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
September 30, 2023

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

For the Transition Period From
(Not Applicable)
Commission File Number 001-36636

Citizens Financial Group, Inc.™

(Exact name of the registrant as specified in its charter)

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

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

(203) 900-6715
(Registrant's telephone number, including area code)

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

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

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 466,222,967 shares of the registrant's common stock ($0.01 par value) outstanding on October 26, 2023.

Citizens Financial Group, Inc.™

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GLOSSARY OF ACRONYMS AND TERMS

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

2022 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2022
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)
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
CBNA	Citizens Bank, National Association
CCAR	Comprehensive Capital Analysis and Review
CCB	Capital Conservation Buffer
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
CLTV	Combined Loan-to-Value
COVID	Coronavirus Disease
EPS	Earnings Per Share
EVE	Economic Value of Equity
Exchange Act	The Securities Exchange Act of 1934, as amended
Fannie Mae (FNMA)	Federal National Mortgage Association
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
FDM	Financially Distressed Modification
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
FTP	Funds Transfer Pricing
GAAP	Accounting Principles Generally Accepted in the United States of America
GDP	Gross Domestic Product
Ginnie Mae (GNMA)	Government National Mortgage Association
GSE	Government Sponsored Entity
HSBC	HSBC Bank U.S.A., N.A.
HSBC transaction	Acquisition of HSBC East Coast branches and national online deposit business
HTM	Held To Maturity
Investors	Investors Bancorp, Inc. and its subsidiaries
JMP	JMP Group LLC

LHFS	Loans Held for Sale
LIBOR	London Interbank Offered Rate
LIHTC	Low Income Housing Tax Credit
M&A	Merger and Acquisition
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
Mid-Atlantic	District of Columbia, Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia, and West Virginia
Midwest	Illinois, Indiana, Michigan, and Ohio
Modified AACL transition	The Day-1 CECL adoption entry booked to ACL plus 25% of subsequent CECL ACL reserve build
Modified CECL transition	The Day-1 CECL adoption entry booked to retained earnings plus 25% of subsequent CECL ACL reserve build
MSRs	Mortgage Servicing Rights
New England	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
NMTC	New Markets Tax Credit
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)
PCD	Purchased Credit Deteriorated
PPP	The U.S. Small Business Administration’s 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
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
TOP	Tapping Our Potential
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 Entity

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. 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, business and political conditions, including as a result of the interest rate environment, supply chain disruptions, inflationary pressures and labor shortages, that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits;
- The general state of the economy and employment, as well as general business and economic conditions, and changes in the competitive environment;
- Our capital and liquidity requirements under regulatory standards and our ability to generate capital and liquidity on favorable terms;
- The effect of changes in our credit ratings on our cost of funding, access to capital markets, ability to market our securities, and overall liquidity position;
- The effect of changes in the level of commercial and consumer deposits on our funding costs and net interest margin;
- Our ability to implement our business strategy, including the cost savings and efficiency components, and achieve our financial performance goals, including the anticipated benefits of the Investors acquisition and HSBC transaction;
- The effects of geopolitical instability, including the wars in Ukraine and Israel, on economic and market conditions, inflationary pressures and the interest rate environment, commodity price and foreign exchange rate volatility, and heightened cybersecurity risks;
- Our ability to meet heightened supervisory requirements and expectations;
- Liabilities and business restrictions resulting from litigation and regulatory investigations;
- 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;
- Financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses;
- Environmental risks, such as physical or transitional risks associated with climate change, and social and governance risks, that could adversely affect our reputation, operations, business, and customers;
- 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; 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, capital impacts of strategic initiatives, market conditions, and regulatory 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.

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 I, Item 1A of our 2022 Form 10-K.

INTRODUCTION

Citizens Financial Group, Inc. is one of the nation’s oldest and largest financial institutions, with $225.3 billion in assets as of September 30, 2023. Headquartered in Providence, Rhode Island, we offer a broad range of retail and commercial banking products and services to individuals, small businesses, middle-market companies, large corporations and institutions. We help our customers reach their potential by listening to them and by understanding their needs in order to offer tailored advice, ideas and solutions. In Consumer Banking, we provide an integrated experience that includes mobile and online banking, a full-service customer contact center and the convenience of approximately 3,300 ATMs and more than 1,100 branches in 14 states and the District of Columbia. Consumer Banking products and services include a full range of banking, lending, savings, wealth management and small business offerings. In Commercial Banking, we offer a broad complement of financial products and solutions, including lending and leasing, deposit and treasury management services, foreign exchange, interest rate and commodity risk management solutions, as well as loan syndication, corporate finance, merger and acquisition, and debt and equity capital markets capabilities. More information is available at www.citizensbank.com.

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 Consolidated Financial Statements in Part I, Item 1, as well as other information contained in this document and our 2022 Form 10-K.

Non-GAAP Financial Measures

This document contains non-GAAP financial measures denoted as “Underlying” results and “including AOCI impact.” 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 in any given reporting period reflect our on-going financial performance in that period and, accordingly, are useful to consider in addition to our GAAP financial results. We further believe the presentation of Underlying results increases comparability of period-to-period 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.” Where there is a reference to these metrics in that paragraph, all measures that follow are on the same basis when applicable. For more information on the computation of non-GAAP financial measures, see “Non-GAAP Financial Measures and Reconciliations.”

FINANCIAL PERFORMANCE

Key Highlights

Net income decreased $206 million and $1 million for the three and nine months ended September 30, 2023, respectively, with earnings per diluted common share down $0.38 to $0.85 and down $0.06 to $2.78 compared to the same periods in 2022.

Results reflect notable items of $18 million or $0.04 per diluted common share, net of tax benefit, for the three months ended September 30, 2023, compared to $33 million or $0.07 per diluted common share, net of tax benefit, for the same period in 2022. For the nine months ended September 30, 2023, notable items were $120 million or $0.25 per diluted common share, net of tax benefit, as compared to $320 million or $0.68 per diluted common share, net of tax benefit, for the same period in 2022.

Table 1: Notable Items

	Three Months Ended September 30, 2023				
		Less: notable items			
(dollars in millions)	Reported results (GAAP)	Integration related costs(1)	TOP and other(2)	Provision	Underlying results (non-GAAP)
Noninterest expense	$1,293	$8	$14	$—	$1,271
Income tax expense	119	(2)	(2)	—	123

	Three Months Ended September 30, 2022				
		Less: notable items			
(dollars in millions)	Reported results (GAAP)	Integration related costs(1)	TOP and other(2)	Provision	Underlying results (non-GAAP)
Provision for credit losses	$123	$—	$—	$—	$123
Noninterest income	512	—	—	—	512
Noninterest expense	1,241	37	9	—	1,195
Income tax expense	177	(11)	(2)	—	190

	Nine Months Ended September 30, 2023				
		Less: notable items			
(dollars in millions)	Reported results (GAAP)	Integration related costs(1)	TOP and other(2)	Provision	Underlying results (non-GAAP)
Noninterest expense	$3,895	$99	$62	$—	$3,734
Income tax expense	406	(26)	(15)	—	447

	Nine Months Ended September 30, 2022				
		Less: notable items			
(dollars in millions)	Reported results (GAAP)	Integration related costs(1)	TOP and other(2)	Provision(3)	Underlying results (non-GAAP)
Provision for credit losses	$342	$—	$—	$169	$173
Noninterest income	1,504	(31)	—	—	1,535
Noninterest expense	3,652	178	41	—	3,433
Income tax expense	407	(49)	(7)	(43)	506

(1) Includes integration related costs associated with acquisitions for the three and nine months ended September 30, 2023 and 2022, and mark-to-market losses on loans acquired from Investors classified as LHFS for the nine months ended September 30, 2022.
(2) Includes our TOP transformational and revenue and efficiency initiatives for the three and nine months ended September 30, 2023 and 2022, and income tax impacts related to legacy tax matters for the nine months ended September 30, 2022.
(3) Includes the initial provision for credit losses tied to the HSBC transaction and Investors acquisition. As required by purchase accounting, a fair value mark for performing loans including both credit and interest rate components is recorded in addition to the provision for credit losses expense, thus the credit exposure has been “double counted”.

- Net income available to common stockholders decreased $211 million and $7 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022.
    - On an Underlying basis, which excludes notable items, net income available to common stockholders of $418 million and $1.5 billion for the three and nine months ended September 30, 2023, respectively, compared with $644 million and $1.7 billion for the same periods in 2022.
    - On an Underlying basis, earnings per diluted common share of $0.89 and $3.03 for the three and nine months ended September 30, 2023, respectively, compared to $1.30 and $3.52 for the same periods in 2022.
- Total revenue decreased $163 million and increased $415 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month decline was driven by a decrease of 9% in net interest income. The nine-month increase was driven by an increase of 10% in net interest income, including the impacts of the HSBC transaction and Investors acquisition.
- The efficiency ratio of 64.2% and 62.5% for the three and nine months ended September 30, 2023, respectively, compared to 57.0% and 62.7% for the same periods in 2022.
    - On an Underlying basis, the efficiency ratio of 63.1% and 59.9% for the three and nine months ended September 30, 2023, respectively, compared to 54.9% and 58.7% for the same periods in 2022.
- ROTCE of 12.0% and 12.9% for the three and nine months ended September 30, 2023, respectively, compared to 17.0% and 12.5% for the same periods in 2022.
    - On an Underlying basis, ROTCE of 12.5% and 14.1% for the three and nine months ended September 30, 2023, respectively, compared to 17.9% and 15.5% for the same periods in 2022.
- Tangible book value per common share of $27.73 decreased 1% from December 31, 2022.

For additional information regarding our financial performance, see “Results of Operations” included in this report.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is our largest source of revenue and is the difference between the interest earned on interest-earning assets (generally loans, leases and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (generally deposits and borrowed funds). The level of net interest income is primarily a function of the difference between the effective yield on our average interest-earning assets and the effective cost of our interest-bearing liabilities. These factors are influenced by the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as economic conditions, competition for loans and deposits, the monetary policy of the FRB and market interest rates. For further discussion, refer to the "Market Risk" and "Risk Governance" sections of our 2022 Form 10-K.

Table 2: Major Components of Net Interest Income

	Three Months Ended September 30,							
	2023			2022			Change	
(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	$8,005	$111	5.42 %	$5,203	$36	2.78 %	$2,802	264 bps
Taxable investment securities	39,271	290	2.95	38,507	243	2.50	764	45
Non-taxable investment securities	2	—	2.68	3	—	1.88	(1)	80
Total investment securities	39,273	290	2.95	38,510	243	2.50	763	45
Commercial and industrial	47,658	750	6.17	52,130	544	4.08	(4,472)	209
Commercial real estate	29,353	467	6.23	28,388	311	4.29	965	194
Leases	1,250	12	3.56	1,529	13	3.35	(279)	21
Total commercial	78,261	1,229	6.15	82,047	868	4.14	(3,786)	201
Residential mortgages	30,838	267	3.46	29,327	240	3.27	1,511	19
Home equity	14,589	286	7.77	13,400	156	4.62	1,189	315
Automobile	9,849	103	4.16	13,540	128	3.74	(3,691)	42
Education	12,147	156	5.11	13,081	144	4.37	(934)	74
Other retail	5,107	125	9.67	5,484	121	8.71	(377)	96
Total retail	72,530	937	5.14	74,832	789	4.19	(2,302)	95
Total loans and leases	150,791	2,166	5.66	156,879	1,657	4.17	(6,088)	149
Loans held for sale, at fair value	1,204	20	6.72	1,600	18	4.37	(396)	235
Other loans held for sale	321	8	9.01	1,385	15	4.36	(1,064)	465
Interest-earning assets	199,594	2,595	5.13	203,577	1,969	3.82	(3,983)	131
Noninterest-earning assets	20,568			21,896			(1,328)	
Total assets	$220,162			$225,473			($5,311)	
Liabilities and Stockholders' Equity								
Checking with interest	$33,545	$126	1.49 %	$38,297	$45	0.46 %	($4,752)	103
Money market	52,057	415	3.17	47,374	77	0.64	4,683	253
Savings	29,516	123	1.65	28,741	28	0.38	775	127
Term	21,604	234	4.29	9,913	26	1.10	11,691	319
Total interest-bearing deposits	136,722	898	2.60	124,325	176	0.56	12,397	204
Short-term borrowed funds	506	8	6.21	2,043	11	2.09	(1,537)	412
Long-term borrowed funds	13,202	167	5.02	15,847	117	2.91	(2,645)	211
Total borrowed funds	13,708	175	5.07	17,890	128	2.81	(4,182)	226
Total interest-bearing liabilities	150,430	1,073	2.83	142,215	304	0.85	8,215	198
Demand deposits	39,728			53,293			(13,565)	
Other noninterest-bearing liabilities	6,813			5,705			1,108	
Total liabilities	196,971			201,213			(4,242)	
Stockholders' equity	23,191			24,260			(1,069)	
Total liabilities and stockholders' equity	$220,162			$225,473			($5,311)	
Interest rate spread			2.30 %			2.97 %		(67)
Net interest income and net interest margin		$1,522	3.03 %		$1,665	3.24 %		(21)
Net interest income and net interest margin, FTE[(1)]		$1,526	3.03 %		$1,668	3.25 %		(22)
Memo: Total deposits (interest-bearing and demand)	$176,450	$898	2.02 %	$177,618	$176	0.39 %	($1,168)	163 bps

(dollars in millions)	Nine Months Ended September 30, 2023 Average Balances	2023 Income/ Expense	2023 Yields/ Rates	2022 Average Balances	2022 Income/ Expense	2022 Yields/ Rates	Change Average Balances	Change Yields/ Rates (bps)
Assets:								
Interest-bearing cash and due from banks and deposits in banks	$7,232	$280	5.10 %	$5,952	$53	1.19 %	$1,280	391 bps
Taxable investment securities	38,742	823	2.83	34,584	582	2.24	4,158	59
Non-taxable investment securities	2	—	2.68	3	—	2.31	(1)	37
Total investment securities	38,744	823	2.83	34,587	582	2.24	4,157	59
Commercial and industrial	49,791	2,250	5.96	49,224	1,290	3.45	567	251
Commercial real estate	29,122	1,328	6.01	23,401	644	3.63	5,721	238
Leases	1,345	36	3.52	1,555	34	2.92	(210)	60
Total commercial	80,258	3,614	5.94	74,180	1,968	3.50	6,078	244
Residential mortgages	30,496	776	3.39	27,113	630	3.10	3,383	29
Home equity	14,336	790	7.37	12,783	351	3.67	1,553	370
Automobile	10,920	335	4.11	14,078	382	3.63	(3,158)	48
Education	12,455	465	5.00	13,086	412	4.21	(631)	79
Other retail	5,184	365	9.41	5,490	332	8.08	(306)	133
Total retail	73,391	2,731	4.97	72,550	2,107	3.88	841	109
Total loans and leases	153,649	6,345	5.48	146,730	4,075	3.69	6,919	179
Loans held for sale, at fair value	1,199	55	6.10	1,965	51	3.46	(766)	264
Other loans held for sale	380	25	8.57	1,401	47	4.44	(1,021)	413
Interest-earning assets	201,204	7,528	4.96	190,635	4,808	3.35	10,569	161
Noninterest-earning assets	20,535			21,087			(552)	
Total assets	$221,739			$211,722			$10,017	
Liabilities and Stockholders' Equity:								
Checking with interest	$34,693	$333	1.28 %	$35,849	$65	0.24 %	($1,156)	104
Money market	50,562	1,050	2.78	47,797	112	0.31	2,765	247
Savings	29,539	310	1.40	26,763	42	0.21	2,776	119
Term	17,240	478	3.70	7,303	36	0.67	9,937	303
Total interest-bearing deposits	132,034	2,171	2.20	117,712	255	0.29	14,322	191
Short-term borrowed funds	831	36	5.71	2,030	21	1.37	(1,199)	434
Long-term borrowed funds	15,909	568	4.74	10,748	215	2.65	5,161	209
Total borrowed funds	16,740	604	4.79	12,778	236	2.45	3,962	234
Total interest-bearing liabilities	148,774	2,775	2.49	130,490	491	0.50	18,284	199
Demand deposits	42,657			52,058			(9,401)	
Other noninterest-bearing liabilities	6,573			5,285			1,288	
Total liabilities	198,004			187,833			10,171	
Stockholders' equity	23,735			23,889			(154)	
Total liabilities and stockholders' equity	$221,739			$211,722			$10,017	
Interest rate spread			2.47 %			2.85 %		(38)
Net interest income and net interest margin		$4,753	3.16 %		$4,317	3.03 %		13
Net interest income and net interest margin, FTE[1]		$4,766	3.17 %		$4,324	3.03 %		14
Memo: Total deposits (interest-bearing and demand)	$174,691	$2,171	1.66 %	$169,770	$255	0.20 %	$4,921	146 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.

Net interest income decreased $143 million, or 9%, and increased $436 million, or 10%, for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month period reflects lower net interest margin as interest-bearing deposit costs outpaced interest-earning asset yields and a decline of 2% in average interest-earning assets. The nine-month period reflects higher net interest margin and growth of 6% in average interest-earning assets, including the impacts of the HSBC transaction and Investors acquisition.

Net interest margin on a FTE basis decreased 22 basis points and increased 14 basis points for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month decline reflects higher funding costs driven by rising deposit betas and continued migration of our deposit base to higher-yielding products, partially offset by higher interest-earning asset yields and Non-Core portfolio runoff. The nine-month increase reflects higher interest-earning asset growth and associated yields, partially offset by increased funding costs.

Average interest-earning assets decreased $4.0 billion, or 2%, and increased $10.6 billion, or 6%, for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month period decline is primarily attributable to a decrease in loans and leases driven by balance sheet optimization actions in commercial and planned Non-Core portfolio runoff in retail. The increase in the nine-month period is primarily attributable to growth in loans and leases reflecting the impacts of the HSBC transaction and Investors acquisition, and growth in investments.

Average deposits decreased $1.2 billion, or 1%, and increased $4.9 billion, or 3%, for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The decrease in the three-month period reflects modest rate-related outflows, while the increase in the nine-month period is primarily attributable to the impacts of the HSBC transaction and Investors acquisition.

Average total borrowed funds decreased $4.2 billion and increased $4.0 billion for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month period decline was driven by a decrease in FHLB advances, partially offset by an increase in secured borrowings collateralized by auto loans. The increase in the nine-month period was driven primarily by an increase in FHLB advances.

Noninterest Income

Table 3: Noninterest Income

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in millions)	2023	2022	Change	Percent	2023	2022	Change	Percent
Service charges and fees	$105	$109	($4)	(4%)	$306	$315	($9)	(3%)
Capital markets fees	67	89	(22)	(25)	232	270	(38)	(14)
Card fees	74	71	3	4	226	202	24	12
Mortgage banking fees	69	66	3	5	185	207	(22)	(11)
Trust and investment services fees	63	61	2	3	191	188	3	2
Foreign exchange and derivative products	48	42	6	14	140	153	(13)	(8)
Letter of credit and loan fees	43	40	3	8	126	118	8	7
Securities gains, net	5	—	5	100	19	5	14	NM
Other income[(1)]	18	34	(16)	(47)	58	46	12	26
Noninterest income	$492	$512	($20)	(4%)	$1,483	$1,504	($21)	(1%)

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

The primary drivers for the change in noninterest income for the three and nine months ended September 30, 2023, compared to the same periods in 2022, are highlighted below.

- The decline in capital markets fees during the three-month period reflects lower M&A advisory and underwriting fees, partially offset by higher loan syndication fees, while the decline during the nine-month period reflects lower loan syndication and underwriting fees, partially offset by higher M&A advisory fees.
- Card fees increased given higher transaction volumes.
- Mortgage banking fees were relatively stable for the three-month period, but declined during the nine-month period driven by lower production volume and a decline in MSR valuation, partially offset by improved gain-on-sale margins.
- The increase in foreign exchange and derivative products revenue during the three-month period reflects increased client activity in interest rate products and commodities, while the decline during the nine-month period is attributable to lower client hedging activity.
- Other income increased during the nine-month period driven by $31 million of mark-to-market losses on loans acquired from Investors recognized in the second quarter of 2022.

Noninterest Expense

Table 4: Noninterest Expense

(dollars in millions)	Three Months Ended September 30, 2023	2022	Change	Percent	Nine Months Ended September 30, 2023	2022	Change	Percent
Salaries and employee benefits	$659	$639	$20	3%	$1,932	$1,916	$16	1%
Outside services	160	172	(12)	(7)	513	530	(17)	(3)
Equipment and software	191	159	32	20	541	478	63	13
Occupancy	107	106	1	1	367	300	67	22
Other operating expense	176	165	11	7	542	428	114	27
Noninterest expense	$1,293	$1,241	$52	4%	$3,895	$3,652	$243	7%

Noninterest expense increased for the for the three and nine months ended September 30, 2023, compared to the same periods in 2022, driven by salaries and employee benefits reflecting the Private Bank start-up investment, equipment and software driven by software maintenance and amortization costs, and other operating expense associated with the FDIC deposit insurance surcharge. The increase during the nine-month period was also attributable to acquisition and integration-related costs, occupancy, advertising, and fraud losses.

Provision for Credit Losses

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

Credit provision expense of $172 million and $516 million for the three and nine months ended September 30, 2023, respectively, compared to $123 million and $342 million for the same periods in 2022. The provision expense for the three and nine months ended September 30, 2023 reflects higher reserves against the Commercial Real Estate Office portfolio given return to office dynamics and rising interest rates. Provision expense for the three and nine months ended September 30, 2022 reflects reduced reserve requirements as COVID concerns subsided and, for the nine-month period, partially offset by the provision associated with the Investors acquisition.

Income Tax Expense

Income tax expense of $119 million and $406 million decreased $58 million and $1 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven primarily by lower pre-tax income. The effective income tax rate of 21.5% and 22.2% for the same periods decreased from 21.8% and 22.3%, respectively, compared to the same periods in 2022, primarily driven by additional tax expense incurred in 2022 related to acquisitions, partially offset by the adoption of the proportional amortization method for qualified investments in tax credit structures in 2023 and increased non-deductible FDIC premium expense. Provision for income taxes is calculated by applying the estimated annual effective tax rate to year-to-date pre-tax income, adjusting for discrete items that occurred during the period.

Business Operating Segments

We have three business operating segments: Consumer Banking, Commercial Banking, and Non-Core. During the third quarter of 2023, our indirect auto and certain purchased consumer loan portfolios were transferred from Consumer Banking into a new Non-Core segment to reflect the manner in which management is currently assessing performance and allocating resources. This new segment structure aligns with our recently announced balance sheet optimization strategy to discontinue the origination of certain non-strategic lending portfolios. Prior period results have been revised to conform to the new segment presentation.

For more information regarding our business operating segments see Note 17.

The following tables present 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 17 for additional information.

