series G and any such series of Voting 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 Series G and any other class or series of Voting Preferred Stock, the holders of the Series G and all other holders of Voting 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, the Corporation may take account of any dividend it elects 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 Series G together with all series of Voting Preferred Stock then outstanding (voting together as a single class) to the extent such holders have the voting rights described above. 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 Series G and all Voting Preferred Stock when they have the voting rights described above (voting together as a

single class); *provided* that the filling of any such vacancy shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which the Corporation's 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 G 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.

(c) **Other Voting Rights.** So long as any shares of Series G are outstanding, in addition to any other vote or consent of stockholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two thirds of the shares of Series G 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:

(i) **Amendment of Certificate of Incorporation, Amended and Restated Bylaws or Certificate of Designations.** Any amendment, alteration or repeal of any provision of the Certificate of Incorporation, the Amended and Restated Bylaws, or this Certificate of Designations that would alter or change the voting powers, preferences or special rights of the Series G 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 Series G 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 Corporation shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series G;

(ii) **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 capital stock of the Corporation ranking prior to Series G in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) **Share Exchanges, Reclassifications, Mergers and Consolidations and Other Transactions.** Any consummation of (x) a binding share exchange or reclassification involving the Series G or (y) a merger or consolidation of the Corporation with another entity (whether or not a corporation), unless in each case (A) the shares of Series G remain outstanding or,

in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, the shares of Series G 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 Series G immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described in (i) through (iii) above would adversely affect one or more but not all series of Voting Preferred Stock (including the Series G for this purpose), 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.

(d) **Changes Permitted without Consent.** Without the consent of the holders of the Series G, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series G, the Corporation may amend, alter, supplement or repeal any terms of the Series G:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations for the Series G that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series G that is not inconsistent with the provisions of this Certificate of Designations, including, without limitation, to reflect any Adjustments following a Benchmark Substitution Event.

(e) **Changes after Provision for Redemption.** No vote or consent of the holders of Series G will be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Sections, all outstanding shares of Series G shall have been redeemed, or shall have been called for redemption on proper notice and sufficient funds shall have been set aside for the benefit of the holders of the Series G to effect such redemption, in each case pursuant to Section 6 above, unless in the case of a vote or consent required pursuant to clause (ii) of Section 7(c) above if all outstanding shares of Series G are being redeemed with the proceeds from the sale of the stock to be authorized.

(f) **Procedures for Voting and Consents**. The rules and procedures for calling and conducting any meeting of the holders of Series G (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of

proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors (or a duly authorized committee of the Board of Directors), in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Certificate of Incorporation, the Amended and Restated Bylaws, applicable law and any national securities exchange or other trading facility on which the Series G may be listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the record holder of any share of Series G as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of the Series G will be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if the shares of Series G or any depositary shares representing interests in the Series G are issued in book-entry form through DTC or any other similar facility if given to the holders of Series G at such time in any manner permitted by such facility, or if given in such other manner as may be permitted in this Certificate of Designations, in the Certificate of Incorporation or Amended and Restated Bylaws or by applicable law.

Section 10. Other Rights. The shares of Series G will not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Certificate of Incorporation of the Corporation. The holders of Series G shall not have any preemptive rights or conversion rights.

Section 11. Certificates. The Corporation may at its option issue shares of Series G without certificates. If DTC or its nominee is the registered owner of the Series G, the following provisions of this Section 11 shall apply. If and as long as DTC or its nominee is the registered owner of the Series G, DTC or its nominee, as the case may be, shall be considered the sole owner and holder of all shares of Series G for all purposes under the instruments governing the rights and obligations of holders of shares of Series G. If DTC discontinues providing its services as securities depositary with respect to the shares of Series G, or if DTC ceases to be registered as a clearing agency under the Exchange Act, in the event that a successor securities depositary is not obtained within 90 days, the Corporation shall either print and deliver certificates for the shares of Series G or provide for the direct registration of the Series G with the Transfer Agent. If the Corporation decides to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depositary), the Corporation shall print certificates for the shares of Series G and deliver such certificates to DTC or shall provide for the direct registration of the Series G with the Transfer Agent. Except in the limited circumstances referred to above, owners of beneficial interests in the Series G:

a) shall not be entitled to have such Series G registered in their names;

b) shall not receive or be entitled to receive physical delivery of securities certificates in exchange for beneficial interests in the Series G; and

c) shall not be considered to be owners or holders of the shares of Series G for any purpose under the instruments governing the rights and obligations of holders of shares of Series G.

Section 12. Restatement of Certificate. On any restatement of the Certificate of Incorporation of the Corporation, Section 1 through Section 11 of this Certificate of Designations shall be included in the Certificate of Incorporation under the heading "4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series G" and this Section 12 may be omitted. If the Board of Directors so determines, the numbering of Section 1 through Section 11 may be changed for convenience of reference or for any other proper purpose."

In witness whereof, the Corporation has caused this Certificate to be signed by Robin S. Elkowitz, its Executive Vice President, Deputy General Counsel and Secretary, this 8th day of June, 2021.

CITIZENS FINANCIAL GROUP, INC.

By:	/s/ Robin S. Elkowitz
Name:	Robin S. Elkowitz
Title:	Executive Vice President, Deputy General Counsel and Secretary

CITIZENS FINANCIAL GROUP, INC.
NON-EMPLOYEE DIRECTORS COMPENSATION POLICY

Amended and Effective as of April 22, 2021

The Board of Directors (the "**Board**") of Citizens Financial Group, Inc. (the "**Company**") has approved this director compensation policy (this "**Policy**"), which establishes compensation to be paid to each Non-Employee Director (as defined in the Citizens Financial Group, Inc. 2014 Non-Employee Directors Compensation Plan (the "**Plan**")), as an inducement to obtain and retain the services of persons qualified to serve as members of the Board. Capitalized terms used but not defined in this Policy will have the meanings set forth in the Plan.

This Policy is subject to annual review by the Compensation and Human Resources Committee of the Board (the "**Committee**") to confirm continued alignment between the compensation of the Company's Non-Employee Directors, the Company's business and its shareholders' interests, and to ensure that the Company's director compensation program is competitive with those of its peers. During the course of its review, the Committee may consider the annual retainer, lead director and committee chair retainers, meeting fees and other benefits offered to Non-Employee Directors and payable under this Policy. The Committee may amend, revise, suspend, discontinue or terminate this Policy at any time.

The elements of compensation for the Company's Non-Employee Directors below are expressed as annual amounts.

Cash Retainers

Board Retainer ……..	$100,000
Lead Director Retainer …….....	$40,000
Audit Committee Chair Retainer …….....	$35,000
Risk Committee Chair Retainer…….…….……..	$30,000
Compensation and Human Resources Chair Retainer …….……..	$25,000
Nominating and Governance Chair Retainer…….……..……..	$20,000
Audit Committee Member Retainer (including Chair)..…….….....	$10,000

The cash retainers are payable quarterly in advance, with the first quarterly payment to occur as soon as practicable following the annual general meeting of stockholders (each such date, a "**Payment Date**").

Equity Retainer

On the date of each annual general meeting of stockholders of the Company, each Non-Employee Director who at such meeting is elected to serve on the Board or whose term is scheduled to continue at least through the date of the next such meeting of stockholders will receive an annual award of restricted stock units ("**RSUs**") pursuant to and subject to the Plan (and any applicable award agreement thereunder). The number of shares of Company common stock, par value $0.01 per share ("**Common Stock**") covered by the annual RSU award will be determined by dividing $130,000 by the closing price of a share of Common Stock on the grant date. Each annual award will vest 100% on the earlier to occur of the first anniversary of the grant date or the Company's next scheduled annual general meeting of stockholders, subject to the terms and conditions of the Plan and applicable award agreement thereunder.