Table 5: Selected Financial Data for Business Operating Segments

	Three Months Ended September 30,					
	Consumer Banking		Commercial Banking		Non-Core	
(dollars in millions)	2023	2022	2023	2022	2023	2022
Net interest income	$1,067	$989	$560	$558	($41)	$70
Noninterest income	278	270	180	213	—	—
Total revenue	1,345	1,259	740	771	(41)	70
Noninterest expense	905	828	325	325	30	36
Profit (loss) before credit losses	440	431	415	446	(71)	34
Net charge-offs	67	47	67	12	20	14
Income (loss) before income tax expense (benefit)	373	384	348	434	(91)	20
Income tax expense (benefit)	97	98	88	100	(24)	4
Net income (loss)	$276	$286	$260	$334	($67)	$16
Average Balances:						
Total assets	$72,964	$71,631	$74,997	$80,067	$13,113	$17,929
Total loans and leases[(1)]	66,641	65,513	71,898	75,767	13,010	17,859
Deposits	117,979	117,448	47,221	51,095	—	—
Interest-earning assets	67,273	66,263	72,275	76,025	13,010	17,859

	Nine Months Ended September 30,					
	Consumer Banking		Commercial Banking		Non-Core	
(dollars in millions)	2023	2022	2023	2022	2023	2022
Net interest income	$3,101	$2,635	$1,741	$1,508	($84)	$359
Noninterest income	802	807	588	647	—	—
Total revenue	3,903	3,442	2,329	2,155	(84)	359
Noninterest expense	2,637	2,424	971	905	95	105
Profit (loss) before credit losses	1,266	1,018	1,358	1,250	(179)	254
Net charge-offs	198	117	185	34	54	33
Income (loss) before income tax expense (benefit)	1,068	901	1,173	1,216	(233)	221
Income tax expense (benefit)	278	230	289	270	(61)	56
Net income (loss)	$790	$671	$884	$946	($172)	$165
Average Balances:						
Total assets	$72,477	$66,793	$77,130	$73,344	$14,409	$18,582
Total loans and leases[(1)]	66,171	61,480	73,961	69,381	14,332	18,508
Deposits	116,477	113,578	47,221	49,087	—	—
Interest-earning assets	66,823	62,262	74,350	69,651	14,332	18,508

(1) Includes LHFS.

Consumer Banking

Net interest income increased $78 million and $466 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven by higher net interest margin reflecting higher interest-earning asset yields given higher market interest rates, partially offset by higher funding costs. Growth in average interest-earning assets, including the impacts of the HSBC transaction and Investors acquisition, was also a driver during the nine-month period.

Noninterest income increased $8 million and decreased $5 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The three-month period increase was driven by mortgage banking fees reflecting higher MSR valuation and card fees given higher transaction volumes, partially offset by service charges and fees given the elimination of non-sufficient funds fees. The nine-month period decline was driven by mortgage banking fees reflecting lower production volume and a decline in MSR valuation, and service charges and fees given the elimination of non-sufficient funds fees, partially offset by card fees given higher transaction volumes.

Noninterest expense increased $77 million and $213 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven by salaries and benefits reflecting the Private Bank start-up investment, equipment and software driven by software maintenance and amortization costs, and other operating expense associated with advertising, fraud losses, and the FDIC deposit insurance surcharge. The increase during the nine-month period was also attributable to acquisition-related costs.

Net charge-offs increased $20 million and $81 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven by other retail and education as credit losses continue to gradually normalize off pandemic-era lows.

Commercial Banking

Net interest income increased $2 million and $233 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven by higher net interest margin reflecting higher interest-earning asset yields given higher market interest rates, partially offset by higher funding costs. Growth in average interest-earning assets, including the impact of the Investors acquisition, was also a driver during the nine-month period.

Noninterest income decreased $33 million and $59 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The nine-month period decline was driven by capital markets fees reflecting lower loan syndication and underwriting fees, partially offset by higher M&A advisory fees, and foreign exchange and derivative products revenue reflecting lower client hedging activity. The decline in the nine-month period was partially offset by service charges and fees reflecting the benefit of acquisitions and improvement in Treasury Solutions fees and card fees given higher transaction volumes.

Noninterest expense remained stable and increased $66 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increase in the nine-month period was driven primarily by salaries and employee benefits, equipment and software driven by software maintenance and amortization costs, other operating expense associated with the FDIC deposit insurance surcharge, and acquisition-related costs.

Net charge-offs increased $55 million and $151 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, reflecting an increased net charge-off level in the Commercial Real Estate Office portfolio given return to office dynamics and rising interest rates, and the normalization of credit losses off pandemic-era lows.

Non-Core

Net interest income decreased $111 million and $443 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The decline for both periods was driven by the highest-cost implied marginal funding sources during 2023, including secured borrowings collateralized by auto loans, FHLB advances and, to the extent necessary to fully fund the Non-Core segment, brokered certificates of deposit.

Net charge-offs increased $6 million and $21 million for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, driven by auto as credit losses continue to gradually normalize off pandemic-era lows.

ANALYSIS OF FINANCIAL CONDITION

Securities

Table 6: Amortized Cost and Fair Value of Securities

(dollars in millions)	September 30, 2023 Amortized Cost[1]	September 30, 2023 Fair Value	December 31, 2022 Amortized Cost	December 31, 2022 Fair Value
U.S. Treasury and other	$4,025	$3,774	$3,678	$3,486
State and political subdivisions	2	2	2	2
Mortgage-backed securities:				
Federal agencies and U.S. government sponsored entities	23,101	20,257	21,250	19,062
Other/non-agency	279	247	280	251
Total mortgage-backed securities	23,380	20,504	21,530	19,313
Collateralized loan obligations	797	789	1,248	1,206
Total debt securities available for sale	$28,204	$25,069	$26,458	$24,007
Mortgage-backed securities:				
Federal agencies and U.S. government sponsored entities	$8,810	$7,569	$9,253	$8,506
Total mortgage-backed securities	8,810	7,569	9,253	8,506
Asset-backed securities	510	485	581	536
Total debt securities held to maturity	$9,320	$8,054	$9,834	$9,042
Total debt securities available for sale and held to maturity	$37,524	$33,123	$36,292	$33,049
Equity securities (at cost)[2]	$995	$995	$1,058	$1,058
Equity securities (at fair value)[2]	163	163	153	153

(1) Excludes portfolio level basis adjustments of $17 million for securities designated in active fair value hedge relationships. The basis adjustments represent a reduction to the amortized cost of the securities being hedged.
(2) Included in other assets in the Consolidated Balance Sheets.

The primary objective of the securities portfolio is to provide a ready source of liquidity. The portfolio primarily includes high-quality, highly-liquid investments reflecting our ongoing commitment to maintain strong contingent liquidity levels and pledging capacity.

As of September 30, 2023, U.S. Treasuries and mortgage-backed securities issued by GNMA and GSEs represent 95% of the fair value of our debt securities portfolio, with approximately $26.7 billion of unencumbered high-quality liquid securities serving as potential collateral for borrowings from the FHLB, FRB discount window, the Fixed Income Clearing Corporation bilateral repurchase agreement market, and the Bank Term Funding Program. Under the Bank Term Funding Program, securities are pledged at par value instead of fair value.

For further discussion of the use of our securities as liquidity collateral see the “Liquidity Risk Management and Governance” section in this document. For further discussion of liquidity requirements, see “Regulation and Supervision — Liquidity Requirements” in our 2022 Form 10-K.

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. As of September 30, 2023, the portfolio’s average effective duration was 5.2 years compared with 5.8 years as of December 31, 2022.

Loans and Leases

Table 7: Composition of Loans and Leases, Excluding LHFS

(dollars in millions)	September 30, 2023	December 31, 2022	Change	Percent
Commercial and industrial	$46,753	$51,836	($5,083)	(10)%
Commercial real estate	29,486	28,865	621	2
Leases	1,218	1,479	(261)	(18)
Total commercial	77,457	82,180	(4,723)	(6)
Residential mortgages	30,983	29,921	1,062	4
Home equity	14,729	14,043	686	5
Automobile	9,290	12,292	(3,002)	(24)
Education	12,134	12,808	(674)	(5)
Other retail	5,153	5,418	(265)	(5)
Total retail	72,289	74,482	(2,193)	(3)
Total loans and leases	$149,746	$156,662	($6,916)	(4)%

The decrease in total loans and leases as of September 30, 2023 compared to December 31, 2022 reflects a $4.7 billion decrease in commercial due to loans sold as part of balance sheet optimization actions and reduced line utilization by commercial clients given the economic environment and higher rates. Retail declined $2.2 billion, given planned Non-Core portfolio runoff in auto, education and other retail, partially offset by growth in mortgage and home equity.

Credit Quality

The ACL is a reserve to absorb estimated future credit losses in accordance with GAAP. For additional information regarding the ACL, see “Critical Accounting Estimates — Allowance for Credit Losses” and Note 4 of this report, and “Critical Accounting Estimates — Allowance for Credit Losses” and Note 6 in our 2022 Form 10-K.

The ACL as of September 30, 2023 compared to December 31, 2022 reflects a reserve increase of $78 million. For further information see Note 4.

Table 8: ACL and Related Coverage Ratios by Portfolio

	September 30, 2023			December 31, 2022		
(dollars in millions)	Loans and Leases	Allowance	Coverage	Loans and Leases	Allowance	Coverage
Allowance for Loan and Lease Losses						
Commercial and industrial	$46,753	$598	1.28 %	$51,836	$581	1.12 %
Commercial real estate	29,486	609	2.06	28,865	456	1.58
Leases	1,218	26	2.14	1,479	23	1.59
Total commercial	77,457	1,233	1.59	82,180	1,060	1.29
Residential mortgages	30,983	181	0.59	29,921	207	0.69
Home equity	14,729	107	0.72	14,043	89	0.63
Automobile	9,290	56	0.60	12,292	131	1.07
Education	12,134	261	2.15	12,808	268	2.09
Other retail	5,153	242	4.69	5,418	228	4.21
Total retail	72,289	847	1.17	74,482	923	1.24
Total loans and leases	$149,746	$2,080	1.39 %	$156,662	$1,983	1.27 %
Allowance for Unfunded Lending Commitments						
Commercial[1]		$192	1.84 %		$207	1.54 %
Retail[2]		46	1.23		50	1.31
Total allowance for unfunded lending commitments		238			257	
Allowance for credit losses	$149,746	$2,318	1.55 %	$156,662	$2,240	1.43 %

[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.

Table 9: Nonaccrual Loans and Leases

(dollars in millions)	September 30, 2023	December 31, 2022	Change	Percent
Commercial and industrial	$242	$249	($7)	(3%)
Commercial real estate	470	103	367	356
Leases	3	—	3	—
Total commercial	715	352	363	103
Residential mortgages	190	234	(44)	(19)
Home equity	268	241	27	11
Automobile	62	56	6	11
Education	23	33	(10)	(30)
Other retail	38	28	10	36
Total retail	581	592	(11)	(2)
Nonaccrual loans and leases	$1,296	$944	$352	37%
Nonaccrual loans and leases to total loans and leases	0.87%	0.60%	27 bps	
Allowance for loan and lease losses to nonaccrual loans and leases	160%	210%	(50%)	
Allowance for credit losses to nonaccrual loans and leases	179%	237%	(58%)	

Table 10: Ratio of Net Charge-Offs to Average Loans and Leases

	Three Months Ended September 30,					
	2023			2022		
(dollars in millions)	Net Charge-Offs	Average Balance	Ratio	Net Charge-Offs	Average Balance	Ratio
Commercial and industrial	$22	$47,658	0.18 %	$14	$52,130	0.11 %
Commercial real estate	48	29,353	0.65	1	28,388	0.01
Leases	—	1,250	—	—	1,529	(0.11)
Total commercial	70	78,261	0.35	15	82,047	0.07
Residential mortgages	(1)	30,838	(0.02)	—	29,327	0.01
Home equity	(3)	14,589	(0.08)	(6)	13,400	(0.17)
Automobile	15	9,849	0.60	11	13,540	0.31
Education	22	12,147	0.72	13	13,081	0.38
Other retail	50	5,107	3.95	41	5,484	3.02
Total retail	83	72,530	0.46	59	74,832	0.32
Total loans and leases	$153	$150,791	0.40 %	$74	$156,879	0.19 %

	Nine Months Ended September 30,					
	2023			2022		
(dollars in millions)	Net Charge-Offs	Average Balance	Ratio	Net Charge-Offs	Average Balance	Ratio
Commercial and industrial	$89	$49,791	0.24 %	$35	$49,224	0.10 %
Commercial real estate	113	29,122	0.52	1	23,401	—
Leases	(4)	1,345	(0.37)	—	1,555	(0.02)
Total commercial	198	80,258	0.33	36	74,180	0.07
Residential mortgages	—	30,496	—	(1)	27,113	—
Home equity	(9)	14,336	(0.08)	(24)	12,783	(0.25)
Automobile	38	10,920	0.47	23	14,078	0.22
Education	62	12,455	0.66	40	13,086	0.40
Other retail	149	5,184	3.87	108	5,490	2.63
Total retail	240	73,391	0.44	146	72,550	0.27
Total loans and leases	$438	$153,649	0.38 %	$182	$146,730	0.17 %

For the three and nine months ended September 30, 2023, the net charge-off ratio increased 21 basis points compared to the same periods in 2022. Net charge-offs increased $79 million and $256 million, respectively, compared to the same periods.

For the three months ended September 30, 2023, the increase in net charge-offs reflects a $24 million increase in retail, primarily education and other retail, and a $55 million increase in commercial driven by Commercial Real Estate Office. For the nine months ended September 30, 2023, the increase in net charge-offs reflects a $94 million increase in retail, primarily other retail and education, and a $162 million increase in commercial, with increases in commercial real estate and commercial and industrial. The increase in commercial real estate was driven by Commercial Real Estate Office while the commercial and industrial increase reflects company-specific idiosyncratic charge-offs. Retail is increasing from pandemic lows as expected.

Commercial Loan Asset Quality

Our commercial portfolio consists of traditional commercial and industrial loans, commercial leases, and commercial real estate loans. As discussed in our 2022 Form 10-K, we utilize regulatory classification ratings to monitor credit quality for commercial loans and leases.

Total commercial criticized balances of $9.0 billion at September 30, 2023 increased $3.4 billion compared with December 31, 2022.

Commercial and industrial criticized balances of $3.8 billion at September 30, 2023, increased from $3.1 billion at December 31, 2022, primarily driven by the impact of rising interest rates and certain sector-specific labor challenges in the Arts, Entertainment and Recreation sector, as well as the trade sectors.

Commercial real estate criticized balances of $5.1 billion increased from $2.4 billion at December 31, 2022, primarily driven by the combined impacts of interest rates and return-to-office dynamics on the Office sector and the impacts of interest rates on the Multi-family sector. Approximately 98% of commercial real estate loans remain current on payments.

For more information on the distribution of commercial loans by vintage date and regulatory classification rating, see Note 4.

Table 11: Commercial Loans and Leases

(dollars in millions)	September 30, 2023 Balance	September 30, 2023 % of Total Loans and Leases	December 31, 2022 Balance	December 31, 2022 % of Total Loans and Leases
Industry Sector				
Finance and insurance				
Capital call facilities	$6,900	4 %	$6,753	4 %
Other finance and insurance	5,948	4	5,310	3
Other manufacturing	3,810	2	4,474	3
Technology	3,593	2	4,367	3
Accommodation and food services	2,975	2	3,572	2
Health, pharma, and social assistance	2,685	2	3,056	2
Professional, scientific, and technical services	2,507	2	3,067	2
Wholesale trade	2,540	2	2,955	2
Retail trade	2,533	2	2,391	2
Other services	2,388	1	2,713	2
Energy and related	2,055	1	2,299	1
Rental and leasing	1,119	1	1,542	1
Consumer products manufacturing	976	1	1,511	1
Administrative and waste management	1,516	1	1,710	1
Arts, entertainment, and recreation	1,578	1	1,587	1
Automotive	996	1	1,316	1
Other[1]	2,634	2	3,091	2
Total commercial and industrial	46,753	31	51,715	33
Property type				
Multi-family	9,043	6	8,696	6
Office	6,098	4	6,253	4
Retail	3,489	2	3,208	2
Industrial	3,800	3	3,344	2
Co-op	1,815	1	1,824	1
Data center	961	1	870	1
Hospitality	639	—	638	—
Other[1]	3,641	3	4,032	2
Total commercial real estate	29,486	20	28,865	18
Total leases	1,218	1	1,479	1
Total commercial[2]	$77,457	52 %	$82,059	52 %

[1] Includes deferred fees and costs.
[2] Excludes PPP loans of $121 million as of December 31, 2022.

Retail Loan Asset Quality

We utilize credit scores provided by FICO, which are generally refreshed on a quarterly basis, and payment and delinquency status, among other data points, to monitor credit quality for retail loans. FICO credit scores represent current and historical national industry-wide consumer level credit performance data, which management believes are the strongest indicator of potential credit losses over the contractual life of the loan and a good predictor of a borrower’s future payment performance.

Table 12: Retail Loan Portfolio Analysis

	September 30, 2023					December 31, 2022				
		Days Past Due and Accruing					Days Past Due and Accruing			
	Current	30-59	60-89	90+	Nonaccrual	Current	30-59	60-89	90+	Nonaccrual
Residential mortgages[1]	98.17 %	0.36 %	0.16 %	0.70 %	0.61 %	97.68 %	0.32 %	0.15 %	1.07 %	0.78 %
Home equity	97.43	0.56	0.19	—	1.82	97.68	0.46	0.14	—	1.72
Automobile	97.21	1.58	0.54	—	0.67	97.93	1.24	0.37	—	0.46
Education	99.19	0.39	0.21	0.02	0.19	99.30	0.28	0.13	0.03	0.26
Other retail	97.30	0.95	0.60	0.41	0.74	97.71	0.81	0.55	0.41	0.52
Total retail	98.01 %	0.60 %	0.26 %	0.33 %	0.80 %	98.02 %	0.52 %	0.21 %	0.46 %	0.79 %

[1] 90+ days past due and accruing includes $216 million and $316 million of loans fully or partially guaranteed by the FHA, VA, and USDA at September 30, 2023 and December 31, 2022, respectively.

Table 13: Retail Asset Quality Metrics

	September 30, 2023	December 31, 2022
Average refreshed FICO for total portfolio	772	770
CLTV ratio for secured real estate[1]	51 %	50 %

[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.

For more information on the aging of accruing and nonaccrual retail loans, and the distribution of retail loans by vintage date and FICO score, see Note 4.

Deposits

Table 14: Composition of Deposits

(dollars in millions)	September 30, 2023	% of Total Deposits	December 31, 2022	% of Total Deposits
Demand	$38,561	22%	$49,283	27%
Money market	53,517	30	49,905	28
Checking with interest	33,355	19	39,721	22
Savings	29,139	16	29,805	16
Term	23,625	13	12,010	7
Total deposits	$178,197	100%	$180,724	100%

Total deposits as of September 30, 2023 decreased compared to December 31, 2022, driven by rate-related outflows. In addition, as rates rose another 25 basis points in the third quarter of 2023, we saw continued migration of lower cost deposits to higher-yielding products, with non-interest bearing deposits now representing approximately 22% of our total deposits.

Table 15: Insured/Secured Deposits

(dollars in millions)	September 30, 2023
Total deposits	$178,197
Estimated uninsured deposits[1]	77,278
Less: Uninsured affiliate deposits eliminated in consolidation	15,596
Less: Secured deposits[1]	8,476
CFG adjusted estimated uninsured, excluding secured deposits	53,206
Total estimated insured/secured deposits	$124,991
Insured/secured deposits to total deposits	70%

[1] As reported on CBNA's September 30, 2023 Call Report.

Estimated CFG insured/secured deposits totaled $125.0 billion, comprised of $116.5 billion of insured deposits and $8.5 billion of collateralized preferred deposits from states and municipalities, making up 70% of our consolidated deposit base of $178.2 billion as of September 30, 2023.

Borrowed Funds

Total borrowed funds of $17.6 billion as of September 30, 2023 increased $1.7 billion compared to December 31, 2022, primarily driven by the issuance of secured borrowings collateralized by auto loans, partially offset by a decline in FHLB advances. For more information regarding our borrowed funds, see “Liquidity” and Note 8.

CAPITAL AND REGULATORY MATTERS

We are subject to regulation and supervision by the FRB as a bank and financial holding company. Our banking subsidiary, CBNA, is a national banking association primarily regulated by the OCC. Our regulation and supervision continues to evolve as the legal and regulatory frameworks governing our operations continue to change.

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 2022 Form 10-K.

The FRB regularly supervises and evaluates our capital adequacy and capital planning processes, including the submission of an annual capital plan approved by our Board of Directors or one of its committees. Under the FRB’s capital requirements we must maintain capital ratios above the sum of the regulatory minimum and SCB requirement to avoid restrictions on capital distributions and discretionary bonus payments. The FRB utilizes the supervisory stress test to determine our SCB, which is re-calibrated with each biennial supervisory stress test and updated annually to reflect our planned common stock dividends. As an institution subject to Category IV standards, we are subject to biennial supervisory stress testing in even-numbered years. However, the FRB required us to participate in the 2023 CCAR supervisory stress test to incorporate the effects of the Investors acquisition. Our SCB associated with the 2022 supervisory stress test was 3.4%, effective through September 30, 2023, and our SCB associated with the 2023 supervisory stress test is 4.0%, effective October 1, 2023 through September 30, 2024.

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

For more information on our capital adequacy process, see the “Regulation and Supervision”, “Capital and Regulatory Matters” and “Tailoring of Prudential Requirements” sections in our 2022 Form 10-K, and “Recent Regulatory Developments — Proposed Regulatory Capital Revisions” below.

Regulatory Capital Ratios and Capital Composition

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 CBNA.

For additional discussion of the U.S. Basel III capital framework and its related application, see "Regulation and Supervision" in our 2022 Form 10-K and "Recent Regulatory Developments — Proposed Regulatory Capital Revisions" below. The table below presents the regulatory capital ratios for CFG and CBNA under the U.S. Basel III Standardized rules:

Table 16: Regulatory Capital Ratios Under the U.S. Basel III Standardized Rules

	September 30, 2023		December 31, 2022		
(dollars in millions)	Amount	Ratio	Amount	Ratio	Required Minimum Capital Ratio[1]
CET1 capital					
CFG	$18,360	10.4 %	$18,574	10.0 %	7.9 %
CBNA	19,490	11.1	20,669	11.2	7.0
Tier 1 capital					
CFG	20,374	11.5	20,588	11.1	9.4
CBNA	19,490	11.1	20,669	11.2	8.5
Total capital					
CFG	23,682	13.4	23,755	12.8	11.4
CBNA	22,535	12.8	23,534	12.7	10.5
Tier 1 leverage					
CFG	20,374	9.4	20,588	9.3	4.0
CBNA	19,490	9.1	20,669	9.4	4.0
Risk-weighted assets					
CFG	176,407		185,224		
CBNA	175,865		184,781		
Quarterly adjusted average assets[2]					
CFG	215,877		220,779		
CBNA	215,241		220,182		

[1] Represents minimum requirement under the current capital framework plus the SCB of 3.4% and CCB of 2.5% for CFG and CBNA, respectively. The SCB and CCB are not applicable to the Tier 1 leverage ratio.
[2] Represents total average assets less certain amounts deducted from Tier 1 capital.

At September 30, 2023, CFG's CET1 and tier 1 capital ratios increased compared to December 31, 2022. Net income and a $8.8 billion decrease in RWA, primarily driven by lower commercial and auto loans, was partially offset by common share repurchases, dividends and a decrease in the modified CECL transition amount as we entered the second year of the CECL three-year transition period.

At September 30, 2023, CBNA's CET1 and tier 1 capital ratios decreased slightly compared to December 31, 2022. Dividend payments to the Parent Company and a decrease in the modified CECL transition amount as we entered the second year of the CECL three-year transition period, was partially offset by net income and a $8.9 billion decrease in RWA, primarily driven by lower commercial and auto loans.

At September 30, 2023, CFG's and CBNA's total capital ratios increased driven by their respective changes in CET1 and tier 1 capital described above and a reduction in the modified AACL transition amount.

At September 30, 2023, CFG's tier 1 leverage ratio increased whereas CBNA's tier 1 leverage ratio decreased compared to December 31, 2022. CFG and CBNA's tier 1 leverage ratios reflect a decline in quarterly adjusted average assets and their respective changes in tier 1 capital described above.

Table 17: Capital Composition Under the U.S. Basel III Capital Framework

(dollars in millions)	September 30, 2023	December 31, 2022
Total common stockholders' equity	$20,864	$21,676
Exclusions:		
Modified CECL transitional amount	192	288
Net unrealized (gains)/losses recorded in accumulated other comprehensive income (loss), net of tax:		
Debt securities	3,198	2,771
Derivatives	1,681	1,416
Unamortized net periodic benefit costs	364	373
Deductions:		
Goodwill, net of deferred tax liability	(7,793)	(7,780)
Other intangible assets, net of deferred tax liability	(143)	(170)
Deferred tax assets that arise from tax loss and credit carryforwards	(3)	—
Total common equity tier 1 capital	18,360	18,574
Qualifying preferred stock	2,014	2,014
Total tier 1 capital	20,374	20,588
Qualifying subordinated debt[1]	1,388	1,427
Allowance for credit losses	2,318	2,240
Exclusions from tier 2 capital:		
Modified AACL transitional amount	(249)	(374)
Allowance on PCD assets	(149)	(126)
Adjusted allowance for credit losses	1,920	1,740
Total capital	$23,682	$23,755

[1] As of September 30, 2023 and December 31, 2022, the amount of non-qualifying subordinated debt excluded from regulatory capital was $411 million and $367 million, respectively. See Note 8 for more details on our outstanding subordinated debt.

Capital Transactions

We completed the following capital transactions during the nine months ended September 30, 2023:

- Repurchased $906 million of our outstanding common stock;
- Declared quarterly common stock dividends of $0.42 per share, aggregating to $609 million; and
- Declared preferred stock dividends aggregating to $87 million.

For additional detail regarding our common and preferred stock dividends see Note 11.

In February 2023, our Board of Directors increased our common share repurchase authorization to $2.0 billion, which was an increase of $1.15 billion above the $850 million of capacity remaining as of December 31, 2022 under the prior June 2022 authorization. All future capital distributions are subject to consideration and approval by our Board of Directors prior to execution. The timing and amount of future dividends and share repurchases will depend on various factors, including our capital position, financial performance, capital impacts of strategic initiatives, market conditions, and regulatory considerations.

Recent Regulatory Developments

Bank Failures

On April 28, 2023, the FRB issued a report relative to its review of the supervision and regulation of Silicon Valley Bank (“SVB”). The report details the FRB’s assessment of the primary causes for SVB’s failure and emphasizes the FRB’s view that supervision and regulation need to be strengthened based on its findings. As a result, the FRB stated it intends to evaluate its supervisory and regulatory framework, with a focus on the following areas:

- Regulatory tailoring framework, including a reassessment of a range of rules for banks with $100 billion or more in assets;
- Management of interest rate risk;
- Liquidity risk, commencing with the risks of uninsured deposits; and
- Capital requirements.

Proposals addressing the regulatory tailoring framework and capital requirements were issued by the regulatory agencies during the third quarter of 2023. See “Proposed Regulatory Capital Revisions”, “Proposed Long-Term Debt Requirements”, and “Proposed Resolution Plan Requirements” below for more information.

We will continue to monitor and address changes to the FRB’s supervisory and regulatory framework that may result from this targeted review by the FRB and their associated impact on our business, financial condition or results of operations.

Deposit Insurance - Proposed FDIC Special Assessment

On May 22, 2023, the FDIC issued a notice of proposed rulemaking that would impose special assessments to recover the loss to the Deposit Insurance Fund (“DIF”) arising from the protection of uninsured depositors in connection with the systemic risk determination announced on March 12, 2023, following the closures of SVB and Signature Bank, as required by the Federal Deposit Insurance Act. Under the proposal, the special assessment would be levied on the insured depository institution’s (“IDI”) assessment base, which would be equal to estimated uninsured deposits as reported on the IDI’s December 31, 2022 Call Report, excluding the first $5 billion in estimated uninsured deposits. The special assessment would be imposed at an annual rate of approximately 12.5 basis points and would be collected over eight quarterly assessment periods beginning with the first quarter of 2024.

The FDIC’s initial estimate of the loss attributable to this systemic risk determination was $15.8 billion. This estimate will be periodically adjusted as assets are sold, liabilities are satisfied, and receivership expenses are incurred. The FDIC would cease collection of special assessments before the end of the initial eight-quarter collection period if they expect the loss to be less than expected assessment collections. The FDIC also reserves the right to extend the collection period if there is a shortfall in the amount collected relative to the estimated or actual loss.

Based on the proposed rulemaking and related accounting guidance, the special assessment would impact our noninterest expense by approximately $210 million upon adoption. This amount is subject to final rulemaking by the FDIC and associated revisions, if any, relative to the application and/or levy of the special assessment on IDIs, including the eventual loss to the DIF should it differ from the FDIC’s estimate.

Proposed Regulatory Capital Revisions

On July 27, 2023, the FRB, FDIC and OCC issued a proposal to implement the Basel Committee on Banking Supervision's finalization of the post-crisis bank regulatory capital reforms. The proposal, commonly referred to as Basel III "Endgame," would significantly revise the capital requirements applicable to large banking organizations with total assets of $100 billion or more, including the Company. Under the proposal, Category III and IV firms, including the Company as a Category IV firm, would become subject to the same capital treatment regarding the inclusion of AOCI, deductions, and rules for minority interest as Category I and II firms. The proposal would also replace the existing models-based approaches for credit and operational risk, which currently apply only to Category I and II firms, with two new approaches applicable to Category firms I through IV. The first would use the existing standardized approach and a proposed revised market risk capital rule. The second would use a new expanded risk-based approach, which consists of new non-models-based approaches for credit risk, operational risk and credit valuation adjustment risk, as well as the proposed revised market risk capital rule. The approach resulting in the lower ratio would establish the binding ratio for purposes of satisfying regulatory capital requirements and buffers, including the SCB. Category III and IV firms would also be required to calculate counterparty credit exposure relating to derivatives transactions using the standardized approach for counterparty credit risk. Additionally, Category IV firms would become subject to the supplementary leverage ratio and the countercyclical capital buffer. The proposal provides for a July 1, 2025 effective date, subject to a three-year transition period. If the rule is adopted as proposed, the Company estimates as of September 30, 2023 a pro forma CET1 ratio of 8.3% adjusted for the AOCI opt-out removal. In addition, the Basel III "Endgame" proposal is estimated to modestly increase RWA on a fully phased-in basis. Comments on the proposal are due by January 16, 2024. We continue to evaluate the full impact of the proposal.

AOCI Impact on Regulatory Capital

Under the current applicable regulatory capital rules we have made the AOCI opt-out election, which enables us to exclude components of AOCI from regulatory capital. As noted above, the regulatory agencies are considering the inclusion of AOCI in regulatory capital for Category IV firms like us, including the AOCI relative to securities and pension.

The following table presents our regulatory capital ratios including the AOCI impact from securities and pension, which we believe provides useful information in light of recent events and the potential for change in the regulatory capital framework.

Table 18: AOCI Impact on Regulatory Capital

	September 30, 2023					
	CFG			CBNA		
(dollars in millions)	CET1	Tier 1	Total	CET1	Tier 1	Total
Regulatory capital, including AOCI impact:						
Regulatory capital (as reported)	$18,360	$20,374	$23,682	$19,490	$19,490	$22,535
Unrealized gains (losses) on securities and pension	(3,562)	(3,562)	(3,562)	(3,542)	(3,542)	(3,542)
Deferred tax assets - securities and pension AOCI	(28)	(28)	(28)	(29)	(29)	(29)
Regulatory capital, including AOCI impact (non-GAAP)	$14,770	$16,784	$20,092	$15,919	$15,919	$18,964
Risk-weighted assets, including AOCI impact:						
Risk-weighted assets (as reported)	$176,407	$176,407	$176,407	$175,865	$175,865	$175,865
Unrealized gains (losses) on securities and pension	(891)	(891)	(891)	(873)	(873)	(873)
Deferred tax assets - securities and pension AOCI	2,903	2,903	2,903	2,881	2,881	2,881
Risk-weighted assets, including AOCI impact (non-GAAP)	$178,419	$178,419	$178,419	$177,873	$177,873	$177,873
Ratio:						
Regulatory capital ratio (as reported)	10.4 %	11.5 %	13.4 %	11.1 %	11.1 %	12.8 %
Regulatory capital ratio, including AOCI impact (non-GAAP)	8.3 %	9.4 %	11.3 %	8.9 %	8.9 %	10.7 %

Proposed Long-Term Debt Requirements

On August 29, 2023, the FRB, FDIC and OCC issued a proposal that would require large bank holding companies and IDIs with total assets of $100 billion or more, including the Company and CBNA, to maintain a minimum amount of long-term debt. The joint agency proposal aims to increase the resolvability and resiliency of large banking organizations by mandating a long-term debt requirement to provide the regulatory agencies additional resources to resolve failed banking organizations, foster depositor confidence, and decrease costs to the DIF in the event of a large banking organization failure. Under the proposal, large bank holding companies and IDIs would each be required to maintain a minimum amount of eligible long-term debt equal to the greater of 6 percent of RWA, 3.5 percent of average total consolidated assets, and 2.5 percent of total leverage exposure for those banks subject to the supplementary leverage ratio. The proposal also prohibits large banking organizations from engaging in certain activities that could complicate their resolution and discourages them from holding long-term debt issued by other banks to reduce interconnectedness. The proposal provides for a three-year transition period, with 25 percent of the long-term debt requirement to be met one year after the rule is finalized, 50 percent after two years, and 100 percent after three years. If the rule is adopted as proposed, the Company estimates as of September 30, 2023 that approximately $4 billion of incremental eligible long-term debt will need to be issued to meet the minimum requirement. Comments on the proposal are due by November 30, 2023. We continue to evaluate the full impact of the proposal.

Proposed Resolution Plan Requirements

On August 29, 2023, the FDIC issued a proposal that would require IDIs with total assets of $100 billion or more, including CBNA, to submit more robust resolution plans biennially that include a comprehensive strategy from the point of failure to liquidation or return of the institution to the private sector. The identified strategy must ensure timely access to insured deposits, maximize value from the sale or disposition of assets, minimize losses realized by creditors, and address potential risks of adverse effects on U.S. economic conditions or financial stability. In addition, the strategy would generally expect, but not require, a default scenario whereby the FDIC, as receiver of the failed institution, operates the institution under a bridge bank. The proposal also enhances how the credibility of resolution plans will be assessed, expands expectations regarding engagement and capabilities testing, and requires IDIs to demonstrate the capability to promptly establish a virtual data room in the run-up to or upon failure. The proposal provides that IDIs submit their initial resolution plan no earlier than 270 days from the effective date of the amended rule. Comments on the proposal are due by November 30, 2023. We are in the process of evaluating the impact of the proposal on our business.

LIQUIDITY

We define liquidity as our ability to meet our cash-flow and collateral obligations in a timely manner at a reasonable cost. As a financial institution, we must maintain operating liquidity to meet expected daily and forecasted cash-flow requirements, as well as contingent liquidity to meet unexpected (stress scenario) funding requirements. Reflecting the importance of meeting all unexpected and stress-scenario funding requirements, we identify and manage contingent liquidity, consisting of cash balances at the FRB, unencumbered high-quality liquid securities and unused FHLB borrowing capacity. Separately, we also identify and manage asset liquidity as a subset of contingent liquidity, consisting of cash balances at the FRB and unencumbered high-quality liquid securities. We maintain additional secured borrowing capacity at the FRB discount window, but do not view this as a primary means of funding, but rather a potential source of liquidity in a stressed environment or during a market disruption. 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.

Parent Company Liquidity

Our Parent Company's primary sources of cash are dividends and interest received from CBNA resulting from investing in bank equity and subordinated debt as well as externally issued preferred stock, senior debt 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 three months ended September 30, 2023 and 2022, the Parent Company declared dividends on common stock of $199 million and $209 million, respectively, and declared dividends on preferred stock of $30 million and $25 million, respectively.

During the nine months ended September 30, 2023 and 2022, the Parent Company declared dividends on common stock of $609 million and $569 million, respectively, and declared dividends on preferred stock of $87 million and $81 million, respectively.

During the nine months ended September 30, 2023, the Parent Company repurchased $906 million of its outstanding common stock.

Our Parent Company's cash and cash equivalents represent a source of liquidity that can be used to meet various needs and totaled $2.8 billion and $1.6 billion as of September 30, 2023 and December 31, 2022, respectively. 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. The Parent Company's double-leverage ratio was 96.9% and 101.2% as of September 30, 2023 and December 31, 2022, respectively.

CBNA Liquidity

As CBNA's primary business involves taking deposits and making loans, a key role of liquidity management is to ensure that customers have timely access to funds from deposits and for loans. Liquidity management also involves maintaining sufficient liquidity to repay wholesale borrowings, pay operating expenses and support extraordinary funding requirements when necessary. In the ordinary course of business the liquidity of CBNA is managed by matching sources and uses of cash. The primary sources of bank liquidity include deposits from our consumer and commercial customers; payments of principal and interest on loans and debt securities; and wholesale borrowings, as needed, and as described under "Liquidity Risk Management and Governance." The primary uses of bank liquidity include withdrawals and maturities of deposits; payment of interest on deposits; funding of loans and related commitments; and funding of securities purchases. To the extent that CBNA has relied on wholesale borrowings, uses also include payments of related principal and interest. For further information on CBNA's outstanding debt, see Note 8.

During the nine months ended September 30, 2023, CBNA completed the following transactions:

- Issued $450 million of 5.284% fixed-to-floating rate senior notes;
- Redeemed $750 million of senior notes due March 2023; and
- Issued $3.5 billion of secured borrowings collateralized by auto loans.

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 GNMA, FNMA and 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, the funding liquidity risk of CBNA could 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 low.

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 & Poor's, and Fitch.

Table 19: Credit Ratings

	September 30, 2023		
	Moody's	Standard & Poor's	Fitch
Citizens Financial Group, Inc.:			
Long-term issuer	Baa1	BBB+	BBB+
Short-term issuer	NR	A-2	F1
Subordinated debt	Baa1	BBB	BBB
Preferred Stock	Baa3	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

We currently have a "stable" outlook at Standard & Poor's, a "negative" outlook at Moody's and a "stable" outlook at Fitch. Changes in our public credit ratings could affect both the cost and availability of our wholesale funding.

Existing and evolving regulatory liquidity requirements represent another key driver of systemic liquidity conditions and liquidity management practices. The FRB, OCC, and 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 2022 Form 10-K.

Liquidity Risk Management and Governance

Liquidity risk is measured and managed by the Funding and Liquidity unit within our Treasury group in accordance with policy guidelines promulgated by our Board and the Asset Liability Committee. The Funding and Liquidity unit is responsible for maintaining a liquidity management framework that effectively manages liquidity risk. Processes within this framework include, but are not limited to, 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, liquidity stress testing, contingency funding plans, and collateral management.

Our Funding and Liquidity unit's primary goals are to deliver and maintain prudent levels of operating liquidity to support expected and projected funding requirements, contingent liquidity to support unexpected funding requirements resulting from idiosyncratic, systemic, and combination stress events, and regulatory liquidity requirements in a timely manner from stable and cost-efficient funding sources. We seek to accomplish these goals 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.

We maintain a contingency funding plan designed to ensure that liquidity sources are sufficient to meet ongoing obligations and commitments, particularly in a stressed environment or during a market disruption. The plan identifies members of the liquidity contingency team and provides a framework for management to follow, including notification and escalation of potential liquidity stress events.

In response to the recent U.S. bank failures, the FRB established the Bank Term Funding Program to make additional funding available to eligible depository institutions to ensure the ability to meet the needs of all depositors. This program was designed to provide another source of liquidity against the par value of high-quality securities, eliminating the need to sell these securities during times of stress. The Company is eligible to borrow under this program based on its existing eligibility for primary credit under the FRB discount window. The Company has taken steps to support readiness but has not participated in the program through September 30, 2023.

As of September 30, 2023:

- Organically generated deposits continue to be our primary source of funding, resulting in a consolidated period-end loans-to-deposits ratio, excluding LHFS, of 84.0%;
    - Estimated insured/secured deposits comprise 70% of our consolidated deposit base of $178.2 billion.
- Our total available liquidity, comprised of contingent liquidity and available discount window capacity, was approximately $75.2 billion;
    - Contingent liquidity was $53.3 billion, consisting of unencumbered high-quality liquid securities of $26.7 billion, unused FHLB capacity of $12.7 billion, and our cash balances at the FRB of $13.9 billion; and
    - Available discount window capacity was $21.9 billion, defined as available total borrowing capacity from the FRB based on identified collateral, which is primarily secured by non-mortgage commercial and retail loans.

For a summary of our sources and uses of cash by type of activity for the nine months ended September 30, 2023 and 2022, see the Consolidated Statements of Cash Flows in Item 1.

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

- Current liquidity sources and capacities, including cash balances at the FRB, free and liquid securities, and secured borrowing capacity at the FHLB and FRB discount window;
- 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

We engage in a variety of activities that are not reflected in our Consolidated Balance Sheets that are generally referred to as “off-balance sheet arrangements.” For more information on these types of activities, see Note 12.

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 2022 Form 10-K.

Allowance for Credit Losses

The ACL increased from $2.2 billion at December 31, 2022 to $2.3 billion at September 30, 2023.

Our ACL as of September 30, 2023 accounts for an economic forecast over our two-year reasonable and supportable period with implied peak unemployment of approximately 6% and peak-to-trough GDP decline of approximately 1.0%. This forecast reflects a mild recession over the two-year reasonable and supportable period. This compares to our December 31, 2022 forecast which reflected peak unemployment of approximately 6% with a more adverse peak-to-trough GDP decline of approximately 1.4%.

Our determination of the ACL is sensitive to changes in forecasted macroeconomic conditions during the reasonable and supportable forecast period. To illustrate the sensitivity, we applied a more pessimistic scenario than that described above which reflects deeper real GDP contraction across our two-year reasonable and supportable forecast period, resulting in a 1.7% peak-to-trough decline in real GDP. Excluding consideration of qualitative adjustments, this scenario would result in a quantitative lifetime loss estimate of approximately 1.10x our modeled period-end ACL, or an increase of approximately $224 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.

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 type. The variables and inputs may be idiosyncratically affected by risks to the economy, including changing monetary and fiscal policies, impacts from the recent stress on the banking industry, and their impact on inflationary trends. Changes in one or multiple of the key macroeconomic variables may have a material impact to our estimation of expected credit losses.

For additional information regarding the ACL, see Note 4 of this report, and “Critical Accounting Estimates - Allowance for Credit Losses” and Note 6 in our 2022 Form 10-K.

Goodwill

The acquisition method of accounting requires that assets acquired and liabilities assumed in business combinations are recorded at their fair values. Business combinations typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair values of the reporting units to which the goodwill has been attributed. We review the goodwill of each reporting unit for impairment on an annual basis as of October 31st or more frequently if events or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, a qualitative assessment may be made to determine whether it is more-likely-than-not that the fair value of a reporting unit is below its carrying value. Alternatively, a quantitative assessment may be performed without performing a qualitative assessment.

The process of evaluating the fair value of a reporting unit is subjective, involving management assumptions and estimates and the use of external or internal valuations. Valuation techniques include discounted cash flow and market approach analysis.

Cash flow projections are based on multi-year financial forecasts developed for each reporting unit that consider key business drivers such as new business initiatives, customer retention standards, market share changes, anticipated loan and deposit growth, fees and expenses, forward interest rates, historical performance, credit performance, and industry and economic trends, among other considerations.

Under the market approach, valuation of our reporting units considers a combination of earnings and equity multiples from companies with characteristics similar to the reporting unit. Since the fair values determined under the market approach are representative of non-controlling interests, the valuations incorporate a control premium.

At September 30, 2023, goodwill totaled $8.2 billion, assigned to our reporting units as follows: $5.5 billion to Commercial Banking and $2.7 billion to Consumer Banking.

We performed a quantitative goodwill impairment assessment in the third quarter of 2023 in response to stress in the banking sector and associated market conditions. Based on this quantitative assessment, we concluded that the estimated fair value of the Consumer Banking and Commercial Banking reporting units exceeded their carrying value. The estimated fair value of our Commercial Banking reporting unit was not substantially in excess of its carrying value in the quantitative assessment due to impacts from the broader banking environment and the relative amount of pre-IPO goodwill attributed to the unit.

We also performed a sensitivity analysis around the assumptions used and the resulting estimated fair values in the quantitative assessment. While the sensitivity analysis did not indicate an impairment of a reporting unit in the third quarter of 2023, continued stress in the banking sector, financial markets, or our common stock price, among other factors, could lead to an impairment of our goodwill.

For additional information regarding Goodwill, see Note 6 of this report and Note 10 in our 2022 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, chaired by the Chief Risk Officer, is responsible for oversight of risk across the enterprise and actively considers our inherent material risks, analyzes our overall risk profile and seeks confirmation that the risks are being appropriately identified, assessed and mitigated. Reporting to the Executive Risk Committee are the following committees covering specific areas of risk: Compliance and Operational Risk, Model Risk, Credit Policy, Asset Liability, Business Initiatives Review, and Conduct and Ethics.

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 2022 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 the hedging of interest rate and foreign exchange risk. As described below, the market risk arising from our non-trading banking activities, such as the origination of loans and deposit-gathering, is more significant. 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

Our non-trading banking activities expose us to market risk. This market risk is 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 2022 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 limits established and monitored by senior management. While an instantaneous and severe shift in interest rates is included in this analysis, we believe that any actual shift in interest rates would 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 20: Sensitivity of Net Interest Income

	Estimated % Change in Net Interest Income over 12 Months	
Basis points	**September 30, 2023**	**December 31, 2022**
Instantaneous Change in Interest Rates		
+200	0.7 %	4.8 %
+100	0.6	2.4
-100	(1.6)	(2.5)
-200	(4.1)	(5.6)
Gradual Change in Interest Rates		
+200	— %	2.7 %
+100	0.1	1.4
-100	(0.9)	(1.4)
-200	(2.1)	(3.0)

We continue to manage asset sensitivity within the scope of our policy, changing market conditions and changes in our balance sheet. The Company's base case net interest income assumes the forward rate path implied by the yield curve is realized, which reflects a Fed Funds rate of 5.50% at the end of 2023 and 4.75% at the end of 2024, reflecting three 25 basis point reductions beginning mid-2024. The rate risk exposure is then measured based on assumed changes from that base case rate path.