Any Non-Employee Director who commences service on the Board on a date other than the date of the Company's annual general meeting of stockholders will receive on such start date a pro-rated annual award, with the number of shares of Common Stock covered by such award determined by dividing (i) the product of $130,000 and a fraction, the numerator of which is 365 minus the number of days that have elapsed between the date of such meeting and such start date, and the denominator of which is 365, by (ii) the closing price of a share of Common Stock on such start date.

Other Director Benefits

- *Charitable Matching Gift Program*. The Company will match each Non-Employee Director's contributions to qualifying charities up to an aggregate limit of $5,000 per year.

- *Expenses Relating to Board Service*. The Company will reimburse each Non-Employee Director for reasonable expenses incurred by such Non-Employee Director in connection with his or her Board service, including travel, lodging and meals, subject to the Company's requirements for reporting and documentation of such expenses.

Deferred Compensation Plan

Non-Employee Directors are eligible to participate in the Deferred Compensation Plan for Directors of Citizens Financial Group, Inc., with such terms and conditions as are in effect from time to time.

Stock Ownership Guidelines

Non-Employee Directors are subject to stock ownership guidelines requiring ownership of a number of shares with a value equal to five times their annual cash retainer.

ADDENDUM TO
AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This ADDENDUM TO the AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (this "Addendum") is made as of June 25, 2021 by and between Citizens Financial Group, Inc., together with its subsidiaries and any and all successor entities (the "Company") and Bruce Van Saun ("Executive").

This Addendum shall modify the herein specified provisions of Executive's Amended and Restated Executive Employment Agreement dated May 5, 2016 (the "Current Agreement"), which in turn modified the Executive Employment Agreement, dated October 1, 2013 and letter from Elaine Arden to Executive dated November 6, 2013 (collectively, the "Original Agreement").

The primary purpose of this Addendum is to formalize the intent of the Company and the Executive to continue the existing employment relationship beyond the May 5, 2023 expiry date (the "Current Expiry Date") found in the Current Agreement and, unless otherwise specified herein, allow for all terms and conditions of the Current Agreement to automatically extend beyond the Current Expiry Date in an evergreen fashion. Additionally, in order to ensure a smooth and orderly transition at such time following the Current Expiry Date as Executive or the Company may deem a change sensible, Executive and the Company wish to put in place a reciprocal 6-month notice obligation.

As such, it is hereby agreed by and between the undersigned that effective as of the Current Expiry Date:

1. The language found in Section 1(a) of the Current Agreement pertaining to the Initial Term, any renewal thereof, and/or any other language found in Section 1(a) or elsewhere in the Current Agreement relating to a date-certain expiration will automatically become null and void and the Current Agreement shall be evergreen subject to the provisions of Sections 1(b) through 1(h) of the Current Agreement.

2. The language found in Section 1(d) of the Current Agreement shall be amended to provide Executive with a right to 6 months' notice in the event that the Company chooses to terminate Executive's employment without Cause at some point following the Current Expiry Date.

3. The language found in Section 1(e) of the Current Agreement pertaining to Executive's obligation to provide 6-months' notice in the event Executive chooses to terminate the employment relationship without Good Reason shall remain in effect.

Executive and the Company understand and acknowledge 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, and both Executive and the Company retain the right to terminate Executive's employment at any time, for any reason or no reason, subject to the provisions of Sections 1(b) through (h) of the Current Agreement.

AGREED BY AND BETWEEN:

/s/ Bruce Van Saun
BRUCE VAN SAUN

/s/ Susan LaMonica
CITIZENS FINANCIAL GROUP, INC.
By: Susan LaMonica, Chief Human Resources Officer

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 Quarterly Report on Form 10-Q 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: August 3, 2021

/s/ Bruce Van Saun
Bruce Van Saun
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John F. Woods, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 3, 2021

/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 Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Form 10-Q”) 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2021

/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 Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Form 10-Q”) 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2021

/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.