Asset sensitivity to a 200-basis point gradual increase in rates above the base case forward curve was approximately neutral on September 30, 2023, compared with 2.7% on December 31, 2022. This decrease reflects the effects of our ongoing hedge activity combined with changes in our current and projected balance sheet mix due to the higher interest rate environment. Given the higher rate environment and cumulative effect of the FRB's tightening of monetary policy, our exposure to rates below the forward curve exhibits a higher degree of sensitivity as deposit betas are expected to have an initial lagged response over the twelve-month horizon. The risk position is managed within our risk limits, and long-term view of interest rates through occasional adjustments to securities investments, interest rate derivatives and mix of funding.

We use a valuation measure of exposure to structural interest rate risk, 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. We employ sophisticated models for prepayments and deposit pricing and attrition, which provide a granular view of cash flows based on the unique characteristics of the underlying products and customer segments. The change in value is expressed as a percentage of regulatory capital.

We use interest rate contracts as part of our ALM strategy to manage exposure to the variability in the interest cash flows on our floating-rate assets and wholesale funding, the variability in the fair value of AFS securities, and to hedge market risk on fixed-rate capital markets debt issuances.

The following table presents interest rate derivative contracts that we have entered into as of September 30, 2023 and December 31, 2022.

Table 21: Interest Rate Derivative Contracts Used to Manage Non-Trading Interest Rate Exposure

	September 30, 2023				December 31, 2022			
		Weighted Average				Weighted Average		
(dollars in millions)	Notional Amount	Maturity (Years)	Fixed Rate	Reset Rate	Notional Amount	Maturity (Years)	Fixed Rate	Reset Rate
Fair value hedges:								
Asset conversion swaps:								
AFS securities:								
Pay fixed/receive SOFR	$472	6.2	3.7 %	5.3 %	$—	—	— %	— %
Liability conversion swaps:								
Long-term borrowed funds:								
Receive fixed/pay 3-month LIBOR	—	—	—	—	1,000	1.6	2.7	4.7
Receive fixed/pay SOFR	500	2.1	2.6	5.6	—	—	—	—
Total fair value hedges	972				1,000			
Cash flow hedges:								
Asset conversion swaps:								
Loans:								
Swaps								
Receive fixed/pay SOFR	19,780	0.7	4.4	5.3	500	2.7	3.5	4.3
Receive fixed/pay SOFR - forward-starting	34,250	3.0	3.3	5.1	13,500	3.2	3.0	4.5
Receive fixed/pay 1-month LIBOR	—	—	—	—	15,250	3.8	1.8	4.3
Receive fixed/pay 1-month LIBOR - forward-starting	—	—	—	—	2,000	5.2	2.9	4.9
Basis swaps								
Receive SOFR/pay 1-month term SOFR	7,000	0.6	—	5.3/5.3	—	—	—	—
Receive SOFR/pay 1-month term SOFR - forward-starting	14,500	2.9	—	5.2/5.1	7,000	3.3	—	4.4/4.4
			Floor Rate	Cap Rate			Floor Rate	Cap Rate
Options								
Interest rate collars - forward-starting[1]	1,500	2.1	2.6	3.9	1,500	2.8	2.6	3.9
Floor spreads - forward-starting[2]	2,500	3.0	2.2/3.2	—	—	—	—	—
Total cash flow hedges	79,530				39,750			
Total hedges	$80,502				$40,750			

[1] Weighted average floor and cap rates represents strike rates through which CFG will receive interest if the SOFR rate falls below the floor strike rate and pay interest if the SOFR rate exceeds the cap strike rate.

[2] Weighted average floor rate represents strike rates for the short and long interest rate floors, respectively. CFG will receive interest if the SOFR rate falls below the upper strike rate and pay interest if the SOFR rate falls below the lower strike rate, effectively hedging the corridor between the two strike rates. The structure also includes a short cap and a long floor which are utilized to neutralize the initial premium.

The following table presents the average active notional amounts for our interest rate derivatives, based on contract effective date, during the remainder of 2023 and for the next five years:

Table 22: Average Active Notional for Interest Rate Derivative Contracts

	Year Ended					
(dollars in millions)	2023	2024	2025	2026	2027	2028
Fair value hedges						
Pay fixed/receive SOFR[1]	$472	$472	$472	$472	$472	$472
Receive fixed/pay SOFR[2]	500	500	441	—	—	—
Cash flow hedges						
Receive fixed/pay SOFR[2]	20,503	25,783	30,094	21,900	7,589	210
Receive SOFR/pay 1-month term SOFR	7,582	11,311	12,052	8,721	1,952	—
Interest rate collars	315	1,260	1,001	240	—	—
Floor spreads	—	1,488	2,500	1,467	460	—
Total	$29,372	$40,814	$46,560	$32,800	$10,473	$682
Weighted average receive fixed rate	4.2 %	3.2 %	3.2 %	3.5 %	3.7 %	2.6 %
Weighted average pay fixed rate	3.7	3.7	3.7	3.7	3.7	3.7

[1] Pay fixed rate leg of the interest rate derivative contract is included in the computation of the weighted average pay fixed rate.
[2] Receive fixed rate leg of the interest rate derivative contract is included in the computation of the weighted average receive fixed rate.

Table 23: Pre-Tax Gains (Losses) Recorded in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income on Cash Flow Hedges

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Amount of pre-tax net gains (losses) recognized in OCI	($326)	($996)	($773)	($1,901)
Amount of pre-tax net gains (losses) reclassified from AOCI into interest income	(156)	(48)	(420)	1
Amount of pre-tax net gains (losses) reclassified from AOCI into interest expense	(1)	2	—	(4)

Using the interest rate curve at September 30, 2023, we estimate that approximately $904 million in pre-tax net losses related to cash flow hedge strategies will be reclassified from AOCI to net interest income over the next 12 months, including $462 million from terminated swaps. 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 September 30, 2023.

LIBOR Transition

In July 2017, the United Kingdom’s FCA announced that it would no longer require banks to submit LIBOR rates after 2021. On March 5, 2021, the FCA formally announced the future cessation of 1-week and 2-month U.S. Dollar LIBOR rates as of December 31, 2021, with all other U.S. Dollar LIBOR tenors ceasing as of June 30, 2023. In the United States, the Alternative Reference Rates Committee, a group of private-market participants convened to help ensure a successful transition away from U.S. Dollar LIBOR, identified SOFR as its recommended alternative rate.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) was signed into law, with the FRB adopting its final rule, effective February 27, 2023, to implement the LIBOR Act on December 16, 2022. The final rule addresses references to LIBOR in contracts that (i) are governed by U.S. law; (ii) will not mature before June 30, 2023; and (iii) lack fallback provisions providing for a clearly defined and practical replacement for LIBOR. An overview of the final rule is provided below.

- Identifies FRB-selected benchmark replacement rates based on SOFR for contracts that lack adequate fallback provisions, with a spread adjustment incorporated for each specified tenor of LIBOR;
- Authorizes persons who have discretionary authority for selecting a LIBOR replacement to opt into a statutory safe harbor from liability by selecting the benchmark identified by the FRB;
- Clarifies certain matters related to the implementation, administration, and calculation of the benchmark replacement rate;
- Indicates that the rule preempts any state or local law or standard related to the selection or use of a benchmark replacement rate for LIBOR; and

- Ensures that contracts adopting a benchmark rate selected by the FRB will not be interrupted or terminated following LIBOR's replacement.

In 2018, we formed a LIBOR Transition Program ("the Program") designed to develop plans for and 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's key accomplishments since inception include, but are not limited to, the following:

- Moved new originations to alternative reference rates;
- Upgraded standard form provisions and issued implementation guidance to require the use of reference rate fallback language in any new and existing LIBOR contracts in connection with contract amendments made in the ordinary course of business;
- Remediated existing LIBOR loans and derivatives to alternative reference rates;
- Completed operational readiness of systems, models and applications to handle all potential alternative reference rates; and
- Analyzed existing fallback language in legacy contracts to devise a strategy for those requiring remediation.

As of June 30, 2023, the Company's transition and remediation efforts were complete, with ongoing monitoring for LIBOR-based financial instruments that will transition to alternative rates at their next interest rate reset date.

See the "Risk Factors" section in Part I, Item 1A of our 2022 Form 10-K for further discussion of the risks facing the Company in relation to the transition away from LIBOR.

Capital Markets

A key component of our capital markets activities is the underwriting and distribution of corporate credit facilities to 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, 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 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 of our MSRs. As of September 30, 2023 and December 31, 2022, the fair value of our MSRs was $1.6 billion and $1.5 billion, respectively, and the total notional amount of related derivative contracts was $18.6 billion and $12.9 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 consistent with the definition used by banking regulators.

Trading Risk

We are exposed to market risk primarily through client facilitation activities including derivatives and foreign exchange products as well as underwriting and market making activities. Exposure is created as a result of changes in interest rates and related basis spreads and volatility, foreign exchange rates, equity prices, and credit spreads on a select range of interest rates, foreign exchange, commodities, equity securities, corporate bonds and secondary loan instruments. These securities underwriting and trading activities are conducted through CBNA and Citizens JMP Securities, LLC. 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 2022 Form 10-K.

Market Risk Regulatory Capital

The U.S. banking regulators’ “Market Risk Rule” covers the calculation of market risk capital. Under this rule all of our client facing trades and associated hedges maintain a net low risk and qualify as “covered positions.” The internal management VaR measure is calculated based on the same population of trades that is utilized for regulatory VaR.

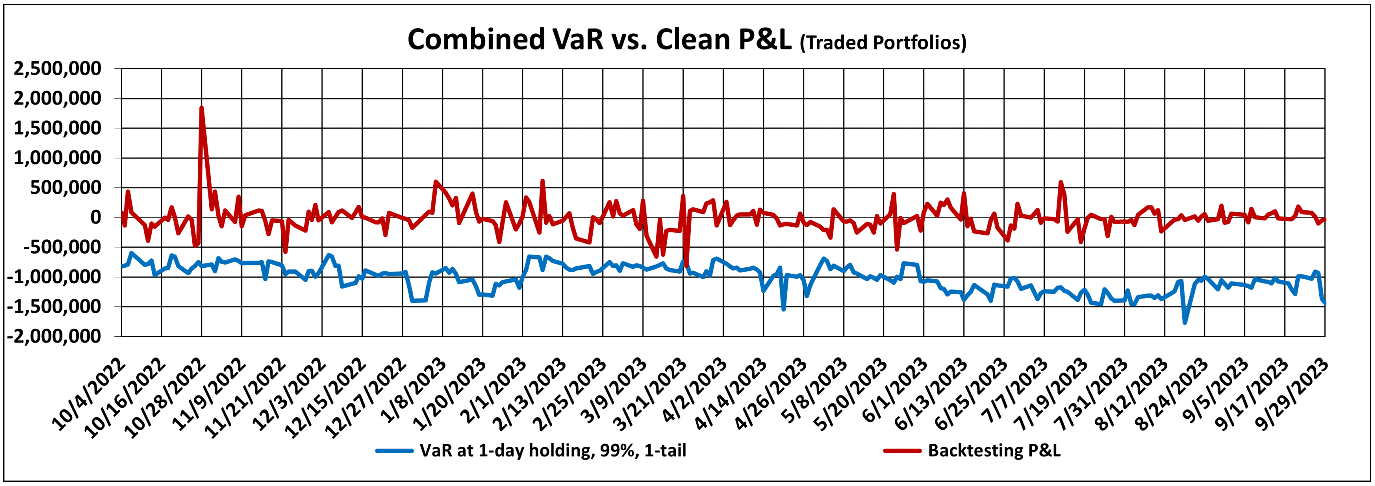
Table 24: Results of Modeled and Non-Modeled Measures for Regulatory Capital Calculations

(dollars in millions)	For the Three Months Ended September 30, 2023				For the Three Months Ended September 30, 2022			
Market Risk Category	**Period End**	**Average**	**High**	**Low**	**Period End**	**Average**	**High**	**Low**
Interest Rate	$5	$3	$5	$2	$2	$1	$2	$1
Foreign Exchange Currency Rate	—	—	—	—	—	—	—	—
Credit Spread	1	1	2	1	2	2	3	2
Commodity	—	—	—	—	—	—	—	—
General VaR	5	4	6	3	3	3	4	2
Specific Risk VaR	—	—	—	—	—	—	—	—
Total VaR	$5	$4	$6	$3	$3	$3	$4	$2
Stressed General VaR	$6	$7	$10	$4	$11	$13	$16	$9
Stressed Specific Risk VaR	—	—	—	—	—	—	—	—
Total Stressed VaR	$6	$7	$10	$4	$11	$13	$16	$9
Market Risk Regulatory Capital	$34				$48			
Specific Risk Not Modeled Add-on	21				23			
de Minimis Exposure Add-on	—				2			
Total Market Risk Regulatory Capital	$55				$73			
Market Risk-Weighted Assets	$681				$909			

VaR Backtesting

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

The following graph shows our daily net trading revenue and total internal, modeled VaR for the twelve months ended September 30, 2023.



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 table presents computations of non-GAAP financial measures representing our "Underlying" results used in the MD&A:

Table 25: Reconciliations of Non-GAAP Measures

(dollars in millions, except per share data)	Ref.	As of and for the Three Months Ended September 30, 2023	As of and for the Three Months Ended September 30, 2022	As of and for the Nine Months Ended September 30, 2023	As of and for the Nine Months Ended September 30, 2022
Noninterest income, Underlying:					
Noninterest income (GAAP)	A	$492	$512	$1,483	$1,504
Less: Notable items		—	—	—	(31)
Noninterest income, Underlying (non-GAAP)	B	$492	$512	$1,483	$1,535
Total revenue, Underlying:					
Total revenue (GAAP)	C	$2,014	$2,177	$6,236	$5,821
Less: Notable items		—	—	—	(31)
Total revenue, Underlying (non-GAAP)	D	$2,014	$2,177	$6,236	$5,852
Noninterest expense, Underlying:					
Noninterest expense (GAAP)	E	$1,293	$1,241	$3,895	$3,652
Less: Notable items		22	46	161	219
Noninterest expense, Underlying (non-GAAP)	F	$1,271	$1,195	$3,734	$3,433
Pre-provision profit:					
Total revenue (GAAP)	C	$2,014	$2,177	$6,236	$5,821
Less: Noninterest expense (GAAP)	E	1,293	1,241	3,895	3,652
Pre-provision profit (GAAP)		$721	$936	$2,341	$2,169
Pre-provision profit, Underlying					
Total revenue, Underlying (non-GAAP)	D	$2,014	$2,177	$6,236	$5,852
Less: Noninterest expense, Underlying (non-GAAP)	F	1,271	1,195	3,734	3,433
Pre-provision profit, Underlying (non-GAAP)		$743	$982	$2,502	$2,419
Provision (benefit) for credit losses, Underlying:					
Provision (benefit) for credit losses (GAAP)		$172	$123	$516	$342
Less: Notable items		—	—	—	169
Provision (benefit) for credit losses, Underlying (non-GAAP)		$172	$123	$516	$173
Income before income tax expense, Underlying:					
Income before income tax expense (GAAP)	G	$549	$813	$1,825	$1,827
Less: Income (expense) before income tax expense (benefit) related to notable items		(22)	(46)	(161)	(419)
Income before income tax expense, Underlying (non-GAAP)	H	$571	$859	$1,986	$2,246
Income tax expense and effective income tax rate, Underlying:					
Income tax expense (GAAP)	I	$119	$177	$406	$407
Less: Income tax expense (benefit) related to notable items		(4)	(13)	(41)	(99)
Income tax expense, Underlying (non-GAAP)	J	$123	$190	$447	$506
Effective income tax rate (GAAP)	I/G	21.51 %	21.80 %	22.24 %	22.29 %
Effective income tax rate, Underlying (non-GAAP)	J/H	21.69	22.00	22.55	22.50
Net income, Underlying:					
Net income (GAAP)	K	$430	$636	$1,419	$1,420
Add: Notable items, net of income tax benefit		18	33	120	320
Net income, Underlying (non-GAAP)	L	$448	$669	$1,539	$1,740
Net income available to common stockholders, Underlying:					
Net income available to common stockholders (GAAP)	M	$400	$611	$1,332	$1,339
Add: Notable items, net of income tax benefit		18	33	120	320
Net income available to common stockholders, Underlying (non-GAAP)	N	$418	$644	$1,452	$1,659
Return on average common equity and return on average common equity, Underlying:					
Average common equity (GAAP)	O	$21,177	$22,246	$21,721	$21,875
Return on average common equity	M/O	7.50 %	10.91 %	8.20 %	8.19 %
Return on average common equity, Underlying (non-GAAP)	N/O	7.82	11.52	8.93	10.15

(dollars in millions, except per share data)	Ref.	As of and for the Three Months Ended September 30, 2023	2022	As of and for the Nine Months Ended September 30, 2023	2022
Return on average tangible common equity and return on average tangible common equity, Underlying:					
Average common equity (GAAP)	O	$21,177	$22,246	$21,721	$21,875
Less: Average goodwill (GAAP)		8,188	8,131	8,182	7,771
Less: Average other intangibles (GAAP)		173	228	182	174
Add: Average deferred tax liabilities related to goodwill and other intangible assets (GAAP)		422	424	422	408
Average tangible common equity	P	$13,238	$14,311	$13,779	$14,338
Return on average tangible common equity	M/P	12.00 %	16.96 %	12.93 %	12.49 %
Return on average tangible common equity, Underlying (non-GAAP)	N/P	12.51	17.91	14.09	15.48
Return on average total assets and return on average total assets, Underlying:					
Average total assets (GAAP)	Q	$220,162	$225,473	$221,739	$211,722
Return on average total assets	K/Q	0.78 %	1.12 %	0.86 %	0.90 %
Return on average total assets, Underlying (non-GAAP)	L/Q	0.81	1.18	0.93	1.10
Return on average total tangible assets and return on average total tangible assets, Underlying:					
Average total assets (GAAP)	Q	$220,162	$225,473	$221,739	$211,722
Less: Average goodwill (GAAP)		8,188	8,131	8,182	7,771
Less: Average other intangibles (GAAP)		173	228	182	174
Add: Average deferred tax liabilities related to goodwill and other intangible assets (GAAP)		422	424	422	408
Average tangible assets	R	$212,223	$217,538	$213,797	$204,185
Return on average total tangible assets	K/R	0.81 %	1.16 %	0.89 %	0.93 %
Return on average total tangible assets, Underlying (non-GAAP)	L/R	0.84	1.22	0.96	1.14
Efficiency ratio and efficiency ratio, Underlying:					
Efficiency ratio	E/C	64.21 %	57.02 %	62.45 %	62.74 %
Efficiency ratio, Underlying (non-GAAP)	F/D	63.08	54.90	59.87	58.67
Noninterest income as a % of total revenue, Underlying:					
Noninterest income as a % of total revenue	A/C	24.44 %	23.54 %	23.78 %	25.84 %
Noninterest income as a % of total revenue, Underlying (non-GAAP)	B/D	24.44	23.54	23.78	26.24
Operating leverage and operating leverage, Underlying:					
(Decrease) increase in total revenue		(7.47)%	31.19 %	7.15 %	18.14 %
Increase in noninterest expense		4.20	22.79	6.67	20.92
Operating leverage		(11.67)%	8.40 %	0.48 %	(2.78)%
(Decrease) increase in total revenue, Underlying (non-GAAP)		(7.47)%	31.19 %	6.58 %	18.77 %
Increase in noninterest expense, Underlying (non-GAAP)		6.31	20.96	8.77	15.73
Operating leverage, Underlying (non-GAAP)		(13.78)%	10.23 %	(2.19%)	3.04 %
Tangible book value per common share:					
Common shares - at period end (GAAP)	S	466,221,795	495,843,793	466,221,795	495,843,793
Common stockholders' equity (GAAP)		$20,864	$21,132	$20,864	$21,132
Less: Goodwill (GAAP)		8,188	8,160	8,188	8,160
Less: Other intangible assets (GAAP)		167	199	167	199
Add: Deferred tax liabilities related to goodwill and other intangible assets (GAAP)		421	424	421	424
Tangible common equity	T	$12,930	$13,197	$12,930	$13,197
Tangible book value per common share	T/S	$27.73	$26.62	$27.73	$26.62
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)	U	469,481,085	495,651,083	478,073,507	470,118,265
Average common shares outstanding - diluted (GAAP)	V	471,183,719	497,477,501	479,733,008	471,958,310
Net income per average common share - basic (GAAP)	M/U	$0.85	$1.23	$2.79	$2.85
Net income per average common share - diluted (GAAP)	M/V	0.85	1.23	2.78	2.84
Net income per average common share - basic, Underlying (non-GAAP)	N/U	0.89	1.30	3.04	3.53
Net income per average common share - diluted, Underlying (non-GAAP)	N/V	0.89	1.30	3.03	3.52
Dividend payout ratio and dividend payout ratio, Underlying:					
Cash dividends declared and paid per common share	W	$0.42	$0.42	$1.26	$1.20
Dividend payout ratio	W/(M/U)	49 %	34 %	45 %	42%
Dividend payout ratio, Underlying (non-GAAP)	W/(N/U)	47	32	41	34

ITEM 1. FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(dollars in millions, except par value)	September 30, 2023	December 31, 2022
ASSETS:		
Cash and due from banks[1]	$1,395	$1,489
Interest-bearing cash and due from banks	14,005	9,058
Interest-bearing deposits in banks	324	303
Debt securities available for sale, at fair value (including $402 and $270 pledged to creditors, respectively)[2]	25,069	24,007
Debt securities held to maturity (fair value of $8,054 and $9,042 respectively, and including $225 and $110 pledged to creditors, respectively)[2]	9,320	9,834
Loans held for sale, at fair value	749	774
Other loans held for sale	99	208
Loans and leases	149,746	156,662
Less: Allowance for loan and lease losses	(2,080)	(1,983)
Net loans and leases[1]	147,666	154,679
Derivative assets	522	842
Premises and equipment, net	878	844
Bank-owned life insurance	3,275	3,236
Goodwill	8,188	8,173
Other intangible assets[3]	167	197
Other assets[1]	13,613	13,089
TOTAL ASSETS	$225,270	$226,733
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$38,561	$49,283
Interest-bearing	139,636	131,441
Total deposits	178,197	180,724
Short-term borrowed funds	232	3
Derivative liabilities	2,109	1,909
Long-term borrowed funds[1]	17,354	15,887
Other liabilities[1]	4,500	4,520
TOTAL LIABILITIES	202,392	203,043
Commitments and Contingencies (refer to Note 12)		
STOCKHOLDERS' EQUITY:		
Preferred stock:		
$25.00 par value,100,000,000 shares authorized; 2,050,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	2,014	2,014
Common stock:		
$0.01 par value, 1,000,000,000 shares authorized; 647,632,105 shares issued and 466,221,795 shares outstanding at September 30, 2023 and 645,220,018 shares issued and 492,282,158 shares outstanding at December 31, 2022	6	6
Additional paid-in capital	22,231	22,142
Retained earnings	9,856	9,159
Treasury stock, at cost, 181,410,310 and 152,937,860 shares at September 30, 2023 and December 31, 2022, respectively	(5,986)	(5,071)
Accumulated other comprehensive income (loss)	(5,243)	(4,560)
TOTAL STOCKHOLDERS' EQUITY	22,878	23,690
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$225,270	$226,733

[1] Includes amounts in consolidated VIEs. See Note 7 for additional information.
[2] Includes only collateral pledged by the Company where counterparties have the right to sell or pledge the collateral.
[3] Excludes MSRs, which are reported in Other assets.

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

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in millions, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
INTEREST INCOME:				
Interest and fees on loans and leases	$2,166	$1,657	$6,345	$4,075
Interest and fees on loans held for sale	20	18	55	51
Interest and fees on other loans held for sale	8	15	25	47
Investment securities	290	243	823	582
Interest-bearing deposits in banks	111	36	280	53
Total interest income	2,595	1,969	7,528	4,808
INTEREST EXPENSE:				
Deposits	898	176	2,171	255
Short-term borrowed funds	8	11	36	21
Long-term borrowed funds	167	117	568	215
Total interest expense	1,073	304	2,775	491
Net interest income	1,522	1,665	4,753	4,317
Provision (benefit) for credit losses	172	123	516	342
Net interest income after provision (benefit) for credit losses	1,350	1,542	4,237	3,975
NONINTEREST INCOME:				
Service charges and fees	105	109	306	315
Capital markets fees	67	89	232	270
Card fees	74	71	226	202
Mortgage banking fees	69	66	185	207
Trust and investment services fees	63	61	191	188
Foreign exchange and derivative products	48	42	140	153
Letter of credit and loan fees	43	40	126	118
Securities gains, net	5	—	19	5
Other income	18	34	58	46
Total noninterest income	492	512	1,483	1,504
NONINTEREST EXPENSE:				
Salaries and employee benefits	659	639	1,932	1,916
Outside services	160	172	513	530
Equipment and software	191	159	541	478
Occupancy	107	106	367	300
Other operating expense	176	165	542	428
Total noninterest expense	1,293	1,241	3,895	3,652
Income before income tax expense	549	813	1,825	1,827
Income tax expense	119	177	406	407
NET INCOME	$430	$636	$1,419	$1,420
Net income available to common stockholders	$400	$611	$1,332	$1,339
Weighted-average common shares outstanding:				
Basic	469,481,085	495,651,083	478,073,507	470,118,265
Diluted	471,183,719	497,477,501	479,733,008	471,958,310
Per common share information:				
Basic earnings	$0.85	$1.23	$2.79	$2.85
Diluted earnings	0.85	1.23	2.78	2.84

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Net income	$430	$636	$1,419	$1,420
Other comprehensive income (loss):				
Net unrealized derivative instruments gains (losses) arising during the periods, net of income taxes of ($78), ($258), ($193) and ($494), respectively	(248)	(738)	(580)	(1,407)
Reclassification adjustment for net derivative (gains) losses included in net income, net of income taxes of $37, $12, $105 and $1, respectively	120	34	315	2
Net unrealized debt securities gains (losses) arising during the periods, net of income taxes of ($189), ($305), ($160) and ($933), respectively	(578)	(903)	(490)	(2,759)
Reclassification of net debt securities (gains) losses to net income, net of income taxes of $7, $0, $21 and ($1), respectively	23	—	63	(4)
Reclassification of actuarial (gain) loss to net income, net of income taxes of $2, $2, $4 and $1, respectively	3	2	9	10
Total other comprehensive income (loss), net of income taxes	(680)	(1,605)	(683)	(4,158)
Total comprehensive income (loss)	($250)	($969)	$736	($2,738)

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Preferred Stock		Common Stock						
(dollars and shares in millions)	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at July 1, 2022	2	$2,014	496	$6	$22,100	$8,346	($4,920)	($3,218)	$24,328
Dividends to common stockholders	—	—	—	—	—	(209)	—	—	(209)
Dividends to preferred stockholders	—	—	—	—	—	(25)	—	—	(25)
Share-based compensation plans	—	—	—	—	15	—	—	—	15
Employee stock purchase plan	—	—	—	—	6	—	—	—	6
Total comprehensive income (loss):									
Net income	—	—	—	—	—	636	—	—	636
Other comprehensive income (loss)	—	—	—	—	—	—	—	(1,605)	(1,605)
Total comprehensive income (loss)	—	—	—	—	—	636	—	(1,605)	(969)
Balance at September 30, 2022	2	$2,014	496	$6	$22,121	$8,748	($4,920)	($4,823)	$23,146
Balance at July 1, 2023	2	$2,014	475	$6	$22,207	$9,655	($5,734)	($4,563)	$23,585
Dividends to common stockholders	—	—	—	—	—	(199)	—	—	(199)
Dividends to preferred stockholders	—	—	—	—	—	(30)	—	—	(30)
Treasury stock purchased	—	—	(9)	—	—	—	(250)	—	(250)
Share repurchase excise tax	—	—	—	—	—	—	(2)	—	(2)
Share-based compensation plans	—	—	—	—	17	—	—	—	17
Employee stock purchase plan	—	—	—	—	7	—	—	—	7
Total comprehensive income (loss):									
Net income	—	—	—	—	—	430	—	—	430
Other comprehensive income (loss)	—	—	—	—	—	—	—	(680)	(680)
Total comprehensive income (loss)	—	—	—	—	—	430	—	(680)	(250)
Balance at September 30, 2023	2	$2,014	466	$6	$22,231	$9,856	($5,986)	($5,243)	$22,878

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(dollars and shares 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, 2022	2	$2,014	422	$6	$19,005	$7,978	($4,918)	($665)	$23,420
Dividends to common stockholders	—	—	—	—	—	(569)	—	—	(569)
Dividends to preferred stockholders	—	—	—	—	—	(81)	—	—	(81)
Issuance of common stock - business acquisition	—	—	72	—	3,036	—	—	—	3,036
Treasury stock purchased	—	—	—	—	—	—	(2)	—	(2)
Share-based compensation plans	—	—	2	—	61	—	—	—	61
Employee stock purchase plan	—	—	—	—	19	—	—	—	19
Total comprehensive income (loss):									
Net income	—	—	—	—	—	1,420	—	—	1,420
Other comprehensive income (loss)	—	—	—	—	—	—	—	(4,158)	(4,158)
Total comprehensive income (loss)	—	—	—	—	—	1,420	—	(4,158)	(2,738)
Balance at September 30, 2022	2	$2,014	496	$6	$22,121	$8,748	($4,920)	($4,823)	$23,146
Balance at January 1, 2023	2	$2,014	492	$6	$22,142	$9,159	($5,071)	($4,560)	$23,690
Dividends to common stockholders	—	—	—	—	—	(609)	—	—	(609)
Dividends to preferred stockholders	—	—	—	—	—	(87)	—	—	(87)
Treasury stock purchased	—	—	(29)	—	—	—	(906)	—	(906)
Share repurchase excise tax	—	—	—	—	—	—	(9)	—	(9)
Share-based compensation plans	—	—	3	—	68	—	—	—	68
Employee stock purchase plan	—	—	—	—	21	—	—	—	21
Cumulative effect of change in accounting principle	—	—	—	—	—	(26)	—	—	(26)
Total comprehensive income (loss):									
Net income	—	—	—	—	—	1,419	—	—	1,419
Other comprehensive income (loss)	—	—	—	—	—	—	—	(683)	(683)
Total comprehensive income (loss)	—	—	—	—	—	1,419	—	(683)	736
Balance at September 30, 2023	2	$2,014	466	$6	$22,231	$9,856	($5,986)	($5,243)	$22,878

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in millions)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
OPERATING ACTIVITIES		
Net income	$1,419	$1,420
Adjustments to reconcile net income to net change in cash due to operating activities:		
Provision (benefit) for credit losses	516	342
Net change in loans held for sale, at fair value	25	1,404
Depreciation, amortization and accretion	352	448
Deferred income tax expense (benefit)	(61)	124
Share-based compensation	73	68
Net gain on sales of assets	(19)	(5)
Net (increase) decrease in other assets	(732)	(1,700)
Net increase (decrease) in other liabilities	718	577
Net change due to operating activities	2,291	2,678
INVESTING ACTIVITIES		
Investment securities:		
Purchases of debt securities available for sale	(5,576)	(9,772)
Proceeds from maturities and paydowns of debt securities available for sale	1,481	2,843
Proceeds from sales of debt securities available for sale	2,429	1,057
Proceeds from maturities and paydowns of debt securities held to maturity	597	772
Net (increase) decrease in interest-bearing deposits in banks	(21)	55
Acquisitions, net of cash acquired[1]	—	(235)
Purchases of loans	—	(1,007)
Sales of loans	2,628	1,718
Net (increase) decrease in loans and leases	3,790	(6,937)
Capital expenditures, net	(124)	(141)
Purchase of bank-owned life insurance	—	(100)
Other	(181)	(732)
Net change due to investing activities	5,023	(12,479)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(2,527)	3,988
Net increase (decrease) in short-term borrowed funds	229	174
Proceeds from issuance of long-term borrowed funds	21,233	11,516
Repayments of long-term borrowed funds	(19,766)	(6,190)
Treasury stock purchased	(906)	(2)
Dividends paid to common stockholders	(609)	(569)
Dividends paid to preferred stockholders	(89)	(90)
Payments of employee tax withholding for share-based compensation	(26)	(24)
Net change due to financing activities	(2,461)	8,803
Net change in cash and cash equivalents[2]	4,853	(998)
Cash and cash equivalents at beginning of period[2]	10,547	9,158
Cash and cash equivalents at end of period[2]	$15,400	$8,160
Non-cash items:		
Transfer of loans from portfolio to LHFS	$2,582	$—
Transfer of securities from available for sale to held to maturity	—	8,563
Investors Acquisition:		
Fair value of assets acquired, excluding cash and cash equivalents	—	27,102
Goodwill and other intangible assets	—	996
Fair value of liabilities assumed	—	24,975
Common stock issued	—	3,035
Replacement equity awards	—	19

[1] Primarily includes cash paid of $355 million to acquire Investors less $287 million in cash acquired, and $143 million and $23 million of cash paid for the HSBC transaction and acquisition of DH Capital, respectively, for the nine months ended September 30, 2022.
[2] Cash and cash equivalents include cash and due from banks and interest-bearing cash and due from banks as reflected on the Consolidated Balance Sheets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited interim Consolidated Financial Statements and Notes have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes included in annual financial statements prepared in accordance with GAAP. The Consolidated Financial Statements include all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the interim period results presented. These unaudited interim financial statements and notes should be read in conjunction with the audited Consolidated Financial Statements and Notes included in the Company's 2022 Form 10-K. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year.

The unaudited interim Consolidated Financial Statements include the accounts of Citizens and its subsidiaries, including VIEs in which Citizens is a primary beneficiary. Investments in VIEs in which the Company does not have the ability to exercise significant influence are not consolidated. All intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the ACL and the evaluation and measurement of goodwill impairment.

During the third quarter of 2023, the Company's indirect auto and certain purchased consumer loan portfolios were transferred from Consumer Banking into a new Non-Core segment to reflect the manner in which management is currently assessing performance and allocating resources. Prior period results have been revised to conform to the new segment presentation. See Note 17 for additional information.

Significant Accounting Policies

For further information regarding the Company's significant accounting policies, see Note 1 in the Company's 2022 Form 10-K. During 2023, the Company adopted new accounting guidance as described below.

Accounting Pronouncements Adopted in 2023

Pronouncement	Summary of Guidance	Effects on Financial Statements
Troubled Debt Restructurings and Vintage Disclosures *Issued March 2022*	• Effective date: January 1, 2023. • Eliminates the separate recognition and measurement guidance for TDRs. • Requires evaluation of all modifications to borrowers experiencing financial difficulty (or FDMs) to determine whether the modification results in a new loan or continuation of an existing loan. • Requires expected credit losses measured under a discounted cash flow method to be determined using an effective interest rate based on the modified (not original) contractual terms of the loan. • Enhances disclosures by creditors for modifications of receivables from borrowers experiencing financial difficulty in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay or a term extension. • Requires disclosure of current period gross charge-offs by vintage year for loans and net investments in leases. • Transition is prospective, with an option to adopt the recognition and measurement guidance for TDRs on a modified retrospective basis, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption.	• The Company adopted the new standard on January 1, 2023, and elected to apply the new measurement and recognition guidance for legacy TDRs under the modified retrospective transition method. • Adoption did not have a material impact on the Company’s Consolidated Financial Statements. Required disclosures and discussion of significant accounting policies for modifications to borrowers experiencing financial difficulty are included in Note 4. • Disclosure of gross charge-offs by vintage year did not have a material impact on the Company’s Consolidated Financial Statements.
Fair Value Hedging - Portfolio Layer Method *Issued March 2022*	• Effective date: January 1, 2023. • Replaces the ‘last-of-layer’ method. • Allows the designation of multiple layers in a closed portfolio of financial assets. • Permits hedging of non-prepayable and prepayable assets. • Prohibits the consideration of basis adjustments when measuring expected credit losses of assets in the closed portfolio or determining whether an AFS security is impaired. • The guidance on hedging multiple layers in a closed portfolio is applied prospectively. The guidance on the accounting for fair value basis adjustments is applied on a modified retrospective basis.	• The Company adopted the new standard on January 1, 2023. • Adoption did not have a material impact on the Company’s Consolidated Financial Statements.
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method *Issued March 2023*	• Effective date: January 1, 2024. • Permits use of the proportional amortization method of accounting for all tax equity investments provided that certain conditions are met. • Proportional amortization method is elected on a tax-credit-program-by-tax-credit-program basis. • Permits adoption under the modified retrospective method or retrospective method through a cumulative-effect adjustment to retained earnings as of the beginning of the current period or first period presented, respectively. Early adoption is permitted.	• The Company adopted the new standard on January 1, 2023 for renewable energy and new markets tax credit investments under the modified retrospective approach. • Adoption resulted in a cumulative-effect reduction of $26 million, net of taxes, to retained earnings and a corresponding reduction to other assets of $101 million and other liabilities of $75 million, reflecting the elimination of deferred tax liabilities associated with renewable energy investments that qualify for the proportional amortization method of accounting. • Refer to Note 7 for additional information.

NOTE 2 - SECURITIES

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

	September 30, 2023				December 31, 2022			
(dollars in millions)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other	$4,025	$—	($251)	$3,774	$3,678	$1	($193)	$3,486
State and political subdivisions	2	—	—	2	2	—	—	2
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	23,101	1	(2,845)	20,257	21,250	10	(2,198)	19,062
Other/non-agency	279	—	(32)	247	280	—	(29)	251
Total mortgage-backed securities	23,380	1	(2,877)	20,504	21,530	10	(2,227)	19,313
Collateralized loan obligations	797	—	(8)	789	1,248	—	(42)	1,206
Total debt securities available for sale, at fair value	$28,204	$1	($3,136)	$25,069	$26,458	$11	($2,462)	$24,007
Mortgage-backed securities:								
Federal agencies and U.S. government sponsored entities	$8,810	$—	($1,241)	$7,569	$9,253	$4	($751)	$8,506
Total mortgage-backed securities	8,810	—	(1,241)	7,569	9,253	4	(751)	8,506
Asset-backed securities	510	1	(26)	485	581	—	(45)	536
Total debt securities held to maturity	$9,320	$1	($1,267)	$8,054	$9,834	$4	($796)	$9,042
Equity securities, at cost[2]	$995	$—	$—	$995	$1,058	$—	$—	$1,058
Equity securities, at fair value[2]	163	—	—	163	153	—	—	153

[1] Excludes portfolio level basis adjustments of $17 million for securities designated in active fair value hedge relationships. The basis adjustments represent a reduction to the amortized cost of the securities being hedged.
[2] Included in other assets in the Consolidated Balance Sheets.

Accrued interest receivable on debt securities totaled $127 million and $107 million as of September 30, 2023 and December 31, 2022, 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 September 30, 2023. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without incurring penalties.

	Distribution of Maturities				
(dollars 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	$—	$2,688	$1,337	$—	$4,025
State and political subdivisions		—	—	2	2
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	1,406	2,431	19,264	23,101
Other/non-agency	—	—	—	279	279
Collateralized loan obligations	—	—	25	772	797
Total debt securities available for sale	—	4,094	3,793	20,317	28,204
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	8,810	8,810
Asset-backed securities	—	510	—	—	510
Total debt securities held to maturity	—	510	—	8,810	9,320
Total amortized cost of debt securities	$—	$4,604	$3,793	$29,127	$37,524
Fair value:					
U.S. Treasury and other	$—	$2,513	$1,261	$—	$3,774
State and political subdivisions	—	—	—	2	2
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	1,313	2,225	16,719	20,257
Other/non-agency	—	—	—	247	247
Collateralized loan obligations	—	—	25	764	789
Total debt securities available for sale	—	3,826	3,511	17,732	25,069
Mortgage-backed securities:					
Federal agencies and U.S. government sponsored entities	—	—	—	7,569	7,569
Asset-backed securities	—	485	—	—	485
Total debt securities held to maturity	—	485	—	7,569	8,054
Total fair value of debt securities	$—	$4,311	$3,511	$25,301	$33,123

Taxable interest income from investment securities as presented in the Consolidated Statements of Operations was $290 million and $243 million for the three months ended September 30, 2023 and 2022, respectively, and $823 million and $582 million for the nine months ended September 30, 2023 and 2022, respectively.

The following table presents realized gains and losses on sale of securities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Gains	$9	$—	$27	$9
Losses	(4)	—	(8)	(4)
Securities gains, net	$5	$—	$19	$5

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

	September 30, 2023		December 31, 2022	
(dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pledged against derivatives, to qualify for fiduciary powers, or to secure public and other deposits as required by law	$5,739	$4,945	$3,966	$3,527
Pledged as collateral for FHLB borrowing capacity	243	213	244	217
Pledged against repurchase agreements	250	248	—	—

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 September 30, 2023 or December 31, 2022.

Securitizations of mortgage loans retained in the investment portfolio were $65 million for the three and nine months ended September 30, 2023. Securitizations of mortgage loans retained in the investment portfolio were $59 million and $99 million for the three and nine months ended September 30, 2022, respectively. These securitizations include a substantive guarantee by a third party. The guarantors were FNMA and FHLMC in 2023 and 2022. The debt securities received from the guarantors are classified as AFS.

Impairment

The Company evaluated its existing HTM portfolio as of September 30, 2023 and concluded that 95% of HTM securities met the zero expected credit loss criteria and, therefore, no ACL was recognized. Lifetime expected credit losses on the remainder of the HTM portfolio were determined to be insignificant based on the modeling of the Company's credit loss position in the securities. The Company monitors the credit exposure through the use of credit quality indicators. For these securities, the Company uses external credit ratings or an internally derived credit rating when an external rating is not available. All securities were determined to be investment grade at September 30, 2023.

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

	September 30, 2023					
	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
U.S. Treasury and other	$583	($12)	$3,142	($239)	$3,725	($251)
Mortgage-backed securities:						
Federal agencies and U.S. government sponsored entities	3,796	(111)	15,897	(2,734)	19,693	(2,845)
Other/non-agency	—	—	247	(32)	247	(32)
Total mortgage-backed securities	3,796	(111)	16,144	(2,766)	19,940	(2,877)
Collateralized loan obligations	32	—	757	(8)	789	(8)
Total	$4,411	($123)	$20,043	($3,013)	$24,454	($3,136)

	December 31, 2022					
	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
U.S. Treasury and other	$3,356	($193)	$—	$—	$3,356	($193)
Mortgage-backed securities:						
Federal agencies and U.S. government sponsored entities	13,353	(1,136)	5,042	(1,062)	18,395	(2,198)
Other/non-agency	80	(8)	171	(21)	251	(29)
Total mortgage-backed securities	13,433	(1,144)	5,213	(1,083)	18,646	(2,227)
Collateralized loan obligations	785	(26)	421	(16)	1,206	(42)
Total	$17,574	($1,363)	$5,634	($1,099)	$23,208	($2,462)

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 AFS debt securities identified with unrealized losses as of September 30, 2023. 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:

(dollars in millions)	September 30, 2023	December 31, 2022
Commercial and industrial	$46,753	$51,836
Commercial real estate	29,486	28,865
Leases	1,218	1,479
Total commercial	77,457	82,180
Residential mortgages	30,983	29,921
Home equity	14,729	14,043
Automobile	9,290	12,292
Education	12,134	12,808
Other retail	5,153	5,418
Total retail	72,289	74,482
Total loans and leases	$149,746	$156,662

Accrued interest receivable on loans and leases held for investment totaled $887 million and $820 million as of September 30, 2023 and December 31, 2022, respectively, and is included in other assets in the Consolidated Balance Sheets.

Loans pledged as collateral for FHLB borrowing capacity, primarily residential mortgages and home equity products, totaled $37.1 billion and $38.4 billion at September 30, 2023 and December 31, 2022, 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 $31.1 billion and $34.8 billion at September 30, 2023 and December 31, 2022, respectively.

In addition to loans pledged as collateral to secure borrowing capacity, the Company has secured borrowing arrangements collateralized by auto loans. See Note 7 for additional information.

Interest income on direct financing and sales-type leases for the three months ended September 30, 2023 and 2022 was $12 million and $13 million, respectively, and is reported within interest and fees on loans and leases in the Consolidated Statements of Operations. For the nine months ended September 30, 2023 and 2022, this interest income was $36 million and $34 million, respectively.

The following table presents the composition of LHFS:

	September 30, 2023			December 31, 2022		
(dollars in millions)	Residential Mortgages[1]	Commercial[2]	Total	Residential Mortgages[1]	Commercial[2]	Total
Loans held for sale at fair value	$739	$10	$749	$666	$108	$774
Other loans held for sale	—	99	99	—	208	208

[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 primarily consist of loans associated with the Company's syndication business.

NOTE 4 - CREDIT QUALITY AND THE ALLOWANCE FOR CREDIT LOSSES

Allowance for Credit Losses

Management's estimate of expected credit losses in the Company's loan and lease portfolios is recorded in the ALLL and the allowance for unfunded lending commitments (collectively the ACL). The Company's estimate of expected credit losses considers extensive historical loss experience, including the impact of loss mitigation and restructuring programs that the Company offers to borrowers experiencing financial difficulty, as well as projected loss severity as a result of loan default.

Effective January 1, 2023, the Company adopted new accounting guidance that eliminates the separate recognition and measurement of TDRs. Upon adoption of this guidance, the ACL for loans previously identified as TDRs is measured at the product level based on post-modification credit attributes and use of an econometric model.

For a detailed discussion of the ACL reserve methodology and estimation techniques as of December 31, 2022, see Note 6 in the Company's 2022 Form 10-K. There were no significant changes to the ACL reserve methodology during the nine months ended September 30, 2023.

The following table presents a summary of changes in the ACL for the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
(dollars in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$1,157	$887	$2,044	$1,060	$923	$1,983
Charge-offs	(74)	(117)	(191)	(212)	(339)	(551)
Recoveries	4	34	38	14	99	113
Net charge-offs	(70)	(83)	(153)	(198)	(240)	(438)
Provision expense (benefit) for loans and leases	146	43	189	371	164	535
Allowance for loan and lease losses, end of period	1,233	847	2,080	1,233	847	2,080
Allowance for unfunded lending commitments, beginning of period	213	42	255	207	50	257
Provision expense (benefit) for unfunded lending commitments	(21)	4	(17)	(15)	(4)	(19)
Allowance for unfunded lending commitments, end of period	192	46	238	192	46	238
Total allowance for credit losses, end of period	$1,425	$893	$2,318	$1,425	$893	$2,318

During the nine months ended September 30, 2023, net charge-offs of $438 million and a provision for expected credit losses of $516 million resulted in an increase of $78 million to the ACL.

Our ACL as of September 30, 2023 accounts for an economic forecast over our two-year reasonable and supportable period with implied peak unemployment of approximately 6% and peak-to-trough GDP decline of approximately 1.0%. This forecast reflects a mild recession over the two-year reasonable and supportable period.

The following table presents a summary of changes in the ACL for the three and nine months ended September 30, 2022:

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
(dollars in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Allowance for loan and lease losses, beginning of period	$987	$977	$1,964	$821	$937	$1,758
Allowance on PCD loans and leases at acquisition	—	—	—	99	2	101
Charge-offs[(1)]	(22)	(94)	(116)	(49)	(259)	(308)
Recoveries	7	35	42	13	113	126
Net charge-offs	(15)	(59)	(74)	(36)	(146)	(182)
Provision expense (benefit) for loans and leases[(2)]	58	32	90	146	157	303
Allowance for loan and lease losses, end of period	1,030	950	1,980	1,030	950	1,980
Allowance for unfunded lending commitments, beginning of period	166	17	183	153	23	176
Provision expense (benefit) for unfunded lending commitments	6	27	33	18	21	39
Allowance on PCD unfunded lending commitments at acquisition	—	—	—	1	—	1
Allowance for unfunded lending commitments, end of period	172	44	216	172	44	216
Total allowance for credit losses, end of period	$1,202	$994	$2,196	$1,202	$994	$2,196

(1) Excludes $33 million of charge-offs previously taken by Investors or recognized upon completion of the Investors acquisition under purchase accounting for the nine months ended September 30, 2022. The initial allowance for loan and lease losses on PCD assets included these amounts and, after charging these amounts off upon acquisition, the net impact for PCD assets was $101 million of additional allowance for loan and lease losses.

(2) Includes $169 million of initial provision expense related to non-PCD loans and leases acquired from Investors and HSBC for the nine months ended September 30, 2022.

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. Renewals are categorized as new credit decisions and reflect the renewal date as the vintage date, except for renewals of loans modified for borrowers experiencing financial difficulty, or FDMs, which are presented in the original vintage.

Citizens utilizes regulatory classification ratings to monitor credit quality for commercial loans and leases. For more information on regulatory classification ratings see Note 6 in the Company’s 2022 Form 10-K.

The following table presents the amortized cost basis of commercial loans and leases by vintage date and regulatory classification rating as of September 30, 2023, and gross charge-offs by vintage date for the nine months ended September 30, 2023:

	Term Loans by Origination Year						Revolving Loans		
(dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	Within the Revolving Period	Converted to Term	Total
Commercial and industrial									
Pass	$2,539	$6,979	$5,557	$1,459	$1,244	$2,217	$22,929	$52	$42,976
Special Mention	6	172	448	81	72	214	552	—	1,545
Substandard	—	285	320	207	112	314	742	10	1,990
Doubtful	—	26	41	9	4	102	56	4	242
Total commercial and industrial	2,545	7,462	6,366	1,756	1,432	2,847	24,279	66	46,753
Gross charge-offs	—	1	32	4	1	24	35	—	97
Commercial real estate									
Pass	1,366	5,516	6,193	2,823	2,300	4,334	1,833	9	24,374
Special Mention	—	640	528	158	500	235	84	—	2,145
Substandard	—	244	157	540	468	947	141	—	2,497
Doubtful	—	92	2	9	147	217	3	—	470
Total commercial real estate	1,366	6,492	6,880	3,530	3,415	5,733	2,061	9	29,486
Gross charge-offs	—	—	—	51	11	53	—	—	115
Leases									
Pass	67	182	295	202	69	323	—	—	1,138
Special Mention	—	28	1	1	2	—	—	—	32
Substandard	3	15	13	6	5	3	—	—	45
Doubtful	—	—	3	—	—	—	—	—	3
Total leases	70	225	312	209	76	326	—	—	1,218
Gross charge-offs	—	—	—	—	—	—	—	—	—
Total commercial									
Pass	3,972	12,677	12,045	4,484	3,613	6,874	24,762	61	68,488
Special Mention	6	840	977	240	574	449	636	—	3,722
Substandard	3	544	490	753	585	1,264	883	10	4,532
Doubtful	—	118	46	18	151	319	59	4	715
Total commercial	$3,981	$14,179	$13,558	$5,495	$4,923	$8,906	$26,340	$75	$77,457
Gross charge-offs	$—	$1	$32	$55	$12	$77	$35	$—	$212

The following table presents the amortized cost basis of commercial loans and leases by vintage date and regulatory classification rating as of December 31, 2022:

	Term Loans by Origination Year						Revolving Loans		
(dollars in millions)	2022	2021	2020	2019	2018	Prior to 2018	Within the Revolving Period	Converted to Term	Total
Commercial and industrial									
Pass	$8,304	$8,469	$2,224	$2,074	$1,334	$1,952	$24,211	$148	$48,716
Special Mention	124	189	120	74	48	153	364	—	1,072
Substandard	150	218	203	255	99	349	597	14	1,885
Doubtful	10	14	1	5	41	14	76	2	163
Total commercial and industrial	8,588	8,890	2,548	2,408	1,522	2,468	25,248	164	51,836
Commercial real estate									
Pass	5,767	6,442	3,639	3,066	2,145	3,536	1,888	3	26,486
Special Mention	1	119	103	390	99	113	62	—	887
Substandard	92	18	79	253	350	610	23	—	1,425
Doubtful	—	2	9	55	—	1	—	—	67
Total commercial real estate	5,860	6,581	3,830	3,764	2,594	4,260	1,973	3	28,865
Leases									
Pass	263	363	250	99	128	345	—	—	1,448
Special Mention	4	5	2	6	1	3	—	—	21
Substandard	—	4	3	3	—	—	—	—	10
Doubtful	—	—	—	—	—	—	—	—	—
Total leases	267	372	255	108	129	348	—	—	1,479
Total commercial									
Pass	14,334	15,274	6,113	5,239	3,607	5,833	26,099	151	76,650
Special Mention	129	313	225	470	148	269	426	—	1,980
Substandard	242	240	285	511	449	959	620	14	3,320
Doubtful	10	16	10	60	41	15	76	2	230
Total commercial	$14,715	$15,843	$6,633	$6,280	$4,245	$7,076	$27,221	$167	$82,180

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 current FICO score as of September 30, 2023, and gross charge-offs by vintage date for the nine months ended September 30, 2023:

	Term Loans by Origination Year						Revolving Loans		
(dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	Within the Revolving Period	Converted to Term	Total
Residential mortgages									
800+	$620	$2,988	$5,167	$3,115	$1,141	$3,233	$—	$—	$16,264
740-799	987	1,990	2,645	1,487	618	1,699	—	—	9,426
680-739	272	652	771	458	277	855	—	—	3,285
620-679	44	133	164	96	108	459	—	—	1,004
<620	4	38	103	94	166	578	—	—	983
No FICO available[(1)]	—	—	2	1	3	15	—	—	21
Total residential mortgages	1,927	5,801	8,852	5,251	2,313	6,839	—	—	30,983
Gross charge-offs	—	—	—	—	1	2	—	—	3
Home equity									
800+	—	4	4	2	5	95	5,084	236	5,430
740-799	—	2	2	1	4	89	4,539	249	4,886
680-739	—	—	1	2	4	98	2,569	207	2,881
620-679	—	1	1	2	9	83	688	134	918
<620	—	1	1	2	10	85	303	212	614
Total home equity	—	8	9	9	32	450	13,183	1,038	14,729
Gross charge-offs	—	—	—	—	—	2	6	—	8
Automobile									
800+	85	573	1,165	421	198	68	—	—	2,510
740-799	146	740	1,164	433	203	74	—	—	2,760
680-739	163	647	808	295	145	57	—	—	2,115
620-679	107	362	389	130	78	37	—	—	1,103
<620	40	232	302	110	76	42	—	—	802
Total automobile	541	2,554	3,828	1,389	700	278	—	—	9,290
Gross charge-offs	—	24	31	11	9	7	—	—	82
Education									
800+	254	674	1,670	1,460	625	1,247	—	—	5,930
740-799	304	717	1,108	908	389	717	—	—	4,143
680-739	123	308	350	282	137	314	—	—	1,514
620-679	21	64	68	57	34	111	—	—	355
<620	3	16	24	24	15	55	—	—	137
No FICO available[(1)]	18	—	—	—	—	37	—	—	55
Total education	723	1,779	3,220	2,731	1,200	2,481	—	—	12,134
Gross charge-offs	—	3	12	16	10	35	—	—	76
Other retail									
800+	125	116	49	45	22	24	500	—	881
740-799	169	131	59	60	29	25	998	1	1,472
680-739	146	101	50	50	25	15	1,020	2	1,409
620-679	82	61	29	25	8	5	441	2	653
<620	15	38	20	16	5	3	246	3	346
No FICO available[(1)]	20	3	—	2	—	—	367	—	392
Total other retail	557	450	207	198	89	72	3,572	8	5,153
Gross charge-offs	36	22	7	6	8	7	84	—	170
Total retail									
800+	1,084	4,355	8,055	5,043	1,991	4,667	5,584	236	31,015
740-799	1,606	3,580	4,978	2,889	1,243	2,604	5,537	250	22,687
680-739	704	1,708	1,980	1,087	588	1,339	3,589	209	11,204
620-679	254	621	651	310	237	695	1,129	136	4,033
<620	62	325	450	246	272	763	549	215	2,882
No FICO available[(1)]	38	3	2	3	3	52	367	—	468
Total retail	$3,748	$10,592	$16,116	$9,578	$4,334	$10,120	$16,755	$1,046	$72,289
Gross charge-offs	$36	$49	$50	$33	$28	$53	$90	$—	$339

[(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 current FICO score as of December 31, 2022:

	Term Loans by Origination Year						Revolving Loans		
(dollars in millions)	2022	2021	2020	2019	2018	Prior to 2018	Within the Revolving Period	Converted to Term	Total
Residential mortgages									
800+	$2,132	$4,943	$3,143	$1,180	$363	$3,081	$—	$—	$14,842
740-799	2,376	2,991	1,660	638	257	1,635	—	—	9,557
680-739	769	899	502	308	149	851	—	—	3,478
620-679	125	168	135	138	99	422	—	—	1,087
<620	17	68	77	165	147	455	—	—	929
No FICO available[1]	2	2	2	3	2	17	—	—	28
Total residential mortgages	5,421	9,071	5,519	2,432	1,017	6,461	—	—	29,921
Home equity									
800+	4	5	2	5	6	110	4,958	267	5,357
740-799	2	2	1	4	6	97	4,350	274	4,736
680-739	1	1	1	6	11	114	2,296	234	2,664
620-679	—	1	2	9	16	93	558	143	822
<620	—	—	2	12	18	82	178	172	464
Total home equity	7	9	8	36	57	496	12,340	1,090	14,043
Automobile									
800+	650	1,453	584	324	120	54	—	—	3,185
740-799	962	1,606	649	343	134	56	—	—	3,750
680-739	920	1,187	460	254	102	44	—	—	2,967
620-679	554	586	205	133	62	28	—	—	1,568
<620	188	309	130	106	56	31	—	—	820
No FICO available[1]	2	—	—	—	—	—	—	—	2
Total automobile	3,276	5,141	2,028	1,160	474	213	—	—	12,292
Education									
800+	548	1,720	1,567	694	410	1,068	—	—	6,007
740-799	735	1,351	1,126	486	267	609	—	—	4,574
680-739	363	423	356	170	103	288	—	—	1,703
620-679	54	76	62	38	29	102	—	—	361
<620	6	16	20	12	11	50	—	—	115
No FICO available[1]	6	—	—	—	—	42	—	—	48
Total education	1,712	3,586	3,131	1,400	820	2,159	—	—	12,808
Other retail									
800+	182	105	93	48	25	27	491	—	971
740-799	230	134	121	68	31	25	974	1	1,584
680-739	175	109	103	52	21	14	993	4	1,471
620-679	108	65	52	18	8	4	435	4	694
<620	35	30	25	9	4	2	190	6	301
No FICO available[1]	12	1	3	—	—	—	380	1	397
Total other retail	742	444	397	195	89	72	3,463	16	5,418
Total retail									
800+	3,516	8,226	5,389	2,251	924	4,340	5,449	267	30,362
740-799	4,305	6,084	3,557	1,539	695	2,422	5,324	275	24,201
680-739	2,228	2,619	1,422	790	386	1,311	3,289	238	12,283
620-679	841	896	456	336	214	649	993	147	4,532
<620	246	423	254	304	236	620	368	178	2,629
No FICO available[1]	22	3	5	3	2	59	380	1	475
Total retail	$11,158	$18,251	$11,083	$5,223	$2,457	$9,401	$15,803	$1,106	$74,482

[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 tables present an aging analysis of accruing loans and leases, and nonaccrual loans and leases as of September 30, 2023 and December 31, 2022:

	September 30, 2023						
		Days Past Due and Accruing					
(dollars in millions)	Current	30-59	60-89	90+	Nonaccrual	Total	Nonaccrual with no related ACL
Commercial and industrial	$46,475	$23	$9	$4	$242	$46,753	$43
Commercial real estate	28,896	75	42	3	470	29,486	48
Leases	1,215	—	—	—	3	1,218	—
Total commercial	76,586	98	51	7	715	77,457	91
Residential mortgages[(1)]	30,416	110	50	217	190	30,983	149
Home equity	14,351	82	28	—	268	14,729	179
Automobile	9,031	147	50	—	62	9,290	7
Education	12,035	47	26	3	23	12,134	2
Other retail	5,014	49	31	21	38	5,153	—
Total retail	70,847	435	185	241	581	72,289	337
Total	$147,433	$533	$236	$248	$1,296	$149,746	$428

	December 31, 2022						
		Days Past Due and Accruing					
(dollars in millions)	Current	30-59	60-89	90+	Nonaccrual	Total	Nonaccrual with no related ACL
Commercial and industrial	$51,389	$152	$25	$21	$249	$51,836	$64
Commercial real estate	28,665	51	45	1	103	28,865	7
Leases	1,475	4	—	—	—	1,479	—
Total commercial	81,529	207	70	22	352	82,180	71
Residential mortgages[(1)]	29,228	95	45	319	234	29,921	187
Home equity	13,719	64	19	—	241	14,043	185
Automobile	12,039	152	45	—	56	12,292	9
Education	12,718	36	17	4	33	12,808	3
Other retail	5,294	44	30	22	28	5,418	1
Total retail	72,998	391	156	345	592	74,482	385
Total	$154,527	$598	$226	$367	$944	$156,662	$456

(1) 90+ days past due and accruing includes $216 million and $316 million of loans fully or partially guaranteed by the FHA, VA, and USDA at September 30, 2023 and December 31, 2022, 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 a loan or lease as nonaccrual.

At September 30, 2023 and December 31, 2022, the Company had collateral-dependent residential mortgage and home equity loans totaling $542 million and $561 million, respectively. At September 30, 2023 and December 31, 2022, the Company had collateral-dependent commercial loans totaling $293 million and $21 million, respectively.

The amortized cost basis of mortgage loans collateralized by residential real estate for which formal foreclosure proceedings were in-process was $321 million and $250 million as of September 30, 2023 and December 31, 2022, respectively.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company adopted accounting guidance that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, all loan modifications to borrowers experiencing financial difficulty, or FDMs, are evaluated to determine whether the modification should be accounted for as a new loan or a continuation of the existing loan. The existing loan is derecognized and the restructured loan is accounted for as a new loan if the effective yield on the restructured loan is at least equal to the effective yield for comparable loans with similar collection risk and the modification to the original loan is more than minor. Any unamortized fees and costs from the original loan are recognized in interest income when the new loan is granted. If a loan restructuring does not meet these conditions, the existing loan's amortized cost basis is carried forward and the modified loan is accounted for as a continuation of the existing loan. FDMs are generally accounted for as a continuation of the existing loan given the terms are typically not at market rates.

The Company offers loan modifications to retail and commercial borrowers as a result of its loss mitigation activities that may result in a payment delay, interest rate reduction, term extension, principal forgiveness, or combination thereof. Payment delays consist of modifications that result in a delay of contractual amounts due greater than three months over a rolling 12-month period.

Commercial loan modifications are offered on a case-by-case basis and generally include a payment delay, term extension and/or interest rate reduction. The Company does not typically offer principal forgiveness for commercial loans. Retail loan modifications are offered through structured loan modification programs, which are summarized below.

- Forbearance programs provide borrowers experiencing some form of hardship a period of time during which their contractual payment obligations are suspended, resulting in a payment delay and/or term extension.
- Other repayment plans are offered due to hardship and include an interest rate reduction and/or term extension designed to enable the borrower to return the loan to current status in an expeditious manner.
- Settlement agreements may be executed with borrowers experiencing a long-term hardship or who are delinquent, resulting in principal forgiveness. Upon fulfillment of the terms of the settlement agreement, the unpaid principal amount is forgiven resulting in a charge-off of the outstanding principal balance.
- Certain reorganization bankruptcy judgments may result in any one of the four modification types or some combination thereof.

The following tables present the period-end amortized cost of loans to borrowers experiencing financial difficulty that were modified during the three and nine months ended September 30, 2023, disaggregated by class of financing receivable and modification type. The modification type reflects the cumulative effect of all FDMs received during the indicated period.

	Three Months Ended September 30, 2023							
(dollars in millions)	Interest Rate Reduction	Term Extension	Payment Delay	Principal Forgiveness	Interest Rate Reduction and Term Extension	Term Extension and Payment Delay	Total	Total as a % of Loan Class[1]
Commercial and industrial	$—	$148	$47	$—	$—	$1	$196	0.42 %
Commercial real estate	—	131	—	—	37	1	169	0.57
Total commercial	—	279	47	—	37	2	365	0.47
Residential mortgages	2	25	—	—	6	—	33	0.11
Home equity	1	1	—	—	1	—	3	0.02
Automobile	—	—	—	—	—	—	—	—
Education	3	—	1	—	—	—	4	0.03
Other retail	3	—	—	—	—	—	3	0.06
Total retail	9	26	1	—	7	—	43	0.06
Total[2]	$9	$305	$48	$—	$44	$2	$408	0.27 %

(dollars in millions)	Interest Rate Reduction	Term Extension	Payment Delay	Principal Forgiveness	Interest Rate Reduction and Term Extension	Term Extension and Payment Delay	Total	Total as a % of Loan Class[(1)]
	Nine Months Ended September 30, 2023							
Commercial and industrial	$—	$263	$78	$—	$1	$2	$344	0.74 %
Commercial real estate	—	454	—	—	37	1	492	1.67
Total commercial	—	717	78	—	38	3	836	1.08
Residential mortgages	6	59	—	—	16	—	81	0.26
Home equity	1	4	—	—	5	—	10	0.07
Automobile	—	—	—	—	—	—	—	—
Education	7	—	2	—	—	—	9	0.07
Other retail	8	—	—	—	—	—	8	0.16
Total retail	22	63	2	—	21	—	108	0.15
Total[(2)]	$22	$780	$80	$—	$59	$3	$944	0.63 %

(1) Represents the total amortized cost as of period-end divided by the period-end amortized cost of the corresponding loan class. Accrued interest receivable is excluded from amortized cost and is immaterial.
(2) Excludes borrowers that had their debt discharged by means of a Chapter 7 bankruptcy filing.

The following tables present the financial effect of loans to borrowers experiencing financial difficulty that were modified during the three and nine months ended September 30, 2023, disaggregated by class of financing receivable.

	Weighted-Average Interest Rate Reduction[(1)(5)]	Weighted-Average Term Extension (in Months)[(2)(5)]	Weighted-Average Payment Deferral[(3)(5)]	Amount of Principal Forgiven[(4)]
	Three Months Ended September 30, 2023			
Commercial and industrial	2.32 %	17	$427,833	$—
Commercial real estate	1.25	7	77,482	—
Residential mortgages	0.98	47	—	—
Home equity	2.51	133	—	—
Automobile	—	—	—	—
Education	4.95	—	4,972	—
Other retail	18.86	—	—	1

	Weighted-Average Interest Rate Reduction[(1)(5)]	Weighted-Average Term Extension (in Months)[(2)(5)]	Weighted-Average Payment Deferral[(3)(5)]	Amount of Principal Forgiven[(4)]
	Nine Months Ended September 30, 2023			
Commercial and industrial	2.95 %	14	$562,909	$—
Commercial real estate	1.25	8	47,172	—
Residential mortgages	1.55	48	—	—
Home equity	2.24	127	2,343	—
Automobile	3.47	20	1,253	—
Education	4.97	—	4,171	—
Other retail	18.45	—	—	4

(1) Represents the weighted-average reduction of the loan’s interest rate.
(2) Represents the weighted-average extension of a loan’s maturity date.
(3) Represents the weighted-average amount of payments delayed as a result of the loan modification. Amounts are reported in whole dollars.
(4) Amounts are recorded as charge-offs and are reported in millions.
(5) Weighted based on period-end amortized cost.

The following table presents an aging analysis of the period-end amortized cost of loans to borrowers experiencing financial difficulty that were modified during the nine months ended September 30, 2023, disaggregated by class of financing receivable. A loan in a forbearance or repayment plan is reported as past due according to its contractual terms until contractually modified. Subsequent to modification, it is reported as past due based on its restructured terms.

	September 30, 2023					
		Days Past Due and Accruing				
(dollars in millions)	Current	30-59	60-89	90+	Nonaccrual	Total
Commercial and industrial	$262	$—	$—	$—	$82	$344
Commercial real estate	262	55	—	—	175	492
Total commercial	524	55	—	—	257	836
Residential mortgages	52	—	5	13	11	81
Home equity	3	—	—	—	7	10
Automobile	—	—	—	—	—	—
Education	8	—	—	—	1	9
Other retail	6	1	—	—	1	8
Total retail	69	1	5	13	20	108
Total	$593	$56	$5	$13	$277	$944

The following tables present the period-end amortized cost of loans to borrowers experiencing financial difficulty that were modified on or after January 1, 2023 that subsequently defaulted during the three and nine months ended September 30, 2023, disaggregated by class of financing receivable and modification type. The modification type reflects the cumulative effect of all FDMs at the time of default. A loan is considered to be in default if, subsequent to modification, it becomes 90 or more days past due or is placed on nonaccrual status.

	Three Months Ended September 30, 2023				
(dollars in millions)	Interest Rate Reduction	Term Extension	Payment Delay	Reduction and Term Extension	Total
Commercial and industrial	$—	$—	$—	$—	$—
Commercial real estate	—	41	—	—	41
Total commercial	—	41	—	—	41
Residential mortgages	1	6	—	5	12
Home equity	—	1	—	2	3
Automobile	—	—	—	—	—
Education	—	—	1	—	1
Other retail	—	—	—	—	—
Total retail	1	7	1	7	16
Total	$1	$48	$1	$7	$57

	Nine Months Ended September 30, 2023				
(dollars in millions)	Interest Rate Reduction	Term Extension	Payment Delay	Interest Rate Reduction and Term Extension	Total
Commercial and industrial	$—	$3	$—	$—	$3
Commercial real estate	—	67	—	—	67
Total commercial	—	70	—	—	70
Residential mortgages	1	6	—	5	12
Home equity	—	1	—	2	3
Automobile	—	—	—	—	—
Education	—	—	1	—	1
Other retail	—	—	—	—	—
Total retail	1	7	1	7	16
Total	$1	$77	$1	$7	$86

Unfunded commitments related to loans modified during the nine months ended September 30, 2023 were $146 million at September 30, 2023.

Troubled Debt Restructuring Disclosures Prior to the Adoption of ASU 2022-02

The following tables summarize loans modified during the three and nine months ended September 30, 2022. 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 September 30, 2022			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction(1)	Maturity Extension(2)	Other(3)	Total
Commercial and industrial	6	$—	$2	$46	$48
Total commercial	6	—	2	46	48
Residential mortgages	185	6	21	13	40
Home equity	68	2	—	2	4
Automobile	135	—	—	1	1
Education	245	—	—	8	8
Other retail	590	2	—	—	2
Total retail	1,223	10	21	24	55
Total	1,229	$10	$23	$70	$103

		Nine Months Ended September 30, 2022			
		Amortized Cost Basis			
(dollars in millions)	Number of Contracts	Interest Rate Reduction(1)	Maturity Extension(2)	Other(3)	Total
Commercial and industrial	25	$—	$26	$80	$106
Total commercial	25	—	26	80	106
Residential mortgages	1,656	44	74	248	366
Home equity	318	4	1	16	21
Automobile	447	1	—	3	4
Education	481	—	—	19	19
Other retail	1,678	7	—	1	8
Total retail	4,580	56	75	287	418
Total	4,605	$56	$101	$367	$524

(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 for the nine months ended September 30, 2022. Unfunded commitments related to TDRs were $81 million at December 31, 2022.

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

	Three Months Ended	Nine Months Ended
(dollars in millions)	September 30, 2022	
Commercial TDRs	$—	$—
Retail TDRs(1)	28	224
Total	$28	$224

(1) Includes $18 million and $174 million of loans fully or partially government guaranteed by the FHA, VA, and USDA for the three and nine months ended September 30, 2022, respectively.

Concentrations of Credit Risk

The Company's lending activity is geographically well diversified with an emphasis in our core markets 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 September 30, 2023 and December 31, 2022, there were no material concentration risks within the commercial or retail loan portfolios. Exposure to credit losses arising from lending transactions may fluctuate with fair values of collateral supporting loans, which may not perform according to contractual agreements. The Company's policy is to collateralize loans to the extent necessary; however, unsecured loans are also granted on the basis of the financial strength of the applicant and the facts surrounding the transaction.

NOTE 5 - MORTGAGE BANKING AND OTHER SERVICED LOANS

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Cash proceeds from residential mortgage loans sold with servicing retained	$3,270	$3,518	$7,358	$14,676
Repurchased residential mortgages[1]	—	—	—	87
Gain on sales[2]	19	21	60	74
Contractually specified servicing, late and other ancillary fees[2]	76	75	230	213

[1] Includes government insured or guaranteed loans repurchased through the exercise of the Company's removal of account provision option.
[2] Reported in mortgage banking fees in the Consolidated Statements of Operations.

The unpaid principal balance of residential mortgage loans related to our MSRs was $97.6 billion and $96.7 billion at September 30, 2023 and December 31, 2022, respectively. The Company manages the risk associated with changes in the value of the MSRs with an active economic hedging strategy, which includes the purchase of freestanding derivatives.

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

	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Fair value as of beginning of the period	$1,524	$1,411	$1,530	$1,029
Amounts capitalized	47	70	104	244
Servicing rights acquired	—	—	—	16
Changes in unpaid principal balance during the period[1]	(42)	(31)	(124)	(102)
Changes in fair value during the period[2]	91	74	110	337
Fair value at end of the period	$1,620	$1,524	$1,620	$1,524

[1] 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.
[2] 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 of an immediate 10% and 20% adverse change in key economic assumptions to the current fair value of MSRs. 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. Changes in one factor may result in changes in another (e.g., changes in interest rates, which drive changes in prepayment rates, could result in changes in the discount rates), which may amplify or counteract the sensitivities. The primary risk inherent in the Company's MSRs is an increase in prepayments of the underlying mortgage loans serviced, which is largely dependent upon movements in market interest rates.

(dollars in millions)	September 30, 2023	December 31, 2022
Fair value	$1,620	$1,530
Weighted average life (years)	9.1	9.1
Weighted average constant prepayment rate	6.4%	6.8%
Decline in fair value from 10% adverse change	$35	$34
Decline in fair value from 20% adverse change	$67	$66
Weighted average option adjusted spread	630 bps	629 bps
Decline in fair value from 10% adverse change	$44	$43
Decline in fair value from 20% adverse change	$89	$86

The Company's mortgage banking derivatives include commitments to originate mortgages held for sale, certain loan sale agreements, and other financial instruments that meet the definition of a derivative. Refer to Note 9 for additional information.

Other Serviced Loans

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

(dollars in millions)	September 30, 2023	December 31, 2022
Education	$517	$602
Commercial and industrial(1)	94	91

(1) Represents the government guaranteed portion of SBA loans sold to outside investors

NOTE 6 - GOODWILL

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

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

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

The fair value of the Company's reporting units is determined using a combination of income and market-based approaches. The Company relies on several assumptions to estimate the fair value of its reporting units under the income-based approach including discount rate, projected loan losses, income tax and capital retention rates.

In response to stress in the banking sector and associated market conditions, the Company performed a quantitative goodwill impairment assessment in the third quarter of 2023. Based on this quantitative assessment, the Company concluded that the estimated fair value of the Consumer Banking and Commercial Banking reporting units exceeded their carrying value. Therefore, the Company determined that there was no impairment to the carrying value of its goodwill as of September 30, 2023.

Changes in the carrying value of goodwill for the nine months ended September 30, 2023 are presented below.

(dollars in millions)	Consumer Banking	Commercial Banking	Total
Balance at December 31, 2022	$2,673	$5,500	$8,173
Business acquisitions	5	10	15
Balance at September 30, 2023	$2,678	$5,510	$8,188

Accumulated impairment losses related to the Consumer Banking and Commercial Banking reporting units totaled $5.9 billion and $50 million, respectively, at September 30, 2023 and December 31, 2022. No impairment was recorded for the three and nine months ended September 30, 2023 and 2022.

For additional information on goodwill see Note 10 and Note 26 in the Company's 2022 Form 10-K.

NOTE 7 - VARIABLE INTEREST ENTITIES

Citizens, in the normal course of business, engages in a variety of activities with entities that are considered VIEs, as defined by GAAP, with its variable interest arising from contractual, ownership or other monetary interests in the entity. A VIE typically does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. Citizens is the primary beneficiary of a VIE, and must consolidate it, if its variable interest provides it with the power to direct the activities that significantly impact the VIE and it has the right to receive benefits, or the obligation to absorb losses, that could potentially be significant to the VIE. Citizens considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE to determine whether or not a variable interest held is significant to the VIE. Citizens assesses whether or not it is the primary beneficiary of a VIE on an ongoing basis.

Transfers of financial assets in which the Company has not surrendered control over the transferred assets are accounted for as a secured borrowing with a pledge of collateral. Control is generally considered surrendered when 1) the transferred assets are legally isolated from the Company and its creditors, even in bankruptcy, 2) the transferee has the right to pledge or exchange the transferred assets it received, with no condition that constrains the transferee from taking advantage of this right or that provides more than a trivial benefit to the Company, and 3) the Company does not maintain effective control over the transferred financial assets. Judgment is required to assess whether the Company maintains effective control over transferred financial assets.

For more details regarding the Company's involvement with VIEs see Note 11 in the Company's 2022 Form 10-K.

Consolidated VIEs

The Company has consolidated VIEs related to secured borrowings collateralized by auto loans. The following table summarizes the carrying amount of assets and liabilities for the Company's consolidated VIEs:

(dollars in millions)	September 30, 2023
Assets:	
Cash and due from banks	$196
Net loans and leases	3,647
Other assets	15
Total assets	$3,858
Liabilities:	
Long-term borrowed funds	$3,245
Other liabilities	10
Total liabilities	$3,255

Secured Borrowings

Citizens utilizes a portion of its auto loan portfolio to support certain secured borrowing arrangements, which provide a source of funding for the Company and involves the transfer of auto loans to bankruptcy remote special purpose entities ("SPEs"). These SPEs then issue asset-backed notes to third-parties collateralized by the transferred loans. Citizens holds certain residual interests in the loans and, therefore, has a right to receive benefits or the obligation to absorb losses that could potentially be significant to the SPEs. In addition, the Company retains servicing for the transferred loans and, therefore, holds the power to direct the most significant activities that impact the economic performance of the SPEs. As a result, the Company concluded that it is the primary beneficiary of these SPEs and, accordingly, consolidates these VIEs.

The assets of a particular VIE are the primary source of funds to settle its obligations. Creditors of these VIEs do not have recourse to the general credit of the Company. The performance of the loans transferred to the SPEs is the most significant driver impacting the economic performance of the VIEs.

Unconsolidated VIEs

Citizens is involved with various VIEs that are not consolidated, including investments in entities that sponsor affordable housing, renewable energy and economic development projects, and asset-backed securities. In addition, Citizens provides lending facilities 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 investments, unfunded commitments, and the outstanding principal balance of loans to special purpose entities.

A summary of these investments is presented below:

(dollars in millions)	September 30, 2023	December 31, 2022
Lending to special purpose entities included in loans and leases	$4,860	$4,578
LIHTC investments included in other assets	2,395	2,230
LIHTC unfunded commitments included in other liabilities	1,045	1,046
Asset-backed investments included in HTM securities	510	581
Renewable energy investments included in other assets	243	374
NMTC investments included in other assets	3	4

Lending to Special Purpose Entities

Citizens provides lending facilities to third-party sponsored special purpose entities. As of September 30, 2023 and December 31, 2022, the lending facilities had undrawn commitments to extend credit of $2.8 billion and $2.4 billion, respectively. For more information on commitments to extend credit see Note 12.

Low Income Housing Tax Credit Partnerships

The purpose of the Company's LIHTC investments is to assist in achieving the goals of the Community Reinvestment Act and to earn an adequate return of capital.

Renewable Energy Entities

The Company's investments in certain renewable energy entities provide benefits from government incentives and other tax attributes (e.g., tax depreciation).

Effective January 1, 2023, the Company made an election to account for its renewable energy investments using the proportional amortization method under newly adopted accounting guidance. Under the proportional amortization method, the Company amortizes the initial cost of its qualifying renewable energy investments in proportion to the income tax credits and other income tax benefits received in the current period as compared to the total income tax credits and other income tax benefits expected to be received over the life of the investment. The net amortization and income tax credits and other income tax benefits received are included as a component of income tax expense (benefit).

Contingent commitments related to the Company's renewable energy investments were $7 million at September 30, 2023, and are expected to be paid in varying amounts through 2026. These payments are contingent upon the level of electricity production attained by the renewable energy entity relative to its targeted threshold and changes in the production tax credit rates set by the Internal Revenue Service.

New Markets Tax Credit Program

The Company participates in the NMTC program which provides a tax incentive for private sector investment into economic development projects and businesses located in low-income communities. The United States Department of the Treasury oversees the program and it is directly administered by the Community Development Financial Institutions Fund.

The Company's investments in entities that sponsor economic development projects provide income tax credits to offset federal taxable income over a specified period of time. Independent third parties manage these entities and have the power to direct the activities which most significantly affect their performance. Therefore, Citizens is not the primary beneficiary of these entities and does not consolidate these VIEs as a result.

Effective January 1, 2023, the Company made an election to account for its NMTC investments using the proportional amortization method under newly adopted accounting guidance. Under the proportional amortization method, the Company applies a practical expedient and amortizes the initial cost of its qualifying NMTC investments in proportion to the income tax credits received in the current period as compared to the total income tax credits expected to be received over the life of the investment. The net amortization and income tax credits and other income tax benefits received are included as a component of income tax expense (benefit).

The following table summarizes the impact to the Consolidated Statements of Operations relative to the Company's tax credit programs for which it has elected to apply the proportional amortization method of accounting:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Tax credits recognized	$76	$59	$250	$180
Other tax benefits recognized	17	15	55	46
Amortization	(71)	(61)	(237)	(190)
Net benefit (expense) included in income tax expense	22	13	68	36
Other income	1	—	4	—
Allocated income (loss) on investments	(1)	—	(7)	—
Net benefit (expense) included in noninterest income	—	—	(3)	—
Net benefit (expense) included in the Consolidated Statements of Operations[1]	$22	$13	$65	$36

[1] Includes the impact of tax credit investments when the election to apply the proportional amortization method was in effect during the periods presented. For 2023, this includes LIHTC, renewable energy and NMTC investments, and for 2022, includes LIHTC investments.

The Company did not recognize impairment losses resulting from the forfeiture or ineligibility of income tax credits or other circumstances during the three and nine months ended September 30, 2023 and 2022.

NOTE 8 - BORROWED FUNDS

Short-term borrowed funds

Short-term borrowed funds were $232 million and $3 million as of September 30, 2023 and December 31, 2022, respectively.

Long-term borrowed funds

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

(dollars in millions)	September 30, 2023	December 31, 2022
Parent Company:		
3.750% fixed-rate subordinated debt, due July 2024	$90	$90
4.023% fixed-rate subordinated debt, due October 2024	17	17
4.350% fixed-rate subordinated debt, due August 2025	133	133
4.300% fixed-rate subordinated debt, due December 2025	336	336
2.850% fixed-rate senior unsecured notes, due July 2026	498	498
2.500% fixed-rate senior unsecured notes, due February 2030	298	298
3.250% fixed-rate senior unsecured notes, due April 2030	746	746
3.750% fixed-rate reset subordinated debt, due February 2031	69	69
4.300% fixed-rate reset subordinated debt, due February 2031	135	135
4.350% fixed-rate reset subordinated debt, due February 2031	60	61
2.638% fixed-rate subordinated debt, due September 2032	561	556
5.641% fixed-rate reset subordinated debt, due May 2037	398	397
CBNA's Global Note Program:		
3.700% senior unsecured notes, due March 2023[1]	—	497
5.676% floating-rate senior unsecured notes, due March 2023[1][2]	—	250
2.250% senior unsecured notes, due April 2025	748	748
4.119% fixed/floating-rate senior unsecured notes, due May 2025	649	648
6.064% fixed/floating-rate senior unsecured notes, due October 2025	599	598
5.284% fixed/floating-rate senior unsecured notes, due January 2026	449	—
3.750% senior unsecured notes, due February 2026	473	475
4.575% fixed/floating-rate senior unsecured notes, due August 2028	798	797
Additional Borrowings by CBNA and Other Subsidiaries:		
Federal Home Loan Bank advances, 5.594% weighted average rate, due through 2041[3]	7,036	8,519
Secured borrowings, 5.955% weighted average rate, due through 2030[3][4]	3,245	—
Other	16	19
Total long-term borrowed funds	$17,354	$15,887

(1) Notes were redeemed on February 27, 2023.
(2) Rate disclosed reflects the floating rate as of September 30, 2023, or final floating rate as applicable.
(3) Rate disclosed reflects the weighted average rate as of September 30, 2023.
(4) Collateralized by auto loans. See Note 7 for additional information.

At September 30, 2023, the Company's long-term borrowed funds includes principal balances of $17.5 billion, unamortized debt issuance costs and discounts of $77 million, and hedging basis adjustments of ($26) million. At December 31, 2022, the Company's long-term borrowed funds includes principal balances of $16.0 billion, unamortized debt issuance costs and discounts of $85 million, and hedging basis adjustments of ($27) million. See Note 9 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 sufficient to satisfy the collateral maintenance level established by the FHLB. The utilized FHLB borrowing capacity, primarily for advances and letters of credit, was $13.0 billion and $15.7 billion at September 30, 2023 and December 31, 2022, respectively. The Company's available FHLB borrowing capacity was $12.7 billion and $11.5 billion at September 30, 2023 and December 31, 2022, 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 September 30, 2023, the Company's unused secured borrowing capacity was approximately $61.3 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 September 30, 2023:

(dollars in millions)	Parent Company	CBNA and Other Subsidiaries	Consolidated
Year			
2023	$—	$1	$1
2024	107	892	999
2025	469	9,020	9,489
2026	498	2,133	2,631
2027	—	2	2
2028 and thereafter	2,267	1,965	4,232
Total	$3,341	$14,013	$17,354

NOTE 9 - DERIVATIVES

In the normal course of business Citizens enters into derivative transactions to meet the financing and hedging needs of its customers and 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 20 in the Company's 2022 Form 10-K.

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

	September 30, 2023			December 31, 2022		
(dollars in millions)	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate contracts	$89,502	$179	$57	$42,250	$16	$53
Derivatives not designated as hedging instruments:						
Interest rate contracts	200,389	260	1,785	174,384	331	1,579
Foreign exchange contracts	30,168	530	432	29,475	527	519
Commodities contracts	1,273	707	666	1,103	953	942
TBA contracts	3,561	17	5	2,370	7	14
Other contracts	887	5	3	913	5	4
Total derivatives not designated as hedging instruments	236,278	1,519	2,891	208,245	1,823	3,058
Total gross derivatives	325,780	1,698	2,948	250,495	1,839	3,111
Less: Gross amounts offset in the Consolidated Balance Sheets[1]		(609)	(609)		(623)	(623)
Less: Cash collateral applied[1]		(567)	(230)		(374)	(579)
Total net derivatives presented in the Consolidated Balance Sheets		$522	$2,109		$842	$1,909

[1] 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 all hedging relationships at inception, as well as risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Company monitors the effectiveness of its hedge relationships during the duration of the hedge period. The methods utilized to assess hedge effectiveness vary based on the hedge relationship, and the Company monitors each relationship to ensure that management's initial intent continues to be satisfied. The Company discontinues hedge accounting treatment when it is determined that a derivative is not expected to be, or has ceased to be, effective as a hedge and subsequently reflects changes in the fair value of the derivative in earnings after termination of the hedge relationship.

Fair Value Hedges

In a fair value hedge, changes in the fair value of both the derivative instrument and the hedged asset or liability attributable to the risk being hedged are recognized in the same income statement line item in the Consolidated Statements of Operations when the changes in fair value occur. During 2023, the Company entered into fair value hedges to manage interest rate risk within the AFS securities portfolio.

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 September 30,		Nine Months Ended September 30,		
(dollars in millions)	2023	2022	2023	2022	Affected Line Item in the Consolidated Statements of Operations
Interest rate swaps hedging long-term borrowed funds	($1)	($19)	$—	($71)	Interest expense - long-term borrowed funds
Hedged long-term borrowed funds attributable to the risk being hedged	1	19	—	70	Interest expense - long-term borrowed funds
Interest rate swaps hedging LHFS	—	18	—	15	Interest and fees on other loans held for sale
Hedged loans held for sale attributable to the risk being hedged	—	(19)	—	(15)	Interest and fees on other loans held for sale
Interest rate swaps hedging debt securities available for sale	16	—	28	29	Interest income - investment securities
Hedged debt securities available for sale attributable to the risk being hedged	(16)	—	(28)	(29)	Interest income - investment securities

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

(dollars in millions)	September 30, 2023		December 31, 2022	
	Debt securities available for sale	Long-term borrowed funds	Debt securities available for sale	Long-term borrowed funds
Carrying amount of hedged assets	$445	$—	$—	$—
Carrying amount of hedged liabilities	—	473	—	972
Cumulative amount of fair value hedging adjustments included in the carrying amount of the hedged items	(17)	(26)	—	(27)

Cash Flow Hedges

In a cash flow hedge the entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is initially recorded in OCI and is subsequently reclassified from AOCI to current period earnings (net interest income) in the same period that the hedged item affects earnings.

Citizens has entered into 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. The Company has also entered into certain interest rate option agreements that utilize interest rate floors and caps, or some combination thereof, providing the ability to hedge the variability in cash flows within different interest rate bands. Option premiums paid and received are excluded from the assessment of hedge effectiveness and are amortized over the life of the instruments.

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 related to derivative instruments designated as cash flow hedges:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Amount of pre-tax net gains (losses) recognized in OCI	($326)	($996)	($773)	($1,901)
Amount of pre-tax net gains (losses) reclassified from AOCI into interest income	(156)	(48)	(420)	1
Amount of pre-tax net gains (losses) reclassified from AOCI into interest expense	(1)	2	—	(4)

Using the interest rate curve at September 30, 2023 with respect to cash flow hedge strategies, the Company estimates that approximately $904 million in pre-tax net losses will be reclassified from AOCI to net interest income over the next 12 months, including $462 million related to terminated swaps. 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 September 30, 2023.

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 MSRs. 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 derivatives are entered into 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 September 30,		Nine Months Ended September 30,		Affected Line Item in the Consolidated Statements of Operations
(dollars in millions)	2023	2022	2023	2022	
Economic hedge type:					
Customer interest rate contracts	($448)	($840)	($1,028)	($2,015)	Foreign exchange and derivative products
Derivatives hedging interest rate risk	460	852	1,068	2,073	Foreign exchange and derivative products
Customer foreign exchange contracts	(77)	(174)	(72)	(297)	Foreign exchange and derivative products
Derivatives hedging foreign exchange risk	141	271	121	520	Foreign exchange and derivative products
Customer commodity contracts	168	(71)	(401)	1,453	Foreign exchange and derivative products
Derivatives hedging commodity price risk	(158)	77	430	(1,436)	Foreign exchange and derivative products
Residential loan commitments	(21)	(66)	(39)	(289)	Mortgage banking fees
Derivatives hedging residential loan commitments and mortgage LHFS, at fair value	30	105	45	502	Mortgage banking fees
Derivative contracts used to hedge residential MSRs	(76)	(68)	(91)	(310)	Mortgage banking fees
Total	$19	$86	$33	$201	

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the changes in the balances, net of income taxes, of each component of AOCI:

	As of and for the Three Months Ended September 30,			
(dollars in millions)	Net Unrealized Gains (Losses) on Derivatives	Net Unrealized Gains (Losses) on Debt Securities	Employee Benefit Plans	Total AOCI
Balance at July 1, 2022	($862)	($2,016)	($340)	($3,218)
Other comprehensive income (loss) before reclassifications	(738)	(903)	—	(1,641)
Amounts reclassified to the Consolidated Statements of Operations	34	—	2	36
Net other comprehensive income (loss)	(704)	(903)	2	(1,605)
Balance at September 30, 2022	($1,566)	($2,919)	($338)	($4,823)
Balance at July 1, 2023	($1,553)	($2,643)	($367)	($4,563)
Other comprehensive income (loss) before reclassifications	(248)	(578)	—	(826)
Amounts reclassified to the Consolidated Statements of Operations	120	23	3	146
Net other comprehensive income (loss)	(128)	(555)	3	(680)
Balance at September 30, 2023	($1,681)	($3,198)	($364)	($5,243)
Primary location in the Consolidated Statements of Operations of amounts reclassified from AOCI	Net interest income	Securities gains, net	Other operating expense	

	As of and for the Nine Months Ended September 30,			
(dollars in millions)	Net Unrealized Gains (Losses) on Derivatives	Net Unrealized Gains (Losses) on Debt Securities	Employee Benefit Plans	Total AOCI
Balance at January 1, 2022	($161)	($156)	($348)	($665)
Other comprehensive income (loss) before reclassifications	(1,407)	(2,759)	—	(4,166)
Amounts reclassified to the Consolidated Statements of Operations	2	(4)	10	8
Net other comprehensive income (loss)	(1,405)	(2,763)	10	(4,158)
Balance at September 30, 2022	($1,566)	($2,919)	($338)	($4,823)
Balance at January 1, 2023	($1,416)	($2,771)	($373)	($4,560)
Other comprehensive income (loss) before reclassifications	(580)	(490)	—	(1,070)
Amounts reclassified to the Consolidated Statements of Operations	315	63	9	387
Net other comprehensive income (loss)	(265)	(427)	9	(683)
Balance at September 30, 2023	($1,681)	($3,198)	($364)	($5,243)
Primary location in the Consolidated Statements of Operations of amounts reclassified from AOCI	Net interest income	Securities gains, net	Other operating expense	

NOTE 11 - STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes the Company's preferred stock:

(dollars in millions, except per share data)	Liquidation value per share	September 30, 2023 Preferred Shares	September 30, 2023 Carrying Amount	December 31, 2022 Preferred Shares	December 31, 2022 Carrying Amount
Authorized ($25 par value per share)		100,000,000		100,000,000	
Issued and outstanding:					
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	300,000	296
Total		2,050,000	$2,014	2,050,000	$2,014

[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.

For further detail regarding the terms and conditions of the Company's preferred stock, see Note 17 in the Company's 2022 Form 10-K.

Dividends

The following tables summarize the Company's dividend activity for the three and nine months ended September 30, 2023 and 2022.

(dollars in millions, except per share data)	Three Months Ended September 30, 2023 Dividends Declared per Share	Three Months Ended September 30, 2023 Dividends Declared	Three Months Ended September 30, 2023 Dividends Paid	Three Months Ended September 30, 2022 Dividends Declared per Share	Three Months Ended September 30, 2022 Dividends Declared	Three Months Ended September 30, 2022 Dividends Paid
Common stock	$0.42	$199	$199	$0.42	$209	$209
Preferred stock						
Series B	$21.81	$7	$9	$—	$—	$9
Series C	15.93	4	4	15.93	5	5
Series D	15.88	4	4	15.88	5	5
Series E	12.50	6	6	12.50	6	6
Series F	14.13	6	6	14.13	6	6
Series G	10.00	3	3	10.00	3	3
Total preferred stock		$30	$32		$25	$34

(dollars in millions, except per share data)	Nine Months Ended September 30, 2023 Dividends Declared per Share	Nine Months Ended September 30, 2023 Dividends Declared	Nine Months Ended September 30, 2023 Dividends Paid	Nine Months Ended September 30, 2022 Dividends Declared per Share	Nine Months Ended September 30, 2022 Dividends Declared	Nine Months Ended September 30, 2022 Dividends Paid
Common stock	$1.26	$609	$609	$1.20	$569	$569
Preferred stock						
Series B	$51.81	$16	$18	$30.00	$9	$18
Series C	47.81	14	14	47.81	15	15
Series D	47.63	14	14	47.63	14	14
Series E	37.50	17	17	37.50	17	17
Series F	42.38	17	17	42.38	17	17
Series G	30.00	9	9	30.00	9	9
Total preferred stock		$87	$89		$81	$90

Treasury Stock

During the nine months ended September 30, 2023, the Company repurchased $906 million, or 28,472,450 shares, of its outstanding common stock, which are held in treasury stock.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A summary of outstanding off-balance sheet arrangements is presented below. For more information on these arrangements, see Note 19 in the Company's 2022 Form 10-K.

(dollars in millions)	September 30, 2023	December 31, 2022
Commitments to extend credit	$94,432	$96,076
Letters of credit	2,036	2,119
Loans sold with recourse	95	92
Marketing rights	18	23
Risk participation agreements	1	4
Total	$96,582	$98,314

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 September 30, 2023, the remaining terms on these RPAs ranged from less than one year to seven years.

Contingencies

The Company operates in a legal and regulatory environment that exposes it to potentially significant risks. A certain amount of litigation ordinarily results from the nature of the Company's banking and other businesses. The Company is a party to legal proceedings, including class actions. The Company is also the subject of investigations, reviews, subpoenas, and regulatory matters arising out of its normal business operations which, in some instances, relate to concerns about fair lending, unfair and/or deceptive practices, and mortgage-related issues. In addition, the Company engages in discussions with relevant governmental and regulatory authorities on a regular and ongoing basis regarding various issues, and any issues discussed or identified may result in investigatory or other action being taken. Litigation and regulatory matters may result in settlements, damages, fines, penalties, public or private censure, increased costs, required remediation, restrictions on business activities, or other impacts on the Company.

In these disputes and proceedings, the Company contests liability and the amount of damages as appropriate. Given their complex nature, and based on the Company's experience, it may be years before some of these matters are finally resolved. Moreover, before liability can be reasonably estimated for a claim, numerous legal and factual issues may need to be examined, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal issues relevant to the proceedings in question. The Company cannot predict with certainty if, how, or when such claims will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for claims that are at an early stage in their development or where claimants seek substantial or indeterminate damages. The Company recognizes a provision for a claim when, in the opinion of management after seeking legal advice, it is probable that a liability exists and the amount of loss can be reasonably estimated. In many proceedings, however, it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

Based on information currently available, the advice of legal counsel and other advisers, and established reserves, management believes that the aggregate liabilities, if any, potentially arising from these proceedings will not have a materially adverse effect on the Company's unaudited interim Consolidated Financial Statements.

NOTE 13 - 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:

	September 30, 2023			December 31, 2022		
(dollars in millions)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Than Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Greater (Less) Than Aggregate Unpaid Principal
Residential mortgage loans held for sale, at fair value	$739	$734	$5	$666	$656	$10
Commercial and industrial, and commercial real estate loans held for sale, at fair value	10	12	(2)	108	127	(19)

For more information on the election of the fair value option for these assets see Note 20 in the Company's 2022 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 20 in the Company's 2022 Form 10-K.

The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities, on a recurring basis at September 30, 2023:

(dollars in millions)	Total	Level 1	Level 2	Level 3
Debt securities available for sale:				
Mortgage-backed securities	$20,504	$—	$20,504	$—
Collateralized loan obligations	789	—	789	—
State and political subdivisions	2	—	2	—
U.S. Treasury and other	3,774	3,774	—	—
Total debt securities available for sale	25,069	3,774	21,295	—
Loans held for sale, at fair value:				
Residential loans held for sale	739	—	739	—
Commercial loans held for sale	10	—	10	—
Total loans held for sale, at fair value	749	—	749	—
Mortgage servicing rights	1,620	—	—	1,620
Derivative assets:				
Interest rate contracts	439	—	439	—
Foreign exchange contracts	530	—	530	—
Commodities contracts	707	—	707	—
TBA contracts	17	—	17	—
Other contracts	5	—	—	5
Total derivative assets	1,698	—	1,693	5
Equity securities, at fair value[1]	106	106	—	—
Total assets	$29,242	$3,880	$23,737	$1,625
Derivative liabilities:				
Interest rate contracts	$1,842	$—	$1,842	$—
Foreign exchange contracts	432	—	432	—
Commodities contracts	666	—	666	—
TBA contracts	5	—	5	—
Other contracts	3	—	1	2
Total derivative liabilities	2,948	—	2,946	2
Total liabilities	$2,948	$—	$2,946	$2

[1] Excludes investments of $57 million included in other assets in the Consolidated Balance Sheets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient. These investments include capital contributions to private investment funds and have unfunded capital commitments of $24 million at September 30, 2023, which may be called at any time during prescribed time periods. The credit exposure is generally limited to the carrying amount of investments made and unfunded capital commitments.

The following table presents assets and liabilities measured at fair value, including gross derivative assets and liabilities, on a recurring basis at December 31, 2022:

(dollars in millions)	Total	Level 1	Level 2	Level 3
Debt securities available for sale:				
Mortgage-backed securities	$19,313	$—	$19,313	$—
Collateralized loan obligations	1,206	—	1,206	—
State and political subdivisions	2	—	2	—
U.S. Treasury and other	3,486	3,486	—	—
Total debt securities available for sale	24,007	3,486	20,521	—
Loans held for sale, at fair value:				
Residential loans held for sale	666	—	666	—
Commercial loans held for sale	108	—	108	—
Total loans held for sale, at fair value	774	—	774	—
Mortgage servicing rights	1,530	—	—	1,530
Derivative assets:				
Interest rate contracts	347	—	347	—
Foreign exchange contracts	527	—	527	—
Commodities contracts	953	—	953	—
TBA contracts	7	—	7	—
Other contracts	5	—	—	5
Total derivative assets	1,839	—	1,834	5
Equity securities, at fair value[1]	110	110	—	—
Total assets	$28,260	$3,596	$23,129	$1,535
Derivative liabilities:				
Interest rate contracts	$1,632	$—	$1,632	$—
Foreign exchange contracts	519	—	519	—
Commodities contracts	942	—	942	—
TBA contracts	14	—	14	—
Other contracts	4	—	—	4
Total derivative liabilities	3,111	—	3,107	4
Total liabilities	$3,111	$—	$3,107	$4

[1] Excludes investments of $43 million included in other assets in the Consolidated Balance Sheets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient. These investments include capital contributions to private investment funds and have unfunded capital commitments of $42 million at December 31, 2022, which may be called at any time during prescribed time periods. The credit exposure is generally limited to the carrying amount of investments made and unfunded capital commitments.

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 September 30, 2023		Nine Months Ended September 30, 2023	
(dollars in millions)	Mortgage Servicing Rights	Other Derivative Contracts	Mortgage Servicing Rights	Other Derivative Contracts
Beginning balance	$1,524	$6	$1,530	$1
Issuances	47	17	104	52
Settlements[2]	(42)	1	(124)	(11)
Changes in fair value during the period recognized in earnings[3]	91	(21)	110	(39)
Ending balance	$1,620	$3	$1,620	$3

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
(dollars in millions)	Mortgage Servicing Rights	Other Derivative Contracts	Mortgage Servicing Rights	Other Derivative Contracts
Beginning balance	$1,411	$11	$1,029	$38
Issuances	70	20	244	84
Acquisitions[1]	—	—	16	—
Settlements[2]	(31)	2	(102)	134
Changes in fair value during the period recognized in earnings[3]	74	(66)	337	(289)
Ending balance	$1,524	($33)	$1,524	($33)

(1) Represents MSRs acquired as part of the Investors acquisition.
(2) For MSRs, 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. For other derivative contracts, represents the closeout of interest rate lock commitments.
(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 September 30, 2023		
	Valuation Technique	Unobservable Input	Range (Weighted Average)
Mortgage servicing rights	Discounted Cash Flow	Constant prepayment rate	5.81-14.26% CPR (6.40% CPR)
		Option adjusted spread	398-1,058 bps (630 bps)
Other derivative contracts	Internal Model	Pull through rate	17.14-99.70% (82.27%)
		MSR value	4.25-153.04 bps (96.79 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 20 in the Company's 2022 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 September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Collateral-dependent loans	($40)	$—	($108)	($3)

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

	September 30, 2023				December 31, 2022			
(dollars in millions)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Collateral-dependent loans	$835	$—	$835	$—	$582	$—	$582	$—

Fair Value of Financial Instruments

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:

	September 30, 2023							
	Total		Level 1		Level 2		Level 3	
(dollars 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	$9,320	$8,054	$—	$—	$8,810	$7,569	$510	$485
Other loans held for sale	99	99	—	—	—	—	99	99
Net loans and leases	147,666	141,041	—	—	835	835	146,831	140,206
Other assets	995	995	—	—	977	977	18	18
Financial liabilities:								
Deposits	178,197	178,077	—	—	178,197	178,077	—	—
Short-term borrowed funds	232	232	—	—	232	232	—	—
Long-term borrowed funds	17,354	16,656	—	—	17,354	16,656	—	—

	December 31, 2022							
	Total		Level 1		Level 2		Level 3	
(dollars 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	$9,834	$9,042	$—	$—	$9,253	$8,506	$581	$536
Other loans held for sale	208	208	—	—	—	—	208	208
Net loans and leases	154,679	151,601	—	—	582	582	154,097	151,019
Other assets	1,058	1,058	—	—	1,038	1,038	20	20
Financial liabilities:								
Deposits	180,724	180,566	—	—	180,724	180,566	—	—
Short-term borrowed funds	3	3	—	—	3	3	—	—
Long-term borrowed funds	15,887	15,469	—	—	15,887	15,469	—	—

NOTE 14 - NONINTEREST INCOME

Revenues from Contracts with Customers

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

	Three Months Ended September 30, 2023				
(dollars in millions)	Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Service charges and fees	$73	$31	$—	$1	$105
Card fees	62	12	—	—	74
Capital markets fees	—	64	—	—	64
Trust and investment services fees	62	1	—	—	63
Other banking fees	1	3	—	—	4
Total revenue from contracts with customers	$198	$111	$—	$1	$310
Total revenue from other sources[1]	80	69	—	33	182
Total noninterest income	$278	$180	$—	$34	$492

	Three Months Ended September 30, 2022				
(dollars in millions)	Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Service charges and fees	$74	$33	$—	$1	$108
Card fees	59	11	—	—	70
Capital markets fees	—	76	—	—	76
Trust and investment services fees	61	—	—	—	61
Other banking fees	—	7	—	—	7
Total revenue from contracts with customers	$194	$127	$—	$1	$322
Total revenue from other sources[1]	76	86	—	28	190
Total noninterest income	$270	$213	$—	$29	$512

	Nine Months Ended September 30, 2023				
(dollars in millions)	Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Service charges and fees	$206	$98	$—	$1	$305
Card fees	188	35	—	—	223
Capital markets fees	—	211	—	—	211
Trust and investment services fees	190	1	—	—	191
Other banking fees	2	10	—	—	12
Total revenue from contracts with customers	$586	$355	$—	$1	$942
Total revenue from other sources[1]	216	233	—	92	541
Total noninterest income	$802	$588	$—	$93	$1,483

	Nine Months Ended September 30, 2022				
(dollars in millions)	Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Service charges and fees	$217	$94	$—	$3	$314
Card fees	169	31	—	—	200
Capital markets fees	—	244	—	—	244
Trust and investment services fees	188	—	—	—	188
Other banking fees	—	14	—	1	15
Total revenue from contracts with customers	$574	$383	$—	$4	$961
Total revenue from other sources[1]	233	264	—	46	543
Total noninterest income	$807	$647	$—	$50	$1,504

[1] Includes bank-owned life insurance income of $24 million and $22 million for the three months ended September 30, 2023 and 2022, respectively, and $70 million and $64 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company recognized trailing commissions of $4 million for the three months ended September 30, 2023 and 2022, and $11 million and $12 million, respectively, for the nine months ended September 30, 2023 and 2022 related to ongoing commissions from previous investment sales.

NOTE 15 - OTHER OPERATING EXPENSE

The following table presents the details of other operating expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Marketing	$48	$54	$142	$119
Deposit insurance	42	28	121	74
Other	86	83	279	235
Other operating expense	$176	$165	$542	$428

NOTE 16 - EARNINGS PER SHARE

(dollars in millions, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Numerator (basic and diluted):				
Net income	$430	$636	$1,419	$1,420
Less: Preferred stock dividends	30	25	87	81
Net income available to common stockholders	$400	$611	$1,332	$1,339
Denominator:				
Weighted-average common shares outstanding - basic	469,481,085	495,651,083	478,073,507	470,118,265
Dilutive common shares: share-based awards	1,702,634	1,826,418	1,659,501	1,840,045
Weighted-average common shares outstanding - diluted	471,183,719	497,477,501	479,733,008	471,958,310
Earnings per common share:				
Basic	$0.85	$1.23	$2.79	$2.85
Diluted[1]	0.85	1.23	2.78	2.84

[1] Potential dilutive common shares are excluded from the computation of diluted EPS in the periods where the effect would be antidilutive. Excluded from the computation of diluted EPS were weighted average antidilutive shares totaling 2,566,762 and 2,310,242 for the three months ended September 30, 2023 and 2022, respectively, and 2,391,244 and 903,782 for the nine months ended September 30, 2023 and 2022, respectively.

NOTE 17 - BUSINESS OPERATING SEGMENTS

Citizens is managed by its Chief Executive Officer on a segment basis. The Company's three business operating segments are Consumer Banking, Commercial Banking, and Non-Core. 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, who 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.

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

See Note 1 for a description of segment changes made during the third quarter of 2023. Prior period results have been revised to conform to the new segment presentation. For more information on the Company's business operating segments, as well as Other non-segment operations, see Note 26 in the Company's 2022 Form 10-K.

	Three Months Ended September 30, 2023				
(dollars in millions)	Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Net interest income	$1,067	$560	($41)	($64)	$1,522
Noninterest income	278	180	—	34	492
Total revenue	1,345	740	(41)	(30)	2,014
Noninterest expense	905	325	30	33	1,293
Profit (loss) before provision (benefit) for credit losses	440	415	(71)	(63)	721
Provision (benefit) for credit losses	67	67	20	18	172
Income (loss) before income tax expense (benefit)	373	348	(91)	(81)	549
Income tax expense (benefit)	97	88	(24)	(42)	119
Net income (loss)	$276	$260	($67)	($39)	$430
Total average assets	$72,964	$74,997	$13,113	$59,088	$220,162

(dollars in millions)	Three Months Ended September 30, 2022 Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Net interest income	$989	$558	$70	$48	$1,665
Noninterest income	270	213	—	29	512
Total revenue	1,259	771	70	77	2,177
Noninterest expense	828	325	36	52	1,241
Profit (loss) before provision (benefit) for credit losses	431	446	34	25	936
Provision (benefit) for credit losses	47	12	14	50	123
Income (loss) before income tax expense (benefit)	384	434	20	(25)	813
Income tax expense (benefit)	98	100	4	(25)	177
Net income (loss)	$286	$334	$16	$—	$636
Total average assets	$71,631	$80,067	$17,929	$55,846	$225,473

(dollars in millions)	Nine Months Ended September 30, 2023 Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Net interest income	$3,101	$1,741	($84)	($5)	$4,753
Noninterest income	802	588	—	93	1,483
Total revenue	3,903	2,329	(84)	88	6,236
Noninterest expense	2,637	971	95	192	3,895
Profit (loss) before provision (benefit) for credit losses	1,266	1,358	(179)	(104)	2,341
Provision (benefit) for credit losses	198	185	54	79	516
Income (loss) before income tax expense (benefit)	1,068	1,173	(233)	(183)	1,825
Income tax expense (benefit)	278	289	(61)	(100)	406
Net income (loss)	$790	$884	($172)	($83)	$1,419
Total average assets	$72,477	$77,130	$14,409	$57,723	$221,739

(dollars in millions)	Nine Months Ended September 30, 2022 Consumer Banking	Commercial Banking	Non-Core	Other	Consolidated
Net interest income	$2,635	$1,508	$359	($185)	$4,317
Noninterest income	807	647	—	50	1,504
Total revenue	3,442	2,155	359	(135)	5,821
Noninterest expense	2,424	905	105	218	3,652
Profit (loss) before provision (benefit) for credit losses	1,018	1,250	254	(353)	2,169
Provision (benefit) for credit losses	117	34	33	158	342
Income (loss) before income tax expense (benefit)	901	1,216	221	(511)	1,827
Income tax expense (benefit)	230	270	56	(149)	407
Net income (loss)	$671	$946	$165	($362)	$1,420
Total average assets	$66,793	$73,344	$18,582	$53,003	$211,722

In connection with business segment changes made during the quarter the Company revised one of its management accounting practices utilized to measure the performance and compile the results of its segments as outlined below.

Funds Transfer Pricing

The Company's FTP, a component of net interest income, ensures consistent business segment pricing behavior by removing interest rate risk from business performance. This risk is centrally managed within the Treasury function and reported in Other non-segment operations. Segments are provided an interest credit for funding it generates and an interest charge for assets it holds. The sum of interest income/expense and FTP charges/credits for each segment is its designated net interest income. The offset to FTP charges and credits is recorded in Other non-segment operations.

The Company continues to employ a matched maturity FTP methodology for the Consumer Banking and Commercial Banking business segments with rates based on a product's repricing frequency and interest sensitivity, as well as other factors. The FTP charge for the Non-Core segment is based on an implied reference pool of high-cost funding sources. This method applies a waterfall marginal funding approach referencing the Company's secured borrowings collateralized by auto loans, FHLB advances, and various other higher-cost deposit sources as are needed to fully debt-fund the assets.

There have been no other significant changes in the management accounting practices utilized by the Company to measure the performance and compile the results of its segments as discussed in Note 26 in the Company's 2022 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are presented in the "Market Risk" section of Part I, Item 2 and 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 on Form 10-Q, 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 on Form 10-Q, were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this quarterly report on Form 10-Q that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this item is presented in Note 12 and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Report, you should consider the risks described under the caption "Risk Factors" in the Company's 2022 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Details of the repurchases of the Company's common stock during the three months ended September 30, 2023 are included below:

Period	Total Number of Shares Repurchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Dollar Amount of Shares That May Yet Be Purchased as Part of Publicly Announced Plans or Programs[2]
July 1, 2023 - July 31, 2023	2,582,934	$29.04	2,582,907	$1,269,000,083
August 1, 2023 - August 31, 2023	4,845,154	$28.61	4,840,632	$1,130,546,512
September 1, 2023 - September 30, 2023	1,307,579	$27.95	1,304,676	$1,094,000,058

(1) Includes shares repurchased to satisfy applicable tax withholding obligations in connection with an employee share-based compensation plan and the forfeiture of unvested restricted stock awards.

(2) On February 17, 2023, the Company announced that its Board of Directors increased the capacity under its common share repurchase program by an additional $1.15 billion, which was incremental to the $850 million of capacity remaining as of December 31, 2022 under the prior June 2022 authorization. Common stock share repurchases may be executed in the open market or in privately negotiated transactions, including under Rule 10b5-1 plans and accelerated share repurchase and other structured transactions. The timing and exact amount of future share repurchases will be subject to various factors, including the Company's capital position, financial performance, capital impacts of strategic initiatives, market conditions, and regulatory considerations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1 Amended and 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 April 28, 2022 (incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed April 29, 2022)

3.2 Amended and Restated Bylaws of the Registrant (as amended and restated on February 16, 2023) (incorporated herein by reference to Exhibit 3.2 of the Annual Report on Form 10-K, filed February 17, 2023)

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

101 The following materials from the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2023, 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*

* 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 November 6, 2023.

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)

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: November 6, 2023

/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: November 6, 2023

/s/ John F. Woods

John F. Woods
Chief Financial Officer

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 September 30, 2023 (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: November 6, 2023

/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 September 30, 2023 (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: November 6, 2023

/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.